

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year
ended December 31, 2000

Commission file number 0-20797

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

Texas
(State or other jurisdiction of
incorporation or organization)

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

555 IH 35 South, New Braunfels, TX
(Address of principal executive offices)

78130
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.01 par value
(Title of Class)

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 21, 2001 was approximately \$13,293,333, based upon the last sales price on March 21, 2001 on the NASDAQ National Market for the Company's common stock. The registrant had 7,002,044 shares of Common Stock outstanding on March 21, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive proxy statement for the registrant's 2001 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission not later than April 30, 2001, are incorporated by reference into Part III of this Form 10-K.

RUSH ENTERPRISES, INC.

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Certain statements contained in this Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-K 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-K 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, cyclicalities, economic conditions in the new and used truck and equipment markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in the Company's Registration Statement on Form S-1 (File No. 333-03346) 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.

PART I

Item 1. Business

References herein to the "Company" or "Rush Enterprises" mean Rush Enterprises, Inc., a Texas corporation, its subsidiaries and Associated Acceptance, Inc., the insurance agency affiliated with the Company, unless the context requires otherwise.

General

We are a full-service, integrated retailer of premium transportation and construction equipment and related services. As the leading supplier of Peterbilt trucks, we accounted for approximately 20.7% of all new Peterbilt trucks sold in the United States in 2000. In 1997, we acquired our first John Deere construction equipment dealership in Houston, Texas and have grown to become a major supplier of John Deere construction equipment in Texas and Michigan. Through our strategically located

networks of Rush Truck Centers and Rush Equipment Centers, we provide one-stop service for the needs of our customers, including retail sales of new and used transportation and construction equipment, as well as after-market parts sales, service and repair facilities and financing, leasing/rental, and insurance services.

Our Rush Truck Centers are principally located in high traffic areas along the southwestern corridor of the United States. Our Rush Equipment Centers are located in two of the top six construction equipment sales markets in the United States -- Texas and Michigan. We provide leasing and rental services through our Rush Leasing and Rental Division at our one-stop Rush Truck Centers and Rush Equipment Centers. Retail financing of trucks and construction equipment, as well as a full line of insurance products, are arranged through our Rush Financial and Insurance Division. Our Rush Retail Division has developed the one-stop shopping strategy for our farm and ranch supply business.

Our business strategy, based upon providing the customer with competitively priced products supported with timely and reliable service, has enabled us since 1996 to increase revenues at a compounded annual growth rate of 27.1 percent. We intend to continue to implement our business strategy, reinforce customer loyalty and remain a market leader by continuing to develop our Rush Truck Centers and Rush Equipment Centers as we extend our geographic focus through strategic acquisitions of new locations and expansions of our existing facilities.

All of our business operations are currently conducted through five separate divisions: the Rush Truck Center Division, the Rush Equipment Center Division, the Rush Leasing and Rental Division, the Rush Financial and Insurance Division and the Rush Retail Division.

Rush Truck Center Division. Since commencing operations as a Peterbilt heavy-duty truck dealer over 35 years ago, we have grown to operate Rush Truck Centers at 38 locations which primarily sell Peterbilt Class 8 heavy-duty trucks in the states of Texas, Colorado, Oklahoma, California, Louisiana, Arizona and New Mexico. Our Rush Truck Centers are strategically located to take advantage of increased cross-border traffic between the United States and Mexico resulting from implementation of NAFTA in 1994. During 2000, our Rush Truck Center Division accounted for approximately \$721.1 million, or approximately 80.4%, of our total revenues.

Rush Equipment Center Division. Since commencing operations as a John Deere dealer in 1997, we have grown to operate seven Rush Equipment Centers located in Texas and Michigan. We provide a full line of construction equipment for light to medium sized applications, with our primary products including John Deere backhoe loaders, hydraulic excavators, crawler dozers and four wheel drive loaders. During 2000, our Rush Equipment Center Division accounted for approximately \$101.6 million, or approximately 11.3%, of our total revenues.

Rush Leasing and Rental Division. We provide a broad line of product selections for lease or rent, including Class 8, Class 7 and Class 6 Peterbilt trucks, a full array of John Deere construction equipment products, including a variety of construction equipment trailers and heavy-duty cranes. Our lease and rental fleets are offered primarily through our

Rush Truck Centers and Rush Equipment Centers on a daily, monthly or long-term basis. During 2000, our Rush Leasing and Rental Division accounted for approximately \$37.1 million, or approximately 4.1%, of our total revenues.

Rush Financial and Insurance Division. We offer third-party financing to assist customers in purchasing a new or used truck or piece of construction equipment. Additionally, we sell a complete line of property and casualty insurance, including collision and liability insurance on trucks, cargo insurance, standard automobile liability coverages, and life insurance. During 2000, our Rush Financial and Insurance Division accounted for approximately \$7.4 million, or approximately 0.8%, of our total revenues. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Rush Retail Division. During 1998, we created the Rush Retail Division in connection with our acquisition of D&D Farm and Ranch Supermarket, Inc. ("D&D"). D&D is a one-stop shopping center for farm and ranch supplies, serving the greater San Antonio, Houston and Dallas/Fort Worth, Texas area. During 2000, our Rush Retail Division accounted for approximately \$30.2 million, or approximately 3.4%, of our total revenues.

We were founded and incorporated in 1965 in Texas and our three senior executives jointly have 66 years of experience in the industry. We currently conduct business through 19 subsidiaries, all of which are wholly-owned, directly or indirectly, by us. Our principal offices are at 555 IH 35 South, New Braunfels, Texas, 78130.

Industry Overview

We currently operate in two principal markets, heavy-duty trucks and construction equipment markets, which for new product sales have historically shown a high correlation to the rate of change in industrial production and gross domestic product.

Heavy-Duty Truck Market

We serve the domestic U.S. heavy-duty truck market which we estimate exceeded \$10 billion in retail sales during 2000. The Company's business, as well as the entire retail heavy-duty truck industry, is 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 have historically been subject to substantial cyclical variation based on such general economic conditions. According to data published by R. L. Polk, an industry research and publication firm, the overall domestic heavy-duty truck market increased from approximately 184,989 new Class 8 (defined by the American Automobile Manufacturers Association as trucks with a minimum gross vehicle weight rating above 33,000 pounds) unit sales in 1996 to approximately 231,190 new Class 8 unit sales in 2000 (a 25.0% increase). During 2000, domestic heavy-duty truck sales decreased approximately 8.6% from 1999 and are expected to decrease an additional 50% to approximately 115,000 units during 2001. Within this market, our primary product line is Peterbilt trucks, which according to R. L. Polk accounted for approximately 11.4% of all new heavy-duty truck registrations in

2000. More specifically, within our primary markets, according to R. L. Polk, 34,509 new heavy-duty trucks were registered in 2000, 6,126 of which were Peterbilts. Accordingly, within our markets, Peterbilt trucks achieved an average 17.8% market share, substantially higher than the national average.

As a result of new store openings and acquisitions of new markets, our share of the heavy-duty truck market increased from 2,871 new unit sales in 1996, or approximately 1.5% of the overall market share in the domestic United States, to 5,817 new unit sales in 2000, for an overall domestic market share of 2.7%. This represents a 102.6% increase in unit sales and an 80.0% increase in market share.

Typically, Class 8 trucks are assembled by the manufacturer utilizing certain components manufactured by other companies, including engines transmissions, axles, wheels and other components. As trucks and truck components have become increasingly complex, including the use of computerized controls and diagnostic systems, the ability to provide state-of-the-art service for a wide variety of truck equipment has become a competitive factor in the industry. Such service requires a significant capital investment in advanced equipment, parts inventory and a high level of training of service personnel. Additionally, Environmental Protection Agency ("EPA") and Department of Transportation ("DOT") regulatory guidelines for service processes, including body shop, paint work and waste disposal, require sophisticated operating and testing equipment to ensure compliance with environmental and safety standards. Additionally, we believe that the trend towards increased lease/rental sales will continue as fleets, particularly private ones, seek to establish full-service leases or rental contracts under which the lessor/rental company provides a turn-key service including equipment, maintenance, and potentially, fuel, fuel tax reporting and other services. As a result, differentiation between truck dealers has become less dependent on pure price competition and is increasingly based on their ability to offer a wide variety of trucking services. These include the ability to provide easily accessible, efficient and sophisticated truck service and replacement parts, the ability to offer financing for truck purchases, leasing and rental programs and the ability to accept multiple unit trade-ins related to large fleet purchases. We believe our one-stop concept and the size and diversity of our dealer network gives us a competitive advantage in providing these trucking services.

Management believes the long-term growth prospects for the heavy-duty truck industry remain positive. Factors, which management believes favor the continued long-term growth in trucking, include the:

- o growth in demand for consumer and industrial goods in part as a result of the internet which has fostered a desire by consumers to receive a wider selection of packages sooner;
- o competitive pressures for "just in time" manufacturing processes where U.S. manufacturers are demanding faster, yet less costly, small shipment services.
- o deregulation in the trucking industry leading to a proliferation of freight haulers;
- o the rise of inter-modal service which has established a symbiotic relationship between rail and truck service; and

- o the significant increase of cross-border truck traffic between Mexico and the United States since NAFTA became effective in January of 1994.

However, in the short-term, sales of Class 8 trucks are expected to decline sharply. The heavy-duty truck industry as a whole, expects to deliver approximately 115,000 new trucks domestically during 2001, compared to approximately 231,190 and 253,003 new trucks during 2000 and 1999, respectively. Increased fuel prices and an oversupply of used trucks have adversely affected truck buyers. This results in fewer new truck sales, has had a negative impact on used truck values of up to 40%, and a corresponding decrease in finance and insurance revenues for the Company. While we believe we will perform at a level above our competitors, industry factors will negatively impact our business.

Construction Equipment Market

Through our Rush Equipment Centers, which are authorized John Deere dealers, we serve the estimated \$6.0 billion North American market for retail sales of construction equipment targeted towards light and medium applications. According to data compiled by John Deere, approximately 86,763 units of construction equipment were put into use domestically in 2000 compared to 85,994 in 1999. However, in the markets Rush currently serves construction activity declined approximately 16.3% from 1999 to 2000. The industry expects to sell approximately 78,086 construction equipment units in the United States during 2001. John Deere has more than a 24% market share in those product markets in which it has competitive products.

John Deere's products are sold primarily through a distribution system composed of an estimated 70 dealers as of December 31, 2000, compared to approximately 100 dealers as of December 31, 1998, which operate approximately 400 stores and service centers in North America. John Deere dealerships have the exclusive right to sell new John Deere equipment and parts within their assigned area of responsibility, which means competition within a dealer's market comes primarily from dealers of competing manufacturers and, more recently, rental companies.

The customer base of John Deere equipment users is diverse and includes residential and commercial construction businesses, independent rental companies, utility companies, government agencies, and various petrochemical, industrial and material supply businesses. Industry statistics state that approximately 57% of all construction equipment is owned by approximately 20% of the customer base. Accordingly, John Deere and its dealer group are aggressively developing more sophisticated ways to serve this large fleet owner.

Management believes that the estimated size of the construction equipment rental industry in 2001 is greater than \$10 billion and is served by over 10,000 rental companies. As general economic conditions continue to weaken and equipment unit purchases are expected to decline in 2001, we believe that rental activity will decline correspondingly. We intend to respond to these trends by operating full service Rush Equipment Centers, which include efficient rental operations, that can satisfy the needs of both our large and small customers.

Market factors affecting the construction equipment industry include:

- o levels of commercial, residential, and public construction activities;
- o state and federal highway and road construction appropriations; and
- o the consolidation and growth of the rental business.

Business Strategy

Operating Strategy. Our strategy is to operate integrated dealer networks that primarily market Peterbilt heavy-duty trucks or John Deere construction equipment and provide complementary products and services, by emphasizing the following key elements:

- o One-Stop Centers. We have developed our truck and construction equipment locations as "one-stop centers" where, at one convenient location, our customers can purchase new or used heavy-duty trucks or construction equipment, finance, lease and/or rent trucks or construction equipment, purchase after-market parts and accessories and have service performed by factory-certified technicians. We believe that this full service strategy also helps to mitigate cyclical economic fluctuations because the parts and service sales at our Rush Centers generally tend to be less volatile than our new and used truck and construction equipment sales. We intend to continue to emphasize this one-stop concept.
- o Branding Program. We employ a branding program for our facilities, designating each as a Rush Truck Center or Rush Equipment Center through distinctive signage and uniform marketing programs, in order to take advantage of our existing name recognition and to communicate the standardized high quality of our products and reliability of our services throughout our dealership networks. Our branding program extends to our services as well as our facilities. For example, we recently initiated a prepaid truck maintenance program under the "Rush" name, intended to encourage repeat service business at our Rush Truck Centers. We believe that this branding strategy will increase our market recognition and encourage our customers to utilize multiple locations throughout our dealership networks.
- o Management by Dealership Units. We measure and manage the business operations of each of our dealerships according to the specific business units operating at that location. At each of our dealerships, we operate one or more of the following business units: new sales, used sales, parts, service, leasing/rental and/or financial services. We believe that this system minimizes profit cannibalization across business units, thereby enhancing the profitability of all aspects of a dealership and increasing our overall operating margins. Operating goals are established annually and managers are rewarded for performance accordingly.
- o Integrated Management Information Systems. In order to efficiently operate separate business units within each dealership, we rely upon our management information systems to determine and monitor appropriate inventory levels and product mix at each Rush

Center. Each Rush Center maintains a centralized real-time inventory tracking system that is accessible simultaneously by all locations. Our automated reordering system assists each Rush Center in maintaining the proper inventory levels and permits inventory delivery to each location, or directly to customers, typically within 24 hours from the time the order is placed. In addition, by actively monitoring market conditions, assessing product and expansion strategies and remaining abreast of changes within the market, we are able to proactively address market-by-market changes by realigning and, if necessary, adding product lines and models.

Growth Strategy. Through the implementation of our expansion and acquisition initiatives, we have grown to operate a large, multi-state, full-service dealership network in the heavy-duty truck and construction equipment markets. We intend to continue to grow our business internally and through acquisitions by: (1) expanding the product offerings available at, and capabilities of, our existing Rush Truck and Rush Equipment Centers; (2) opening new Rush Truck and Rush Equipment Centers in under-served markets within geographic areas we currently serve; and (3) acquiring and re-branding existing third-party dealerships within new, strategically located geographic areas.

- o Expansion of Product Offerings and Capabilities. We intend to continue to expand our product lines within our Rush Truck and Rush Equipment Centers by adding those product categories which are both complementary to our Peterbilt and John Deere product lines and well-suited to the Rush operating model. Historically, we expanded into the construction equipment industry based on a common customer base among our heavy-duty truck and construction equipment purchasers. We have also introduced trailer repair and maintenance services at many of our Rush Truck Centers. Other recent product line expansions include introducing cranes into our Rush Equipment Centers and Peterbilt Class 6 and Class 7 medium duty trucks into our Rush Truck Centers.

We believe that there are many additional examples of similar product and service offerings which complement our primary product lines. Any product category expansion we pursue must satisfy our requirements that the (1) products are of a premium brand, (2) products provide opportunities for incremental income through related servicing, after-market sales or financing, and (3) Rush operating controls can be implemented to enhance the financial performance of the business.

- o Open New Rush Truck and Equipment Centers in Existing Markets. We believe that there are opportunities to increase our share of the heavy-duty truck and construction equipment markets by introducing our one-stop centers to under-served markets within the southwest United States and within Michigan. Additional dealerships would enable us to enhance revenues from our existing customer base as well as increase the awareness of the Rush brand name for new buyers. We believe there would also be opportunities for cost savings by integrating the inventory management and operations of these new locations with those of our existing networks.
- o Expand into New Geographic Areas. We plan to continue to expand our Rush Truck and Rush Equipment Center networks by acquiring additional dealerships in geographic areas

contiguous to our current operations or otherwise strategically located along major interstate highways. Thus far, we have successfully expanded our presence from our Texas base into the southwest and, more recently, into Michigan, Arizona, New Mexico and California. We believe the geographic diversity of our networks has significantly expanded our customer base while ameliorating the effects of certain local economic cycles. Geographic diversification supports the sale of heavy-duty trucks, construction equipment and related parts by allowing us to allocate our inventory among the geographic regions we serve based on market demand.

In identifying new areas for expansion, we analyze the target market's level of new heavy-duty truck registrations and construction equipment purchases, customer buying and leasing trends and the existence of competing franchises. We also assess the potential performance of a parts and service center to determine whether a market is suitable for a Rush dealership. After a market has been strategically reviewed, we survey the region for a well-situated location. Whether we acquire existing dealerships or open new Rush locations, we will introduce the Rush branding program and implement our integrated management system. Geographic expansion is a primary means by which we intend to continue to grow our core business.

Properties

A Rush Truck Center and Rush Equipment Center may be comprised of one or more locations, generally in close proximity, in the same city. The following is a list of our Rush Truck and Rush Equipment Center locations as of December 31, 2000:

Property	Location	Owned or Leased	Date Acquired or Occupied	Description of Activity
Rush Truck Centers				
Arizona:				
Rush Truck Center of Phoenix	Phoenix, Arizona	Owned	1999	New, used, parts, service, body and financial
Rush Truck Center of Tucson	Tucson, Arizona	Owned	1999	New, used, parts, service, body and financial
Rush Truck Center of Flagstaff	Flagstaff, Arizona	Leased	1999	Parts and service
Rush Truck Center of Chandler	Chandler, Arizona	Leased	1999	Parts
California:				
Rush Truck Center of Pico Rivera	Pico Rivera, California	Leased	1994	New, used, parts, service, body, financial, and leasing operations for truck center
Rush Truck Center of Fontana	Fontana, California	Owned	1994	New, used, parts, service, body and financial
Rush Truck Center of Sylmar	Sylmar, California	Owned	1999 (1)	New, used, parts, service, and financial
Rush Truck Center of San Diego	San Diego, California	Leased	1999	New, used, parts, service, body and financial

	San Diego, California	Leased	1999	Leasing
Rush Truck Center of Escondido	Escondido, California	Leased	1999	New, used, parts, service, and financial
Rush Truck Center of El Centro	El Centro, California	Leased	1999	Parts and service
Colorado:				
Rush Truck Center of Denver	Denver, Colorado	Owned	1997	New and used
	Denver, Colorado	Owned	2000 (2)	Parts and service
	Denver, Colorado	Leased	1998	Body
Rush Truck Center of Greeley	Greeley, Colorado	Leased	1997	New, used, parts, service, and financial
Louisiana:				
Rush Truck Center of Bossier City	Bossier City, Louisiana	Owned	1994	New, used, parts, service, body, and financial
New Mexico:				
Rush Truck Center of Albuquerque	Albuquerque, New Mexico	Leased	1999	New, used, parts, service, body, and financial
Oklahoma:				
Rush Truck Center of Tulsa	Tulsa, Oklahoma	Leased	1998 (3)	New, used, parts, service, body, and financial
	Tulsa, Oklahoma	Owned	1995	Parts and service
	Tulsa, Oklahoma	Leased	1995	Body
Rush Truck Center of Oklahoma City	Oklahoma City, Oklahoma	Owned	1995	New, used, parts, service, body, and financial
Rush Volvo Truck Center, Oklahoma City	Oklahoma City, Oklahoma	Owned	1995	Volvo new, used, parts, service, financial and leasing operations
Rush Truck Center of Ardmore	Ardmore, Oklahoma	Leased	2000 (3)	Parts
Texas:				
Rush Truck Center of San Antonio	San Antonio, Texas	Owned	1973	New, used, parts, service, body, and financial
Rush Truck Center of Houston	Houston, Texas	Owned	2000 (1)	New, used, parts, service, and financial
	Houston, Texas	Owned	1985	Body
	Houston, Texas	Owned	1992	Leasing, parts, service, and tire store
Rush Truck Center of Sealy	Sealy, Texas	Owned	2000 (1)	New, used, parts, service, body, and financial
Rush Truck Center of Laredo	Laredo, Texas	Owned	1999	New, used, parts, service, body and financial
Rush Truck Center of Lufkin	Lufkin, Texas	Owned	1992	New, used, parts, service, body, and financial

Rush Truck Center of Pharr	Pharr, Texas	Owned	1997	New, used, parts, service, body, and financial
Rush Truck Center of Austin	Austin, Texas	Leased	1999	New, used, parts, service, and financial
Rush Truck/Equipment Center of Beaumont	Beaumont, Texas	Leased	1998 (4)	New, used, parts, service and financial
Rush Equipment Centers				
Michigan:				
Rush Equipment Center of Traverse City	Traverse City, Michigan	Leased	1998	New, used, parts, service, and financial
Rush Equipment Center of Ellsworth	Ellsworth, Michigan	Leased	1998	New, used, parts, service, and financial
Rush Equipment Center of Grand Rapids	Grands Rapids, Michigan	Leased	1998	New, used, parts, service, and financial
Rush Equipment Center of Lansing	Lansing, Michigan	Leased	1999	New, used, parts, service, and financial
Rush Equipment Center of Flint	Flint, Michigan	Leased	1999	New, used, parts, service, and financial
Rush Equipment Center of Pontiac	Pontiac, Michigan	Leased	1999	New, used, parts, service, and financial
Texas:				
Rush Equipment Center of Houston	Houston, Texas	Owned	1997	New, used, parts, service, and financial

- (1) Site of new dealership opened in the spring of 2000.
- (2) Purchased a dealership for parts and service operations and moved from our previous leased location in winter of 2000.
- (3) Site of new dealership opened in the summer of 2000.
- (4) Combined truck and construction equipment operations.

Our administrative offices are currently situated in 24,074 square feet of leased space in New Braunfels, Texas. We also occupy 3,750 square feet of leased space in San Antonio, Texas as administrative offices for our insurance services. The D&D Farm and Ranch Supermarkets in Seguin, Hockley and Denton, Texas occupy 26,900, 66,000 and 5,000 square feet, respectively, of building space. In addition to our Rush Equipment Center in Ellsworth, Michigan, we also operate a John Deere commercial and consumer equipment location in Ellsworth, Michigan, occupying 6,000 square feet of leased space. We also own and operate a ranch of approximately 5,700 acres in Cotulla, Texas.

Rush Operating Divisions

We are managed and operated through five distinct divisions, which are described below.

Rush Truck Center Division

Our Rush Truck Center Division is the operating division responsible for sales of new and used heavy-duty trucks, as well as related parts and services.

New Truck Sales. New heavy-duty truck sales represent the largest portion of our business, accounting for approximately \$498.1 million, or approximately 55.5%, of our total revenues for 2000. Rush Truck Centers primarily sell new Class 8 heavy-duty Peterbilt trucks, which constitute more than 92% of all new trucks sold by us. A new Peterbilt Class 8 heavy-duty truck typically sells at a premium, within a typical price range of \$65,000 to \$115,000, as compared to other Class 8 heavy-duty trucks which typically sell within a price range of \$57,000 to \$110,000. The average delivery times for custom-ordered new Peterbilt trucks can vary between 30 days to six months. We also sell Class 7 Peterbilt trucks, Peterbilt refuse chassis and cement mixer chassis, GMC medium-duty trucks and, at our Oklahoma Rush Truck Centers, Volvo Class 8 heavy-duty trucks. Our customers use heavy-duty trucks to haul virtually all materials, including general freight, petroleum, wood products, refuse and construction materials for both over-the road and off-road applications.

Approximately 65% of our new truck sales are to fleet customers (defined as customers who purchase more than five trucks in any single 12-month period). Because of our large size, strong relationships with our fleet customers and ability to handle large quantities of used truck trade-ins, we are able to successfully market and sell to fleets nationwide. We believe that we have a competitive advantage over most other dealers in that we can absorb multi-unit trade-ins often associated with fleet sales of new trucks and effectively disperse the used trucks for resale throughout our dealership network. We believe that our attention to customer service and our broad range of trucking services, including our ability to offer truck financing and insurance to our customers, has resulted in a high level of customer loyalty. Management believes that approximately 70% of our truck sales during 2000 were to repeat customers.

Used Truck Sales. Used truck sales accounted for approximately \$73.0 million, or approximately 8.1%, of our total revenues for 2000. We primarily sell used Class 8 heavy-duty trucks manufactured by the leading truck manufacturers in the industry, including Peterbilt, Kenworth Truck Co., a division of PACCAR, Inc. ("Kenworth"), Freightliner Corporation, a subsidiary of Daimler Chrysler AG ("Freightliner"), Mack Trucks, Inc. ("Mack") and Navistar International Corporation ("Navistar"). Our management believes that we are well positioned to market used heavy-duty trucks due to our ability to recondition used trucks for resale utilizing the parts and service departments at our Rush Truck Centers and to reallocate our used truck inventory from one Rush Truck Center to another in order to satisfy customer demand. Approximately 80% of our used truck fleet is comprised of trucks taken as trade-ins from new truck customers to be used as all or part of such customer's down payment, with the remainder of our used truck fleet being purchased from third parties for resale.

Truck Parts and Service. Truck-related parts and service revenues accounted for approximately \$148.6 million, or approximately 16.6%, of our total revenues for 2000. We are the sole authorized Peterbilt parts and accessories supplier in each of the markets serviced by our Rush Truck Centers. The parts business augments our sales and service functions and is a source of recurring revenue. Each Rush Truck Center carries in its inventory a wide variety of Peterbilt and other truck parts, with an average of approximately 5,000 items from over 50 suppliers at each location. Rush Truck Centers offer "menu" pricing of service and body shop functions and offer expedited service at a premium price for certain routine repair and maintenance functions.

Our Rush Truck Centers also feature various combinations of fully-equipped service and body shop facilities, the configuration of which may vary by location, capable of handling a broad range of truck repairs on most makes and classes of trucks. Each Rush Truck Center is a Peterbilt designated warranty service center and most are also authorized service centers for other manufacturers, including Caterpillar, Inc., Cummins Engine, Inc., Detroit Diesel Corporation, Eaton Corporation and Rockwell International Corporation. We have a total of approximately 425 service bays, including 13 paint bays, throughout our Rush Truck Center network.

We perform both warranty and non-warranty service work, with the cost of the warranty work being reimbursed by the manufacturer at retail consumer rates. We estimate that approximately 20% of our truck service functions are performed under manufacturers' warranties. All service performed at our Rush Truck Centers is done by technicians who have been certified by our suppliers. We have a multi-year prepaid program for certain truck maintenance services under the "Rush" brand name, with guaranteed pricing and priority service at Rush Truck Centers. We believe that this program increases customer traffic, customer loyalty and enhances service and parts revenue.

Rush Equipment Center Division

Our Rush Equipment Center Division is the operating division responsible for sales of new and used construction equipment as well as related parts and services.

New Construction Equipment Sales. New construction equipment sales accounted for approximately \$65.0 million, or approximately 7.2%, of our total revenues for 2000. Our Rush Equipment Centers carry a complete line of John Deere construction equipment. A new piece of John Deere construction equipment typically ranges in price from \$20,000 for a skidsteer to \$500,000 for an excavator. We augment our John Deere product line by also carrying a full line of complementary construction equipment manufactured by other suppliers. We sell to a diverse customer base including residential and commercial construction businesses, utility companies, government agencies, and various petrochemical, industrial and material supply businesses. We believe that many of our Rush Truck Center customers also utilize construction equipment, and we aggressively market our construction equipment product offerings to these customers as well as to the regional truck fleets that we serve.

We believe that John Deere's reputation for manufacturing quality construction equipment attracts new and repeat customers who value lower maintenance and repair costs and a higher residual value at

trade-in. We augment this product loyalty with an operating strategy similar to our Rush Truck Centers which focuses on providing fast, reliable service in a familiar setting. As we expand our geographic presence, we believe that our operating strategy will enable us to both increase our customer base and to generate repeat business for all product offerings.

Used Construction Equipment Sales. Used construction equipment sales accounted for approximately \$12.7 million, or approximately 1.4%, of our total revenues for 2000. We sell used construction equipment manufactured by several of the leading manufacturers, including John Deere, Case Corporation ("Case"), Caterpillar, and Komatsu, Ltd. ("Komatsu"). The majority of our used construction equipment inventory is derived from our rental fleet, and the remainder taken as trade-ins from our construction equipment customers, which affords us the opportunity to use our parts and service departments for reconditioning of used equipment.

Construction Equipment Parts and Service. Construction equipment-related parts and service revenues accounted for approximately \$22.7 million, or approximately 2.5%, of our total revenues for 2000. Each Rush Equipment Center carries in its inventory a wide variety of John Deere and other parts, with over 12,000 items from over 15 suppliers at most locations. We are the sole authorized John Deere parts and accessories supplier in each of our construction equipment markets. We also maintain a fully equipped John Deere designated warranty service operation capable of handling repairs on most types of construction equipment at each of our Rush Equipment Centers. We augment this presence with field service trucks and technicians who are capable of making on-site repairs at our customers' location.

Rush Leasing and Rental Division

Our Rush Leasing and Rental Division is the operating division responsible for the leasing and rental of heavy-duty trucks and construction equipment.

Truck Leasing and Rental. Truck leasing and rental revenues accounted for approximately \$29.2 million, or approximately 3.3%, of our total revenues for 2000. We engage in full-service Peterbilt truck leasing under the PacLease trade name at eight of our Rush Truck Centers and are the largest PacLease dealer in the United States. One of the benefits of our leasing and rental division is that such customers provide an additional "captive" market for our parts and service operations by creating additional parts sales and service work at Rush Truck Centers for trucks leased or rented by such customers. All of our leases require all parts sales, service and maintenance for the leased trucks to be performed at our facilities (or at facilities outside our service area, as we direct). Trucks subject to shorter term rentals are also generally serviced at our facilities. We have increased our lease and rental fleet, including contract maintenance, from less than 100 trucks in 1993 to approximately 1,276 trucks at December 31, 2000. As of December 31, 2000, we owned approximately 46% of our lease and rental fleet, and leased the remaining trucks in our fleet directly from Peterbilt. Currently, the average age of trucks in our lease and rental fleet is approximately 30 months. Generally, we hold trucks in our lease and rental fleet for approximately five years and then sell such used trucks to the public through our used sales operations at our Rush Truck Centers. Historically we have realized gains on the sale of such trucks in excess of the cost of the purchase option contained in our leases with Peterbilt or the

book value of trucks owned by the Company. Based on industry conditions, we expect these gains to decline sharply in 2001, which will adversely affect the profitability of this division.

Construction Equipment Rental. Construction equipment rental revenues accounted for approximately \$7.9 million, or approximately 0.9%, of our total revenues for 2000. Our rental contracts require that all parts sales, service and maintenance for our rental construction equipment be performed at our facilities or at other facilities as we direct. Thus, construction equipment rental customers create additional parts sales and service work at our Rush Equipment Centers. Our construction equipment rental fleet consisted of approximately 248 pieces of equipment as of December 31, 2000. Currently, the average age of the construction equipment in our rental fleet is approximately 14 months.

We offer our customers both long-term and short-term rentals, as well as rental purchase options. We believe that our rental operations will continue to benefit from the current trend among our construction equipment customers to outsource operations, including construction equipment ownership, in order to minimize their capital investment in construction equipment, as well as reducing or eliminating the down-time, maintenance, repair and storage costs associated with construction equipment ownership. We believe that the availability of a well-maintained rental fleet allows our customers to more effectively manage their business operations and assets by obtaining construction equipment on an as-needed basis.

Rush Financial and Insurance Division

Our Rush Financial and Insurance Division is the operating division responsible for arranging third-party financing and insurance for both our heavy-duty truck and construction equipment product offerings.

We offer our customers products that assist them in purchasing new or used trucks and construction equipment. This division, net of charge backs, accounted for approximately \$7.4 million, or approximately 0.8%, of our total revenues for 2000, down from \$13.6 million or 1.7% of our total 1999 revenues. Finance and insurance revenues are directly related to the sale of new and used trucks and construction equipment and will be adversely affected in 2001 should the sales decreases predicted for these industries be accurate. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

New and Used Truck and Construction Equipment Financing. Through Associates Commercial Corporation, the largest third-party provider of heavy-duty truck financing in North America ("Associates"), and PACCAR Financial, we arranged customer financing for approximately \$139.7 million, or 30.9%, of our total new and used truck sales in 2000, a decrease of 45.1% from approximately \$254.4 million in 1999. Approximately 65% of these truck finance contracts related to new truck sales and the remainder related to used truck sales. Generally, truck finance contracts are memorialized through the use of installment contracts, which are secured by the trucks financed, and generally require a down payment of 10% to 30% of the value of the financed truck, with the remaining balance financed over a two-to five-year period.

In addition, through The CIT Group, Associates, John Deere Credit and others, we arranged customer financing for approximately \$36.6 million, or approximately 47.1%, of our total new and used construction equipment sales in 2000. Approximately 75% of these construction equipment finance contracts related to new construction equipment sales and the remainder related to used construction equipment sales. Generally, construction equipment finance contracts are memorialized through the use of installment or lease contracts, which are secured by the construction equipment financed, and generally require a down payment of 0% to 10% of the value of the financed piece of construction equipment, with the remaining balance being financed over a three-to five-year period. All finance contracts for construction equipment are assigned without recourse.

Over the last five years, the default rate on the truck finance contracts that we originated has averaged less than 0.5% per year. Our aggregate liability for repossession losses, excluding interest chargebacks, resulting from defaults is limited to \$500,000 per year for contracts sold to Associates and \$200,000 per year for contracts sold to PACCAR Financial. Historically, our losses have been significantly less than the amount of our total maximum recourse liability. We experience no repossession loss on construction equipment finance contracts that we originate because such contracts are sold to third parties without recourse.

Insurance Agency Services. We sell a complete line of property and casualty insurance, including collision and liability insurance on trucks, cargo insurance, standard automobile liability insurance, life insurance, credit life insurance and health insurance, workers' compensation insurance and homeowners' insurance. Our agents are licensed in the states of Texas, Colorado, California, Oklahoma, Louisiana, Arkansas, New Mexico and Alabama to sell insurance for various insurance companies, including Associates Insurance and Motors Insurance Corporation, a subsidiary of GMC. While our focus is on trucking-related insurance products marketed to our customers, we also sell non-trucking related insurance products to our customers as well as to the general public. We experienced an average renewal rate of 77% during 2000.

Rush Retail Division

Our Rush Retail Division is the operating division responsible for our investments in retail stores, which offer a broad range of supplies for farm and ranch owners.

Our Rush Retail Division operates our D&D Farm and Ranch Supermarkets, which serve the greater San Antonio, Houston and Dallas/Fort Worth, Texas areas. Building on our "one-stop" strategy, our D&D Farm and Ranch Supermarket offers a wide variety of indoor and outdoor farm and ranch supplies, clothing, tack, hardware and, among other items, horse trailers. Our Retail Division accounted for approximately \$30.2 million, or approximately 3.4%, of our total revenues for 2000.

Sales and Marketing

Our established expansion and acquisition strategy and long history of operations in the heavy-duty truck business have resulted in a strong customer base that is diverse in terms of geography, industry and scale of operations. Our Rush Truck Center customers include owner-operators, regional

and national fleets, corporations and local governments. During 2000, no single Rush Truck Center customer accounted for more than 5% of our total truck sales by dollar volume. Our Rush Equipment Centers' customer base is similarly diverse and, during 2000, no single Rush Equipment Center customer accounted for more than 3% of our total construction equipment sales by dollar volume. We generally promote our products and related services through our sales staff, trade magazine advertisements and attendance at industry shows.

We believe that the consistently reliable service received by our customers and our longevity and geographic diversity have resulted in increased market recognition of the "Rush" brand name and have served to reinforce customer loyalty and continuing customer relationships. During 2000, approximately 70% of our truck sales were to previous or existing customers. In an effort to enhance our name recognition and to communicate the standardized high level of quality products and services provided at our Rush Centers, we implement our brand name concept at each of our dealerships, such that each of our dealerships is identified as either a Rush Truck Center or Rush Equipment Center. Currently, we are making a concerted effort to target our products and services to existing truck customers that are also involved in the construction business. For example, in Houston, Texas we believe that approximately 40% of our Rush Truck Center customers have also been customers at the Houston Rush Equipment Center.

Facility Management

Personnel. Each Rush Truck and Equipment Center is managed by a general manager who oversees the operations, personnel and the financial performance of the location, subject to the direction of the Company's corporate office. Each Rush Truck Center is also typically staffed by a sales manager, parts manager, service manager, sales representatives, parts employees, and other service and make-ready employees. The sales staff of each Rush Truck and Equipment Center is compensated on a salary plus commission basis, with a high percentage of compensation based on commission, while the general manager, parts manager and service manager receive a combination of salary and performance bonus, with a high percentage of compensation based on the performance bonus. The Company believes that its employees are among the highest paid in their respective industries.

General managers annually prepare detailed monthly forecasts and monthly profit and loss statements based upon historical information and projected trends and an element of each general manager's compensation is determined by meeting or exceeding these operating plans. During the year, general managers regularly review their facility's progress with senior management and make appropriate adjustments as needed. All employees of the Company undergo annual performance evaluations.

The Company has been successful in retaining its senior management, general managers and other employees. The average tenure of the Company's current senior management is 13 years, and the average tenure of its current truck centers' general managers is approximately 9 years. To promote communication and efficiency in operating standards, general managers and members of senior management attend several Company-wide strategy sessions per year. In addition, management personnel attend various industry-sponsored leadership and management seminars and receive

continuing education on Peterbilt products, John Deere products, marketing strategies and management information systems.

Members of senior management regularly travel to each location to provide on-site management and support. Each location is audited regularly for administrative record-keeping, human resources and environmental compliance matters. The Company has instituted succession planning pursuant to which employees in each Rush Truck and Equipment Center are groomed as assistant managers to assume management responsibilities in existing and future dealerships.

Purchasing and Suppliers. The Company believes that pricing is an important element of its marketing strategy. Because of its size, the Rush Truck Center Division benefits from volume purchases at favorable prices that permit it to achieve a competitive pricing position in the industry. The Company purchases its Peterbilt heavy-duty truck inventory and Peterbilt parts and accessories directly from PACCAR. All other manufacturers' parts and accessories, including those of Cummins, Detroit Diesel, Caterpillar and others are purchased through wholesale vendors or from PACCAR, who buys such products in bulk for resale to the Company and other Peterbilt dealers. All purchasing, volume and pricing levels and commitments are negotiated by the Company's corporate headquarters. The Company has been able to negotiate favorable terms, which facilitates the Company's ability to offer competitive prices for its products.

The Company purchases all of its John Deere construction equipment inventory and John Deere parts directly from John Deere. All other construction equipment manufacturers' parts and accessories are purchased through wholesale vendors by the Company. Management believes as the network of Rush Equipment Centers is developed, the Company will be able to negotiate favorable price terms through volume purchasing, thereby achieve a competitive pricing position in the industry.

Management Information Systems. Each Rush Truck and Equipment Center maintains a centralized real-time inventory tracking system which is accessible simultaneously by all locations and by the Company's corporate office. The Company utilizes the information assimilated from its management information systems to determine and monitor the appropriate inventory level at each facility. From this information, management has developed a model reflecting historic sales levels of different product lines. This information identifies the appropriate level and mix of inventory and forms the basis of the Company's operating plan. The Company's management information systems and databases are also used to monitor market conditions, sales information and assess product and expansion strategies. Information received from state and regulatory agencies, manufacturers and industry contacts allows the Company to determine market share statistics and gross volume sales numbers for its products as well as those of competitors. This information impacts ongoing operations by allowing the Company to remain abreast of changes within the market and allows management to react accordingly by realigning product lines and by adding new product lines and models.

Distribution and Inventory Management. The Company utilizes its real-time inventory management tracking system to maintain a close link between each Rush Truck Center. This link allows for a timely and cost-effective sharing of managerial and sales information as well as the prompt transfer of inventory among various locations. The transfer of inventory reduces delays in delivery, helps maximize inventory turns and assists in controlling problems created by overstock and understock

situations. The Company is linked directly to its major suppliers, including PACCAR, GMC, and John Deere via real-time satellite or frame relay communication links for purposes of ordering and inventory management. These automated reordering and satellite communication systems allow the Company to maintain proper inventory levels and permit the Company to have inventory delivered to its locations, or directly to customers, typically within 24 hours of an order being placed.

Recent Acquisitions

In September 2000, the Company purchased the assets of Smith Brothers Catalogs, Inc., and its' online western superstore located at Smithbros.com (collectively "Smithbros"). The acquisition provides Rush with Smith Brothers' inventory, fixed assets, current list of over 120,000 customers and the technology to offer D&D's expansive inventory through a catalog and online. Smith Brothers is located on IH 35 in Denton, Texas. The transaction was valued at approximately \$2.3 million with the purchase price paid in cash.

In December 1999, the Company purchased substantially all the assets of Norm Pressley's Truck Center, ("Pressley"), which consisted of three dealership locations in San Diego, Escondido and El Centro, California. The transaction was valued at approximately \$4.5 million with the purchase price paid in cash. An additional \$700,000 consideration may be paid based on a performance based objective.

In October 1999, the Company purchased substantially all the assets of Southwest Peterbilt, Inc., Southwest Truck Center, Inc., and New Mexico Peterbilt, Inc., ("Southwest") a Peterbilt truck dealer, which consisted of five dealership locations in Arizona and New Mexico. The transaction was valued at \$23.9 million with the purchase price paid in a combination of cash and the Company's common stock. An additional \$4.0 million may be paid based on a performance based objective.

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

Competition

There is, and will continue to be, significant competition both within our current markets and in the new markets which we may enter. We anticipate that competition between us and other dealers will continue to increase in both our current markets and on a national level, based on:

- o the accessibility of dealership locations;
- o the number of dealership locations;

- o price, value, quality and design of the products sold; and
- o attention to customer service (including technical service).

Our heavy-duty truck products compete with Class 8 and Class 7 trucks made by other manufacturers and sold through competing independent and factory-owned truck dealerships, including trucks manufactured by Navistar, Mack, Freightliner, Kenworth, Volvo, Ford Motor Company, Western Star Truck Holdings, Ltd., and other manufacturers. Kenworth heavy-duty trucks, which are distributed through a different, competing dealer network, are also manufactured by PACCAR, Peterbilt's parent company. Our construction equipment products compete with construction equipment manufactured by Case, Caterpillar and Komatsu, as well as other manufacturers. We believe that we are competitive in all of the dealer categories identified above, and that we are able to compete with manufacturer-dealers, independent dealers and wholesalers, rental service companies and industrial auctioneers in distributing our products on the basis of overall product quality and reputation; "Rush" name recognition and reputation for reliability; and our ability to provide comprehensive full parts and service support, as well as financing, insurance and other customer services.

Dealership Agreements

Peterbilt. We have entered into non-exclusive dealership agreements with Peterbilt which authorize us to act as a dealer of Peterbilt heavy-duty trucks. Our areas of responsibility currently encompass 36 locations in the states of California, Colorado, Texas, Oklahoma, Louisiana, Arizona and New Mexico. These dealership agreements have current terms expiring between October 2002 to October 2003 and impose certain operational obligations and financial requirements upon us and our dealerships. These agreements are terminable by Peterbilt upon a change of control of the Company, as such term is described in each agreement, and grant Peterbilt certain rights of first refusal relating to any sale or transfer by us of our dealership locations or if certain Rush family members desire to sell more than 100,000 shares of our voting common stock within a 12 month period to anyone other than family members or certain other specified persons. Any termination or non-renewal of these dealership agreements by Peterbilt must follow certain guidelines established by both state and federal legislation designed to protect dealers, such as us, from arbitrary termination or non-renewal of franchise agreements. The Automobile Dealers Day in Court Act and other similar state laws provide that the termination or non-renewal of a dealership agreement must be done in "good faith" and upon a showing of "good cause" by the manufacturer for such termination or non-renewal, as such terms have been defined by statute and case law.

John Deere. We have entered into non-exclusive dealership agreements with John Deere which authorize us to act as a dealer of John Deere construction, utility and forestry equipment. These John Deere dealership agreements have no specified term or duration. Our current areas of responsibility for the sale of John Deere construction equipment encompass seven locations in the states of Texas and Michigan. The John Deere dealership agreements impose operational obligations and financial requirements upon us and our dealerships. Like the dealership agreements with Peterbilt, the dealership agreements with John Deere are terminable upon change of control, grant certain rights of first refusal and impose certain financial requirements.

Other Truck Suppliers. In addition to our truck dealership agreements with Peterbilt, we are also an authorized dealer for Volvo at our Rush Truck Centers in Oklahoma City and Tulsa, Oklahoma, and have non-exclusive dealership agreements with GMC for the sale of GMC medium-duty trucks at our Rush Truck Centers in San Antonio, Texas, and Oklahoma City and Tulsa, Oklahoma. Sales of Volvo and GMC trucks accounted for approximately 1% of our total revenues for 2000. The Volvo dealership agreement is effective through March 31, 2003 and is renewable annually unless terminated by Volvo as a result of a material breach of the agreement by us. The GMC dealership agreement is effective through October 31, 2005. Both the GMC and Volvo agreements impose operating requirements upon us and require consent from the affected supplier for sale or transfer of either such agreement.

Other Construction Equipment Suppliers. In addition to John Deere, we are an authorized dealer for suppliers of other construction equipment. The terms of such arrangements vary, but most of these dealership agreements contain termination provisions allowing the supplier to terminate the agreement after a specified notice period (usually 180 days).

Floor Plan Financing

Heavy-Duty Trucks. We finance substantially all of our new truck inventory and 75% of the loan value of our used truck inventory, under a floor plan arrangement with GMAC. As of December 31, 2000, we had approximately \$107.2 million outstanding under our GMAC floor plan arrangement. Our GMAC floor plan facility has no expiration date and generally is renegotiated annually. The current interest rate is the prime rate less 95 basis points.

Construction Equipment. We finance substantially all our new construction equipment inventory under floor plan facilities with John Deere and with Associates. Our John Deere facility has no set expiration date and its interest rate is the prime rate less three-quarters of one percent. Our Associates facility expires September 2001 and the current interest rate is the prime rate less three-quarters of one percent. As of December 31, 2000, we had \$26.4 million and \$12.7 million, respectively, outstanding under the floor plan arrangements with John Deere and Associates. See "Management's Discussion and Analysis -- Liquidity and Capital Resources."

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, including small and large fleets, governments, corporations and owner operators. However, trucks and parts and service operations historically have experienced higher volumes of sales in the third and fourth quarters. The Company has historically received benefits from volume purchases and meeting vendor sales targets in the form of cash rebates, which are typically recognized when received. Approximately 40% of such rebates are typically received in the fourth quarter, resulting in a seasonal increase in gross profit.

Seasonal effects in the construction equipment business are primarily driven by the weather. Seasonal effects on construction equipment sales related to the seasonal purchasing patterns of any single customer type are mitigated by the Company's diverse customer base that includes contractors,

for both residential and commercial construction, utility companies, federal, state and local government agencies, and various petrochemical, industrial and material supply type businesses that require construction equipment in their daily operations.

Backlog

At December 31, 2000 and 1999, the Company's backlog of truck orders was approximately \$80.0 million and \$180 million, respectively. The Company includes in backlog only confirmed orders. It takes between 60 days and six months for the Company to receive delivery from PACCAR once an order is placed. The Company expects to fill at least 90% of these orders by the end of 2000. The Company sells approximately 75% of its new heavy-duty trucks by customer special order, with the remainder sold out of inventory. Included in the Company's backlog as of December 31, 2000 and 1999 are orders from a number of the Company's major fleet customers.

Environmental Standards and Other Governmental Regulations

Our operations are subject to numerous federal, state and local laws and regulations, including laws and regulations designed to protect the environment and to regulate the discharge of materials into the environment, primarily relating to our service operations.

Product Warranties

Both Peterbilt and John Deere provide the retail purchasers of their products with a limited warranty against defects in materials and workmanship, excluding certain specified components which are separately warranted by the suppliers of such components. We do not undertake to provide any warranty to our customers.

We generally sell our used trucks and construction equipment "as is" and without manufacturer's warranty, although manufacturers sometimes will provide a limited warranty on their used products if they have been properly reconditioned prior to resale or if the manufacturer's warranty on such product is transferable and has not yet expired. We do not undertake to provide any warranty to our used truck or construction equipment customers.

Trademarks

The Peterbilt, John Deere, Volvo and GMC trademarks and trade names, which are used in connection with our marketing and sales efforts, are subject to a limited license by us from each of the respective manufacturers. These names are recognized internationally and are important in the marketing of our products. Each licensor engages in a continuous program of trademark and trade name protection in its marketing areas. We hold a registered trademark with the U. S. Patent and Trademark Office for the name "Rush."

Employees

At December 31, 2000, we employed approximately 1,900 people. We have no contracts or collective bargaining agreements with labor unions and have never experienced work stoppages. We consider our relations with our employees to be good.

Item 2. Properties

See Properties section in Item 1 on page 10 hereof.

Item 3. Legal Proceedings

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

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

No matters were submitted to a vote of the Company's shareholders during the fourth quarter of the fiscal year ended December 31, 2000.

PART II.

Item 5. Market for Registrant's Common Stock and Related Shareholder Matters

The Company's common stock, \$0.01 par value ("Common Stock"), has been listed for quotation on the Nasdaq National Market ("NASDAQ/NMS") under the symbol "RUSH." since June 7, 1996, the date of the Company's initial public offering. The following table sets forth the high and low closing sales prices for the Common Stock for the fiscal periods indicated, as reported by the Nasdaq/NMS. The quotations represent prices in the over-the-counter market between dealers in securities, do not include retail markup, markdown or commissions and may not necessarily represent actual transactions.

	High -----	Low -----
Fiscal 2000:		
First quarter	\$14.13	\$ 6.69
Second quarter	\$ 8.43	\$ 5.50
Third quarter	\$ 6.95	\$ 5.50
Fourth quarter	\$ 5.94	\$ 3.50
Fiscal 1999:		
First quarter	\$12.88	\$10.44
Second quarter	\$17.38	\$10.50
Third quarter	\$19.50	\$14.25
Fourth quarter	\$16.25	\$13.75

As of March 21, 2001, there were approximately 65 record holders of Common Stock and approximately 1,325 beneficial holders of Common Stock.

The Board of Directors intends to retain any earnings of the Company to support operations and to finance expansion and does not intend to pay cash dividends on the Common Stock in the foreseeable future. Any future determination as to the payment of dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

Item 6. Selected Consolidated Financial and Operating Data

The following Selected Consolidated Financial and Operating Data relating to the Company has been taken or derived from the Consolidated Financial Statements and other records of the Company. The consolidated statements of income and consolidated balance sheets for each of the five years in the period ended December 31, 2000, have been audited by Arthur Andersen LLP, independent public

accountants. The Consolidated Financial and Operating Data presented below may not be comparable between periods in all material respects or indicative of the Company's future financial position or results of operations due primarily to acquisitions which occurred during the periods presented, including the acquisition of the Company's Colorado (March 1997), Arizona and New Mexico (October 1999) and California (December 1999) heavy-duty truck operations, and the Company's acquisitions of the Houston, Texas (October 1997), western Michigan (September 1998) and eastern Michigan (September 1999) John Deere construction equipment centers and the acquisition of the Rush retail center in March of 1998 and September of 2000 . See Note 15 to the Company's Consolidated Financial Statements for a discussion of such acquisitions. The Selected Consolidated Financial and Operating Data should be read in conjunction with the Company's Historical Consolidated Financial Statements and related notes and other financial information included elsewhere herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	1996	1997	Year Ended December 31, 1998	1999	2000
	-----	-----	-----	-----	-----
	(in thousands)				
SUMMARY OF INCOME					
STATEMENT DATA					
Revenues					
New and used truck sales	\$258,613	\$290,495	\$422,754	\$554,571	\$571,159
Parts and service	64,505	78,665	108,024	130,548	177,874
Construction equipment sales	--	7,518	35,402	62,042	77,685
Retail sales	--	--	13,895	18,573	30,245
Lease and rental	13,426	14,761	18,594	25,375	29,143
Finance and insurance	5,855	6,026	11,432	13,581	7,437
Other	1,262	1,904	2,684	3,665	3,885
	-----	-----	-----	-----	-----
Total revenues	343,661	399,369	612,785	808,355	897,428
Cost of products sold	289,143	334,583	508,242	673,563	742,522
	-----	-----	-----	-----	-----
Gross profit	54,518	64,786	104,543	134,792	154,906
Selling, general and administrative	40,552	50,618	75,849	93,502	123,848
Depreciation and amortization	2,416	2,977	4,813	6,162	9,449
	-----	-----	-----	-----	-----
Operating income	11,550	11,191	23,881	35,128	21,609
Interest expense, net	3,053	2,513	5,884	8,185	16,068
	-----	-----	-----	-----	-----
Income before income taxes	8,497	8,678	17,997	26,943	5,541
Provision for income taxes	2,295	3,298	7,200	10,777	2,216
	-----	-----	-----	-----	-----
Net income	\$ 6,202	\$ 5,380	\$ 10,797	\$ 16,166	\$ 3,325
	=====	=====	=====	=====	=====

	1996 ----- (in thousands except per share data)
PRO FORMA INCOME	
STATEMENT DATA (Unaudited)	
Income from continuing operations before taxes	\$8,497
Pro forma adjustments to reflect federal and state income taxes(1)	3,229

Pro forma income from continuing operations after provision for income taxes	\$5,268
	=====
Pro forma basic and diluted income from continuing operations per share(2)	\$.94
	=====
Weighted average shares outstanding used in the pro forma basic and diluted income from continuing operations per share calculation	5,590
	=====

	Year Ended December 31,				
	1996	1997	1998	1999	2000
	-----	-----	-----	-----	-----
OPERATING DATA					
Number of locations --	14	17	28	43	47
Unit truck sales --					
New trucks	2,871	3,040	4,315	5,366	5,817
Used trucks	1,349	1,952	2,087	2,156	2,140
	-----	-----	-----	-----	-----
Total unit trucks sales	4,220	4,992	6,402	7,522	7,957
Construction equipment unit sales --					
New units	--	90	227	715	915
Used units	--	35	120	319	325
	-----	-----	-----	-----	-----
Total construction equipment unit sales	--	125	347	1,034	1,240
Total finance contracts sold (in thousands)	\$ 76,390	\$ 94,849	\$204,400	\$283,569	\$176,345
Truck lease and rental units	559	628	667	870	924

	Year Ended December 31,				
	1996	1997	1998	1999	2000
	-----	-----	-----	-----	-----
	(in thousands)				
BALANCE SHEET DATA					
Working capital	\$ 24,676	\$ 18,364	\$ 15,712	\$ 2,843	\$ (2,539)
Inventories	36,688	66,757	107,140	173,565	177,415
Total assets	109,217	155,478	220,700	365,696	388,874
Floor plan financing	42,228	63,268	89,212	150,862	146,272
Line-of-credit borrowings	20	20	10	13,050	33,779
Long-term debt, including current portion	15,547	25,181	39,259	71,780	90,986
Shareholders' equity	36,692	42,072	52,869	74,852	78,177

(1) For all periods presented prior to the Company's public offering on June 7, 1996, the Company was an S corporation and was not generally subject to corporate income taxes. The pro forma income tax provision has been computed as if the Company were subject to corporate income taxes for all periods presented based on the tax laws in effect during the respective periods. See Note 13 to the Consolidated Financial Statements.

(2) Pro forma basic and diluted income from continuing operations per share was computed by dividing pro forma income from continuing operations by the weighted average number of common shares outstanding, as adjusted for the stock split of the Common Stock and giving pro forma effect for the issuance of 547,400 shares of Common Stock, at an initial public offering price of \$12.00 per share, to repay the line-of-credit borrowings made to fund the approximately \$6.0 million distribution to the Company's sole shareholder of the undistributed taxable S corporation earnings.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Certain statements contained in this Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-K 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-K 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, cyclicalities, economic conditions in the new and used truck and construction equipment markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in the Company's Registration Statement on Form S-1 (File No. 333-03346) 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.

We are a full-service, integrated retailer of premium transportation and construction equipment and related services. As the leading supplier of Peterbilt trucks, we accounted for approximately 20.7% of all new Peterbilt trucks sold in the United States in 2000. In 1997, we acquired our first John Deere construction equipment dealership in Houston, Texas and have grown to become a major supplier of John Deere construction equipment. Through our strategically located networks of Rush Truck Centers and Rush Equipment Centers, we provide one-stop service for the needs of our customers, including retail sales of new and used transportation and construction equipment, as well as after-market parts sales, service and repair facilities and financing, leasing/rental, and insurance services.

Our Rush Truck Centers are principally located in high traffic areas along the southwestern corridor of the United States. Our Rush Equipment Centers are located in two of the top six construction

equipment sales markets in the United States -- Texas and Michigan. We provide leasing and rental services through our Rush Leasing and Rental Division at our one-stop Rush Truck Centers and Rush Equipment Centers. Retail financing of trucks and construction equipment, as well as a full line of insurance products, are arranged through our Rush Financial and Insurance Division. Our Rush Retail Division has developed the one-stop shopping strategy for our farm and ranch supply business.

Our business strategy, based upon providing the customer with competitively priced products supported with timely and reliable service, has enabled us since 1996 to increase revenues at a compounded annual growth rate of 27%. We intend to continue to implement our business strategy, reinforce customer loyalty and remain a market leader by continuing to develop our Rush Truck Centers and Rush Equipment Centers as we extend our geographic focus through strategic acquisitions of new locations and expansions of our existing facilities.

All of our business operations are currently conducted through five separate divisions: the Rush Truck Center Division, the Rush Equipment Center Division, the Rush Leasing and Rental Division, the Rush Financial and Insurance Division and the Rush Retail Division.

Rush Truck Center Division. Since commencing operations as a Peterbilt heavy-duty truck dealer over 35 years ago, we have grown to operate Rush Truck Centers at 38 locations which primarily sell Peterbilt Class 8 heavy-duty trucks in the states of Texas, Colorado, Oklahoma, California, Louisiana, Arizona and New Mexico. Our Rush Truck Centers are strategically located to take advantage of increased cross-border traffic between the United States and Mexico resulting from implementation of NAFTA in 1994. During 2000, our Rush Truck Center Division accounted for approximately \$721.1 million, or approximately 80.4%, of our total revenues.

Rush Equipment Center Division. Since commencing operations as a John Deere dealer in 1997, we have grown to operate nine Rush Equipment Centers located in Texas and Michigan. We provide a full line of construction equipment for light to medium sized applications, with our primary products including John Deere backhoe loaders, hydraulic excavators, crawler dozers and four wheel drive loaders. During 2000, our Rush Equipment Center Division accounted for approximately \$101.6million, or approximately 11.3%, of our total revenues.

Rush Leasing and Rental Division. We provide a broad line of product selections for lease or rent, including Class 8, Class 7 and Class 6 Peterbilt trucks, a full array of John Deere construction equipment products, including a variety of construction equipment trailers and heavy-duty cranes. Our lease and rental fleets are offered primarily through our Rush Truck Centers and Rush Equipment Centers on a daily, monthly or long-term basis. During 2000, our Rush Leasing and Rental Division accounted for approximately \$37.1 million, or approximately 4.1%, of our total revenues.

Rush Financial and Insurance Division. We offer third-party financing to assist customers in purchasing a new or used truck or piece of construction equipment. Additionally, we sell a complete line of property and casualty insurance, including collision and liability insurance on trucks, cargo insurance, standard automobile liability coverages, and life insurance. During 2000, our Rush Financial and Insurance Division accounted for approximately \$7.4 million, or approximately 0.8%, of our total revenues.

Rush Retail Division. During 1998, we created the Rush Retail Division in connection with our acquisition of D&D Farm and Ranch Supermarket, Inc. ("D&D"). D&D is a one-stop shopping center for farm and ranch supplies, serving the greater San Antonio, Houston, and Dallas/Fort Worth, Texas areas. During 2000, our Rush Retail Division accounted for approximately \$30.2 million, or approximately 3.4%, of our total revenues.

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for 1998, 1999, and 2000.

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

	Year Ended December 31,		
	1998	1999	2000
New and used truck sales	69.0%	68.6%	63.6%
Parts and service	17.6	16.1	19.8
Construction equipment sales	5.8	7.7	8.7
Lease and rental	3.0	3.1	3.3
Finance and insurance	1.9	1.7	0.8
Retail sales	2.3	2.3	3.4
Other	0.4	0.5	0.4
Total revenues	100.0	100.0	100.0
Cost of products sold	82.9	83.3	82.7
Gross profit	17.1	16.7	17.3
Selling, general and administrative	12.4	11.6	13.8
Depreciation and amortization	0.8	0.8	1.1
Operating income	3.9	4.3	2.4
Interest expense, net	1.0	1.0	1.8
Income before income taxes	2.9%	3.3%	0.6%

Fiscal Year Ended December 31, 2000 Compared With Fiscal Year Ended December 31, 1999.

Revenues

Revenues increased by approximately \$89.1 million, or 11.0%, from \$808.4 million to \$897.4 million from 1999 to 2000. Sales of new and used trucks increased by approximately \$16.6 million, or 3.0%, from \$554.6 million to \$571.2 million from 1999 to 2000. The increase in revenue is primarily due to acquisitions made in the last four months of 1999. Unit sales of new trucks increased by 8.4%, while units sales of used trucks decreased 0.7% from 1999 to 2000. New and used truck average revenue per unit decreased by 1.4% and 16.8%, respectively. The decrease in the average truck prices is due to an excess supply of used inventory in the market. Such excess supply is attributable to a slowing economy and to increased fuel prices. As a result, the Company recognized a \$4.0 million loss provision during 2000 to increase the Company's reserve for new and used truck valuation and repossession losses.

Parts and service sales increased by approximately \$47.3 million, or 36.3%, from \$130.6 million to \$177.9 million from 1999 to 2000. The increase was due to same store growth of approximately \$16.6 million or 12.7%, with the remaining increase attributable to new store additions.

Sales of new and used construction equipment increased approximately \$15.7 million or 25.3%, from \$62.0 million to \$77.7 million from 1999 to 2000. Approximately \$10.1 million of the increase is due to the Calvert acquisition, with the remaining \$5.5 million or 8.9% attributable to same store growth.

Lease and rental revenues increased by approximately \$3.7 million, or 15.0%, from \$25.4 million to \$29.1 million from 1999 to 2000. The increase is primarily due to the Calvert and Pressley acquisitions.

Finance and insurance revenues decreased by approximately \$6.2 million, or 45.6%, from \$13.6 million to \$7.4 million from 1999 to 2000. The decrease is a result of there being proportionately fewer truck deliveries to owner operators, who are the customers most likely to purchase finance and insurance contracts, in comparison to truck deliveries to fleet customers. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Retail sales revenue, increased \$11.7 million or 62.9% from 1999 to 2000, primarily as a result of the opening of a second D & D store in Hockley, Texas area and the acquisition of Smithbros.

Other income increased approximately \$0.2 million or 5.4%, from \$3.7 million to \$3.9 million from 1999 to 2000, primarily due to the increase in truck sales by the leasing operations.

Gross Profit

Gross profit increased by approximately \$20.1 million, or 14.9%, from \$134.8 million to \$154.9 million from 1999 to 2000. Gross profit as a percentage of sales increased from 16.7% in 1999 to 17.3% in 2000. The increase in gross profit as a percentage of sales was a result of a change in sales mix. Parts and service sales are higher margin profit centers and increased as a percentage of revenues, while truck sales, lower margin profit centers, decreased as a percentage of revenues.

Selling, General and Administrative

Selling, general and administrative expenses increased by approximately \$30.3 million, or 32.4%, from \$93.5 million to \$123.8 million from 1999 to 2000. Approximately \$26.2 million of the increase is related to the acquisitions of Southwest, Pressley, Calvert and Smithbros, the new D&D store in Hockley, Texas, and new truck store openings and expansions in Houston and Sealy, Texas and Tulsa and Ardmore, Oklahoma. The remaining increase of \$4.1 million or 4.4%, is attributable to same store increases, primarily commission expense related to the increase in gross profit. Selling, general and administrative expenses as a percentage of sales increased from 11.6% to 13.8% from 1999 to 2000.

Interest Expense, Net

Net interest expense increased by approximately \$7.9 million, or 96.3%, from approximately \$8.2 million to \$16.1 million, from 1999 to 2000. Interest expense increased primarily as the result of increased levels of indebtedness due to higher floor plan liability levels, and additional real estate and leased unit borrowings.

Income Before Income Taxes

Income before income taxes decreased by \$21.4 million, or 80.0%, from \$26.9 million to \$5.5 million, from 1999 to 2000, as a result of the factors described above.

Income Taxes

Income taxes decreased by \$8.6 million, or 80.0%, from \$10.8 million to \$2.2 million, from 1999 to 2000. The Company has provided for taxes at a 40% effective rate.

Fiscal Year Ended December 31, 1999 Compared With Fiscal Year Ended December 31, 1998.

Revenues

Revenues increased by approximately \$195.6 million, or 31.9%, from \$612.8 million to \$808.4 million from 1998 to 1999. This increase was attributable to gains achieved from each of the Company's revenue categories, primarily as a result of revenues generated from acquisitions, new store openings, improved operations and increased market demand.

Sales of new and used trucks increased by approximately \$131.8 million, or 31.2%, from \$422.8 million to \$554.6 million from 1998 to 1999. Unit sales of new and used trucks increased by 24.4%

and 3.3%, respectively. The increase in new truck sales was mainly due to increasing fleet sales, acquisitions and an overall strong new truck market in 1999. The moderate growth rate in used truck sales is a result of a shortage of desirable used truck inventory during 1999 caused by fewer used truck trade-ins. The average selling price of new trucks increased by 9.6% while used truck average selling prices increased by 5.9%. New truck and used truck prices increased due to product mix and increased market demand.

Parts and service sales increased by approximately \$22.5 million, or 20.8%, from \$108.0 million to \$130.5 million from 1998 to 1999, with the inclusion of a full year of operations in the Rush equipment center in western Michigan, compared to only four months of operations in western Michigan in 1998, and the 1999 additions of the equipment center in eastern Michigan, and the truck centers in Arizona, New Mexico and California accounting for approximately \$13.4 million or 60.4% of the increase and the remainder being attributed to growth at existing locations.

Sales of new and used construction equipment increased approximately \$26.6 million or 75.1%, from \$35.4 million to \$62.0 million from 1998 to 1999. The increase is due to the construction equipment segment only having four months of western Michigan operations in 1998 and the addition of the eastern Michigan construction equipment dealership in September of 1999. New and used equipment unit sales were 247 and 120, respectively, for the year ended 1998 compared to 646 and 337 new and used units, respectively, in 1999.

Lease and rental revenues increased by approximately \$6.8 million, or 36.6%, from \$18.6 million to \$25.4 million from 1998 to 1999, primarily due to the inclusion of a full year of operations at the Rush equipment center in western Michigan and the acquisition of the equipment center in eastern Michigan, and the remainder being attributed to growth at existing locations.

Finance and insurance revenues increased by approximately \$2.2 million, or 19.3%, from \$11.4 million to \$13.6 million from 1998 to 1999. The growth resulted from increased truck sales coupled with lower borrowing costs during 1999 compared to 1998. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Retail sales revenue, generated by D&D, increased \$4.7 million or 33.8% from 1998 to 1999. The growth in 1999 was favorably impacted as the results for 1998 reflect only 10 months of operations due to the acquisition of D&D in February 1998.

Other income increased approximately \$1.0 million or 37.0%, from \$2.7 million to \$3.7 million from 1998 to 1999, primarily due to the increase in truck sales by the leasing operations.

Gross Profit

Gross profit increased by approximately \$30.3 million, or 29.0%, from \$104.5 million to \$134.8 million from 1998 to 1999. Approximately \$10.3 million or 34.0% of the increase is attributable to the inclusion in the results of operations of retail locations either acquired in 1999 or conducting their first full year of operations in 1999. The remaining gross profit increase of \$20.0 million or 66.0% is attributable to growth at existing locations. Gross profit as a percentage of sales decreased from 17.1%

during 1998 to 16.7% during 1999. The decrease in gross margins was due to a slight decrease in gross margins on the sale of new trucks due to increased fleet sales in 1999, and decreases in the higher margin parts and service, and finance and insurance sales, as a percentage of total sales, from 1998 to 1999.

Selling, General and Administrative

Selling, general and administrative expenses increased by approximately \$17.7 million, or 23.4%, from \$75.8 million to \$93.5 million from 1998 to 1999. The increase includes \$8.7 million or 49.2%, attributable to the operations of new truck and equipment locations either acquired in 1999 or conducting their first full year of operations in 1999. The remaining increase resulted primarily from an increase in salaries and sales commissions due to increases in revenues and gross profit in 1999 compared to 1998. Selling, general and administrative expenses as a percent of revenue were 12.4% and 11.6% in 1998 and 1999, respectively.

Interest Expense, Net

Net interest expense increased by approximately \$2.3 million, or 39.0%, from approximately \$5.9 million to \$8.2 million, from 1998 to 1999. Interest expense increased primarily as a result of increased levels of indebtedness due to higher floor plan liability levels and the debt financing of certain real property purchased or improved during 1999.

Income Before Income Taxes

Income before income taxes increased by \$8.9 million, or 49.4%, from \$18.0 million to \$26.9 million, from 1998 to 1999, as a result of the factors described above.

Income Taxes

Income taxes increased by \$3.6 million, or 50.0%, from \$7.2 million to \$10.8 million, from 1998 to 1999. 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 of new facilities. These short-term cash needs have historically been financed with retention of profits and borrowings under credit facilities available to the Company.

At December 31, 2000, the Company had negative working capital of approximately \$2.5 million, including \$18.9 million in cash, \$20.4 million in accounts receivable, \$177.4 million in inventories, and \$3.8 million in prepaid expenses and other offset by \$146.3 million outstanding under floor plan notes payable, \$11.4 million in current maturities of long-term debt, \$33.8 million in advances outstanding under lines of credit, \$14.1 million of trade accounts payable and \$17.4 million in accrued

expenses. The aggregate maximum borrowing limits under working capital lines of credit with its primary truck lender are approximately \$13.5 million. The Company has two separate secured lines-of-credit that provide for an aggregate maximum borrowing of \$8.0 million and \$3.5 million. Advances outstanding under these secured lines-of-credit were \$7.5 million and \$2.7 million, respectively, leaving \$0.5 million and \$0.8 million available for future borrowings as of December 31, 2000. The Company has a separate unsecured line-of-credit agreement with a financial institution that provides for an aggregate maximum borrowing of \$10.0 million. This unsecured line-of-credit was completely advanced with \$0 available for future borrowings as of December 31, 2000.

The Company's floor plan agreements with its primary truck lender limit the aggregate amount of borrowings based on the number of new and used trucks. As of December 31, 2000, the Company's floor plan arrangements permit the financing of up to 2,074 new trucks and 688 used trucks, and the availability for new and used trucks is 801 and 378, respectively. The Company's floor plan agreement with its primary construction equipment lender is based on the book value of the Company's construction equipment inventory. As of December 31, 2000, the aggregate amount of borrowing capacity with this lender was \$20 million, with approximately \$12.7 million outstanding. Additional amounts are available under the Company's John Deere dealership and credit agreements. At December 31, 2000, approximately \$26.4 million was outstanding pursuant to the John Deere agreements.

During 2000, operating activities resulted in net cash provided by operations of \$25.2 million. Net income of \$3.3 million, a decrease in accounts receivable of \$9.4 million, an increase in trade accounts payable of \$4.5 million coupled with provisions for depreciation, amortization and deferred income taxes totaling \$17.5 million offset an increase in inventories and prepaid expenses and other of \$5.5 million, a decrease in accrued expenses of \$3.1 million and a gain on sale of property and equipment of \$0.9 million.

During 2000, the Company used \$40.9 million in investing activities, including purchases of property and equipment of \$41.0 million, business acquisitions of \$2.6 million, and an increase in other assets of \$0.5 million, offset by proceeds from the sale of property and equipment of \$3.2 million.

Net cash provided by financing activities in 2000 amounted to \$14.6 million. Proceeds from notes payable and advances on lines of credit of \$30.5 million and \$20.7 million, respectively, more than offset principal payments on notes payable and net payments of floor plan notes payable of \$32.0 million and \$4.6 million, respectively.

During 1999, the Company used \$27.8 million of net cash in operating activities. Net income of \$16.2 million and increases in depreciation and amortization, deferred income tax expense and trade accounts payable of \$8.4 million, \$2.6 million and \$2.8 million respectively, were more than offset by increases in accounts receivable and inventories of \$10.2 million and \$46.7 million respectively, a decrease in accrued expenses of \$0.5 million, and the gain on sale of property and equipment of \$0.2 million.

During 1999, the Company used \$83.3 million of net cash in investing activities, including expenditures of \$21.8 million related to business acquisitions, and \$60.3 million that was related to the expansion of various facilities and the purchase of units placed in the Company's truck leasing fleet. These expenditures have resulted in a net increase of \$49.0 million in property and equipment from 1998 to 1999.

Net cash provided by financing activities in 1999 amounted to \$108.6 million. Cash flows from financing activities included proceeds of \$58.4 million from notes payable due to the financing of expansion projects and the purchase of units placed in the Company's truck leasing fleet, a net increase of \$49.5 million in floor plan notes payable, draws on lines of credit of \$10.9 million, and principal payments on notes payable of \$10.2 million.

During 2000, the Company arranged customer financing for approximately 25% of its total new and used truck sales, and derived approximately 64% and 36% of its finance revenues from the sale of new and used trucks, respectively. The Company's new and used truck financing is typically provided through Associates and PACCAR Financial. The Company financed approximately \$139.7 million of new and used truck purchases in 2000. The Company's contracts with Associates and PACCAR Financial provide for payment to the Company of all finance charges in excess of a negotiated discount rate within 30 days of the date of financing, with such payments subject to offsets resulting from the early pay-off or defaults under installment contracts previously initiated on behalf of and sold to Associates and PACCAR Financial by the Company. The Company's aggregate liability for repossession losses, excluding interest chargebacks, resulting from defaults is limited to \$500,000 per year for contracts sold to Associates and \$200,000 per year for contracts sold to PACCAR Financial.

In addition, through The CIT Group, Associates, John Deere Credit and others, the Company arranged customer financing for approximately \$36.6 million, or approximately 47.1%, of our total new and used construction equipment sales in 2000. Approximately 70% of these construction equipment financings related to new construction equipment sales and the remainder related to used construction equipment sales. Generally, construction equipment financings are memorialized through the use of installment or lease contracts, which are secured by the construction equipment financed, and generally require a down payment of 0% to 10% of the value of the financed piece of construction equipment, with the remaining balance being financed over a three-to five-year period. The Company experiences no repossession loss on construction equipment financings because such financings are sold to third parties without recourse.

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 of the trucks 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 prior to sale on new vehicles to GMAC for a period of 12 months and for used vehicles for a period of three months. At December 31, 2000, the Company had approximately \$107.2 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to 15.0% of the

amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate, less 0.95%, on overnight funds deposited by the Company with GMAC.

Substantially all of the Company's new equipment purchases are financed by John Deere and Associates Commercial Corporation. The Company finances all, or substantially all, of the purchase price of its new equipment inventory, under its floor plan facilities. The agreement with John Deere provides interest free financing for four months after which time the amount financed is required to be paid in full, or an immediate 2.25% discount with payment due in 30 days. When the equipment is sold prior to the expiration of the four month period, the Company is required to repay the principal within approximately 10 days of the sale. Should the equipment financed by John Deere not be sold within the four month period, it is transferred to the John Deere or the Associates Commercial Corporation floor plan arrangements. The Company makes principal payments to Associates Commercial Corporation, for sold 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 Corporation. 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 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 December 31, 2000, the Company's floor plan arrangement with Associates Commercial Corporation permits the financing of up to \$20 million in construction equipment. At December 31, 2000, the Company had \$26.4 million and \$12.7 million outstanding under its floor plan financing arrangements with John Deere and Associates Commercial Corporation, respectively.

Seasonality

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

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

Cyclicality

The Company's business, as well as the entire retail heavy-duty truck industry, is 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 have historically been subject to substantial cyclical variation based on such general economic conditions. According to R.L. Polk, industry-wide domestic retail sales of heavy-duty trucks exceeded 200,000 units for only the fifth time, recording approximately 231,000 new truck registrations in 2000. The industry forecasts a decrease ranging from 50% to 60% in heavy-duty new truck sales in 2001. Although the Company believes that its geographic expansion and diversification into truck-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 will continue to be adversely affected by any continuation or renewal of general downward economic pressures or adverse cyclical trends.

Item 8. Quantitative and Qualitative Disclosures about Market Risk

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

The Company is exposed to some market risk through interest rates, related to its floor plan borrowing arrangements, variable rate debt and discount rates related to finance sales. Floor plan borrowings are based on the prime rate of interest and are used to meet working capital needs. As of December 31, 2000, the Company had floor plan borrowings of approximately \$146,272,000. Assuming an increase in the prime rate of interest of 100 basis points, interest expense could increase by \$1,462,720. The interest rate variability on all other debt would not have a material adverse effect on the Company's financial statements. The Company provides all customer financing opportunities to various finance providers. The Company receives all finance charges, in excess of a negotiated discount rate, from the finance providers within 30 days. The negotiated discount rate is variable, thus subject to interest rate fluctuations. This interest rate risk is mitigated by the Company's ability to pass discount rate increases to customers through higher financing rates.

Item 9. Financial Statements and Supplementary Data

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Notes to Consolidated Financial Statements.	45

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Rush Enterprises, Inc.:

We have audited the accompanying consolidated balance sheets of Rush Enterprises, Inc. (a Texas corporation), and subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rush Enterprises, Inc., and subsidiaries as of December 31, 1999 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

San Antonio, Texas
February 15, 2001

RUSH ENTERPRISES, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1999 AND 2000

(In Thousands, Except Shares and Per Share Amounts)

	1999	2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,004	\$ 18,892
Accounts receivable, net	29,767	20,350
Inventories, net	173,565	177,415
Prepaid expenses and other	736	3,800
	-----	-----
Total current assets	224,072	220,457
PROPERTY AND EQUIPMENT, net	103,426	130,532
OTHER ASSETS, net	38,198	37,885
	-----	-----
Total assets	\$365,696	\$388,874
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable	\$150,862	\$146,272
Current maturities of long-term debt	6,366	11,379
Advances outstanding under lines of credit	13,050	33,779
Trade accounts payable	9,710	14,157
Accrued expenses	20,516	17,409
Note payable to shareholder	20,725	--
	-----	-----
Total current liabilities	221,229	222,996
LONG-TERM DEBT, net of current maturities	65,414	79,607
DEFERRED INCOME TAXES, net	4,201	8,094
COMMITMENTS AND CONTINGENCIES (Note 14)		
SHAREHOLDERS' EQUITY:		
Preferred stock, par value \$.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 1999 and 2000	--	--
Common stock, par value \$.01 per share; 25,000,000 shares authorized; 7,002,044 shares outstanding - 1999 and 2000	70	70
Additional paid-in capital	39,155	39,155
Retained earnings	35,627	38,952
	-----	-----
Total shareholders' equity	74,852	78,177
	-----	-----
Total liabilities and shareholders' equity	\$365,696	\$388,874
	=====	=====

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

RUSH ENTERPRISES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000
(In Thousands, Except Per Share Amounts)

	1998	1999	2000
	-----	-----	-----
REVENUES:			
New and used truck sales	\$ 422,754	\$ 554,571	\$ 571,159
Parts and service	108,024	130,548	177,874
Construction equipment sales	35,402	62,042	77,685
Retail sales	13,895	18,573	30,245
Lease and rental	18,594	25,375	29,143
Finance and insurance	11,432	13,581	7,437
Other	2,684	3,665	3,885
	-----	-----	-----
Total revenues	612,785	808,355	897,428
COST OF PRODUCTS SOLD	508,242	673,563	742,522
	-----	-----	-----
GROSS PROFIT	104,543	134,792	154,906
SELLING, GENERAL AND ADMINISTRATIVE	75,849	93,502	123,848
DEPRECIATION AND AMORTIZATION	4,813	6,162	9,449
	-----	-----	-----
OPERATING INCOME	23,881	35,128	21,609
	-----	-----	-----
INTEREST INCOME (EXPENSE):			
Interest income	982	807	140
Interest expense	(6,866)	(8,992)	(16,208)
	-----	-----	-----
Total interest expense, net	(5,884)	(8,185)	(16,068)
	-----	-----	-----
INCOME BEFORE INCOME TAXES	17,997	26,943	5,541
	-----	-----	-----
PROVISION FOR INCOME TAXES	7,200	10,777	2,216
	-----	-----	-----
NET INCOME	\$ 10,797	\$ 16,166	\$ 3,325
	=====	=====	=====
EARNINGS PER SHARE (Note 12):			
Basic earnings per common share	\$ 1.62	\$ 2.40	\$ 0.47
	=====	=====	=====
Diluted earnings per common share and common share equivalents	\$ 1.62	\$ 2.34	\$ 0.47
	=====	=====	=====

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

RUSH ENTERPRISES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000

(In Thousands)

	Common Stock			
	Shares Issued and Outstanding	\$.01 Par Value	Additional Paid-In Capital	Retained Earnings
	-----	-----	-----	-----
BALANCE, December 31, 1997	6,644	\$ 66	\$33,342	\$ 8,664
NET INCOME	--	--	--	10,797
	-----	-----	-----	-----
BALANCE, December 31, 1998	6,644	66	33,342	19,461
ISSUANCE OF COMMON STOCK	358	4	5,813	--
NET INCOME	--	--	--	16,166
	-----	-----	-----	-----
BALANCE, December 31, 1999	7,002	70	39,155	35,627
NET INCOME	--	--	--	3,325
	-----	-----	-----	-----
BALANCE, December 31, 2000	7,002	\$ 70	\$39,155	\$38,952
	=====	=====	=====	=====

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

RUSH ENTERPRISES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1999 AND 2000

(In Thousands)

	1998	1999	2000
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 10,797	\$ 16,166	\$ 3,325
Adjustments to reconcile net income to net cash provided by (used in) operating activities, net of acquisitions-			
Depreciation and amortization	4,813	8,380	13,579
Gain on sale of property and equipment	(195)	(166)	(865)
Provision for deferred income tax expense	458	2,563	3,893
Change in accounts receivable, net	2,141	(10,236)	9,417
Change in inventories	(25,006)	(46,739)	(2,559)
Change in prepaid expenses and other, net	(174)	(64)	(2,919)
Change in trade accounts payable	1,007	2,784	4,447
Change in accrued expenses	6,786	(521)	(3,136)
	-----	-----	-----
Net cash provided by (used in) operating activities	627	(27,833)	25,182
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(22,907)	(60,325)	(40,973)
Proceeds from the sale of property and equipment	638	1,637	3,160
Business acquisitions	(8,625)	(21,756)	(2,568)
Change in other assets	(283)	(2,824)	(533)
	-----	-----	-----
Net cash used in investing activities	(31,177)	(83,268)	(40,914)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	22,624	58,358	30,477
Payments on long-term debt	(5,892)	(10,179)	(31,996)
Draws (payments) on floor plan notes payable, net	16,518	49,467	(4,590)
Draws on lines of credit, net	--	10,943	20,729
	-----	-----	-----
Net cash provided by financing activities	33,250	108,589	14,620
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,700	(2,512)	(1,112)
CASH AND CASH EQUIVALENTS, beginning of year	19,816	22,516	20,004
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of year	\$ 22,516	\$ 20,004	\$ 18,892
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for-			
Interest	\$ 6,574	\$ 9,323	\$ 17,704
	=====	=====	=====
Income taxes	\$ 4,478	\$ 8,394	\$ 3,290
	=====	=====	=====

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND OPERATIONS:

Rush Enterprises, Inc. (the Company), was incorporated in June 1996 under the laws of the State of Texas. The Company, founded in 1965, now operates a Heavy-Duty Truck segment and a Construction Equipment segment. The Heavy-Duty Truck segment operates a regional network of 38 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; parts, service and body shop facilities; and financial services, including assisting in the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Company's truck centers are located in areas on or near major highways in Texas, California, Colorado, Oklahoma, Louisiana, Arizona and New Mexico. The Construction Equipment segment, formed during 1997, operates a network of seven John Deere equipment centers in Texas and Michigan. Dealership operations include the retail sale of new and used equipment, after-market parts and service facilities, equipment rentals and the financing of new and used equipment (see Note 17).

The Company also operates a retail division, Rush Retail Centers. The primary line of business is the retail sale of farm and ranch supplies including fencing, horse and cattle trailers, veterinarian supplies and western wear.

In September 2000, the Company acquired the assets of Smith Brothers Catalogs, Inc., and its online western superstore-Smithbros.com (collectively "Smithbros"). Smithbros primary line of business is the sale of farm and ranch supplies to catalogue and online customers.

As part of the Company's corporate reorganization in connection with its initial public offering (Offering) in June 1996, the Company acquired, as a wholly owned subsidiary, a managing general agent (the MGA) to manage all of the operations of Associated Acceptance, Inc. (AA). W. Marvin Rush, the sole shareholder of AA, is prohibited from the sale or transfer of the capital stock of AA under the MGA agreement, except as designated by the Company. Therefore, the financial position and operations of AA have been included as part of the Company's consolidated financial position and results of operations for all periods presented.

All significant interdivision and intercompany accounts and transactions have been eliminated in consolidation. Certain prior period balances have been reclassified for comparative purposes.

2. SIGNIFICANT ACCOUNTING POLICIES:

Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by specific identification for new and used truck and construction equipment inventory and by the first-in, first-out method for tires, parts and accessories. An allowance is provided when it is anticipated that cost will exceed net realizable value.

Property and Equipment

Property and equipment are being depreciated over their estimated useful lives. Leasehold improvements are amortized over the useful life of the improvement, or the term of the lease, whichever is shorter. Provision for depreciation of property and equipment is calculated primarily on a straight-line basis. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of underlying assets and is amortized over the estimated useful life of such assets. During 1998, 1999 and 2000, the Company capitalized approximately \$0, \$165,000 and \$620,000, respectively, in connection with various capital projects. The cost, accumulated depreciation and amortization and estimated useful lives are summarized as follows (in thousands):

	December 31		Estimated Life (Years)
	1999	2000	
Land	\$ 17,311	\$ 17,795	-
Buildings and improvements	26,330	46,573	31 - 39
Leasehold improvements	5,462	10,249	7 - 15
Machinery and shop equipment	8,771	12,327	5 - 7
Furniture and fixtures	11,413	15,421	5 - 7
Transportation equipment	14,220	16,097	2 - 5
Leasing vehicles	25,813	37,835	4 - 8
Construction in progress	10,687	1,141	
Accumulated depreciation and amortization	(16,581)	(26,906)	
	-----	-----	
	\$ 103,426	\$ 130,532	
	=====	=====	

Allowance for Doubtful Receivables and Repossession Losses

The Company provides an allowance for doubtful receivables and repossession losses after considering historical loss experience and other factors which might affect the collectibility of accounts receivable and the ability of customers to meet their obligations on finance contracts sold by the Company.

Other Assets

Other assets consist primarily of goodwill related to acquisitions of approximately \$37.0 million and \$36.5 million, as of December 31, 1999 and 2000, respectively. The goodwill is being amortized on a straight-line basis over estimated useful lives ranging from 15 years to 30 years. Accumulated amortization of other assets, at December 31, 1999 and 2000, was approximately \$2.0 million and \$3.6 million, respectively. Periodically, the Company assesses the appropriateness of the asset valuations of goodwill and the related amortization period.

Income Taxes

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in a company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax bases of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse.

Revenue Recognition Policies

Income on the sale of vehicles and construction equipment (collectively, "unit") is recognized when the seller and customer execute a purchase contract, delivery has occurred and there are no significant uncertainties related to financing or collectibility. Finance income related to the sale of a unit is recognized over the period of the respective finance contract based on the effective interest rate method if the finance contract is retained by the Company. During 1998, 1999 and 2000, no finance contracts were retained for any significant length of time by the Company but were generally sold, with limited recourse, to certain finance companies concurrent with the sale of the related unit. Gain or loss is recognized by the Company upon the sale of such finance contracts to the finance companies, net of a provision for estimated repossession losses and early repayment penalties. Lease and rental income is recognized over the period of the related lease or rental agreement. Parts and services revenue is earned at the time the Company sells the parts to its customers, or at the time the Company completes the service work order related to service provided to the customer's unit. Payments received on prepaid maintenance plans are deferred as a component of accrued expenses and recognized as income when the maintenance is performed. Retail revenue is earned at the time the Company sells the merchandise to its customer.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements" which provides the Staff's views in applying generally accepted accounting principles to selected revenue recognition issues. SAB No. 101 was required to be implemented no later than the fourth quarter of fiscal years beginning after December 15, 1999. The Company has reviewed the guidance contained in SAB No. 101 and believes that its current accounting policies and disclosures are appropriate and address the requirements of SAB No. 101.

Statement of Cash Flows

Cash and cash equivalents generally consist of cash and other money market instruments. The Company considers any temporary investments that mature in three months or less when purchased to be cash equivalents for reporting cash flows.

Noncash activities during the periods indicated were as follows (in thousands):

	Year Ended December 31		
	1998	1999	2000
Liabilities incurred in connection with business acquisitions	\$1,750	\$ --	\$ 29
Assignment of debt in connection with the disposal of property and equipment	\$ --	\$3,536	\$ --

3. SUPPLIER AND CUSTOMER CONCENTRATION:

Major Suppliers and Dealership Agreements

The Company has entered into dealership agreements with various companies (Distributors). These agreements are nonexclusive agreements that allow the Company to stock, sell at retail and service trucks, equipment and products of the Distributors in the Company's defined market. The agreements allow the Company to use the Distributor's name, trade symbols and intellectual property and expire as follows:

Distributor -----	Expiration Dates -----
PACCAR John Deere	October 2002 to October 2003 Indefinite

These agreements, as well as agreements with various other Distributors, impose a number of restrictions and obligations on the Company, including restrictions on a change in control of the Company and the maintenance of certain required levels of working capital. Violation of such restrictions could result in the loss of the Company's right to purchase the Distributor's products and use the Distributor's trademarks. As of December 31, 2000, the Company's management believes it was in compliance with all the restrictions and obligations of its dealership agreements.

The Company purchases most of its new vehicles and parts from PACCAR, the maker of Peterbilt trucks and parts, at prevailing prices charged to all franchised dealers. Sales of new Peterbilt trucks accounted for 97 percent, 98 percent and 92 percent of the Company's new vehicle sales for the years ended December 31, 1998, 1999 and 2000, respectively.

The Company purchases most of its new construction equipment and parts from John Deere at prevailing prices charged to all franchised dealers. Sales of new John Deere equipment accounted for 88 percent, 91 percent and 86 percent of the Company's new equipment sales for the years ended December 31, 1998, 1999 and 2000, respectively.

Primary Lenders

The Company purchases its new and used truck and construction equipment inventories with the assistance of floor plan financing programs offered by various financial institutions and John Deere. The financial institution used for truck inventory purchases also provides the Company with a line of credit that allows borrowings of up to \$13,500,000 and other variable interest rate notes. The floor plan agreement with the financial institution, used for truck inventory purchases, provides that such agreement may be terminated at the option of the lender with notice of 120 days.

The floor plan agreement with the financial institution used primarily for construction equipment purchases expires in September 2001. Additionally, financing is provided by John Deere pursuant to the Company's equipment dealership agreement. Furthermore, the agreements also provide that the occurrence of certain events will be considered events of default. In the event that the Company's financing becomes insufficient, or its relationship terminates with the current primary lenders, the Company would need to obtain similar financing from other sources. Management believes it can obtain additional floor plan financing or alternative financing if necessary (see Note 6).

Concentrations of Credit Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with what it considers to be quality financial institutions. At December 31, 2000, the Company had deposits in excess of federal insurance totaling approximately \$17.9 million. In January of 2001, a majority of these excess deposits were used to pay advances outstanding under lines of credit.

Concentrations of credit risk with respect to trade receivables are reduced because a large number of geographically diverse customers make up the Company's customer base, thus, spreading the trade credit risk. A majority of the Company's business, however, is concentrated in the United States heavy-duty trucking and construction equipment markets and related aftermarkets. The Company controls credit risk through credit approvals and by selling certain trade receivables without recourse. Related to the Company's finance contracts, after the finance contract is entered into, the Company generally sells the contracts to a third party. The finance contracts are sold both with and without recourse, but the annual amount of recourse losses which can be put to the Company is contractually limited (see Note 14). Historically, bad debt expense associated with the Company's accounts receivable and finance contracts has not been significant.

4. ACCOUNTS RECEIVABLE:

The Company's accounts receivable, net, consisted of the following (in thousands):

	December 31	
	1999	2000
Trade accounts receivable from sale of vehicles and construction equipment	\$ 23,429	\$ 13,594
Other trade receivables	2,596	1,155
Warranty claims	2,326	3,228
Other accounts receivable	2,016	2,973
Less- Allowance for doubtful receivables and repossession losses	(600)	(600)
	-----	-----
Total	\$ 29,767	\$ 20,350
	=====	=====

For the years ended December 31, 1998, 1999 and 2000, the Company had no significant related-party sales.

5. INVENTORIES:

The Company's inventories consisted of the following (in thousands):

	December 31	
	1999	2000
New vehicles	\$ 72,340	\$ 86,891
Used vehicles	16,877	9,871
Construction equipment - new	38,494	14,872
Construction equipment - used	6,300	5,012
Construction equipment - rental	9,000	18,688
Parts and accessories	23,645	27,398
Other	7,809	16,677
Less- allowance	(900)	(1,994)
	-----	-----
Total	\$ 173,565	\$ 177,415
	=====	=====

6. FLOOR PLAN NOTES PAYABLE AND LINES OF CREDIT:

Floor Plan Notes Payable

Floor plan notes are financing agreements to facilitate the Company's purchase of new and used trucks and construction equipment. These notes are collateralized by the inventory purchased and accounts receivable arising from the sale thereof. The Company's floor plan notes have interest rates at prime less a percentage rate as determined by the finance provider, as defined in the agreements. The interest rates applicable to these agreements ranged from approximately 7.25 percent to approximately 9.25 percent as of December 31, 2000. The amounts borrowed under these agreements are due when the related truck or construction equipment inventory (collateral) is sold and the sales proceeds are collected by the Company, or in the case of construction equipment rentals, when the carrying value of the equipment is reduced. These lines may be modified, suspended or terminated by the lender as described in Note 3.

The Company's floor plan agreement with its primary truck lender limits the borrowing capacity based on the number of new and used trucks that may be financed. As of December 31, 2000, the aggregate amounts of unit capacity for new and used trucks are 2,074 and 688, respectively, and the availability for new and used trucks is 801 and 378, respectively.

The Company's floor plan agreement with one of its construction equipment lenders is based on the book value of the Company's construction equipment inventory. As of December 31, 2000, the aggregate amount of borrowing capacity with this lender was \$20 million, with approximately \$12.7 million outstanding. Additional amounts are available under the Company's John Deere dealership and credit agreements. At December 31, 2000, approximately \$26.4 million was outstanding pursuant to the John Deere agreements.

Amounts of collateral as of December 31, 2000, are as follows (in thousands):

Inventories, new and used vehicles and construction equipment at cost based on specific identification	\$133,340
Truck and construction equipment sale related accounts receivable	13,594 -----
Total	\$146,934 =====
Floor plan notes payable	\$146,272 =====

Lines of Credit

The Company has a separate line-of-credit agreement with a financial institution that provides for an aggregate maximum borrowing of \$13,500,000, with advances generally limited to 75 percent of new parts inventory. Advances bear interest at prime less one-half of one percent. Advances under the line-of-credit agreement are secured by new parts inventory. The line-of-credit agreement contains financial covenants. The Company was in compliance with these covenants at December 31, 2000. Either party may terminate the agreement with 30 days written notice. As of December 31, 1999 and 2000, advances outstanding under this line-of-credit agreement amounted to \$3,010,000 and \$13,500,000, respectively. As of December 31, 2000, \$0 was available for future borrowings. This line is discretionary and may be modified, suspended or terminated at the election of the lender.

The Company has a separate unsecured line-of-credit agreement with a financial institution that provides for an aggregate maximum borrowing of \$10,000,000. Advances bear interest at prime or LIBOR plus 2.5 percent, pursuant to the election of the Company at the time of borrowing. The line-of-credit agreement contains financial covenants. The Company was in compliance with these covenants at December 31, 2000. The line-of-credit agreement expires in March 2001. As of December 31, 1999 and 2000, advances outstanding under this line-of-credit agreement amounted to \$5,000,000 and \$10,000,000, respectively. As of December 31, 2000, \$0 was available for future borrowings.

The Company has a separate line-of-credit agreement with a financial institution that provides for an aggregate maximum borrowing of \$3,500,000, with advances generally limited to 100 percent of the book value of the Company's service units (vehicles). Advances bear interest at prime less .75 percent. Advances under the line-of-credit agreement are secured by service units. The line-of-credit agreement contains financial covenants. The Company was in compliance with these covenants at December 31, 2000. As of December 31, 1999 and 2000, advances outstanding under this line-of-credit agreement amounted to \$2,943,000 and \$2,732,000, respectively. As of December 31, 2000, \$768,000 was available for future borrowings. This line may be terminated at the election of the lender or the Company, for any reason, by giving 60 days written notice.

The Company has a separate line-of-credit with a financial institution that provides for an aggregate maximum borrowing of \$8,000,000, with advances generally limited to 50% of the book value of the Company's retail centers inventory. Advances bear interest at either prime or one, two or three month LIBOR plus a percentage, pursuant to the election of the Company at the time of borrowing. The interest rates applicable to this agreement were 8.45 percent to 9.5 percent as of December 31, 2000. The line-of-credit agreement contains financial covenants. The Company was in compliance with these covenants at December 31, 2000. The line of credit agreement expires June 30, 2001. As of December 31, 1999 and 2000, advances outstanding under this line-of-credit agreement amounted to \$2,097,000 and \$7,547,000, respectively. As of December 31, 2000, \$453,000 was available for future borrowings.

Note payable to shareholder is a short-term note that is payable on demand and bears interest equal to one-quarter of one percent per annum less than the rate of interest received by the Company under its agreement to deposit overnight funds in interest bearing accounts with one of the Company's floor plan lenders. This note payable was repaid in its entirety during 2000.

7. LONG-TERM DEBT:

Long-term debt is comprised of the following (in thousands):

	December 31	
	1999	2000
Variable interest rate term notes	\$ 11,078	\$ --
Fixed interest rate term notes	60,702	90,986
	-----	-----
Total debt	71,780	90,986
Less- Current maturities	(6,366)	(11,379)
	-----	-----
	\$ 65,414	\$ 79,607
	=====	=====

As of December 31, 2000, debt maturities are as follows (in thousands):

2001	\$ 11,379
2002	11,686
2003	12,309
2004	9,794
2005	12,080
Thereafter	33,738

	\$ 90,986
	=====

The Company's fixed interest rate notes are primarily with financial institutions and have interest rates ranging from approximately 6.0 percent to 9.7 percent at December 31, 2000. Payments on the notes range from \$31 to \$34,833 per month, plus interest. Maturities of these notes range from January 2001 to December 2015.

The proceeds from the issuance of the notes were used primarily to acquire land, buildings and improvements, transportation equipment and leasing vehicles. The notes are secured by the assets acquired with the proceeds of such notes.

8. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument held by the Company:

Current assets and current liabilities - The carrying value approximates fair value due to the short maturity of these items.

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

9. DEFINED CONTRIBUTION PENSION PLANS:

The Company has a defined contribution pension plan (the Rush Plan) which is available to all Company employees and the employees of certain affiliates. As of January and July 1st of every year, each employee who has completed six months of continuous service is entitled to enter the Rush Plan. Participating employees may contribute from 1 percent to 15 percent of total gross compensation. The Company, at its discretion, contributed an amount equal to 25 percent of the employees' contributions for those employees with less than five years of service and contributed an amount equal to 50 percent of the employees' contributions for those employees with more than five years of service. During the years ended December 31, 1998, 1999 and 2000, the Company incurred expenses of approximately \$648,000, \$1,192,000 and \$1,588,000, respectively, related to the Rush Plan.

The Company currently does not provide any postretirement benefits other than pensions nor does it provide any postemployment benefits.

10. LEASES:

Vehicle Leases

The Company leases vehicles primarily over periods ranging from one to six years under operating lease arrangements. These vehicles are subleased to customers under various agreements in its own leasing operation. Generally, the Company is required to incur all operating costs and pay a minimum rental and an excess mileage charge based on maximum mileage over the term of the lease. Vehicle lease expenses for the years ended December 31, 1998, 1999 and 2000, were approximately \$5,648,000, \$5,992,600 and \$5,619,700, respectively.

Minimum rental commitments for noncancelable vehicle leases in effect at December 31, 2000, are as follows (in thousands):

2001	\$ 4,629
2002	3,799
2003	2,716
2004	1,512
2005	744
Thereafter	365

Total	\$ 13,765
	=====

Customer Vehicle Leases

A Company division leases both owned and leased vehicles to customers primarily over periods of one to six years under operating lease arrangements. The leases require a minimum rental and a contingent rental based on mileage. Rental income during the years ended December 31, 1998, 1999 and 2000, consisted of minimum payments of approximately \$7,867,000, \$8,329,000 and \$10,254,000, respectively, and contingent rentals of approximately \$1,862,000, \$1,694,000 and \$2,213,000, respectively. Minimum lease payments to be received for noncancelable leases and subleases in effect at December 31, 2000, are as follows (in thousands):

2001	\$ 10,020
2002	8,928
2003	7,382
2004	5,315
2005	3,103
Thereafter	1,577

Total	\$ 36,325
	=====

Other Leases - Land and Buildings

The Company leases various facilities under operating leases which expire at various times through 2023. Rental expense for the years ended December 31, 1998, 1999 and 2000, was \$1,423,000, \$1,460,000 and \$2,224,000, respectively. Future minimum lease payments under noncancelable leases at December 31, 2000, are as follows (in thousands):

2001	\$ 2,126
2002	1,796
2003	1,475
2004	1,131
2005	826
Thereafter	2,480

Total	\$ 9,834
	=====

11. STOCK OPTIONS AND STOCK PURCHASE WARRANTS:

In October 1995, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), was issued. SFAS 123 defines a fair value based method of accounting for employee stock options or similar equity instruments and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period of the award, which is usually the vesting period. However, SFAS 123 also allows entities to continue to measure compensation costs for employee stock compensation plans using the intrinsic value method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Because the Company has elected to continue to follow

APB 25, SFAS 123 requires disclosure of pro forma net income and earnings per share as if the new fair value accounting method was adopted. The Company has presented the pro forma information required by SFAS 123.

In April 1996, the Board of Directors and shareholders adopted the Rush Enterprises, Inc. Long-Term Incentive Plan (the Incentive Plan). The Incentive Plan provides for the grant of stock options (which may be nonqualified stock options or incentive stock options for tax purposes), stock appreciation rights issued independent of or in tandem with such options (SARs), restricted stock awards and performance awards.

The aggregate number of shares of common stock subject to stock options or SARs that may be granted to any one participant in any one year under the Incentive Plan is 100,000 shares. The Company has 1,000,000 shares of common stock reserved for issuance upon exercise of any awards granted under the Company's Incentive Plan.

In connection with its Offering, the Company agreed to issue to the representatives of the underwriters and their designees, for their own accounts, warrants to purchase an aggregate of 250,000 shares of common stock. The warrants are exercisable during the four-year period commencing June 12, 1997, at an exercise price equal to \$14.40 per share. At December 31, 2000, none of these warrants had been exercised.

On April 8, 1996, the Board of Directors of the Company declared a dividend of one common share purchase right (a Right) for each share of common stock outstanding. Each Right entitles the registered holder to purchase from the Company one share of common stock at a price of \$35.00 per share (the Purchase Price). The Rights are not exercisable until the distribution date, as defined. The Rights will expire on April 7, 2006 (the Final Expiration Date), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company.

In March 1998, 1999 and 2000, the Company granted options under the Incentive Plan to purchase an aggregate of 168,140, 117,150 and 148,725 shares, respectively, of common stock to employees. Each option granted shall become exercisable in three annual installments beginning on the third anniversary of the date of grant. The options are exercisable at a price equal to the fair value of the Company's common stock at the date of grant.

During 2000, the Company granted options outside of any plan to purchase an aggregate of 169,258 shares of common stock to employees. Each option granted shall become exercisable in three annual installments beginning on the third anniversary of the date of grant. The options are exercisable at a price equal to the fair value of the Company's common stock at the date of grant.

During 1997, the Board of Directors and shareholders adopted the Rush Enterprises, Inc. 1997 Non-Employee Director Stock Option Plan (the Director Plan). The Director Plan is designed to attract and retain highly qualified non-employee directors, reserving 300,000 shares of common stock for issuance upon exercise of any awards granted under the Plan. Under the terms of this plan, each non-employee director received options to purchase 10,000 shares as of the date of adoption or on their respective date of election, all of which are fully vested and are exercisable immediately, and expire ten years from the date of grant. During each of the years ended December 31, 1997, 1998, 1999 and 2000, 30,000 options were granted and exercisable at a price equal to the fair values of the Company's common stock at the dates of grant. As of December 31, 2000, 20,000 of these options have been exercised.

A summary of the Company's stock option activity, and related information for the years ended December 31, 1998, 1999 and 2000 follows:

	1998		1999		2000	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	130,388	\$ 8.51	317,728	\$10.10	437,203	\$10.87
Granted	198,140	11.15	147,150	12.47	347,983	6.68
Exercised	--	--	(20,000)	10.31	0	--
Forfeited	(10,800)	10.18	(7,675)	11.29	(10,275)	9.79
Outstanding, end of year	317,728	\$10.10	437,203	\$10.87	774,911	\$ 9.00
Exercisable, end of year	60,000	\$10.06	70,000	\$12.64	132,212	\$10.34
Weighted average fair value of options granted during the year		\$ 5.84		\$ 5.47		\$ 4.55

The following table summarizes the information about the Company's options outstanding at December 31, 2000:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$6.19 - \$8.63	460,896	8.6	\$ 7.13	82,212	\$ 7.78
\$11.00 - \$12.00	284,015	7.6	\$ 11.26	20,000	\$ 12.00
\$16.25	30,000	8.4	\$ 16.25	30,000	\$ 16.25
	774,911			132,212	

If the Company had adopted the fair value accounting method under SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	1998	1999	2000
Net income-			
As reported	\$ 10,797	\$ 16,166	\$ 3,325
Pro forma	10,575	15,853	2,831
Basic earnings per share-			
As reported	\$ 1.62	\$ 2.40	\$ 0.47
Pro forma	1.59	2.35	0.40
Diluted earnings per share-			
As reported	\$ 1.62	\$ 2.34	\$ 0.47
Pro forma	1.59	2.30	0.40

The fair value of these options was estimated using a Black-Scholes option pricing model with a risk-free interest rate of 5.5 percent, 6.0 percent and 6.0 percent for 1998, 1999 and 2000, respectively, a volatility factor of .422, .510 and .745 for 1998, 1999 and 2000, respectively, a dividend yield of 0 percent, and an expected option life of seven years, five years and five years for 1998, 1999 and 2000, respectively.

In October 1997, the Company issued warrants to purchase an aggregate of 171,875 shares of common stock to C. Jim Stewart & Stevenson in connection with the purchase of the assets of the John Deere construction equipment store. The warrants are exercisable during the five-year period commencing October 6, 1998, at an exercise price equal to \$12.00 per share. None of these warrants have been exercised as of December 31, 2000.

In March 1998, the Company issued options to purchase an aggregate of 109,793 shares of common stock to the seller in connection with the purchase of the stock of D & D Farm and Ranch Supermarket, Inc. The options are exercisable in four annual installments beginning on the second anniversary of the date of grant, at exercise prices equal to \$9.38, \$14.38 and \$19.38 per share. None of these options have been exercised as of December 31, 2000.

In March 1998 and 2000, the Company issued, to certain employees, warrants to purchase an aggregate of 18.75% of the common stock of Rush Retail Centers, Inc., its wholly owned subsidiary, for \$375,000. The warrants are exercisable on various dates between March 2001 and March 2003 and expire 10 years from the grant date. None of these warrants have been exercised as of December 31, 2000.

12. EARNINGS PER SHARE:

Earnings per share for all periods have been restated to reflect the adoption of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (SFAS 128) which established standards for computing and presenting earnings per share (EPS) for entities with publicly held common stock or potential common stock. This statement requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures. Basic EPS were computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted EPS differs from basic EPS due to the assumed conversions of potentially dilutive options and warrants that were outstanding during the period. The following is a reconciliation of the numerators and the denominators of the basic and diluted per-share computations for net income.

	1998	1999	2000
	-----	-----	-----
Numerator-			
Numerator for basic and diluted earnings per share-			
Net income available to common shareholders	\$10,797,000	\$16,166,000	\$ 3,325,000
	=====	=====	=====
Denominator-			
Denominator for basic earnings per share, weighted-average shares	6,643,730	6,735,360	7,002,044
Effect of dilutive securities-			
Stock options	25,324	117,974	5,960
Warrants	925	33,791	--
	-----	-----	-----
Dilutive potential common shares	26,249	151,765	5,960
Denominator for diluted earnings per share, adjusted			
weighted-average shares and assumed conversions	6,669,979	6,887,125	7,008,004
	=====	=====	=====
Basic earnings per common share	\$ 1.62	\$ 2.40	\$ 0.47
	=====	=====	=====
Diluted earnings per common share and common share equivalents	\$ 1.62	\$ 2.34	\$ 0.47
	=====	=====	=====

Warrants and options to purchase shares of common stock that were outstanding for the years ended December 31, 1998, 1999 and 2000, that were not included in the computation of diluted earnings per share because the exercise prices were greater than the average market prices of the common shares, are as follows:

	1998	1999	2000
	-----	-----	-----
Warrants	421,875	--	421,875
Options	283,113	89,793	884,884
	-----	-----	-----
Total antidilutive securities	704,988	89,793	1,306,759
	=====	=====	=====

13. INCOME TAXES:

Prior to the Offering of the Company's common stock, the Company maintained the status of S Corporation for federal and state income tax purposes. As an S Corporation, the Company was generally not responsible for income taxes. Upon the closing of the Offering, the Company's S Corporation election terminated and the Company was reorganized. Accordingly, the Company became subject to federal and state income taxes from that date forward.

Upon the Company's termination of its S Corporation status, the Company provided deferred income taxes for cumulative temporary differences between the tax basis and financial reporting basis of its assets and liabilities at the date of termination.

Provision for Income Taxes

The tax provision for the years ended December 31, 1998, 1999 and 2000, are summarized as follows (in thousands):

	1998	1999	2000
	-----	-----	-----
Current provision-			
Federal	\$ 5,652	\$ 7,246	\$ (1,612)
State	1,090	968	(65)
	-----	-----	-----
	6,742	8,214	(1,677)
	-----	-----	-----
Deferred provision-			
Federal	424	2,598	3,604
State	34	(35)	289
	-----	-----	-----
	458	2,563	3,893
	-----	-----	-----
Provision for income taxes	\$ 7,200	\$ 10,777	\$ 2,216
	=====	=====	=====

The following summarizes the tax effect of significant cumulative temporary differences that are included in the net deferred income tax liability as of December 31, 1999 and 2000 (in thousands):

	1999	2000
	-----	-----
Differences in depreciation and amortization	\$ 5,384	\$ 9,309
Accruals and reserves not deducted for tax purposes until paid	(1,108)	(1,451)
Other, net	(75)	236
	-----	-----
	\$ 4,201	\$ 8,094
	=====	=====

A reconciliation of taxes based on the federal statutory rates and the provisions for income taxes for the years ended December 31, 1998, 1999 and 2000, are summarized as follows (in thousands):

	1998	1999	2000
	-----	-----	-----
Income taxes at the federal statutory rate	\$ 6,299	\$ 9,430	\$ 1,939
State income taxes, net of federal benefit	708	1,275	204
Other, net	193	72	73
	-----	-----	-----
Provision for income taxes	\$ 7,200	\$10,777	\$ 2,216
	=====	=====	=====

14. COMMITMENTS AND CONTINGENCIES:

The Company is contingently liable to finance companies for the notes initiated on behalf of such finance companies related to the sale of trucks and construction equipment. The Company's recourse liability related to such finance contracts is limited to 15 percent to 25 percent of the outstanding amount of each note initiated on the behalf of the finance company with the aggregate recourse liability for 1999 and 2000 being limited to \$700,000. The Company provides an allowance for repossession losses and early repayment penalties.

Finance contracts initiated and sold during the years ended December 31, 1998, 1999 and 2000, were \$204,400,000, \$283,569,000 and \$176,345,000, respectively.

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

The Company has consulting agreements with individuals for an aggregate monthly payment of \$35,823. The agreements expire in 2001.

15. ACQUISITIONS:

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

The acquisition has been accounted for as a purchase; operations of the business acquired have been included in the accompanying consolidated financial statements from the respective date of acquisition. The purchase price has been allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Inventories	\$ 10,711
Property and equipment	365
Accrued expenses	(52)
Goodwill	37

Total	\$ 11,061
	=====

In October 1999, the Company purchased substantially all the assets of Southwest Peterbilt, Inc., Southwest Truck Center, Inc., and New Mexico Peterbilt, Inc. (Southwest), a Peterbilt truck dealer, which consisted of five dealership locations in Arizona and New Mexico. The transaction was valued at \$23.9 million with the purchase price paid in a combination of cash and 355,556 shares of the Company's common stock. An additional \$4.0 million may be paid based on a performance based objective.

The acquisition has been accounted for as a purchase; operations of the business acquired have been included in the accompanying consolidated financial statements from the respective date of acquisition. The purchase price has been allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Inventories	\$ 7,517
Property and equipment	352
Accrued expenses	(570)
Prepaid expenses and other	33
Goodwill	16,556

Total	\$ 23,888
	=====

In December 1999, the Company purchased substantially all the assets of Norm Pressley's Truck Center (Pressley), which consisted of three dealership locations in San Diego, Escondido and El Centro, California. The transaction was valued at approximately \$4.5 million with the purchase price paid in cash. An additional \$700,000 may be paid based on a performance based objective.

The acquisition has been accounted for as a purchase; operations of the business acquired have been included in the accompanying consolidated financial statements from the respective date of acquisition. The purchase price has been allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Inventories	\$ 1,458
Property and equipment	406
Accrued expenses	(329)
Prepaid expenses and other	85
Goodwill	2,926

Total	\$ 4,546
	=====

The following unaudited pro forma summary presents information as if the Calvert, Southwest and Pressley acquisitions had taken place at the beginning of 1998. The pro forma information is provided for information purposes only. It is based on historical information and does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations of the Company. The following summary is for the years ended December 31, 1998 and 1999 (unaudited) (in thousands, except per share amounts):

	1998 -----	1999 -----
Revenues	\$ 763,762 =====	\$ 921,481 =====
Income after pro forma provision for income taxes	\$ 12,671 =====	\$ 17,594 =====
Basic income per share	\$ 1.81 =====	\$ 2.51 =====
Diluted income per share	\$ 1.80 =====	\$ 2.46 =====

16. UNAUDITED QUARTERLY FINANCIAL DATA:

(In thousands, except per share amounts.)

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
1999				
Revenues	\$ 177,843	\$ 189,412	\$ 214,844	\$ 226,256
Operating income	7,016	8,358	8,953	10,801
Income before income taxes	5,532	6,476	6,976	7,959
Net income	3,319	3,886	4,186	4,775
Basic earnings per share	\$.50	\$.58	\$.63	\$.68
Diluted earnings per share	\$.50	\$.57	\$.61	\$.66
2000				
Revenues	\$ 209,952	\$ 248,536	\$ 227,369	\$ 211,571
Operating income	5,211	6,682	7,923	1,793
Income (loss) before income taxes	1,793	2,889	3,497	(2,638)
Net income (loss)	1,076	1,733	2,098	(1,582)
Basic earnings (loss) per share	\$.15	\$.25	\$.30	\$ (.23)
Diluted earnings (loss) per share	\$.15	\$.25	\$.30	\$ (.23)

17. SEGMENTS:

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 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 Construction Equipment segment, formed during 1997, operates full-service John Deere dealerships that serve the Houston, Texas, Metropolitan and surrounding areas and 67 counties in Michigan. Dealership operations include the retail sale of new and used equipment, after-market parts and service facilities, equipment rentals, and the financing of new and used equipment.

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

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. There were no material intersegment sales during the years ended December 31, 1998, 1999 and 2000.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit 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 years ended December 31, 1998, 1999 and 2000 (in thousands):

	Heavy-Duty Truck Segment -----	Construction Equipment Segment -----	All Other -----	Totals -----
1998				
Revenues from external customers	\$538,209	\$ 51,273	\$ 23,303	\$612,785
Interest income	982	--	--	982
Interest expense	4,163	1,912	791	6,866
Depreciation and amortization	3,665	623	525	4,813
Segment profit before income tax	17,219	562	216	17,997
Segment assets	133,100	65,419	22,181	220,700
Expenditures for segment assets	16,084	1,586	5,237	22,907
1999				
Revenues from external customers	\$689,109	\$ 91,209	\$ 28,037	\$808,355
Interest income	807	--	--	807
Interest expense	6,004	2,381	607	8,992
Depreciation and amortization	4,554	1,149	459	6,162
Segment profit before income tax	22,856	2,362	1,725	26,943
Segment assets	267,926	73,779	23,991	365,696
Expenditures for segment assets	51,935	1,229	7,161	60,325
2000				
Revenues from external customers	\$748,523	\$110,144	\$ 38,761	\$897,428
Interest income	140	--	--	140
Interest expense	11,987	3,030	1,191	16,208
Depreciation and amortization	7,199	1,385	865	9,449
Segment profit (loss) before income tax	5,884	416	(759)	5,541
Segment assets	288,225	63,047	37,602	388,874
Expenditures for segment assets	36,048	779	4,146	40,973

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

Item 10. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 11. Directors and Executive Officers of the Registrant

The information called for by item 10 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders, under the captions "Election of Directors" and "Executive Officers."

Item 12. Executive Compensation

The information called for by item 11 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders, under the caption "Compensation of Executive Officers."

Item 13. Security Ownership of Certain Beneficial Owners and Management

The information called for by item 12 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders, under the caption "Principal Shareholders and Stock Ownership of Management."

Item 14. Certain Relationships and Related Transactions

The information called for by item 13 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders, under the caption "Certain Transactions."

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Index to Financial Statements

(a) The following documents are filed as part of this Annual Report or are incorporated by reference as indicated:

1. The following financial statements are included under Item 8:

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 1999 and 2000

Consolidated Statements of Income for the years ended December 31, 1998, 1999 and 2000

Consolidated Statements of Shareholders' Equity for the years ended December 31, 1998, 1999 and 2000

Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000

Notes to Consolidated Financial Statements.

2. The following financial statement schedules are included under Item 14:

None.

3. Exhibits.

Exhibit No. -----	Identification of Exhibit -----
2.1	Asset Purchase Agreement effective September 1, 1999, among Rush Equipment Centers of Michigan, Inc., Rush Enterprises, Inc., Calvert Sales Inc. and Thomas B. Calvert, Trustee. (incorporated herein by reference to Exhibit 2.5 of the Company's Form 10-K for the year ended December 31, 1999)
2.2	Asset Purchase Agreement dated September 22, 1999 by and among Rush Truck Centers of Arizona, Inc., Southwest Peterbilt, Inc., Southwest Truck Center, Inc., and Edward Donahue, Sr. (incorporated herein by reference to Exhibit 2.8 of the Company's Current Report on Form 8-K filed on October 19, 1999)
2.3	Asset Purchase Agreement dated September 22, 1999 by and among Rush Truck Centers of New Mexico Peterbilt, Inc. and Edward Donahue, Sr. (incorporated herein by reference to Exhibit 2.1 of the Company's Report on Form 8-K filed on October 19, 1999)
2.4	Asset Purchase Agreement dated December 1, 1999 by and among Rush Truck Centers of California, Inc., Norm Pressley's Truck Center and Scott Pressley. (incorporated herein by reference to Exhibit 2.8 of the Company's Form 10-K for the year ended December 31, 1999)
3.1.	Amended and Restated Articles of Incorporation of the Registrant (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2000).
3.2.	Bylaws of the Registrant, as amended (incorporated herein by reference to Exhibit 3.2 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).

- 4.1. Specimen of certificate representing Common Stock, \$.01 par value, of the Registrant (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 4.2. Form of Representatives' Warrant Agreement, including form of Representatives' Warrant (incorporated herein by reference to Exhibit 4.2 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 4.3. Rights Agreement dated April 8, 1996 between Rush Enterprises, Inc. and American Stock Transfer & Trust Company, Trustee (incorporated herein by reference to Exhibit 4.3 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.01. Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and W. Marvin Rush (incorporated herein by reference to Exhibit 10.76 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.02. Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and Barbara Rush (incorporated herein by reference to Exhibit 10.77 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.03. Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and W. M. "Rusty" Rush (incorporated herein by reference to Exhibit 10.78 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.04. Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and Robin Rush (incorporated herein by reference to Exhibit 10.79 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.05. Form of Indemnity Agreement between Rush Enterprises, Inc. and the members of its Board of Directors (incorporated herein by reference to Exhibit 10.80 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.06. Form of Employment Agreement between W. Marvin Rush, W.M. "Rusty" Rush and Robin M. Rush (incorporated herein by reference to Exhibit 10.81 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.07. Form of Employment Agreement between Rush Enterprises, Inc., and certain of its Vice Presidents. (incorporated herein by reference to Exhibit 10.82 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- 10.08. Tax Indemnification Agreement between Rush Enterprises, Inc., Associated Acceptance, Inc. and W. Marvin Rush (incorporated herein by reference to Exhibit 10.83 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- *10.09. Rush Enterprises, Inc. Long-Term Incentive Plan as amended.
- 10.10. Form of Rush Enterprises, Inc. Long-Term Incentive Plan Stock Option Agreement (incorporated herein by reference to Exhibit 10.85 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
- *10.11. Amended and Restated Master Loan Agreement between General Motors Acceptance Corporation and Rush Enterprises, Inc. dated December 7, 2000.
- 10.12. Interest Rate Allowances Agreement dated February 1, 1999 between General Motors Acceptance Corporation and Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 2.16 of the Company's Form 10-K for the year ended December 31, 1999)
- 10.13. Registration Rights Agreement dated October 1, 1999 by and among Rush Enterprises, Inc., Southwest Truck Center, Inc. and New Mexico Peterbilt, Inc. (incorporated herein by reference to Exhibit 2.1 of the Company's Report on Form 8-K filed on October 19, 1999)
- 10.14. Form of dealer agreement between Paccar, Inc. and Rush Truck Centers. (incorporated herein by reference to Exhibit 10.18 of the Company's Form 10-K for the year ended December 31, 1999)
- 10.15. Letter Agreement between Paccar Financial Corp. and Rush Enterprises, Inc. dated January 17, 2000. (incorporated herein by reference to Exhibit 10.19 of the Company's Form 10-K for the year ended December 31, 1999)

*11.1 Computation of pro forma earnings per share.

21.1 Subsidiaries of the Company.

Name	State of Incorporation	Names Under Which Subsidiary Does Business
Rush Truck Centers of Texas, L.P.	Delaware	Rush Truck Center World Wide Tires Rush Truck Center, Pharr Rush Peterbilt Truck Center, Beaumont Rush Truck Center, Beaumont Rush Peterbilt Truck Center, San Antonio Rush Truck Center, San Antonio Rush Peterbilt Truck Center, Houston Rush Truck Center, Houston Rush Peterbilt Truck Center, Laredo Rush Truck Center, Laredo Rush Peterbilt Truck Center, Lufkin Rush Truck Center, Lufkin Rush Peterbilt Truck Center, Pharr Rush Used Truck Center, Austin Rush Truck Center, Sealy Rush Peterbilt Truck Center, Sealy
Rush Truck Centers of Oklahoma, Inc.	Delaware	Oklahoma Trucks, Inc. Translease Tulsa Trucks, Inc. Rush Peterbilt Truck Center, Oklahoma City Rush Truck Center, Oklahoma City Rush Peterbilt Truck Center, Tulsa Rush Truck Center, Tulsa Rush Volvo Truck Center, Oklahoma City Rush Volvo Truck Center, Tulsa Rush Used Truck Center, Tulsa Rush Peterbilt Truck Center, Ardmore Rush Truck Center, Ardmore
Rush Truck Centers of California, Inc.	Delaware	South Coast Peterbilt Translease World Wide Tires Rush Peterbilt Truck Center, Pico Rivera Rush Truck Center, Pico Rivera Rush Peterbilt Truck Center, Fontana Rush Truck Center, Fontana

		Rush Peterbilt Truck Center, Sun Valley Rush Truck Center, Sun Valley Rush Truck Center, Sylmar Rush Peterbilt Truck Center, Sylmar Rush Truck Center, Escondido Rush Peterbilt Truck Center, Escondido Rush Truck Center, San Diego Rush Peterbilt Truck Center, San Diego
Rush Truck Centers of Louisiana, Inc.	Delaware	Ark-La-Tex Peterbilt, Inc. Translease Rush Peterbilt Truck Center, Bossier City Rush Truck Center, Bossier City
Los Cuernos, Inc.	Delaware	Los Cuernos Ranch
Rush Administrative Services, Inc.	Delaware	None
AiRush, Inc.	Delaware	None
Rush Truck Leasing, Inc.	Delaware	Rush Crane Systems
Rush Truck Centers of Colorado, Inc.	Delaware	Rush Truck Centers, Inc. Rush Peterbilt Truck Center, Denver Rush Truck Center, Denver Rush Peterbilt Truck Center, Greeley Rush Truck Center, Greeley
Rush Truck Centers of Arizona, Inc.	Delaware	Rush Truck Center, Phoenix Rush Peterbilt Truck Center, Phoenix Rush Truck Center, Chandler Rush Peterbilt Truck Center, Chandler Rush Truck Center, Flagstaff Rush Peterbilt Truck Center, Flagstaff Rush Truck Center, Tucson Rush Peterbilt Truck Center, Tucson
Rush Truck Center of New Mexico, Inc.	Delaware	
Rush GMC Truck Center of Phoenix, Inc.	Delaware	
Rush GMC Truck Center of San Diego, Inc.	Delaware	
Rush GMC Truck Center of Tucson, Inc.	Delaware	
Rush Equipment Centers of Texas, Inc.	Delaware	Rush Equipment Center, Houston Rush Equipment Center, Beaumont Rush Equipment Rental Center, San Antonio
Rush Retail Centers, Inc.	Delaware	D & D Farm & Ranch Supermarket, Inc.

Smith Brothers

Rushtex, Inc. Delaware

Rushco, Inc. Delaware

Rush Equipment Centers of Michigan, Inc. Delaware

Rush Equipment Center, Ellsworth
Rush Equipment Center, Traverse City
Rush Equipment Center, Grand Rapids
Work `N Play Shop
Rush Equipment Center, Lansing
Rush Equipment Center, Detroit Metro
Rush Equipment Center, Mt. Morris

*23.1 Consent of Arthur Andersen LLP

*27.1 Financial Data Schedule.

* filed herewith

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RUSH ENTERPRISES, INC.

By: /s/ W. MARVIN RUSH Date: March 26, 2001

W. Marvin Rush
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities on the dates indicated:

Signature -----	Capacity -----	Date -----
/s/ W. MARVIN RUSH ----- W. Marvin Rush	Chairman and Chief Executive Officer, Director (Principal Executive Officer)	March 26, 2001
/s/ W. M. "RUSTY" RUSH ----- W. M. "Rusty" Rush	President, Director	March 26, 2001
/s/ ROBIN M. RUSH ----- Robin M. Rush	Executive Vice President, Secretary, Treasurer and Director	March 26, 2001
/s/ RONALD J. KRAUSE ----- Ronald J. Krause	Director	March 26, 2001
/s/JOHN D. ROCK ----- John D. Rock	Director	March 26, 2001
/s/HAROLD D. MARSHALL ----- Harold D. Marshall	Director	March 26, 2001
/s/MARTIN A. NAEGELIN, JR. ----- Martin A. Naegelin, Jr.	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2001

RUSH ENTERPRISES, INC.

LONG-TERM INCENTIVE PLAN

ARTICLE I: GENERAL

SECTION 1.1 Purpose of the Plan. The Long-Term Incentive Plan (the "Plan") of Rush Enterprises, Inc. (the "Company") is intended to advance the best interests of the Company, its subsidiaries and its shareholders in order to attract, retain and motivate employees by providing them with additional incentives through (i) the grant of options ("Options") to purchase shares of Common Stock, par value \$.01 per share, of the Company ("Common Stock"), (ii) the grant of stock appreciation rights ("Stock Appreciation Rights"), (iii) the award of shares of restricted Common Stock ("Restricted Stock") and (iv) the award of units payable in cash or shares of Common Stock based on performance ("Performance Awards"), thereby increasing the personal stake of such employees in the continued success and growth of the Company.

SECTION 1.2 Administration of the Plan. (a) The Plan shall be administered by the Compensation Committee or other designated committee (the "Committee") of the Board of Directors of the Company (the "Board of Directors") which shall consist of at least two Outside Directors. The Committee shall have authority to interpret conclusively the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions of fact arising in the application of the Plan, to establish performance criteria in respect of Awards (as defined herein) under the Plan, to certify that Plan requirements have been met for any participant in the Plan, to submit such matters as it may deem advisable to the Company's shareholders for their approval, and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. The Committee is expressly authorized to adopt rules and regulations limiting or eliminating its discretion in respect of certain matters as it may deem advisable to comply with or obtain preferential treatment under any applicable tax or other law rule, or regulation. All decisions and acts of the Committee shall be final and binding upon all affected Plan participants.

For purposes of this Plan, "Outside Director" shall mean a non-employee director of the Company who is "disinterested" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) The Committee shall designate the eligible employees, if any, to be granted Awards and the type and amount of such Awards and the time when Awards will be granted. All Awards granted under the Plan shall be on the terms and subject to the conditions determined by the Committee consistent with the Plan.

SECTION 1.3 Eligible Participants. Employees, including officers, of the Company and its subsidiaries (all such subsidiaries being referred to as "Subsidiaries") shall be eligible for Awards under the Plan.

SECTION 1.4 Awards Under the Plan. Awards to employees may be in the form of (i) Options, (ii) Stock Appreciation Rights, which may be issued independent of or in tandem with Options, (iii) shares of Restricted Stock, (iv) Performance Awards, or (v) any combination of the foregoing (collectively, "Awards").

SECTION 1.5 Shares Subject to the Plan. The aggregate number of shares of Common Stock that may be issued under the Plan shall be 1,000,000. In addition, as of January 1 of each year the Plan is in effect, if the total number of shares of Common Stock issued and outstanding, not including any shares issued under the Plan, exceeds the total number of shares of Common Stock issued and outstanding as of January 1 of the preceding year (or, for 1996, as of the commencement of the Plan), the number of shares that may be issued under the Plan shall be increased by an amount such that the total number of shares of Common Stock available for issuance under the Plan equals 5% of the total number of shares of Common Stock outstanding, not including any shares issued under the Plan. Shares distributed pursuant to the Plan may consist of authorized but unissued shares or treasury shares of the Company, as shall be determined from time to time by the Board of Directors.

If any Award under the Plan shall expire, terminate or be cancelled (including cancellation upon an Option holder's exercise of a related Stock Appreciation Right) for any reason without having been exercised in full, or if any Award shall be forfeited to the Company, the unexercised or forfeited Award shall not count against the above limits and shall again become available for Awards under the Plan (unless the holder of such Award received dividends or other economic benefits with respect to such Award, which dividends or other economic benefits are not forfeited, in which case the Award shall count against the above limits). Shares of Common Stock equal in number to the shares surrendered in payment of the option price, and shares of Common Stock which are withheld in order to satisfy Federal, state or local tax liability, shall count against the above limits. Only the number of shares of Common Stock actually issued upon exercise of a Stock Appreciation Right shall count against the above limits, and any shares which were estimated to be used for such purposes and were not in fact so used shall again become available for Awards under the Plan. Cash exercises of Stock Appreciation Rights and cash settlement of other Awards will not count against the above limits.

The aggregate number of shares of Common Stock subject to Options or Stock Appreciation Rights that may be granted to any one participant in any one year under the Plan shall be 100,000. The aggregate number of shares of Common Stock that may be granted to any one participant in any one year in respect of Restricted Stock shall be 100,000. The aggregate number of shares of Common Stock that may be received by any one participant in any one year in respect of a Performance Award shall be 100,000 and the aggregate amount of cash that may be received by any one participant in any one year in respect to a Performance Award shall be \$500,000.

The total number of Awards (or portions thereof) settled in cash under the Plan, based on the number of shares covered by such Awards (e.g., 100 shares for a Stock Appreciation Right with respect to 100 shares), shall not exceed a number equal to (i) the number of shares initially available for issuance under the Plan plus (ii) the number of shares that have become available for issuance under the Plan pursuant to the first paragraph of this Section 1.5.

The aggregate number of shares of Common Stock that are available under the Plan for Options granted in accordance with Section 2.4(i) ("ISOs") is 1,000,000, subject to adjustments as provided in Section 5.2 of the Plan.

SECTION 1.6 Other Compensation Programs. Nothing contained in the Plan shall be construed to preempt or limit the authority of the Board of Directors to exercise its corporate rights and powers, including, but not by way of limitation, the right of the Board of Directors (i) to grant incentive awards for proper corporate purposes otherwise than under the Plan to any employee, officer, director or other person or entity or (ii) to grant incentive awards to, or assume incentive awards of, any person or entity in connection with the acquisition (whether by purchase, lease, merger, consolidation or otherwise) of the business or assets (in whole or in part) of any person or entity.

ARTICLE II: STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

SECTION 2.1 Terms and Conditions of Options. Subject to the following provisions, all Options granted under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Option Price. The option price per share shall be determined by the Committee, except that in the case of an Option granted in accordance with Section 2.4(i) the option price per share shall not be less than the fair market value of a share of Common Stock (as determined by the Committee) on the date the Option is granted (other than in the case of substitute or assumed Options to the extent required to qualify such Options for preferential tax treatment under the Code as in effect at the time of such grant).

(b) Term of Option. The term of an Option shall be determined by the Committee, except that in the case of an ISO the term of the Option shall not exceed ten years from the date of grant, and, notwithstanding any other provision of this Plan, no Option shall be exercised after the expiration of its term.

(c) Exercise of Options. Options shall be exercisable at such time or times and subject to such terms and conditions as the Committee shall specify in the Option grant. Unless the Option grant specifies otherwise, the Committee shall have discretion at any time to accelerate such time or times and otherwise waive or amend any conditions in respect of all or any portion of the Options

held by any optionee. An Option may be exercised in accordance with its terms as to any or all shares purchasable thereunder.

(d) Payment for Shares. The Committee may authorize payment for shares as to which an Option is exercised to be made in cash, shares of Common Stock, a combination thereof, by "cashless exercise" or in such other manner as the Committee in its discretion may provide.

(e) Shareholder Rights. The holder of an Option shall, as such, have none of the rights of a shareholder.

(f) Termination of Employment. The Committee shall have discretion to specify in the Option grant, or, with the consent of the optionee, an amendment thereof, provisions with respect to the period, not extending beyond the term of the Option, during which the Option may be exercised following the optionee's termination of employment.

SECTION 2.2 Stock Appreciation Rights in Tandem with Options.

(a) The Committee may, either at the time of grant of an Option or at any time during the term of the Option, grant Stock Appreciation Rights ("Tandem SARs") with respect to all or any portion of the shares of Common Stock covered by such Option. A Tandem SAR may be exercised at any time the Option to which it relates is then exercisable, but only to the extent the Option to which it relates is exercisable, and shall be subject to the conditions applicable to such Option. When a Tandem SAR is exercised, the Option to which it relates shall cease to be exercisable to the extent of the number of shares with respect to which the Tandem SAR is exercised. Similarly, when an Option is exercised, the Tandem SARs relating to the shares covered by such Option exercise shall terminate. Any Tandem SAR which is outstanding on the last day of the term of the related Option (as determined pursuant to Section 2.1(b)) shall be automatically exercised on such date for cash without any action by the optionee.

(b) Upon exercise of a Tandem SAR, the holder shall receive, for each share with respect to which the Tandem SAR is exercised, an amount (the "Appreciation") equal to the difference between the option price per share of the Option to which the Tandem SAR relates and the fair market value (as determined by the Committee) of a share of Common Stock on the date of exercise of the Tandem SAR. The Appreciation shall be payable in cash, Common Stock, or a combination of both, at the option of the Committee, and shall be paid within 30 days of the exercise of the Tandem SAR.

SECTION 2.3 Stock Appreciation Rights Independent of Options. Subject to the following provisions, all Stock Appreciation Rights granted independent of Options ("Independent SARs") under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Exercise Price. The exercise price per share shall be determined by the Committee on the date the Independent SAR is granted.

(b) Term of Independent SAR. The term of an Independent SAR shall be determined by the Committee, and, notwithstanding any other provision of this Plan, no Independent SAR shall be exercised after the expiration of its term.

(c) Exercise of Independent SARs. Independent SARs shall be exercisable at such time or times and subject to such terms and conditions as the Committee shall specify in the Independent SAR grant. Unless the Independent SAR grant specifies otherwise, the Committee shall have discretion at any time to accelerate such time or times and otherwise waive or amend any conditions in respect of all or any portion of the Independent SARs held by any participant. Upon exercise of an Independent SAR, the holder shall receive, for each share specified in the Independent SAR grant, an amount (the "Appreciation") equal to the difference between the exercise price per share specified in the Independent SAR grant and the fair market value (as determined by the Committee) of a share of Common Stock on the date of exercise of the Independent SAR. The Appreciation shall be payable in cash, Common Stock, or a combination of both, at the option of the Committee, and shall be paid within 30 days of the exercise of the Independent SAR.

(d) Shareholder Rights. The holder of an Independent SAR shall, as such, have none of the rights of a shareholder.

(e) Termination of Employment. The Committee shall have discretion to specify in the Independent SAR grant, or, with the consent of the holder, an amendment thereof, provisions with respect to the period, not extending beyond the term of the Independent SAR, during which the Independent SAR may be exercised following the holder's termination of employment.

SECTION 2.4 Statutory Options. Subject to the limitations on Option terms set forth in Section 2.1, the Committee shall have the authority to grant (i) ISOs within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) Options containing such terms and conditions as shall be required to qualify such Options for preferential tax treatment under the Code as in effect at the time of such grant, including, if then applicable, limits with respect to minimum exercise price, duration and amounts and special limitations applicable to any individual who, at the time the Option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any affiliate. Options granted pursuant to this Section 2.4 may contain such other terms and conditions permitted by Article II of this Plan as the Committee, in its discretion, may from time to time determine (including, without limitation, provision for Stock Appreciation Rights), to the extent that such terms and conditions do not cause the Options to lose their preferential tax treatment. If an Option intended to be an ISO ceases or is otherwise not eligible to be an ISO, such Option (or portion thereof necessary to maintain the status of the remaining portion of the Option as an ISO) shall remain valid but be treated as an Option other than an ISO.

ARTICLE III: RESTRICTED STOCK

SECTION 3.1 Terms and Conditions of Restricted Stock Awards. Subject to the following provisions, all Awards of Restricted Stock under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Restricted Stock Award. The Restricted Stock Award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock, and the date or dates on which the Restricted Stock will vest. The vesting and number of shares of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or its Subsidiaries, upon the attainment of specified performance objectives, or upon such other criteria as the Committee may determine in accordance with the provisions hereof. Performance objectives will be based on increases in share prices, operating income, net income or cash flow thresholds, return on common equity or any combination of the foregoing.

(b) Restrictions on Transfer. Stock certificates representing the Restricted Stock granted to an employee shall be registered in the employee's name. Such certificates shall either be held by the Company on behalf of the employee, or delivered to the employee bearing a legend to restrict transfer of the certificate until the Restricted Stock has vested, as determined by the Committee. The Committee shall determine whether the employee shall have the right to vote and/or receive dividends on the Restricted Stock before it has vested. No share of Restricted Stock may be sold, transferred, assigned, or pledged by the employee until such share has vested in accordance with the terms of the Restricted Stock Award. Unless the grant of a Restricted Stock Award specifies otherwise, in the event of an employee's termination of employment before all the employee's Restricted Stock has vested, or in the event other conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the Award, the shares of Restricted Stock that have not vested shall be forfeited and any purchase price paid by the employee shall be returned to the employee. At the time Restricted Stock vests (and, if the employee has been issued legended certificates of Restricted Stock, upon the return of such certificates to the Company), a certificate for such vested shares shall be delivered to the employee or the employee's estate, free of all restrictions.

(c) Accelerated Vesting. Notwithstanding the vesting conditions set forth in the Restricted Stock Award, unless the Restricted Stock grant specifies otherwise, the Committee may in its discretion at any time accelerate the vesting of Restricted Stock or otherwise waive or amend any conditions of a grant of Restricted Stock.

ARTICLE IV: PERFORMANCE AWARDS

SECTION 4.1 Terms and Conditions of Performance Awards. The Committee shall be authorized to grant Performance Awards, which are payable in stock, cash or a combination thereof, at the discretion of the Committee.

(a) Performance Period. The Committee shall establish with respect to each Performance Award a performance period over which the performance goal of such Performance Award shall be measured. The performance period for a Performance Award shall be established prior to the time such Performance Award is granted and may overlap with performance periods relating to other Performance Awards granted hereunder to the same employee.

(b) Performance Objectives. The Committee shall establish a minimum level of acceptable achievement for the holder at the time of each Award. Each Performance Award shall be contingent upon future performances and achievement of objectives described either in terms of Company-wide performance or in terms that are related to performance of the employee or of the division, subsidiary, department or function within the Company in which the employee is employed. The Committee shall have the authority to establish the specific performance objectives and measures applicable to such objectives. Such objectives, however, shall be based on increases in share prices, operating income, net income or cash flow thresholds, sales results, return on common equity or any combination of the foregoing.

(c) Size, Frequency and Vesting. The Committee shall have the authority to determine at the time of the Award the maximum value of a Performance Award, the frequency of Awards and the date or dates when Awards vest.

(d) Payment. Following the end of each performance period, the holder of each Performance Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Award, based on the achievement of the performance measures for such performance period, as determined by the Committee. If at the end of the performance period the specified objectives have been attained, the employee shall be deemed to have fully earned the Performance Award. If the employee exceeds the specified minimum level of acceptable achievement but does not fully attain such objectives, the employee shall be deemed to have partly earned the Performance Award, and shall become entitled to receive a portion of the total Award, as determined by the Committee. If a Performance Award is granted after the start of a performance period, the Award shall be reduced to reflect the portion of the performance period during which the Award was in effect. Unless the Award specifies otherwise, including restrictions in order to satisfy the conditions under Section 162(m) of the Code, the Committee may adjust the payment of Awards or the performance objectives if events occur or circumstances arise which would cause a particular payment or set of performance objectives to be inappropriate, as determined by the Committee.

(e) Termination of Employment. A recipient of a Performance Award who, by reason of death, disability or retirement, terminates employment before the end of the applicable

performance period shall be entitled to receive, to the extent earned, a portion of the Award which is proportional to the portion of the performance period during which the employee was employed. A recipient of a Performance Award who terminates employment for any other reason shall not be entitled to any part of the Award unless the Committee determines otherwise; however, the Committee may in no event pay the employee more than that portion of the Award which is proportional to his or her period of actual service.

(f) Accelerated Vesting. Notwithstanding the vesting conditions set forth in a Performance Award, unless the Award specifies otherwise, the Committee may in its discretion at any time accelerate vesting of the Award or otherwise waive or amend any conditions (including but not limited to performance objectives) in respect of a Performance Award.

(g) Shareholder Rights. The holder of a Performance Award shall, as such, have none of the rights of a shareholder.

ARTICLE V: ADDITIONAL PROVISIONS

SECTION 5.1 General Restrictions. Each Award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or Federal law, or (ii) the consent or approval of any government regulatory body, or (iii) an agreement by the recipient of an Award with respect to the disposition of shares of Common Stock, is necessary or desirable (in connection with any requirement or interpretation of any Federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such Award or the issuance, purchase or delivery of shares of Common Stock thereunder, such Award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

SECTION 5.2 Adjustments for Changes in Capitalization. In the event of any stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidation, liquidations, split-ups, split-offs, spin-offs, or other similar changes in capitalization, or any distribution to shareholders, including a rights offering, other than regular cash dividends, changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any similar capital adjustment or the payment of any stock dividend, any share repurchase at a price in excess of the market price of the Common Stock at the time such repurchase is announced or other increase or decrease in the number of such shares, the Committee shall make appropriate adjustment in the number and kind of shares authorized by the Plan (including shares available for ISOs), in the number, price or kind of shares covered by the Awards and in any outstanding Awards under the Plan; provided, however, that no such adjustment shall increase the aggregate value of any outstanding Award.

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

SECTION 5.3 Amendments. (a) The Board of Directors may at any time and from time to time and in any respect amend or modify the Plan; provided, however, that to the extent required to qualify the Plan under Rule 16b-3 promulgated under Section 16 of the Exchange Act, no such action of the Board of Directors without approval of shareholders of the Company may (i) increase the total number of shares of Common Stock available under Section 1.5 for the implementation of Awards under the Plan except as contemplated in Section 5.2, (ii) materially modify the requirements as to eligibility for participation under the Plan or (iii) otherwise materially increase the benefits to participants under the Plan.

(b) The Committee shall have the authority to amend any Award to include any provision which, at the time of such amendment, is authorized under the terms of the Plan; however, no outstanding Award may be revoked or altered in a manner unfavorable to the holder without the written consent of the holder.

SECTION 5.4 Cancellation of Awards. Any Award granted under the Plan may be cancelled at any time with the consent of the holder and a new Award may be granted to such holder in lieu thereof, which Award may, in the discretion of the Committee, be on more favorable terms and conditions than the cancelled Award.

SECTION 5.5 Withholding. Whenever the Company proposes or is required to issue or transfer shares of Common Stock under the Plan, the Company shall have the right to require the holder to pay an amount in cash or to retain or sell without notice, or demand surrender of, shares of Common Stock in value sufficient to satisfy any Federal, state or local withholding tax liability ("Withholding Tax") prior to the delivery of any certificate for such shares (or remainder of shares if Common Stock is retained to satisfy such tax liability). Whenever under the Plan payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any federal, state or local withholding tax liability.

Whenever Common Stock is so retained or surrendered to satisfy Withholding Tax, the value of shares of Common Stock so retained or surrendered shall be determined by the Committee, and the value of shares of Common Stock so sold shall be the net proceeds (after deduction of commissions) received by the Company from such sale, as determined by the Committee.

SECTION 5.6 Non-Assignability. Except as expressly provided in the Plan, no Award under the Plan shall be assignable or transferable by the holder thereof except by will or by the laws of descent and distribution. During the life of the holder, Awards under the Plan shall be exercisable only by such holder or by the guardian or legal representative of such holder.

SECTION 5.7 Non-Uniform Determinations. Determinations by the Committee under the Plan (including, without limitation, determinations of the persons to receive Awards; the form, amount and timing of such Awards; the terms and provisions of such Awards and the agreements evidencing same; and provisions with respect to termination of employment) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

SECTION 5.8 No Guarantee of Employment. The grant of an Award under the Plan shall not constitute an assurance of continued employment for any period or any obligation of the Board of Directors to nominate any director for reelection by the Company's shareholders.

SECTION 5.9 Duration and Termination. (a) The Plan shall be of unlimited duration. Notwithstanding the foregoing, no ISO (within the meaning of Section 422 of the Code) shall be granted under the Plan ten (10) years after the effective date of the Plan, but Awards granted prior to such date may extend beyond such date, and the terms of this Plan shall continue to apply to all Awards granted hereunder.

(b) The Board of Directors may suspend, discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any Award outstanding on the date of the Plan's suspension, discontinuance or termination without the holder's written consent.

SECTION 5.10 Effective Date. The Plan shall be effective as of April 1, 1996.

AMENDED AND RESTATED MASTER LOAN AGREEMENT

This Amended and Restated Master Loan Agreement (this "Agreement") is made to be effective as of December _____, 2000, by and among the following parties:

- (i) General Motors Acceptance Corporation, a Delaware corporation ("GMAC"),
- (ii) Rush Enterprises, Inc., a Texas corporation ("Rush"),
- (iii) Rush Truck Centers of California, Inc., a Delaware corporation ("RTC-California"),
- (iv) Rush Truck Centers of Louisiana, Inc., a Delaware corporation ("RTC-Louisiana"),
- (v) Rush Truck Centers of Oklahoma, Inc., a Delaware corporation ("RTC-Oklahoma"),
- (vi) Rush Truck Centers of Texas, L.P., a Texas limited partnership ("RTC-Texas"),
- (vii) Rush Truck Centers of Colorado, Inc., a Delaware corporation ("RTC-Colorado"),
- (viii) Rush Truck Centers of Arizona, Inc., a Delaware corporation ("RTC-Arizona"),
- (ix) Rush Truck Centers of New Mexico, Inc., a Delaware corporation ("RTC-New Mexico"),
- (x) Rush Retail Centers, Inc., a Delaware corporation ("Rush Retail"),
- (xi) Rush GMC Truck Center of San Diego, Inc., a Delaware corporation ("RTC-San Diego"),
- (xii) Rush GMC Truck Center of Phoenix, Inc., a Delaware corporation ("Rush-Phoenix"), and
- (xiii) Rush GMC Truck Center of Tucson, Inc., a Delaware corporation ("Rush-Tucson").

RECITALS

A. GMAC, Rush, RTC-California, RTC-Louisiana, RTC-Oklahoma, Rush Truck Centers of Texas, Inc., a Delaware corporation ("Rush Truck Texas"), and RTC-Colorado entered into the Master Loan Agreement dated July 28, 1997 (the "Original Loan Agreement").

B. Rush, RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas, successor to Rush Truck Texas, RTC-Colorado, RTC-Arizona, RTC-New Mexico, Rush Retail, RTC-San Diego, Rush-Phoenix and Rush-Tucson have requested that GMAC agree to amend and restate the Original Loan Agreement to (i) delete the provisions of the Original Loan Agreement regarding the Texas Real Estate Loans (as defined in the Original Loan Agreement) which have been repaid in full, (ii) increase the Borrowing Base Line of Credit, (iii) amend the financial covenant concerning Total Liabilities to Tangible Net Worth and (iv) further modify the Original Loan Agreement as set forth herein.

C. GMAC has agreed to so amend and restate Original Loan Agreement on the terms and provisions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements set forth below, the parties agree as follows:

ARTICLE I

Definitions

Section 1.1 Definitions. In addition to other defined terms herein, as used in this Agreement and unless the context otherwise requires, the following terms shall have the respective meanings set forth below:

(a) Applicable Law - all laws, rules and regulations applicable to the Person, conduct, transaction, covenant or Loan Documents in question, including all applicable common law and equitable principles; all provisions of all applicable state and federal constitutions, statutes, rules, regulations and orders of governmental bodies; and orders, judgments and decrees of all courts and arbitrators.

(b) Best Knowledge - facts that are within the actual knowledge of any officer of any member of the Rush Group (as applicable) after due inquiry of employees of such member of the Rush Group reasonably likely to possess information of the nature described.

(c) Borrowing Base Loans - the loans from GMAC to Rush pursuant to Article II hereof. The existing Borrowing Base Loans under the Original Loan Agreement are evidenced by that one certain Demand Promissory Note dated July 28, 1997, in the principal amount of \$8,000,000.00 executed by Rush and payable to the order of GMAC.

(d) Business Day - any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of Texas or is a day on which banking institutions located in such state is closed. Unless the terms herein specifically provide that a period of time is measured by "Business Days", time periods shall be deemed to refer to calendar days.

(e) Collateral - all of the Real Estate, Motor Vehicle Inventory, Parts Inventory, and all other real or personal property and interests in same that now or hereafter secure the payment and performance of the Obligations.

(f) Dealer or Dealers - RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas, RTC-Colorado, RTC-Arizona, RTC-New Mexico, Rush Retail, RTC-San Diego, Rush-Phoenix and Rush-Tucson as applicable, together with any future entities formed by Rush to operate a dealership. A Dealer is also sometimes referred to as a "Rush Group Affiliate". Notwithstanding the foregoing or any other provision of this Agreement to the contrary, for the purposes of this Agreement, neither Rush Truck Leasing nor any entity formed or acquired by Rush for the primary purpose of selling and/or leasing construction machinery equipment, including, without limitation, entities that primarily sell or lease equipment manufactured by John Deere, John Deere Worksite Products, Sakai America, Inc., Allied, Trail King Industries, Inc. or Diamond Z Manufacturing, shall be considered a "Dealer", a "Rush Group Affiliate" or a member of the "Rush Group".

(g) Default or Event of Default - as defined in Article X, or in any of the other Loan Documents.

(h) Environmental Laws - all federal, state and local laws, rules, regulations, ordinances, programs, permits, guidances, orders and consent decrees relating to health, safety or environmental matters, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

(i) Franchise Agreement - any licensing and other permit or registration for the sale and service of vehicles with any motor vehicle manufacturer.

(j) GAAP - generally accepted account principles in the United States of America in effect from time to time.

(k) Governmental Authority - any state, commonwealth, federal, foreign, territorial, or other court or governmental department, commission, board, bureau, agency, or instrumentality.

(l) Guarantor or Guarantors - the members of the Rush Group, as applicable, or any other person or entity who may hereafter guarantee payment or performance of the whole or any part of the Obligations.

(m) Guaranty Agreement or Guaranty Agreements - the Guaranty Agreement(s) executed by the Guarantors. Each Dealer shall execute a Guaranty Agreement in the forms acceptable to GMAC, pursuant to which each Dealer shall guarantee the Obligations.

(n) Hazardous Material - any radioactive, hazardous, or toxic substance, material, waste, chemical, or similar item, the presence of which on any Facility, or the discharge, emission, release, or threat of release of which on or from the Facility, is prohibited or otherwise regulated by any laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States and all local, state or governmental or regulatory authorities exercising jurisdiction over any member of the Rush Group or any Facility, or which require special handling in collection, storage, treatment, or disposal by any such laws or requirements. The term Hazardous Material includes, but is not limited to, any material, substance, waste or similar item which is now or hereafter defined as a hazardous material or substance under the laws of any state, the Federal Water Pollution Control Act (33 U.S.C. Section 1317), the Federal Resource Conservation and Recovery Act (42 U.S.C. Section 6901, et seq.), the Federal Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601, et seq.), any rules or regulations adopted by any administrative agency, including but not limited to, the Environmental Protection Agency, the Occupational Safety and Health Administration, and any similar state or local agency having jurisdiction over any Facility, whether or not such rules and regulations have the force of law. The term "Hazardous Material" shall also include any items subject to regulation under the Toxic Substances Control Act (15 U.S.C., Section 2601 et seq.).

(o) Indebtedness - (i) all principal and interest owing from time to time by one or more members of the Rush Group to Lender pursuant to the Loans, together with (ii) all other amounts owing to Lender from time to time by one or more members of the Rush Group to Lender under the Loan Documents.

(p) Loan Documents - this Agreement, the Guaranty Agreements, Security Agreements, GMAC Forms, and any security agreements, guaranties, financing statements or other agreements, instruments or certificates contemplated by this Agreement, and any other document executed to evidence or secure the Loans. A "Loan Document" shall refer to any one of said instruments.

(q) Loans - all loans and advances of any kind made by GMAC pursuant to this Agreement, including the loans described in Article II (the Borrowing Base Line of Credit), Article III (the Real Estate Loans), Article IV (the Wholesale Facility), and any other loan or other extension of credit from GMAC to any member of the Rush Group. A Loan shall refer to any one of such Loans.

(r) (not used)

(s) Lender - the owner of the Indebtedness. As of the effective date hereof, the Lender is GMAC.

(t) Material Adverse Effect - the effect of any event or condition which, alone or when taken together with other events or conditions occurring or existing concurrently therewith,

(i) has a material adverse effect upon the business, operations, Collateral, condition (financial or otherwise) or business prospects of any member of the Rush Group; (ii) has any material adverse effect whatsoever upon the validity or enforceability of the Agreement or any of the other Loan Documents; (iii) has or may be reasonably expected to have any material adverse effect upon the value of the whole or any material part of the Collateral, the liens of Lender with respect to the Collateral or any material part thereof or the priority of such Liens; (iv) materially impairs the ability of any member of the Rush Group to perform its obligations under this Agreement, any Guaranty Agreement or any of the other Loan Documents, including repayment of the Obligations when due; or (v) materially impairs the ability of Lender to enforce or collect the Obligations or realize upon any of the Collateral in accordance with the Loan Documents and Applicable Law.

(u) Maximum Rate - the maximum non-usurious rate of interest permitted by Applicable Law that at any time, or from time to time, may be contracted for, taken, reserved, charged or received on the Indebtedness in question.

(v) Mortgage - an Oklahoma Mortgage or an Additional Mortgage.

(w) Mortgages - the Oklahoma Mortgages and the Additional Mortgages, collectively.

(x) Motor Vehicle Inventory - all of the following, whether now owned or hereafter acquired by any member of the Rush Group, whether now existing, or whether arising or created hereafter:

(i) motor vehicles, trailers and semi-trailers, and accessories held for sale; and the replacement parts for any of these; and general intangibles, contract rights, chattel paper, present and future accounts and assignment of accounts including, but not limited to, those arising out of the sale or lease thereof, including rents receivable under leases and rental agreements.

(ii) all proceeds of collateral described in (i) above, including, but not limited to, cash, negotiable instruments, accounts, chattel paper or insurance proceeds.

(iii) all replacements, substitutions, accessions, returns, and repossession, of any of the above.

(y) Obligations - all (i) indebtedness of any member of the Rush Group to GMAC, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to or in connection with this Agreement, whether as maker, guarantor, surety, endorser or otherwise, including without limitation the Borrowing Base Line of Credit described in Article II, the Real Estate Loans described in Article III, the Wholesale Floor Plan Loans described in Article IV, and (ii) all other covenants and agreements made by any member of the Rush Group herein.

(z) Oklahoma Real Estate - the real property, improvements, fixtures and appurtenances described in the instruments evidencing the Oklahoma Real Estate Liens, together with any similar property given hereafter as security for all or any part of the Indebtedness.

(aa) Oklahoma Real Estate Liens - all liens, presently existing or hereafter arising, securing payment of the Oklahoma Real Estate Loans, including without limitation those evidenced by the following (each an "Oklahoma Mortgage" and collectively, the "Oklahoma Mortgages"):

(i) Mortgage, Assignment and Security Agreement dated March 1, 1996 from Rush to GMAC, recorded in Book 6862, Page 0378 of the Oklahoma County Clerk Records, and the Security Agreement dated March 1, 1996 from Rush to GMAC.

(ii) Mortgage, Assignment and Security Agreement dated March 1, 1996 from Rush to GMAC, recorded in Book 6862, Page 0399 of the Oklahoma County Clerk Records, and the Security Agreement dated March 1, 1996 from Rush to GMAC.

(ab) Oklahoma Real Estate Loans - the loans from Lender to Rush, as evidenced by the following promissory notes:

(i) Promissory Note dated March 1, 1996 in the original principal amount of \$487,500.00, executed by Rush (dba Translease) and payable to GMAC.

(ii) Promissory Note dated March 1, 1996 in the original principal amount of \$1,425,000.00, executed by Rush (dba Oklahoma Trucks, Inc.) and payable to GMAC.

(ac) Parts Inventory - all of the following, whether now owned or hereafter acquired by any member of the Rush Group, whether now existing, or whether arising or created hereafter:

(i) all inventory of any member of the Rush Group consisting of new and unused parts and accessories of any type and description now owned or hereafter acquired by any member of the Rush Group for sale or lease, excluding all raw materials and all such goods constituting work in progress or as attachments or fixtures or other tangible property.

(ii) all proceeds of collateral described in (i) above, including, but not limited to, cash, negotiable instruments, accounts, chattel paper or insurance proceeds.

(iii) all replacements, substitutions, accessions, returns, and repossession, of any of the above.

The Parts Inventory shall include all items defined as the New Parts Inventory in Section 2.7.

(ad) Person - an individual, partnership, corporation, limited liability company, joint stock company, land trust, business trust, or unincorporated organization, or a government or agency or political subdivision thereof.

(ae) Prime Rate - the "prime" or "base" rate of interest per annum announced from time to time by a majority of the twelve (12) largest banks (the "Banks") operating in the United States as their base rates for computing interest on loans to borrowers of the highest credit standing. No change will be made in the Prime Rate unless there is a single rate of interest which is publicly announced by at least seven (7) of the Banks as their prime or base rate. In determining the Prime Rate, GMAC's determination of the Banks and their announced prime or base rates shall be conclusive upon the parties. For purposes of this definition, the prime or base rate of the Banks is not necessarily their rate of interest charged by the Banks on loans to their most creditworthy customers, nor is the Prime Rate necessarily the rate of interest charged by GMAC on loans to its most creditworthy customers. Notwithstanding the foregoing, for the purposes of determining the Prime Rate, the Prime Rate shall be considered to be five percent (5%) per annum if the prime or base rate established by the Banks at any time is a figure which is less than five percent (5%) per annum.

(af) Real Estate Liens - all liens, presently existing or hereafter arising, securing payment of the Real Estate Loans, including any deed of trust, mortgage, vendor's lien, security agreement or other pledge (each a "Mortgage" and collectively, the "Mortgages").

(ag) Real Estate Loans - (i) the Oklahoma Real Estate Loans and (ii) the loans from Lender to Rush and/or wholly owned subsidiary of Rush designated by Rush to finance the acquisition, construction and refinancing of certain real estate and improvements thereon; provided, however, the term "Real Estate Loans" shall not include any loans secured by real property located in California. It is acknowledged that (A) GMAC shall have no obligation to make loans to Rush or any member of the Rush Group and (B) neither Rush nor any member of the Rush Group shall have any obligation to borrow from GMAC.

(ah) Real Estate - the real property, improvements, fixtures and appurtenances described in the instruments evidencing the Real Estate Liens, together with any similar property given hereafter as security for all or any part of the Real Estate Loans.

(ai) Rush Group - Rush, RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas, RTC-Colorado, RTC-Arizona, RTC-New Mexico Rush Retail, RTC-San Diego, Rush-Phoenix and Rush-Tucson, collectively. If Rush forms a new Dealer in the future, the "Rush Group" shall include such new Dealer (except for Rush Truck Leasing and any entity formed or acquired by Rush for the primary purpose of selling and/or leasing construction machinery equipment, including, without limitation, entities that primarily sell or lease equipment manufactured by John Deere, John Deere Worksite Products, Sakai America, Inc., Allied, Trail King Industries, Inc. or Diamond Z Manufacturing). Whenever any obligation, covenant, indemnification or other agreement is made herein by the Rush Group, such obligation, covenant or agreement is made jointly and severally by each of Rush, RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas, RTC-Colorado, RTC-Arizona, RTC-New Mexico and Rush Retail, together with any future member of the Rush Group, as applicable.

(aj) Rush Truck Leasing - Rush Truck Leasing, Inc., a Delaware corporation.

(ak) Security Agreements - all documents now existing or hereafter given to secure payment of the Indebtedness and other Obligations, including without limitation this Agreement, the documents evidencing the Real Estate Liens and the amended and restated security agreements to be executed by each Dealer.

(al) (not used)

(am) (not used)

(an) Wholesale Floor Plan Loans - the loans from GMAC to any member of the Rush Group pursuant to Article IV hereof.

ARTICLE II

Borrowing Base Line of Credit

Section 2.1 Consolidation of Borrowing Base Loans. The credit facility and funding terms of the Borrowing Base Loans shall be modified and governed in accordance with this Article II.

Section 2.2 Establishment of Line of Credit. Subject to the terms and conditions of this Agreement, GMAC hereby establishes a revolving line of credit for Rush in an amount not to exceed the lesser of:

(a) \$13,500,000, or

(b) the Collateral Formula Amount, as defined in Section 2.7.

The amount available for loan under this Article II is referred to as the "Line of Credit". If, for any reason, the Credit Line Advances (as defined below) shall exceed the Line of Credit as determined above (such excess being hereinafter referred to as "Excess Amounts"), the Line of Credit shall be deemed to include the Excess Amounts for all purposes hereunder, except that Excess Amounts are temporary only and shall not be deemed to permanently increase the Line of Credit.

Section 2.3 Loans. Within 3 Business Days after each request made by Rush from time to time, GMAC will loan and advance Rush the principal amount of money so requested, up to the Line of Credit (each such advance hereinafter a "Credit Advance"). The aggregate principal amounts so loaned and advanced and remaining unpaid from time to time shall be deemed to be Credit Line Advances. Each Credit Advance shall be disbursed by GMAC from its Houston, Texas office and, upon such disbursement being made, shall be charged to Rush's

account on GMAC's books and records. GMAC will render to Rush a statement at least once each month of Rush's account which shall constitute an account stated and shall be presumed to be correct.

Section 2.4 Repayment. Rush shall repay the Credit Line Advances to GMAC together with all accrued and unpaid interest and applicable costs and expenses as hereinafter set forth (hereinafter the "Total Borrowing Base Indebtedness"). Upon request made by GMAC, Rush shall execute and deliver such promissory note or notes in the form then in use by GMAC (each such note being hereafter referred to as a "Borrowing Base Promissory Note") and guaranties to further evidence the Credit Line Advances and related obligations; provided that the failure of GMAC to so request or the failure of Rush to execute and deliver such Borrowing Base Promissory Note, or guaranty or guaranties, shall not affect Rush's obligation to repay GMAC as herein set forth. Any Borrowing Base Promissory Note or Notes, or guaranty or guaranties, executed and delivered hereby shall be expressly made subject to the terms and conditions of this Agreement. GMAC may send monthly statements to Rush for the amount owed; if Rush fails to question or otherwise contest the information on such statements within 10 days of receipt by Rush, Rush shall be deemed to agree with the information on the statements, including the accuracy of GMAC's calculation of the amount owed.

(a) Permissive Repayment. Rush may, at any time and without any prepayment fee or premium or notice or penalty, repay all or any part of the Credit Line Advances to GMAC.

(b) Mandatory Repayment. The Total Borrowing Base Indebtedness shall be repaid by Rush to GMAC immediately and without further notice or demand therefor by GMAC upon the earlier of the following occurrences:

(i) an Event of Default, as hereinafter set forth, or

(ii) the effective date of the termination of this Agreement as hereinafter set forth.

Section 2.5 Interest. The Credit Line Advances shall bear to the date of repayment in full of the Credit Line Advances. Only one interest rate will apply to the Credit Line Advances at any given time. The interest rate on the Credit Line Advances will be determined from time to time at a rate equal to the Prime Rate less 0.50 percentage points. Interest shall be calculated on the basis of a 360-day year for the number of actual days outstanding. Interest shall be due and payable monthly within 10 days of the billing date and the billing date shall be within the first 5 Business Days of each month hereafter until Rush has paid GMAC all sums owing under this Agreement.

Section 2.6 Permitted Use of Credit Advances. Each and every Credit Advance by GMAC to Rush or on Rush's behalf may be used solely for the purposes of: (a) holding or acquiring inventory consisting of the New Parts Inventory by the Rush Group; (b) for general working capital purposes; and (c) for such other purposes related to the business of the Rush Group as may be reasonably acceptable to GMAC.

Section 2.7 Collateral Formula Amount. The "Collateral Formula Amount" shall be 75% of the Net Book Value of the New Parts Inventory of the Rush Group, as of the date of this Agreement, and as subsequently adjusted from time to time as certified in the Certification Report required to be submitted to GMAC by Rush.

"New Parts Inventory" of the Rush Group as utilized herein shall mean and include all inventory of the Rush Group consisting of new and unused parts and accessories of any type and description listed in the manufacturers' current parts price catalog now owned or hereafter acquired by the Rush Group for sale or lease, excluding all raw materials and all such goods constituting work in progress or as attachments or fixtures on other tangible property. Except as set forth herein, "inventory" shall have the meaning attributed it by Section 9.109(4) of the Texas Business and Commerce Code.

"Net Book Value" shall be the cost of an item of inventory as recorded in the books of account of the Rush Group plus or minus any adjustments made consistent with GAAP. In the event of any dispute or disagreement as to the Net Book Value of an item or items of inventory, the judgment and decision of GMAC shall be final.

"Certification Report" shall mean that form of document attached hereto as Exhibit 2.7 attached hereto.

Section 2.8 Security Interest and Collateral Assignment. To secure:

(a) as to Rush, (i) the prompt and complete payment of the Total Borrowing Base Indebtedness, (ii) the performance of any and all obligations and duties of the Rush Group pursuant to this Agreement, and (iii) the payment and performance of any and all other debts, obligations or duties of the Rush Group to GMAC now existing or hereafter arising by this Agreement, and

(b) as to each other member of the Rush Group, its obligations under its Guaranty Agreement,

the Rush Group hereby pledges, assigns and grants to GMAC a security interest in the Parts Inventory (sometimes also referred to as the "Borrowing Base Collateral"). The Rush Group shall execute and deliver to GMAC one or more security agreements, documents, and financing statements, in form and substance satisfactory to GMAC in the exercise of reasonable judgment of GMAC (but not inconsistent with this Agreement as to any subject dealt with in this Agreement), as may be required by GMAC to grant and maintain a valid, perfected first lien or security interest in the Borrowing Base Collateral. The security agreements to be executed contemporaneously herewith shall be in the forms required by GMAC. If an additional Dealer is formed in the future, such Dealer shall execute similar documents required by GMAC granting to GMAC a security interest in the Borrowing Base Collateral, conforming as necessary to the laws of such Dealer's place of business.

Section 2.9 Obligations Regarding Borrowing Base Collateral. With respect to the Borrowing Base Collateral, the Rush Group shall:

(a) maintain, secure and protect it from diminution in value;

(b) keep it free and clear of the claims, liens, mortgage, pledge, encumbrance, security interests and rights of all others;

(c) hold, control and dispose of it only for the purpose of storing and exhibiting it for retail sale or lease in the ordinary course of business;

(d) insure it against all risks in such amounts and with a carrier and deductibles acceptable to GMAC in the exercise of reasonable judgment. Such insurance policy shall name GMAC as loss payee and shall contain a cancellation provision only upon 30 days prior written notice to GMAC.

Section 2.10 Other Covenants by the Rush Group. In addition to the other obligations and agreements here, the Rush Group, individually and collectively, jointly and severally, covenants and agrees as follows:

(a) The Rush Group shall maintain and furnish GMAC with reasonable proof of insurance required pursuant to the provisions above. The receipt by GMAC of any insurance proceeds shall not release the Rush Group from payment of its obligations hereunder, except to the extent of such proceeds.

(b) The Rush Group shall permit representatives of GMAC to visit and inspect any of the Borrowing Base Collateral and the premises of any Dealer and examine, copy (by electronic or other means) and abstract any of the books and accounting records of the Dealer, and to discuss the affairs, business, finances and accounts of any Dealer with its officers and employees, at any reasonable time and as often as may be reasonably desired.

(c) The Rush Group shall furnish GMAC by the 20th day of each month a Certification Report certified by either the chief executive officer, chief financial officer, controller, president or vice president of a Dealer of that Dealer's Collateral Formula Amount as of the last day of the previous month. GMAC may request, at any time, a parts inventory schedule for any or all dealerships; the Rush Group shall provide such schedule within 48 hours of such request.

(d) The Rush Group shall arrange and have conducted, at least annually, and at the respective Dealer's expense, a complete physical inventory of the New Parts Inventory. Each such physical inventory shall be conducted by an independent professional purveyor of such services and a certified copy of the results thereof shall be promptly provided to GMAC.

(e) The Rush Group shall keep its respective properties in good repair, working order and condition and, from time to time, make all needful and proper repairs, renewals, replacements, additions and improvements thereto, so that the business carried on may be properly and advantageously conducted at all times in accordance with prudent business management; provided, however, it is understood that no member of the Rush Group shall be

deemed to have violated the foregoing covenant on account of ordinary wear and tear and damage due to casualty or any cause beyond such member of the Rush Group's reasonable control.

ARTICLE III

Real Estate Loans

Section 3.1 Refinance of Real Estate Loans. On the condition that there has been no Event of Default hereunder, GMAC shall permit the Rush Group to refinance any Real Estate Loan. Upon payment of all amounts owing under any Real Estate Loan, GMAC agrees to release the liens evidenced by the applicable Mortgage. In addition to releasing the liens under said Mortgage, GMAC agrees to also release, as applicable, any other liens on personal or other property which pertains to the real estate covered by said Mortgage (by way of example, security interests in equipment used at such location).

Section 3.2 Cross-Collateralization of Real Estate. All Real Estate now or hereafter subject to a security interest or other lien pursuant to any Mortgage shall secure all Obligations, and any proceeds of the sale or other disposition of any Real Estate pursuant to any Mortgage may be applied to any of the Obligations as GMAC may elect. This agreement for cross collateralization shall constitute and be deemed an amendment to and supplement each Mortgage now or hereafter executed and shall augment and be in addition to and not in substitution for any provision of any Mortgage, and shall not otherwise limit or affect the rights and remedies of GMAC under any such Mortgage. Without limiting the foregoing, it is acknowledged that one or more of the Rush Group may have executed other documents which provide for cross collateralization of loans to other members of the Rush Group. All such other documents shall remain in full force and effect, and GMAC may exercise its rights and remedies under any of such instruments in lieu of or in addition to exercising its rights under this paragraph. It is acknowledged that, pursuant to the definition of "Real Estate Loans" in Section 1.1(ag), the term "Real Estate Loans" does not include any loans secured by real property located in California; therefore, this Section 3.2 shall not operate to cause any real property located in California to secure any loans or other indebtedness not otherwise covered by specific loan instruments executed in connection with any loan secured by real property in California. In the event GMAC elects to exercise its lien rights against the Real Estate owned by one member of the Rush Group (for purposes of this paragraph the "Pledgor") for the payment of an Obligation of another member of the Rush Group (for purposes of this paragraph the "Debtor") by virtue of this cross-collateralization provision, the exercise of such liens shall be contingent upon a default by the Debtor under the Obligation as well as the giving of any required notices (if any) of default to the Debtor under the Loan Documents evidencing that Obligation. Upon request by GMAC, any member of Rush Group owning Real Estate shall execute a memorandum, in recordable form sufficient for recording in the applicable real property or other records, reciting that the liens against the Real Estate secure, in addition to any Obligation recited in the applicable Mortgage, the Obligations under this Agreement pursuant to this cross-collateralization provision.

ARTICLE IV

Wholesale Floor Plan Loans

Section 4.1 Consolidation of Wholesale Floor Plan Loans. The credit facility and funding terms of the Wholesale Floor Plan Loans shall be modified and governed in accordance with this Article IV.

Section 4.2 Establishment. From time to time prior to a termination pursuant to Section 11.1, any member of the Rush Group may, subject to the terms and conditions of this Agreement, obtain loans from GMAC in order to finance its acquisition of new and used motor vehicles from manufacturers, distributors, customers, dealers and other sellers. Such credit facility is referred to hereinafter as the "Wholesale Facility." The Wholesale Facility will be used solely for the purpose of acquiring new and used motor vehicles.

Section 4.3 Wholesale Credit Advances. Upon request of any member of the Rush Group, GMAC will, subject to the terms and conditions of this Agreement, loan funds (a "Wholesale Credit Advance") to such member of the Rush Group pursuant to the Wholesale Facility. Such request shall be in the form prescribed by GMAC from time to time.

Section 4.4 Wholesale Credit Note. For Wholesale Floor Plan Loans in Texas or other states where GMAC uses promissory notes for such loans, the member of the Rush Group for whom the Wholesale Floor Plan Loan is made (referred to herein as the "Borrowing Party") will repay the Wholesale Credit Advances to GMAC, together with all accrued and unpaid expenses thereon, and applicable costs and expenses as set forth in a promissory note or notes payable to the order of GMAC, executed by the Borrowing Party and delivered to GMAC, substantially in the form referenced in the GMAC Forms described below (the "Wholesale Credit Note").

The current interest rate charged by GMAC on Wholesale Floor Plan Loans will be subject to the terms of the letter dated March 31, 2000 from J.F. Crebbin to W. Marvin Rush pertaining to GMAC's Wholesale Incentive Plan, or such future letter as may be executed by GMAC and Rush to replace this March 31, 2000 letter.

Section 4.5 (not used)

Section 4.6 Other Financing. From time to time, GMAC may also provide other categories of vehicle inventory and equipment financing to members of the Rush Group, including, without limitation, financing under GMAC's so-called Delayed Payment Privilege, Shop Rental Plan, Rental Plan, plans for wholesale demonstrations and the like (collectively, "Other Financing").

Section 4.7 Retail Financing. From time to time, GMAC may also provide retail finance and lease accommodations to members of the Rush Group or customers of members of the Rush Group in accordance with GMAC's customary practices (collectively "Retail Financing").

Section 4.8 Dealer Obligations. The amounts and obligations now or hereafter owing to GMAC by any members of the Rush Group under the Wholesale Facility, Other Financing, Retail Financing, and any and all other indebtedness, obligations, or liabilities of each member of the Rush Group whether direct or indirect, liquidated or contingent, are referred to hereinafter as "Dealer Obligations." The Rush Group hereby promises to pay to GMAC all Dealer Obligations promptly on demand, except as may otherwise be set forth in accordance with the express terms and conditions of this Agreement, the Loan Documents and the GMAC Forms (as defined in Section 4.10).

Section 4.9 Absolute Discretion of GMAC. The amount, terms, conditions, interest rate, repayment terms, advance rate, existence, documentation, and administration of the Wholesale Facility will, at all times, be subject to change, suspension, and cancellation at the sole, absolute discretion of GMAC, notwithstanding anything herein or otherwise to the contrary. Nothing contained in this Agreement will, at any time, obligate GMAC to provide Other Financing or Retail Financing to any member of the Rush Group or any customer of any member of the Rush Group. The making and amount of any Other Financing or Retail Financing will be in the sole, absolute discretion of GMAC. If GMAC elects to suspend or cancel financing under this Agreement, the following notice provisions shall apply: (i) if there is no default of any nature by any member of the Rush Group, GMAC shall not make the suspension or cancellation effective earlier than 120 days after notice to Rush; (ii) if there is any default of any nature by any member of the Rush Group, GMAC may make suspension or cancellation effective immediately upon notice of same.

Section 4.10 Documentation of Dealer Obligations. Concurrently with the execution and delivery of a Wholesale Facility, the appropriate member(s) of the Rush Group will duly execute and deliver to GMAC at least one original of each of the documents, instruments, or agreements (the "GMAC Forms") to evidence the parties' intentions with respect to Dealer Obligations. Copies of the GMAC Forms have been provided to Rush. The appropriate member(s) of the Rush Group will duly execute and deliver to GMAC such other documents, instruments, or agreements and any amendments thereto with respect to the Dealer Obligations, as GMAC may customarily require from time to time. The existence of this Agreement, representations, covenants, terms of default, and the like is in no way intended to alter the demand nature of all Dealer Obligations which in every instance are subject to change, suspension, and cancellation at the sole, absolute discretion of GMAC.

It is acknowledged that the documentation of the Dealer Obligations may vary from state to state, and the GMAC Forms to be executed by the members of the Rush Group shall be in conformity with GMAC's practice in a particular state.

Section 4.11 Security Interest. To secure:

(a) as to each member of the Rush Group, as applicable, (i) the prompt and complete payment of the Wholesale Credit Advances, (ii) the performance of any and all obligations and duties of the Rush Group pursuant to this Agreement, and (iii) the payment and performance of any and all other debts, obligations or duties of the Rush Group to GMAC now existing or hereafter arising by this Agreement, and

(b) as to each Guarantor, its obligations under its Guaranty Agreement, the Rush Group hereby pledges, assigns and grants to GMAC a security interest in the Motor Vehicle Inventory. If an additional Dealer is formed in the future, such Dealer shall execute similar documents required by GMAC granting to GMAC a security interest in the Motor Vehicle Inventory.

Section 4.12 Guaranties. It is acknowledged that all members of the Rush Group will guarantee all obligations of any Borrowing Party. If requested by GMAC, members of the Rush Group will execute such further acknowledgements, consents, guaranties and similar documents to evidence such guaranty obligations.

ARTICLE V
(not used)

ARTICLE VI

Representations and Warranties

The Rush Group, individually and collectively, jointly and severally, represents and warrants to GMAC as follows:

Section 6.1 Organization, Corporate Authority and Qualifications.

(a) Each member of the Rush Group is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified to transact business or own real property in each state or other jurisdiction in which its principal real properties are located or in which it conducts any important or material part of its business.

(b) Each member of the Rush Group has the corporate power and authority to execute, deliver and perform this Agreement and the Loan Documents.

(c) The persons signing this Agreement and the Loan Documents on behalf of each member of the Rush Group have full authority to execute the same on behalf of said entity, and to bind said entity to the terms thereof.

Section 6.2 Authorization and Compliance with Laws and Material Agreements. The execution, delivery and performance of this Agreement and the Loan Documents, and the borrowings hereunder, by the Rush Group have been duly authorized by all requisite corporate action on the part of the Rush Group and will not violate the articles of incorporation or bylaws of the Rush Group and will not violate any provision of law, or order of any court or governmental agency affecting the Rush Group in any respect, and will not conflict with, result in a breach of the provisions of, constitute a default under, or result in the imposition of any lien, charge, or encumbrance upon any assets of the Rush Group pursuant to the provisions of any indenture, mortgage, deed of trust, franchise, permit, license, note or other agreement or instrument to which the Rush Group may be bound. No approval or consent from any Governmental Authority or other third party is required in connection with the execution of or performance under this Agreement and the Loan Documents by the Rush Group.

Section 6.3 Valid and Binding Obligation. All of the Loan Documents to which any member of the Rush Group is a party, will upon execution and delivery by such party, constitute a valid binding obligation of the such member of the Rush Group, enforceable in accordance with their respective terms.

Section 6.4 Financial Condition. The balance sheets and statements of income and retained earnings of the Rush Group, heretofore furnished to GMAC, are complete and correct and fairly represent the financial condition of the Rush Group as at the dates of said financial statements and the results of their operations for the periods ending on said dates. No member of the Rush Group has any material contingent obligations, liabilities for taxes, long-term leases, or unusual forward or long-term commitments not disclosed by, or reserved against in, said balance sheets or the notes thereto; and at the present time, there are no material realized or anticipated losses from any unfavorable commitments of any member of the Rush Group. Said financial statements were prepared in accordance with generally accepted principles and practices of accounting consistently maintained throughout the periods involved. Since the date of the latest of such statements, there has been no material adverse change in the financial condition of any member of the Rush Group from that set forth in said balance sheets as at that date.

Section 6.5 Litigation and Judgments. There are no suits or proceedings pending, or, to the knowledge of any member of the Rush Group, threatened, against or affecting any member of the Rush Group that, if adversely determined, would have a Material Adverse Effect on the financial condition or business of any member of the Rush Group or on the Collateral; and there are no proceedings by or before any governmental commission, board, bureau, or other administrative agency pending or to the knowledge of any member of the Rush Group, threatened against any member of the Rush Group, which if adversely determined, would have a Material Adverse Effect on the business, properties, condition, financial or otherwise of any member of the Rush Group. There are no outstanding judgments (final or otherwise) against any member of the Rush Group.

Section 6.6 Title to and Perfection of Security Interest in Collateral. Each member of the Rush Group is the owner of all its respective Collateral, free and clear of all liens, security interests, and encumbrances other than those in favor of GMAC hereunder and those shown on Schedule 6.6 attached hereto, and will execute all such financing statements or other documents and take such actions as GMAC may deem necessary or desirable to evidence or perfect its first and prior security interest and lien in Collateral under the Loan Documents.

Section 6.7 No Other Financing Statements. No UCC-1 or other financing statement covering any assets owned by the Rush Group has been executed or is on file in any public office, except those financing statements disclosed on the attached Schedule 6.6 and the financing statements of GMAC.

Section 6.8 Purpose of the Rush Group; Use of Proceeds. The Rush Group has entered into this Agreement for legitimate purposes, and will use the proceeds of the Loans exclusively as set forth in this Agreement.

Section 6.9 Ownership of Properties; Liens. The Rush Group has good and indefeasible title or valid leasehold interests in all their significant or material properties and assets, real and personal, which are owned or used in connection with its products or services, and none of such properties or assets or leasehold interests of the Rush Group are subject to any mortgage, pledge, security interest, encumbrance, lien or charge of any kind which would materially restrict the manner in which the Rush Group uses or intends to use such property.

Section 6.10 Taxes. The Rush Group has filed all federal and state tax returns or reports required of the Rush Group, including but not limited to income, franchise, employment and sales taxes, and have paid or made adequate provision for the payment of all taxes which have become due pursuant to such returns or reports or pursuant to any assessment which has been received, none of such being outstanding and unpaid, and the Rush Group knows of no pending investigations of the Rush Group by any taxing authority, nor of any material pending but unassessed tax liability.

Section 6.11 (not used)

Section 6.12 Compliance with Laws and Franchise Agreements. Except to the extent that failure to comply would not have a Material Adverse Effect, each member of the Rush Group has complied with all applicable laws, ordinances, statutes, rules, regulations, orders, injunctions, writs or decrees (collectively, "Laws") or any agreements, contracts and understandings, including without limitation, all licensing and other permit or registration laws for the sale and service of vehicles, and all agreements and understandings, written or oral, to which it is party, or subject to, with any motor vehicle manufacturer (each such agreement and understanding is referred to in this Agreement as a "Franchise Agreement"), including with respect to: (a) any restrictions, specifications or other requirements pertaining to vehicles or other products sold by any member of the Rush Group or to services performed by any member of the Rush Group; (b) the conduct of any member of the Rush Group's business; or (c) the use, maintenance and operation of the real and personal properties owned by any member of the Rush Group or leased by such member of the Rush Group in the conduct of its business.

Section 6.13 No Materially Adverse Agreements. No member of the Rush Group is a party to any agreement which in the opinion of any member of the Rush Group does or will materially and adversely affect the business, operations or condition, financial or otherwise, of any member of the Rush Group.

Section 6.14 Default. No member of the Rush Group is in default in any material respect under the provisions of any instrument evidencing any material obligation, indebtedness or liability of such member of the Rush Group, or of any agreement relating thereto, or under any order, writ, injunction, or decree of any court, or in default under or in violation of any order, regulation, or demand of any governmental instrumentality which default or violation might have consequences which would have a Material Adverse Effect on the business, financial condition, or properties of any member of the Rush Group.

Section 6.15 Misrepresentation. There is no fact which any member of the Rush Group has failed to disclose to GMAC, which materially and adversely affects nor, so far as any member of the Rush Group can now foresee, is reasonably likely to have a Material Adverse Effect on the business, operation, properties, profits, or condition of any member of the Rush Group or the Collateral, or the ability of any member of the Rush Group to perform this Agreement.

Section 6.16 Environmental Liabilities. To the Best Knowledge of each member of the Rush Group, there is no Hazardous Material on or in any facility, owned, managed or occupied by any member of the Rush Group located on the Real Estate (a "Facility"), except such Hazardous Material stored on a Facility in the ordinary course of such member of the Rush Group's business on the Facility and managed to prevent a release or threatened release thereof, and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters, nor is there any Hazardous Material being released or threatened to be released from or on any Facility. To the Best Knowledge of each member of the Rush Group, (i) no part of any Facility has ever been used as a manufacturing, storage or dump site for Hazardous Material (except such Hazardous Material stored on a Facility in the ordinary course of such member of the Rush Group's business on the Facility and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters), nor is any part of the Facility affected by any Hazardous Material contamination; (ii) no real estate adjoining any Facility has ever been used as a manufacturing, storage or dump site for Hazardous Material (except such Hazardous Material stored in the ordinary course of business and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters); and (iii) no real estate adjoining any Facility is affected by Hazardous Material contamination. To the Best Knowledge of each member of the Rush Group, no report, analysis, study or other document exists. Further, no communications have been received by any member of the Rush Group asserting that Hazardous Material contamination exists on any Facility or identifying any Hazardous Material as being located upon or released on or from any Facility.

ARTICLE VII

Affirmative Covenants of the Rush Group

The Rush Group, individually and collectively, jointly and severally, covenants and agrees that, as long as the Indebtedness or any part thereof is outstanding, unless otherwise allowed by written instrument of GMAC:

Section 7.1 Accounting Records. The Rush Group shall maintain a standard and modern system for accounting in accordance with generally accepted accounting principles consistently applied throughout all accounting periods.

Section 7.2 Financial Reports. The Rush Group will furnish GMAC:

(a) during the first full calendar month after the date of this Agreement, (i) a financial statement for each member of the Rush Group, which fairly and accurately reflects a condition not adversely and materially changed from the financial statement with respect to such party last provided to GMAC by such party prior to the date of this Agreement; and (ii) a financial statement, prepared on a consolidated basis for all the members of the Rush Group which fairly and accurately reflects a condition not adversely and materially changed from the financial statement with respect to all of the members of the Rush Group last provided to GMAC by the Rush Group prior to the date of this Agreement. The Rush Group will continue to provide to GMAC, by the 20th day of each month thereafter, financial statements as described in this Section 7.2(a) for the prior calendar month.

(b) within 90 days after the end of each fiscal year of the Rush Group, copies of audited financial statements, including but not limited to balance sheets, statements of income and retained earnings, cash flow statements, prepared on a consolidated basis for all the members of the Rush Group and certified by independent certified public accountants selected by the Rush Group and satisfactory to GMAC.

(c) from time to time, such further information regarding the business affairs and financial condition of any member of the Rush Group as GMAC may reasonably request.

All financial statements delivered hereunder shall be prepared on the basis of GAAP applied on a basis consistent with those used in the preparation of the audited financial statements of the Rush Group.

Section 7.3 Continuing Business. Except to the extent failure to do so will not have a Material Adverse Effect, each member of the Rush Group shall maintain and continue its present business and maintain its corporate existence in good standing, shall preserve and keep in full force and effect any franchise rights and trade names, and shall pay, before the same become delinquent and before penalties accrue thereon, all taxes, assessments, and other governmental charges against such member of the Rush Group or any of such member of the Rush Group's property, and any and all other liabilities, except to the extent, and so long as the same are being

contested in good faith by appropriate proceedings, with adequate reserves provided for such payments.

Section 7.4 Financial Status. Rush will, on a consolidated basis with all other members of the Rush Group, maintain at all times (i) a Tangible Net Worth in the amount of at least \$15,000,000 and (ii) a ratio of Total Liabilities to Tangible Net Worth of not greater than 9 to 1.

As used herein, the term "Net Worth" means the net worth of the Rush Group, on a consolidated basis, determined in accordance with GAAP consistently applied.

As used herein, the term "Tangible Net Worth" means the depreciated book value amount of all assets of each member of the Rush Group (on a consolidated basis and excluding intercompany items), less:

(a) intangible assets, such as, without limitation, goodwill (whether representing the excess of cost over book value of assets acquired or otherwise, such excess to include, without limitation, the expense of all noncompetition agreements), capitalized expenses, leasehold improvements (other than improvements to dealership real property or long-term leaseholds owned by a Rush Group Affiliate), patents, trademarks, trade names, copyrights, franchises, licenses, and deferred charges, such as, without limitation, unamortized costs and costs of research and development;

(b) partnership and other equity interests reacquired but not canceled;

(c) all reserves, including without limitation, reserves for depreciation, depletion, obsolescence, amortization, deferred income taxes, insurance, inventory valuation, and all other appropriations of retained earnings;

(d) any minority interests in any corporation, partnership, subsidiary or other affiliate; and

(e) Total Liabilities.

As used herein, the term "Total Liabilities" means, with respect to the members of the Rush Group, on a consolidated basis, all obligations for borrowed money, including without limitation, all notes payable and drafts accepted representing extensions of credit, commercial paper, all obligations evidenced by bonds, debentures, notes or other similar instruments and all obligations upon which interest charges are customarily paid, all obligations under conditional sale or other title retention agreements, all obligations issued or assumed as full or partial payment for property (whether or not any such obligations represent obligations for borrowed money), all capitalized lease obligations, and all indebtedness secured by any lien existing on property owned or acquired by any member of the Rush Group subject to any such lien whether or not the obligations secured thereby shall have been assumed.

Section 7.5 Liens, Etc. No member of the Rush Group will create, incur, or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest in, any of its respective properties, assets, or receivables, now owned or hereafter acquired, securing the Obligations (all such security being herein called "liens"), except:

(a) liens to GMAC.

(b) materialmen's, supplier's, tax, and other like liens arising in the ordinary course of business and securing obligations that are not overdue or are being contested in good faith by appropriate proceedings.

(c) purchase money security interests in property now owned or hereafter acquired by any member of the Rush Group; provided that absolutely no lien or interest shall be granted or allowed by such member of the Rush Group to any other person with respect to any Motor Vehicle Inventory that GMAC has financed.

(d) furniture, trade fixtures and equipment purchased in the ordinary course of business.

(e) the liens shown in Schedule 6.6 attached hereto.

(f) liens against the Real Estate subject to the Real Estate Liens in connection with a refinance of any Real Estate Loan pursuant to Section 3.1.

Section 7.6 Taxes, Etc. All taxes, levies, and assessments of whatever description will be paid by the Rush Group before interest or penalties accrue thereon, unless the same is being contested in good faith by appropriate proceedings.

Section 7.7 Possession of Titles. The Rush Group will permit GMAC upon demand to hold all invoices, manufacturer certificates of origin, and title for any Collateral (other than the Real Estate).

Section 7.8 Monthly Certification Report. Rush will furnish to GMAC, within 20 days of each of the last day of each month, a report certified by the chief executive officer, chief financial officer or controller of Rush, in the form attached as Exhibit 2.7, detailing the Collateral Formula Amount as of the reporting date (the "Monthly Certification Report"). Each Monthly Certification Report submitted as of a month-end date shall have attached to it a complete and detailed listing (by Dealer location) of New Parts Inventory, in the form attached to Exhibit 2.7. GMAC may, in its sole and absolute discretion, increase the frequency of such reports and demand such a report at any time.

Section 7.9 Inspection. The Rush Group will permit GMAC or its designee to: (a) visit, at any time during normal business hours upon GMAC's request, all premises where any Collateral, or any records or documents of any member of the Rush Group, are located; (b) inspect during normal business hours all Collateral and any records or documents of any member of the Rush Group or which relate to any Collateral; and (c) discuss their affairs, finances and

accounts with any director, officer, employee, accountant, partner, affiliate or agent of any member of the Rush Group.

Section 7.10 Insurance: Payment of Premium. Each member of the Rush Group will, at its sole cost and expense, keep and maintain its properties insured for their full insurable value against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks ordinarily insured against under all risk policies in use by other owners or users of such properties in similar businesses and notify GMAC promptly of any event or occurrence causing a material loss or decline in value of its properties and the estimated (or actual, if available) amount of such loss or decline. All policies of insurance on the Collateral will be in form and with insurers acceptable to GMAC and all such policies will be in such amounts as may be satisfactory to GMAC. The Rush Group will deliver to GMAC (i) the original (or certified copy) of each policy of insurance or, in GMAC's sole, absolute discretion, a certificate evidencing such insurance and (ii) evidence of payment of all premiums therefor. Such policies and certificates of insurance will contain an endorsement, in form and substance acceptable to GMAC, showing loss payable to GMAC. Such endorsement, or an independent instrument furnished to GMAC, will provide that the insurance companies will give GMAC at least 30 days' prior written notice before any such policy or policies of insurance will be altered or canceled and that no act or default of any member of the Rush Group or any other person shall affect the right of GMAC to recover under such policy or policies of insurance in case of loss or damage and that GMAC will have the right to cure any such default by such parties. The Rush Group hereby directs all insurers under such policies of insurance where loss or damage to Collateral exceeds \$500,000 under any such policy of insurance to pay all proceeds payable thereunder directly to GMAC. So long as no Event of Default exists hereunder, at the option of the Rush Group, in the case of insurance proceeds arising from the loss or damage of improvements to the Rush Group's real or personal property, the proceeds may be used to replace or restore same with property having equal or greater value and utility to that lost or destroyed; provided, however, the Rush Group shall at its expense furnish to GMAC evidence satisfactory to GMAC (including without limitation title insurance policies or endorsements thereto and opinions of counsel) that GMAC has a valid, duly perfected lien on such property of equal or superior priority to the lien in the property so replaced or restored. To the extent not so used, all such proceeds shall be applied as a partial prepayment of the Loans. Each member of the Rush Group irrevocably makes, constitutes and appoints GMAC (and all officers, employees or agents designated by GMAC) as its true and lawful attorney (and agent-in-fact), effective from and after the occurrence of an Event of Default, for the purpose of making, settling and adjusting claims under such policies of insurance, endorsing the name of any member of the Rush Group on any check, draft, instrument or other item or payment for the proceeds of such policies of insurance (which, in GMAC's sole discretion, shall either be used towards the repair, restoration or replacement of the Collateral, or the satisfaction of any member of the Rush Group's obligations hereunder), and for making all determinations and decisions with respect to such policies of insurance. In the event any member of the Rush Group at any time or times hereafter, fails to obtain or maintain any of the policies of insurance required above or to pay any premium in whole or in part relating thereto, then GMAC, without waiving or releasing any obligation or default by such member of the Rush Group hereunder, may (but will be under no obligation to) at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which GMAC deems advisable. In addition, each member of the Rush Group

will obtain and maintain in full force and effect policies of liability, workers compensation and business interruption insurance in amounts at least equal to that customarily carried by persons or entities conducting comparable businesses.

Section 7.11 Environmental Matters.

(a) From the Effective Date, no member of the Rush Group nor any of their respective agents, authorized representatives and employees (collectively "Agents") shall engage in any of the following prohibited activities, and the Rush Group will use its best and diligent efforts to see that its invitees, tenants and contractors, and such persons' employees, agents, and invitees, shall not:

(i) cause or permit any release, discharge, or threat of release of Hazardous Material on or from any Facility.

(ii) cause or permit any manufacturing, transporting, spilling, leaking, or dumping of Hazardous Material in or on any portion of any Facility, except in the ordinary course of the Rush Group's business on the Facility and in a manner not to allow any contamination of the Facility and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters.

(iii) cause or permit any holding, handling or retaining of Hazardous Material in or on any portion of any Facility, except in the ordinary course of the Rush Group's business on the Facility and in a manner not to allow any contamination of the Facility and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters.

(iv) otherwise place, keep, or maintain, or allow to be placed, kept, or maintained, any Hazardous Material on any portion of any Facility, except in the ordinary course of the Rush Group's business on the Facility and in a manner not to allow any contamination of the Facility and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters.

The Rush Group and its Agents will comply, and cause all Facilities to comply, with all Laws of all authorities having jurisdiction over the Rush Group or its Agents, any Facility, or the use of the Facility and pertaining to any Hazardous Material.

(b) If Hazardous Material is discovered on any Facility, the Rush Group will pay (or cause those responsible to pay) immediately when due the cost of removal of any Hazardous Material from the Facility (or other appropriate remediation of the Hazardous Material) in compliance with all governmental requirements, and keep the entire Facility free of any lien imposed pursuant to any Laws having to do with the removal of Hazardous Material. Within 30 days after demand by GMAC, the Rush Group will obtain and deliver to GMAC a bond, letter of credit, or similar financial assurance for the benefit of GMAC, evidencing, to GMAC's satisfaction in its sole, absolute discretion, that the necessary funds are available to pay the cost

of removing, treating, and disposing of all Hazardous Material on the Facility or any contamination caused thereby, and discharging any assessments or liens which may be established on the Facility as a result thereof.

(c) Each member of the Rush Group will:

(i) Give written notice to GMAC immediately upon its acquiring knowledge of the presence of any Hazardous Material on any Facility (other than that used in the ordinary course of the Rush Group's business) or of any Hazardous Material contamination thereon, with a full description thereof;

(ii) Immediately advise GMAC in writing of any notices received by it or its Agents alleging that any Facility contains Hazardous Material or contamination thereof, or that a violation or potential violation of any Hazardous Material Laws by the Rush Group or its agents, or the Facility exists;

(iii) Immediately advise GMAC in writing upon discovery of any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened with respect to any Facility or any real estate adjoining the Facility; and

(iv) Immediately advise GMAC in writing upon the Rush Group's discovery or any discovery by its Agents of any occurrence or condition on any real property adjoining or in the vicinity of any Facility which does, or could, cause the Facility, or any part thereof, to contain Hazardous Material or otherwise be in violation of any Hazardous Material Laws or cause the Facility to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Hazardous Material Laws. Nothing in this Section 7.11(c)(iv) is intended or shall operate to create a duty on the part of the Rush Group or any of its Agents to inquire as to the condition (environmental or otherwise) of any property not owned or leased by the Rush Group.

(d) GMAC will have the right, but not the obligation, to cause all Hazardous Material and Hazardous Material contamination found on or in any Facility (except that used in the ordinary course of the Rush Group's business) to be removed therefrom or remediated on site if cost effective and permitted by law. In such event, the cost of the removal or remediation, including all expenses, charges, and fees incurred by any GMAC in connection therewith, including attorneys', engineers', and consultants' fees, shall be payable by the Rush Group on demand. The Rush Group will give to GMAC and its Agents access to the Facility for such purposes and the Rush Group hereby grant to GMAC and its Agents full right and authority to remove any such Hazardous Material and Hazardous Material contamination from the Facility or to remediate it on site if cost effective and permitted by law.

(e) If at any time during the term of any Loan, GMAC has reasonable cause to believe that an environmental condition in violation of Section 5.16 exists (other than in the ordinary course of the Rush Group's business), GMAC may notify the Rush Group in writing

that it desires a site assessment or environmental audit ("Audit") of any or all Facility(s) to be made, and at any time thereafter cause such Audit to be made of the Facility(s) at the Rush Group's sole expense. Such Audit(s) will be performed in a manner reasonably calculated to confirm and verify compliance with the provisions of this Section 7.11. The Rush Group will reasonably cooperate with the persons conducting the Audit to allow entry and reasonable access to all portions of the Facility(s) for the purpose of the Audit(s), to supply the auditors with all available historical and operational information regarding the Facility(s), as may reasonably be requested by the auditors, and to make available for meetings with the auditors appropriate personnel having knowledge of matters relevant to the Audit(s). The Rush Group will comply, at their sole cost and expense, with all recommendations contained in the Audit(s) to the extent necessary to bring the Rush Group into compliance with the other provisions of this Section 7.11, including any recommendations for additional testing and studies to detect the presence of Hazardous Material, or to otherwise confirm and verify the Rush Group's compliance with the provisions of this Section 7.11, to the extent required by GMAC.

(f) The representations and obligations of the Rush Group under this Section 7.11 shall, with respect to each tract or parcel of real property constituting the Real Estate, remain in effect until GMAC releases its liens in any applicable part of the Real Estate; upon such release, the obligations shall cease only as to that portion of the Real Estate released. Without limiting the foregoing, it is expressly understood that if, for example, GMAC becomes the owner of any part of the Real Estate through foreclosure, deed in lieu of foreclosure or otherwise, all obligations of the Rush Group under this Section 7.11 shall remain in full force and effect.

Section 7.12 Indemnification. The Rush Group will defend, indemnify and hold GMAC (including the successors, assigns, employees, agents, officers and directors of GMAC) harmless from and against any and all actions, claims, losses, liabilities, damages and expenses (including, without limitation, cleanup costs and reasonable attorneys' fees) arising from or relating to any breach of any covenants, agreements or obligation arising under this Agreement or any inaccuracy of or omission from any representation or warranty of the Rush Group set forth in this Agreement, including without limitation, those arising directly or indirectly from, or relating, to the handling, manufacture, transport, storage, treatment, emission, spill, leak, dump or disposal of any Hazardous Material by or in respect of the Rush Group or any Collateral. This indemnity will apply notwithstanding any negligent or other contributory conduct by or on the part of GMAC (except to the extent the actions, claims, losses, liabilities, damages or expenses are solely attributable to the gross negligence or willful or wanton misconduct of GMAC) or any one or more other persons or entities, and will be enforceable notwithstanding any attempts by the Rush Group to exercise due diligence. The loss, liability, damage, cost or expense which is covered by this indemnity will include, without limitation, all foreseeable consequential damages; the costs of any required or necessary repair, cleanup or detoxification of any Facility, including the soil and ground water thereof, and the preparation and implementation of any closure, remedial or other required plans; damage to any natural resources; and all reasonable costs and expenses incurred by GMAC in connection with the above, including but not limited to, attorneys' and consultants' fees. The provisions of this Section 7.12 will survive repayment of the Loans or other obligation to GMAC in full and expiration or termination of this Agreement.

Section 7.13 Further Assurances. At its costs and expense, upon request of GMAC, the Rush Group will duly execute and deliver or cause to be duly executed and delivered, to GMAC such further instruments, documents, certificates, financing and continuation statements, and do and cause to be done such further acts that may be reasonably necessary or advisable in the opinion of GMAC to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

Section 7.14 Future Dealers. In the event any future entity formed by Rush becomes a Dealer subject to the terms of this Agreement, such new Dealer shall execute a Guaranty Agreement on a form acceptable to GMAC conforming to the laws of the state where that Dealer does business. Rush shall also execute a Guaranty Agreement of any obligations of the Dealers pursuant to this Agreement, including without limitation any Wholesale Floor Plan Loans made to the Dealers under Article IV. From time to time GMAC may require the members of the Rush Group to execute such acknowledgments, consents, revised guaranty agreements and the like to affirm and ratify the obligations of each member of the Rush Group for the payment and performance of all Obligations.

ARTICLE VIII

Negative Covenants of Rush

The Rush Group, individually and collectively, jointly and severally, covenants and agrees that on and after the Effective Date, while any part of the Indebtedness remains unpaid, no member of the Rush Group shall, without the written consent of GMAC (which consent shall not be unreasonably withheld or delayed):

Section 8.1 Reorganizations, Acquisitions, Change of Name. (a) merge or consolidate with or into any partnership, trust, or corporation or other entity whatsoever; or (b) sell, lease, transfer, or otherwise dispose of any of its assets which is greater than ten (10%) of the aggregate total assets of the Rush Group (except in the ordinary course of business), whether now owned or hereafter acquired.

Section 8.2 Management: Ownership. Except in the case of unforeseen death, disability, or other similar emergency, make any significant change in its structure or management.

Section 8.3 Restriction on Other Indebtedness. Incur any indebtedness for borrowed money or extensions of credit except:

(a) the Obligations;

(b) indebtedness incurred in the ordinary course of business for necessary merchandise, services, equipment, materials, and supplies, all of which will be paid not more than 60 days from the due date of invoice except when being contested in good faith;

(c) any other indebtedness the repayment of which is expressly subordinated, in writing satisfactory to GMAC in its sole, absolute discretion, to the repayment to GMAC of all Obligations;

(d) indebtedness relating to liens permitted by Section 7.5;

(e) indebtedness secured by mortgages or deed of trust liens on real estate which is financed with another lender; or

(f) any other indebtedness of the Rush Group not exceeding in the aggregate \$30,000,000.

Section 8.4 Loans and Investments. Lend or advance money, credit or property to any Person, or invest in (by capital contribution or otherwise), or purchase or repurchase the stock or indebtedness, of all or a substantial part of the assets or properties of any Person, or agree to do any of the foregoing, except for:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and which mature within one year from the date of acquisition thereof;

(b) investments in commercial paper of any corporation with a maturity not in excess of one year from the date of acquisition thereof and rated P-1 or better by Moody's Investors Services Inc., or A-1 or better by Standard & Poor's Corporation;

(c) investments in negotiable or non-negotiable time certificates of deposit and time deposits, with a maturity not in excess of one year from the date of acquisition thereof, issued by or placed with, and money market deposit accounts issued or offered by any commercial bank organized and existing under the laws of the United States of America or under any states of the United States of America and having a combined capital and undivided surplus of not less than \$500,000,000, provided, however, that such certificates of deposit or time deposits at any one bank shall at no time exceed ten percent (10%) of the undivided capital and surplus of such bank;

(d) (omitted)

(e) advances by any member of the Rush Group to another member of the Rush Group whether constituting capital contributions or indebtedness or otherwise made; provided that no Event of Default is occurring at the time of such advance and no Event of Default would occur as a result thereof;

(f) acquisition of all or any portion of any assets or interests of any Person engaged in the automobile dealership business; provided that Rush deliver prior written notice of any such acquisition to GMAC; and

(g) any guaranty of any of the indebtedness permitted by Section 8.3 by any member of the Rush Group.

ARTICLE IX

Conditions Precedent

Notwithstanding any other terms of this Agreement, GMAC will not be required to make any Loans to Rush unless the following conditions have been met as to the Rush Group on or before the date hereof (the "Effective Date") and are also met on the date of each Credit Advance or Wholesale Credit Advance, except as noted herein.

Section 9.1 Representations True. The representations and warranties of the Rush Group contained in this Agreement and in any other Loan Document are true; there is not then in existence any Event of Default hereunder or any event which upon the service of notice or passage of time would constitute an Event of Default hereunder; there is not any suit or proceeding at law or in equity or of any governmental authority instituted or, to the knowledge of any member of the Rush Group, threatened which in either case would materially adversely affect the financial condition of any member of the Rush Group or the Collateral.

Section 9.2 Opinion of Counsel. GMAC will have received an opinion of counsel to the Rush Group in the form required by GMAC.

Section 9.3 Good Standing and Certified Copies. GMAC will have received (a) a current certificate of corporate status with respect to each member of the Rush Group, or confirmation by telecommunication, if such confirmation is available, from the jurisdiction of incorporation or organization of each such entity and each foreign jurisdiction where such entity's failure to be duly qualified or licensed would have a Material Adverse Effect; (b) certified copies of the corporation charter and by-laws of each member of the Rush Group, to the extent applicable; (c) signature and incumbency certificates with respect to the officers executing this Agreement, and the other Loan Documents; and (d) a certified copy of the corporate action taken by each member of the Rush Group authorizing execution, delivery and performance of this Agreement and the other Loan Documents.

Section 9.4 Guarantees. GMAC will have received guarantees executed and delivered by the Guarantors in accordance with Section 1.1(m).

Section 9.5 Loan Documents. All of the Loan Documents relating to the Collateral, including without limitation the Guaranty Agreements, will have been executed by the members of the Rush Group, or other applicable persons or entities, and delivered to GMAC.

Section 9.6 Material Adverse Change. No material adverse change will have occurred in the business, operations, financial condition or prospects of Rush Group or the Collateral.

Section 9.7 Due Diligence: UCC Filings and Searches. GMAC will, to its satisfaction, have completed and received all audits, inspections, examinations and surveys deemed necessary in the sole, absolute discretion of GMAC with respect to the Collateral and the financial and

business condition of any member of the Rush Group; GMAC will have received (a) confirmation of UCC-1 Financing Statements with respect to the Rush Group describing the Collateral having been filed in the proper places in each jurisdiction designated by GMAC and (b) UCC and other record searches acceptable to GMAC showing the first priority of GMAC's security interest in the Collateral.

Section 9.8 Sales Authority. Except as disclosed on the attached Schedule 9.8, each member of the Rush Group will have been duly and continuously approved (a) by the appropriate original manufacturer or distributor of motor vehicles to sell and service the brand of new motor vehicles contemplated by the parties hereto to be sold by such member of the Rush Group; and (b) by any pertinent local, state, or federal government agency to purchase, sell, lease, and service motor vehicles as a new and used dealer thereof.

Section 9.9 Repurchase Agreements. GMAC will have executed the customary vehicle factory (a) drafting and delivery instructions and (b) repurchase agreements between GMAC and the manufacturer or distributor of the new motor vehicles which the Rush Group intends to acquire.

ARTICLE X

Events of Default

Section 10.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) Payment of Wholesale Floor Plan Loans. Failure to make any payments of principal or interest when and as due under the promissory notes or other instruments evidencing the Wholesale Floor Plan Loans.

(b) Payment of Borrowing Base Loans and Real Estate Loans. Failure to make any payments of principal or interest within 3 Business Days following notification from GMAC of payments being past due under the promissory notes or other instruments evidencing the Borrowing Base Loans and Real Estate Loans.

(c) Payment of Other Obligations. Failure to pay, when due, any other monetary obligation under any of the Loan Documents.

(d) Noncompliance with Loan Documents. Any member of the Rush Group or any Guarantor shall fail to perform or observe any of the other agreements, covenants or conditions contained in this Agreement, in any other Loan Document or otherwise in existence with GMAC or any of its affiliates, and such default shall continue for more than 10 Business Days.

(e) Default on Other Debt. Any member of the Rush Group or any Guarantor shall fail to pay all or any part of the principal of or interest on any other indebtedness, when due

(whether at maturity, by acceleration or otherwise) and such default shall not be cured within the period of grace, if any, specified in the evidence of such other indebtedness.

(f) Misrepresentations. Any representation, warranty or other statement made or furnished to GMAC by or on behalf of any member of the Rush Group or any Guarantor in this Agreement, any of the other Loan Documents or any instrument, certificate or financial statement furnished in compliance with or in reference thereto proves to have been false or misleading in any material respect.

(g) Challenge to Agreement. Any member of the Rush Group or any Guarantor shall challenge or contest in any action, suit or proceeding the legality, validity or enforceability of this Agreement or any of the other Loan Documents, or the perfection or priority of any lien granted to GMAC.

(h) Repudiation of or Default Under Guaranty Agreements. Any Guarantor shall revoke or attempt to revoke the Guaranty Agreement signed by such Guarantor, or shall repudiate such Guarantor's liability thereunder or shall be in default under the terms thereof.

(i) Bankruptcy, Insolvency, etc. The occurrence of any of the following:

(i) The appointment of a receiver, trustee, custodian, conservator, or liquidator, or other similar official for any member of the Rush Group or any Guarantor, any of its property, or any other property of such member of the Rush Group or such Guarantor.

(ii) Any member of the Rush Group or any Guarantor shall generally not pay its debts as they become due or shall admit in writing an inability to pay its debts, or shall make a general assignment for the benefit of creditors.

(iii) Any member of the Rush Group or any Guarantor shall commence any case, proceeding or other action seeking relief, reorganization, arrangement, adjustment, liquidation, dissolution or composition of such member of the Rush Group or Guarantor or its respective debts under any debtor relief laws.

(iv) Any case, proceeding or other action is commenced against any member of the Rush Group or any Guarantor seeking to have an order for relief entered against such member of the Rush Group or such Guarantor, as debtor, or seeking a reorganization, arrangement, adjustment, liquidation, dissolution or composition of such member of the Rush Group or such Guarantor or its respective debts under any debtor relief laws, or seeking an appointment of a receiver, trustee, custodian or other similar official for such member of the Rush Group or such Guarantor or for all or any of its property, or any other property of such member of the Rush Group or such Guarantor and such case, proceeding or other action: (i) results in the entry of an order for relief against such member of the Rush Group or such Guarantor and (ii) remains undismissed for a period of 30 days after commencement.

(v) Any member of the Rush Group or any Guarantor shall have concealed, removed or permitted to be concealed or removed, any part of its property, with intent to hinder, delay or defraud any of its creditors; or made or suffered a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or shall have made any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid (unless adequate provision in cash has been made for payment of the similar claim); or shall have suffered or permitted, while insolvent, any creditor to obtain a lien upon any of the Collateral through legal proceedings which is not vacated within 30 days.

(vi) Any member of the Rush Group or any Guarantor shall have suffered (i) a casualty as to any material asset or assets used in the conduct of its business which is not, except for deductibles reasonably acceptable to GMAC, fully covered by insurance or (ii) a material adverse change in the business, properties, conditions, financial or otherwise of the Rush Group, as a whole.

(j) Termination of Franchise. Any Franchise Agreement shall be terminated, whether according to its terms or action taken by any party thereto, or any vehicle manufacturers take any action against any member of the Rush Group that could have a Material Adverse Effect.

(k) Wholesale Credit Advance. Any member of the Rush Group shall fail to maintain a Wholesale Credit Advance except where, with the prior written consent of GMAC, the Dealer has been sold or otherwise transferred or its operations terminated.

(l) Cross-Default. The occurrence of (i) any Event of Default under this Agreement (including, without limitation, under the Borrowing Base Line of Credit, any Real Estate Loan or any Wholesale Floor Plan Loan); (ii) a default under any other Loan Document (subject to any applicable grace or cure period, if any); or (iii) a default under any other agreement between any member of the Rush Group or any Guarantor and GMAC now existing or hereafter arising (subject to any applicable grace or cure period, if any), will constitute an immediate default under this Agreement, the Loan Documents and all other such agreements.

ARTICLE XI

Remedies

Upon an Event of Default, GMAC shall have, in addition to any other rights or remedies available at law or in equity, the following rights and remedies:

Section 11.1 Termination of Agreement. GMAC may terminate this Agreement or any part thereof. By way of example only, GMAC may terminate the Line of Credit under Article II

(the Borrowing Base Line of Credit) and the Wholesale Facility, Other Financing and Retail Facility under Article IV (the Wholesale Floor Plan Loans).

Section 11.2 Specific Remedies. GMAC shall have the right to:

(a) institute proceedings to collect all or a portion of the Indebtedness and to recover a judgment for the same and to collect upon such judgment out of any property of Rush or any member of the Rush Group wherever situated;

(b) to offset and apply any monies, credits or other proceeds of property of the Rush Group that has or may come into possession or under the control of GMAC against any amount owing by the Rush Group to GMAC;

(c) with respect to accounts, contract rights, chattel paper, tax refunds and general intangibles constituting Collateral herein, GMAC:

(i) may settle, adjust and compromise all present and future claims arising thereunder or in connection therewith;

(ii) may sell, assign, pledge or make any other agreement with respect thereto or the proceeds thereof;

(iii) may notify all such account, contract right, or other debtors of GMAC's interest therein and require direct payment to GMAC of such obligations;

(iv) may receive, sign, endorse, and deliver in its name or the name of any member of the Rush Group any and all notes, instruments, documents, titles, negotiable instruments and the like necessary and appropriate to effect the collection of such intangibles, and each member of the Rush Group hereby waives notice of presentment, protest and non-payment of any instrument so endorsed;

(v) is hereby constituted and appointed by each member of the Rush Group as its attorney-in-fact with power to accept and to receipt and endorse such member of the Rush Group's names upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral that may come into GMAC's possession; to notify the Post Office authorities to change the address for delivery of mail addressed to each member of the Rush Group to such address as GMAC may designate; to do all other acts and things necessary to carry out this Agreement. Except for gross negligence and willful misconduct, all acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of omission or commission, nor for any error of judgment or mistake of act or law made in good faith; this power being coupled with an interest is irrevocable while any of the Obligations remains unpaid;

(d) subject to any specific, contrary provision in any other security agreement executed now or in the future: sell or lease the Collateral, or any portion thereof, after giving 5 days' written notice, at public or private sale. The sale by GMAC of less than the whole of the Collateral shall not exhaust the power of sale, and GMAC is empowered to make successive sales under such power until all of the Collateral shall be sold; the liens, security interests and rights hereunder shall remain in full force and effect as to the unsold portion of the Collateral. The decision to sell all or only a portion of the Collateral at any sale shall be at the sole discretion of Secured Party.

(e) require the Rush Group to assemble all or any of the Collateral (except Real Estate) and make it available to GMAC at a place to be designated by GMAC that is reasonably convenient to the parties.

(f) GMAC may, at GMAC's option, declare all of the sums due under the Borrowing Base Loans (Article II), Real Estate Loans (Article III), Wholesale Floor Plan Loans (Article IV) to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law or provided in this Agreement or any of the other Loan Documents. The Rush Group and each Guarantor (as applicable) expressly waive all presentations for payment, notices of intention to accelerate maturity, notices of acceleration of maturity, notices of intention to demand payment, demands for payment, protests, and notices of protest.

The Rush Group agrees that the sale by GMAC of any new or unused property repossessed by GMAC to the original seller thereof, or to any person designated by such seller, at the invoice cost thereof to the Rush Group less any credits granted to the Rush Group with respect thereto and reasonable costs of transportation and reconditioning, shall be deemed to be a commercially reasonable means of disposing of the same. The Rush Group further agree that if GMAC shall solicit bids from three or more other sellers or dealers in the type of property repossessed by GMAC hereunder, any sale by GMAC of such property in bulk or in parcels to the bidder submitting the highest cash bid therefor also shall be deemed to be a commercially reasonable means of disposing of the same. Notwithstanding the foregoing, it is expressly understood that such means of disposal shall not be exclusive, and that GMAC shall have the right to dispose of any property repossessed hereunder by any commercially reasonable means.

Section 11.3 Remedies Cumulative. GMAC shall have all rights and remedies contained in any other Loan Document, all of which rights and remedies shall be cumulative of those granted herein, or otherwise available at law or in equity. All of GMAC's rights and remedies may be enforced successively or concurrently. GMAC's rights shall include all rights of a secured party under the Uniform Commercial Code applicable in any particular state.

Section 11.4 Expenses. The Rush Group shall pay all expenses and reimburse GMAC for any expenditures, including reasonable attorney fees and legal expenses, in connection with GMAC's exercise of any of its rights and remedies under this Agreement.

Section 11.5 Proceeds. Proceeds realized by GMAC on the sale or other disposition of the Collateral, after payment of all expenses incurred by GMAC in enforcing the Indebtedness or

in retaking, holding, preparing for sale or lease, selling, leasing or otherwise disposing of or realizing on the Collateral or the Indebtedness, shall be applied by GMAC to the remaining Indebtedness in such manner as GMAC shall elect.

Section 11.6 Default Interest. In addition to the remedies provided above or elsewhere in this Agreement, all Indebtedness which is not paid when due, by acceleration, at maturity or otherwise, shall bear interest (i) in the case of Indebtedness evidenced by promissory notes, at the default rate (if any) provided in the applicable notes, and (ii) in the case of all Indebtedness not covered by item (i), at the highest nonusurious default rate provided for in any of the notes.

Section 11.7 No Agency. Nothing herein contained shall be construed to constitute any member of the Rush Group as agent of GMAC for any purpose whatsoever, and GMAC shall not be responsible nor liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof, except to the extent the same results from GMAC's own gross negligence or willful misconduct. GMAC shall not, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Collateral or any instrument received in payment thereof or for any damage resulting therefrom, except to the extent the same results from GMAC's own gross negligence or willful misconduct. GMAC does not by anything herein or in any assignment or otherwise, assume the Rush Group's obligations under any contract or agreement assigned to GMAC, and GMAC shall not be responsible in any way for the performance by the Rush Group of any of the terms and conditions thereof.

ARTICLE XII

Miscellaneous

Section 12.1 GMAC's Accounts. GMAC shall maintain on its books in accordance with its usual practice an account or accounts with respect to the Loans, which account or accounts shall include, without limitation, (i) the outstanding principal amount of each of the Loans, (ii) the amount of principal and interest due under each of the Loans and the required payment dates, (iii) all other fees, costs, expenses, losses and indemnities due under this Agreement or any other Loan Document, and (iv) all amounts received by GMAC with respect to the foregoing. For purposes of any legal action or proceeding arising out of or in connection with this Agreement or any other Loan Document, and for all other purposes, the entries made in such account or accounts maintained by GMAC pursuant to this Section 12.1 shall create a presumption as to the existence and amounts of the foregoing, absent manifest error. However, the Rush Group shall have 30 days from the date the GMAC Account statement is received to contest the accuracy of the statement; the failure of the Rush Group to contest the accuracy shall constitute conclusive evidence of its accuracy. If the Rush Group contests the accuracy within said 30 days, GMAC shall have 30 days to reconcile the disputed GMAC Account balance. The failure by GMAC to maintain such account or accounts shall not in any manner affect the Indebtedness.

Section 12.2 Notices. All notices or other communications required or permitted to be given pursuant to the provisions of this Agreement shall be in writing and shall be considered as properly given if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering same in person to the intended addressee, or by prepaid telegram, telex or telecopy. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the parties shall be as set forth below; provided, however, that either party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of 30 days' notice to the other party in the manner set forth hereinabove. The addresses for notice hereunder are:

If to Rush or any member of the Rush Group: 555 IH 35 South, Suite 500
New Braunfels, Texas 78130

And:

If to RTC-California: P.O. Box 223
Pico Rivera, California 90660-0223

If to RTC-Louisiana: 5220 Industrial Drive Extension
Bossier City, Louisiana 71112

If to RTC-Oklahoma: P.O. Box 271148
Oklahoma City, Oklahoma 73137

If to RTC-Texas: P.O. Box 200105
San Antonio, Texas 78220-0105

If to RTC-Colorado: P.O. Box 16474
Denver, Colorado 80216

If to RTC-Arizona: P.O. Box 6568
Phoenix, Arizona 85005

If to RTC-New Mexico: 2900 Vassar Drive, N.E.
Albuquerque, New Mexico 87107

If to Rush Retail: 516 IH 10 East
Seguin, Texas 78155

If to RTC-San Diego: 8464 Miramar Road
San Diego, California 92126

If to Rush Phoenix: 2600 W. West McDowell Road
Phoenix, Arizona 85009

If to Rush Tucson: 755 E. 44th Street
Tucson, Arizona 85713

For notices to any member of the Rush Group, with a copy to: Mr. Phillip M. Renfro
Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205-3792

If to GMAC: P.O. Box 4601
Houston, Texas 77210-4601
Attn: Director of Commercial Lending

For notices to GMAC, with a copy to: Mr. John Bellaver
General Motors Acceptance Corporation
P.O. Box 33122
Detroit, Michigan 48232

Section 12.3 Waiver. No course of dealing, or any failure by GMAC to insist, or any election by GMAC not to insist, upon any member of the Rush Group's strict performance of any of the terms, provisions or conditions of the Loan Documents shall not be deemed to be a waiver of same or of any other term, provision or condition thereof; and GMAC shall have the right at any time thereafter to insist upon strict performance by such member of the Rush Group of any and all of same. Specifically, no Advance by GMAC when there exists an Event of Default under Article X shall in any way preclude GMAC from thereafter declaring such failure to comply to be an Event of Default hereunder.

Section 12.4 Survival. All agreements, representations, warranties and covenants of each member of the Rush Group contained in this Agreement shall survive the execution of this Agreement and the other Loan Documents, and the making of the Loans; provided, however, that to the extent any agreement, representation, warranty or covenant of any member of the Rush Group herein, either by its express terms or by the determination of a court of competent jurisdiction, survives the repayment of the Loans and the expiration or termination of this Agreement, such agreement, representation, warranty or covenant shall in no event survive more than 2 years from the later of the (i) date of repayment of the Loans or (ii) the expiration or termination of this Agreement.

Section 12.5 Limitations on Interest. All agreements between GMAC, any member of the Rush Group, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand for payment or acceleration of the maturity hereof or otherwise, shall the interest contracted for, charged or received by GMAC exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to Lender in excess of the maximum lawful amount, the interest payable to GMAC shall be reduced to the maximum amount permitted under applicable law; and if from any circumstance GMAC shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal

balance of the Indebtedness and not to the payment of interest, or if such excessive interest exceeds the principal balance such excess shall be refunded to the applicable member(s) of the Rush Group. All interest paid or agreed to be paid to GMAC shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal so that the interest hereon for such full period shall not exceed the maximum amount permitted by applicable law. This paragraph shall control all agreements between GMAC and any member of the Rush Group.

Section 12.6 Applicable Law. This Agreement and the other Loan Documents (except as may be otherwise expressly provided in such other Loan Documents), shall be governed by and construed in accordance with the laws of the State of Texas and the laws of the United States applicable to transactions within such State. The Guaranty Agreements, Security Agreements or other Loan Documents (except this Agreement) executed by a Dealer or Guarantor doing business in a state other than Texas, or granting a lien on collateral located in a state other than Texas, shall be governed by the laws of the state specified in such documents.

Section 12.7 Venue and Waiver of Jury Trial. The parties agree that all actions or proceedings arising in connection with this Agreement and any of the Loan Documents shall be tried and litigated only in the state and federal courts located in the State of Texas or, at the sole option of GMAC, in any other court in which GMAC shall initiate legal or equitable proceedings and which has subject matter jurisdiction over the matter in controversy. All the parties to this Agreement waive any right each may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section 12.7. All the parties to this Agreement hereby further jointly and severally waive any right to trial by jury with respect to any action, claim, suit or proceeding in respect of or relating to this Agreement or any other Loan Document and/or any relationship between GMAC and the Rush Group.

Section 12.8 Severability. If any provision hereof or of any of the other Loan Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the application of such provision to any other person or circumstance nor the remainder of the instrument in which such provision is contained shall be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

Section 12.9 Construction. This Agreement and each other Loan Document are being entered into by competent and experienced businessmen, represented by counsel, and the parties acknowledge that each party and its counsel have reviewed and revised this Agreement and the Loan Documents; therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, the Loan Documents or any amendments or exhibits hereto. The parties intend that all Loan Documents shall be construed and interpreted in a consistent manner.

Section 12.10 GMAC's Discretion. In any instance hereunder (including any exhibits, schedules, annexes or addenda hereto) where GMAC's satisfaction, approval or consent or the exercise of GMAC's judgment is required, the granting or denial of such satisfaction, approval or consent and the exercise of such judgment shall be within the sole discretion of GMAC. This

provision shall govern any such satisfaction requirements, consents, approvals or exercise of judgment required in connection with any of the Loan Documents.

Section 12.11 No Third Party Beneficiary. This Agreement is for the sole benefit of GMAC and the Rush Group and is not for the benefit of any third party.

Section 12.12 Rush Group In Control; No Partnership. In no event shall GMAC's rights and interests under the Loan Documents be construed to give GMAC the right to, or be deemed to indicate that GMAC is in control of the business, management or properties of the Rush Group or has power over the daily management functions and operating decisions made by the Rush Group. Nothing contained herein or in any of the other Loan Documents shall be construed as creating joint venture, partnership, tenancy-in-common or joint tenancy arrangement between GMAC and the Rush Group. The relationship of GMAC and the Rush Group is and at all times shall be solely that of debtor and creditor.

Section 12.13 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, legal representatives and assigns. However, no member of the Rush Group shall assign or encumber this Agreement or any rights herein, it being expressly understood and agreed that the rights of the members of the Rush Group hereunder are not assignable.

Section 12.14 Number and Gender. Whenever used herein, the singular number shall include the plural and the plural the singular, and the use of any gender shall be applicable to all genders. The duties, covenants, obligations, and warranties of each member of the Rush Group in this Agreement shall be joint and several obligations of each member of the Rush Group.

Section 12.15 Captions. The captions, headings, and arrangements used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof.

Section 12.16 Time of the Essence. Time is of the essence with respect to each and every matter pertaining to performance under this Agreement and of each provision hereof.

Section 12.17 Executed Copies. This Agreement may be executed in any number of counterpart copies, each of which counterparts shall be deemed an original for all purposes.

Section 12.18 Entire Agreement of the Parties. This Agreement, including all agreements referred to or incorporated herein and all recitals hereto, is the entire agreement among the parties relating to the subject matter hereof, supersedes all prior agreements, commitments and understandings among the parties hereto relating to the subject matter hereof, and cannot be changed or terminated orally, and shall be deemed effective as of the date hereof. To the extent that the terms of the documents heretofore evidencing the Borrowing Base Loans, Real Estate Loans or Wholesale Floor Plan Loans are inconsistent with the terms hereof, or if any contemporaneous or subsequent documents evidencing said loans are inconsistent with the terms hereof, the terms of this Agreement shall control.

Section 12.19 Original Loan Agreement. THIS AGREEMENT MODIFIES, SUPPLEMENTS, RESTATES, RENEWS AND EXTENDS (BUT DOES NOT EXTINGUISH) THE ORIGINAL LOAN AGREEMENT AND THE OBLIGATIONS, LIABILITIES, INDEBTEDNESS AND UNDERTAKINGS OF THE MEMBERS OF THE RUSH GROUP UNDER THE ORIGINAL LOAN AGREEMENT AND THE LOAN DOCUMENTS RELATED THERETO. ALL LIENS CREATED PURSUANT TO THE ORIGINAL LOAN AGREEMENT, THE LOAN DOCUMENTS RELATED THERETO AND OTHERWISE SHALL CONTINUE IN FULL FORCE AND EFFECT (AND ARE NOT EXTINGUISHED) AS COLLATERAL FOR ALL OBLIGATIONS, LIABILITIES, INDEBTEDNESS AND UNDERTAKINGS OF THE RUSH GROUP NOW OR HEREAFTER ARISING WITH RESPECT TO THIS AGREEMENT AND EACH OF THE OTHER LOAN DOCUMENTS RELATED HERETO. IT IS EXPRESSLY PROVIDED, HOWEVER, THAT THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE LOAN DOCUMENTS RELATED HERETO SHALL GOVERN THE RIGHTS AND REMEDIES OF GMAC AND THE OBLIGATIONS AND LIABILITIES OF THE RUSH GROUP AND SHALL SUPERSEDE THE TERMS, PROVISIONS, RIGHTS, REMEDIES AND OBLIGATIONS UNDER THE ORIGINAL LOAN AGREEMENT.

Section 12.20 Original Guaranty Agreements. Reference is made to the guaranty agreements (being titled "Guaranty", "Guaranty Agreement" and "Corporate Guarantee", as applicable) dated July 28, 1997 executed by Rush, RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas and RTC-Colorado (referred to individually as an "Original Guaranty Agreement" and collectively as the "Original Guaranty Agreements"). Rush, RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas and RTC-Colorado (referred to individually as an "Original Guarantor" and collectively as the "Original Guarantors") each acknowledge and agree that RTC-Arizona, RTC-New Mexico and Rush Retail is each a subsidiary or other entity formed or otherwise owned in whole or in part by Rush as contemplated under its Original Guaranty Agreement. Each Original Guarantor agrees that the amounts that will from time to time be loaned by GMAC to RTC-Arizona, RTC-New Mexico and Rush Retail shall be included with the definition of the "Indebtedness" under its Original Guaranty Agreement. Each Original Guarantor further acknowledges and agrees that its liability under its Guaranty Agreement shall remain in full force and effect pursuant to the terms thereof. Each Original Guarantor hereby confirms and ratifies (a) its obligations pursuant to the terms of its Original Guaranty Agreement; (b) that its Original Guaranty Agreement remains in full force and effect; and (c) that there are no claims, counterclaims, offsets or defenses to its Original Guaranty Agreement. RTC-Arizona, RTC-New Mexico and Rush Retail shall execute Guaranty Agreements substantially similar to the Original Guaranty Agreements.

Section 12.21 Original Security Agreements. Reference is made to the security agreements (being titled "General Security Agreement" and "Security Agreement", as applicable) dated July 28, 1997 executed by RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas and RTC-Colorado (referred to individually as an "Original Security Agreement" and collectively as the "Original Security Agreements"). RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas and RTC-Colorado (referred to individually as an "Original Pledgor" and collectively as the "Original Pledgors") each acknowledge and agree that the amounts that will from time to time be loaned by GMAC to RTC-Arizona, RTC-New Mexico and Rush Retail shall be secured by the liens granted under its Original Security Agreement (and shall be included within the definitions of "Obligations" or "Indebtedness" under its Security Agreement, as applicable). Each Original Pledgor further acknowledges and agrees that its liability under its

Original Security Agreement shall remain in full force and effect pursuant to the terms thereof. Each Original Pledgor hereby confirms and ratifies (a) the liens pursuant to the terms of its Original Security Agreement; (b) that its Original Security Agreement remains in full force and effect; and (c) that there are no claims, counterclaims, offsets or defenses to its Original Security Agreement. RTC-Arizona, RTC-New Mexico and Rush Retail shall execute Security Agreements substantially similar to the Original Security Agreements.

Section 21.22 Statutory Notice. In accordance with Section 26.02 of the Texas Business and Commerce Code, GMAC hereby notifies the Rush Group that:

THIS WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED to be effective as of the date and year first above written.

GENERAL MOTORS ACCEPTANCE
CORPORATION

RUSH ENTERPRISES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH TRUCK CENTERS OF
CALIFORNIA, INC.

RUSH TRUCK CENTERS OF
LOUISIANA, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH TRUCK CENTERS OF
OKLAHOMA, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH TRUCK CENTERS OF
TEXAS, L.P.

By: Rushtex, Inc., General Partner

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH TRUCK CENTERS OF
COLORADO, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH TRUCK CENTERS OF
ARIZONA, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH TRUCK CENTERS OF
NEW MEXICO, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH RETAIL CENTERS, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH GMC TRUCK CENTER OF
SAN DIEGO, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH GMC TRUCK CENTER OF
PHOENIX, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

RUSH GMC TRUCK CENTER OF
TUCSON, INC.

By: _____
Name: W. Marvin Rush
Title: Chief Executive Officer

Exhibit 11.1

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
 COMPUTATION OF NET INCOME AND EARNINGS PER SHARE
 (in thousands, except per share amounts)

	Three months ended December 31,		Year ended December 31,	
	2000	1999	2000	1999
	----- (Unaudited) -----			
BASIC EARNINGS PER SHARE CALCULATION				
Net Income	\$(1,582) =====	\$ 4,775 =====	\$ 3,325 =====	\$16,166 =====
Weighted average number of common shares outstanding	7,002	7,002	7,002	6,735
Earnings per share - Basic	\$ (0.23) =====	\$ 0.68 =====	\$ 0.47 =====	\$ 2.40 =====
DILUTED EARNINGS PER SHARE CALCULATION				
Net Income	\$(1,582) =====	\$ 3,862 =====	\$ 3,325 =====	\$16,166 =====
Weighted average number of common shares outstanding	7,002	7,002	7,002	6,735
Weighted average number of common share equivalents applicable to stock options	-- -----	178 -----	-- -----	152 -----
Common shares and common share equivalents	7,002 =====	7,180 =====	7,002 =====	6,887 =====
Earnings per share - Diluted	\$ (0.23) =====	\$ 0.66 =====	\$ 0.47 =====	\$ 2.34 =====

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 (SEC File No. 333-07043 and 333-70451).

/s/ARTHUR ANDERSEN LLP

San Antonio, Texas
March 26, 2001