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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from __________ to __________

Commission file number 0-20797

RUSH ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No o

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

Yes o No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☑

Indicated below is the number of shares outstanding of each of the issuer's classes of common stock, as of November 2, 2010.

Title of Class	Number of Shares Outstanding
Class A Common Stock, $.01 Par Value	26,679,991
Class B Common Stock, $.01 Par Value	10,693,641

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2010 AND DECEMBER 31, 2009
(In Thousands, Except Shares)

	September 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 150,902	$ 149,095
Accounts receivable, net	67,889	38,869
Inventories, net	335,995	252,219
Prepaid expenses and other	3,754	3,650
Assets held for sale	—	22,719
Deferred income taxes, net	9,670	11,414
Total current assets	568,210	477,966
Investments	7,575	7,575
Property and equipment, net	414,754	353,841
Goodwill, net	147,213	136,761
Other assets, net	6,972	1,154
Total assets	$ 1,144,724	$ 977,297
Liabilities and shareholders' equity		
Current liabilities:		
Floor plan notes payable	$ 252,383	$ 189,256
Current maturities of long-term debt	52,359	55,545
Current maturities of capital lease obligations	6,843	5,730
Trade accounts payable	37,533	22,427
Accrued expenses	64,511	40,843
Total current liabilities	413,629	313,801
Long-term debt, net of current maturities	193,159	153,957
Capital lease obligations, net of current maturities	30,170	28,714
Other long-term liabilities	1,114	—
Deferred income taxes, net	53,910	54,600
Shareholders' equity:		
Preferred stock, par value $.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2010 and 2009	—	—
Common stock, par value $.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 26,663,588 class A shares and 10,693,641 class B shares outstanding in 2010; and 26,437,848 class A shares and 10,689,375 class B shares outstanding in 2009	390	388
Additional paid-in capital	193,227	188,116
Treasury stock, at cost: 1,639,843 class B shares	(17,948)	(17,948)
Retained earnings	277,753	255,669
Accumulated other comprehensive loss, net of tax	(680)	—
Total shareholders' equity	452,742	426,225
Total liabilities and shareholders' equity	$ 1,144,724	$ 977,297

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Revenues:				
New and used commercial vehicle sales	$ 248,324	$ 179,121	$ 620,237	$ 562,263
Parts and service	136,095	98,805	356,452	302,271
Lease and rental	18,254	13,300	48,541	40,012
Finance and insurance	2,182	1,729	5,714	5,600
Other	986	986	4,024	3,857
Total revenue	405,841	293,941	1,034,968	914,003
Cost of products sold:				
New and used commercial vehicle sales	228,864	167,396	570,027	530,069
Parts and service	83,190	59,668	218,041	184,215
Lease and rental	15,590	11,756	41,461	35,273
Total cost of products sold	327,644	238,820	829,529	749,557
Gross profit	78,197	55,121	205,439	164,446
Selling, general and administrative	60,392	50,340	165,677	149,257
Depreciation and amortization	4,068	3,724	11,291	12,247
(Loss) gain on sale of assets	(5)	88	(9)	166
Operating income	13,732	1,145	28,462	3,108
Interest expense, net	1,357	1,428	4,051	4,388
Income (loss) from continuing operations before taxes	12,375	(283)	24,411	(1,280)
Provision (benefit) for income taxes	4,344	(3,271)	9,042	(4,914)
Income from continuing operations	8,031	2,988	15,369	3,634
Income from discontinued operations, net of tax	6,128	20	6,715	716
Net income	$ 14,159	$ 3,008	$ 22,084	$ 4,350
Earnings per common share — Basic:				
Income from continuing operations	$ .22	$ .08	$ .41	$ .10
Net income	$ .38	$ .08	$ .59	$ .12
Earnings per common share — Diluted:				
Income from continuing operations	$ .21	$ .08	$ .40	$ .10
Net income	$ .37	$ .08	$ .58	$ .12
Weighted average shares outstanding:				
Basic	37,350	37,110	37,271	37,047
Diluted	38,198	37,780	38,087	37,469

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

Table of Contents

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Cash flows from operating activities:		
Net income	$ 22,084	$ 4,350
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,205	30,617
Gain on sale of property and equipment	(34)	(165)
Gain on disposition of equipment centers	(10,091)	—
Stock-based compensation expense related to stock options and employee stock purchases	3,583	3,086
Provision (benefit) for deferred income tax expense	1,488	(3,867)
Excess tax benefits from stock-based compensation	(232)	(227)
Change in accounts receivable, net	(24,623)	13,867
Change in inventories	(68,307)	97,047
Change in prepaid expenses and other, net	98	1,099
Change in trade accounts payable	14,931	(5,860)
Change in accrued expenses	24,149	(9,238)
Net cash (used in) provided by operating activities	(3,749)	130,709
Cash flows from investing activities:		
Acquisition of property and equipment	(44,643)	(32,978)
Proceeds from the sale of property and equipment	221	464
Business acquisitions	(33,674)	—
Proceeds from disposition of equipment centers	26,234	—
Change in other assets	(985)	11
Net cash (used in) investing activities	(52,847)	(32,503)
Cash flows from financing activities:		
Draws (payments) on floor plan notes payable, net	58,297	(86,053)
Proceeds from long-term debt	46,262	14,423
Principal payments on long-term debt	(41,834)	(33,768)
Principal payments on capital lease obligations	(5,692)	(3,489)
Debt issuance costs	(160)	(27)
Excess tax benefits from stock-based compensation	232	227
Proceeds from issuance of shares relating to employee stock options and employee stock purchases	1,298	801
Net cash provided by (used in) financing activities	58,403	(107,886)
Net increase (decrease) in cash and cash equivalents	1,807	(9,680)
Cash and cash equivalents, beginning of period	149,095	146,411
Cash and cash equivalents, end of period	$ 150,902	$ 136,731
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 9,874	$ 11,055
Income taxes, net of refunds	$ 3,749	$ 3,512
Noncash investing activities:		
Note receivable related to disposition of equipment centers	$ 4,750	$ —
Assets acquired under capital leases	$ 8,261	$ 17,953

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

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

1 — Principles of Consolidation and Basis of Presentation

The interim consolidated financial statements included herein have been prepared by Rush Enterprises, Inc. and its subsidiaries (collectively referred to as the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. All adjustments have been made to the accompanying interim consolidated financial statements, which, in the opinion of the Company's management, are necessary for a fair presentation of the Company's operating results. All adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is recommended that these interim consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. Results of operations for interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

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.

2 — Goodwill and Other Intangible Assets

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for under the purchase method. The Company does not amortize goodwill, but tests goodwill for impairment annually in the fourth quarter, or when indications of potential impairment exist. These indicators would include a significant change in operating performance, or a planned sale or disposition of a significant portion of the business, among other factors. The Company tests for goodwill impairment utilizing a fair value approach at the reporting unit level. A reporting unit is an operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company has deemed its reporting unit to be its operating segment, the Truck segment, which is the level at which segment management regularly reviews operating results and makes resource allocation decisions. The Construction Equipment segment is no longer reported as a separate business segment since the Company sold its John Deere construction equipment business in the third quarter of 2010. See Note 10 for further discussion of the sale of the construction equipment business.

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

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

The following table sets forth the change in the carrying amount of goodwill for the Company for the period ended September 30, 2010:

Balance January 1, 2010	$ 136,761
Acquisition of Lake City International (See Note 9)	9,164
Acquisition of Joe Cooper Truck Center LLC (See Note 9)	1,100
Adjustment to prior acquisition	188
Balance September 30, 2010	$ 147,213

3 — Commitments and Contingencies

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

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

In 2006, the Company signed an agreement with Titan Technology Partners to implement SAP enterprise software and a new SAP dealership management system. The cost of the SAP software and implementation is estimated at approximately $35.5 million, of which $34.2 million was expended at September 30, 2010.

4 — Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator:				
Numerator for basic and diluted earnings per share, income from continuing operations available to common shareholders	$ 8,031,000	$ 2,988,000	$ 15,369,000	$ 3,634,000
Denominator:				
Denominator for basic earnings per share, adjusted weighted average shares outstanding	37,349,899	37,109,673	37,271,416	37,046,915
Effect of dilutive securities:				
Employee and director stock options and restricted share awards	848,479	670,701	815,593	421,659
Denominator for diluted earnings per share, adjusted weighted average shares outstanding and assumed conversions	38,198,378	37,780,374	38,087,009	37,468,574
Basic earnings per common share	$ 0.22	$ 0.08	$ 0.41	$ 0.10
Diluted earnings per common share and common share equivalents	$ 0.21	$ 0.08	$ 0.40	$ 0.10

Options to purchase shares of common stock that were outstanding for the three months and nine months ended September 30, 2010 and 2009 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2010	2009	2010	2009
Anti-dilutive options	990,330	505,830	985,830	1,557,356

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 $0.7 million for the three months ended September 30, 2010, and $0.6 million for the three months ended September 30, 2009. Stock-based compensation expense, included in selling, general and administrative expense, for the nine months ended September 30, 2010, was $3.6 million and for the nine months ended September 30, 2009, was $3.1 million. As of September 30, 2010, there was $5.7 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements to be recognized over a weighted-average period of 3.15 years.

6 — 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 as a single reporting unit because they have similar economic characteristics. The Company's chief operating decision maker considers the entire Truck segment, not individual dealerships when making decisions about resources to be allocated to the segment and assess its performance.

The Construction Equipment segment will no longer be reported as a separate business segment due to the Company's decision to sell the assets of its John Deere construction equipment business. See Note 10 for further discussion of the sale of the construction equipment business. The assets of the construction equipment business have been included in the All Other segment assets in the table below for the periods ended September 30, 2009.

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

The Company accounted for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. There were no material intersegment sales during the quarters ended September 30, 2010 and 2009.

The following table contains summarized information about reportable segment revenue, segment income or loss from continuing operations and segment assets for the periods ended September 30, 2010 and 2009 (in thousands):

	Truck Segment	All Other	Totals
As of and for the three months ended September 30, 2010			
Revenues from external customers	$ 401,890	$ 3,951	$ 405,841
Segment income from continuing operations before taxes	12,838	(463)	12,375
Segment assets	1,112,454	32,270	1,144,724
For the nine months ended September 30, 2010			
Revenues from external customers	$ 1,023,321	$ 11,647	$ 1,034,968
Segment income from continuing operations before taxes	25,185	(774)	24,411
As of and for the three months ended September 30, 2009			
Revenues from external customers	$ 289,994	$ 3,947	$ 293,941
Segment income from continuing operations before taxes	326	(609)	(283)
Segment assets	900,657	56,853	957,510
For the nine months ended September 30, 2009			
Revenues from external customers	$ 901,503	$ 12,500	$ 914,003
Segment income from continuing operations before taxes	201	(1,481)	(1,280)

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

7 — Income Taxes

The Company included accruals for unrecognized income tax benefits totaling $1.8 million as a component of accrued liabilities as of September 30, 2010 and December 31, 2009. The unrecognized tax benefits of $1.8 million at September 30, 2010, if recognized, would impact the Company’s effective tax rate. An unfavorable settlement would require a charge to income tax expense and a favorable resolution would be recognized as a reduction to income tax expense. As of September 30, 2010, the Company accrued interest of $135,000 related to unrecognized tax benefits in the current provision for income taxes. No amounts were accrued for penalties.

The Company does not anticipate a significant change in the amount of unrecognized tax benefits in the next 12 months. As of September 30, 2010, the tax years ended December 31, 2008 through 2009 remained subject to audit by federal tax authorities and the tax years ended December 31, 2005 through 2009, remained subject to audit by state tax authorities.

8 — Medium-Duty GMC Truck Franchises

During the second quarter of 2009, General Motors made the decision to terminate its medium-duty GMC truck production and wind-down the Company’s medium-duty GMC truck franchises, which forced the Company to take a $6.7 million pre-tax asset impairment charge. The impairment charge was offset by $1.8 million in assistance from General Motors. This impairment charge resulted in a net charge to cost of sales of $4.0 million, a net charge to SG&A expense of $0.1 million and a charge to amortization expense of $0.8 million during the second quarter of 2009. During the third and fourth quarters of 2009, the Company adjusted the estimated impairment charge related to the medium-duty GMC truck and parts inventories, which resulted in a net credit to cost of sales of $1.9 million.

9 — Acquisitions

On May 24, 2010, the Company acquired certain assets of Lake City Companies, LLC and certain of its subsidiaries and affiliates (collectively, “Lake City International”). Lake City International operated a commercial truck and bus sales, service, parts, finance and leasing business representing multiple brands. The newly acquired dealerships include five locations in Utah, five locations in Idaho and one location in Oregon. These locations are operating as Rush Truck Centers and offer a combination of International heavy- and medium-duty commercial vehicles, Autocar trucks, Mitsubishi Fuso medium-duty trucks, IC buses and Workhorse chassis in addition to parts, service, body shop, financing and insurance capabilities. Rush Truck Leasing operates Idealease truck rental and leasing franchises at existing locations in Salt Lake City, Utah, and Boise, Idaho. The transaction, including the real estate, was valued at approximately $70.0 million. The purchase price for the assets of the business was paid in cash and the purchase price for the real estate was partially paid in cash with the remainder financed with long-term debt.

The operations of Lake City International are included in the accompanying consolidated financial statements from the date of the acquisition. Pro forma information is not included in accordance with ASC 805, “Business Combinations.” The preliminary purchase price has been allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Prepaid expenses	$	205
Accounts and notes receivable		5,955
Inventories		10,722
Property and equipment, including real estate		47,802
Other assets		309
Accounts payable		(175)
Accrued expenses		(3,555)
Floor plan notes payable		(275)
Notes payable		(178)
Goodwill		9,164
Total	$	69,974

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. When the valuation is final, any changes to the preliminary valuation of acquired assets and liabilities could result in adjustments to identified intangibles and goodwill. The Company financed approximately $37.5 million of the purchase price under its floor plan, accounts receivable, lease and rental truck financing arrangements and a real estate loan. As part of the Lake City International acquisition, the Company assumed certain contingent liabilities for notes initiated on behalf of Lake City International related to the sale of commercial vehicles. The contingent liability had an estimated fair value of $2.0 million and was recorded as an accrued liability.

The portion of goodwill related to the asset purchase of Lake City International will be capitalized and subject to impairment review on at least an annual basis. For federal tax purposes the goodwill will be amortized over 15 years. The above acquisition of Lake City International was considered a business combination accounted for under ASC 805.

On July 12, 2010, the Company acquired certain assets of Joe Cooper Truck Center LLC, which consisted of a Ford franchise in Oklahoma City, Oklahoma. The newly acquired Ford franchise was added to the Company’s existing dealership in Oklahoma City, Oklahoma. The transaction was valued at approximately $1.2 million, with the purchase price paid in cash.

10 — Sale of Equipment Centers

On September 9, 2010, the Company sold the assets of its John Deere construction equipment business, including its Rush Equipment Centers in Houston and Beaumont, Texas, to Doggett Heavy Machinery Services, LLC. The total purchase price for the Rush Equipment Centers was $31.0 million. The Company received cash of $26.2 million at closing and a $4.8 million note receivable to be paid over four years. Before closing, the Company paid liabilities, related to the assets sold, of approximately $14.6 million. The Company recorded a gain on the transaction of $10.1 million. The Construction Equipment segment will no longer be reported as a separate business segment.

At closing, Doggett Heavy Machinery Services, LLC entered into a lease agreement with Rush Equipment Centers of Texas, Inc. to lease the facility where Rush Equipment Center, Houston was located from an affiliate of the Company. The lease provides for an initial three year term with the option for lessee to terminate the lease with 30 days notice. The Company’s continuing involvement in the operations of the construction equipment business is not significant and will be limited to the facility lease agreement.

The results of operations of the construction equipment business have been classified as discontinued operations in the Company's consolidated statements of operations for all periods presented, and excluded from business segment information.

Net sales and earnings before income taxes related to the discontinued business were as follows (in thousands):

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Net Sales	$ 7,563	$ 8,497	$ 25,772	$ 29,649
Earnings before income taxes:				
Results of operations from discontinued operations before income taxes	(95)	33	917	1,174
Gain on disposition	10,091	—	10,091	—
Income tax (expense)	(3,868)	(13)	(4,293)	(458)
Net income from discontinued operations	$ 6,128	$ 20	$ 6,715	$ 716

The major classes of assets of the discontinued operations classified as held for sale and included in the consolidated balance sheet were as follows (in thousands):

	December 31, 2009
Inventories	$ 17,736
Goodwill	4,075
Property and equipment, net	908
Assets held for sale	$ 22,719

11 — Financial Instruments and Fair Value

Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments at September 30, 2010. The carrying value of current assets and current liabilities approximates the fair value due to the short maturity of these items.

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

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

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

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

As of September 30, 2010 and September 30, 2009, the Company held $7.6 million of auction rate securities with underlying tax-exempt municipal bonds that mature in 2030. These bonds have credit wrap insurance and a credit rating of A by Standard & Poor's.

The Company believes that the credit quality and fair value of the auction rate securities it holds has not been negatively impacted; therefore, no impairment charges have been recorded as of September 30, 2010. As of September 30, 2010, the Company has valued these investments at fair value, which approximates cost. The Company used observable inputs to determine fair value, including consideration of broker quotes, the overall quality of the underlying municipality, the credit quality of the insurance company, as well as successful subsequent auctions. Accordingly, the Company has considered this fair value to be a Level 2 valuation under ASC 820-10, "Fair Value Measurements and Disclosures." If the credit quality of these investments deteriorates, or adverse developments occur in the bond insurance market, the Company may be required to record an impairment charge on these investments in the future.

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 September 30, 2010, the Company had an aggregate $45.0 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 become effective on or about January 1, 2012. The Company's interest rate swaps qualify for cash flow hedge accounting treatment. Unrealized gains or losses are recorded in accumulated other comprehensive income. Realized gains and losses will be recognized in interest expense, if they occur. Amounts to be received or paid under the contracts will be recognized as interest expense over the life of the contracts. The Company did not have any interest rate swap contracts in place as of September 30, 2009. There was no ineffectiveness for these swaps during the quarter ended September 30, 2010.

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 $1.1 million as of September 30, 2010. The carrying value of these swaps is included in Other Long-Term Liabilities on the accompanying Consolidated Balance Sheet as of September 30, 2010.

As of September 30, 2010 the Company was party to derivative financial instruments, as described in the following table (in thousands):

Agreement	Notional Amount	Fixed Interest Rate	Expiration Date	Fair Value
Interest Rate Swap	$ 2,196	5.075%	July 1, 2015	$ (41)
Interest Rate Swap	$ 4,536	5.075%	July 1, 2015	$ (86)
Interest Rate Swap	$ 7,847	5.39%	December 31, 2014	$ (179)
Interest Rate Swap	$ 1,517	5.39%	December 31, 2014	$ (35)
Interest Rate Swap	$ 2,700	5.39%	December 31, 2014	$ (61)
Interest Rate Swap	$ 6,109	5.39%	December 31, 2014	$ (139)
Interest Rate Swap	$ 5,616	5.38%	June 29, 2015	$ (172)
Interest Rate Swap	$ 864	5.29%	June 30, 2015	$ (24)
Interest Rate Swap	$ 1,656	5.29%	June 30, 2015	$ (46)
Interest Rate Swap	$ 8,352	5.29%	June 30, 2015	$ (231)
Interest Rate Swap	$ 720	5.29%	June 30, 2015	$ (20)
Interest Rate Swap	$ 2,894	5.29%	June 30, 2015	$ (80)

Fair values of derivative instruments are on the accompanying Consolidated Balance Sheet as of September 30, 2010 (in thousands):

Derivatives Designated as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Swaps	—	—	Other Long-Term Liabilities	$ 1,114

12 — Comprehensive Income

The following table provides a reconciliation of net income to comprehensive income (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	$ 14,159	$ 3,008	$ 22,084	$ 4,350
Other comprehensive income:				
Change in fair value of cash flow swaps	(1,114)	—	(1,114)	—
Income tax benefit associated with cash flow swaps	434	—	434	—
Comprehensive income	$ 13,479	$ 3,008	$ 21,404	$ 4,350

13 — Subsequent Events

On October 12, 2010, the Company acquired certain assets of Metro Ford Truck Sales, Inc., which consisted of a Ford and Isuzu commercial vehicle dealership in Dallas, Texas. The Company is operating the facility as a full-service Rush Medium-Duty Truck Center offering medium-duty trucks, parts and service. The transaction was valued at approximately $5.6 million, with the purchase price paid in cash.

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

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

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

Note Regarding Trademarks Commonly Used in the Company's SEC Filings

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

General

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

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

The Company's Rush Truck Centers are principally located in high traffic areas throughout the United States. Since commencing operations as a Peterbilt heavy-duty truck dealer in 1966, the Company has grown to operate more than 60 Rush Truck Centers in Alabama, Arizona, California, Colorado, Florida, Georgia, Idaho, New Mexico, North Carolina, Oklahoma, Oregon, Tennessee, Texas and Utah.

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

The Construction Equipment segment will no longer be reported as a separate business segment due to the Company's disposition of its John Deere construction equipment business. Operating results of the Construction Equipment Segment have been classified as discontinued operations in the financial statements and related discussion and analysis below.

Critical Accounting Policies

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

Inventories

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

Goodwill

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

Goodwill is reviewed for impairment utilizing a two-step process. The first step requires the Company to compare the fair value of the reporting unit, which is the same as the segment, to the respective carrying value. The Company considers 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 an impairment may exist and a second step is required. In the second step of the analysis, the implied fair value of the goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

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

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

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

Finance and Insurance Revenue Recognition

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

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

Insurance Accruals

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

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

Accounting for Income Taxes

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

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

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

Stock-Based Compensation Expense

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

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

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.

Table of Contents

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for the three months and nine months ended September 30, 2010 and 2009.

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,	
	2010	2009	2010	2009
New and used commercial vehicle sales	61.3%	61.0%	59.9%	61.5%
Parts and service sales	33.5	33.6	34.4	33.1
Lease and rental	4.5	4.5	4.7	4.4
Finance and insurance	0.5	0.6	0.6	0.6
Other	0.2	0.3	0.4	0.4
Total revenues	100.0	100.0	100.0	100.0
Cost of products sold	80.7	81.2	80.2	82.0
Gross profit	19.3	18.8	19.8	18.0
Selling, general and administrative	14.9	17.1	16.0	16.3
Depreciation and amortization	1.0	1.3	1.1	1.3
Gain on sale of assets	0.0	0.0	0.0	0.0
Operating income	3.4	0.4	2.7	0.4
Interest expense, net	0.3	0.5	0.4	0.5
Income from continuing operations before income taxes	3.1	(0.1)	2.3	(0.1)
Provision for income taxes	1.1	(1.1)	0.9	(0.5)
Income from continuing operations	2.0	1.0	1.4	0.4
Income from discontinued operations	1.5	0.0	0.6	0.1
Net income	3.5%	1.0%	2.0%	0.5%

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

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2010	2009	Change	2010	2009	Change
Truck unit sales:						
New heavy-duty trucks	1,283	1,030	24.6%	3,065	3,016	1.6%
New medium-duty trucks	678	637	6.4%	2,121	2,029	4.5%
Total new truck unit sales	1,961	1,667	17.6%	5,186	5,045	2.8%
Used truck unit sales	899	760	18.3%	2,474	2,113	17.1%
Truck revenue:						
New heavy-duty trucks	$ 163.8	$ 116.2	41.0%	$ 386.6	$ 356.5	8.4%
New medium-duty trucks	46.9	37.1	26.4%	135.0	126.6	6.6%
Total new truck revenue	$ 210.7	$ 153.3	37.4%	$ 521.6	$ 483.1	8.0%
Used truck revenue	$ 37.4	$ 25.6	46.1%	$ 97.5	$ 78.1	24.8%
Other truck revenue(1)	$ 0.2	$ 0.2	0.0%	$ 1.1	$ 1.1	0.0%
Absorption rate:	109.1%	96.4%	13.2%	103.9%	96.3%	7.9%

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

Key Performance Indicator

Absorption Rate

Management uses several performance metrics to evaluate the performance of its commercial vehicle dealerships, and considers Rush Truck Centers' "absorption rate" to be of critical importance. Absorption rate is calculated by dividing the gross profit from the parts, service and body shop departments by the overhead expenses of all of a dealership's departments, except for the selling expenses of the new and used commercial vehicle departments and carrying costs of new and used commercial vehicle inventory. When 100% absorption is achieved, then gross profit from the sale of a commercial vehicle, after sales commissions and inventory carrying costs, directly impacts operating profit. In 1999, the Company's truck dealerships' absorption rate was approximately 80%. The Company has made a concerted effort to increase its absorption rate since 1999. The Company's truck dealerships achieved a 96.4% absorption rate for the third quarter of 2009, and 109.1% absorption rate for the third quarter in 2010.

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Despite the fact that general economic uncertainty continued to negatively impact demand for new commercial vehicles from historical averages, the Company was able to increase new Class 8 truck deliveries by 25% as compared to the same quarter last year and 58% over the second quarter of 2010. New commercial vehicle sales appear to be poised for a return to historically normal levels as customers have accepted the new emissions-compliant engine technology and pricing, and the age of the current fleet continues to drive the need for commercial vehicle replacement.

Truck dealership parts, service and body shop operations strengthened in the third quarter, with revenues increasing in the third quarter of 2010 by 39.9% compared to the third quarter of 2009. As commercial vehicle utilization remains high, the Company expects parts, service and body shop sales to continue to remain strong.

The Company and industry analysts expect a strong recovery in commercial vehicle retail sales in 2011, 2012 and 2013. A.C.T. Research currently predicts U.S. retail sales of Class 8 trucks of approximately 108,951 units in 2010, a 12.4% increase from the number of deliveries in 2009, 175,500 units in 2011, and 231,000 units in 2012. A.C.T. Research currently predicts U.S. retail sales of Class 4, 5, 6, and 7 medium-duty commercial vehicles of approximately 113,500 units in 2010, a 1.9% increase from the number of deliveries in 2009, 131,000 units in 2011, and 166,000 units in 2012.

On September 9, 2010, the Company sold the assets of its John Deere construction equipment business, including its Rush Equipment Centers in Houston and Beaumont, Texas, to Doggett Heavy Machinery Services, LLC. The total purchase price for the Rush Equipment Centers was $31.0 million which was paid in cash and a note receivable of $4.8 million. The construction equipment business recorded income from discontinued operations, net of tax, of $6.1 million ($0.16 per diluted share) during the third quarter of 2010. The results of the Company's construction equipment business are being reported as income from discontinued operations.

On July 12, 2010, the Company acquired certain assets of Joe Cooper Truck Center LLC which consisted of a Ford franchise in Oklahoma City, Oklahoma. The newly acquired Ford franchise was added to the Company's existing dealership in Oklahoma City, Oklahoma. The transaction was valued at approximately $1.2 million, with the purchase price paid in cash.

On May 24, 2010, the Company acquired certain assets of Lake City International. Lake City International operated a commercial truck and bus sales, service, parts, finance and leasing business representing multiple brands. The acquisition expanded the Company's network of Rush Truck Centers to 60 locations in 14 states. The newly acquired dealerships include five locations in Utah, five locations in Idaho and one location in Oregon. These locations are operating as Rush Truck Centers that offer a combination of International heavy- and medium-duty trucks, Autocar trucks, Mitsubishi Fuso medium-duty trucks, IC buses and Workhorse chassis in addition to parts, service, body shop, financing and insurance capabilities. Rush Truck Leasing will operate Idealease truck rental and leasing franchises at existing locations in Salt Lake City, Utah, and Boise, Idaho.

During the second quarter of 2009, General Motors made the decision to terminate its medium-duty GMC truck production and wind-down the Company's medium-duty GMC truck franchises, which forced the Company to take a $6.7 million pre-tax asset impairment charge. The impairment charge was offset by $1.8 million in assistance from General Motors, which was recorded as a receivable from General Motors. This impairment charge resulted in a net charge to cost of sales of $4.0 million, a net charge to SG&A expense of $0.1 million and a charge to amortization expense of $0.8 million during the second quarter of 2009. During the third and fourth quarters of 2009, the Company adjusted the estimated impairment charge related to the medium-duty GMC truck and parts inventories, which resulted in a net credit to cost of sales of $1.9 million.

Revenues

Revenues increased $111.9 million, or 38.1%, in the third quarter of 2010, compared to the third quarter of 2009. Sales of new and used commercial vehicles increased $69.2 million, or 38.6%, in the third quarter of 2010, compared to the third quarter of 2009. General economic uncertainty continues impact the demand for new commercial vehicles. However, the Company sold 1,283 heavy-duty trucks in the third quarter of 2010, a 24.6% increase compared to 1,030 heavy-duty trucks in the third quarter of 2009. The Company's acquisition of Lake City International contributed to the sale of 129 heavy-duty trucks in the third quarter of 2010. According to A.C.T. Research, the U.S. Class 8 truck market increased 23.0% in the third quarter of 2010 compared to the third quarter of 2009. The Company's share of the U.S. Class 8 truck sales market was approximately 4.1% in 2009. The Company expects its share to range between 3.7% and 4.1% of the U.S. Class 8 truck market in 2010, which would result in the sale of approximately 4,000 to 4,400 Class 8 trucks based on current U.S. retail sales estimates of 108,951 units.

The Company sold 678 medium-duty commercial vehicles, including 137 buses, in the third quarter of 2010, a 6.4% increase compared to 637 medium-duty commercial vehicles, including 76 buses in the third quarter of 2009. The Company's acquisition of Lake City International contributed to the sale of 73 medium-duty commercial vehicles in the third quarter of 2010. 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 third quarter of 2010 compared to the third quarter of 2009. In 2009, the Company achieved a 2.4% share of the Class 4 through 7 commercial vehicle sales market in the U.S. The Company expects its share to range between 2.4% and 2.5% of the U.S. Class 4 through 7 commercial vehicle sales market in 2010. This market share percentage would result in the sale of approximately 2,700 to 2,900 of Class 4 through 7 commercial vehicles in 2010 based on current U.S. retail sales estimates of approximately 113,500 units.

The Company sold 899 used commercial vehicles in the third quarter of 2010, an 18.3% increase compared to 760 used commercial vehicles in the third quarter of 2009. The Company's acquisition of Lake City International contributed to the sale of 162 used commercial vehicles in the third quarter of 2010. The Company expects demand for used commercial vehicles to remain high in 2010, but sales will be largely dependent upon our ability to acquire quality used commercial vehicles and maintain an adequate used commercial vehicle inventory. The Company expects to sell approximately 3,100 to 3,400 used commercial vehicles in 2010.

Parts and service sales increased $37.3 million, or 37.7%, in the third quarter of 2010 compared to the third quarter of 2009. The Company's acquisition of Lake City International contributed $10.7 million of the increase. The Company expects parts and service sales to decrease in the fourth quarter of 2010 compared to the third quarter of 2010 due to fewer business days in the quarter. As excess commercial vehicle capacity equalizes with freight demand, more commercial vehicles that had been put out of service are being put back into service and commercial vehicles are driving more miles, which increases the need for maintenance and repair.

Truck lease and rental revenues increased $5.0 million, or 37.2%, in the third quarter of 2010 compared to the third quarter of 2009. The Company's acquisition of Lake City International contributed $2.5 million of the increase. The remainder of the increase in lease and rental revenue is consistent with management's expectations, which are based upon the increased number of units put into service in the lease and rental fleet during 2009 and 2010 and increasing rental fleet utilization. The Company expects lease and rental revenue to increase 18% to 20% during 2010, compared to 2009 based on the increase of units in the lease and rental fleet and the acquisition of Lake City International.

Finance and insurance revenues increased $0.5 million, or 26.2%, in the third quarter of 2010 compared to the third quarter of 2009. The increase in finance and insurance revenue is a direct result of the increase in new and used commercial vehicle sales. The Company expects finance and insurance revenue to fluctuate proportionately with the Company's new and used commercial vehicle sales in 2010. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of the Company's operating profits.

Other income remained flat in the third quarter of 2010 compared to the third quarter of 2009. Other income consists primarily of the gain on sale realized on commercial vehicles from the lease and rental fleet, document fees related to commercial vehicle sales, mineral royalties and purchase discounts.

Gross Profit

Gross profit increased $23.1 million, or 41.9%, in the third quarter of 2010 compared to the third quarter of 2009. Gross profit as a percentage of sales slightly increased to 19.3% in the third quarter of 2010 from 18.8% in the third quarter of 2009.

Gross margins on Class 8 truck sales increased to 7.5% in the third quarter of 2010 from 4.5% in the third quarter of 2009. Gross margins on Class 8 truck sales during the third quarter of 2010 increased relative to 2009 because of a customer mix that included fewer large fleets. In 2010, the Company expects overall gross margins from Class 8 truck sales of approximately 6.0% to 8.0%, depending upon the mix of customer base and products sold.

Gross margins on medium-duty commercial vehicle sales decreased to 5.8% in the third quarter of 2010 from 11.1% in the third quarter of 2009. The gross margin during the third quarter of 2009 was positively impacted by a $1.4 million adjustment to the valuation allowance of GMC medium-duty truck inventory that was recorded in the second quarter of 2009. The Company adjusted the valuation allowance because it was able to sell some of the GMC medium-duty truck inventory at higher prices than originally estimated. Gross margins on medium-duty commercial vehicles vary significantly depending upon the mix of fleet and non-fleet purchasers and types of medium-duty commercial vehicles sold. For 2010, the Company expects overall gross margins from medium-duty commercial vehicle sales of approximately 5.0% to 7.0% depending upon the mix of customer base and products sold.

Gross margins on used commercial vehicle sales increased to 11.4% in the third quarter of 2010 from 9.3% in the third quarter of 2009. This increase was largely attributable to increased demand for high quality used commercial vehicles due to the increased cost of new 2010 emission compliant commercial vehicles. The Company expects margins on used commercial vehicles to return to historical margins of 8.0 to 10.0% in the fourth quarter of 2010, which will result in margins of approximately 8.5% to 11.5% for the year.

Gross margins from the Company’s parts, service and body shop operations decreased to 38.9% in the third quarter of 2010 from 39.6% in the third quarter of 2009. The decrease in gross margins is largely attributable to decreased purchase discounts being offered by the Company’s major suppliers in 2010 compared to 2009. Gross profit for the parts, service and body shop departments increased to $52.9 million in the third quarter of 2010 from $39.1 million in the third quarter of 2009. The Company expects gross margins on parts, service and body shop operations of approximately 38.0% to 40.0% during 2010.

Gross margins from truck lease and rental sales increased to 14.6% in the third quarter of 2010 from approximately 11.6% in the third quarter of 2009. The increase in the gross margin from lease and rental sales is primarily due to the increased utilization of trucks in our rental fleet. The Company expects gross margins from lease and rental sales of approximately 12.0% to 16.0% during 2010 primarily depending upon general economic conditions. The Company’s policy is to depreciate its lease and rental fleet using a straight line method over the customer’s contractual lease term. The lease unit is depreciated to a residual value that approximates fair value at the expiration of the lease term. This policy results in the Company realizing reasonable gross margins while the unit is in service and a corresponding gain or loss on sale when the unit is sold at the end of the lease term.

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

Selling, General and Administrative Expenses

Selling, General and Administrative (“SG&A”) expenses increased $10.1 million, or 20.0%, in the third quarter of 2010 compared to the third quarter of 2009. SG&A expenses as a percentage of sales decreased to 14.9% in the third quarter of 2010 from 17.1% in the third quarter of 2009. SG&A expenses as a percentage of sales historically ranged from 10.0% to 15.0%. In general, when new and used commercial vehicle revenue decreases as a percentage of revenue, SG&A expenses as a percentage of revenue will be at, or exceed, the higher end of this range. Extremely low commercial vehicle revenue during 2009 and early 2010, caused SG&A expenses as a percentage of sales to fall outside this range. The Company earns federal income tax credits on the sale of alternative fuel vehicles to tax-exempt entities. A portion of these tax credits are passed back to the tax-exempt customer and are reflected as SG&A expense to the Company. In the third quarter of 2010, the selling portion of SG&A expenses, which consists primarily of commissions on commercial vehicle and construction equipment sales, increased 36.0% and the general and administrative portion of SG&A expenses increased 18.8% compared to the third quarter of 2009. For 2010, the Company expects the selling portion of SG&A expenses to be approximately 25% to 28% of new and used commercial vehicle gross profit. The selling portion of SG&A expenses varies based on the gross profit derived from commercial vehicle sales. The Company expects SG&A expenses as a percentage of sales to range from 15.0% to 17.0% for the remainder of 2010.

Interest Expense, Net

Net interest expense remained relatively flat in the third quarter of 2010 compared to the third quarter of 2009. The Company expects net interest expense for the fourth quarter of 2010 to increase compared to 2009 based on anticipated increases in inventory levels and the anticipated modification to the Company's floor plan agreement in the fourth quarter of 2010, which will likely result in increased floor plan interest.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes increased $12.7 million in the third quarter of 2010 compared to the third quarter of 2009, as a result of the factors described above. The Company believes that income before income taxes in 2010 will increase compared to 2009 based on the factors described above.

Income Taxes

Income taxes increased $7.6 million in the third quarter of 2010 compared to the third quarter of 2009. The Company provided for taxes at a 38.0% effective rate in the third quarter of 2010 compared to an effective rate of 63.0% in the third quarter of 2009. Historically, the Company's effective tax rate has been approximately 36% to 38% of pretax income. If pretax income for 2010 is similar to pretax income in 2009, the Company expects its effective tax rate to be approximately 39.0% to 40.0% before the application of alternative fuel tax credits. In the third quarter of 2010, the Company received $0.3 million in tax credits for sales of alternative fuel vehicles to tax-exempt entities, compared to $3.8 million in the third quarter of 2009. The Company's higher tax rate during 2009 is primarily due to state taxation regulations and non-deductible expenses. The Company's effective tax rate may vary significantly depending on the number of alternative fuel vehicles sold to tax-exempt entities.

Income from Discontinued Operations, net

Income from discontinued operations, net of income taxes increased $6.1 million in the third quarter of 2010 compared to the third quarter of 2009. Income from discontinued operations includes operating results and a gain of $10.1 million on the disposition for the Company's construction equipment business.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Unless otherwise stated below, the Company's variance explanations and future expectations with regard to the items discussed in this section are set forth in the discussion of the "Three Months Ended September 30, 2010, Compared to Three Months Ended September 30, 2009."

Revenues

Revenues increased $121.0 million, or 13.2%, in the first nine months of 2010, compared to the first nine months of 2009. Sales of new and used commercial vehicles increased $58.0 million, or 10.3%, in the first nine months of 2010, compared to the first nine months of 2009.

The Company sold 3,065 heavy-duty units in the first nine months of 2010, a 1.6% increase compared to 3,016 heavy-duty trucks in the first nine months of 2009. According to A.C.T. Research, the U.S. Class 8 truck market increased 17.0% in the first nine months of 2010, compared to the first nine months of 2009. Some of the Company's fleet customers chose to delay purchases of heavy-duty trucks, which contributed to the decrease in the Company's heavy-duty truck sales during the first half of 2010 relative to the overall market.

The Company sold 2,121 medium-duty commercial vehicles, including 340 buses, in the first nine months of 2010, a 4.5% increase compared to 2,029 medium-duty commercial vehicles, including 287 buses in the first nine months of 2009. A.C.T. Research estimates that unit sales of Class 4 through 7 commercial vehicles in the U.S increased approximately 7.0% in the first nine months of 2010, compared to the first nine months of 2009.

The Company sold 2,474 used commercial vehicles in the first nine months of 2010, a 17.1% increase compared to 2,113 used commercial vehicles in the first nine months of 2009.

Parts and service sales increased $54.2 million, or 17.9%, in the first nine months of 2010, compared to the first nine months of 2009.

Truck lease and rental revenues increased $8.5 million, or 21.3%, in the first nine months of 2010, compared to the first nine months of 2009.

Finance and insurance revenues increased $0.1 million, or 2.0%, in the first nine months of 2010, compared to the first nine months of 2009.

Other income increased $0.2 million, or 4.3%, in the first nine months of 2010, compared to the first nine months of 2009. Other income consists primarily of the gain on sale realized on commercial vehicles from the lease and rental fleet, document fees related to commercial vehicle sales, mineral royalties and purchase discounts.

Gross Profit

Gross profit increased $41.0 million, or 24.9%, in the first nine months of 2010, compared to the first nine months of 2009. Gross profit as a percentage of sales increased to 19.8% in the first nine months of 2010 from 18.0% in the first nine months of 2009.

Gross margins on Class 8 truck sales increased to 7.6% in the first nine months of 2010, from 5.7% in the first nine months of 2009.

Gross margins on medium-duty commercial vehicle sales increased to 5.9% in the first nine months of 2010, from 5.2% in the first nine months of 2009.

Gross margins on used commercial vehicle sales increased to 13.2% in the first nine months of 2010, from 6.6% in the first nine months of 2009.

Gross margins from the Company's parts, service and body shop operations decreased to 38.8% in the first nine months of 2010, from 39.1% in the first nine months of 2009. Gross profit for the parts, service and body shop departments was $138.4 million in the first nine months of 2010, compared to $118.1 million in the first nine months of 2009.

Gross margins from truck lease and rental sales increased to 14.6% in the first nine months of 2010, from 11.8% in the first nine months of 2009.

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 $16.4 million, or 11.0%, in the first nine months of 2010, compared to the first nine months of 2009. SG&A expenses as a percentage of sales was 16.0% in the first nine months of 2010 and 16.3% in the first nine months of 2009.

Interest Expense, Net

Net interest expense decreased $0.3 million, or 7.7%, in the first nine months of 2010, compared to the first nine months of 2009.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes increased $11.7 million in the first nine months of 2010, compared to the first nine months of 2009.

Provision for Income Taxes

Income taxes increased $14.0 million in the first nine months of 2010, compared to the first nine months of 2009. The Company provided for taxes at a 39.7% rate in the first nine months of 2010, compared to a rate of 62.0% in the first nine months of 2009. In the first nine months of 2010, the Company received $0.6 million in tax credits for sales of alternative fuel vehicles to tax-exempt entities, compared to $5.7 million in the first nine months of 2009. The Company's higher tax rate during 2009 was primarily due to state taxation regulations and non-deductible expenses. The Company's effective tax rate may vary significantly depending on the number of alternative fuel vehicles sold to tax-exempt entities.

Income from Discontinued Operations, net

Income from discontinued operations, net of income taxes increased $6.0 million in the first nine months of 2010, compared to the first nine months of 2009. Income from discontinued operations includes operating results and a gain of $10.1 million on the disposition for the Company's construction equipment business.

Liquidity and Capital Resources

The Company's short-term cash requirements are primarily for working capital, inventory financing, the improvement and expansion of existing facilities, the development and implementation of SAP enterprise software and dealership management system, and the construction of new facilities. Historically, these cash requirements have been met through the retention of profits, borrowings under our floor plan arrangements and bank financings. The Company does not expect the absence of cash flows from discontinued operations to materially affect future liquidity and capital resources. As of September 30, 2010, the Company had working capital of approximately $154.6 million, including $150.9 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet any operating requirements for at least the next twelve months.

Available cash is generally invested in variable interest rate instruments in accordance with the Company's investment policy, which is to invest excess funds in a manner that will provide maximum preservation and safety of principal. The portfolio is maintained to meet anticipated liquidity needs of the Company in order to ensure the availability of cash to meet the Company's obligations and to minimize potential liquidation losses. As of September 30, 2010, the majority of excess cash is maintained in a depository account or invested in a money market fund that invests exclusively in U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Treasury, and repurchase agreements collateralized by such obligations.

The Company has a secured line of credit that provides for a maximum borrowing of $8.0 million. There were no advances outstanding under this secured line of credit at September 30, 2010, however, $7.1 million was pledged to secure various letters of credit related to self-insurance products, leaving $0.9 million available for future borrowings as of September 30, 2010.

The Company's long-term real estate debt agreements require the Company to satisfy various financial ratios such as the debt to worth ratio, leverage ratio and the fixed charge coverage ratio and certain requirements for tangible net worth and GAAP net worth. At September 30, 2010, the Company was in compliance with all debt covenants related to debt secured by real estate. The Company does not anticipate any breach of the covenants in the foreseeable future. The Company's floor plan financing agreement with GE Capital does not contain financial covenants.

Titan Technology Partners is currently implementing SAP enterprise software and a new SAP dealership management system for the Company. The total cost of the SAP software and implementation is estimated to be approximately $35.5 million. As of September 30, 2010, the Company had cumulative expenditures of $34.2 million related to the SAP project. The Company expects to spend approximately $0.5 million to $1.0 million related to the SAP project during the remainder of 2010.

The Company also expects to make capital expenditures for recurring items such as computers, shop tools and equipment and vehicles of approximately $3.0 million during the remainder of 2010.

On July 22, 2008, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of $20,000,000 of its shares of Class A common stock and/or Class B common stock. Repurchases will be made at times and in amounts as the Company deems appropriate and will be made through open market transactions, privately negotiated transactions and other lawful means. The manner, timing and amount of any repurchases will be determined by the Company based on an evaluation of market conditions, stock price and other factors, including those related to the ownership requirements of its dealership agreements with manufacturers it represents. The stock repurchase program has no expiration date and may be suspended or discontinued at any time. While the stock repurchase program does not obligate the Company to acquire any particular amount or class of common stock, the Company anticipates that it will be repurchasing primarily shares of its Class B common stock. As of September 30, 2010, the Company has repurchased 1,639,843 shares of its Class B common stock at an aggregate cost of $17.9 million, none of which occurred during the third quarter of 2010.

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

On September 9, 2010, the Company sold the assets of its John Deere construction equipment business, including its Rush Equipment Centers in Houston and Beaumont, Texas, to Doggett Heavy Machinery Services, LLC. The total purchase price for the Rush Equipment Centers was $31.0 million. The Company received cash of approximately $26.2 million at closing and a $4.8 million note receivable to be paid over four years. Before closing, the Company paid liabilities, related to the assets sold, of approximately $14.6 million.

The Company is currently under contract to purchase an existing dealership facility at an estimated cost of $12.6 million. The real estate transaction is expected to close in the fourth quarter of 2010.

On October 12, 2010, the Company acquired certain assets of Metro Ford Truck Sales, Inc., which consisted of a Ford and Isuzu commercial vehicle dealership in Dallas, Texas. The Company is operating the facility as a full-service Rush Medium-Duty Truck Center offering medium-duty trucks, parts and service. The transaction was valued at approximately $5.6 million, with the purchase price paid in cash.

The Company has no other material commitments for capital expenditures as of September 30, 2010, except that the Company will continue to purchase vehicles for its lease and rental division and authorize capital expenditures for improvement and expansion of its existing dealership facilities and construction of new facilities based on market opportunities. The Company expects to purchase or lease trucks worth approximately $10.0 million for its leasing operations in the fourth quarter of 2010, depending on customer demand, all of which will be financed.

Cash Flows

Cash and cash equivalents increased by $1.8 million during the nine months ended September 30, 2010, and decreased by $9.7 million during the nine months ended September 30, 2009. The major components of these changes are discussed below. Cash flows from discontinued operations are included in the components of the statement of cash flows as described below.

Cash Flows from Operating Activities

Cash flows from operating activities include net income adjusted for non-cash items and the effects of changes in working capital. During the first nine months of 2010, operating activities resulted in net cash used by operations of $3.7 million. Cash provided by operating activities was primarily impacted by the increase in inventories and accounts receivable which was offset by the increase in accounts payable and accrued expenses. Cash flows from operating activities include net income adjusted for non-cash items and the effects of changes in working capital. During the first nine months of 2009, operating activities resulted in net cash provided by operations of $130.7 million. Cash provided by operating activities was primarily impacted by the decrease in inventories and accounts receivable which was offset by the decrease in accounts payable and accrued expenses.

Cash flows from operating activities as adjusted for all draws and (payments) on floor plan notes ("Adjusted Cash Flows from Operating Activities") was $54.5 million for the nine months ended September 30, 2010, and $44.7 million for the nine months ended September 30, 2009. Generally, all vehicle and construction equipment dealers finance the purchase of vehicles and construction equipment with floor plan borrowings, and our agreements with our floor plan providers require us to repay amounts borrowed for the purchase of such vehicles and equipment immediately after they are sold. As a result, changes in floor plan notes payable are directly linked to changes in vehicle and construction equipment inventory. However, as reflected in our consolidated statements of cash flows, changes in inventory are recorded as cash flows from operating activities, and draws and (payments) on floor plan notes are recorded as cash flows from financing activities.

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

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

	Nine months Ended September 30,	
	2010	2009
Net cash (used in) provided by operating activities (U.S. GAAP)	$ (3,749)	$ 130,709
(Draws) payments on floor plan notes payable	58,297	(86,053)
Adjusted Cash Flows from Operating Activities (Non-GAAP)	$ 54,548	$ 44,656

Cash Flows from Investing Activities

Cash flows used in investing activities consist primarily of cash used for capital expenditures and business acquisitions which was offset with proceeds from the disposition of the equipment centers. During the first nine months of 2010, cash used in investing activities was $52.8 million. Proceeds from the disposition of the equipment centers were $26.2 million. Capital expenditures consisted of purchases of property and equipment and improvements to our existing dealership facilities of $44.6 million. Property and equipment purchases during the first nine months of 2010 consisted of $27.7 million for additional units for rental and leasing operations, which was directly offset by borrowings of long-term debt. The Company expects to purchase or lease trucks worth approximately $10.0 million for its leasing operations in the fourth quarter of 2010, depending on customer demand, all of which will be financed. Cash used in business acquisitions was $33.7 million during the first nine months of 2010 (See Note 9 — Acquisitions of Notes to Consolidated Financial Statements). During the remainder of 2010, the Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately $3.0 million, in addition to $0.5 million to $1.0 million for the SAP project described above.

During the first nine months of 2009, cash used in investing activities was $32.5 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures. Capital expenditures of $33.0 million consisted of purchases of property and equipment, improvements to our existing dealership facilities and construction of our new facility in Oklahoma City, Oklahoma. Property and equipment purchases during the first nine months of 2009 consisted of $9.8 million for additional units for the rental and leasing operations, which was directly offset by borrowings of long-term debt.

Cash Flows from Financing Activities

Cash flows from financing activities include borrowings and repayments of long-term debt and net proceeds of floor plan notes payable. Cash provided by financing activities was $58.4 million during the first nine months of 2010. The Company had borrowings of long-term debt of $46.3 million and repayments of long-term debt of $41.8 million during the first nine months of 2010. The Company had net draws on floor plan notes payable of $58.3 million during the first nine months of 2010. The borrowings of long-term debt were primarily related to units for the rental and leasing operations and refinancing of real estate debt.

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

Substantially all of the Company’s commercial vehicle purchases are made on terms requiring payment within 15 days or less from the date the commercial vehicles are invoiced from the factory. Effective August 1, 2007, the Company entered into an Amended and Restated Wholesale Security Agreement with GE Capital. Interest under the floor plan financing agreement is payable monthly and the rate varies from LIBOR plus 1.15% to LIBOR plus 1.50% depending on the average aggregate month-end balance of debt. The Company finances substantially all of the purchase price of its new commercial vehicle inventory, and the loan value of its used commercial vehicle inventory under the floor plan financing agreement with GE Capital, under which GE Capital pays the manufacturer directly with respect to new commercial vehicles. The Company makes monthly interest payments to GE Capital on the amount financed, but is not required to commence loan principal repayments on any vehicle until such vehicle has been floor planned for 12 months or is sold. The floor plan financing agreement allows for prepayments and working capital advances with monthly adjustments to the interest due on outstanding advances. On September 30, 2010, the Company had approximately $246.6 million outstanding under its floor plan financing agreement with GE Capital.

A portion of the Company's new commercial vehicle purchases are financed through Navistar Financial Corporation's floor plan program. Interest under the floor plan program is payable monthly and the rate is 7.0%. Navistar Financial Corporation provides an interest free financing period, which varies depending on the commercial vehicle purchased. If the commercial vehicle financed by Navistar is not sold within the interest free finance period, the Company transfers the financed commercial vehicle to the GE Capital floor plan arrangement. On September 30, 2010, the Company had approximately $5.8 million outstanding under its floor plan program with Navistar Financial Corporation.

Backlog

On September 30, 2010, the Company's backlog of commercial vehicle orders was approximately $217.8 million compared to a backlog of commercial vehicle orders of approximately $98.0 million on September 30, 2009. The Company includes only confirmed orders in its backlog. The delivery time for a custom-ordered commercial vehicle varies depending on the commercial vehicle specifications and demand for the particular model ordered. The Company sells the majority of its new commercial vehicles by customer special order, with the remainder sold out of inventory. Orders from a number of the Company's major fleet customers are included in the Company's backlog as of September 30, 2010.

Seasonality

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

Cyclicality

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

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 or construction equipment dealerships generally, and service, parts and body shop operations in particular, our business involves the generation, use, storage, handling and contracting for recycling or disposal of hazardous materials or wastes and other environmentally sensitive materials. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

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

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

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

The EPA and the U.S. Department of Transportation (DOT) recently announced the first national standards to reduce greenhouse gas (GHG) emissions and improve fuel efficiency of heavy-duty trucks and buses. This comprehensive national program is projected to reduce GHG emissions by about 250 million metric tons and save 500 million barrels of oil over the lives of the vehicles produced within the program’s first five years.

EPA and DOT’s National Highway Traffic Safety Administration are proposing new standards for three categories of heavy trucks: combination tractors (the main power unit portion of a tractor-trailer combined vehicle), heavy-duty pickups and vans, and vocational vehicles. The categories were established to address specific challenges for manufacturers in each area. For combination tractors, the agencies are proposing engine and vehicle standards that begin in the 2014 model year and achieve up to a 20 percent reduction in carbon dioxide (CO2) emissions and fuel consumption by 2018 model year.

For heavy-duty pickup trucks and vans, the agencies are proposing separate gasoline and diesel truck standards, which phase in starting in the 2014 model year and achieve up to a 10 percent reduction for gasoline vehicles and 15 percent reduction for diesel vehicles by 2018 model year (12 and 17 percent respectively if accounting for air conditioning leakage). Lastly, for vocational vehicles, the agencies are proposing engine and vehicle standards starting in the 2014 model year which would achieve up to a 10 percent reduction in fuel consumption and CO2 emissions by 2018 model year.

It is not possible at this time to accurately predict how the foregoing proposed standards, future legislation or other new regulations that may be adopted to address greenhouse gas emissions will impact our business. Any regulations will likely result in increased compliance costs, additional operating restrictions or changes in demand for our products and services, which could have a material adverse effect on our business, financial condition and results of operation.

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

It is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business. Any such future laws and regulations could result in increased compliance costs, additional operating restrictions or changes in demand for our products and services which could have a material adverse effect on our business, financial condition and results of operation.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.

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

The Company is exposed to some market risk through interest rates related to our floor plan financing agreements, variable rate real estate debt and discount rates related to finance sales. The majority of floor plan debt and variable rate real estate debt is based on LIBOR. As of September 30, 2010, the Company had floor plan borrowings and variable rate real estate debt of approximately $321.7 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately $3.2 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 real estate debt. As of September 30, 2010, the Company has interest rate swaps with a total notional amount of $45.0 million. The swaps were designed to provide a hedge against changes in interest rates on some of the Company's variable 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 11 — Financial Instruments and Fair Value of the notes thereto.

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 $150.9 million on September 30, 2010. These funds are generally invested in variable interest rate instruments in accordance with the Company's investment policy. As such instruments mature and the funds are reinvested, we are exposed to changes in market interest rates. This risk is mitigated by management's ongoing evaluation of the best investment rates available for current and noncurrent high quality investments. If market interest rates were to increase or decrease immediately and uniformly by 100 basis points, the Company's annual interest income could correspondingly increase or decrease by approximately $1.5 million.

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

As of September 30, 2010, the Company holds $7.6 million of auction rate securities with underlying tax-exempt municipal bonds that mature in 2030. Given the current market conditions in the auction rate securities market, if the Company determines that the fair value of these securities has temporarily decreased by 10%, the Company's equity could correspondingly decrease by approximately $0.8 million. If it is determined that the fair value of these securities is other-than-temporarily impaired by 10%, the Company could record a loss on its Consolidated Statements of Operations of approximately $0.8 million. For further discussion of the risks related to our auction rate securities, see Note 11 — 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 September 30, 2010 to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to Company management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

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

ITEM 1A. Risk Factors.

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

Except for the risk factor provided immediately below in this Item 1A, there have been no material changes in our risk factors disclosed in our 2009 Annual Report.

We are dependent on the ongoing success of the manufacturers we represent and adverse conditions affecting the manufacturers we represent may negatively impact our revenues and profitability.

The success of our dealerships is dependent on the manufacturers represented at such dealerships in several ways. Our ability to sell new vehicles and replacement parts is dependent on the ability of the manufacturers we represent to produce and deliver new vehicles and replacement parts to our dealerships. Additionally, our dealerships perform warranty work for vehicles under manufacturer product warranties, which are billed to the appropriate vehicle manufacturer or component supplier as opposed to invoicing the store customer. We generally have significant receivables from manufacturers for warranty and service work performed for customers. In addition, we rely on manufacturers to varying extents for product training, marketing materials, and other items for our stores. Our business, results of operations, and financial condition could be materially adversely affected as a result of any event that has a material adverse effect on the manufacturers we represent.

The manufacturers we represent may be adversely impacted by economic downturns, significant declines in the sales of their new vehicles, labor strikes or similar disruptions (including within their major suppliers), rising raw materials costs, rising employee benefit costs, adverse publicity that may reduce consumer demand for their products (including due to bankruptcy), product defects, vehicle recall campaigns, litigation, poor product mix or unappealing vehicle design, governmental laws and regulations, or other adverse events. Our results of operations, financial condition or cash flows could be adversely affected if one or more of the manufacturers we represent are impacted by any of the foregoing adverse events.

Actions taken in response to continued operational losses by manufacturers we represent, including bankruptcy or reorganizations, could have a material adverse effect on our sales volumes and profitability. In addition, such losses or reorganizations could lead to the impairment of one or more of our franchise rights, inventories, fixed assets and other related assets, which in turn could have a material adverse effect on our financial condition and results of operations. For example, during the second quarter of 2009, General Motors made the decision to terminate its medium-duty GMC truck production and wind-down the Company's medium-duty GMC truck franchises, which forced the Company to take a significant pre-tax asset impairment charge in the second quarter of 2009. Actions taken in response to continued operational losses by manufacturers we represent, including bankruptcy or reorganizations, could also eliminate or reduce such manufacturers' indemnification obligations to our dealerships, which could increase our risk in products liability actions.

Climate change legislation or regulations restricting emissions of "greenhouse gases" could result in increased costs and reduced demand for our products and services.

The EPA and the DOT's National Highway Traffic Safety Administration ("NHTSA") recently announced proposed rules to reduce greenhouse gas emissions and improve fuel efficiency of medium- and heavy-duty vehicles. The EPA and NHTSA are attempting to create a "heavy-duty national program," designed to reduce oil consumption and address global climate change by each proposing complementary standards to reduce fuel use and greenhouse gas emissions from on-highway transportation sources. The emissions and fuel consumption standards in the proposed rules would phase in with increasing stringency in each model year from 2014 to 2018. The proposed rules are likely to increase the production costs of the manufacturers we represent. Our manufacturers are likely to pass such costs on to us, which could increase the cost of the new vehicles we sell and, accordingly, reduce demand for such products. Increased costs and reduced demand could materially adversely affect our ability to sell new vehicles, which would materially adversely affect our business, results of operations, and financial condition.

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

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

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

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)(2)
July 1 – 31, 2010	—	$ 0.00	—	$ 2,093,321
August 1 – 31, 2010	—	0.00	—	2,093,321
September 1 – 30, 2010	—	0.00	—	2,093,321
3rd Quarter Total	—	$ 0.00	—	$ 2,093,321

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

(2) As of September 30, 2010, the Company has repurchased 1,639,843 shares of its Class B common stock at a cost of $17.9 million, none of which occurred during the third quarter of 2010.

ITEM 3. Defaults Upon Senior Securities.

Not Applicable

ITEM 5. Other Information.

Not Applicable

Table of Contents

ITEM 6. Exhibits.

Exhibit Number	Exhibit Title
3.1	Restated Articles of Incorporation of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) for the quarter ended June 30, 2008)
3.2	Rush Enterprises, Inc. Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed December 9, 2008)
10.1*	Rush Enterprises, Inc. Amended and Restated 1997 Non-Employee Director Stock Option Plan
10.2*	Rush Enterprises, Inc. Amended and Restated 2006 Non-Employee Director Stock Plan
31.1*	Certification of CEO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

** furnished herewith

SIGNATURES

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

RUSH ENTERPRISES, INC.

Date: November 9, 2010	By: /s/ W.M. "RUSTY" RUSH W.M. "Rusty" Rush President and Chief Executive Officer (Principal Executive Officer)
Date: November 9, 2010	By: /s/ STEVEN L. KELLER Steven L. Keller Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Title
10.1*	Rush Enterprises, Inc. Amended and Restated 1997 Non-Employee Director Stock Option Plan
10.2*	Rush Enterprises, Inc. Amended and Restated 2006 Non-Employee Director Stock Plan
31.1*	Certification of CEO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

** furnished herewith

Exhibit 10.1

RUSH ENTERPRISES, INC.
AMENDED AND RESTATED
1997 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. *Purpose*. This 1997 Amended and Restated Non-Employee Director Stock Option Plan (the “Plan”) of Rush Enterprises, Inc., a Texas corporation (the “Company”), is adopted for the benefit of the directors of the Company who at the time of their service are not employees of the Company or any of its subsidiaries (“Non-Employee Directors”), and is intended to advance the interests of the Company by providing the Non-Employee Directors with additional incentive to serve the Company by increasing their proprietary interest in the success of the Company.

2. *Administration*. The Plan shall be administered by a committee of the Board of Directors of the Company (the “Committee”), the members of which shall consist solely of directors who are employees of the Company. For the purposes of the Plan, a majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of those members present at any meeting shall decide any question brought before that meeting. In addition, the Committee may take any action otherwise proper under the Plan by the affirmative vote, taken without a meeting, of a majority of its members. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on his own part, including but not limited to the exercise of any power or discretion given to him under the Plan, except those resulting from his own gross negligence or willful misconduct. Except as otherwise expressly provided for herein, all questions of interpretation and application of the Plan, or as to options granted hereunder (the “Options”), shall be subject to the determination, which shall be final and binding, of a majority of the whole Committee. The Committee may, in its discretion, provide for the extension of the exercisability of an Award, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions contained in an Award, waive any restriction or other provision of this Plan or an Award or otherwise amend or modify an Award in any manner that is (i) not adverse to the Non-Employee Director to whom such Award was granted, (ii) consented to by such Non-Employee Director or (iii) authorized by Section 12 hereof; provided, however, that no such action shall permit the term of any Option to be greater than ten years from the applicable grant date, or to be extended beyond the original stated term of the Option, if less than ten years, if such extension would cause the Option to be subject to adverse tax consequences under Section 409A of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). Notwithstanding anything to the contrary contained herein, the Committee may not amend or replace outstanding Options in a transaction that constitutes a repricing without the approval of the shareholders of the Company. For these purposes, a cancellation, exchange or other modification to an outstanding Option that occurs in connection with a merger, acquisition, spin-off or other corporate transaction, including under Section 12 hereof will not be deemed a repricing.

3. *Option Shares*. The stock subject to the Options and other provisions of the Plan shall be shares of the Company’s Class A Common Stock, $.01 par value (or such other par value as may be designated by act of the Company’s shareholders) (the “Class A Common Stock”) and Company’s Class B Common Stock, $.01 par value (or such other par value as may be designated by act of the Company’s shareholders) (the “Class B Common Stock,” or taken together with the Class A Common Stock, the “Common Stock”). The total amount of the Class A Common Stock with respect to which Options may be granted shall not exceed in the aggregate 600,000 shares; the total amount of the Class B Common Stock with respect to which Options may be granted shall not exceed in the aggregate 180,000 shares; provided, that the class and aggregate number of shares which may be subject to the Options granted hereunder shall be subject to adjustment in accordance with the provisions of Paragraph 12 hereof. Such shares may be treasury shares or authorized but unissued shares.

In the event that any outstanding Option for any reason shall expire or terminate by reason of the death of the optionee or the fact that the optionee ceases to be a director, the surrender of any such Option, or any other cause, the shares of Common Stock allocable to the unexercised portion of such Option may again be subject to an Option under the Plan.

4. *Grant of Options*. Subject to the provisions of Paragraph 16 and the availability under the Plan of a sufficient number of shares of Common Stock that may be issuable upon the exercise of outstanding Options, there shall be granted the following Options:

(a) To each Non-Employee Director who is elected at an Annual Meeting of Shareholders of the Company or appointed by the Board of Directors to serve as a direct, an Option to purchase 20,000 shares of Class A Common Stock at a purchase price per share of Class A Common Stock equal to the fair market value of a share of Class A Common Stock as defined in paragraph 7 hereof (the “Option Price”) on the date of such Annual Meeting of Shareholders of the Company or appointment by the Board of Directors; and

(b) To each Non-Employee Director who is elected or reelected as a director of the Company at an Annual Meeting of Shareholders of the Company, an Option to purchase 20,000 shares of Class A Common Stock at the Option Price on the date of each such Annual Meeting of Shareholders of the Company.

No Option shall be granted pursuant to the Plan after March 25, 2007.

5. *Duration of Options*. Each Option granted under the Plan shall be exercisable for a term of ten years from the date of grant, subject to earlier termination as provided in Paragraph 9 hereof.

6. *Amount Exercisable*. Each Option granted pursuant to the Plan shall be fully exercisable on the date of grant.

7. *Exercise of Options*. Payment of the purchase price of the shares of Common Stock subject to an Option granted hereunder may be made in any combination of cash or whole shares of Common Stock already owned by the optionee. Subject to the terms and conditions of this Agreement, such Option may be exercised by written notice to the Company at its principal office, attention of the Secretary. Such notice shall (a) state the election to exercise such Option, the number of shares in respect of which it is being exercised and the manner of payment for such shares and (b) be signed by the person or persons so exercising such Option and, in the event such Option is being exercised pursuant to Paragraph 9 by any person or persons other than the optionee, accompanied by

appropriate proof of the right of such person or persons to exercise such Option. Such notice shall either (i) be accompanied by payment of the full purchase price of such shares, in which event the Company shall issue and deliver a certificate or certificates representing such shares as soon as practicable after the notice is received, or (ii) fix a date (not more than 10 business days from the date of such notice) for the payment of the full purchase price of such shares at the Company's principal office, against delivery of a certificate or certificates representing such shares. Cash payments of such purchase price shall, in case of clause (i) or (ii) above, be made by cash or check payable to the order of the Company. Common Stock payments (valued at fair market value on the date of exercise, as determined by the Committee), shall be made by delivery of stock certificates in negotiable form. All cash and Common Stock payments shall, in either case, be delivered to the Company at its principal office, attention of the Secretary. If certificates representing Common Stock are used to pay all or part of the purchase price of an Option granted hereunder, a replacement certificate shall be delivered by the Company representing the number of shares delivered but not so used, and an additional certificate shall be delivered representing the additional shares to which the holder of such Option is entitled as a result of the exercise of such Option. The certificate or certificates for the shares as to which such Option shall have been so exercised shall be registered in the name of the person or persons so exercising the Option and shall be delivered as aforesaid to or upon the written order of the person or persons exercising such Option. All shares issued as provided herein will be fully paid and nonassessable.

For purposes of this Paragraph 7, the "fair market value" of a share of Common Stock as of any particular date shall mean the closing sale price of a share of Common Stock on that date as reported by the principal national securities exchange on which the Common Stock is listed if the Common Stock is then listed on a national securities exchange, or if the Common Stock is not so listed, the average of the bid and asked price of a share of Common Stock on that date and reported in the National Association of Securities Dealers Automated Quotation system (the "NASDAQ System"); provided that if no such closing price or quotes are so reported on that date or if in the discretion of the Committee another means of determining the fair market value of a share of stock at such date shall be necessary or advisable, the Committee may provide for another means for determining such fair market value.

8. *Transferability of Options*. Options shall not be transferable by the optionee otherwise than by will or under the laws of descent and distribution, and shall be exercisable, during his lifetime, only by him.

9. *Termination*. Except as may be otherwise expressly provided herein, each Option, to the extent it shall not previously have been exercised, shall terminate on the earlier of the following:

(a) On the last day within the thirty day period commencing on the date on which the optionee ceases to be a member of the Company's Board of Directors, for any reason other than the death or disability of the optionee or his resignation after five years of service, during which period the optionee shall be entitled to exercise all Options fully vested as described in Paragraph 6 by the optionee on the date on which the optionee ceased to be a member of the Company's Board of Directors;

(b) On the last day within the one year period commencing on the date on which the optionee ceases to be a member of the Company's Board of Directors because of permanent disability, during which period the optionee shall be entitled to exercise all Options fully vested as described in Paragraph 6 by the optionee on the date on which the optionee ceased to be a member of the Company's Board of Directors because of such disability;

(c) On the last day within the one year period commencing on the date of the optionee's death while serving as a member of the Company's Board of Directors, during which period the executor or administrator of the optionee's estate or the person or persons to whom the optionee's Option shall have been transferred by will or the laws of descent or distribution, shall be entitled to exercise all Options in respect of the number of shares that the optionee would have been entitled to purchase had the optionee exercised such Options on the date of his death;

(d) On the last day within the one year period commencing on the date an optionee who has had at least five years of service on the Board of Directors of the Company resigns from the Board of Directors of the Company, during which period the optionee, or the executor or administrator of the optionee's estate or the person or persons to whom such Option shall have been transferred by the will or the laws of descent or distribution in the event of the optionee's death within such one year period, as the case may be, shall be entitled to exercise all Options in respect of the number of shares that the optionee would have been entitled to purchase had the optionee exercised such Options on the date of such resignation; and

(e) Ten years after the date of grant of such Option.

10. *Requirements of Law*. The Company shall not be required to sell or issue any shares under any Option if the issuance of such shares shall constitute a violation by the optionee or the Company of any provisions of any law or regulation of any governmental authority. Each Option granted under the Plan shall be subject to the requirements that, if at any time the Board of Directors of the Company or the Committee shall determine that the listing, registration or qualification of the shares subject thereto upon any securities exchange or under any state or federal law of the United States or of any other country or governmental subdivision thereof, or the consent or approval of any governmental regulatory body, or investment or other representations, are necessary or desirable in connection with the issue or purchase of shares subject thereto, no such Option may be exercised in whole or in part unless such listing, registration, qualification, consent, approval or representation shall have been effected or obtained free of any conditions not acceptable to the Board of Directors. If required at any time by the Board of Directors or the Committee, an Option may not be exercised until the optionee has delivered an investment letter to the Company. In addition, specifically in connection with the Securities Act of 1933 (as now in effect or hereafter amended), upon exercise of any Option, the Company shall not be required to issue the underlying shares unless the Committee has received evidence satisfactory to it to the effect that the holder of such Option will not transfer such shares except pursuant to a registration statement in effect under such Act or unless an opinion of counsel satisfactory to the Company has been received by the Committee to the effect that such registration is not required. Any determination in this connection by the Committee shall be final, binding and conclusive. In the event the shares issuable on exercise of an Option are not registered under the Securities Act of 1933, the Company may imprint on the certificate for such shares the following legend or any other legend which counsel for the Company considers necessary or advisable to comply with the Securities Act of 1933:

"The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any state and may not be sold or transferred except upon such registration or upon receipt by the Corporation of an opinion of counsel satisfactory, in form and substance to the Corporation, that registration is not required for such sale or transfer."

The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act of 1933 (as now in effect or as hereafter amended) and, in the event any shares are so registered, the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an Option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority.

11. *No Rights as Shareholder*. No optionee shall have rights as a shareholder with respect to shares covered by his Option until the date of issuance of a stock certificate for such shares; and, except as otherwise provided in Paragraph 12 hereof, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such certificate.

12. *Changes in the Company's Capital Structure*. In the event of any stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidation, liquidations, split-ups, split-offs, spin-offs, or other similar changes in capitalization, or any distribution to shareholders, including a rights offering, other than regular cash dividends, changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any similar capital adjustment or the payment of any stock dividend, any share repurchase at a price in excess of the market price of the Common Stock at the time such repurchase is announced or other increase or decrease in the number of such shares, the Committee shall make appropriate adjustment in the number and kind of shares authorized by the Plan, in the number, price or kind of shares covered by the Options and in any outstanding Options under the Plan; provided, however, that no such adjustment shall increase the aggregate value of any outstanding Option.

In the event of any adjustment in the number of shares covered by any Option, any fractional shares resulting from such adjustment shall be disregarded and each such Option shall cover only the number of full shares resulting from such adjustment.

13. *Amendment or Termination of Plan*. The Board of Directors may at any time and from time to time modify, revise or amend the Plan in such respects as the Board of Directors may deem advisable in order that the Options granted hereunder may conform to any changes in the law or in any other respect that the Board of Directors may deem to be in the best interests of the Company; provided, however, that without approval by the shareholders of the Company voting the proper percentage of its voting power, no such amendment shall make any change in the Plan for which shareholder approval is required in order to comply with (i) Rule 16b-3, (ii) the Internal Revenue Code, or regulatory provisions dealing with Incentive Stock Options, (iii) any rules for listed companies promulgated by any national securities exchange on which the Company's Common Stock is traded or (iv) any other applicable rule or law. All Options granted under the Plan shall be subject to the terms and provisions of the Plan and any amendment, modification or revision of the Plan shall be deemed to amend, modify or revise all Options outstanding under the Plan at the time of the amendment, modification or revision.

14. *Written Agreement*. Each Option granted hereunder shall be embodied in a written option agreement, which shall be subject to the terms and conditions prescribed above, and shall be signed by the optionee and by the appropriate officer of the Company for and in the name and on behalf of the Company. Such an option agreement shall contain such other provisions as the Committee in its discretion shall deem advisable.

15. *Indemnification of Committee*. The Company shall indemnify each present and future member of the Committee against, and each member of the Committee shall be entitled without further act on his part to indemnity from the Company for, all expenses (including the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to the Company itself) reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be such member of the Committee at the time of incurring such expenses; provided, however, that such indemnity shall not include any expenses incurred by any such member of the Committee (a) in respect of matters as to which he shall be finally adjudged in any such action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as such member of the Committee, or (b) in respect of any matter in which any settlement is effected, to an amount in excess of the amount approved by the Company on the advice of its legal counsel; and provided further, that no right of indemnification under the provisions set forth herein shall be available to or enforceable by any such member of the Committee unless, within sixty (60) days after institution of any such action, suit or proceeding, he shall have offered the Company, in writing, the opportunity to handle and defend same at its own expense. The foregoing right of indemnification shall inure to the benefit of the heirs, executors or administrators of each such member of the Committee and shall be in addition to all other rights to which such member of the Committee may be entitled to as a matter of law, contract, or otherwise. Nothing in this Paragraph 15 shall be construed to limit or otherwise affect any right to indemnification, or payment of expense, or any provisions limiting the liability of any officer or director of the Company or any member of the Committee, provided by law, the Certificate of Incorporation of the Company or otherwise.

16. *Effective Date of Plan*. The Plan became effective and was deemed to have been adopted on March 25, 1997. No Options which are incentive stock options shall be granted pursuant to the Plan after March 25, 2007.

Exhibit 10.2

RUSH ENTERPRISES, INC.
AMENDED AND RESTATED
2006 NON-EMPLOYEE DIRECTOR STOCK PLAN

1. *Purpose*. This Rush Enterprises, Inc. Amended and Restated 2006 Non-Employee Director Stock Plan (the “Plan”) sponsored by Rush Enterprises, Inc., a Texas corporation (the “Company”), is adopted for the benefit of the directors of the Company who at the time of their service are not employees of the Company or any of its subsidiaries (“Non-Employee Directors”), and is intended to advance the interests of the Company by providing the Non-Employee Directors with additional incentive to serve the Company by increasing their proprietary interest in the success of the Company.

2. *Administration*. The Plan shall be administered by the Board of Directors of the Company (the “Board”) or a committee of the Board which shall consist solely of two or more directors appointed by the Board who are not employees of the Company (the Board acting in such capacity or such committee being referred to as the “Committee”). For the purposes of the Plan, a majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of those members present at any meeting shall decide any question brought before that meeting. In addition, the Committee may take any action otherwise proper under the Plan by the affirmative vote, taken without a meeting, of a majority of its members. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on his own part, including but not limited to the exercise of any power or discretion given to him under the Plan, except those resulting from his own gross negligence or willful misconduct. Except as otherwise expressly provided for herein, all questions of interpretation and application of the Plan, or as to an option (“Option”) or stock award (“Stock Award”) granted hereunder (an “Option” and “Stock Award” sometimes hereinafter referred to as an “Award” or collectively as “Awards”), shall be subject to the determination, which shall be final and binding, of a majority of the whole Committee. The Committee may, in its discretion, provide for the extension of the exercisability of an Award, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions contained in an Award, waive any restriction or other provision of this Plan or an Award or otherwise amend or modify an Award in any manner that is (i) not adverse to the Non-Employee Director to whom such Award was granted, (ii) consented to by such Non-Employee Director or (iii) authorized by Section 8 hereof; provided, however, that no such action shall permit the term of any Option to be greater than ten years from the applicable grant date, or to be extended beyond the original stated term of the Option, if less than ten years, if such extension would cause the Option to be subject to adverse tax consequences under Section 409A of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). Notwithstanding anything to the contrary contained herein, the Committee may not amend or replace outstanding Options in a transaction that constitutes a repricing without the approval of the shareholders of the Company. For these purposes, a cancellation, exchange or other modification to an outstanding Option that occurs in connection with a merger, acquisition, spin-off or other corporate transaction, including under Section 8 hereof will not be deemed a repricing.

3. *Shares Available for Awards*.

(a) *Aggregate Number of Shares Available for Awards*. The aggregate number of shares of the Company's Class A Common Stock, $.01 par value (or such other par value as may be designated by act of the Company's shareholders) (the "Common Stock"), with respect to which Options or Stock Awards may be granted under the Plan shall not exceed 1,500,000 shares (as adjusted pursuant to the 3-for-2 stock split effected by the Company on October 10, 2007); provided, that the class and aggregate number of shares which may be subject to such Options or Stock Awards granted hereunder shall be subject to adjustment in accordance with the provisions of Section 8 hereof. Such shares may be treasury shares or authorized but unissued shares.

(b) *Expired, Terminated or Forfeited Shares*. In the event that any outstanding Option or Stock Award for any reason shall expire, terminate, or be forfeited by reason of (i) the death of a Non-Employee Director, (ii) the fact that the Non-Employee Director ceases to be a director, (iii) the surrender of any such Award, or (iv) any other cause, the shares of Common Stock allocable to the unexercised or unvested portion of such Option or Stock Award may again be subject to an Award under the Plan.

4. *Options*.

(a) *Grant of Options*. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Options to a Non-Employee Director in such amounts as the Committee shall determine, in its sole and absolute discretion.

(b) *Exercise Price of Options*. The exercise price per share of Common Stock covered by an Option granted pursuant to the Plan shall be not less than 100% of the fair market value, as defined in paragraph (e) of this Section 4, of a share of Common Stock on the date such Option is granted.

(c) *Duration of Options*. Each Option granted under the Plan shall be exercisable for a term of ten years from the date of grant, subject to earlier termination as provided in paragraph (g) of this Section 4.

(d) *Amount Exercisable*. Each Option granted pursuant to the Plan shall be fully exercisable on the date of grant.

(e) *Exercise of Options*. Payment of the purchase price of the shares of Common Stock subject to an Option granted hereunder may be made (i) in cash or cash equivalents (including certified check or bank check payable to the order of the Company), (ii) by tendering previously acquired shares of Common Stock (either actually or by attestation, valued at their then "fair market value"), (iii) in shares of Common Stock withheld by the Company from the shares of Common Stock otherwise issuable to the optionee as a result of the exercise of the Option, or (iv) by any combination of any the foregoing. Subject to the terms and conditions of this Plan, an Option may be exercised by written notice to the Company at its principal office, attention of the Secretary. Such notice shall (i) state the election to exercise such Option, the number of shares in respect of which it is being exercised and the manner of payment for such shares and (ii) be signed by the person or persons so exercising such Option and, in the event such Option is being exercised pursuant to paragraph (f) of this Section 4 by any person or persons other than the optionee, accompanied by appropriate proof of the right of such person or persons to exercise such Option. If payment of the purchase price of the shares is being paid in cash or by tendering previously acquired shares of Common Stock, such notice shall be accompanied by payment of the full purchase price of such shares. All cash and Common Stock payments shall, in either case, be delivered to the Company at its principal office, attention of the Secretary. All shares issued as provided herein will be fully paid and nonassessable.

For purposes of this paragraph (e), the "fair market value" of a share of Common Stock as of any particular date shall mean:

(i) if the respective shares of Common Stock are listed on any established stock exchange or a national market system, including without limitation, the NASDAQ® Global Select Market, NASDAQ® Global Market or NASDAQ® Capital Market, the fair market value will be the closing sales price of such respective shares (or the closing bid, if no sales were reported) as quoted on such system or exchange (or the exchange or system with the greatest volume of trading in the respective Shares) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(ii) if the respective shares of Common Stock are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, but selling prices are not reported, the fair market value of such respective shares will be the mean between the high bid and high asked prices for such shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(iii) in the absence of an established market for such respective shares of Common Stock of the type described in (i) and (ii), above, the fair market value thereof will be determined by the Committee in good faith.

(f) *Transferability of Options*. Options shall not be transferable by the optionee other than by will or under the laws of descent and distribution, and shall be exercisable, during his lifetime, only by the optionee.

(g) *Termination*. Except as may be otherwise expressly provided herein, each Option, to the extent it shall not previously have been exercised, shall terminate on the earliest of the following:

(1) On the last day of the thirty-day period commencing on the date on which the optionee ceases to be a member of the Board, for any reason other than the death or permanent disability of the optionee or his resignation after five years of service;

(2) On the last day of the one-year period commencing on the date on which the optionee ceases to be a member of the Board because of permanent disability;

(3) On the last day of the one-year period commencing on the date of the optionee's death while serving as a member of the Board (during which period the executor or administrator of the optionee's estate or the person or persons to whom the optionee's Option shall have been transferred by will or the laws of descent or distribution, shall be entitled to exercise the Option in respect of the number of shares that the optionee would have been entitled to purchase had the optionee exercised the Option on the date of his death);

(4) On the last day of the one-year period commencing on the date an optionee who has had at least five years of service on the Board resigns from the Board; and

(5) Ten years after the date of grant of such Option.

Unless otherwise specifically provided in an Award agreement, for purposes of this paragraph (g), "permanent disability" means permanent and total disability within the meaning of section 22(e)(3) of the Internal Revenue Code.

(h) *No Rights as Shareholder*. No optionee shall have rights as a shareholder with respect to shares of Common Stock covered by an Option until shares are issued to the optionee upon the exercise of such Option; and, except as otherwise provided in Section 8 hereof, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such shares.

5. *Stock Awards.*

(a) *Grant of a Stock Award*. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant a Stock Award in the form of an outright grant of shares of Common Stock or in the form of restricted stock ("Restricted Stock Awards") to a Non-Employee Director in such amounts as the Committee shall determine, in its sole and absolute discretion.

(b) *Award Restrictions*. The Committee may impose such terms, conditions, and/or restrictions as the Committee deems appropriate on any Restricted Stock Award. Such terms, conditions, and/or restrictions may include, but not be limited to, the requirement that a Non-Employee Director pay a purchase price for each share of Common Stock subject to the Award, restrictions on transferability, requirements regarding continued service as a member of the Board or other time-based restrictions, or the achievement of individual performance goals or attainment of pre-established performance targets. The period of vesting and the lapsing of any applicable forfeiture restrictions shall be established by the Committee at the time of grant.

(c) *Transferability*. Except as may otherwise be provided by the Committee or the terms of any Restricted Stock Award agreement, shares subject to a Restricted Stock Award shall generally not be transferable until all forfeiture restrictions applicable to such Restricted Stock Award have lapsed or, in the sole and absolute discretion of the Committee, cancelled. Once the forfeiture restrictions have lapsed or been cancelled, the shares of Common Stock that were subject to the Restricted Stock Award shall, subject to any restrictions under applicable securities laws, become freely transferable. Any Restricted Stock Award granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book entry registration or issuance of a stock certificate or certificates. The Company may retain the certificates, if any, representing the shares of Common Stock that are subject to a Restricted Stock Award in the Company's possession until such time as all conditions and/or restrictions applicable to such shares of Common Stock have been satisfied.

(d) *Rights as Shareholders*. During the period in which any restricted shares of Common Stock are subject to forfeiture restrictions imposed under paragraph (b) of this Section 5, the Committee may, in its sole discretion, grant to the Non-Employee Director to whom such restricted shares have been awarded, all or any of the rights of a shareholder with respect to such shares, including, but not limited to, the right to vote such shares and to receive dividends.

6. *Written Agreement*. Each Option or Stock Award granted hereunder shall be, to the extent necessary, embodied in a written Award agreement, which shall be subject to the terms and conditions of this Plan, as applicable, and shall be signed by the Non-Employee Director and by the appropriate officer of the Company for and in the name and on behalf of the Company. Such an Award agreement shall contain the specific terms applicable to the Non-Employee Director's Award and shall contain such other provisions as the Committee in its sole discretion shall deem advisable.

7. *Requirements of Law*. The Company shall not be required to sell or issue any shares under any Option or Stock Award if the issuance of such shares shall constitute a violation by the Non-Employee Director or the Company of any provisions of any law or regulation of any governmental authority. Each Option and Stock Award granted under the Plan shall be subject to the requirement that, if at any time the Board or the Committee shall determine that the listing, registration or qualification of the shares subject thereto upon any securities exchange or under any state or federal law of the United States or of any other country or governmental subdivision thereof, or the consent or approval of any governmental regulatory body, or investment or other representations, are necessary or desirable in connection with the issue or purchase of shares subject thereto, no such Option or Stock Award may be exercised in whole or in part unless such listing, registration, qualification, consent, approval or representation shall have been effected or obtained free of any conditions not acceptable to the Board. If required at any time by the Board or the Committee, an Option may not be exercised and any restrictions applicable to a Stock Award shall not lapse until the Non-Employee Director has

delivered an investment letter to the Company. In addition, specifically in connection with the Securities Act of 1933 (as now in effect or hereafter amended), upon exercise of any Option, or the lapsing of any restrictions applicable to a Stock Award, the Company shall not be required to issue the underlying shares unless the Committee has received evidence satisfactory to it to the effect that the holder of such Award will not transfer such shares except pursuant to a registration statement in effect under such Act or unless an opinion of counsel satisfactory to the Company has been received by the Committee to the effect that such registration is not required. Any determination in this regard by the Committee shall be final, binding and conclusive. In the event the shares issuable on exercise of an Option or Stock Award are not registered under the Securities Act of 1933, the Company may imprint on the certificate for such shares the following legend or any other legend which counsel for the Company considers necessary or advisable to comply with the Securities Act of 1933:

The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any state and may not be sold or transferred except upon such registration or upon receipt by Rush Enterprises, Inc., a Texas corporation (the “Corporation”) of an opinion of counsel satisfactory, in form and substance, to the Corporation that registration is not required for such sale or transfer.

The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act of 1933 (as now in effect or as hereafter amended) and, in the event any shares are so registered, the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an Option or the issuance of shares pursuant thereto, or pursuant to the terms of a Stock Award to comply with any law or regulation of any governmental authority.

8. *Changes in the Company’s Capital Structure*. In the event of any stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidation, liquidations, split-ups, split-offs, spin-offs, or other similar changes in capitalization, or any distribution to shareholders, including a rights offering, other than regular cash dividends, changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any similar capital adjustment or the payment of any stock dividend, any share repurchase at a price in excess of the market price of the Common Stock at the time such repurchase is announced or other increase or decrease in the number of such shares, the Committee shall make appropriate adjustment (a) in the aggregate number and kind of shares authorized by the Plan and (b) in the number, kind and price, as applicable, of any outstanding Awards granted under the Plan (or, if deemed appropriate, the Committee may, where applicable, make provision for a payment of cash or property to the holder in cancellation of an outstanding Award with respect to which Common Stock has not been previously issued); provided, however, that no such adjustment shall increase the aggregate value of any outstanding Option or Stock Award.

In the event of any adjustment in the number of shares covered by any Award, any fractional shares resulting from such adjustment shall be disregarded and each such Award shall cover only the number of full shares resulting from such adjustment.

9. *Amendment or Termination of Plan*. The Board may at any time and from time to time modify, revise or amend the Plan in such respects as the Board may deem advisable in order that Options or Stock Awards granted hereunder may conform to any changes in the law or in any other respect that the Board may deem to be in the best interests of the Company; provided, however, that without approval by the shareholders of the Company, no such amendment shall make any change in the Plan for which shareholder approval is required in order to comply with any rules for listed companies promulgated by any national securities exchange on which the Common Stock is traded or any other applicable rule or law. All Options and Stock Awards granted under the Plan shall be subject to the terms and provisions of the Plan and, except as otherwise provided in the Plan, any amendment, modification or revision of the Plan shall be deemed to amend, modify or revise all Options and Stock Awards outstanding under the Plan at the time of the amendment, modification or revision. The Board may terminate the Plan at any time. The rights of any Non-Employee Director with respect to any Award granted under the Plan that is outstanding at the time of the termination of the Plan shall not be affected solely by reason of the termination of the Plan and shall continue in accordance with the terms of the Award and of the Plan.

10. *Indemnification of Committee*. The Company shall indemnify each present and future member of the Committee against any action, suit or proceeding in which he may be involved by reason of his being or having been a member of the Committee. Each member of the Committee shall be entitled, without further act on his part, to indemnity from the Company for all expenses (including the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to the Company itself) reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be such member of the Committee at the time of incurring such expenses. Such indemnity, however, shall not include any expenses incurred by any such member of the Committee (i) in respect of matters as to which he shall be finally adjudged in any such action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as such member of the Committee, or (ii) in respect of any matter in which any settlement is effected, to an amount in excess of the amount approved by the Company on the advice of its legal counsel. No right of indemnification under the provisions set forth herein shall be available to or enforceable by any such member of the Committee unless, within sixty (60) days after institution of any such action, suit or proceeding, he shall have offered the Company, in writing, the opportunity to handle and defend same at its own expense. The foregoing right of indemnification shall inure to the benefit of the heirs, executors or administrators of each such member of the Committee and shall be in addition to all other rights to which such member of the Committee may be entitled to as a matter of law, contract, or otherwise. Nothing in this Section 10 shall be construed to limit or otherwise affect any right to indemnification, or payment of expense, or any provisions limiting the liability of any officer or director of the Company or any member of the Committee, provided by law, the Articles of Incorporation of the Company or otherwise.

11. *Effective Date of Plan***.** The Plan as amended and restated shall become effective upon its approval by the shareholders of the Company.

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Rush Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

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

EXHIBIT 31.2

CERTIFICATION

I, Steven L. Keller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rush Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2010

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

EXHIBIT 32.1

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

In connection with this quarterly report of Rush Enterprises, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W.M. "Rusty" Rush, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ W.M. "RUSTY" RUSH
Name: W.M. "Rusty" Rush
Title: President and Chief Executive Officer
Date: November 9, 2010

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

EXHIBIT 32.2

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

In connection with this quarterly report of Rush Enterprises, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven L. Keller, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ STEVEN L. KELLER
Name: Steven L. Keller
Title: Vice President and Chief Financial Officer
Date: November 9, 2010

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