

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

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

For the transition period from _____ to _____

Commission file number 0-20797

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

Texas
(State or other jurisdiction of
incorporation or organization)

74-1733016
(I.R.S. Employer
Identification No.)

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

(210) 661-4511
(Registrant's telephone number, including area code)

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

Yes No
--- ---

Indicated below is the number of shares outstanding of the registrant's
only class of common stock, as of August 7, 1998.

Title of Class -----	Number of Shares Outstanding -----
Common Stock, \$.01 Par Value	6,643,730

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION	PAGE

Item 1. Financial Statements	
Consolidated Balance Sheets - June 30, 1998 (unaudited) and December 31, 1997.	3
Consolidated Statements of Income - For the Three and Six Months Ended June 30, 1998 and 1997 (unaudited)	4
Consolidated Statements of Cash Flows - For the Three and Six Months Ended June 30, 1998 and 1997 (unaudited)	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
PART II. OTHER INFORMATION	17
SIGNATURES	19

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	JUNE 30, 1998 (UNAUDITED)	DECEMBER 31, 1997 (AUDITED)
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 25,814	\$ 19,816
Accounts receivable, net	18,805	20,894
Inventories	84,575	66,757
Prepaid expenses and other	648	381
	-----	-----
Total current assets	129,842	107,848
PROPERTY AND EQUIPMENT, net	41,741	34,158
OTHER ASSETS, net	14,044	13,472
	-----	-----
Total assets	\$185,627 =====	\$155,478 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floorplan notes payable	\$ 73,573	\$ 63,268
Current maturities of long-term debt	4,965	2,439
Advances outstanding under lines of credit	10	20
Trade accounts payable	5,102	5,751
Accrued expenses	15,830	12,556
Note payable to shareholder	10,600	5,450
	-----	-----
Total current liabilities	110,080	89,484
DEFERRED INCOME TAX LIABILITY, net	1,527	1,180
LONG-TERM DEBT, net of current maturities	27,881	22,742
SHAREHOLDERS' EQUITY		
Rush Enterprises, Inc., common stock, par value \$.01 per share; 25,000,000 shares authorized; 6,643,730 outstanding at June 30, 1998 and December 31, 1997	66	66
Additional paid-in-capital	33,342	33,342
Retained earnings	12,731	8,664
	-----	-----
Total shareholders' equity	46,139	42,072
	-----	-----
Total liabilities and shareholders' equity	\$185,627 =====	\$155,478 =====

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

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
REVENUES:				
New and used truck sales	\$117,392	\$ 71,831	\$202,379	\$133,636
Parts and service	27,047	19,051	50,376	35,346
Construction equipment sales	9,962	--	17,913	--
Lease and rental	4,145	3,448	8,975	6,656
Finance and insurance	3,039	1,056	5,397	2,081
Other	4,398	386	7,018	965
	-----	-----	-----	-----
Total revenues	165,983	95,772	292,058	178,684
COST OF PRODUCTS SOLD	139,464	81,301	243,827	151,044
	-----	-----	-----	-----
GROSS PROFIT	26,519	14,471	48,231	27,640
SELLING, GENERAL AND ADMINISTRATIVE	19,279	11,716	36,510	22,500
DEPRECIATION AND AMORTIZATION	1,119	715	2,074	1,343
	-----	-----	-----	-----
OPERATING INCOME	6,121	2,040	9,647	3,797
INTEREST EXPENSE	1,570	433	2,868	923
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	4,551	1,607	6,779	2,874
PROVISION FOR INCOME TAXES	1,821	610	2,712	1,092
	-----	-----	-----	-----
NET INCOME	\$ 2,730	\$ 997	\$ 4,067	\$ 1,782
	=====	=====	=====	=====
Basic and diluted income from operations per share	\$ 0.41	\$ 0.15	\$ 0.61	\$ 0.27
	=====	=====	=====	=====
Weighted average shares outstanding				
Basic	6,644	6,644	6,644	6,644
	=====	=====	=====	=====
Diluted	6,660	6,644	6,660	6,644
	=====	=====	=====	=====

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS - UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	----- 1998 -----	----- 1997 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,067	\$ 1,782
Adjustments to reconcile net income to cash provided by (used in) continuing operations		
Depreciation and amortization	2,074	1,343
Gain on sale of property, plant and equipment	(62)	(84)
Provision for deferred income tax expense	347	95
Change in receivables	2,814	4,895
Change in inventories	(13,388)	4,277
Change in other current assets	(260)	924
Change in accounts payable	(817)	896
Change in accrued liabilities	2,681	(3,987)
	-----	-----
Net cash provided by (used in) operating activities	(2,544)	10,141
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(7,719)	(4,292)
Proceeds from the sale of property and equipment	186	1,297
Business Acquisitions	(5,817)	(7,915)
Changes in other assets	532	(108)
	-----	-----
Net cash used in investing activities	(12,818)	(11,018)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	14,105	5,998
Principal payments on notes payable	(3,050)	(2,067)
Draws (payments) on floor plan financing, net	10,305	(9,419)
	-----	-----
Net cash provided by (used in) financing activities	21,360	(5,488)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,998	(6,365)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	19,816	21,507
	-----	-----
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 25,814	\$ 15,142
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during year for interest	\$ 2,958	\$ 945
	=====	=====
Cash paid during year for taxes	\$ 2,205	\$ 737
	=====	=====

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The interim consolidated financial statements included herein have been prepared by Rush Enterprises, Inc. and its subsidiaries (collectively referred to as the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). All adjustments have been made to the accompanying interim consolidated financial statements which are, in the opinion of the Company's management, necessary for a fair presentation of the Company's operating results. All adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is recommended that these interim consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on form 10-K for the year ended December 31, 1997.

2 - ACQUISITION

In March 1998 the Company acquired all of the issued and outstanding capital stock of D & D Farm and Ranch Supermarket Inc., for approximately \$10.5 million. The acquisition was accounted for as a purchase. The results of operations have been included in the Company's financial statements since the date of acquisition. No pro forma financial information with regard to this acquisition has been presented as the acquisition does not have a significant impact on the Company's prior or current period financial position or results of operations.

3 - COMMITMENTS AND CONTINGENCIES

The Company is contingently liable to certain finance companies for certain promissory notes and finance contracts, related to the sale of trucks, sold to such finance companies. The Company's recourse liability related to sold finance contracts is limited to 15 to 25 percent of the outstanding balance of each note sold to a finance company, with the aggregate recourse liability for 1998 limited to \$600,000.

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

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

The Company has consulting agreements with certain individuals for an aggregate monthly payment of \$25,725. The agreements expire at various times between 1999 through 2001.

4 - EARNINGS PER SHARE

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

	THREE MONTHS ENDED JUNE 30, 1998	JUNE 30, 1997	SIX MONTHS ENDED JUNE 30, 1998	JUNE 30, 1997
	-----	-----	-----	-----
Numerator:				
Net income - numerator for basic and diluted earnings per share	\$2,730,000	\$ 997,000	\$4,067,000	\$1,782,000
Denominator:				
Denominator for basic earnings per share - weighted average shares	6,643,730	6,643,730	6,643,730	6,643,730
Effect of dilutive securities:				
Employee and Director stock options	16,637	--	16,637	--
	-----	-----	-----	-----
Denominator for diluted earnings per share-adjusted weighted average shares	6,660,367	6,643,730	6,660,367	6,643,730
	=====	=====	=====	=====
Basic earnings per share	\$.41	\$.15	\$.61	\$.27
	=====	=====	=====	=====
Diluted earnings per share	\$.41	\$.15	\$.61	\$.27
	=====	=====	=====	=====

5 - SEGMENT INFORMATION

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

The Company has two reportable segments: the Heavy Duty Truck segment, and the Construction Equipment segment. The Heavy Duty Truck segment operates a regional network of truck centers that provides an integrated one-stop source for the trucking needs of its customers, including retail sales of new Peterbilt and used heavy-duty trucks; after-market parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Heavy Duty Truck segment has locations in Texas, California, Colorado, Oklahoma and Louisiana. The Construction Equipment segment, formed during 1997, operates a full-service John Deere dealership that serves the Houston, Texas Metropolitan and surrounding areas. Dealership operations include the retail sale of new and used construction equipment, after-market parts and service facilities, equipment rentals, and the financing of new and used equipment. The Company had only one segment prior to the October 1997 acquisition of such John Deere dealership, thus for the three and six month periods ended June 30, 1997 results depict only the Heavy Duty Truck segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. The Company evaluates performance based on income before income taxes not including extraordinary items.

The Company accounts for intersegment sales and transfers at current market prices as if the sales or transfers were to third parties. There were no intersegment sales during the three and six month periods ended June 30, 1998.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Business units were maintained through expansion and acquisitions. The following table contains summarized information about reportable segment profit or loss and segment assets, for the three and six month periods ended June 30, 1998: (in thousands)

	HEAVY-DUTY TRUCK SEGMENT	CONSTRUCTION EQUIPMENT SEGMENT	ALL OTHER	TOTALS
	-----	-----	-----	-----
Three months ended June 30, 1998				
Revenues from external customers	\$146,795	\$ 12,420	\$ 6,768	\$165,983
Segment income before taxes	4,161	222	168	4,551
Segment assets	130,313	36,696	18,618	185,627
Six months ended June 30, 1998				
Revenues from external customers	\$257,659	\$ 24,276	\$ 10,123	\$292,058
Segment income before taxes	6,252	224	303	6,779
Segment assets	130,313	36,696	18,618	185,627

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

6 - SUBSEQUENT EVENTS

In July 1998, the Company, through its construction equipment division, Rush Equipment Centers, Inc., signed a Definitive Purchase Agreement with Klooster Equipment, Inc. to purchase the assets of three John Deere dealerships in western Michigan. The acquisition, subject to regulatory approval, the approval of John Deere Construction Equipment Company and customary closing conditions, is expected to close on or about September 1, 1998.

7 - RECENTLY ISSUED PRONOUNCEMENTS

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 132, "Employers' Disclosures about Pensions and Other Post-retirement Benefits" (FAS 132"). FAS 132 standardizes the disclosure requirements for pensions and other post-retirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets, and eliminates certain disclosures that are no longer useful. This statement is effective for financial statements for periods beginning after December 15, 1997. The Company does not provide post-retirement or post-employment benefits to its employees.

In April 1998, the Accounting Standards Executive Committee ("AsSEC") issued Statement of Position 98-5 "Reporting on the Costs of Start-up Activities" (SOP 98-5"). SOP 98-5 requires all start-up activities, as defined, to be expensed as incurred. The SOP is effective for fiscal years beginning after December 15, 1998. Earlier application is encouraged, initial application will be reported as a cumulative effect of a change in accounting principle and restatement of previously issued financial statements is not permitted. The SOP will not have a material impact on the financial statements of the Company.

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

Certain statements contained in this Form 10-Q are "forward-looking statements" within the meaning of the Section 27A of the Securities Act of 1933, as amended and Section 21E of the Exchange Act of 1934, as amended. Specifically, all statements other than statements of historical fact included in this Form 10-Q regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations are forward-looking statements. These forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in the Company's Registration Statement on Form S-1 (File No. 333-3346) and in the Company's annual, quarterly and other reports filed with the Securities and Exchange Commission (collectively, "cautionary statements"). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, or intended. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable cautionary statements. The Company does not intend to update these forward-looking statements.

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

GENERAL

Rush Enterprises, Inc. was incorporated in Texas in 1965 and currently consists of two reportable segments: the Heavy Duty Truck segment, and the Construction Equipment segment.

The Heavy Duty Truck segment operates a regional network of truck centers that provide an integrated one-stop source for the trucking needs of its customers, including retail sales of new Peterbilt and used heavy-duty trucks; after-market parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Company's truck centers are strategically located in high truck traffic areas on or near major highways in Texas, California, Oklahoma, Colorado and Louisiana. The Company is the largest Peterbilt truck dealer in the United States, representing approximately 14.7% of all new Peterbilt truck sales in 1997, and is the sole authorized vendor for new Peterbilt trucks and replacement parts in its market areas. The Company was named Peterbilt Dealer of the Year for North America for the 1993-1994 year. The criteria used to determine the recipients of this award include, among others, image, customer satisfaction, sales activity and profitability.

The Construction Equipment segment, formed during 1997, operates a full-service John Deere dealership (the "Rush Equipment Center") that serves the Houston, Texas Metropolitan and surrounding areas. Dealership operations include the retail sale of new and used construction equipment, after-market parts and service facilities, equipment rentals, and the financing of new and used construction equipment. The Company believes the construction equipment industry is highly-fragmented and offers opportunities for consolidation. As a result, the Company's growth strategy is to realize economies of scale, favorable

purchasing power, and cost savings by developing a network of John Deere dealerships through acquisitions and growth inside existing territories. The Company currently operates two construction equipment dealerships in Houston, and Beaumont, Texas and has recently signed a Definitive Purchase Agreement to acquire three dealerships in western Michigan. There can be no assurance that the Company will be able to successfully develop a network of construction equipment dealerships or, if such network of construction equipment dealerships is established, that it will realize economies of scale, favorable purchasing power or cost savings.

In March 1997, the Company acquired the assets of Denver Peterbilt, Inc., which consisted of two full service Peterbilt dealerships in Denver and Greeley, Colorado. The purchase price was approximately \$7.9 million, funded by cash and borrowings under the Company's floor plan financing arrangement.

In September 1997, the Company opened a Rush Truck Center in Pharr, Texas. This full-service Peterbilt dealership serves the Texas Rio Grande Valley area.

In October 1997, the Company acquired certain assets and assumed certain liabilities from C. Jim Stewart & Stevenson, Inc., which consisted of its full service John Deere construction equipment dealership serving the Houston, Texas metropolitan and surrounding areas. The purchase price was approximately \$30.2 million funded by cash, borrowings from various creditors, and a note payable issued to the seller.

In March 1998, the Company acquired all of the outstanding capital stock of D & D Farm and Ranch Supermarket, Inc. ("D & D"), for consideration of approximately \$10.5 million. D & D operates a retail farm and ranch superstore in the San Antonio, Texas metropolitan and surrounding area.

RESULTS OF OPERATIONS

The following discussion and analysis includes the Company's historical results of operations for the three and six months ended June 30, 1998 and 1997.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
New and used truck sales	70.7%	75.0%	69.3 %	74.8 %
Parts and service	16.3	19.9	17.3	19.8
Construction equipment sales	6.0	--	6.1	--
Lease and rental	2.5	3.6	3.1	3.7
Finance and insurance	1.8	1.1	1.8	1.2
Other	2.7	0.4	2.4	0.5
Total revenues	100.0	100.0	100.0	100.0
Cost of products sold	84.0	84.9	83.5	84.5
Gross profit	16.0	15.1	16.5	15.5
Selling, general and administrative expenses	11.6	12.2	12.5	12.6
Depreciation and amortization	0.7	0.8	0.7	0.8
Operating income	3.7	2.1	3.3	2.1
Interest expense	1.0	0.5	1.0	0.5
Income before income taxes	2.7	1.7	2.3	1.6
Provision for income taxes	1.1	0.6	0.9	0.6
Net income	1.6%	1.0%	1.4%	1.0%

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

Revenues

Revenues increased by approximately \$70.2 million, or 73.3%, from \$95.8 million to \$166.0 million from the second quarter of 1997 to the second quarter of 1998. Approximately, \$21.6 million in sales is attributable to the addition of the Pharr heavy-duty truck dealership, the John Deere construction equipment dealership, and D & D Farm and Ranch Supermarket, while the remaining increase of \$48.6 million, or 50.7%, is attributable to same store growth. Sales of new and used trucks increased by approximately \$45.6 million, or 63.5%, from \$71.8 million to \$117.4 million from the second quarter of 1997 to the second quarter of 1998. Unit sales of new and used trucks increased by 60.1% and 19.0%, respectively, from the second quarter of 1997 to the second quarter of 1998, while new truck average revenue per unit increased by 9.5% and used truck average revenue per unit increased by 13.5%. Average new truck prices increased due to a change in product mix and customary price increases. Used truck prices increased due to product mix and increased demand for late model product.

Parts and service sales increased by approximately \$8.0 million, or 42.1% from \$19.0 million to \$27.0 million. The increase was due to same store growth of 30.4% and parts and service sales associated with the addition of the Pharr heavy-duty truck dealership, and the John Deere construction equipment dealership.

Lease and rental revenues increased by approximately \$697,000, or 20.5%, from \$3.4 million to \$4.1 million. The increase was due to \$378,000 of lease and rental revenues generated by the John Deere dealership acquired in October 1997, and same store growth in revenues of \$319,000 or 9.4%.

Finance and insurance revenues increased by approximately \$2.0 million, or 200.0%, from \$1.0 million to \$3.0 million from the second quarter of 1997 to the second quarter of 1998. The majority of the increase resulted from the increase in new and used truck deliveries. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Other income increased by approximately \$4.0 million, or 1039.4%, from \$386,000 to \$4.4 million from the second quarter of 1997 to the second quarter of 1998. The increase is entirely due to the acquisition of D & D Farm and Ranch Supermarket, Inc., in March 1998, which recorded sales of approximately \$4.2 million during the second quarter of 1998.

Gross Profit

Gross profit increased by approximately \$12.0 million, or 82.8%, from \$14.5 million to \$26.5 million from the second quarter of 1997 to the second quarter of 1998. Gross profit as a percentage of sales increased from 15.1% in the second quarter of 1997 to 16.0% in the second quarter of 1998. The increase in gross profit, as a percentage of sales, was a result of a change in sales mix. Finance and insurance revenues increased as a percentage of sales, gross margin percentages on used trucks, parts, service and body shop sales increased, and Rush Equipment Center, the Company's John Deere dealership, achieved a gross margin of 21.6%. These margin increases were offset by slight decreases in gross margins on new trucks.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately \$7.6 million, from \$11.7 million to \$19.3 million, or 65.0%, from the second quarter of 1997 to the second quarter of 1998. Selling, general and administrative expenses as a percentage of revenue decreased from 12.2% in the second quarter of 1997 to 11.6% in the second quarter of 1998. The changes in selling, general and administrative expenses are due mainly to the large increase in revenue in the second quarter of 1998.

Interest Expense

Interest expense increased by approximately \$1.1 million or 254.0%, from \$433,000 to \$1.6 million, from the second quarter of 1997 to the second quarter of 1998, primarily as the result of increased levels of indebtedness due to higher floor plan liability levels and the refinancing of certain real property owned by the Company during the fourth quarter of 1997.

Income before Income Taxes

Income before income taxes increased by \$2.9 million, or 181.3%, from \$1.6 million to \$4.5 million from the second quarter of 1997 to the second quarter of 1998, as a result of the factors described above.

Income Taxes

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

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

Revenues

Revenues increased by approximately \$113.4 million, or 63.5%, from \$178.7 million to \$292.1 million from the first six months of 1997 to the first six months of 1998. Sales of new and used trucks increased by approximately \$68.8 million, or 51.5%, from \$133.6 million to \$202.4 million from the first six months of 1997 to the first six months of 1998. Unit sales of new and used trucks increased by 43.5% and 26.4%, respectively, from the first six months of 1997 to the first six months of 1998, while new and used truck average revenue per unit increased by 8.2% and 17.6%, respectively. Average new truck prices increased due to a change in product mix and customary price increases. Used truck prices increased due to product mix and increased demand for late model products.

Parts and service sales increased by approximately \$15.0 million, or 42.4%, from \$35.4 million to \$50.4 million. The increase was due to incentive pay plans implemented in the parts departments and the expansion of our outside parts sales force. The increase consisted of same store growth of \$7.5 million or 21.2% and parts and service sales associated with addition of the Pharr heavy-duty truck dealership and the John Deere construction equipment dealership.

Lease and rental revenues increased by approximately \$2.3 million, or 34.3% from \$6.7 million to \$9.0 million. The increase was due to \$1.6 million of lease and rental revenues generated by the John Deere dealership acquired in October 1997, and same store growth in revenues of \$715,000 or 10.7%.

Finance and insurance revenues increased by approximately \$3.3 million, or 157.1%, from \$2.1 million to \$5.4 million from the first six months of 1997 to the first six months of 1998. The majority of the increase resulted from the increase in new and used truck deliveries. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Other income increased by approximately \$6.0 million, or 600%, from \$1.0 million to \$7.0 million from the first six months of 1997 to the first six months of 1998. The increase was primarily due to the acquisition of D & D Farm and Ranch Supermarket, Inc., in March 1998, which recorded sales of approximately \$5.6 million during the first six months of 1998.

Gross Profit

Gross profit increased by approximately \$20.6 million, or 74.6%, from \$27.6 million to \$48.2 million from the first six months of 1997 to the first six months of 1998. Gross profit as a percentage of sales increased from 15.5% to 16.5% from the first six months of 1997 to the first six months of 1998. The increase in gross profit as a percentage of sales was a result of a change in sales mix. Finance and insurance revenues increased as a percentage of sales, gross margin percentages on used trucks, parts, service and body shop sales increased, and Rush Equipment Center achieved a gross margin of 20.6%. These margin increases were offset by slight decreases in gross margins on new trucks.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately \$14.0 million, from \$22.5 million to \$36.5 million, or 62.2%, from the first six months of 1997 to the first six months of 1998. The increase resulted from approximately \$6.4 million of selling, general and administrative expenses related to the acquisition and integration of Denver Peterbilt Inc., the newly opened Pharr heavy-duty truck dealership, the John Deere construction equipment dealership, and D & D Farm and Ranch Supermarket, Inc.. Additionally, commissions increased due to increased gross margins. Selling, general and administrative expenses as a percentage of revenue decreased from 12.6% in the first six months of 1997 to 12.5% in the first six months of 1998.

Interest Expense

Interest expense increased by approximately \$1.9 million from \$923,000 to \$2.9 million, or 205.9%, from the first six months of 1997 to the first six months of 1998, primarily as the result of increased levels of indebtedness due to higher floor plan liability levels and the refinancing of certain real property owned by the Company during the fourth quarter of 1997.

Income before Income Taxes

Income before income taxes increased by \$3.9 million, or 134.5% from \$2.9 million to \$6.8 million from the first six months of 1997 to the first six months of 1998, as a result of the factors described above.

Income Taxes

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's short-term cash needs are primarily for working capital, including inventory requirements, expansion of existing facilities and acquisitions. These short-term cash needs have historically been financed with retained earnings and borrowings under credit facilities available to the Company.

In June 1996, the Company completed an initial public offering of 2,875,000 shares of common stock and received net proceeds of approximately \$32.1 million.

As a result of the initial public offering, working capital levels have generally increased. At June 30, 1998, the Company had working capital of approximately \$19.8 million, including \$25.8 million in cash and cash equivalents, \$18.8 million in accounts receivable, \$84.6 million in inventories, and \$648,000 in prepaid expenses, less \$20.9 million of accounts payable and accrued expenses, \$5.0 million of current maturities on long-term debt, \$10.6 million in a note payable to a shareholder, and \$73.6 million outstanding under floor plan financing. The aggregate maximum borrowing limits under working capital lines of credit with various lending institutions are approximately \$8.0 million. The Company's floor plan agreements with its primary lender limit the aggregate amount of borrowings based on the number of new and used trucks and the book value of construction equipment inventory.

For the first six months of 1998, operating activities used \$2.5 million of cash. Net income of \$4.1 million, a decrease in accounts receivable of \$2.8 million, an increase in accrued expenses of \$2.7 million and provisions for depreciation, amortization, and deferred taxes totaling \$2.4 million was more than offset by a decrease in other current assets of \$260,000, and increases in inventories of \$13.4 million and accounts payable of \$817,000.

For the first six months of 1997, operating activities provided \$10.1 million of cash. Operating increases included net income of \$1.8 million, decreases in accounts receivable, inventories and other assets of \$4.9 million, \$4.3 million, and \$924,000 respectively, and increases in depreciation and amortization and accounts payable of \$1.3 million and \$896,000 respectively. Operating decreases resulted from decreases in the provision for deferred income tax liability and accrued liabilities of \$1.0 million and \$2.9 million respectively.

During the first six months of 1998, the Company used \$12.8 million for investing activities, primarily due to property and equipment additions and the acquisition of D & D Farm and Ranch Supermarket, Inc.

During the first six months of 1997, the Company used \$11.0 million for investing activities, primarily due to the acquisition of Denver Peterbilt, Inc., and property and equipment additions.

For the first half of 1998, net cash provided by financing activities amounted to \$21.4 million. Increases in notes payable and floor plan liability of \$14.1 million and \$10.3 million, respectively, more than offset principal payments on notes payable of \$3.0 million.

For the first half of 1997, net cash used in financing activities amounted to \$5.5 million. Payments on floor plan financing and principal on notes payable more than offset the increase in notes payable.

Substantially all of the Company's truck purchases from PACCAR are made on terms requiring payment within 15 days or less from the date of shipment from the factory. The Company finances all, or substantially all, of the purchase price of its new truck inventory, and 75% of the loan value of its used truck inventory, under a floor plan arrangement with GMAC under which GMAC pays PACCAR directly with respect to new trucks. The Company makes monthly interest payments on the amount financed but is not required to commence loan principal repayments to GMAC prior to the sale of new vehicles for a period of 12 months and for used vehicles for a period of three months. At June 30, 1998, the Company had approximately \$49.4 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to 62.5% of the amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate less one-half percent on overnight funds deposited by the Company with GMAC.

The Company finances all, or substantially all, of the purchase price of its new construction equipment inventory under its floor plan facilities with John Deere and Associates Commercial Corp.. The agreement with John Deere provides for an immediate 3% discount if the equipment is paid for within 30 days from the date of purchase, or interest free financing for five months, after which time the amount financed is required to be paid in full. When the equipment is sold prior to the expiration of the five month period, the Company is required to repay the principal within approximately 15 days of date of the sale. Should the equipment financed by John Deere not be sold within the five month period, such financing is transferred to the Associates Commercial Corp. floor plan arrangement. The Company makes principal payments to Associates Commercial Corp., for sold inventory, and interest payments for all inventory, on the 15th day of each month. Used and rental equipment, to a maximum of book value, is financed under a floor plan arrangement with Associates Commercial Corp. The Company makes monthly interest payments on the amount financed and is required to commence loan principal repayments on rental equipment as book value reduces. Principal payments, for sold inventory, on used equipment are made the 15th day of each month following the sale. The loans are collateralized by a lien on the equipment. The Company's floor plan agreements limit the aggregate amount of borrowings based on the book value of new and used equipment units. As of June 30, 1998, the Company's floor plan arrangement with Associates Commercial Corp. permits the financing with Associates Commercial Corp. of up to \$25 million in construction equipment. At June 30, 1998, the Company had \$5.2 million and \$19.0 million, outstanding under its floor plan financing arrangements with John Deere and Associates Commercial Corp., respectively.

Backlogs

The Company enters firm orders into its backlog at the time the order is received. Currently, customer orders are being filled in approximately six to nine months and customers have historically placed orders expecting delivery within three to six months. However, certain customers, including fleets and governments, typically place orders up to one year in advance of their desired delivery date. Certain employees of the Company's supplier of new Peterbilt trucks, commenced a work stoppage in May 1998 and were subsequently replaced by new, non-union workers by such supplier. At June 30, 1998, such labor relations issues of such supplier have had no effect on the Company's business, financial condition, or results of operations. Such supplier has advised the company that it does not anticipate its labor relations to cause a material adverse effect on the Company's business, operations or financial condition. However, no assurances can be made that future developments in this matter, which are beyond the control of the Company, will not occur and which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company in the past has typically allowed customers to cancel orders at any time prior to delivery, and the Company's level of cancellations is affected by general economic conditions, economic recessions and customer business cycles. As a percentage of orders, cancellations historically have ranged from 5% to 12% of annual order volume. The Company's backlogs as of June 30, 1998, and 1997, were approximately \$175 million and \$113.0 million, respectively. Backlogs increased principally due to increased order volume at June 30, 1998, compared to June 30, 1997.

Seasonality

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

Seasonal effects in the construction equipment business are primarily driven by weather conditions. As the Rush Equipment Center is located in Houston, Texas, where winters are mild, seasonality currently does not have a material effect on the Company's construction equipment segment. Additionally, any seasonal effects, on construction equipment sales related to the seasonal purchasing patterns of any single customer type are mitigated by the Company's diverse customer base that includes contractors, for both residential and commercial construction, utility companies, federal, state and local government agencies, and various petrochemical, industrial and material supply type businesses that require construction equipment in their daily operations.

Cyclicity

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

Effects of Inflation

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

Year 2000

The efficient operation of the Company's business is dependent on its computer software programs and operating systems (collectively, "Programs and Systems"). These Programs and Systems are used in several key areas of the Company's business, including information management services and financial reporting, as well as in various administrative functions. The Company has been evaluating its Programs and Systems to identify potential year 2000 compliance problems, as well as manual processes, external interfaces with customers, and services supplied by vendors to coordinate year 2000 compliance and conversion. The year 2000 problem refers to the limitations of the programming code in certain existing software programs to recognize date sensitive information for the year 2000 and beyond. Unless modified prior to the year 2000, such systems may not properly recognize such information and could generate erroneous data or cause a system to fail to operate properly.

Based on current information, the Company expects to attain year 2000 compliance and institute appropriate testing of its modifications and replacements in a timely fashion and in advance of the year 2000 date change. It is anticipated that modification or replacement of the Company's Programs and Systems will be performed by Company and/or contract personnel. The Company believes that, with modifications to existing software and conversions to new software, the year 2000 problem will not pose a significant operational problem for the Company. However, because most computer systems are, by their very nature, interdependent, it is possible that non-compliant third party computers may not interface properly with the Company's computer systems. The Company could be adversely affected by the year 2000 problem if it or unrelated parties fail to successfully address this issue. Management of the Company currently anticipates that the expenses and capital expenditures associated with its year 2000 compliance project, including costs associated with modifying the Programs and Systems as well as the cost of purchasing or leasing certain hardware and software, will not have a material effect on its business, financial position or results of operations and are expenses and capital expenditures the Company anticipated incurring in the ordinary course of business regardless of the year 2000 problem. Purchased hardware and software has been and will continue to be capitalized in accordance with normal accounting policy. Personnel and other costs related to this process are being expensed as incurred.

The costs of year 2000 compliance and the expected completion dates are the best estimates of Company management and are believed to be reasonably accurate. In the event the Company's plan to address the year 2000 problem is not successfully or timely implemented, the Company may need to devote more resources to the process and additional costs may be incurred, which could have a material adverse effect on the Company's financial condition and results of operations. Problems encountered by the Company's vendors, customers and other third parties also may have a material adverse effect on the Company's financial condition and results of operations.

In the event the Company determines following the year 2000 date change that its Programs and Systems are not year 2000 compliant, the Company will likely experience considerable delays in processing customer orders and invoices, compiling information required for financial reporting and performing various administrative functions. In the event of such occurrence, the Company's contingency plans call for it to switch vendors to obtain hardware and/or software that is 2000 compliant, and until such hardware and/or software can be obtained, the Company will plan to use non-computer systems for its business, including information management services and financial reporting, as well as its various administrative functions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

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

1998.

(a) The Annual Meeting of Shareholders was held on May 20,

(b) The following directors were elected to serve until the next Annual Meeting of Shareholders on until their successors have been elected and qualified:

W. Marvin Rush	W.M. "Rusty" Rush
Robin M. Rush	Joseph M. Dunn
Ronald J. Krause	John D. Rock

(c) (1) The director's in (b) above were elected by the following number of votes:

NAME ----	NUMBER OF VOTES -----	NUMBER OF VOTES WITHHELD -----
W. Marvin Rush	6,123,986	3,684
W.M. "Rusty" Rush	6,124,464	3,206
Robin M. Rush	6,124,464	3,206
Ronald J. Krause	6,124,464	3,206
John D. Rock	6,124,464	3,206
Joseph M. Dunn	6,124,364	3,306

(2) The proposal to approve the adoption of the Company's Long Term Incentive Plan (the "Plan"), as amended, was approved as 5,483,824 shares of Common Stock were voted "For", 627,546 shares of Common Stock were voted "Against", 5,900 shares of Common Stock abstained from voting and 10,400 shares of Common Stock were unvoted.

(3) Of the 6,116,270 number of shares of Common Stock voting at the meeting, 6,106,910 shares voted for the ratification of the appointment of the firm Arthur Andersen L.L.P. as the Company's independent accountants for 1998. The number of shares that voted against the ratification was 1,100, the holders of 8,260 shares abstained from the voting, and 11,400 shares were unvoted.

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit
Number

10.1*	Employment agreement, dated April 1, 1998, between Daryl J. Gorup and Rush Administrative Services, Inc.
10.2*	Employment agreement, dated June 12, 1996, between Brent Hughes and Rush Administrative Services, Inc.
10.3*	Employment agreement, dated June 12, 1996, between David C. Orf and Rush Administrative Services, Inc.
27.1*	Financial data schedule
*	Filed herewith

b) Reports on Form 8-K

None

SIGNATURES

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

RUSH ENTERPRISES, INC.

Date: August 13, 1998

By: /s/ W. MARVIN RUSH

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

Date: August 13, 1998

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

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

Exhibit Index

Exhibit Number -----	Description -----
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10.3*	Employment agreement, dated June 12, 1996, between David C. Orf and Rush Administrative Services, Inc.
27.1*	Financial data schedule

* Filed herewith

DISPUTES RELATING TO THIS AGREEMENT ARE REQUIRED TO BE SETTLED PURSUANT TO CERTAIN DISPUTE RESOLUTION PROCEDURES AS PROVIDED IN ARTICLE 7 AND APPENDIX A OF THIS AGREEMENT.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into effective as of the 1st day of April 1998, between Daryl J. Gorup ("Employee"), and Rush Administrative Services, Inc., a Delaware corporation (the "Company"), whose principal executive offices are located in San Antonio, Texas.

WHEREAS, the Company desires to employ Employee, and Employee desires to be employed by the Company, on terms hereinafter set forth;

NOW, THEREFORE, in consideration for the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 DUTIES

1.1 Employment. During the term of this Agreement, the Company agrees to employ Employee, and Employee accepts such employment, on the terms and conditions set forth in this Agreement.

1.2 Extent of Service. During the term of this Agreement, Employee shall devote his or her full-time business time, energy and skill to the affairs of the Company and its affiliated companies, and Employee shall not be engaged in any other business or consulting activities pursued for gain, profit or other pecuniary advantage, except for Employee's medical or clinical practice activities or related educational activities which do not, in the aggregate, interfere with the performance of Employee's duties hereunder. The foregoing shall not prevent Employee from making monetary investments in businesses, provided that such investments do not involve any services on the part of Employee in the operation or affairs of such businesses.

1.3 Duties. Employee's duties hereunder shall include such duties as may be prescribed from time to time by Employee's supervisors or the Board of Directors of the Company (the "Board"). Employee shall also perform, without additional compensation, such duties for the Company's affiliated companies.

1.4 Access to and Use of Proprietary Information. Employee recognizes and the Company agrees that, to assist Employee in the performance of his or her duties hereunder, Employee will be provided access to and limited use of proprietary and confidential information of the Company. Employee further recognizes that, as a part of his or her employment with the Company, Employee will benefit from and Employee's qualifications will be enhanced by additional training, education and experience which will be provided to Employee by the Company directly and/or as a

result of work projects assigned by the Company in which proprietary and confidential information of the Company is utilized by Employee.

ARTICLE 2
TERM OF EMPLOYMENT

The term of this Agreement shall commence on the date hereof and continue until terminated pursuant to Article 4 hereof.

ARTICLE 3
COMPENSATION

3.1 Monthly Base Salary. As compensation for services rendered under this Agreement, Employee shall be entitled to receive from the Company a monthly base salary (before standard deductions) equal to \$15,000, subject to periodic review and upward adjustment by the Board in its sole discretion (downward adjustment shall not be permitted). Employee's monthly base salary shall be payable at regular intervals (at least semi-monthly) in accordance with the prevailing practice and policy of the Company.

3.2 Discretionary Performance Bonus. As additional compensation for services rendered under this Agreement, Employee shall also be eligible to receive a discretionary performance bonus if, as and when declared by the Board in its sole discretion.

3.3 Benefits. Employee shall, in addition to the compensation provided for herein, be entitled to the following additional benefits:

(a) Medical, Health and Disability Benefits. Employee shall be entitled to receive all medical, health and disability benefits that may, from time to time, be provided by the Company to all employees of the Company as a group.

(b) Other Benefits. Employee shall also be entitled to receive any other benefits that may, from time to time, be provided by the Company to all employees of Company as a group.

(c) Vacation. Employee shall be entitled to an annual vacation as determined in accordance with the prevailing practice and policy of the Company.

(d) Holidays. Employee shall be entitled to holidays in accordance with the prevailing practice and policy of the Company.

(e) Reimbursement of Expenses. The Company shall reimburse Employee for all expenses reasonably incurred by Employee in conjunction with the rendering of services at the Company's request, provided that such expenses are incurred in accordance with the prevailing practice and policy of the Company and are properly deductible by the Company for federal income tax purposes. As a condition to such reimbursement, Employee shall submit an

itemized accounting of such expenses in reasonable detail, including receipts where required under federal income tax laws.

(f) Annual Physical. Employee shall be entitled to receive an annual physical, which shall be paid for by the Company on Employee's behalf.

ARTICLE 4 TERMINATION

4.1 Termination With Notice. This Agreement may be terminated by the Company, without cause, upon 12 months' prior written notice thereof given by the Company to Employee. In the event of termination pursuant to this Section 4.1, the Company shall pay Employee his or her monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. Notwithstanding the foregoing, in lieu of continuing the employment of Employee for a period of 12 months after notice of termination is given under this Section 4.1, the Company may, in its sole discretion, elect to terminate this Agreement immediately and pay Employee a lump-sum equal to (a) Employee's monthly base salary (subject to standard deductions) for the month of termination earned pro rata to the date of such notification of termination, plus (b) 12 months of Employee's then effective base salary (subject to standard deductions), plus (c) an amount equal to (subject to standard deductions) a percentage of the bonus received by Employee in connection with services rendered during the calendar year immediately preceding the date of termination (without regard to the year in which actual payment of such bonus is made), with such percentage being (i) 0% if Employee has been employed by the Company on a continuous basis for less than three years, (ii) 16.67% if the Employee has been employed by the Company on a continuous basis for at least three years but less than four years, (iii) 33.34% if Employee has been employed by the Company on a continuous basis for at least four years but less than five years, and (iv) 50% if Employee has been employed by the Company on a continuous basis for five or more years. Continuous service as described in the previous sentence shall include all continuous service to the Company, whether provided before or after the date of this Agreement, as determined in the sole discretion of the Company. In addition, Employee shall be entitled to continue to be covered under the Company's group health insurance program pursuant to benefit continuation as prescribed in the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). Such COBRA benefits shall commence on the date of termination and the Company shall pay, on Employee's behalf, any and all costs associated with extending such group health benefits under COBRA for a period of 12 months following the termination date. Upon payment of the foregoing, the Company shall have no further obligations to Employee hereunder.

4.2 Termination For Cause. This Agreement may be terminated by the Company for "Cause" (hereinafter defined) upon written notice thereof given by the Company to Employee. In the event of termination pursuant to this Section 4.2, the Company shall pay Employee his or her monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. The term "Cause" shall include, without limitation, the following, as determined by the Board in its sole judgment: (i) Employee breaches any of the terms of this Agreement; (ii) Employee is convicted of

a felony; (iii) Employee fails, after at least one warning, to perform duties assigned under this Agreement (other than a failure due to death or physical or mental disability); (iv) Employee intentionally engages in conduct which is demonstrably and materially injurious to the Company; (v) Employee commits fraud or theft of personal or Company property from Company premises; (vi) Employee falsifies Company documents or records; (vii) Employee engages in acts of gross carelessness or willful negligence to endanger life or property on Company premises; (viii) Employee uses, distributes or is under the influence of illegal drugs, alcohol or any other intoxicant on Company premises; (ix) Employee possesses or stores hand guns on Company premises; or (x) Employee intentionally violates state, federal or local laws and regulations.

4.3 Termination Upon Death or Disability. In the event that Employee dies, this Agreement shall terminate upon Employee's death. Likewise, if Employee becomes unable to perform the essential functions of his or her duties hereunder, with or without reasonable accommodation, on account of illness, disability or other reason whatsoever for a period of more than 180 consecutive or nonconsecutive days in any 12-month period, the Company may, upon notice to Employee, terminate this Agreement. In the event of termination pursuant to this Section 4.3, Employee (or his or her legal representatives) shall be entitled only to his or her monthly base salary earned pro rata for services actually rendered prior to the date of such termination; provided, however, Employee shall not be entitled to his or her monthly base salary for any period with respect to which Employee has received short-term or long-term disability benefits under employee benefit plans maintained from time to time by the Company.

4.4 Survival of Provisions. The covenants and provisions of Articles 5, 6 and 7 hereof shall survive any termination of this Agreement and continue for the periods indicated, regardless of how such termination may be brought about.

ARTICLE 5 PROPRIETARY PROPERTY; CONFIDENTIAL INFORMATION

5.1 Proprietary Property; Confidential Information. Employee acknowledges that in and as a result of Employee's employment hereunder, Employee will be making use of, acquiring and/or adding to confidential information and proprietary property of a special and unique nature and value relating to such matters as the Company's trade secrets, systems, procedures, manuals, confidential reports and lists of customers ("Confidential Information"). As a material inducement to the Company to enter into this Agreement and to pay to Employee the compensation and benefits stated herein, the Employee covenants and agrees that Employee shall not, at any time during or following the term of Employee's employment, directly or indirectly, divulge or disclose for any purpose whatsoever any Confidential Information or proprietary information of the Company. Upon termination of this Agreement, regardless of how such termination may be brought about, Employee shall deliver to the Company any and all documents, instruments, notes, papers or other expressions or embodiments of confidential information which are in Employee's possession or control.

5.2 Publicity. During the term of this Agreement and for a period of ten years thereafter, Employee shall not, directly or indirectly, originate or participate in the

origination of any publicity, news release or other public announcements, written or oral, whether to the public press or otherwise, relating to this Agreement, to any amendment hereto, to Employee's employment hereunder or to the Company, without the prior written approval of the Company.

ARTICLE 6
RESTRICTIVE COVENANTS

6.1 Non-Competition. In consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby covenants and agrees that during the term of this Agreement and for a period of 12 months following termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, directly or indirectly, as proprietor, partner, stockholder, director, officer, employee, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control, of any entity which engages in one of the Company's major geographical or commercial markets in the business of selling, servicing, renting, leasing, insuring or financing new or used Class 3 through 8 trucks or any other business activity in which the Company participates during Employee's employment with the Company; provided, however, the foregoing shall not, in any event, prohibit Employee from purchasing and holding as an investment not more than 1% of any class of publicly traded securities of any entity which conducts a business in competition with the business of the Company, so long as Employee does not participate in any way in the management, operation or control of such entity. It is further recognized and agreed that, even though an activity may not be restricted under the foregoing provision, Employee shall not during the term of this Agreement and for a period of 12 months following termination of this Agreement, regardless of how such termination may be brought about, provide any services to any person or entity which may be used against, or in conflict with the interests of, the Company or its customers or clients.

6.2 Judicial Reformation. Employee acknowledges that, given the nature of the Company's business, the covenants contained in Section 6.1 establish reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is reasonably necessary to protect and preserve the goodwill of the Company's business and to protect its legitimate business interests. If, however, Section 6.1 is determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too long a period of time or over too large a geographic area or by reason of it being too extensive in any other respect or for any other reason, it will be interpreted to extend only over the longest period of time for which it may be enforceable and/or over the largest geographic area as to which it may be enforceable and/or to the maximum extent in all other aspects as to which it may be enforceable, all as determined by such court.

6.3 Customer Lists; Non-Solicitation. In consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience

provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby further covenants and agrees that for a period of 12 months following the termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, directly or indirectly, (a) use or make known to any person or entity the names or addresses of any clients or customers of the Company or any other information pertaining to them, (b) call on, solicit, take away or attempt to call on, solicit or take away any clients or customers of the Company on whom Employee called or with whom he or she became acquainted during his or her employment with the Company, nor (c) recruit, hire or attempt to recruit or hire any employees of the Company.

ARTICLE 7
ARBITRATION

Except for the provisions of Articles 5 and 6 of this Agreement dealing with proprietary property, confidential information and restrictive covenants, with respect to which the Company expressly reserves the right to petition a court directly for injunctive and other relief, any claim, dispute or controversy of any nature whatsoever, including but not limited to tort claims or contract disputes between the parties to this Agreement or their respective heirs, executors, administrators, legal representatives, successors and assigns, as applicable, arising out of or related to Employee's employment or the terms and conditions of this Agreement, including the implementation, applicability or interpretation thereof, shall be resolved in accordance with the dispute resolution procedures set forth in Appendix A attached hereto and made a part hereof.

ARTICLE 8
MISCELLANEOUS

8.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by an overnight delivery service with tracking procedures or by facsimile to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice: If to Employee, at the address set forth below his or her name on the signature page hereof; and if to the Company, at 8810 I.H. 10 East, San Antonio, Texas 78219, Attention: Chairman of the Board and Chief Executive Officer.

8.2 Equitable Relief. In the event of a breach or a threatened breach by Employee of any of the provisions contained in Article 5 or 6 of this Agreement, Employee acknowledges that the Company will suffer irreparable injury not fully compensable by money damages and, therefore, will not have an adequate remedy available at law. Accordingly, the Company shall be entitled to obtain such injunctive relief or other equitable remedy from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that the Company may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

8.3 No Rights in Contracts. Employee acknowledges and agrees that he or she shall not have any rights in or to any contracts entered into with clients or customers of the Company in connection with services provided by Employee hereunder (including those in which Employee may be specifically named with the Company), unless otherwise agreed to in writing by the Company.

8.4 Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Employee's rights under this Agreement are not assignable and any attempted assignment thereof shall be null and void.

8.5 Governing Law; Venue. This Agreement shall be subject to and governed by the laws of the State of Texas. Non-exclusive venue for any action permitted hereunder shall be proper in San Antonio, Bexar County, Texas, and Employee hereby consents to such venue.

8.6 Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the parties and supersedes all other agreements between the parties which may relate to the subject matter contained in this Agreement. This Agreement may not be amended or modified except by an agreement in writing which refers to this Agreement and is signed by both parties.

8.7 Headings. The headings of sections and subsections of this Agreement are for convenience only and shall not in any way affect the interpretation of any provision of this Agreement or of the Agreement itself.

8.8 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.9 Waiver. The waiver by any party of a breach of any provision hereof shall not be deemed to constitute the waiver of any prior or subsequent breach of the same provision or any other provisions hereof. Further, the failure of any party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement unless such party expressly waives such provision pursuant to a written instrument which refers to this Agreement and is signed by such party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

RUSH ADMINISTRATIVE SERVICES, INC.

By:

W. Marvin Rush,
Chief Executive Officer

EMPLOYEE:

Daryl J. Gorup
Address: -----

APPENDIX A

DISPUTE RESOLUTION PROCEDURES

Re: Employment Agreement dated April 1, 1998 (including any amendments, the "Agreement"), between Rush Administrative Services, Inc., a Delaware corporation (the "Company"), and Daryl J. Gorup ("Employee"). Unless otherwise defined in this Appendix A, terms defined in the Agreement and used herein shall have the meanings set forth therein.

A. Negotiations. If any claim, dispute or controversy described in Article 7 of the Agreement (collectively, the "Dispute") arises, either party may, by written notice to the party, have the Dispute referred to the persons designated below for attempted resolution by good faith negotiations within 45 days after such written notice is received. Such designated persons are as follows:

1. Company. The Chairman of the Board and Chief Executive officer or his designee; and
2. Employee. Employee or his or her designee.

Any settlement reached by the parties under this paragraph A shall not be binding until reduced to writing and signed by both parties. When reduced to writing, such settlement agreement shall supersede all other agreements, written or oral, to the extent such agreements specifically pertain to the matters so settled. If the above-designated persons are unable to resolve such dispute within such 45-day period, either party may invoke the provisions of paragraph B below.

B. Arbitration. All Disputes shall be settled by negotiation among the parties as described in paragraph A above or, if such negotiation is unsuccessful, by binding arbitration in accordance with procedures set forth in paragraphs C and D below.

C. Notice. Notice of demand for binding arbitration by one party shall be given in writing to the other party pursuant to the Agreement. In no event may a notice of demand of any kind be filed more than one (1) year after the date the Dispute is first asserted in writing to the other party pursuant to paragraph A above, and if such demand is not timely filed, the Dispute referenced in the notice given pursuant to paragraph A above shall be deemed released, waived, barred and unenforceable for all time, and barred as if by statute of limitations.

D. Binding Arbitration. Upon filing of a notice of demand for binding arbitration by either party, arbitration shall be commenced and conducted as follows:

1. Arbitrators. All Disputes and related matters in question shall be referred to and decided and settled by a panel of three arbitrators, one selected by the Company, one selected by Employee and the third selected by the two arbitrators so selected. Selection of the arbitrators to be selected the Company and Employee shall be made within ten (10) business days after the date of giving of a notice of demand for

arbitration, and the two arbitrators so appointed shall appoint the third within 10 business days following their appointment.

2. Cost of Arbitration. The cost of arbitration proceedings, including without limitation the arbitrators' compensation and expenses, hearing room charges, court reporter transcript charges etc., shall be borne by the parties equally or otherwise as the arbitrators may determine. The arbitrators may award the prevailing party its reasonable attorneys' fees and costs incurred in connection with the arbitration. The arbitrators are specifically instructed to award attorneys' fees for instances of abuse in the discovery process.

3. Location of Proceedings. The arbitration proceedings shall be held in San Antonio, Texas, unless the parties agree otherwise.

4. Pre-hearing Discovery. The parties shall have the right to conduct and enforce pre-hearing discovery in accordance with the then current Federal Rules of Civil Procedure, subject to these limitations:

(a) Each party may serve no more than one set of interrogatories limited to 30 questions, including sub-parts;

(b) Each party may depose the other party's expert witnesses who will be called to testify at the hearing, plus two fact witnesses without regard to whether they will be called to testify (each party will be entitled to a total of no more than 24 hours of deposition time of the other party's witnesses), provided however, that the arbitrators may provide for additional depositions upon showing of good cause; and

(c) Document discovery and other discovery shall be under the control of and enforceable by the arbitrators.

5. Discovery disputes. All discovery disputes shall be decided by the arbitrators. The arbitrators are empowered;

(a) to issue subpoenas to compel pre-hearing document or deposition discovery;

(b) to enforce the discovery rights and obligations of the parties; and

(c) to otherwise to control the scheduling and conduct of the proceedings.

Notwithstanding any contrary foregoing provisions, the arbitrators shall have the power and authority to, and to the fullest extent practicable shall, abbreviate arbitration discovery in a manner which is fair to all parties in order to expedite the conclusion of each alternative dispute resolution proceeding.

6. Pre-hearing Conference. Within fifteen (15) days after selection of the third arbitrator, or as soon thereafter as is mutually convenient to the arbitrators, the

arbitrators shall hold a pre-hearing conference to establish schedules for completion of discovery, for exchange of exhibit and witness lists, for arbitration briefs and for the hearing, and to decide procedural matters and address all other questions that may be presented.

7. Hearing Procedures. The hearing shall be conducted to preserve its privacy and to allow reasonable procedural due process. Rules of evidence need not be strictly followed, and the hearing shall be streamlined as follows:

(a) Documents shall be self-authenticating, subject to valid objection by the opposing party;

(b) Expert reports, witness biographies, depositions and affidavits may be utilized, subject to the opponent's right of a live cross-examination of the witness in person;

(c) Charts, graphs and summaries shall be utilized to present voluminous data, provided (i) that the underlying data is made available to the opposing party thirty (30) days prior to the hearing, and (ii) that the preparer of each chart, graph or summary is available for explanation and live cross-examination in person;

(d) The hearing should be held on consecutive business days without interruption to the maximum extent practicable; and

(e) The arbitrators shall establish all other procedural rules for the conduct of the arbitration in accordance with the rules of arbitration of the Center for Public Resources.

8. Governing Law. This arbitration provision shall be governed by, and all rights and obligations specifically enforceable under and pursuant to, the Federal Arbitration Act (9 U.S.C. Section 1, et seq.)

9. Consolidation. No arbitration shall include, by consolidation, joinder or in any other manner, any additional person not a party to the Agreement, except by written consent of both parties containing a specific reference to these provisions.

10. Award. The arbitrators are empowered to render an award of general compensatory damages and equitable relief (including, without limitations, injunctive relief), but are not empowered to award exemplary, special or punitive damages. The award rendered by the arbitrators (a) shall be final, (b) shall not constitute a basis for collateral estoppel as to any issue and (c) shall not be subject to vacation or modification.

11. Confidentiality. The parties hereto will maintain the substance of any proceedings hereunder in confidence and the arbitrators, prior to any proceedings hereunder, will sign an agreement whereby the arbitrators agree to keep the substance of any proceedings hereunder in confidence.

DISPUTES RELATING TO THIS AGREEMENT ARE REQUIRED TO BE SETTLED PURSUANT TO CERTAIN DISPUTE RESOLUTION PROCEDURES AS PROVIDED IN ARTICLE 7 AND APPENDIX A OF THIS AGREEMENT.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into effective as of the 12th day of June, 1996, between Brent Hughes ("Employee"), and Rush Administrative Services, Inc., a Delaware corporation (the "Company"), whose principal executive offices are located in San Antonio, Texas.

WHEREAS, the Company desires to employ Employee, and Employee desires to be employed by the Company, on terms hereinafter set forth;

NOW, THEREFORE, in consideration for the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 DUTIES

1.1 Employment. During the term of this Agreement, the Company agrees to employ Employee, and Employee accepts such employment, on the terms and conditions set forth in this Agreement.

1.2 Extent of Service. During the term of this Agreement, Employee shall devote his or her full-time business time, energy and skill to the affairs of the Company and its affiliated companies, and Employee shall not be engaged in any other business or consulting activities pursued for gain, profit or other pecuniary advantage, except for Employee's medical or clinical practice activities or related educational activities which do not, in the aggregate, interfere with the performance of Employee's duties hereunder. The foregoing shall not prevent Employee from making monetary investments in businesses, provided that such investments do not involve any services on the part of Employee in the operation or affairs of such businesses.

1.3 Duties. Employee's duties hereunder shall include such duties as may be prescribed from time to time by Employee's supervisors or the Board of Directors of the Company (the "Board"). Employee shall also perform, without additional compensation, such duties for the Company's affiliated companies.

1.4 Access to and Use of Proprietary Information. Employee recognizes and the Company agrees that, to assist Employee in the performance of his or her duties hereunder, Employee will be provided access to and limited use of proprietary and confidential information of the Company. Employee further recognizes that, as a part

of his or her employment with the Company, Employee will benefit from and Employee's qualifications will be enhanced by additional training, education and experience which will be provided to Employee by the Company directly and/or as a result of work projects assigned by the Company in which proprietary and confidential information of the Company is utilized by Employee.

ARTICLE 2
TERM OF EMPLOYMENT

The term of this Agreement shall commence on the date hereof and continue until terminated pursuant to Article 4 hereof.

ARTICLE 3
COMPENSATION

3.1 Monthly Base Salary. As compensation for services rendered under this Agreement, Employee shall be entitled to receive from the Company a monthly base salary (before standard deductions) equal to \$131,400, subject to periodic review and adjustment by the Board in its sole discretion. Employee's monthly base salary shall be payable at regular intervals (at least semi-monthly) in accordance with the prevailing practice and policy of the Company.

3.2 Discretionary Performance Bonus. As additional compensation for services rendered under this Agreement, Employee shall also be eligible to receive a discretionary performance bonus if, as and when declared by the Board in its sole discretion.

3.3 Benefits. Employee shall, in addition to the compensation provided for herein, be entitled to the following additional benefits:

(a) Medical, Health and Disability Benefits. Employee shall be entitled to receive all medical, health and disability benefits that may, from time to time, be provided by the Company to all employees of the Company as a group.

(b) Other Benefits. Employee shall also be entitled to receive any other benefits that may, from time to time, be provided by the Company to all employees of Company as a group.

(c) Vacation. Employee shall be entitled to an annual vacation as determined in accordance with the prevailing practice and policy of the Company.

(d) Holidays. Employee shall be entitled to holidays in accordance with the prevailing practice and policy of the Company.

(e) Reimbursement of Expenses. The Company shall reimburse Employee for all expenses reasonably incurred by Employee in conjunction with the rendering of services at the Company's request, provided that such expenses are incurred in accordance with the prevailing practice and policy of the Company and are properly deductible by the Company for federal income tax purposes. As a condition to such reimbursement, Employee shall submit an itemized accounting of such expenses in reasonable detail, including receipts where required under federal income tax laws.

ARTICLE 4 TERMINATION

4.1 Termination With Notice. This Agreement may be terminated by the Company or Employee, without cause, upon six months' prior written notice thereof given by one party to the other party. In the event of termination pursuant to this Section 4.1, the Company shall pay Employee his or her monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. Notwithstanding the foregoing, in lieu of continuing the employment of Employee for a period of six months after notice of termination is given under this Section 4.1, the Company may, in its sole discretion, elect to terminate this Agreement immediately and pay Employee a lump-sum equal to (a) Employee's monthly base salary (subject to standard deductions) earned pro rata to the date of such notification of termination plus (b) six months of Employee's then effective base salary (subject to standard deductions), whereupon the Company shall have no further obligations to Employee hereunder.

4.2 Termination For Cause. This Agreement may be terminated by the Company for "Cause" (hereinafter defined) upon written notice thereof given by the Company to Employee. In the event of termination pursuant to this Section 4.2, the Company shall pay Employee his or her monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. The term "Cause" shall include, without limitation, the following, as determined by the Board in its sole judgment: (i) Employee breaches any of the terms of this Agreement; (ii) Employee is convicted of a felony; (iii) Employee fails, after at least one warning, to perform duties assigned under this Agreement (other than a failure due to death or physical or mental disability); (iv) Employee intentionally engages in conduct which is demonstrably and materially injurious to the Company; (v) Employee commits fraud or theft of personal or Company property from Company premises; (vi) Employee falsifies Company documents or records; (vii) Employee engages in acts of gross carelessness or willful negligence to endanger life or property on Company premises; (viii) Employee engages in sexual harassment; (ix) Employee uses, distributes, possesses or is under the influence of illegal drugs, alcohol or any other intoxicant on Company premises; (x) Employee possesses or stores lethal weapons, firearms or illegal knives on Company premises; or (xi) Employee intentionally violates state, federal or local laws and regulations.

4.3 Termination Upon Death or Disability. In the event that Employee dies, this Agreement shall terminate upon Employee's death. Likewise, if Employee becomes unable to perform the essential functions of his or her duties hereunder, with or without reasonable accommodation, on account of illness, disability or other reason whatsoever for a period of more than 180 consecutive or nonconsecutive days in any 12-month period, the Company may, upon notice to Employee, terminate this Agreement. In the event of termination pursuant to this Section 4.3, Employee (or his or her legal representatives) shall be entitled only to his or her monthly base salary earned pro rata for services actually rendered prior to the date of such termination; provided, however, Employee shall not be entitled to his or her monthly base salary for any period with respect to which Employee has received short-term or long-term disability benefits under employee benefit plans maintained from time to time by the Company.

4.4 Survival of Provisions. The covenants and provisions of Articles 5, 6 and 7 hereof shall survive any termination of this Agreement and continue for the periods indicated, regardless of how such termination may be brought about.

ARTICLE 5 PROPRIETARY PROPERTY; CONFIDENTIAL INFORMATION

5.1 Proprietary Property; Confidential Information. Employee acknowledges that in and as a result of Employee's employment hereunder, Employee will be making use of, acquiring and/or adding to confidential information and proprietary property of a special and unique nature and value relating to such matters as the Company's trade secrets, systems, procedures, manuals, confidential reports and lists of customers ("Confidential Information"). As a material inducement to the Company to enter into this Agreement and to pay to Employee the compensation and benefits stated herein, the Employee covenants and agrees that Employee shall not, at any time during or following the term of Employee's employment, directly or indirectly, divulge or disclose for any purpose whatsoever any Confidential Information or proprietary information of the Company. Upon termination of this Agreement, regardless of how such termination may be brought about, Employee shall deliver to the Company any and all documents, instruments, notes, papers or other expressions or embodiments of confidential information which are in Employee's possession or control.

5.2 Publicity. During the term of this Agreement and for a period of ten years thereafter, Employee shall not, directly or indirectly, originate or participate in the origination of any publicity, news release or other public announcements, written or oral, whether to the public press or otherwise, relating to this Agreement, to any amendment hereto, to Employee's employment hereunder or to the Company, without the prior written approval of the Company.

ARTICLE 6
RESTRICTIVE COVENANTS

6.1 Non-Competition. In consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby covenants and agrees that during the term of this Agreement and for a period of six months following termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, directly or indirectly, as proprietor, partner, stockholder, director, officer, employee, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control, of any entity which engages in one of the Company's major geographical or commercial markets in the business of selling, servicing, renting, leasing, insuring or financing new or used Class 3 through 8 trucks or any other business activity in which the Company participates during Employee's employment with the Company; provided, however, the foregoing shall not, in any event, prohibit Employee from purchasing and holding as an investment not more than 1% of any class of publicly traded securities of any entity which conducts a business in competition with the business of the Company, so long as Employee does not participate in any way in the management, operation or control of such entity. It is further recognized and agreed that, even though an activity may not be restricted under the foregoing provision, Employee shall not during the term of this Agreement and for a period of one year following termination of this Agreement, regardless of how such termination may be brought about, provide any services to any person or entity which may be used against, or in conflict with the interests of, the Company or its customers or clients.

6.2 Judicial Reformation. Employee acknowledges that, given the nature of the Company's business, the covenants contained in Section 6.1 establish reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is reasonably necessary to protect and preserve the goodwill of the Company's business and to protect its legitimate business interests. If, however, Section 6.1 is determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too long a period of time or over too large a geographic area or by reason of it being too extensive in any other respect or for any other reason, it will be interpreted to extend only over the longest period of time for which it may be enforceable and/or over the largest geographic area as to which it may be enforceable and/or to the maximum extent in all other aspects as to which it may be enforceable, all as determined by such court.

6.3 Customer Lists; Non-Solicitation. In consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby further covenants and

agrees that for a period of two years following the termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, directly or indirectly, (a) use or make known to any person or entity the names or addresses of any clients or customers of the Company or any other information pertaining to them, (b) call on, solicit, take away or attempt to call on, solicit or take away any clients or customers of the Company on whom Employee called or with whom he or she became acquainted during his or her employment with the Company, nor (c) recruit, hire or attempt to recruit or hire any employees of the Company.

ARTICLE 7
ARBITRATION

Except for the provisions of Articles 5 and 6 of this Agreement dealing with proprietary property, confidential information and restrictive covenants, with respect to which the Company expressly reserves the right to petition a court directly for injunctive and other relief, any claim, dispute or controversy of any nature whatsoever, including but not limited to tort claims or contract disputes between the parties to this Agreement or their respective heirs, executors, administrators, legal representatives, successors and assigns, as applicable, arising out of or related to Employee's employment or the terms and conditions of this Agreement, including the implementation, applicability or interpretation thereof, shall be resolved in accordance with the dispute resolution procedures set forth in Appendix A attached hereto and made a part hereof.

ARTICLE 8
MISCELLANEOUS

8.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by an overnight delivery service with tracking procedures or by facsimile to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice: If to Employee, at the address set forth below his or her name on the signature page hereof; and if to the Company, at 8810 I.H. 10 East, San Antonio, Texas 78219, Attention: Chairman of the Board and Chief Executive Officer.

8.2 Equitable Relief. In the event of a breach or a threatened breach by Employee of any of the provisions contained in Article 5 or 6 of this Agreement, Employee acknowledges that the Company will suffer irreparable injury not fully compensable by money damages and, therefore, will not have an adequate remedy available at law. Accordingly, the Company shall be entitled to obtain such injunctive relief or other equitable remedy from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that the Company may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

8.3 No Rights in Contracts. Employee acknowledges and agrees that he or she shall not have any rights in or to any contracts entered into with clients or customers of the Company in connection with services provided by Employee hereunder (including those in which Employee may be specifically named with the Company), unless otherwise agreed to in writing by the Company.

8.4 Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Employee's rights under this Agreement are not assignable and any attempted assignment thereof shall be null and void.

8.5 Governing Law; Venue. This Agreement shall be subject to and governed by the laws of the State of Texas. Non-exclusive venue for any action permitted hereunder shall be proper in San Antonio, Bexar County, Texas, and Employee hereby consents to such venue.

8.6 Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the parties and supersedes all other agreements between the parties which may relate to the subject matter contained in this Agreement. This Agreement may not be amended or modified except by an agreement in writing which refers to this Agreement and is signed by both parties.

8.7 Headings. The headings of sections and subsections of this Agreement are for convenience only and shall not in any way affect the interpretation of any provision of this Agreement or of the Agreement itself.

8.8 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.9 Waiver. The waiver by any party of a breach of any provision hereof shall not be deemed to constitute the waiver of any prior or subsequent breach of the same provision or any other provisions hereof. Further, the failure of any party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement unless such party expressly waives such provision pursuant to a written instrument which refers to this Agreement and is signed by such party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

RUSH ADMINISTRATIVE SERVICES, INC.

By:

W. Marvin Rush,
Chief Executive Officer

EMPLOYEE:

Brent Hughes
Address: 3 White Church Lane
San Antonio, Texas 78257

APPENDIX A

DISPUTE RESOLUTION PROCEDURES

Re: Employment Agreement dated June 12, 1996 (including any amendments, the "Agreement"), between Rush Administrative Services, Inc., a Delaware corporation (the "Company"), and Brent Hughes ("Employee"). Unless otherwise defined in this Appendix A, terms defined in the Agreement and used herein shall have the meanings set forth therein.

A. Negotiations. If any claim, dispute or controversy described in Article 7 of the Agreement (collectively, the "Dispute") arises, either party may, by written notice to the party, have the Dispute referred to the persons designated below for attempted resolution by good faith negotiations within 45 days after such written notice is received. Such designated persons are as follows:

1. Company. The Chairman of the Board and Chief Executive Officer or his designee; and
2. Employee. Employee or his or her designee.

Any settlement reached by the parties under this paragraph A shall not be binding until reduced to writing and signed by both parties. When reduced to writing, such settlement agreement shall supersede all other agreements, written or oral, to the extent such agreements specifically pertain to the matters so settled. If the above-designated persons are unable to resolve such dispute within such 45-day period, either party may invoke the provisions of paragraph B below.

B. Arbitration. All Disputes shall be settled by negotiation among the parties as described in paragraph A above or, if such negotiation is unsuccessful, by binding arbitration in accordance with procedures set forth in paragraphs C and D below.

C. Notice. Notice of demand for binding arbitration by one party shall be given in writing to the other party pursuant to the Agreement. In no event may a notice of demand of any kind be filed more than one (1) year after the date the Dispute is first asserted in writing to the other party pursuant to paragraph A above, and if such demand is not timely filed, the Dispute referenced in the notice given pursuant to paragraph A above shall be deemed released, waived, barred and unenforceable for all time, and barred as if by statute of limitations.

D. Binding Arbitration. Upon filing of a notice of demand for binding arbitration by either party, arbitration shall be commenced and conducted as follows:

1. Arbitrators. All Disputes and related matters in question shall be referred to and decided and settled by a panel of three arbitrators, one selected by the Company, one selected by Employee and the third selected by the two arbitrators so selected.

Selection of the arbitrators to be selected the Company and Employee shall be made within ten (10) business days after the date of giving of a notice of demand for arbitration, and the two arbitrators so appointed shall appoint the third within 10 business days following their appointment.

2. Cost of Arbitration. The cost of arbitration proceedings, including without limitation the arbitrators' compensation and expenses, hearing room charges, court reporter transcript charges etc., shall be borne by the parties equally or otherwise as the arbitrators may determine. The arbitrators may award the prevailing party its reasonable attorneys' fees and costs incurred in connection with the arbitration. The arbitrators are specifically instructed to award attorneys' fees for instances of abuse in the discovery process.

3. Location of Proceedings. The arbitration proceedings shall be held in San Antonio, Texas, unless the parties agree otherwise.

4. Pre-hearing Discovery. The parties shall have the right to conduct and enforce pre-hearing discovery in accordance with the then current Federal Rules of Civil Procedure, subject to these limitations:

(a) Each party may serve no more than one set of interrogatories limited to 30 questions, including sub-parts;

(b) Each party may depose the other party's expert witnesses who will be called to testify at the hearing, plus two fact witnesses without regard to whether they will be called to testify (each party will be entitled to a total of no more than 24 hours of deposition time of the other party's witnesses), provided however, that the arbitrators may provide for additional depositions upon showing of good cause; and

(c) Document discovery and other discovery shall be under the control of and enforceable by the arbitrators.

5. Discovery disputes. All discovery disputes shall be decided by the arbitrators. The arbitrators are empowered;

(a) to issue subpoenas to compel pre-hearing document or deposition discovery;

(b) to enforce the discovery rights and obligations of the parties; and

(c) to otherwise to control the scheduling and conduct of the proceedings.

Notwithstanding any contrary foregoing provisions, the arbitrators shall have the power and authority to, and to the fullest extent practicable shall, abbreviate

arbitration discovery in a manner which is fair to all parties in order to expedite the conclusion of each alternative dispute resolution proceeding.

6. Pre-hearing Conference. Within fifteen (15) days after selection of the third arbitrator, or as soon thereafter as is mutually convenient to the arbitrators, the arbitrators shall hold a pre-hearing conference to establish schedules for completion of discovery, for exchange of exhibit and witness lists, for arbitration briefs and for the hearing, and to decide procedural matters and address all other questions that may be presented.

7. Hearing Procedures. The hearing shall be conducted to preserve its privacy and to allow reasonable procedural due process. Rules of evidence need not be strictly followed, and the hearing shall be streamlined as follows:

(a) Documents shall be self-authenticating, subject to valid objection by the opposing party;

(b) Expert reports, witness biographies, depositions and affidavits may be utilized, subject to the opponent's right of a live cross-examination of the witness in person;

(c) Charts, graphs and summaries shall be utilized to present voluminous data, provided (i) that the underlying data is made available to the opposing party thirty (30) days prior to the hearing, and (ii) that the preparer of each chart, graph or summary is available for explanation and live cross-examination in person;

(d) The hearing should be held on consecutive business days without interruption to the maximum extent practicable; and

(e) The arbitrators shall establish all other procedural rules for the conduct of the arbitration in accordance with the rules of arbitration of the Center for Public Resources.

8. Governing Law. This arbitration provision shall be governed by, and all rights and obligations specifically enforceable under and pursuant to, the Federal Arbitration Act (9 U.S.C. Section 1, et seq.)

9. Consolidation. No arbitration shall include, by consolidation, joinder or in any other manner, any additional person not a party to the Agreement, except by written consent of both parties containing a specific reference to these provisions.

10. Award. The arbitrators are empowered to render an award of general compensatory damages and equitable relief (including, without limitations, injunctive relief), but are not empowered to award exemplary, special or punitive damages. The award rendered by the arbitrators (a) shall be final, (b) shall not constitute a basis for collateral estoppel as to any issue and (c) shall not be subject to vacation or modification.

11. Confidentiality. The parties hereto will maintain the substance of any proceedings hereunder in confidence and the arbitrators, prior to any proceedings hereunder, will sign an agreement whereby the arbitrators agree to keep the substance of any proceedings hereunder in confidence.

DISPUTES RELATING TO THIS AGREEMENT ARE REQUIRED TO BE SETTLED PURSUANT TO CERTAIN DISPUTE RESOLUTION PROCEDURES AS PROVIDED IN ARTICLE 7 AND APPENDIX A OF THIS AGREEMENT.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into effective as of the 12th day of June, 1996, between David C. Orf ("Employee"), and Rush Administrative Services, Inc., a Delaware corporation (the "Company"), whose principal executive offices are located in San Antonio, Texas.

WHEREAS, the Company desires to employ Employee, and Employee desires to be employed by the Company, on terms hereinafter set forth;

NOW, THEREFORE, in consideration for the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 DUTIES

1.1 Employment. During the term of this Agreement, the Company agrees to employ Employee, and Employee accepts such employment, on the terms and conditions set forth in this Agreement.

1.2 Extent of Service. During the term of this Agreement, Employee shall devote his or her full-time business time, energy and skill to the affairs of the Company and its affiliated companies, and Employee shall not be engaged in any other business or consulting activities pursued for gain, profit or other pecuniary advantage, except for Employee's medical or clinical practice activities or related educational activities which do not, in the aggregate, interfere with the performance of Employee's duties hereunder. The foregoing shall not prevent Employee from making monetary investments in businesses, provided that such investments do not involve any services on the part of Employee in the operation or affairs of such businesses.

1.3 Duties. Employee's duties hereunder shall include such duties as may be prescribed from time to time by Employee's supervisors or the Board of Directors of the Company (the "Board"). Employee shall also perform, without additional compensation, such duties for the Company's affiliated companies.

1.4 Access to and Use of Proprietary Information. Employee recognizes and the Company agrees that, to assist Employee in the performance of his or her duties hereunder, Employee will be provided access to and limited use of proprietary and confidential information of the Company. Employee further recognizes that, as a part

of his or her employment with the Company, Employee will benefit from and Employee's qualifications will be enhanced by additional training, education and experience which will be provided to Employee by the Company directly and/or as a result of work projects assigned by the Company in which proprietary and confidential information of the Company is utilized by Employee.

ARTICLE 2
TERM OF EMPLOYMENT

The term of this Agreement shall commence on the date hereof and continue until terminated pursuant to Article 4 hereof.

ARTICLE 3
COMPENSATION

3.1 Monthly Base Salary. As compensation for services rendered under this Agreement, Employee shall be entitled to receive from the Company a monthly base salary (before standard deductions) equal to \$129,000, subject to periodic review and adjustment by the Board in its sole discretion. Employee's monthly base salary shall be payable at regular intervals (at least semi-monthly) in accordance with the prevailing practice and policy of the Company.

3.2 Discretionary Performance Bonus. As additional compensation for services rendered under this Agreement, Employee shall also be eligible to receive a discretionary performance bonus if, as and when declared by the Board in its sole discretion.

3.3 Benefits. Employee shall, in addition to the compensation provided for herein, be entitled to the following additional benefits:

(a) Medical, Health and Disability Benefits. Employee shall be entitled to receive all medical, health and disability benefits that may, from time to time, be provided by the Company to all employees of the Company as a group.

(b) Other Benefits. Employee shall also be entitled to receive any other benefits that may, from time to time, be provided by the Company to all employees of Company as a group.

(c) Vacation. Employee shall be entitled to an annual vacation as determined in accordance with the prevailing practice and policy of the Company.

(d) Holidays. Employee shall be entitled to holidays in accordance with the prevailing practice and policy of the Company.

(e) Reimbursement of Expenses. The Company shall reimburse Employee for all expenses reasonably incurred by Employee in conjunction with the rendering of services at the Company's request, provided that such expenses are incurred in accordance with the prevailing practice and policy of the Company and are properly deductible by the Company for federal income tax purposes. As a condition to such reimbursement, Employee shall submit an itemized accounting of such expenses in reasonable detail, including receipts where required under federal income tax laws.

ARTICLE 4
TERMINATION

4.1 Termination With Notice. This Agreement may be terminated by the Company or Employee, without cause, upon six months' prior written notice thereof given by one party to the other party. In the event of termination pursuant to this Section 4.1, the Company shall pay Employee his or her monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. Notwithstanding the foregoing, in lieu of continuing the employment of Employee for a period of six months after notice of termination is given under this Section 4.1, the Company may, in its sole discretion, elect to terminate this Agreement immediately and pay Employee a lump-sum equal to (a) Employee's monthly base salary (subject to standard deductions) earned pro rata to the date of such notification of termination plus (b) six months of Employee's then effective base salary (subject to standard deductions), whereupon the Company shall have no further obligations to Employee hereunder.

4.2 Termination For Cause. This Agreement may be terminated by the Company for "Cause" (hereinafter defined) upon written notice thereof given by the Company to Employee. In the event of termination pursuant to this Section 4.2, the Company shall pay Employee his or her monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. The term "Cause" shall include, without limitation, the following, as determined by the Board in its sole judgment: (i) Employee breaches any of the terms of this Agreement; (ii) Employee is convicted of a felony; (iii) Employee fails, after at least one warning, to perform duties assigned under this Agreement (other than a failure due to death or physical or mental disability); (iv) Employee intentionally engages in conduct which is demonstrably and materially injurious to the Company; (v) Employee commits fraud or theft of personal or Company property from Company premises; (vi) Employee falsifies Company documents or records; (vii) Employee engages in acts of gross carelessness or willful negligence to endanger life or property on Company premises; (viii) Employee engages in sexual harassment; (ix) Employee uses, distributes, possesses or is under the influence of illegal drugs, alcohol or any other intoxicant on Company premises; (x) Employee possesses or stores lethal weapons, firearms or illegal knives on Company premises; or (xi) Employee intentionally violates state, federal or local laws and regulations.

4.3 Termination Upon Death or Disability. In the event that Employee dies, this Agreement shall terminate upon Employee's death. Likewise, if Employee becomes unable to perform the essential functions of his or her duties hereunder, with or without reasonable accommodation, on account of illness, disability or other reason whatsoever for a period of more than 180 consecutive or nonconsecutive days in any 12-month period, the Company may, upon notice to Employee, terminate this Agreement. In the event of termination pursuant to this Section 4.3, Employee (or his or her legal representatives) shall be entitled only to his or her monthly base salary earned pro rata for services actually rendered prior to the date of such termination; provided, however, Employee shall not be entitled to his or her monthly base salary for any period with respect to which Employee has received short-term or long-term disability benefits under employee benefit plans maintained from time to time by the Company.

4.4 Survival of Provisions. The covenants and provisions of Articles 5, 6 and 7 hereof shall survive any termination of this Agreement and continue for the periods indicated, regardless of how such termination may be brought about.

ARTICLE 5
PROPRIETARY PROPERTY; CONFIDENTIAL INFORMATION

5.1 Proprietary Property; Confidential Information. Employee acknowledges that in and as a result of Employee's employment hereunder, Employee will be making use of, acquiring and/or adding to confidential information and proprietary property of a special and unique nature and value relating to such matters as the Company's trade secrets, systems, procedures, manuals, confidential reports and lists of customers ("Confidential Information"). As a material inducement to the Company to enter into this Agreement and to pay to Employee the compensation and benefits stated herein, the Employee covenants and agrees that Employee shall not, at any time during or following the term of Employee's employment, directly or indirectly, divulge or disclose for any purpose whatsoever any Confidential Information or proprietary information of the Company. Upon termination of this Agreement, regardless of how such termination may be brought about, Employee shall deliver to the Company any and all documents, instruments, notes, papers or other expressions or embodiments of confidential information which are in Employee's possession or control.

5.2 Publicity. During the term of this Agreement and for a period of ten years thereafter, Employee shall not, directly or indirectly, originate or participate in the origination of any publicity, news release or other public announcements, written or oral, whether to the public press or otherwise, relating to this Agreement, to any amendment hereto, to Employee's employment hereunder or to the Company, without the prior written approval of the Company.

ARTICLE 6
RESTRICTIVE COVENANTS

6.1 Non-Competition. In consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby covenants and agrees that during the term of this Agreement and for a period of six months following termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, directly or indirectly, as proprietor, partner, stockholder, director, officer, employee, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control, of any entity which engages in one of the Company's major geographical or commercial markets in the business of selling, servicing, renting, leasing, insuring or financing new or used Class 3 through 8 trucks or any other business activity in which the Company participates during Employee's employment with the Company; provided, however, the foregoing shall not, in any event, prohibit Employee from purchasing and holding as an investment not more than 1% of any class of publicly traded securities of any entity which conducts a business in competition with the business of the Company, so long as Employee does not participate in any way in the management, operation or control of such entity. It is further recognized and agreed that, even though an activity may not be restricted under the foregoing provision, Employee shall not during the term of this Agreement and for a period of one year following termination of this Agreement, regardless of how such termination may be brought about, provide any services to any person or entity which may be used against, or in conflict with the interests of, the Company or its customers or clients.

6.2 Judicial Reformation. Employee acknowledges that, given the nature of the Company's business, the covenants contained in Section 6.1 establish reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is reasonably necessary to protect and preserve the goodwill of the Company's business and to protect its legitimate business interests. If, however, Section 6.1 is determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too long a period of time or over too large a geographic area or by reason of it being too extensive in any other respect or for any other reason, it will be interpreted to extend only over the longest period of time for which it may be enforceable and/or over the largest geographic area as to which it may be enforceable and/or to the maximum extent in all other aspects as to which it may be enforceable, all as determined by such court.

6.3 Customer Lists; Non-Solicitation. In consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby further covenants and

agrees that for a period of two years following the termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, directly or indirectly, (a) use or make known to any person or entity the names or addresses of any clients or customers of the Company or any other information pertaining to them, (b) call on, solicit, take away or attempt to call on, solicit or take away any clients or customers of the Company on whom Employee called or with whom he or she became acquainted during his or her employment with the Company, nor (c) recruit, hire or attempt to recruit or hire any employees of the Company.

ARTICLE 7
ARBITRATION

Except for the provisions of Articles 5 and 6 of this Agreement dealing with proprietary property, confidential information and restrictive covenants, with respect to which the Company expressly reserves the right to petition a court directly for injunctive and other relief, any claim, dispute or controversy of any nature whatsoever, including but not limited to tort claims or contract disputes between the parties to this Agreement or their respective heirs, executors, administrators, legal representatives, successors and assigns, as applicable, arising out of or related to Employee's employment or the terms and conditions of this Agreement, including the implementation, applicability or interpretation thereof, shall be resolved in accordance with the dispute resolution procedures set forth in Appendix A attached hereto and made a part hereof.

ARTICLE 8
MISCELLANEOUS

8.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by an overnight delivery service with tracking procedures or by facsimile to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice: If to Employee, at the address set forth below his or her name on the signature page hereof; and if to the Company, at 8810 I.H. 10 East, San Antonio, Texas 78219, Attention: Chairman of the Board and Chief Executive Officer.

8.2 Equitable Relief. In the event of a breach or a threatened breach by Employee of any of the provisions contained in Article 5 or 6 of this Agreement, Employee acknowledges that the Company will suffer irreparable injury not fully compensable by money damages and, therefore, will not have an adequate remedy available at law. Accordingly, the Company shall be entitled to obtain such injunctive relief or other equitable remedy from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that the Company may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

8.3 No Rights in Contracts. Employee acknowledges and agrees that he or she shall not have any rights in or to any contracts entered into with clients or customers of the Company in connection with services provided by Employee hereunder (including those in which Employee may be specifically named with the Company), unless otherwise agreed to in writing by the Company.

8.4 Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Employee's rights under this Agreement are not assignable and any attempted assignment thereof shall be null and void.

8.5 Governing Law; Venue. This Agreement shall be subject to and governed by the laws of the State of Texas. Non-exclusive venue for any action permitted hereunder shall be proper in San Antonio, Bexar County, Texas, and Employee hereby consents to such venue.

8.6 Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the parties and supersedes all other agreements between the parties which may relate to the subject matter contained in this Agreement. This Agreement may not be amended or modified except by an agreement in writing which refers to this Agreement and is signed by both parties.

8.7 Headings. The headings of sections and subsections of this Agreement are for convenience only and shall not in any way affect the interpretation of any provision of this Agreement or of the Agreement itself.

8.8 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

8.9 Waiver. The waiver by any party of a breach of any provision hereof shall not be deemed to constitute the waiver of any prior or subsequent breach of the same provision or any other provisions hereof. Further, the failure of any party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement unless such party expressly waives such provision pursuant to a written instrument which refers to this Agreement and is signed by such party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

RUSH ADMINISTRATIVE SERVICES, INC.

By:

W. Marvin Rush,
Chief Executive Officer

EMPLOYEE:

David C. Orf
Address: c/o Rush Enterprises, Inc.
P. O. Box 34630
San Antonio, Texas 78265

APPENDIX A

DISPUTE RESOLUTION PROCEDURES

Re: Employment Agreement dated June 12, 1996 (including any amendments, the "Agreement"), between Rush Administrative Services, Inc., a Delaware corporation (the "Company"), and David C. Orf ("Employee"). Unless otherwise defined in this Appendix A, terms defined in the Agreement and used herein shall have the meanings set forth therein.

A. Negotiations. If any claim, dispute or controversy described in Article 7 of the Agreement (collectively, the "Dispute") arises, either party may, by written notice to the party, have the Dispute referred to the persons designated below for attempted resolution by good faith negotiations within 45 days after such written notice is received. Such designated persons are as follows:

1. Company. The Chairman of the Board and Chief Executive Officer or his designee; and
2. Employee. Employee or his or her designee.

Any settlement reached by the parties under this paragraph A shall not be binding until reduced to writing and signed by both parties. When reduced to writing, such settlement agreement shall supersede all other agreements, written or oral, to the extent such agreements specifically pertain to the matters so settled. If the above-designated persons are unable to resolve such dispute within such 45-day period, either party may invoke the provisions of paragraph B below.

B. Arbitration. All Disputes shall be settled by negotiation among the parties as described in paragraph A above or, if such negotiation is unsuccessful, by binding arbitration in accordance with procedures set forth in paragraphs C and D below.

C. Notice. Notice of demand for binding arbitration by one party shall be given in writing to the other party pursuant to the Agreement. In no event may a notice of demand of any kind be filed more than one (1) year after the date the Dispute is first asserted in writing to the other party pursuant to paragraph A above, and if such demand is not timely filed, the Dispute referenced in the notice given pursuant to paragraph A above shall be deemed released, waived, barred and unenforceable for all time, and barred as if by statute of limitations.

D. Binding Arbitration. Upon filing of a notice of demand for binding arbitration by either party, arbitration shall be commenced and conducted as follows:

1. Arbitrators. All Disputes and related matters in question shall be referred to and decided and settled by a panel of three arbitrators, one selected by the Company, one selected by Employee and the third selected by the two arbitrators so selected.

Selection of the arbitrators to be selected the Company and Employee shall be made within ten (10) business days after the date of giving of a notice of demand for arbitration, and the two arbitrators so appointed shall appoint the third within 10 business days following their appointment.

2. Cost of Arbitration. The cost of arbitration proceedings, including without limitation the arbitrators' compensation and expenses, hearing room charges, court reporter transcript charges etc., shall be borne by the parties equally or otherwise as the arbitrators may determine. The arbitrators may award the prevailing party its reasonable attorneys' fees and costs incurred in connection with the arbitration. The arbitrators are specifically instructed to award attorneys' fees for instances of abuse in the discovery process.

3. Location of Proceedings. The arbitration proceedings shall be held in San Antonio, Texas, unless the parties agree otherwise.

4. Pre-hearing Discovery. The parties shall have the right to conduct and enforce pre-hearing discovery in accordance with the then current Federal Rules of Civil Procedure, subject to these limitations:

(a) Each party may serve no more than one set of interrogatories limited to 30 questions, including sub-parts;

(b) Each party may depose the other party's expert witnesses who will be called to testify at the hearing, plus two fact witnesses without regard to whether they will be called to testify (each party will be entitled to a total of no more than 24 hours of deposition time of the other party's witnesses), provided however, that the arbitrators may provide for additional depositions upon showing of good cause; and

(c) Document discovery and other discovery shall be under the control of and enforceable by the arbitrators.

5. Discovery disputes. All discovery disputes shall be decided by the arbitrators. The arbitrators are empowered;

(a) to issue subpoenas to compel pre-hearing document or deposition discovery;

(b) to enforce the discovery rights and obligations of the parties; and

(c) to otherwise to control the scheduling and conduct of the proceedings.

Notwithstanding any contrary foregoing provisions, the arbitrators shall have the power and authority to, and to the fullest extent practicable shall, abbreviate

arbitration discovery in a manner which is fair to all parties in order to expedite the conclusion of each alternative dispute resolution proceeding.

6. Pre-hearing Conference. Within fifteen (15) days after selection of the third arbitrator, or as soon thereafter as is mutually convenient to the arbitrators, the arbitrators shall hold a pre-hearing conference to establish schedules for completion of discovery, for exchange of exhibit and witness lists, for arbitration briefs and for the hearing, and to decide procedural matters and address all other questions that may be presented.

7. Hearing Procedures. The hearing shall be conducted to preserve its privacy and to allow reasonable procedural due process. Rules of evidence need not be strictly followed, and the hearing shall be streamlined as follows:

(a) Documents shall be self-authenticating, subject to valid objection by the opposing party;

(b) Expert reports, witness biographies, depositions and affidavits may be utilized, subject to the opponent's right of a live cross-examination of the witness in person;

(c) Charts, graphs and summaries shall be utilized to present voluminous data, provided (i) that the underlying data is made available to the opposing party thirty (30) days prior to the hearing, and (ii) that the preparer of each chart, graph or summary is available for explanation and live cross-examination in person;

(d) The hearing should be held on consecutive business days without interruption to the maximum extent practicable; and

(e) The arbitrators shall establish all other procedural rules for the conduct of the arbitration in accordance with the rules of arbitration of the Center for Public Resources.

8. Governing Law. This arbitration provision shall be governed by, and all rights and obligations specifically enforceable under and pursuant to, the Federal Arbitration Act (9 U.S.C. Section 1, et seq.)

9. Consolidation. No arbitration shall include, by consolidation, joinder or in any other manner, any additional person not a party to the Agreement, except by written consent of both parties containing a specific reference to these provisions.

10. Award. The arbitrators are empowered to render an award of general compensatory damages and equitable relief (including, without limitations, injunctive relief), but are not empowered to award exemplary, special or punitive damages. The award rendered by the arbitrators (a) shall be final, (b) shall not constitute a basis for collateral estoppel as to any issue and (c) shall not be subject to vacation or modification.

11. Confidentiality. The parties hereto will maintain the substance of any proceedings hereunder in confidence and the arbitrators, prior to any proceedings hereunder, will sign an agreement whereby the arbitrators agree to keep the substance of any proceedings hereunder in confidence.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF RUSH ENTERPRISES, INC FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-Q.

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