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

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2019**

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

For the transition period from ___________________________ to ____________________________________________

Commission File Number 0-20797
**RUSH ENTERPRISES, INC.**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Texas<br>(State or other jurisdiction of incorporation or organization) | 74-1733016<br>(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) 302-5200
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicated below is the number of shares outstanding of each of the issuer’s classes of common stock, as of July 31, 2019.

| Title of Class | Number of Shares Outstanding |
|---|---|
| Class A Common Stock, $.01 Par Value | 27,993,723 |
| Class B Common Stock, $.01 Par Value | 8,341,564 |

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A Common Stock, $0.01 par value | RUSHA | NASDAQ Global Select Market |
| Class B Common Stock, $0.01 par value | RUSHB | NASDAQ Global Select Market |

**RUSH ENTERPRISES, INC. AND SUBSIDIARIES**

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

**RUSH ENTERPRISES, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**JUNE 30, 2019 AND DECEMBER 31, 2018**
**(In Thousands, Except Shares)**

| | June 30, 2019 (unaudited) | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 111,346 | $ 131,726 |
| Accounts receivable, net | 226,178 | 190,650 |
| Note receivable affiliate | 16,365 | 12,885 |
| Inventories, net | 1,512,445 | 1,339,923 |
| Prepaid expenses and other | 15,788 | 10,491 |
| Assets held for sale | 419 | 2,269 |
| Total current assets | 1,882,541 | 1,687,944 |
| Property and equipment, net | 1,237,189 | 1,184,053 |

| | | |
|---|---|---|
| Operating lease right-of-use assets, net | 51,590 | – |
| Goodwill, net | 292,142 | 291,391 |
| Other assets, net | 67,233 | 37,962 |
| **Total assets** | $ 3,530,695 | $ 3,201,350 |
| | | |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Floor plan notes payable | $ 1,190,136 | $ 1,023,019 |
| Line of credit | 60,000 | – |
| Current maturities of long-term debt | 149,743 | 161,955 |
| Current maturities of finance lease obligations | 20,326 | 19,631 |
| Current maturities of operating lease obligations | 9,524 | – |
| Trade accounts payable | 144,743 | 127,451 |
| Customer deposits | 28,886 | 36,183 |
| Accrued expenses | 94,893 | 125,056 |
| Total current liabilities | 1,698,251 | 1,493,295 |
| Long-term debt, net of current maturities | 457,531 | 439,218 |
| Finance lease obligations, net of current maturities | 53,357 | 49,483 |
| Operating lease obligations, net of current maturities | 42,271 | – |
| Other long-term liabilities | 19,552 | 11,118 |
| Deferred income taxes, net | 146,209 | 141,308 |
| Shareholders' equity: | | |
| Preferred stock, par value $.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2019 and 2018 | – | – |
| Common stock, par value $.01 per share; 60,000,000 Class A shares and 20,000,000 Class B shares authorized; 28,022,583 Class A shares and 8,396,099 Class B shares outstanding in 2019; and 28,709,636 Class A shares and 8,290,277 Class B shares outstanding in 2018 | 462 | 458 |
| Additional paid-in capital | 384,940 | 370,025 |
| Treasury stock, at cost: 4,682,727 Class A shares and 5,150,728 Class B shares in 2019 and 3,791,751 Class A shares and 5,030,787 Class B shares in 2018 | (283,952) | (245,842) |
| Retained earnings | 1,012,195 | 942,287 |
| Accumulated other comprehensive income | (121) | – |
| Total shareholders' equity | 1,113,524 | 1,066,928 |
| **Total liabilities and shareholders' equity** | $ 3,530,695 | $ 3,201,350 |

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





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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Revenues:** | | | | |
| New and used commercial vehicle sales | $ 1,024,801 | $ 857,025 | $ 1,863,084 | $ 1,630,125 |
| Aftermarket products and services sales | 448,166 | 422,940 | 886,520 | 823,235 |
| Lease and rental sales | 61,591 | 58,993 | 121,024 | 116,517 |
| Finance and insurance | 6,401 | 5,492 | 13,011 | 10,233 |
| Other | 3,602 | 4,381 | 9,239 | 9,502 |
| Total revenue | 1,544,561 | 1,348,831 | 2,892,878 | 2,589,612 |
| **Cost of products sold**: | | | | |
| New and used commercial vehicle sales | 951,121 | 791,608 | 1,719,538 | 1,502,522 |
| Aftermarket products and services sales | 272,636 | 265,183 | 545,825 | 519,627 |
| Lease and rental sales | 51,298 | 48,663 | 101,093 | 97,091 |
| Total cost of products sold | 1,275,055 | 1,105,454 | 2,366,456 | 2,119,240 |
| **Gross profit** | 269,506 | 243,377 | 526,422 | 470,372 |
| Selling, general and administrative expense | 193,981 | 178,654 | 381,162 | 350,324 |
| Depreciation and amortization expense | 13,594 | 21,693 | 26,519 | 44,601 |
| Gain (loss) on sale of assets | (139) | 396 | (82) | 368 |
| **Operating income** | 61,792 | 43,426 | 118,659 | 75,815 |
| Equity in earnings of unconsolidated entities | 690 | - | 739 | - |
| Interest expense, net | 8,072 | 4,494 | 15,430 | 8,800 |
| **Income before taxes** | 54,410 | 38,932 | 103,968 | 67,015 |
| Provision for income taxes | 12,789 | 9,543 | 25,243 | 16,587 |
| **Net income** | $ 41,621 | $ 29,389 | $ 78,725 | $ 50,428 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Earnings per common share:** | | | | | | | | |
| Basic | $ | 1.13 | $ | .75 | $ | 2.14 | $ | 1.27 |
| Diluted | $ | 1.10 | $ | .72 | $ | 2.08 | $ | 1.23 |
| | | | | | | | | |
| **Weighted average shares outstanding:** | | | | | | | | |
| Basic | | 36,852 | | 39,399 | | 36,847 | | 39,567 |
| Diluted | | 37,695 | | 40,690 | | 37,764 | | 40,967 |
| | | | | | | | | |
| **Dividends declared per common share** | $ | 0.12 | | - | $ | 0.24 | | - |
| | | | | | | | | |
| **Comprehensive income** | $ | 41,116 | $ | 29,389 | $ | 78,604 | $ | 50,428 |

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



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

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | | **2019** | | **2018** |
| **Cash flows from operating activities:** | | | | |
| Net income | $ | 78,725 | $ | 50,428 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | 84,982 | | 101,020 |
| Loss (gain) on sale of property and equipment | | 82 | | (368) |
| Stock-based compensation expense related to stock options and employee stock purchases | | 13,094 | | 13,842 |
| Provision for deferred income tax expense | | 4,901 | | 4,750 |
| Change in accounts and notes receivable, net | | (39,008) | | (22,776) |
| Change in inventories, net | | (136,611) | | (65,639) |
| Change in prepaid expenses and other, net | | (5,297) | | (834) |
| Change in trade accounts payable | | 15,717 | | 41,242 |
| Draws (payments) on floor plan notes payable – trade, net | | (9,801) | | 71,303 |
| Change in customer deposits | | (7,297) | | 4,686 |
| Change in accrued expenses | | (30,571) | | (7,671) |
| Other, net | | (859) | | – |
| Net cash (used in) provided by operating activities | | (31,943) | | 189,983 |
| **Cash flows from investing activities:** | | | | |
| Acquisition of property and equipment | | (153,073) | | (116,218) |
| Proceeds from the sale of property and equipment | | 1,950 | | 4,239 |
| Proceeds from the sale of available for sale securities | | - | | 350 |
| Business acquisitions | | (10,168) | | - |
| Purchase of equity method investment and call option | | (22,499) | | - |
| Change in other assets | | 2,109 | | (918) |
| Net cash (used in) investing activities | | (181,681) | | (112,547) |
| **Cash flows from financing activities:** | | | | |
| Draws on floor plan notes payable – non-trade, net | | 176,918 | | 18,128 |
| Proceeds from long-term debt | | 106,083 | | 68,269 |
| Draws on line of credit | | 135,000 | | - |
| Principal payments on long-term debt | | (99,982) | | (89,311) |
| Principal payments on finance lease obligations | | (4,358) | | (6,398) |
| Payments on line of credit | | (75,000) | | – |
| Debt issuance costs | | (731) | | - |
| Proceeds from issuance of shares relating to employee stock options and employee stock purchases | | 1,825 | | 1,557 |
| Payments of cash dividends | | (8,817) | | - |
| Common stock repurchased | | (37,694) | | (45,906) |
| Net cash provided by (used in) financing activities | | 193,244 | | (53,661) |
| **Net (decrease) increase in cash and cash equivalents** | | (20,380) | | 23,775 |
| **Cash and cash equivalents, beginning of period** | | 131,726 | | 124,541 |
| **Cash and cash equivalents, end of period** | $ | 111,346 | $ | 148,316 |
| **Supplemental disclosure of cash flow information:** | | | | |
| Cash paid during the period for: | | | | |
| Interest | $ | 28,573 | $ | 20,463 |
| Income taxes, net of refunds | $ | 33,771 | $ | 11,977 |
| Noncash activities: | | | | |
| Assets acquired under finance leases | $ | 15,327 | $ | 1,534 |
| Common stock repurchased | $ | 416 | $ | 216 |
| Guaranty agreement | $ | 5,025 | $ | - |

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

**1 – Principles of Consolidation and Basis of Presentation**

The interim consolidated financial statements included herein have been prepared by Rush Enterprises, Inc. and its subsidiaries (collectively referred to as the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). All adjustments have been made to the accompanying interim consolidated financial statements, which, in the opinion of the Company's management, are necessary for a fair presentation of its 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, 2018. Results of operations for interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

**2 – Other Assets**

*ERP Platform*

The total capitalized costs of the Company's SAP enterprise resource planning software platform ("ERP Platform") of $9.8 million are recorded on the Consolidated Balance Sheet in Other Assets. Amortization expense relating to the ERP Platform, which is recognized in depreciation and amortization expense in the Consolidated Statements of Income and Comprehensive Income, was $0.5 million for the three months ended June 30, 2019 and $9.7 million for the three months ended June 30, 2018, and $1.0 million for the six months ended June 30, 2019 and $20.7 million for the six months ended June 30, 2018 (see below). The Company estimates that amortization expense relating to the ERP Platform will be approximately $1.9 million for each of the next five years.

In the first quarter of 2018, as part of an assessment that involved a technical feasibility study of the then current ERP Platform, the Company determined that a majority of the components of this ERP Platform would require replacement earlier than originally anticipated; in prior disclosures, the Company had referred to the ERP Platform separately as the SAP enterprise software and SAP dealership management system. In accordance with Accounting Standards Codification ("ASC") Topic 350-40, in the first quarter of 2018, the Company adjusted the useful life of these components that were replaced so that the respective net book values of the components were fully amortized upon replacement in May 2018. The Company amortized the remaining net book value of the components that were replaced on a straight-line basis in February 2018 through May 2018. The Company recorded amortization expense of $9.7 million during the three months ended June 30, 2018, and $19.9 million in the six months ended June 30, 2018 related to the components of the ERP Platform that were replaced. The ERP Platform asset and related amortization are reflected in the Truck Segment.

*Franchise Rights*

The Company's only significant identifiable intangible assets, other than goodwill, are rights under franchise agreements with manufacturers. The fair value of the franchise right is determined at the acquisition date by discounting the projected cash flows specific to each acquisition. The carrying value of the Company's manufacturer franchise rights was $7.0 million at June 30, 2019 and December 31, 2018, and is included in Other Assets on the accompanying Consolidated Balance Sheet. The Company has determined that manufacturer franchise rights have an indefinite life, as there are no economic or other factors that limit their useful lives and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers' brand names. Furthermore, to the extent that any agreements evidencing manufacturer franchise rights have expiration dates, the Company expects that it will be able to renew those agreements in the ordinary course of business. Accordingly, the Company does not amortize manufacturer franchise rights.

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

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

No impairment write down was required in the period presented. The Company cannot predict the occurrence of certain events that might adversely affect the reported value of manufacturer franchise rights in the future.

*Equity Method Investment and Call Option*

On February 25, 2019, the Company acquired a 50% equity interest in Rush Truck Centres of Canada Limited ("RTC Canada"), which acquired the operating assets of Tallman Group, the largest International Truck dealer in Canada. The Company was also granted a call option in the purchase agreement that provides the Company with the right to acquire the remaining 50% equity interest in RTC Canada until the close of business on February 25, 2024. The value of the Company's call option was $3.6 million and is reported in Other Assets on the Consolidated Balance Sheet. On April 25, 2019, the Company entered into a Guaranty Agreement ("Guaranty") with Bank of Montreal ("BMO"), pursuant to which the Company agreed to guaranty up to CAD250 million (the "Guaranty Cap") of certain credit facilities entered into by and between Tallman Truck Centre Limited ("TTCL") and BMO. The Guaranty was valued at $5.0 million at June 30, 2019 and is included in the investment in RTC Canada. See Note 13 of Notes to the Consolidated Financial Statements for more details regarding the Guaranty. As of June 30, 2019, the Company's investment in RTC Canada is $24.3 million.

**3 – Commitments and Contingencies**

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

**4 – Earnings Per Share**

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Numerator: | | | | |
| Numerator for basic and diluted earnings per share – Net income available to common shareholders | $ 41,621 | $ 29,389 | $ 78,725 | $ 50,428 |
| Denominator– | | | | |
| Denominator for basic earnings per share – weighted average shares outstanding | 36,852 | 39,399 | 36,847 | 39,567 |
| Effect of dilutive securities– Employee stock options and restricted stock awards | 843 | 1,291 | 917 | 1,400 |
| Denominator for diluted earnings per share – adjusted weighted average shares outstanding and assumed conversions | 37,695 | 40,690 | 37,764 | 40,967 |
| Basic earnings per common share | $ 1.13 | $ .75 | $ 2.14 | $ 1.27 |
| Diluted earnings per common share and common share equivalents | $ 1.10 | $ .72 | $ 2.08 | $ 1.23 |

Options to purchase shares of common stock that were outstanding for the three months and six months ended June 30, 2019, and 2018, which were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Weighted average anti-dilutive options | 1,397 | 753 | 1,186 | 420 |

**5 – Stock Options and Restricted Stock Awards**

*Valuation and Expense Information*

The Company accounts for stock-based compensation in accordance with ASC 718-10, *"Compensation – Stock Compensation,"* which requires the measurement and recognition of compensation expense for all share-based payment awards made to our employees and directors, including employee stock options, restricted stock unit awards, restricted stock 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 for employee stock options, and included in selling, general and administrative expense, was $4.3 million for the three months ended June 30, 2019, and $5.9 million for the three months ended June 30, 2018. Stock-based compensation expense, included in selling, general and administrative expense, for the six months ended June 30, 2019, was $13.1 million and for the six months ended June 30, 2018, was $13.8 million.

As of June 30, 2019, the Company had $10.5 million of unrecognized compensation cost related to non-vested employee stock options to be recognized over a weighted-average period of 2.5 years and $12.0 million of unrecognized compensation cost related to non-vested restricted stock units to be recognized over a weighted-average period of 1.5 years.

**6 – Financial Instruments and Fair Value**

The Company has various financial instruments that it must measure at fair value on a recurring basis. The Company also applies the provisions of fair value measurement to various nonrecurring measurements for its financial and nonfinancial assets and liabilities.

Applicable accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (an exit price). The Company measures its assets and liabilities using inputs from the following three levels of the fair value hierarchy:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access on the measurement date.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 includes unobservable inputs that reflect the Company's assumptions about what factors market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available, including its own data.

Financial instruments consist primarily of cash, accounts receivable, accounts payable and floor plan notes payable. The carrying values of the Company's financial instruments approximate fair value due either to their short-term nature or existence of variable interest rates, which approximate market rates. Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments at June 30, 2019, and December 31, 2018. 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. Because the Company's debt is not quoted, estimates are based on each obligation's characteristics, including remaining maturities, interest rate, credit rating, collateral and liquidity. Accordingly, the Company concluded that the valuation measurement inputs of its long-term debt represent, at its lowest level, current market interest rates available to the Company for similar debt and its current credit standing and has categorized such debt within Level 2 of the hierarchy framework. The carrying amount approximates fair value.

*Long-Lived Assets*

During the first quarter of 2016, the Company instituted plans to consolidate its dealership network. In 2016, the Company recorded an impairment charge related to the value of the real estate in the affected locations and a write-down of certain excess real estate. The fair value measurements for the Company's long-lived assets are based on Level 3 inputs. Fair values of the value of the real estate were determined based on evaluations by a third-party real estate broker that utilized its knowledge and historical experience in real estate markets and transactions. As of June 30, 2019, the remaining real estate associated with the restructuring activities is included in assets held for sale on the Consolidated Balance Sheets.

The following table presents long-lived assets measured and recorded at fair value on a nonrecurring basis (in thousands):

| **Description** | **Fair Value Measurements Using Significant Unobservable Inputs June 30, 2019** |
|---|---|
| Long-lived assets held for sale | $ 419 |

**7 – Segment Information**

The Company currently has one reportable business segment - the Truck Segment. The Truck Segment includes the Company's operation of a nationwide 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 collision center facilities; and a wide array of financial services, including the financing of new and used commercial vehicle purchases, insurance products and truck leasing and rentals. The commercial vehicle dealerships are deemed a single reporting unit because they have similar economic characteristics. The Company's chief operating decision maker considers the entire Truck Segment, not individual dealerships or departments within its dealerships, when making decisions about resources to be allocated to the segment and assessing its performance.

The Company also has revenues attributable to three other operating segments. These segments include a retail tire company, an insurance agency and a guest ranch operation and are included in the All Other column below. None of these segments has ever met any of the quantitative thresholds for determining reportable segments.

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

The following table contains summarized information about reportable segment revenues, segment income or loss from continuing operations and segment assets for the periods ended June 30, 2019 and 2018 (in thousands):

| | Truck Segment | All Other | Total |
|---|---|---|---|
| *As of and for the three months ended June 30, 2019* | | | |
| Revenues from external customers | $ 1,540,237 | $ 4,324 | $ 1,544,561 |
| Segment operating income | 61,579 | 213 | 61,792 |
| Segment income before taxes | 54,269 | 141 | 54,410 |
| Segment assets | 3,490,254 | 40,441 | 3,530,695 |
| *For the six months ended June 30, 2019* | | | |
| Revenues from external customers | $ 2,884,686 | $ 8,192 | $ 2,892,878 |
| Segment operating income | 118,321 | 338 | 118,659 |
| Segment income before taxes | 103,774 | 194 | 103,968 |
| *As of and for the three months ended June 30, 2018* | | | |
| Revenues from external customers | $ 1,344,271 | $ 4,560 | $ 1,348,831 |
| Segment operating income | 43,126 | 300 | 43,426 |
| Segment income before taxes | 38,684 | 248 | 38,932 |
| Segment assets | 2,981,063 | 35,400 | 3,016,463 |
| *For the six months ended June 30, 2018* | | | |
| Revenues from external customers | $ 2,580,924 | $ 8,688 | $ 2,589,612 |
| Segment operating income | 75,486 | 329 | 75,815 |
| Segment income before taxes | 66,787 | 228 | 67,015 |

**8 – Income Taxes**

The Company had unrecognized income tax benefits totaling $2.4 million as a component of accrued liabilities at June 30, 2019 and December 31, 2018, the total of which, if recognized, would impact the Company’s effective tax rate. An unfavorable settlement may require a charge to income tax expense and a favorable resolution would be recognized as a reduction to income tax expense. The Company recognizes interest accrued related to unrecognized tax benefits in income tax expense. The Company had approximately $139,000 accrued for the payment of interest at June 30, 2019 and December 31, 2018. No amounts were accrued for penalties.

The Company does not anticipate a significant change in the amount of unrecognized tax benefits in the next twelve months. As of June 30, 2019, the tax years ended December 31, 2015 through 2018 remain subject to audit by federal tax authorities and the tax years ended December 31, 2014 through 2018 remain subject to audit by state tax authorities.

The Company adopted ASU 2016-09 on January 1, 2017, which requires excess tax benefits and tax deficiencies to be recognized as income tax benefit or expense in the income statement and presented as an operating activity in the statement of cash flows when the awards are vested or are settled. The Company recognized a tax benefit for an equity compensation excess tax benefit of $132,000 in the second quarter of 2019 and $191,000 in the second quarter of 2018. The Company recognized a tax benefit for an equity compensation excess tax benefit of $62,000 in the first six months of 2019 and $169,000 in the first six months of 2018.

**9 – Revenue**

The Company’s revenues are primarily generated from the sale of finished products to customers. Those sales predominantly contain a single delivery element and revenue for such sales is recognized when the customer obtains control, which is typically when the finished product is delivered to the customer. The Company’s material revenue streams have been identified as the following: the sale of new and used commercial vehicles, arrangement of associated commercial vehicle financing and insurance contracts, the performance of commercial vehicle repair services and the sale of commercial vehicle parts. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

The following table summarizes the Company’s disaggregated revenue by revenue source for the three months and six months ended June 30, 2019 and 2018 (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Commercial vehicle sales revenue | $ 1,024,801 | $ 857,025 | $ 1,863,084 | $ 1,630,125 |
| Parts revenue | 254,664 | 237,068 | 501,981 | 460,422 |
| Commercial vehicle repair service revenue | 193,502 | 185,872 | 384,539 | 362,813 |
| Finance revenue | 3,558 | 2,863 | 7,653 | 5,199 |
| Insurance revenue | 2,843 | 2,629 | 5,358 | 5,034 |
| Other revenue | 3,602 | 4,381 | 9,239 | 9,502 |
| Total | $ 1,482,970 | $ 1,289,838 | $ 2,771,854 | $ 2,473,095 |

All of the Company's performance obligations and associated revenues are generally transferred to customers at a point in time. The Company does not have any material contract assets or contract liabilities on the balance sheet as of June 30, 2019. Revenues related to commercial vehicle sales, parts sales, commercial vehicle repair service, finance and the majority of other revenues are related to the Truck Segment.

**10 – Leases**

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, "*Leases ("Topic* 842*")*," which was intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than twelve months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

A lease is classified as a finance lease if any of the following conditions exist on the date of lease commencement:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease provides the lessee an option to purchase the underlying asset, and that option is reasonably certain to be exercised.
- The lease term is for the major part of the remaining economic life of the underlying asset.
- The present value of the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that only the lessee can use it without major modifications.
- The lessor expects to have no alternative use for the leased asset at the end of the lease.

The Company adopted Topic 842 on January 1, 2019. The Company applied a modified retrospective transition approach for all leases existing at, or entered into after, January 1, 2019. The Consolidated Financial Statements for the three and six months ended June 30, 2019 are presented under the new standard, while the comparative three and six months periods ended June 30, 2018 are not adjusted and continue to be reported in accordance with the Company's historical accounting policy. The Company applied the practical expedients permitted within Topic 842, which among other things, allows it to retain its existing assessment of whether an arrangement is, or contains, a lease and whether such lease is classified as an operating or finance lease. The Company made an accounting policy election that keeps leases with an initial term of twelve months or less off of the balance sheet and results in recognizing those lease payments in the Consolidated Statements of Income and Comprehensive Income on a straight-line basis over the lease term.

The Company leases commercial vehicles and real estate under finance and operating leases. The Company determines whether an arrangement is a lease at its inception. For leases with terms greater than twelve months, the Company records the related asset and obligation at the present value of lease payments over the term. Many of the Company's leases include renewal options and/or termination options that are factored into its determination of lease payments when appropriate. The Company has elected not to account for lease and nonlease components as a single combined lease component as lessee.

When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of its leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

*Lease of Vehicles as Lessee*

The Company leases commercial vehicles as the lessee under finance leases and operating leases. The lease terms vary from 1 month to 10 years. Commercial vehicle finance leases continue to be reported on the Consolidated Balance Sheet, while operating leases were added to the Consolidated Balance Sheet in 2019 with the adoption of Topic 842. These vehicles are then subleased or rented by the Company to customers under various agreements. The Company received sublease income under non-cancelable subleases of $5.7 million for the three months ended June 30, 2019, and $11.8 million for the six months ended June 30, 2019.

The Company usually guarantees the residual value of vehicles under operating lease and finance lease arrangements. At June 30, 2019, the Company guaranteed commercial vehicle residual values of approximately $40.4 million under operating lease and finance lease arrangements.

*Lease of Facilities as Lessee*

The Company's facility leases are classified as operating leases and primarily reflect its use of dealership facilities and office space. The lease terms vary from 1 year to 88 years, some of which include options to extend the lease term, and some of which include options to terminate the lease within 1 year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities.

Components of lease cost are as follows (in thousands):

| Component | Classification | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|---|
| Operating lease cost | SG&A expense | $ 3,300 | $ 6,578 |
| Finance lease cost – amortization of right-of-use assets | Depreciation and amortization | 3,541 | 6,862 |
| Finance lease cost – interest on lease liabilities | Interest expense | 764 | 1,476 |
| Short-term lease cost | SG&A expense | 200 | 534 |

Supplemental cash flow information and non-cash activity related to operating and finance leases are as follows (in thousands):

| | Six Months Ended June 30, 2019 |
|---|---|
| Operating cash flow information: | |
| Cash paid for amounts included in the measurement of lease liabilities | $ 8,054 |
| Financing cash flow information: | |
| Cash paid for amounts included in the measurement of lease liabilities | $ 4,358 |
| Non-cash activity: | |
| Operating lease right-of-use assets obtained in exchange for lease obligations | $ 51,590 |

Weighted-average remaining lease term and discount rate for operating and finance leases are as follows:

| | June 30, 2019 |
|---|---|
| Weighted-average remaining lease term (in months) | 69 |
| Weighted-average discount rate | 4.5% |

Maturities of lease liabilities by fiscal year for finance leases and operating leases are as follows (in thousands):

| | Finance Leases | Operating Leases |
|---|---|---|
| 2019 [(a)] | $ 12,843 | $ 6,107 |
| 2020 | 21,198 | 11,138 |
| 2021 | 16,726 | 8,990 |
| 2022 | 12,882 | 7,825 |
| 2023 | 7,320 | 6,479 |
| 2024 and beyond | 10,166 | 27,067 |
| Total lease payments | $ 81,135 | $ 67,606 |
| Less: Imputed interest | (7,452) | (15,814) |
| Present value of lease liabilities | $ 73,683 | $ 51,792 |

(a) Excluding the six months ended June 30, 2019

*Lease of Vehicles as Lessor*

The Company leases vehicles that the Company owns to customers primarily over periods of 1 to 10 years. The Company applied the practical expedient permitted within Topic 842 that allows it not to separate lease and nonlease components. Nonlease components typically consist of maintenance and licensing for the commercial vehicle. Some leases contain an option for the lessee to purchase the commercial vehicle.

The Company's policy is to depreciate its lease and rental fleet using a straight line method over each 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.

Sales-type leases are recognized by the Company as lease receivables. The lessee obtains control of the underlying asset and the Company recognizes sales revenue upon lease commencement. The receivable for sales-type leases at June 30, 2019 in the amount of $5.5 million is reflected in Other Assets on the Consolidated Balance Sheet.

Minimum rental payments to be received for non-cancelable leases and subleases in effect as of June 30, 2019, are as follows (in thousands):

| | | |
|---|---|---|
| 2019 [(a)] | $ | 64,533 |
| 2020 | | 112,427 |
| 2021 | | 84,798 |
| 2022 | | 60,519 |
| 2023 | | 39,590 |
| Thereafter | | 30,824 |
| Total | $ | 392,691 |

(a) Excluding the six months ended June 30, 2019

Rental income during the three and six months ended June 30, 2019, and June 30, 2018, consisted of the following (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Minimum rental payments | $ 54,149 | $ 51,512 | $ 106,570 | $ 102,414 |
| Nonlease payments | 7,620 | 7,753 | 14,878 | 14,718 |
| Total | $ 61,769 | $ 59,265 | $ 121,448 | $ 117,132 |

As of December 31, 2018, minimum lease payments under non-cancelable finance leases and operating leases by period were expected to be as follows (in thousands):

| | Finance Leases | Operating Leases |
|---|---|---|
| 2019 | $ 22,033 | $ 12,295 |
| 2020 | 19,113 | 10,466 |
| 2021 | 14,894 | 8,190 |
| 2022 | 11,062 | 7,078 |
| 2023 | 5,095 | 5,196 |
| Thereafter | 2,963 | 22,463 |
| Total lease payments | $ 75,160 | $ 65,688 |
| Less: Imputed interest | (6,046) | |
| Present value of lease liabilities | $ 69,114 | |

**11 – Shareholders' Equity**

The Company declared and paid a $0.12 per common share cash dividend in the first quarter and the second quarter of 2019. Future dividends are subject to declaration by the Company's Board of Directors.

| (in thousands) | Common Stock Shares Outstanding Class A | Common Stock Shares Outstanding Class B | $0.01 Par Value | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2018** | 28,710 | 8,290 | $ 458 | $ 370,025 | $ (245,842) | $ 942,287 | $ - | $ 1,066,928 |
| Stock options exercised and stock awards | 59 | – | 1 | 1,230 | – | – | – | 1,231 |
| Stock-based compensation related to stock options, restricted shares and employee stock purchase plan | – | – | – | 8,836 | – | – | – | 8,836 |
| Vesting of restricted share awards | – | 226 | 2 | (2,317) | – | – | – | (2,315) |
| Issuance of common stock under employee stock purchase plan | 57 | – | 1 | 1,680 | – | – | – | 1,681 |
| Common stock repurchases | (639) | (53) | – | – | (26,048) | – | – | (26,048) |
| Dividend Class A common stock | – | – | – | – | – | (3,389) | – | (3,389) |
| Dividend Class B common stock | – | – | – | – | – | (991) | – | (991) |
| Other comprehensive income | – | – | – | – | – | – | 384 | 384 |
| Net income | – | – | – | – | – | 37,104 | – | 37,104 |
| **Balance, March 31, 2019** | 28,187 | 8,463 | $ 462 | $ 379,454 | $ (271,890) | $ 975,011 | $ 384 | $ 1,083,421 |
| Stock options exercised and stock awards | 87 | – | – | 1,745 | – | – | – | 1,745 |
| Stock-based compensation related to stock options, restricted shares and employee stock purchase plan | – | – | – | 4,258 | – | – | – | 4,258 |
| Vesting of restricted share awards | – | – | – | (517) | – | – | – | (517) |
| Issuance of common stock under employee stock purchase plan | – | – | – | – | – | – | – | – |
| Common stock repurchases | (251) | (67) | – | – | (12,062) | – | – | (12,062) |
| Dividend Class A common stock | – | – | – | – | – | (3,387) | – | (3,387) |
| Dividend Class B common stock | – | – | – | – | – | (1,050) | – | (1,050) |
| Other comprehensive income | – | – | – | – | – | – | (505) | (505) |
| Net income | – | – | – | – | – | 41,621 | – | 41,621 |
| **Balance, June 30, 2019** | 28,023 | 8,396 | $ 462 | $ 384,940 | $ (283,952) | $ 1,012,195 | $ (121) | $ 1,113,524 |

| (in thousands) | Common Stock Shares Outstanding Class A | Class B | $0.01 Par Value | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2017** | 31,345 | 8,469 | $ 454 | $ 348,044 | $ (120,682) | $ 812,557 | $ 1,040,373 |
| Stock options exercised and stock awards | 30 | – | – | 766 | – | – | 766 |
| Stock-based compensation related to stock options, restricted shares and employee stock purchase plan | – | – | – | 7,893 | – | – | 7,893 |
| Vesting of restricted share awards | 1 | 226 | 2 | (1,621) | – | – | (1,619) |
| Issuance of common stock under employee stock purchase plan | 41 | – | 1 | 1,353 | – | – | 1,354 |
| Common stock repurchases | (834) | (72) | – | – | (38,137) | – | (38,137) |
| Net income | – | – | – | – | – | 21,039 | 21,039 |
| **Balance, March 31, 2018** | 30,583 | 8,623 | $ 457 | $ 356,435 | $ (158,819) | $ 833,596 | $ 1,031,669 |
| Stock options exercised and stock awards | 64 | – | – | 1,184 | – | – | 1,184 |
| Stock-based compensation related to stock options, restricted shares and employee stock purchase plan | – | – | – | 5,949 | – | – | 5,949 |
| Vesting of restricted share awards | – | 1 | – | (128) | – | – | (128) |
| Common stock repurchases | – | (194) | – | – | (7,985) | – | (7,985) |
| Net income | – | – | – | – | – | 29,389 | 29,389 |
| **Balance, June 30, 2018** | 30,647 | 8,430 | $ 457 | $ 363,440 | $ (166,804) | $ 862,985 | $ 1,060,078 |

**12 – Accumulated Other Comprehensive Income**

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

| | |
|---|---|
| Balance as of December 31, 2018 | $ – |
| Foreign currency translation adjustment | 384 |
| Balance at March 31, 2019 | $ 384 |
| Foreign currency translation adjustment | (505) |
| Balance at June 30, 2019 | $ (121) |

The equity method investment in RTC Canada was valued using the Canadian exchange rate of 1.3135 at June 30, 2019. The adjustment is reflected in Other Assets on the Consolidated Balance Sheet.

**13 – Guaranty**

On April 25, 2019, the Company entered into the Guaranty with BMO, pursuant to which the Company agreed to guaranty certain credit facilities entered into by and between TTCL and BMO up to the Guaranty Cap. TTCL is a subsidiary of RTC Canada, of which the Company owns a 50% equity interest. Interest, fees and expenses incurred by BMO to enforce its rights with respect to the guaranteed obligations and its rights against the Company under the Guaranty are not subject to the Guaranty Cap. In exchange for the Guaranty, TTCL is receiving a reduced rate of interest on its credit facilities with BMO. The Guaranty was valued at $5.0 million at June 30, 2019 and is shown in Other long-term liabilities on the Consolidated Balance Sheet.

**14 – New Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *"Financial Instruments - Credit Losses (Topic 326),"* which modifies the measurement of expected credit losses of certain financial instruments. Credit losses on trade and other receivables, held-to-maturity debt securities, and other instruments will reflect the Company's current estimate of the expected credit losses and will generally result in the earlier recognition of allowance for losses. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of and approach to adopting this new accounting guidance and does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

**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 ("SEC"), news releases, conferences, website postings or otherwise) that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), 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 our 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. Please read Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, for a discussion of certain of those risks. Other unknown or unpredictable factors could also have a material adverse effect on future results. Although the Company believes that its expectations are reasonable as of the date of this Form 10-Q, it can give no assurance that such expectations will prove to be correct. The Company does not intend to update or revise any forward-looking statements unless securities laws require it to do so, and the Company undertakes no obligation to publicly release any revisions to forward-looking statements, whether because of new information, future events or otherwise.*

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

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

*Peterbilt® is a registered trademark of Peterbilt Motors Company. PACCAR® is a registered trademark of PACCAR, Inc. PacLease® is a registered trademark of PACCAR Leasing Corporation. Navistar® is a registered trademark of Navistar International Corporation. International® is a registered trademark of Navistar International Transportation Corp. Idealease is a registered trademark of Idealease, Inc. aka Idealease of North America, Inc. Blue Bird® is a registered trademark of Blue Bird Investment Corporation. IC Bus® is a registered trademark of IC Bus, LLC. Fuso® is a registered trademark of Mitsubishi Fuso Truck and Bus Corporation. Hino® is a registered trademark of Hino Motors, Ltd. Isuzu® is a registered trademark of Isuzu Motors Limited. Ford Motor Credit Company® is a registered trademark of Ford Motor Company. Ford® is a registered trademark of Ford Motor Company. SAP® is a registered trademark of SAP Aktiengesellschaft. This report contains additional trade names or trademarks of other companies. Our use of such trade names or trademarks should not imply any endorsement or relationship with such companies.*

**General**

Rush Enterprises, Inc. was incorporated in Texas in 1965 and consists of one reportable segment, the Truck Segment, and conducts business through its subsidiaries. Our principal offices are located at 555 IH 35 South, Suite 500, New Braunfels, Texas 78130.

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

Our 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, we have grown to operate over 100 Rush Truck Centers in 22 states.





Our business strategy consists of providing solutions to the commercial vehicle industry through our network of commercial vehicle dealerships. We offer an integrated approach to meeting customer needs by providing service, parts and collision repairs in addition to new and used commercial vehicle sales and leasing, plus financial services, vehicle upfitting, CNG fuel systems and vehicle telematics products. We intend to continue to implement our business strategy, reinforce customer loyalty and remain a market leader by continuing to develop our Rush Truck Centers as we expand our product offerings and extend our dealership network through strategic acquisitions of new locations and opening new dealerships to enable us to better serve our customers.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us 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. There can be no assurance that actual results will not differ from those estimates. We believe the following accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is determined by specific identification of new and used commercial vehicle 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 less a reasonable profit margin.

***Goodwill***

Goodwill is tested for impairment by reporting unit utilizing a two-step process at least annually, or more frequently when events or changes in circumstances indicate that the asset might be impaired. The first step requires us to compare the fair value of the reporting unit (we consider our Truck Segment to be a reporting unit for purposes of this analysis), which is the same as the segment, to the respective carrying value. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is greater than the fair value, there is an indication that impairment may exist and a second step is required. In the second step of the analysis, the implied fair value of the goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

We determine the fair value of our 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 us to make assumptions and to apply judgment regarding our knowledge of our industry, information provided by industry analysts and our current business strategy in light of present industry and economic conditions. If any of these assumptions change, or fail to materialize, the resulting decline in our estimated fair value could result in a material impairment charge to the goodwill associated with the reporting unit.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we 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, we may be exposed to an impairment charge that could be material.

Goodwill was tested for impairment during the fourth quarter of 2018 and no impairment was required. The fair value of our reporting unit exceeded the carrying value of its net assets. As a result, we were not required to conduct the second step of the impairment test. We do not believe our reporting unit is at risk of failing step one of the impairment test.

***Insurance Accruals***

We are partially self-insured for a portion of the claims related to our property and casualty insurance programs, which requires us to make estimates regarding expected losses to be incurred. We engage a third-party administrator to assess any open claims and we adjust our accrual accordingly on a periodic basis. We are also partially self-insured for a portion of the claims related to our workers' compensation and medical insurance programs. We use 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 our reserve for claims and financial position, results of operations and cash flows. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we used to calculate our self-insured liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material.

***Accounting for Income Taxes***

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

Our 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 our various tax filing positions, we adjust our 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.

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

***Revenue Recognition***

Effective January 1, 2018, we adopted ASU 2014-09, "*Revenue from Contracts with Customers ("Topic 606")*," using the modified retrospective transition method. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under Topic 606, we recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that we determine are within the scope of Topic 606, we perform the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, we assess the goods or services promised within each contract and determine those that are performance obligations. We then assess whether each promised good or service is distinct and recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.





**Results of Operations**

The following discussion and analysis includes our historical results of operations for the three months and six months periods ended June 30, 2019 and 2018.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Revenue** | | | | |
| New and used commercial vehicle sales | 66.4% | 63.5% | 64.4% | 63.0% |
| Aftermarket products and services sales | 29.0 | 31.4 | 30.6 | 31.8 |
| Lease and rental sales | 4.0 | 4.4 | 4.2 | 4.5 |
| Finance and insurance | 0.4 | 0.4 | 0.5 | 0.4 |
| Other | 0.2 | 0.3 | 0.3 | 0.3 |
| **Total revenues** | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of products sold | 82.6 | 82.0 | 81.8 | 81.8 |
| **Gross profit** | 17.4 | 18.0 | 18.2 | 18.2 |
| Selling, general and administrative | 12.5 | 13.2 | 13.2 | 13.6 |
| Depreciation and amortization | 0.9 | 1.6 | 0.9 | 1.7 |
| Gain (loss) on sale of assets | 0.0 | 0.0 | 0.0 | 0.0 |
| **Operating income** | 4.0 | 3.2 | 4.1 | 2.9 |
| Equity in earnings of unconsolidated subsidiaries | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expense, net | 0.5 | 0.3 | 0.5 | 0.3 |
| Income before income taxes | 3.5 | 2.9 | 3.6 | 2.6 |
| Provision for income taxes | 0.8 | 0.7 | 0.9 | 0.6 |
| **Net income** | 2.7% | 2.2% | 2.7% | 2.0% |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Gross Profit: | | | | |
| New and used commercial vehicle sales | 27.3% | 26.9% | 27.3% | 27.1% |
| Aftermarket products and services sales | 65.1 | 64.8 | 64.7 | 64.6 |
| Lease and rental sales | 3.8 | 4.2 | 3.8 | 4.1 |
| Finance and insurance | 2.4 | 2.3 | 2.5 | 2.2 |
| Other | 1.4 | 1.8 | 1.7 | 2.0 |
| Total gross profit | 100.0% | 100.0% | 100.0% | 100.0% |





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

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| **Vehicle unit sales:** | | | | | | |
| New heavy-duty vehicles | 4,119 | 3,218 | 28.0% | 7,677 | 6,530 | 17.6% |
| New medium-duty vehicles | 3,866 | 3,474 | 11.3% | 6,480 | 6,179 | 4.9% |
| New light-duty vehicles | 719 | 679 | 5.9% | 1,258 | 1,110 | 13.3% |
| Total new vehicle unit sales | 8,704 | 7,371 | 18.1% | 15,415 | 13,819 | 11.5% |
| Used vehicles | 2,101 | 2,055 | 2.2% | 3,941 | 3,914 | 0.7% |
| **Vehicle revenue:** | | | | | | |
| New heavy-duty vehicles | $ 611.2 | $ 474.4 | 28.8% | $ 1,142.1 | $ 946.4 | 20.7% |
| New medium-duty vehicles | 288.0 | 257.0 | 12.1% | 487.7 | 456.2 | 6.9% |
| New light-duty vehicles | 28.9 | 27.4 | 5.5% | 50.9 | 44.0 | 15.7% |
| Total new vehicle revenue | $ 928.1 | $ 758.8 | 22.3% | $ 1,680.7 | $ 1,446.6 | 16.2% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Used vehicle revenue | $ 89.9 | $ 92.8 | -3.1% | $ 172.9 | $ 173.4 | -0.3% |
| **Other vehicle revenue:**(1) | $ 6.8 | $ 5.4 | 25.9% | $ 9.5 | $ 10.1 | -5.9% |
| **Absorption ratio:** | 122.4% | 122.8% | -0.3% | 121.9% | 121.4% | 0.4% |

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

**Key Performance Indicator**

*Absorption Ratio*

Management uses several performance metrics to evaluate the performance of our commercial vehicle dealerships and considers Rush Truck Centers' "absorption ratio" to be of critical importance. Absorption ratio is calculated by dividing the gross profit from the parts, service and collision center (collectively, "Aftermarket Products and Services") 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, all of the gross profit from the sale of a commercial vehicle, after sales commissions and inventory carrying costs, directly impacts operating profit. Our commercial vehicle dealerships achieved a 122.4% absorption ratio for the second quarter of 2019 and a 122.8% absorption ratio for the second quarter of 2018.

**Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018**

Aftermarket Products and Services revenues totaled $448.2 million in the second quarter of 2019, up 6.0% from the second quarter of 2018. We believe aftermarket market activity will remain strong throughout the year and that our Aftermarket Products and Services revenues growth will remain consistent with our second quarter performance.

Our new Class 8 truck sales outpaced the market during the second quarter of 2019 and we expect our new Class 8 truck sales to remain consistent in the third quarter of 2019. However, due to the high volume of trucks sold over the past two years, there is currently excess freight capacity in the market, and Class 8 new truck orders have dramatically decreased in recent months. Current market conditions and various economic indicators suggest Class 8 new truck sales will begin to decline in the fourth quarter of 2019. We expect new Class 8 truck sales to decline significantly in 2020.

Our new Class 4 through 7 commercial vehicle sales were up 11.3% during the second quarter of 2019, compared to the second quarter of 2018. We believe our medium-duty sales will remain strong through the remainder of 2019.





*Revenues*

Total revenues increased $195.7 million, or 14.5%, in the second quarter of 2019, compared to the second quarter of 2018.

Our Aftermarket Products and Services revenues increased $25.2 million, or 6.0%, in the second quarter of 2019, compared to the second quarter of 2018. The growth in Aftermarket Products and Services revenues during the second quarter was primarily driven by generally strong economic conditions in the U.S. and our continued success executing on our long-term strategic initiatives. We expect our Aftermarket Products and Services revenues to increase 7% to 9% in 2019, compared to 2018.

Revenues from sales of new and used commercial vehicles increased $167.8 million, or 19.6%, in the second quarter of 2019, compared to the second quarter of 2018, primarily driven by vocational and large fleet deliveries throughout the market segments that we support.

We sold 4,119 new Class 8 heavy-duty trucks in the second quarter of 2019, a 28.0% increase compared to 3,218 new Class 8 heavy-duty trucks sold in the second quarter of 2018. According to A.C.T. Research Co., LLC ("A.C.T. Research"), a truck industry data and forecasting service provider, the U.S. Class 8 truck market increased 19.8% in the second quarter of 2019, compared to the second quarter of 2018. A.C.T. Research currently forecasts U.S. retail sales of new Class 8 trucks of approximately 275,100 units in 2019, 204,000 units in 2020 and 211,500 units in 2021, compared to approximately 255,828 units in 2018. Our share of the U.S. new Class 8 truck sales market was approximately 5.7% in 2018. We expect our U.S. new Class 8 truck sales market share to be between 5.3% and 5.6% in 2019. This market share percentage would result in the sale of approximately 14,500 to 15,500 of new Class 8 trucks in 2019, based on A.C.T. Research's current U.S. retail sales estimate of 275,100 units.

We sold 3,866 new Class 4 through 7 medium-duty commercial vehicles, including 299 buses, in the second quarter of 2019, an 11.3% increase compared to 3,474 new Class 4 through 7 medium-duty commercial vehicles, including 399 buses, sold in the second quarter of 2018. A.C.T. Research estimates that unit sales of new Class 4 through 7 commercial vehicles in the U.S. increased approximately 6.3% in the second quarter of 2019, compared to the second quarter of 2018. A.C.T. Research currently forecasts U.S. retail sales of new Class 4 through 7 medium-duty commercial vehicles of approximately 262,300 units in 2019, 267,000 units in 2020 and 260,400 in 2021. In 2018, we achieved a 5.0% share of the new Class 4 through 7 commercial vehicle market in the U.S. In 2019, we expect our market share to range between 5.1% and 5.5% of the U.S. new Class 4 through 7 commercial vehicle market. This market share percentage would result in the sale of approximately 13,500 to 14,500 of new Class 4 through 7 commercial vehicles in 2019, based on A.C.T. Research's current U.S. retail sales estimates of 262,300 units.

We sold 719 light-duty vehicles in the second quarter of 2019, a 5.9% increase compared to 679 light-duty vehicles sold in the second quarter of 2018. We expect to sell approximately 2,300 light-duty vehicles in 2019.

We sold 2,101 used commercial vehicles in the second quarter of 2019, a 2.2% increase compared to 2,055 used commercial vehicles sold in the second quarter of 2018. We expect to sell approximately 8,000 to 8,500 used commercial vehicles in 2019.

Commercial vehicle lease and rental revenues increased $2.6 million, or 4.4%, in the second quarter of 2019, compared to the second quarter of 2018. We expect lease and rental revenues to increase 3% to 5% during 2019, compared to 2018.

Finance and insurance revenues increased $0.9 million, or 16.6%, in the second quarter of 2019, compared to the second quarter of 2018. We expect finance and insurance revenues to fluctuate proportionately with our new and used commercial vehicle sales in 2019. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of our operating profits.

*Gross Profit*

Gross profit increased $26.1 million, or 10.7%, in the second quarter of 2019, compared to the second quarter of 2018. Gross profit as a percentage of sales decreased to 17.4% in the second quarter of 2019, from 18.0% in the second quarter of 2018. This decrease in gross profit as a percentage of sales is a result of a change in our product sales mix. Commercial vehicle sales, a lower margin revenue item, increased as a percentage of total revenues to 66.4% in the second quarter of 2019, from 63.5% in the second quarter of 2018. Aftermarket Products and Services revenues, a higher margin revenue item, decreased as a percentage of total revenues to 29.0% in the second quarter of 2019, from 31.4% in the second quarter of 2018.



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Gross margins from our Aftermarket Products and Services operations increased to 39.2% in the second quarter of 2019, from 37.3% in the second quarter of 2018. This increase is primarily related to the continued execution of our long-term strategic initiatives in our parts operations, including parts sourcing and pricing. Gross profit from our Aftermarket Products and Services operations increased to $175.5 million in the second quarter of 2019, from $157.8 million in the second quarter of 2018. Historically, gross margins on parts sales range from 27% to 28% and gross margins on service and collision center operations range from 61% to 65%. Gross profits from parts sales represented 61% of total gross profit for Aftermarket Products and Services operations in the second quarter of 2019 and 58% in the second quarter of 2018. Service and collision center operations represented 39% of total gross profit for Aftermarket Products and Services operations in the second quarter of 2019 and 42% in the second quarter of 2018. We expect blended gross margins on Aftermarket Products and Services operations to range from approximately 37.5% to 38.5% in 2019.

Gross margins on new Class 8 truck sales were 8.1% in the second quarter of 2019 and the second quarter of 2018. In 2019, we expect overall gross margins from Class 8 commercial vehicle sales of approximately 7.5% to 8.0%.

Gross margins on new Class 4 through 7 commercial vehicle sales decreased to 5.1% in the second quarter of 2019, from 5.4% in the second quarter of 2018. This decrease is primarily due to the mix of purchasers during the second quarter of 2019. In 2019, we expect overall gross margins from new Class 4 through 7 commercial vehicle sales of approximately 5.5% to 6.0%, but this will largely depend upon the mix of purchasers and types of vehicles sold.

Gross margins on used commercial vehicle sales decreased to 8.3% in the second quarter of 2019, from 12.1% in the second quarter of 2018. This decrease is primarily due to increased availability of quality used commercial vehicles as a result of increased new commercial vehicle sales. We expect margins on used commercial vehicles to range between 8.0% and 9.0% during 2019.

Gross margins from truck lease and rental sales decreased to 16.7% in the second quarter of 2019, from 17.5% in the second quarter of 2018. This decrease is primarily related to decreased fleet utilization. We expect gross margins from lease and rental sales of approximately 16.0% to 18.0% during 2019. Our policy is to depreciate our lease and rental fleet using a straight line method over each 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 us 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 $15.3 million, or 8.6%, in the second quarter of 2019, compared to the second quarter of 2018. This increase is primarily related to increased headcount in the second quarter of 2019, compared to the second quarter of 2018 and increased commissions resulting from increased sales of commercial vehicles and Aftermarket Products and Services. SG&A expenses as a percentage of total revenues decreased to 12.5% in the second quarter of 2019, from 13.2% in the second quarter of 2018. SG&A expenses as a percentage of total revenues have recently ranged from 12.4% to 13.9%. In general, when new and used commercial vehicle revenues increase as a percentage of total revenues, SG&A expenses as a percentage of total revenues will be at the lower end of this range. For 2019, we expect SG&A expenses as a percentage of total revenues to range from 12.5% to 13.0% and the selling portion of SG&A expenses to be approximately 25.0% to 30.0% of new and used commercial vehicle gross profit.

*Depreciation and Amortization Expense*

Depreciation and amortization expense decreased $8.1 million, or 37.3%, in the second quarter of 2019, compared to the second quarter of 2018. This decrease is primarily related to the additional amortization expense related to the replacement of our ERP Platform components in the second quarter of 2018.



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*Interest Expense, Net*

Net interest expense increased $3.6 million, or 79.6%, in the second quarter of 2019, compared to the second quarter of 2018. This increase is a result of the increase in the LIBOR rate over the last year and increased inventory levels, compared to the second quarter of 2018. Net interest expense in 2019 will depend on inventory levels, interest rate fluctuations and the amount of cash available to make prepayments on our floor plan arrangements.

*Income before Income Taxes*

As a result of the factors described above, income before income taxes increased $15.5 million, or 39.8%, in the second quarter of 2019, compared to the second quarter of 2018.

*Income Taxes*

Income taxes increased $3.2 million, or 34.0%, in the second quarter of 2019, compared to the second quarter of 2018. In the second quarter of 2019, we recorded a $132,000 tax benefit related to excess tax benefits of equity compensation, which reduced income tax expense. In the second quarter of 2018, we recorded a $191,000 tax benefit related to excess tax benefits of equity compensation, which reduced income tax expense. We provided for taxes at a 24.0% effective rate in the second quarter of 2019 and a 25.0% effective rate in the second quarter of 2018. We expect our effective tax rate to be approximately 24% to 26% of pretax income in 2019.

**Six Months Ended June 30, 2019, Compared to Six Months Ended June 30, 2018**

Unless otherwise stated below, our variance explanations and future expectations with regards to the items discussed in this section are set forth in the discussion of the "Three Months Ended June 30, 2019, Compared to Three Months Ended June 30, 2018."

Total revenues increased $303.3 million, or 11.7%, in the first six months of 2019, compared to the first six months of 2018. Sales of new and used commercial vehicles increased $233.0 million, or 14.3%, in the first six months of 2019, compared to the first six months of 2018.

Aftermarket Products and Services revenues increased $63.3 million, or 7.7%, in the first six months of 2019, compared to the first six months of 2018.

We sold 7,677 new Class 8 heavy-duty trucks in the first six months of 2019, a 17.6% increase compared to 6,530 new Class 8 heavy-duty trucks in the first six months of 2018. According to A.C.T. Research, retail sales in the U.S. Class 8 truck market increased 22.0% in the first six months of 2019, compared to the first six months of 2018.

We sold 6,480 new Class 4 through 7 medium-duty commercial vehicles, including 458 buses, in the first six months of 2019. This represented a 4.9% increase compared to 6,179 new Class 4 through 7 medium-duty commercial vehicles, including 687 buses, in the first six months of 2018. A.C.T. Research estimates that unit sales of new Class 4 through 7 commercial vehicles in the United States increased approximately 4.3% in the first six months of 2019, compared to the first six months of 2018.

We sold 1,258 new light-duty vehicles in the first six months of 2019, a 13.3% increase compared to 1,110 new light-duty vehicles sold in the first six months of 2018.

We sold 3,941 used commercial vehicles in the first six months of 2019, a 0.7% increase compared to 3,914 used commercial vehicles in the first six months of 2018.

Truck lease and rental revenues increased $4.5 million, or 3.9%, in the first six months of 2019, compared to the first six months of 2018.

Finance and insurance revenues increased $2.8 million, or 27.1%, in the first six months of 2019, compared to the first six months of 2018.





*Gross Profit*

Gross profit increased $56.1 million, or 11.9%, in the first six months of 2019, compared to the first six months of 2018. Gross profit as a percentage of sales was 18.2% in the first six months of 2019 and the first six months of 2018.

Gross margins from Aftermarket Products and Services operations increased to 38.4% in the first six months of 2019, from 36.9% in the first six months of 2018. Gross profit for Aftermarket Products and Services was $340.7 million in the first six months of 2019, compared to $303.6 million in the first six months of 2018. Gross profit from parts sales represented 61% of the total gross profit for Aftermarket Products and Services operations in the first six months of 2019 and 58% in the first six months of 2018. Service and collision center operations represented 40% of the total gross profit for Aftermarket Products and Services operations in the first six months of 2019 and 42% in the first six months of 2018.

Gross margins on new Class 8 heavy-duty truck sales increased to 8.5% in the first six months of 2019, from 8.1% in the first six months of 2018.

Gross margins on new Class 4 through 7 medium-duty commercial vehicle sales decreased to 5.4% in the first six months of 2019, from 6.0% in the first six months of 2018.

Gross margins on used commercial vehicle sales decreased to 9.4% in the first six months of 2019, from 11.7% in the first six months of 2018.

Gross margins from truck lease and rental sales decreased to 16.5% in the first six months of 2019, from 16.7% in the first six months of 2018.

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*

SG&A expenses increased $30.8 million, or 8.8%, in the first six months of 2019, compared to the first six months of 2018. SG&A expenses equaled 13.2% of total revenue in the first six months of 2019, compared to 13.6% in the first six months of 2018.

*Depreciation and Amortization Expense*

Depreciation and amortization expense decreased $18.1 million, or 40.5%, in the first six months of 2019, compared to the first six months of 2018.

*Interest Expense, Net*

Net interest expense increased $6.6 million, or 75.3%, in the first six months of 2019, compared to the first six months of 2018.

*Income before Income Taxes*

Income before income taxes increased $37.0 million, or 55.1%, in the first six months of 2019, compared to the first six months of 2018.

*Provision for Income Taxes*

Income taxes increased $8.7 million, or 52.2%, in the first six months of 2019, compared to the first six months of 2018. In the first six months of 2019, we recorded a $62,000 tax benefit related to excess tax benefits of equity compensation, which reduced income tax expense. In the first six months of 2018, we recorded a $169,000 tax benefit related to excess tax benefits of equity compensation, which reduced income tax expense. We provided for taxes at a 24.5% rate in the first six months of 2019 and a 25.0% rate in the first six months of 2018.





**Liquidity and Capital Resources**

Our short-term cash requirements are primarily for working capital, inventory financing, the renovation and expansion of existing facilities and the construction or purchase of new facilities. Historically, these cash requirements have been met through the retention of profits, borrowings under our floor plan arrangements and bank financings. As of June 30, 2019, we had working capital of approximately $184.3 million, including $111.3 million in cash, available to fund our operations. We believe that these funds, together with expected cash flows from operations, are sufficient to meet our operating requirements for at least the next twelve months. From time to time, we utilize our excess cash on hand to pay down our outstanding borrowings under our credit agreement with BMO Harris Bank N.A. (“BMO Harris”) (“Floor Plan Credit Agreement”), and the resulting interest earned is recognized as an offset to our gross interest expense under the Floor Plan Credit Agreement.

We have a secured line of credit that provides for a maximum borrowing of $17.5 million. There were no advances outstanding under this secured line of credit at June 30, 2019, however, $11.6 million was pledged to secure various letters of credit related to self-insurance products, leaving $5.9 million available for future borrowings as of June 30, 2019.

We have a working capital facility (“the Working Capital Facility”) with BMO Harris that includes up to $100 million of revolving credit loans available to us for working capital, capital expenditures and other general corporate purposes. The amount of the borrowings under the Working Capital Facility are subject to borrowing base limitations based on the value of our eligible parts inventory and company vehicles. The Working Capital Facility includes a $20 million letter of credit sublimit. Borrowings under the Working Capital Facility bear interest at rates based on LIBOR or the Base Rate (as such terms are defined in the Working Capital Facility), plus an applicable margin determined based on outstanding borrowing under the Working Capital Facility. In addition, we are required to pay a commitment fee on the amount unused under the Working Capital Facility. The Working Capital Facility expires on the earlier of (i) March 21, 2020 and (ii) the date on which all commitments under the Working Capital Facility shall have terminated, whether as a result of the occurrence of the Commitment Termination Date (as defined in the Working Capital Facility) or otherwise. There was $60.0 million drawn on the Working Capital Facility as of June 30, 2019.

Our long-term real estate debt, floor plan financing agreements and the Working Capital Facility require us to satisfy various financial ratios such as the debt-to-worth ratio, leverage ratio and the fixed charge coverage ratio and certain requirements for tangible net worth and GAAP net worth. As of June 30, 2019, we were in compliance with all debt covenants related to debt secured by real estate, lease and rental units, our floor plan credit agreements and the Working Capital Facility. We do not anticipate any breach of the covenants in the foreseeable future.

We expect to purchase or lease commercial vehicles worth approximately $165.0 million to $190.0 million for our leasing operations during 2019, depending on customer demand, all of which will be financed. We also expect to make capital expenditures for recurring items such as computers, shop tools and equipment and vehicles of approximately $30.0 million to $40.0 million during 2019.

We have purchase obligations of approximately $16.1 million as of June 30, 2019, related to remodels of our facilities in Atlanta, Georgia and St. Peters, Missouri and the purchase of real estate in Irving and Amarillo, Texas.

During the second quarter of 2019, we paid a cash dividend of $4.4 million. Additionally, on July 23, 2019, our Board of Directors declared a cash dividend of $0.13 per share of Class A and Class B Common Stock, to be paid on September 10, 2019, to all shareholders of record as of August 9, 2019. The total dividend disbursement is estimated at approximately $4.8 million. We expect to continue paying cash dividends on a quarterly basis. However, there is no assurance as to future dividends because the declaration and payment of such dividends is subject to the business judgment of our Board of Directors and will depend on historic and projected earnings, capital requirements, covenant compliance and financial conditions and such other factors as our Board of Directors deem relevant.

On October 31, 2018, our Board of Directors approved a stock repurchase program authorizing management to repurchase, from time to time, up to an aggregate of $150.0 million of our shares of Class A Common Stock and/or Class B Common Stock. Repurchases, if any, will be made at times and in amounts as we deem appropriate and may be made through open market transactions at prevailing market prices, privately negotiated transactions or by other means in accordance with federal securities laws. The actual timing, number and value of repurchases under the stock repurchase program will be determined by management at its discretion and will depend on a number of factors, including market conditions, stock price and other factors, including those related to the ownership requirements of our dealership agreements with Peterbilt. As of June 30, 2019, we had repurchased $104.0 million of our shares of common stock under the stock repurchase program. The current stock repurchase program expires on December 31, 2019, and may be suspended or discontinued at any time.





We anticipate funding the capital expenditures for the improvement and expansion of existing facilities and recurring expenses through our operating cash flows. We have the ability to fund the construction or purchase of new facilities through our operating cash flows or by financing.

We have no other material commitments for capital expenditures as of June 30, 2019. However, we will continue to purchase vehicles for our lease and rental operations and authorize capital expenditures for the improvement or expansion of our existing dealership facilities and construction or purchase of new facilities based on market opportunities.

**Cash Flows**

Cash and cash equivalents decreased by $20.4 million during the six months ended June 30, 2019, compared to December 31, 2018 and increased by $23.8 million during the six months ended June 30, 2018, compared to December 31, 2017. The major components of these changes are discussed below.

*Cash Flows from Operating Activities*

Cash flows from operating activities include net income adjusted for non-cash items and the effects of changes in working capital. During the first six months of 2019, operating activities resulted in net cash used in operations of $31.9 million. Net cash used in operating activities primarily consisted of $78.7 million in net income, as well as non-cash adjustments related to depreciation and amortization of $85.0 million, stock-based compensation of $13.1 million and the provision for deferred income tax expense of $4.9 million. Cash provided by operating activities included an aggregate of $213.7 million net change in operating assets and liabilities. Included in the net change in operating assets and liabilities were cash inflows of $15.7 million from increases in accounts payable which was offset by cash outflows of $39.0 million from the increase in accounts receivable, $136.6 million from the increase in inventory, $5.3 million from the increase in other assets, $9.8 million from the net decrease in floor plan, trade, $30.6 million from the decrease in accrued liabilities and $7.3 million from an increase in customer deposits. The majority of our commercial vehicle inventory is financed through our floor plan credit agreements.

During the first six months of 2018, operating activities resulted in net cash provided by operations of $190.0 million. Net cash provided by operating activities primarily consisted of $50.4 million in net income, as well as non-cash adjustments related to depreciation and amortization of $101.0 million, stock-based compensation of $13.8 million and the provision for deferred income tax expense of $4.8 million. Cash provided by operating activities included an aggregate of $20.3 million net change in operating assets and liabilities. Included in the net change in operating assets and liabilities were cash inflows of $33.6 million from increases in accounts payable and accrued liabilities, $4.7 million from an increase in customer deposits and $71.3 million from the net increase in floor plan, trade, which were offset by cash outflows of $65.6 million from increases in inventory and $22.8 million from the increase in accounts receivable.

In June 2012, we entered into a wholesale financing agreement with Ford Motor Credit Company that provides for the financing of, and is collateralized by, our Ford new vehicle inventory. This wholesale financing agreement bears interest at a rate of Prime plus 150 basis points minus certain incentives and rebates. As of June 30, 2019, the interest rate on the wholesale financing agreement was 7.0% before considering the applicable incentives that we are qualified to receive. As of June 30, 2019, we had an outstanding balance of approximately $129.2 million under the Ford Motor Credit Company wholesale financing agreement.

*Cash Flows from Investing Activities*

During the first six months of 2019, cash used in investing activities was $181.7 million. Cash flows used in investing activities consists primarily of cash used for capital expenditures. Capital expenditures were $153.1 million during the first six months of 2019 and consisted primarily of purchases of property and equipment and improvements to our existing dealership facilities. Property and equipment purchases during the first six months of 2019 included $109.8 million for additional units for the rental and leasing operations, which were directly offset by borrowings of long-term debt. Business acquisitions of $10.2 million consisted of the purchase of a Ford dealership in Ceres, California, and a used truck dealership in Jacksonville, Florida, including the real estate associated with each dealership. In addition, we purchased an equity method investment for $22.5 million for 50% of the equity interest in RTC Canada. We expect to purchase or lease commercial vehicles worth approximately $165.0 million to $190.0 million for our leasing operations in 2019, depending on customer demand, all of which will be financed. During 2019, we expect to make capital expenditures for recurring items such as computers, shop equipment and vehicles of $30.0 million to $40.0 million.





During the first six months of 2018, cash used in investing activities was $112.5 million. Cash flows used in investing activities consists primarily of cash used for capital expenditures. Capital expenditures were $116.2 million during the first six months of 2018 and consisted primarily of purchases of property and equipment and improvements to our existing dealership facilities. Property and equipment purchases during the first six months of 2018 included $73.8 million for additional units for the rental and leasing operations, which were directly offset by borrowings of long-term debt.

*Cash Flows from Financing Activities*

Cash flows from financing activities include borrowings and repayments of long-term debt and net proceeds of floor plan notes payable, non-trade. During the first six months of 2019, financing activities resulted in net cash provided by financing of $193.2 million, primarily related to $176.9 million from net draws on floor plan notes payable, non-trade, borrowings of $106.1 million of long-term debt, $135.0 million from draws on a line of credit and $1.8 million from the issuance of shares related to equity compensation plans. These cash inflows were partially offset by $104.3 million used for principal repayments of long-term debt and capital lease obligations, $37.7 million used for repurchases of common stock, $75.0 million for payments on a line of credit and $8.8 million used for payment of cash dividends. The borrowings of long-term debt were primarily related to purchasing units for the rental and leasing operations.

During the first six months of 2018, we used $53.7 million in net cash from financing activities, primarily related to $95.7 million used for principal repayments of long-term debt and capital lease obligations and $45.9 million used for repurchases of common stock. These cash outflows were partially offset by $18.1 million from net draws on floor plan notes payable, non-trade, borrowings of $68.3 million of long-term debt, and $1.6 million from the issuance of shares related to equity compensation plans. The borrowings of long-term debt were primarily related to purchasing units for the rental and leasing operations.

Most of our commercial vehicle inventory purchases are made on terms requiring payment to the manufacturer within 15 days or less from the date the commercial vehicles are invoiced from the factory. We finance the majority of all new commercial vehicle inventory and the loan value of our used commercial vehicle inventory under the Floor Plan Credit Agreement. The Floor Plan Credit Agreement includes an aggregate loan commitment of $1.0 billion. Borrowings under the Floor Plan Credit Agreement bear interest at an annual rate equal to (A) the greater of (i) zero and (ii) one month LIBOR rate, determined on the last day of the prior month, plus (B) 1.25% and are payable monthly. Loans under the Floor Plan Credit Agreement for the purchase of used commercial vehicle inventory are limited to $150.0 million and loans for working capital purposes are limited to $200.0 million. The Floor Plan Credit Agreement expires June 30, 2022, although BMO Harris has the right to terminate at any time upon 360 days written notice and we may terminate at any time, subject to specified limited exceptions. On June 30, 2019, we had approximately $960.1 million outstanding under the Floor Plan Credit Agreement. The average daily outstanding borrowings under the Floor Plan Credit Agreement were $839.3 million during the six months ended June 30, 2019. We utilize our excess cash on hand to pay down our outstanding borrowings under the Floor Plan Credit Agreement, and the resulting interest earned is recognized as an offset to our gross interest expense under the Floor Plan Credit Agreement.

Navistar Financial Corporation and Peterbilt offer trade terms that provide an interest-free inventory stocking period for certain new commercial vehicles. This interest-free period is generally 15 to 60 days. If the commercial vehicle is not sold within the interest-free period, we then finance the commercial vehicle under the Floor Plan Credit Agreement.

*Backlog*

On June 30, 2019, our backlog of commercial vehicle orders was approximately $1,686.6 million, as compared to a backlog of commercial vehicle orders of approximately $1,719.10 million on June 30, 2018. Our backlog is determined quarterly by multiplying the number of new commercial vehicles for each particular type of commercial vehicle ordered by a customer at our Rush Truck Centers by the recent average selling price for that type of commercial vehicle. We include only confirmed orders in our backlog. However, such orders are subject to cancellation. In the event of order cancellation, we have no contractual right to the total revenues reflected in our backlog. The delivery time for a custom-ordered commercial vehicle varies depending on the truck specifications and demand for the particular model ordered. We sell the majority of our new heavy-duty commercial vehicles by customer special order and we sell the majority of our medium- and light-duty commercial vehicles out of inventory. Orders from a number of our major fleet customers are included in our backlog as of June 30, 2019, and we expect to fill the majority of our backlog orders during 2019.



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*Seasonality*

Our 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 our diverse customer base, including regional and national fleets, local and state 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*

Our business is dependent on a number of factors including general economic conditions, fuel prices, interest rate fluctuations, credit availability, 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 commercial vehicles have ranged from a low of approximately 97,000 in 2009, to a high of approximately 255,711 in 2018. Through geographic expansion, concentration on higher margin Aftermarket Products and Services and diversification of our customer base, we have attempted to reduce the negative impact of adverse general economic conditions or cyclical trends affecting the Class 8 commercial vehicle industry on our earnings.

*Off-Balance Sheet Arrangements*

Other than operating leases prior to the adoption of Topic 842 on January 1, 2019, we do 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 our 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*

We are subject to federal, state and local environmental laws and regulations governing the following: 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 environmental impacts. As with commercial vehicle dealerships generally, and vehicle service, parts and collision center 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. We have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

Our operations involving the use, handling, storage and disposal of hazardous and nonhazardous materials are subject to the requirements of the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storage, treatment, transportation and disposal of regulated substances with which we must comply. Our business also involves the operation and use of aboveground 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.

We 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 environmental impacts without regard to fault or the legality of the conduct that contributed to the impacts. Responsible parties under these statutes may include the owner or operator of the site where impacts 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 materials into the environment.





The federal Clean Water Act and comparable state statutes 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 emissions through permitting programs and the imposition of standards and other requirements.

The Environmental Protection Agency ("EPA") and the National Highway Traffic Safety Administration ("NHTSA"), on behalf of the U.S. Department of Transportation, issued rules associated with reducing greenhouse gas ("GHG") emissions and improving the fuel efficiency of medium and heavy-duty trucks and buses for model years 2021 through 2027. We do not believe that these rules will negatively impact our business, however, future legislation or other new regulations that may be adopted to address GHG emissions or fuel efficiency standards may negatively impact our business. Additional 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 operations.

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

**ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.**

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

We are exposed to market risk through interest rates related to our floor plan financing agreements, the Working Capital Facility, variable rate real estate debt and discount rates related to finance sales. The majority of floor plan debt and variable rate real estate debt is based on LIBOR. As of June 30, 2019, we had floor plan borrowings and variable interest rate real estate debt of approximately $1,252.4 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately $12.5 million.

**ITEM 4. Controls and Procedures.**

The Company, under the supervision and with the participation of management, including the Company's principal executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the principal executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2019 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 principal executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during the three months ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our 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 our 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 our 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 our 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 our 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 2018 Annual Report on Form 10-K (the "2018 Annual Report") describes some of the risks and uncertainties associated with our business that have the potential to materially affect our business, financial condition or results of operations.

There has been no material change in our risk factors disclosed in our 2018 Annual Report.

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

The Company did not make any unregistered sales of equity securities during the second quarter of 2019.

A summary of the Company's stock repurchase activity for the second quarter of 2019 is as follows:

| Period | Total Number of Shares Purchased (1)(2)(3) | Average Price Paid Per Share (1) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) | Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3) |
|---|---|---|---|---|
| April 1 – April 30, 2019 | 35,762 | $ 42.61 **(4)** | 35,762 | $ 56,560,933 |
| May 1 – May 31, 2019 | 167,610 | 38.08 **(5)** | 167,610 | 50,173,942 |
| June 1 – June 30, 2019 | 115,119 | 36.02 **(6)** | 115,119 | 46,023,872 |
| Total | 318,491 | | 318,491 | 46,023,872 |

(1) The calculation of the average price paid per share does not give effect to any fees, commissions or other costs associated with the repurchase of such shares.

(2) The shares represent Class A and Class B Common Stock repurchased by the Company.

(3) On October 31, 2018, our Board of Directors approved a new stock repurchase program authorizing management to repurchase, from time to time, up to an aggregate of $150.0 million of our shares of Class A Common Stock and/or Class B Common Stock. The current stock repurchase program expires on December 31, 2019, and may be suspended or discontinued at any time.

(4) Represents 24,602 shares of Class A Common Stock at an average price paid per share of $42.54 and 11,160 shares of Class B Common Stock at an average price paid per share of $42.76.

(5) Represents 139,820 shares of Class A Common Stock at an average price paid per share of $37.80 and 27,790 shares of Class B Common Stock at an average price paid per share of $39.49.

(6) Represents 87,552 shares of Class A Common Stock at an average price paid per share of $35.78 and 27,567 shares of Class B Common Stock at an average price paid per share of $36.80.

**ITEM 3. Defaults Upon Senior Securities.**

Not Applicable





**ITEM 4. Mine Safety Disclosures.**

Not Applicable

**ITEM 5. Other Information.**

Not Applicable

**ITEM 6. Exhibits**

| Exhibit Number | *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 May 21, 2013) |
| 10.1* | First Amendment to Fourth Amended and Restated Credit Agreement, dated as of June 28, 2019, by and among the Company, the Lenders signatory thereto and BMO Harris Bank N.A., as Administrative Agent and Collateral Agent. |
| 31.1* | Certification of CEO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of CFO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.





**SIGNATURES**

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

RUSH ENTERPRISES, INC

Date: August 9, 2019

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

Date: August 9, 2019

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

**Exhibit 10.1**

FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of June 28, 2019, by and among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Truck Centers of Colorado, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Illinois Inc., Rush Truck Centers of Indiana Inc., Rush Truck Centers of Kansas, Inc., Rush Truck Centers of Kentucky, Inc., Rush Truck Centers of Missouri, Inc., Rush Truck Centers of Nevada, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Ohio, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of Utah, Inc., Rush Truck Centers of Virginia Inc., and Rush Truck Centers of Texas, L.P. (collectively, the "Borrowers" and individually a "Borrower"), Rush Enterprises, Inc. ("Holdings" or the "Borrower Representative"), the Lenders signatory hereto, and BMO Harris Bank N.A., as administrative agent and collateral agent for the Lenders (in such capacity, and together with its successors and permitted assigns, the "Administrative Agent").

RECITALS

A. Borrowers, Holdings, the Lenders signatory hereto and the Administrative Agent are parties to that certain Fourth Amended and Restated Credit Agreement, dated as of April 25, 2019 (as amended from time to time, the "Credit Agreement").

B. The parties hereto desire to amend the Credit Agreement in certain respects, subject to the terms and conditions hereof.

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

AMENDMENT

1. Amendment to Section 2.2. Clauses (d), (e), (f)(i) and (f)(ii) of Section 2.2 of the Credit Agreement are amended by replacing such clauses with the following:

(d) Request for Working Capital Loans. Each request for a Borrowing of Working Capital Loans shall be made in writing (including by E-Systems or such other methods as may be established by the Administrative Agent) by the Borrower Representative to the Administrative Agent not later than 11:00 a.m. on the Business Day prior to the date of the proposed Borrowing, in substantially the form of Exhibit B-2 (a "Request for Working Capital Borrowing"), duly completed. The Administrative Agent shall promptly determine in its sole discretion whether or not any Loans will be made in response to such Request for Working Capital Borrowing, and the Administrative Agent will provide the Borrower Representative and the Lenders with prompt notice of such determination. Notwithstanding anything set forth herein, the Borrowers shall be limited to two (2) Borrowings of Working Capital Loans, and two (2) optional prepayments under Section 2.7 hereof, in any calendar week.

(e) Advances from Each Lender. Upon receipt of notice, before 2:00 p.m. on a Business Day, from the Administrative Agent to fund a Request for Working Capital Borrowing with Working Capital Loans subject to clause (d) above, and subject to the terms of this Agreement, each Lender shall, before 10:00 a.m. on the next Business Day, make available to the Administrative Agent at its address referred to in Section 11.11 such Lender's ratable share of such proposed Borrowing based upon its Commitments, and, in turn, the Administrative Agent shall promptly make such funds available to the Borrowers as directed by the Borrower Representative.

(f) Non-Funding Lenders.

(i) Non-Funding Lenders' Responsibility. The Administrative Agent may assume that each Lender has made payment, with respect to any Loan or any participation in any Swing Loan, available to the Administrative Agent on the date such payment is required to be made in accordance with this Agreement, and may make available to the Borrowers on such date a corresponding amount; provided, that nothing herein or in any other Loan Document shall be deemed to require the Administrative Agent to advance funds to the Borrowers that have not been paid to the Administrative Agent by any Lender. In the event the Administrative Agent advances funds that any Lender was required to but did not fund, pursuant to the preceding sentence or otherwise, (A) the Administrative Agent and not such Lender shall be entitled to interest earned on such funds in accordance with this Agreement, for the period commencing on the date such funds were made available to the Borrowers and ending on the date such funds are (a) repaid by the Borrowers, (b) paid to the Administrative Agent by such Lender, or (c) reallocated in accordance with clause (ii) below or otherwise on any Settlement Date; and (B) such Lender shall, on demand, pay to the Administrative Agent the funds made available to the Borrowers attributable to such Lender. The Borrowers agree to repay to the Administrative Agent on demand any such funds; provided, however, that such payment by the Borrowers shall not relieve any Lender of any obligation it may have to the Borrowers or to the Swingline Lender, or any other obligation it may have to the Administrative Agent. The failure of any Lender to make any Loan, to fund any purchase of any participation to be made or funded by it, or to make any other payment required to be made by it under the Loan Documents, in each case on the date specified therefor, shall not relieve any other Lender of its obligations to make its Loans, fund its purchases of any participation, or make any other payments under any Loan Document on such date, but neither the Administrative Agent nor, other than as expressly set forth herein, any Lender shall be responsible for the failure of any other Lender to make a Loan, fund the purchase of a participation, or make any other payment required under any Loan Document.

(ii) Reallocation. If any Lender is a Non-Funding Lender, the Administrative Agent, whether before or after any Default or Event of Default, (i) in its sole discretion may elect to, or (ii) upon the Swingline Lender's written request with respect to Swing Loans shall, reallocate to the Lenders who are not Non-Funding Lenders, all or a portion of such Non-Funding Lender's payment obligations hereunder, and such Lenders shall assume such payment obligations, in accordance with their Pro Rata Share of the Commitments (calculated as if the Non-Funding Lender's Pro Rata Share was reduced to zero and each other Lender's Pro Rata Share had been increased proportionately); provided, that no Lender shall be reallocated any such amounts or be required to fund any amounts that would cause such Lender's Revolving Exposure to exceed its Commitment, and any such amounts in excess of such Lender's availability under its Commitments shall be reallocated as Working Capital Loans ratably to the Lenders to the extent of availability under the Commitments of such Lenders.

2. Form of Request for Working Capital Borrowing. Exhibit B-2 is amended by replacing it with the Exhibit B-2 attached hereto.

3. Amendment to Section 2.3. Clause (b) of Section 2.3 of the Credit Agreement is amended by replacing it with the following:

(b) Increasing Swing Loans to the Peg Balance. If the outstanding Swing Loans are less than the Peg Balance, the Swingline Lender at least one day prior to a Settlement Date may forward a notice to the Administrative Agent informing the Administrative Agent that the Swingline Lender has elected to increase the amount of the Swing Loans up to an amount elected by the Swingline Lender that does not exceed the Peg Balance (the "Selected Amount"). On such Settlement Date, the Swingline Lender shall pay to the Administrative Agent for the account of the Revolving Lenders an amount equal to the difference between the outstanding Swing Loans and such Selected Amount. Upon receipt by the Administrative Agent of such payment, the Swingline Lender shall be deemed to have refinanced and repaid a portion of each Revolving Lender's Revolving Loans equal to its Pro Rata Share of such payment, and such payment amount shall be deemed a Swing Loan for all purposes hereunder. The Swingline Lender shall be entitled to offset amounts owed to the Revolving Lenders pursuant to this Section 2.3(b) against any payments to be made by the Revolving Lenders on such Settlement Date.

4. Conditions to Effectiveness. Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment shall not become effective until the Administrative Agent has received duly executed signature pages to this Amendment from the Required Lenders, Borrowers, and Holdings, and has executed this Amendment.

5. Representations. Each Loan Party hereby represents and warrants to the Lenders and the Administrative Agent that:

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

5.2 the Borrowers are engaged in the business of selling Inventory at retail;

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

5.4 this Amendment has been duly executed and delivered to the other parties hereto by each Loan Party hereto, is the legal, valid and binding obligation of such Loan Party and is enforceable against such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability; and

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

6. Loan Documents; Continued Effectiveness. As amended hereby, all terms of the Credit Agreement and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Loan Parties party thereto. To the extent any terms and conditions in any of the other Loan Documents shall contradict or be in conflict with any terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified and amended accordingly to reflect the terms and conditions of the Credit Agreement as modified and amended hereby.

7. Reaffirmation of Guaranty and Consent of Guarantor. Holdings hereby (a) consents to the execution and deliver by all Borrowers of this Amendment and the consummation of the transactions described herein; (b) agrees that the execution hereof shall not impair or otherwise affect any of its obligations and duties owned to BMO Harris Bank, N.A., as Administrative Agent and Collateral Agent, under that certain Guaranty Agreement dated December 31, 2010 (as amended, the "Guaranty"); (c) ratifies and confirms the terms of its guarantee of all Obligations with respect to the indebtedness now or hereafter outstanding under the Credit Agreement, as amended, and Guaranteed Obligations under the Guaranty; and (d) acknowledges and agrees that, notwithstanding anything to the contrary contained herein or in any other document evidencing indebtedness of any Borrower to the Lenders or any other obligation of any Borrower, or any actions now or hereafter taken by the Lenders with respect to any obligation of any Borrower, the guaranty of Holdings of all Obligations and Guaranteed Obligations (i) is and shall continue to be a primary obligation of Holdings, (ii) is and shall continue to be an absolute, unconditional, continuing and irrevocable guaranty of payment, (iii) is and shall continue to be in full force and effect in accordance with its terms; and (iv) nothing contained herein shall release, discharge, modify, change or affect the original liability of Holdings with respect to the Obligations or Guaranteed Obligations, as they may be amended hereby.

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

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

10. No Novation. This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or any other Loan Documents, nor an accord and satisfaction in regard thereto.

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

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

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

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

15. Defined Terms. Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Credit Agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, this Amendment has been duly executed as of the dater first set forth above.

**BORROWERS:**

**RUSH TRUCK CENTERS OF ALABAMA, INC.**
**RUSH TRUCK CENTERS OF ARIZONA, INC.**
**RUSH TRUCK CENTERS OF CALIFORNIA, INC.**
**RUSH TRUCK CENTERS OF COLORADO, INC.**
**RUSH MEDIUM DUTY TRUCK CENTERS OF COLORADO, INC.,**
**RUSH TRUCK CENTERS OF FLORIDA, INC.**
**RUSH TRUCK CENTERS OF GEORGIA, INC.**
**RUSH TRUCK CENTERS OF IDAHO, INC.**
**RUSH TRUCK CENTERS OF INDIANA INC.**
**RUSH TRUCK CENTERS OF ILLINOIS INC.**
**RUSH TRUCK CENTERS OF KANSAS, INC.**
**RUSH TRUCK CENTERS OF KENTUCKY, INC.**
**RUSH TRUCK CENTERS OF MISSOURI, INC.**
**RUSH TRUCK CENTERS OF NEVADA, INC.**
**RUSH TRUCK CENTERS OF NEW MEXICO, INC.**
**RUSH TRUCK CENTERS OF NORTH CAROLINA, INC.**
**RUSH TRUCK CENTERS OF OHIO, INC.**
**RUSH TRUCK CENTERS OF OKLAHOMA, INC.**
**RUSH TRUCK CENTERS OF TENNESSEE, INC.**
**RUSH TRUCK CENTERS OF UTAH, INC.**
**RUSH TRUCK CENTERS OF VIRGINIA INC.**

By: /s/ W. M. “Rusty” Rush
Name: W.M. “Rusty” Rush

Title: President and Chief Executive Officer of each of the foregoing entities

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

By: Rushtex, Inc.

By: /s/ W.M. “Rusty” Rush

Name: W.M. “Rusty” Rush

Title: President and Chief Executive Officer

**HOLDINGS:**

**RUSH ENTERPRISES, INC.**

By: /s/ W.M. “Rusty” Rush

Name: W.M. “Rusty” Rush

Title: President and Chief Executive Officer

**BMO HARRIS BANK N.A.**,
as Administrative Agent and Lender

By: /s/ Charles W. Price

Name: Charles W. Price

Title: Managing Director

**<u>OTHER LENDERS</u>:**

**PNC BANK, NATIONAL ASSOCATION**

By: <u>/s/ Kyle Merkle</u>

Name: Kyle Merkle

Title: Senior Vice President

**MASSMUTUAL ASSET FINANCE, LLC**

By: <u>/s/ Don Butler</u>

Name: Don Butler

Title: SVP

**COMERICA BANK**

By: <u>/s/ W. Cody Brackeen</u>

Name: W. Cody Brackeen

Title: Vice President

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

By: <u>/s/ Christopher J. Sherman</u>

Name: Christopher J. Sherman

Title: Senior Vice President

**BOKF, N.A., D/B/A BANK OF TEXAS**

By: <u>/s/ Dan Walker</u>

Name: Dan Walker

Title: SVP

**NYCB SPECIALITY FINANCE COMPANY, LLC**

By: <u>/s/ Mark C. Mazmanian</u>

Name: Mark C. Mazmanian

Title: First Senior Vice President

**BANK OF AMERICA, N.A.**

By: /s/ Alex E. Northington

Name: Alex E. Northington

Title: Vice President

**JPMORGAN CHASE BANK, N.A.**

By: /s/ John Kushnerick

Name: John Kushnerick

Title: Executive Director

**REGIONS BANK**

By: /s/ Claudia Biedenharn

Name: Claudia Biedenharn

Title: Vice President

**ACKNOWLEDGED AND AGREED:**

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

By: /s/ W.M. “Rusty” Rush

Name: W.M. “Rusty” Rush

Title: President and Chief Executive Officer

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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 9, 2019

By: /S/ W.M. “RUSTY” RUSH
W.M. “Rusty” Rush
President, Chief Executive Officer and
Chairman of the Board
(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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 9, 2019

By: /S/ STEVEN L. KELLER
Steven L. Keller
Chief Financial Officer and Treasurer
(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 June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W.M. "Rusty" Rush, President, Chief Executive Officer and Chairman of the Board 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, Chief Executive Officer and
Chairman of the Board
Date: August 9, 2019

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 June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven L. Keller, Chief Financial Officer and Treasurer 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: | Chief Financial Officer and Treasurer |
| Date: | August 9, 2019 |

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.