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, 1999

Commission file number 0-20797

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

TEXAS	74-1733016
(State or other jurisdiction of incorporation or organization)	(I.R. S. Employer Identification No.)
555 IH 35 SOUTH, NEW BRAUNFELS, TX	78130
(Address of principal executive offices)	(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 X NO
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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. X

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 23, 2000 was approximately $23,151,750, based upon the last sales price on March 23, 2000 on the NASDAQ National Market for the Company's common stock. The registrant had 7,002,044 shares of Common Stock outstanding on March 23, 2000.

DOCUMENTS INCORPORATED BY REFERENCE
PORTIONS OF REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR THE REGISTRANT'S 2000 ANNUAL MEETING OF SHAREHOLDERS, TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION NOT LATER THAN APRIL 30, 2000, ARE INCORPORATED BY REFERENCE INTO PART III OF THIS FORM 10-K.

RUSH ENTERPRISES, INC.

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YEAR ENDED DECEMBER 31, 1999

Certain statements contained in this 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, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, one time events and other factors described herein and in the Company's 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 1999. 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 33.0% and to increase earnings at a compounded annual growth rate of 37.5%. 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 34 years ago, we have grown to operate Rush Truck Centers at 36 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 1999, our Rush Truck Center Division accounted for approximately $662.5 million, or approximately 82.0%, 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 1999, our Rush Equipment Center Division accounted for approximately $82.7 million, or approximately 10.2%, 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 1999, our Rush Leasing and Rental Division accounted for approximately $31.0 million, or approximately 3.8%, 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 1999, our Rush Financial and Insurance Division accounted for approximately $13.6 million, or approximately 1.7%, 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, Texas area. We anticipate opening a second D&D store in Houston, Texas in the second quarter of 2000. During 1999, our Rush Retail Division accounted for approximately $18.6 million, or approximately 2.3%, of our total revenues.

We were founded and incorporated in 1965 in Texas and our three senior executives jointly have 63 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 1999. 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 Manufactures Association as trucks with a minimum gross vehicle weight rating above 33,000 pounds) unit sales in 1996 to approximately 247,908 new Class 8 unit sales in 1999 (a 34.0% increase). Within this market, our primary product line is Peterbilt trucks, which according to American Truck Dealers accounted for approximately 10.2% of all new heavy-duty truck registrations in 1999. More specifically, within our primary markets, according to R. L. Polk, 30,243 new heavy-duty trucks were registered in 1999, 4,832 of which were Peterbilts. Accordingly, within our markets, Peterbilt trucks achieved an average 16.0% market share, substantially higher than the national average.

Within the markets we serve, 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 5,366 new unit sales in 1999, for an overall domestic market share of 2.2%. This represents an 86.9% increase in unit sales and a 47% 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.

According to Martin Labbe Associates, a transportation research firm, the long-term growth rates for Class 8 trucks will approximate 1.9% per year until the year 2007. Factors, which management believes favor the continued growth in trucking, include the:

- 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;
- competitive pressures for "just in time" manufacturing processes where U.S. manufacturers are demanding faster, yet less costly, small shipment services.
- deregulation in the trucking industry leading to a proliferation of freight haulers;
- the rise of intermodal service which has established a symbiotic relationship between rail and truck service; and
- the significant increase of cross-border truck traffic between Mexico and the United States since NAFTA became effective in January of 1994.

However, there are signs the trucking industry as a whole, in the year 2000, will not perform up to the high standards set in 1999. Increased fuel prices and interest rates have adversely affected truck buyers. This results in fewer new truck sales, has a negative impact on used truck values, 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 78,458 units of construction equipment were put into use domestically in 1999 compared to 90,158 in 1998, representing a 13% decrease. However, in the markets Rush currently serves construction activity remains strong. 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 73 dealers as of December 31, 1999, compared to approximately 100 dealers as of December 31, 1998, which operate approximately 420 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 1999 is greater than $10 billion and is served by over 10,000 rental companies. Although equipment unit purchases are expected to slow down in 2000, we believe that this industry will continue to grow as companies increasingly utilize rental companies as a means of outsourcing their equipment needs so as to reduce their investment in non-core assets. We intend to capitalize on these trends by operating full service Rush Equipment Centers which can satisfy the needs of both our large and small customers through a full range product offering for both sales and rentals.

Market factors affecting the construction equipment industry include:

- levels of commercial, residential, and public construction activities;
- state and federal highway and road construction appropriations; and
- 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:

- 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.
- 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.

- 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.

- 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.

- 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. More recently, we became a dealer of Dorsey trailers and have begun to introduce trailer

sales, repair and maintenance services at many of our Rush Truck Centers. Other recent and planned 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.

- 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. We are currently planning to expand existing Rush Truck Centers and/or to open new facilities in our existing areas of responsibility in Colorado, Texas, Oklahoma and California. Construction equipment expansion is currently planned or underway at two of our Rush Equipment Centers in 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.

- 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, 1999:

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 Sun Valley	Sun Valley, California	Leased	1994(1)	Parts
Rush Truck Center of Sylmar	Sylmar, California	Owned	1999	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	1997	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	New, used and financial
	Tulsa, Oklahoma	Leased	(2)	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
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	1990	New and used
	Houston, Texas	Owned	1989	Parts and service
	Houston, Texas	Owned	1985	Body
	Houston, Texas	Owned	1992	Leasing, parts, service, and tire store
	Houston, Texas	Owned	(3)	New, used, parts, service, body, and financial
Rush Truck Center of Sealy	Sealy, Texas	Owned	(4)	New, used, parts, service, and financial
Rush Truck Center of Laredo	Laredo, Texas	Owned	1999(5)	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	Used
Rush Truck/Equipment Center of Beaumont	Beaumont, Texas	Leased	1998 (6)	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) Facility will be closed and relocated to new Sylmar facility by the first quarter of 2000.

(2) Construction of new facility at this site to be completed by the third quarter 2000 at which time the present parts and service and financial locations may be consolidated.

(3) Site of new dealership. Construction to be completed by the second quarter of 2000 at which time operations at other locations may be consolidated.

(4) Site of new dealership to be opened in the second quarter of 2000.

(5) Site of new dealership opened in the fall of 1999.

(6) 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 Supermarket in Seguin, Texas occupies 26,900 square feet of owned building space and we plan to open a second D&D store occupying 66,000 square feet of owned building space in Houston, Texas in April 2000. 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 a ranch of approximately 5,700 acres in Cotulla, Texas.

RUSH OPERATING DIVISIONS

We are managed and operated though 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 $466.1 million, or approximately 57.7%, of our total revenues for 1999. Rush Truck Centers primarily sell new Class 8 heavy-duty Peterbilt trucks, which constitute more than 98% 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 60 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 1999 were to repeat customers.

Used Truck Sales. Used truck sales accounted for approximately $88.4 million, or approximately 10.9%, of our total revenues for 1999. 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 $107.1 million, or approximately 13.8%, of our total revenues for 1999. 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 409 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 recently initiated 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 will increase customer traffic, customer loyalty and enhance 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 $50.4 million, or approximately 6.3%, of our total revenues for 1999. 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 $11.6 million, or approximately 1.4%, of our total revenues for 1999. 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 $19.1 million, or approximately 2.4%, of our total revenues for 1999. 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 $23.3 million, or approximately 2.4%, of our total revenues for 1999. 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 from less than 100 trucks in 1993 to approximately 845 trucks at December 31, 1999. As of December 31, 1999, we owned approximately 33.7% 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 28 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. We have consistently 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.

Construction Equipment Rental. Construction equipment rental revenues accounted for approximately $7.7 million, or approximately 1.0%, of our total revenues for 1999. 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 266 pieces of equipment as of December 31, 1999. Currently, the average age of the construction equipment in our rental fleet is approximately thirteen 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 which assist them in purchasing new or used trucks and construction equipment. This division accounted for approximately $13.6 million, or approximately 1.7%, of our total revenues for 1999. 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 $254.4 million, or 45.9%, of our total new and used truck sales in 1999, an increase of 38.6% from approximately $183.6 million in 1998. Approximately 64% of these truck financings related to new truck sales and the remainder related to used truck sales. Generally, truck financings 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 $29.2 million, or approximately 47.1%, of our total new and used construction equipment sales in 1999. 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. All finance contracts for construction equipment are assigned without recourse.

Over the last five years, the default rate on the truck financings that we originated has averaged less than 0.5% per year. Our aggregate liability for repossession losses 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 financings that we originate because such financings 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 coverages, life insurance, credit life insurance and health insurance, workers' compensation coverages 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 79% during 1999.

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 Supermarket which serves the greater San Antonio, Texas area. 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 $18.6 million, or approximately 2.3%, of our total revenues for 1999. We currently anticipate opening a second D&D Farm and Ranch Supermarket in Houston, Texas in 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 1999, no single Rush Truck Center customer accounted for more than 15% of our total truck sales by dollar volume. Our Rush Equipment Centers' customer base is similarly diverse and, during 1999, 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 1999, 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 12 years, and the average tenure of its current truck centers' general managers is approximately 8 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 twice a year 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 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.

In September 1998, the Company purchased substantially all of the assets of Klooster Equipment, Inc. which consisted of three full-service construction equipment dealerships and one retail only location covering 54 counties in western Michigan. The purchase price was approximately $13.1 million funded by (i) $2.5 million of cash, (ii) $9.8 million of borrowings under the Company's floor plan financing arrangements with Associates Commercial Corporation and John Deere Inc., and (iii) $836,000 of borrowings from John Deere Credit Corp.

In March 1998, the Company purchased all of the outstanding stock of D&D Farm and Ranch Supermarket, Inc. for approximately $10.5 million, with the purchase price being a combination of cash, notes payable and options to purchase common stock. The Company accounted for the acquisition as a purchase.

In October 1997, the Company purchased certain assets and assumed certain liabilities of C. Jim Stewart & Stevenson, Inc., and Stewart & Stevenson Realty Corp., which primarily consisted of one full-service John Deere dealership in Houston, Texas. The purchase price was approximately $30.2 million, funded by (i) $4 million of cash, (ii) $21.1 million of borrowings under the Company's floor plan financing arrangement with Associates Commercial Corporation and John Deere Inc., (iii) $3,080,000 in real estate borrowings from Frost National Bank, and (iv) a $2,062,500 promissory note payable to the seller.

In March 1997, the Company purchased the assets of Denver Peterbilt, Inc., which consisted of two full-service Peterbilt dealerships in Denver and Greeley, Colorado. The purchase price was approximately $7.9 million, funded by (i) $6.5 million of cash and (ii) $1.4 million of borrowings under the Company's floor plan financing arrangement with GMAC to purchase new and used truck and parts inventory. The Company also agreed to pay the principal of Denver Peterbilt, Inc. additional amounts based on future sales of new Peterbilt trucks at the Colorado locations. The Company paid the principal of Denver Peterbilt, Inc. $2.0 million in March 1999 satisfying all terms of the agreement.

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:

- the accessibility of dealership locations;
- the number of dealership locations;
- price, value, quality and design of the products sold; and
- 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 March 2000 and December 2002 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 1.0% of our total revenues for 1999. The Volvo dealership agreement is effective through March 31, 2000 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, 2000. 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, 1999, we had approximately $104.5 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 one-half percent.

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 expires September 2000 and the current interest rate is the prime rate less three-quarters of one percent. Our Associates facility expires September 2000 and the current interest rate is the prime rate less three-quarters of one percent. As of December 31, 1999, we had $36.3 million and $10.1 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, 1999 and 1998, the Company's backlog of truck orders was approximately $180.0 million. 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, 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, 1999, we employed approximately 1,704 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 11 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, 1999.

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 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
Fiscal 1998:		
First quarter	$ 11.50	$ 7.63
Second quarter	$ 13.75	$ 10.38
Third quarter	$ 12.63	$ 8.63
Fourth quarter	$ 12.00	$ 7.38

As of March 23, 2000, there were approximately 66 record holders of Common Stock and approximately 1,566 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, 1999, 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 Oklahoma (December 1995), 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 . 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."

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
			(IN THOUSANDS)		
SUMMARY OF INCOME STATEMENT DATA					
Revenues					
New and used truck sales	$ 192,949	$ 258,613	$ 290,495	$ 422,754	$ 554,571
Parts and service	53,368	64,505	78,665	108,024	130,548
Construction equipment sales	--	--	7,518	35,402	62,042
Lease and rental	10,058	13,426	14,761	18,594	25,375
Finance and insurance	3,980	5,855	6,026	11,432	13,581
Retail sales	--	--	--	13,895	18,573
Other	1,279	1,262	1,904	2,684	3,665
Total revenues	261,634	343,661	399,369	612,785	808,355
Cost of products sold	219,059	289,143	334,583	508,242	673,563
Gross profit	42,575	54,518	64,786	104,543	134,792
Selling, general and administrative	31,238	40,552	50,618	75,849	93,502
Depreciation and amortization	1,846	2,416	2,977	4,813	6,162
Operating income	9,491	11,550	11,191	23,881	35,128
Interest expense, net	2,886	3,053	2,513	5,884	8,185
Minority interest	162	--	--	--	--
Income from continuing operations before income taxes	6,443	8,497	8,678	17,997	26,943
Income tax expense	--	2,295	3,298	7,200	10,777
Income from continuing operations	6,443	6,202	5,380	10,797	16,166
Discontinued operations --					
Operating income (loss)	(224)	--	--	--	--
Gain on disposal	1,785	--	--	--	--
Income from discontinued operations	1,561	--	--	--	--
Net income	$ 8,004	$ 6,202	$ 5,380	$ 10,797	$ 16,166

	YEAR ENDED DECEMBER 31,	
	1995	1996
	(IN THOUSANDS EXCEPT PER SHARE DATA)	
PRO FORMA INCOME STATEMENT DATA (Unaudited)		
Income from continuing operations before taxes	$ 6,443	$ 8,497
Pro forma adjustments to reflect federal and state income taxes(1)	2,448	3,229
Pro forma income from continuing operations after provision for income taxes	$ 3,995	$ 5,268
Pro forma basic and diluted income from continuing operations per share(2)	$ .93	$ .94
Weighted average shares outstanding used in the pro forma basic and diluted income from continuing operations per share calculation	4,297	5,590

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
OPERATING DATA					
Number of locations --	14	14	17	28	43
Unit truck sales --					
New trucks	2,263	2,871	3,040	4,315	5,366
Used trucks	1,135	1,349	1,952	2,087	2,156
Total unit trucks sales	3,398	4,220	4,992	6,402	7,522
Construction equipment unit sales --					
New units	--	--	90	227	646
Used units	--	--	35	120	337
Total construction equipment unit sales	--	--	125	347	983
Total finance contracts sold (in thousands)	$ 53,165	$ 76,390	$ 94,849	$ 204,400	$ 283,569
Truck lease and rental units	521	559	628	667	845

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS)				
BALANCE SHEET DATA					
Working capital	$ 626	$ 24,676	$ 18,364	$ 15,712	$ 2,843
Inventories	36,517	36,688	66,757	107,140	173,565
Total assets	76,079	109,217	155,478	220,700	365,696
Floor plan financing	34,294	42,228	63,268	89,212	150,862
Line-of-credit borrowings	10	20	20	10	10,953
Long-term debt, including current portion	17,287	15,547	25,181	39,259	73,877
Shareholders' equity	7,685	36,692	42,072	52,869	74,852

(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. See Note 1 to the Consolidated Financial Statements.

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, 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 1999. 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 33.0% and to increase earnings at a compounded annual growth rate of 37.5%. 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 34 years ago, we have grown to operate Rush Truck Centers at 36 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 1999, our Rush Truck Center Division accounted for approximately $662.5 million, or approximately 82.0%, 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 1999, our Rush Equipment Center Division accounted for approximately $82.7 million, or approximately 10.2%, 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 1999, our Rush Leasing and Rental Division accounted for approximately $31.0 million, or approximately 3.8%, 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 1999, our Rush Financial and Insurance Division accounted for approximately $13.6 million, or approximately 1.7%, 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, Texas area. We anticipate opening a second D&D store in Houston, Texas in 2000. During 1999, our Rush Retail Division accounted for approximately $18.6 million, or approximately 2.3%, of our total revenues.

RESULTS OF OPERATIONS

The following discussion and analysis includes the Company's historical results of operations for 1997, 1998, and 1999.

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

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
New and used truck sales	72.7%	69.0%	68.6%
Parts and service	19.7	17.6	16.1
Construction equipment sales	1.9	5.8	7.7
Lease and rental	3.7	3.0	3.1
Finance and insurance	1.5	1.9	1.7
Retail sales	--	2.3	2.3
Other	0.5	0.4	0.5
Total revenues	100.0	100.0	100.0
Cost of products sold	83.8	82.9	83.3
Gross profit	16.2	17.1	16.7
Selling, general and administrative	12.7	12.4	11.6
Depreciation and amortization	0.7	0.8	0.8
Operating income	2.8	3.9	4.3
Interest expense, net	0.6	1.0	1.0
Income before income taxes	2.2%	2.9%	3.3%

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 improved operations, increased market demand, and revenues generated from acquisitions and new store openings.

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 the 40% effective rate.

FISCAL YEAR ENDED DECEMBER 31, 1998 COMPARED WITH FISCAL YEAR ENDED DECEMBER 31, 1997.

Revenues

Revenues increased by approximately $213.4 million, or 53.4%, from $399.4 million to $612.8 million from 1997 to 1998. This increase was attributable to gains achieved from each of the Company's revenue categories, primarily as a result of improved operations, increased market demand, and revenues generated from acquisitions and new store openings.

Sales of new and used trucks increased by approximately $132.3 million, or 45.5%, from $290.5 million to $422.8 million from 1997 to 1998. Unit sales of new and used trucks increased by 41.9% and 6.9%, respectively. The large increase in new truck sales was mainly due to increasing fleet sales and an overall strong new truck market in 1998. The moderate growth rate in used truck sales is a result of a shortage of desirable used truck inventory during 1998 caused by fewer used truck trade-ins. The average selling price of new trucks increased by 5.9% while used truck average selling prices increased by 13.8%. New truck and used truck prices increased due to product mix and increased market demand.

Parts and service sales increased by approximately $29.3 million, or 37.2%, from $78.7 million to $108.0 million from 1997 to 1998, with the inclusion of a full year of operations in Colorado, Pharr and at the Rush equipment center in Houston, Texas, and the 1998 additions of the Rush retail center and the equipment center in Michigan accounting for approximately $14.4 million or 49.1% of the increase and the remainder being attributed to growth at existing locations.

Sales of new and used construction equipment increased approximately $27.9 million or 372%, from $7.5 million to $35.4 million from 1997 to 1998. The increase is due to the construction equipment segment only having three months of operations in 1997 and the addition of the Michigan construction equipment dealership in September of 1998. New and used equipment unit sales were 247 and 120, respectively, for the year ended 1998.

Lease and rental revenues increased by approximately $3.8 million, or 25.7%, from $14.8 million to $18.6 million from 1997 to 1998, with the inclusion of a full year of operations at the Rush equipment center in Houston, Texas and the acquisition of the equipment center in Michigan accounting for approximately $2.4 million or 63.2% of the increase, and the remainder being attributed to growth at existing locations.

Finance and insurance revenues increased by approximately $5.4 million, or 90%, from $6.0 million to $11.4 million from 1997 to 1998. The growth resulted from increased truck sales coupled with lower borrowing costs during 1998 compared to 1997. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Retail sales revenue totaled $13.9 million during 1998 and was generated entirely by D&D in its first year with the Company.

Other income increased approximately $0.8 million or 42.1%, from $1.9 million to $2.7 million from 1997 to 1998, primarily due to the increase in truck sales by the leasing operations.

Gross Profit

Gross profit increased by approximately $39.7 million, or 61.3%, from $64.8 million to $104.5 million from 1997 to 1998. Approximately $17.4 million or 43.8% of the increase is attributable to the operations of new truck, equipment and retail locations previously described, either acquired in 1998 or conducting their first full year of operations in 1998. The remaining gross profit increase of $22.3 million or 56.2% is attributable to growth at existing locations. Gross profit as a percentage of sales increased from 16.2% during 1997 to 17.1% during 1998. The increase in gross margins was due to a .22% increase in gross margins on the sale of new and used trucks, a 1% increase in gross margins on heavy-duty truck parts, service and body shop sales, and the inclusion of a full year of construction equipment store operations which had a gross margin of 23.4% on approximately $51.3 million in revenue in 1998 compared to a gross margin of 20.6% on approximately $10.2 million in sales in 1997.

Selling, General and Administrative

Selling, general and administrative expenses increased by approximately $25.2 million, or 49.8%, from $50.6 million to $75.8 million from 1997 to 1998. The increase includes $12.9 million or 51.2%, attributable to the operations of new truck, equipment and retail locations previously described, either acquired in 1998 or conducting their first full year of operations in 1998. The remaining increase resulted from an increase in salaries and sales commissions due to increases in revenues and gross profit in 1998 compared to 1997. Selling, general and administrative expenses as a percent of revenue were 12.7% and 12.4% in 1997 and 1998, respectively.

Interest Expense, Net

Net interest expense increased by approximately $3.4 million, or 136.0%, from approximately $2.5 million to $5.9 million, from 1997 to 1998. Interest expense increased primarily as a result of increased levels of indebtedness due to higher floor plan liability levels and the refinancing of certain real property owned by the Company during the fourth quarter of 1997.

Income Before Income Taxes

Income from continuing operations increased by $9.3 million, or 106.9%, from $8.7 million to $18.0 million, from 1997 to 1998, as a result of the factors described above.

Income Taxes

Income taxes increased by $3.9 million, or 118.2%, from $3.3 million to $7.2 million, from 1997 to 1998. The Company has provided for taxes at the 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, 1999, the Company had working capital of approximately $2.8 million, including $20.0 million in cash, $29.8 million in accounts receivable, $173.6 million in inventories, and $0.7 million in prepaid expenses and other offset by $150.9 million outstanding under floor plan notes payable, $8.5 million in current maturities of long-term debt, $11.0 million in advances outstanding under lines of credit, $9.7 million of trade accounts payable, $20.5 million in accrued expenses, and $20.7 million in a note payable to shareholder. The aggregate maximum borrowing limits under working capital lines of credit with its primary truck lender are approximately $12.0 million. 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.

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, 1999, the Company's floor plan arrangements permit the financing of up to 1,777 new trucks and 710 used trucks, and the availability for new and used trucks is 703 and 321, 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, 1999, the aggregate amount of borrowing capacity was $25 million, with approximately $10.1 million outstanding. Additional amounts are available under the Company's John Deere dealership and credit agreements. At December 31, 1999, approximately $36.3 million was outstanding pursuant to the John Deere agreements.

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 1999, the Company arranged customer financing for approximately 45.9% 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 $254.4 million of new and used truck purchases in 1999. 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 sold to Associates and PACCAR Financial by the Company. The Company's agreements with Associates and PACCAR Financial limit the aggregate liability of the Company for repossession losses resulting from defaults under the installment contracts sold to Associates and PACCAR Financial to $500,000 and $200,000 per year, respectively.

In addition, through The CIT Group, Associates, John Deere Credit and others, the Company arranged customer financing for approximately $29.2 million, or approximately 47.1%, of our total new and used construction equipment sales in 1999. 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, 1999, the Company had approximately $104.2 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to 50.0% of the amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate, less three-quarters of a percent, 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 Associates Commercial Corporation. floor plan arrangement. 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, 1999, the Company's floor plan arrangement with Associates Commercial Corporation permits the financing of up to $25 million in construction equipment. At December 31, 1999, the Company had $36.3 million and $10.1 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 third time, recording approximately 247,000 new truck registrations in 1999. The industry forecasts a decrease ranging from 15% to 20% in heavy-duty new truck sales in 2000. 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 may be materially and adversely affected by any continuation or renewal of general downward economic pressures or adverse cyclical trends.

ITEM 7A. 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, 1999, the Company had floor plan borrowings of approximately $150,862,000. Assuming an increase in the prime rate of interest of 100 basis points, future cash flows would be effected by $1,508,000. The interest rate variability on all other debt would not have a material adverse effect on the Company's financial statements. The Company provides all customer financing opportunities to various finance providers. The Company receives all finance charges, in excess of a negotiated discount rate, from the finance providers within 30 days. The negotiated discount rate is variable, thus subject to interest rate fluctuations. This interest rate risk is mitigated by the Company's ability to pass discount rate increases to customers through higher financing rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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, 1998 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rush Enterprises, Inc., and subsidiaries as of December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ARTHUR ANDERSEN LLP

San Antonio, Texas
February 18, 2000

RUSH ENTERPRISES, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1998 AND 1999

(In Thousands, Except Shares and Per Share Amounts)

	1998	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 22,516	$ 20,004
Accounts receivable, net	19,478	29,767
Inventories	107,140	173,565
Prepaid expenses and other	607	736
Total current assets	149,741	224,072
PROPERTY AND EQUIPMENT, net	54,448	103,426
OTHER ASSETS, net	16,511	38,198
Total assets	$220,700	$365,696
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable	$ 89,212	$150,862
Current maturities of long-term debt	7,095	8,463
Advances outstanding under lines of credit	10	10,953
Trade accounts payable	6,926	9,710
Accrued expenses	20,086	20,516
Note payable to shareholder	10,700	20,725
Total current liabilities	134,029	221,229
LONG-TERM DEBT, net of current maturities	32,164	65,414
DEFERRED INCOME TAXES, net	1,638	4,201
COMMITMENTS AND CONTINGENCIES (Note 14)		
SHAREHOLDERS' EQUITY:		
Preferred stock, par value $.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 1998 and 1999	--	--
Common stock, par value $.01 per share; 25,000,000 shares authorized; 6,643,730 shares outstanding - 1998 and 7,002,044 shares outstanding - 1999	66	70
Additional paid-in capital	33,342	39,155
Retained earnings	19,461	35,627
Total shareholders' equity	52,869	74,852
Total liabilities and shareholders' equity	$220,700	$365,696

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, 1997, 1998 AND 1999

(In Thousands, Except Per Share Amounts)

	1997	1998	1999
REVENUES:			
New and used truck sales	$ 290,495	$ 422,754	$ 554,571
Parts and service	78,665	108,024	130,548
Construction equipment sales	7,518	35,402	62,042
Lease and rental	14,761	18,594	25,375
Finance and insurance	6,026	11,432	13,581
Retail sales	--	13,895	18,573
Other	1,904	2,684	3,665
Total revenues	399,369	612,785	808,355
COST OF PRODUCTS SOLD	334,583	508,242	673,563
GROSS PROFIT	64,786	104,543	134,792
SELLING, GENERAL AND ADMINISTRATIVE	50,618	75,849	93,502
DEPRECIATION AND AMORTIZATION	2,977	4,813	6,162
OPERATING INCOME	11,191	23,881	35,128
INTEREST INCOME (EXPENSE):			
Interest income	1,155	982	807
Interest expense	(3,668)	(6,866)	(8,992)
Total interest expense, net	(2,513)	(5,884)	(8,185)
INCOME BEFORE INCOME TAXES	8,678	17,997	26,943
PROVISION FOR INCOME TAXES	3,298	7,200	10,777
NET INCOME	$ 5,380	$ 10,797	$ 16,166
EARNINGS PER SHARE (Note 12):			
Basic income per common share	$ .81	$ 1.62	$ 2.40
Diluted income per common share and common share equivalents	$ .81	$ 1.62	$ 2.34

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, 1997, 1998 AND 1999

(In Thousands)

	Common Stock			
	Shares Issued and Outstanding	$.01 Par Value	Additional Paid-In Capital	Retained Earnings
BALANCE, December 31, 1996	6,644	$ 66	$33,342	$ 3,284
NET INCOME	--	--	--	5,380
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

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, 1997, 1998 AND 1999

(In Thousands)

	1997	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 5,380	$ 10,797	$ 16,166
Adjustments to reconcile net income to net cash provided by operating activities- net of acquisitions			
Depreciation and amortization	2,977	4,813	8,380
Gain on sale of property and equipment	(305)	(195)	(166)
Provision for deferred income tax expense	153	458	2,563
Change in accounts receivable, net	2,170	2,141	(10,236)
Change in inventories	(6,658)	(25,006)	(46,739)
Change in prepaid expenses and other, net	1,122	(174)	(64)
Change in trade accounts payable	594	1,007	2,784
Change in accrued expenses	3,872	6,786	(521)
Net cash provided by (used in) operating activities	9,305	627	(27,833)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(10,194)	(22,907)	(60,325)
Proceeds from the sale of property and equipment	581	638	1,637
Business acquisitions	(36,068)	(8,625)	(21,756)
Change in other assets	(457)	(283)	(2,824)
Net cash used in investing activities	(46,138)	(31,177)	(83,268)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	21,053	22,624	58,358
Payments on long-term debt	(6,951)	(5,892)	(10,179)
Draws on floor plan notes payable, net	21,040	16,518	49,467
Draws on lines of credit, net	--	--	10,943
Net cash provided by financing activities	35,142	33,250	108,589
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,691)	2,700	(2,512)
CASH AND CASH EQUIVALENTS, beginning of year	21,507	19,816	22,516
CASH AND CASH EQUIVALENTS, end of year	$ 19,816	$ 22,516	$ 20,004
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for-			
Interest	$ 3,378	$ 6,574	$ 9,323
Income taxes	$ 1,572	$ 4,478	$ 8,394

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

RUSH ENTERPRISES, INC., AND SUBSIDIARIES

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 36 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).

In March 1998, the Company developed a new retail division, Rush Retail Centers, and acquired all of the issued and outstanding capital stock of D & D Farm and Ranch Supermarket Inc. Rush Retail Centers' primary line of business is the retail sale of farm and ranch supplies including fencing, horse and cattle trailers, veterinarian supplies and western wear (see note 15).

In September 1998, the Company acquired all of the assets and assumed certain liabilities of Klooster Equipment, Inc. and began operations of Rush Equipment Centers Michigan. Klooster Equipment Inc.'s primary line of business is the sale and rental of new John Deere and used construction equipment, parts and service (see note 15).

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. Calvert's primary line of business is the sale and rental of new John Deere and used construction equipment, parts and service (see note 15).

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. Southwest's primary line of business is the sale of new Peterbilt and used heavy-duty trucks, parts and service (see note 15).

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. Pressley's primary line of business is the sale of new Peterbilt and used heavy-duty trucks, parts, leasing and service (see note 15).

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 generally accepted accounting principles 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 utilizing the first-in, first-out methods for tires, parts and accessories.

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. Both the straight-line and double declining-balance methods of depreciation are used. 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 1999, the Company capitalized approximately $165,000 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
	1998	1999	Life (Years)
Land	$ 9,972	$ 17,311	--
Buildings and improvements	18,285	26,330	31 - 39
Leasehold improvements	4,303	5,462	7 - 15
Machinery and shop equipment	6,478	8,771	5 - 7
Furniture and fixtures	8,043	11,413	5 - 7
Transportation equipment	8,806	14,220	2 - 5
Leased vehicles	9,188	25,813	4 - 8
Construction in progress	--	10,687	
Accumulated depreciation and amortization	(10,627)	(16,581)	
	$ 54,448	$103,426	

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 primarily consist of goodwill related to acquisitions of approximately $15.1 million and $37.0 million, as of December 31, 1998 and 1999, respectively, and long-term deposits. The goodwill is being amortized on a straight-line basis over estimated useful lives ranging from 15 to 30 years. Accumulated amortization of other assets, at December 31, 1998 and 1999, was approximately $1.1 million and $2.0 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 and 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 on the effective interest rate method if the finance contract is retained by the Company. During 1997, 1998 and 1999, 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 pre-paid 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.

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,		
	1997	1998	1999
Liabilities incurred in connection with acquisitions of dealerships and leasing operations	$ 2,063	$ 1,750	$ --
Assignment of debt in connection with the disposal of property and equipment	$ 1,061	$ -	$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 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	March 2000 to December 2002
GMC	October 2000
Volvo	March 2000
John Deere	Indefinite

These agreements 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, 1999, the Company's management believes it was in compliance with all the restrictions 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 and 98 percent of the Company's new vehicle sales for the years ended December 31, 1998 and 1999, 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 and 91 percent of the Company's new equipment sales for the years ended December 31, 1998 and 1999, 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 $12,000,000 and other variable interest rate notes. The loan 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 loan agreement with the financial institution used primarily for construction equipment purchases expires in September 2000. 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, 1999, the Company had deposits in excess of federal insurance totaling approximately $5.0 million.

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, 1998	December 31, 1999
Trade accounts receivable from sale of vehicles and construction equipment	$13,719	$23,429
Other trade receivables	3,066	2,596
Warranty claims	1,647	2,326
Other accounts receivable	1,646	2,016
Less- Allowance for doubtful receivables and repossession losses	(600)	(600)
Total	$19,478	$29,767

For the years ended December 31, 1997, 1998 and 1999, the Company had no significant related party sales.

5. INVENTORIES:

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

	December 31, 1998	December 31, 1999
New vehicles	$ 24,550	$ 72,340
Used vehicles	12,231	15,977
Construction equipment - new	30,780	38,494
Construction equipment - used	4,000	6,300
Construction equipment - rental	10,000	9,000
Parts and accessories	20,982	23,645
Other	4,597	7,809
Total	$107,140	$173,565

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 were 7.75 to 8.0 percent as of December 31, 1999. 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, 1999, the aggregate amounts of unit capacity for new and used trucks are 1,777 and 710, respectively, and the availability for new and used trucks is 703 and 321, respectively.

The Company's floor plan agreement with its construction equipment lender is based on the book value of the Company's construction equipment inventory. As of December 31, 1999, the aggregate amount of borrowing capacity with the Company's equipment lender was $25 million, with approximately $10.1 million outstanding. Additional amounts are available under the Company's John Deere dealership and credit agreements. At December 31, 1999, approximately $36.3 million was outstanding pursuant to the John Deere agreements.

Amounts of collateral as of December 31, 1999, are as follows (in thousands):

Inventories, new and used vehicles and construction equipment at cost based on specific identification	$142,111
Truck and construction equipment sale related accounts receivable	22,534
Total	$164,645
Floor plan notes payable	$150,862

Lines of Credit

The Company has a separate line-of-credit agreement with a financial institution that provides for an aggregate maximum borrowing of $12,000,000, 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, 1999. Either party may terminate the agreement with 30 days written notice. As of December 31, 1998 and 1999, advances outstanding under this line-of-credit agreement amounted to $10,000 and $3,010,000, respectively. As of December 31, 1999, $7,909,000 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%, 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, 1999. The line-of-credit agreement has a term of one year and expires in December 2000. As of December 31, 1998 and 1999, advances outstanding under this line-of-credit agreement amounted to $0 and $5,000,000, respectively. As of December 31, 1999, $5,000,000 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. Advances bear interest at prime less .75%. 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, 1999. Either party may terminate the agreement with 30 days written notice. As of December 31, 1998 and 1999, advances outstanding under this line-of-credit agreement amounted to $0 and $2,943,000, respectively. As of December 31, 1999, $557,000 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.

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.

7. LONG-TERM DEBT:

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

	December 31, 1998	December 31, 1999
Variable interest rate term notes	$ 1,572	$13,175
Fixed interest rate term notes	37,687	60,702
Total debt	39,259	73,877
Less- Current maturities	(7,095)	(8,463)
	$32,164	$65,414

As of December 31, 1999, debt maturities are as follows (in thousands):

2000	8,463
2001	8,769
2002	10,809
2003	8,384
2004	8,515
Thereafter	28,937
	$73,877

The Company's variable interest rate notes are with one of the Company's primary lenders and have an interest rate of LIBOR plus 2.4% which was 8.78% at December 31, 1999. Monthly payments of these notes range from $4,000 to $11,333, plus interest. These notes mature in 2014 and 2015.

The Company's fixed interest rate notes are primarily with financial institutions and have interest rates ranging from 6.1 percent to 9.0 percent at December 31, 1999. Payments on the notes range from $257 per month to $51,333 per quarter, plus interest. Maturities of these notes range from April 2000 to January 2015.

The proceeds from the issuance of the variable and fixed rate notes were used primarily to acquire land, buildings and improvements, transportation equipment and leased vehicles. The notes are secured by the assets acquired by 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 2 percent to 10 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 5 years of service. During the years ended December 31, 1997, 1998 and 1999, the Company incurred expenses of approximately $215,000, $648,000 and $1,192,000, respectively, related to the Rush Plan.

Through March 1998, South Coast Peterbilt also had a defined contribution pension plan (the South Coast Plan) which was available to all employees of South Coast Peterbilt. Effective April 1, 1998, the South Coast Plan was terminated at which time all eligible South Coast employees were permitted to enter the Rush Plan. During the years ended December 31, 1997 and 1998, South Coast incurred expenses of approximately $151,000 and $46,000, respectively, related to the South Coast 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, 1997, 1998 and 1999, were approximately $4,915,000, $5,648,000 and $5,992,600, respectively.

Minimum rental commitments for noncancelable vehicle leases in effect at December 31, 1999, are as follows (in thousands):

2000	5,624
2001	4,390
2002	3,400
2003	2,348
2004	1,168
Thereafter	571
Total	$ 17,501

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, 1997, 1998 and 1999, consisted of minimum payments of approximately $7,978,000, $7,867,000 and $8,329,000, respectively, and contingent rentals of approximately $1,940,000, $1,862,000 and $1,694,000, respectively. Minimum lease payments to be received for noncancelable leases and subleases in effect at December 31, 1999, are as follows (in thousands):

2000	$ 9,625
2001	8,097
2002	6,967
2003	5,635
2004	3,759
Thereafter	2,517
Total	$ 36,600

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, 1997, 1998 and 1999 was $1,194,000, $1,423,000 and $1,460,000, respectively. Future minimum lease payments under noncancelable leases at December 31, 1999, are as follows (in thousands):

2000	$ 2,250
2001	1,789
2002	1,601
2003	1,476
2004	1,131
Thereafter	3,307
Total	$ 11,554

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 650,000 shares of common stock reserved for issuance upon exercise of any awards granted under the Company's Incentive Plan.

In connection with the 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.

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 1997, 1998 and 1999 the Company granted options under the Incentive Plan to purchase an aggregate of 103,013, 168,140 and 117,150 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 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 100,000 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 and 1999, 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. 20,000 of these options have been exercised as of December 31, 1999.

A summary of the Company's stock option activity, and related information for the years ended December 31, 1997, 1998 and 1999 follows:

	1997		1998		1999	
	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
Granted	133,013	8.52	198,140	11.15	147,150	12.47
Exercised	--	--	--	--	(20,000)	10.31
Forfeited	(2,625)	8.63	(10,800)	10.18	(7,675)	11.29
Outstanding - end of year	130,388	$ 8.51	317,728	$ 10.10	437,203	$ 10.87
Exercisable at end of year	30,000	$ 8.13	60,000	$ 10.06	70,000	$ 12.64
Weighted average fair value of options granted during the year	--	$ 3.67	--	$ 5.84	--	$ 5.47

The following table summarizes the information about the Company's options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 7.13 - 8.63	116,638	7.2	$ 8.50	20,000	$ 7.88
$11.00- 12.00	290 565	8.6	$11.26	20,000	$12.00
$ 16.25	30,000	9.4	$16.25	30,000	$16.25

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):

	1997	1998	1999
Net income:			
As Reported	$ 5,380	$ 10,797	$ 16,166
Pro forma	5,265	$ 10,575	$ 15,853
Basic earnings per share:			
As Reported	$ .81	$ 1.62	$ 2.40
Pro forma	$ .79	$ 1.59	$ 2.35
Diluted earnings per share:			
As Reported	$ .81	$ 1.62	$ 2.34
Pro forma	$ .79	$ 1.59	$ 2.30

The fair value of these options was estimated using a Black-Scholes option pricing model with a risk-free interest rate of 5.5% for 1997 and 1998 and 6.0% for 1999, a volatility factor of .133, .422 and .510 for 1997, 1998 and 1999, respectively, a dividend yield of 0%, and an expected option life of seven years for 1997 and 1998 and five years for 1999.

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, 1999.

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, 1999.

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
Numerator:		
Numerator for basic and diluted earnings per share- Net income available to common shareholders	$10,797,000	$16,166,000
Denominator:		
Denominator for basic earnings per share- weighted-average shares	6,643,730	6,735,360
Effect of dilutive securities:		
Stock options	25,324	117,974
Warrants	925	33,791
Dilutive potential common shares	26,249	151,765
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	6,669,979	6,887,125
Basic earnings per share	$ 1.62	$ 2.40
Diluted earnings per share	$ 1.62	$ 2.34

Warrants and options to purchase shares of common stock that were outstanding for the years ended December 31, 1997, 1998 and 1999, 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:

	1997	1998	1999
Warrants	421,875	421,875	--
Options	123,313	283,113	89,793
Total anti-dilutive securities	545,188	704,988	89,793

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, 1997, 1998 and 1999, are summarized as follows (in thousands):

	1997	1998	1999
Current provision-			
Federal	$ 2,738	$ 5,652	$ 6,744
State	407	1,090	968
	3,145	6,742	7,712
Deferred provision-			
Federal	132	424	2,598
State	21	34	467
	153	458	3,065
Provision for income taxes	$ 3,298	$ 7,200	$ 10,777

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, 1998 and 1999 (in thousands):

	1998	1999
Differences in depreciation and amortization	$ 2,661	$ 5,384
Accruals and reserves not deducted for tax purposes until paid	(990)	(1,108)
Other, net	(33)	(75)
	$ 1,638	$ 4,201

A reconciliation of taxes based on the federal statutory rates and the provisions for income taxes for the years ended December 31, 1997, 1998 and 1999, are summarized as follows (in thousands):

	1997	1998	1999
Income taxes at the federal statutory rate	$ 2,951	$ 6,288	$ 9,430
State income taxes, net of federal benefit	286	719	933
Other, net	61	193	414
Provision for income taxes	$ 3,298	$ 7,200	$ 10,777

14. COMMITMENTS AND CONTINGENCIES:

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

Finance contracts sold during the years ended December 31, 1997, 1998 and 1999, were $94,849,000, $204,400,000 and $283,569,000, 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 $37,786. The agreements expire in 2000 through 2001.

15. ACQUISITIONS:

In March 1998, the Company caused its wholly owned subsidiary, Rush Retail Centers of Texas, Inc., to acquire the stock of D & D Farm and Ranch Supermarket, Inc. for approximately $10.5 million, with the purchase price being a combination of cash, notes payable and options to purchase an aggregate of 109,973 shares of common stock to the seller. The options are exercisable during the four-year period commencing March 2, 2000, at exercise prices ranging from $9.38 to $19.38 per share.

In September 1998, the Company purchased substantially all of the assets of Klooster Equipment, Inc. which consisted of three full-service John Deere construction equipment dealerships and one retail only location covering 54 counties in western Michigan. The purchase price was approximately $13.1 million funded by (i) $2.5 million of cash, (ii) $9.8 million of borrowings under the Company's floor plan financing arrangements with Associates Commercial Corporation and John Deere Inc., and (iii) $836,000 of borrowings from John Deere Credit Corp.

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 D & D Farm and Ranch Supermarket, Inc. and the Klooster Equipment, Inc. acquisitions had taken place at the beginning of fiscal year 1997 and 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, 1997, 1998 and 1999 (unaudited) (in thousands, except per share amounts):

	1997	1998	1999
Revenues	$ 473,805	$ 763,762	$ 921,481
Income after pro forma provision for income taxes	$ 6,150	$ 12,671	$ 17,594
Basic income per share	$ .93	$ 1.81	$ 2.51
Diluted income per share	$ .93	$ 1.80	$ 2.46

16. UNAUDITED QUARTERLY FINANCIAL DATA:

(In thousands, except per share amounts.)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1998				
Operating revenues	$126,075	$165,983	$153,540	$167,187
Operating income	3,526	6,121	6,245	7,989
Income before income taxes	2,228	4,551	4,778	6,440
Net income	1,337	2,730	2,868	3,862
Basic and diluted earnings per share	$ .20	$ .41	$ .43	$ .58
1999				
Operating 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

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, 1997, 1998 and 1999.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Business units were maintained through expansion and acquisitions. The following table contains summarized information about reportable segment profit or loss and segment assets, for the years ended December 31, 1997, 1998 and 1999 (in thousands):

	HEAVY-DUTY TRUCK SEGMENT	CONSTRUCTION EQUIPMENT SEGMENT	ALL OTHER	TOTALS
1997				
Revenues from external customers	$381,959	$ 10,166	$ 7,244	$399,369
Interest income	1,155	--	--	1,155
Interest expense	3,043	408	217	3,668
Depreciation and amortization	2,555	77	345	2,977
Segment profit before income tax	8,136	116	426	8,678
Segment assets	107,688	39,320	8,470	155,478
Expenditures for segment assets	8,622	242	1,330	10,194
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

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 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. 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 2000 Annual Meeting of Shareholders, under the captions "Election of Directors" and "Executive Officers."

ITEM 11. 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 2000 Annual Meeting of Shareholders, under the caption "Compensation of Executive Officers."

ITEM 12. 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 2000 Annual Meeting of Shareholders, under the caption "Principal Shareholders and Stock Ownership of Management."

ITEM 13. 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 2000 Annual Meeting of Shareholders, under the caption "Certain Transactions."

PART IV

ITEM 14. 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, 1998 and 1999

Consolidated Statements of Income for the years ended December 31, 1997, 1998 and 1999

Consolidated Statements of Shareholders' Equity for the years ended December 31, 1997, 1998 and 1999

Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1998 and 1999

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	Dealership Purchase Contract dated December 9, 1996 by and among Rush Truck Centers of Colorado, Inc., Rush Enterprises, Inc., Denver Peterbilt, Inc., and Greg Lessing. (incorporated herein by reference to Exhibit 10.78 of the Company's Annual Report on Form 10 K filed March 31, 1998)
2.2	Asset Purchase Agreement effective October 6, 1997, among Rush Equipment Centers of Texas, Inc., Rush Enterprises, Inc., C. Jim Stewart and Stevenson, Inc., and Stewart and Stevenson Realty Corp. (incorporated by reference herein to Exhibit 2.1 to the Company's Current Report on Form 8-K filed October 21, 1997)

2.3	Stock Purchase Agreement dated February 20, 1998 among Rush Enterprises, Inc., Rush Retail Centers, Inc., D & D Farm and Ranch Supermarket, Inc. and Georgette Hawkins. (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998)
*2.4	Asset Purchase Agreement effective September 1, 1998, among Rush Equipment Centers of Michigan, Inc., Rush Enterprises, Inc., Klooster Equipment Inc., Mark Pirie, Conrad Klooster and James Craig Klooster.
*2.5	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.
2.6	Asset Purchase Agreement dated September 22, 1999 by and among Rush Truck Centers of Arizona, Inc., Southwest Peterbilt, Inc., Southwest Truck Center, Inc., and Edward Donahue, Sr. (incorporated herein by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on October 19, 1999)
2.7	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)
*2.8	Asset Purchase Agreement dated December 1, 1999 by and among Rush Truck Centers of California, Inc., Norm Pressley's Truck Center and Scott Pressley.
3.1.	Amended and Restated Articles of Incorporation of the Registrant (incorporated herein by reference to Exhibit 3.1 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).
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. Lease Modification Agreement dated February 1, 1994 between Richard R. Shade and Barbara S. Lateer, Trustees of the Ruth R. Shade Trust, et al, Engs Motor Truck Company and South Coast Peterbilt (incorporated herein by reference to Exhibit 10.66 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).

10.02. Lease Modification Agreement dated February 1, 1994 between Angelus Block Company, Inc., Engs Motor Truck Company and South Coast Peterbilt (incorporated herein by reference to Exhibit 10.67 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).

10.03. Lease Modification Agreement dated February 1, 1994 between Angelus Block Company, Inc., Engs Motor Truck Company and South Coast Peterbilt (incorporated herein by reference to Exhibit 10.68 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).

10.04. Lease dated February 1, 1994 between Engs Motor Truck Company and South Coast Peterbilt (incorporated herein by reference to Exhibit 10.70 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).

10.05. 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).

10.06. 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).

10.07. 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).

10.08. 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).

10.09. 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).

10.10. 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).

10.11. 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).

10.12. 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).

10.13. Rush Enterprises, Inc. Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.84 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996).

10.14.	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).
10.15.	Master Loan Agreement between General Motors Acceptance Corporation and Rush Enterprises, Inc. dated July 28, 1997. (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998)
*10.16	Interest Rate Allowances Agreement dated February 1, 1999 between General Motors Acceptance Corporation and Rush Enterprises, Inc.
10.17	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)
*10.18	Form of dealer agreement between Peterbilt Motors Company and Rush Truck Centers.
*10.19	Letter Agreement between Paccar Financial Corp. and Rush Enterprises, Inc. dated January 17, 2000.
*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 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.
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

*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, 2000

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, 2000
/s/ W. M. "RUSTY" RUSH --- W. M. "Rusty" Rush	President, Director	March 26, 2000
/s/ ROBIN M. RUSH --- Robin M. Rush	Executive Vice President, Secretary, Treasurer and Director	March 26, 2000
/s/ RONALD J. KRAUSE --- Ronald J. Krause	Director	March 26, 2000
/s/JOHN D. ROCK --- John D. Rock	Director	March 26, 2000
/s/HAROLD D. MARSHALL --- Harold D. Marshall	Director	March 26, 2000
/s/MARTIN A. NAEGELIN, JR. --- Martin A. Naegelin, Jr.	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2000

EXHIBIT 2.4

ASSET PURCHASE AGREEMENT

DATED JULY 12, 1998

BY AND AMONG

RUSH ENTERPRISES, INC.

RUSH EQUIPMENT CENTERS OF MICHIGAN, INC.

KLOOSTER EQUIPMENT, INC.

AND

MARK R. PIRIE, CONRAD L. KLOOSTER, JR.

AND

JAMES CRAIG KLOOSTER

COVERING THE PURCHASE
OF SPECIFIED ASSETS OF

KLOOSTER EQUIPMENT, INC.

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (the "Agreement"), made this 12th day of July, 1998, by and among (i) KLOOSTER EQUIPMENT, INC., a Michigan corporation ("Seller"), (ii) MARK R. PIRIE, CONRAD L. KLOOSTER, JR., and JAMES CRAIG KLOOSTER (the "Shareholders"), and (iii) RUSH EQUIPMENT CENTERS OF MICHIGAN, INC., a Delaware corporation ("Purchaser"), and RUSH ENTERPRISES, INC., a Texas corporation ("Rush").

W I T N E S S E T H :

WHEREAS, Seller is the owner of all right, title and interest in and to the Assets (as herein defined) described herein, with such assets being the assets currently used in the conduct of the operation of the John Deere Construction Equipment Company, John Deere Commercial and Consumer Equipment Division and John Deere Commercial Worksite Products, Inc. ("John Deere") sales and service dealership business operated by Seller;

WHEREAS, Purchaser is a wholly-owned subsidiary of Rush (Rush and Purchaser are sometimes referred to herein as the "Rush Parties");

WHEREAS, the Shareholders collectively own and control a majority of Seller's issued and outstanding shares of stock;

WHEREAS, Seller desires to sell the Assets to Purchaser and Purchaser desires to acquire the Assets from Seller, all pursuant to this Agreement as hereinafter provided; and

WHEREAS, the parties hereto desire to set forth certain representations, warranties and covenants made by each to the other as an inducement to the execution and delivery of this Agreement, and to set forth certain additional agreements related to the transactions contemplated hereby;

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

1. GENERAL DEFINITIONS. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

1.1 "Assets" shall have the meaning assigned to it in Section 2.1.

1.2 "Affiliate" of any Person shall mean any Person Controlling, Controlled by or under common Control with such Person.

1.3 "Balance Sheet Date" shall have the meaning assigned to it in Section 4.3(a).

1.4 "Best Knowledge" shall mean, with respect to Seller, only the actual current knowledge of Mark R. Pirie, Conrad L. Klooster, Jr. and James Craig Klooster and, with respect to the Rush Parties, only the actual current knowledge of W. Marvin Rush, Robin M. Rush and Martin A. Naegelin, Jr.

1.5 "Business" shall have the meaning assigned to it in Section 2.1.

1.6 "Business Day" shall mean any day other than Saturday, Sunday or other day on which federally chartered commercial banks in San Antonio, Texas are authorized or required by law to close.

1.7 "Closing" shall have the meaning assigned to it in Section 2.5.

1.8 "Closing Date" shall have the meaning assigned to it in Section 2.5.

1.9 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.10 "Contracts" shall have the meaning assigned to it in Section 4.8.

1.11 "Control" and all derivations thereof shall mean the ability to either (i) vote (or direct the vote of) 50% or more of the voting interests in any Person or (ii) direct the affairs of another, whether through voting power, contract or otherwise.

1.12 "Damages" shall mean any and all liabilities, losses, damages, demands, assessments, punitive damages, loss of profits, refund obligations (including, without limitation, interest and penalties thereon) claims of any and every kind whatsoever, costs and expenses (including interest, awards, judgments, penalties, settlements, fines, costs of remediation, diminutions in value, costs and expenses incurred in connection with investigating, prosecuting and defending any claims or causes of action (including, without limitation, reasonable attorneys' fees and reasonable expenses and all reasonable fees and reasonable expenses of consultants and other professionals)).

1.13 "Deposits" shall have the meaning assigned to it in Section 4.18.

1.14 "Ellsworth Landlord" shall mean Klooster Properties, Inc., a Michigan corporation.

1.15 "Ellsworth Lease" shall mean the current lease agreement between Klooster Properties, Inc. (as landlord) and Seller (as tenant) for the Ellsworth property.

1.16 "Ellsworth Property" shall mean the real property and improvements comprising Seller's Ellsworth facility located at 9914 U.S. 31, Ellsworth, Michigan 49729.

1.17 "Encumbrance" shall mean any security interest, mortgage, pledge, trust, claim, lien, charge, option, defect, restriction, encumbrance or other right or interest of any third Person of any nature whatsoever.

1.18 "Environmental Conditions" means any and all acts, omissions, events, circumstances, and conditions on or in connection with the Real Property, the Grand Rapids Property or the other Assets that constitute a violation of, or require remediation under, any Environmental Laws, including any pollution, contamination, degradation, damage, or injury caused by, related to, or arising from or in connection with the generation, use, handling, treatment, storage, disposal, discharge, emission or release of Hazardous Materials.

1.19 "Environmental Laws" shall mean all applicable federal, state, local or municipal laws, rules, regulations, statutes, ordinances or orders of any Governmental Authority, relating

to (a) the control of any potential pollutant, or protection of health or the air, water or land, (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal, discharge, release, emission or transportation, (c) exposure to hazardous, toxic or other substances alleged to be harmful, (d) the protection of any endangered or at-risk plant or animal life, or (e) the emission, control or abatement of noise. "Environmental Laws" shall include, but not be limited to, the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Clean Water Act, 33 U.S.C. Section 1251 et seq., the Resource Conservation Recovery Act ("RCRA"), 42 U.S.C. Section 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Endangered Species Act, 16 U.S.C. Section 1531 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. Section 9601 et seq., including the Superfund Amendments and Reauthorization Act, 42 U.S.C. Section 11001, et seq. The term "Environmental Laws" shall also include all applicable state, local and municipal laws, rules, regulations, statutes, ordinances and orders dealing with the subject matter of the above listed federal statutes or promulgated by any governmental or quasi-governmental agency thereunder in order to carry out the purposes of any federal, state, local or municipal law.

1.20 "Environmental Liabilities" shall mean any and all liabilities, responsibilities, claims, suits, losses, costs (including remedial, removal, response, abatement, clean-up, investigative and/or monitoring costs and any other related costs and expenses), other causes of action recognized now or at any later time, damages, settlements, expenses, charges, assessments, liens, penalties, fines, pre-judgment and post-judgment interest, attorneys' fees and other legal costs incurred or imposed (a) pursuant to any agreement, order, notice of responsibility, directive (including directives embodied in Environmental Laws), injunction, judgment or similar documents (including settlements) arising out of, in connection with, or under Environmental Laws, (b) pursuant to any claim by a Governmental Authority or any other person or entity for personal injury, property damage, damage to natural resources, remediation, or payment or reimbursement of response costs incurred or expended by such Governmental Authority, person or entity pursuant to common law or statute and related to the use or release of Hazardous Materials, or (c) as a result of Environmental Conditions.

1.21 "Environmental Permits" shall mean any permits, licenses, approvals, consents, registrations, identification numbers or other authorizations with respect to the Assets, the Businesses, the Real Property or the Grand Rapids Property or the ownership or operation thereof required under any applicable Environmental Law.

1.22 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.23 "Exchange Act" shall mean the Securities and Exchange Act of 1934, as amended.

1.24 "Governmental Authority" shall mean any and all foreign, federal, state or local governments, governmental institutions, public authorities and governmental entities of any nature whatsoever, and any subdivisions or instrumentalities thereof, including, but not limited to, departments, boards, bureaus, commissions, agencies, courts, administrations and panels, and any divisions or instrumentalities thereof, whether permanent or ad hoc and whether now or hereafter constituted or existing.

1.25 "Governmental Requirement" shall mean any and all laws (including, but not limited to, applicable common law principles), statutes, ordinances, codes, rules, regulations, interpretations, guidelines, directions, orders, judgments, writs, injunctions, decrees, decisions

or similar items or pronouncements, promulgated, issued, passed or set forth by any Governmental Authority.

1.26 "Grand Rapids Landlord" shall mean 5770 Investors, L.L.C., a Michigan limited liability company.

1.27 "Grand Rapids Lease" shall mean the Lease dated September 9, 1994 between 5770 Investors, L.L.C. (as landlord) and Seller (as tenant) for the Grand Rapids Property.

1.28 "Grand Rapids Property" shall mean the real property and improvements located at 5770 Clyde Park, S.W., City of Wyoming, Kent County, Michigan, as more particularly described in the Grand Rapids Lease.

1.29 "Hazardous Materials" means any (a) petroleum or petroleum products, (b) asbestos or asbestos containing materials, (c) hazardous substances as defined by Section 101(14) of CERCLA and (d) any other chemical, substance or waste that is regulated by any Governmental Authority under any Environmental Law.

1.30 "HSR Act" shall have the meaning assigned to it in Section 8.5.

1.31 "Improvements" shall have the meaning assigned to it in Section 1.48.

1.32 "Indemnification Event" shall have the meaning assigned to it in Section 13.8.

1.33 "Indemnitee" shall mean the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns, on the one hand, and the Seller and its Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns, on the other hand, whether indemnified, or entitled, or claiming to be entitled to be indemnified or receive property, pursuant to the provisions of Article 13 hereof.

1.34 "Indemnitor" shall mean the Person or Persons having the obligation to indemnify or make payment pursuant to the provisions of Article 13 hereof.

1.35 "IRS" shall mean the Internal Revenue Service.

1.36 "John Deere" shall mean John Deere Construction Equipment Company and its Affiliates.

1.37 "Land" shall have the meaning assigned to it in Section 1.48.

1.38 "Landlord's Consent and Estoppel" shall mean an instrument, executed by the Grand Rapids Landlord in substantially the form attached hereto as Exhibit E and made a part hereof.

1.39 "Leases" shall have the meaning assigned to it in Article 14.

1.40 "Losses" shall mean General Losses, Environmental Losses, Tax Losses and Product Losses (each as defined in Article 13 hereof), as the case may be.

1.41 "New Contracts" shall have the meaning assigned to it in Section 10.5.

1.42 "New Ellsworth Lease" shall have the meaning assigned to it in Section 10.9.

1.43 [Intentionally deleted]

1.44 "PBGC" shall mean the Pension Benefit Guaranty Corporation.

1.45 "Permitted Exceptions" shall have the meaning assigned to it in Section 22.3.

1.46 "Person" shall mean any natural person, any Governmental Authority and any entity the separate existence of which is recognized by any Governmental Authority or Governmental Requirement, including, but not limited to, corporations, partnerships, joint ventures, joint stock companies, trusts, estates, companies and associations, whether organized for profit or otherwise.

1.47 "Purchase Price" hall have the meaning assigned it in Article 3.

1.48 "Real Property" shall mean all those certain tracts, pieces or parcels of land where Seller's Traverse City and Work-N-Play dealerships are located, as more particularly described in Exhibit A attached hereto and made a part hereof for all purposes (herein referred to as the "Land"), together with the buildings, structures, plants, fixtures, paving, curbing, trees, shrubs, plants, and other improvements of every kind and nature presently situated on, in, or under, or hereafter erected or installed or used in, on, or about or in connection with the ownership, use and operation of the Land (herein collectively referred to as the "Improvements"), and all rights and appurtenances pertaining thereto, including, but not limited to: (a) all right, title and interest, if any, of the owner(s) of the Land, in and to any land in the bed of any street, road or avenue open or proposed in front of or adjoining the Land; (b) all right, title and interest, if any, of the owner(s) of the Land, in and to any rights-of-way, rights of ingress or egress or other interests in, on, or to, any land, highway, street, road, or avenue, open or proposed, in, on, or across, in front of, abutting or adjoining the Land, and any awards made, or to be made in lieu thereof, and in and to any unpaid awards for damage thereto by reason of a change of grade of any such highway, street, road, or avenue; (c) any easement across, adjacent or appurtenant to the Land, existing or abandoned; (d) all sanitary sewer capacity (if any), water capacity and other utility capacity to serve the Land and Improvements; (e) all oil, gas, and other minerals in, on, or under, and that may be produced from the Land; (f) all water in, under or that may be produced from the Land, and all wells, water rights, permits and historical water usage pertaining to or associated with the Land; (g) all right, title and interest, if any, of the owner(s) of the Land, in and to any land adjacent or contiguous to, or a part of the Land, whether those lands are owned or claimed by deed, limitations, or otherwise, and whether or not they are located inside or outside the description given herein, or whether or not they are held under fence by the owner(s) of the Land, or whether or not they are located on any survey; and (h) any reversionary rights attributable to the Land.

1.49 "Reference Balance Sheet" shall have the meaning assigned it in Section 4.3(a).

1.50 "Retained Liabilities" shall have the meaning assigned it in Section 3.2.

1.51 "Schedule" shall mean the Schedules to this Agreement, unless otherwise stated. The Schedules to this Agreement may be attached to this Agreement or may be set forth in a separate document denoted as the Schedules to this Agreement, or both.

1.52 "SEC" or "Commission" shall mean the United States Securities and Exchange Commission.

1.53 "Section" shall mean the Section of this Agreement, unless otherwise stated.

1.54 "Securities Act" shall mean the Securities Act of 1933, as amended.

1.55 "Subsidiary" shall mean, with respect to any Person (the "parent"), (a) any corporation, association, joint venture, partnership or other business entity of which securities or other ownership interests representing more than 50% of the ordinary voting power or beneficial interest are, at the time as of which any determination is being made, owned or controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent and (b) any joint venture or partnership of which the parent or any Subsidiary of the parent is a general partner or has responsibility for its management.

1.56 "Tax Returns" shall mean all Tax returns and reports (including, without limitation, income, franchise, sales and use, unemployment compensation, excise, severance, property, gross receipts, profits, payroll and withholding Tax returns and information returns).

1.57 "Taxes" shall mean any foreign, federal, state or local tax, assessment, levy, impost, duty, withholding, estimated payment or other similar governmental charge, together with any penalties, additions to Tax, fines, interest and similar charges thereon or related thereto.

1.58 "Territory" shall mean the States of Texas and Michigan.

1.59 "Third-Party Claims" shall have the meaning such term is given in Section 13.8(b) hereof.

1.60 "Title Company" shall mean Northern Michigan Title Company, Commonwealth Land Title Insurance Company, Lawyers Title Insurance Company or any other similar title insurance company mutually agreed upon by Seller and Purchaser.

2. PURCHASE AND SALE OF THE ASSETS; CLOSING DATE.

2.1 Assets to be Purchased. Subject to the terms and conditions of this Agreement, at the Closing, Seller shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase and acquire from company, all of Seller's right, title and interest in and to the Assets, in each case, free and clear of any charge, claim, community property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal or restriction of any kind, including any restriction on use, voting (in the case of any security), transfer, receipt of income, or exercise of any other attribute of ownership. The "Assets" shall mean all of Seller's property and assets, real, personal or mixed, tangible and intangible, of every kind and description, wherever located, belonging to Seller at the close of business on the Closing Date and which relate to the business currently conducted by Seller as a John Deere dealership as well as any and all goodwill associated therewith (the "Business"), other than the Excluded Assets (as defined in Section 2.6), including the following:

(a) all new construction machinery equipment and attachments, consumer equipment, worksite products and trailers except for new construction

machinery equipment and attachments, consumer equipment, worksite products and trailers manufactured by John Deere, which will be returned by the Seller to John Deere,

(b) all new parts and accessories inventory, except for John Deere new, current and returnable parts and accessories, which will be returned by the Seller to John Deere,

(c) all miscellaneous inventories, including gas, diesel fuel, oil, grease, paint and body shop materials,

(d) all work in progress and sublet repairs on equipment in Seller's parts and service departments,

(e) all of Seller's furniture, fixtures and office equipment (including related software),

(f) all shop equipment and special tools, and all parts and accessories equipment other than new attachment inventory,

(g) all of Seller's vehicles,

(h) all signs, and all promotional, advertising and training materials used in the Business except for signs and materials owned by John Deere, which will be returned by Seller to John Deere,

(i) all sales files and customer lists, and all warranty and service and customer service and repair files, excluding any files that support receivables retained by Seller,

(j) all intangible assets of Seller required to do business as a John Deere dealer and a Stihl dealer, including any other permits or licenses issued by any department or agency for Seller's dealership, other than any and all existing dealer sales and service center agreements, and any ancillary or related agreements between Seller and John Deere, which agreements will be terminated by Seller and John Deere,

(k) all used parts listed on Schedule 2.1(k) hereto, which used parts listed on Schedule 2.1(k), as of the Closing Date, shall not be less than 90% of the parts listed thereon as of the date hereof,

(l) all used, rental, leased and "rent to own" construction machinery equipment, and all used attachment inventory,

(m) all customer deposits and agreements to sell construction machinery equipment ordered but not delivered to the customer at the time of Closing,

(n) All of Seller's leasehold interest under the Grand Rapids Lease and a leasehold interest in the Ellsworth Property pursuant to the terms of the New Ellsworth Lease,

(o) all new attachment inventory, and

(p) all the leases or subleases of real property, customer contracts, purchase orders, equipment repurchase agreements, and other contracts, agreements and undertakings set forth on Schedule 2.1(p).

2.2 Purchase and Sale. Subject to the terms and conditions herein contained, Seller agrees to sell, assign, transfer and deliver the Assets to Purchaser at the Closing (as hereinafter defined), free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder). Subject to the terms and conditions herein contained, Purchaser agrees to purchase from Seller the Assets in consideration for the Purchase Price (as hereinafter defined) payable as set forth in Article 3.

2.3 Delivery of Assets and Transfer Documents. At the Closing, Seller shall take all steps necessary to put Purchaser in possession of the Assets, free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder), and shall deliver to Purchaser (a) a duly executed bill of sale covering the Assets, in the form of and containing substantially the same terms and provisions as the Bill of Sale and Assignment of Contract Rights included in Exhibit B, (b) duly executed title and transfer documents covering any assets for which there exists a certificate of title, (c) the Leases, duly executed by the respective owner(s) of each of the locations comprising the Real Property, together with memoranda thereof, in form required for recording in the appropriate public records of the counties where each parcel of Real Property is located, (d) an assignment of Seller's interest in the Grand Rapids Lease and the Ellsworth Lease, duly executed by Seller, the Grand Rapids Landlord and the Ellsworth Landlord, as applicable, (e) the leasehold policies of title insurance described in Section 22.2 hereof and (f) such other duly executed transfer and release documents as Purchaser shall reasonably request to evidence the transfer of the Assets to Purchaser free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder).

2.4 UCC Reports. Within ten days prior to the Closing, Seller, at its sole cost and expense, shall furnish to Purchaser a report (the "UCC Report") of searches made of the Uniform Commercial Code Records of each county where the Real Property, the Ellsworth Property and the Grand Rapids Property are located and of the Office of the Secretary of State, State of Michigan, or the proper offices in the State of Michigan where Uniform Commercial Code records are maintained, which searches shall show that none of the Assets are subject to any lien or security interest (other than liens and security interests which are to be released at the Closing or are permitted hereunder). An update of the searches (dated no more than two days prior to the Closing Date, but delivered prior to the Closing Date) shall be provided by Seller to Purchaser at Seller's sole cost and expense.

2.5 Closing; Closing Date. Subject to the terms and conditions herein contained, the consummation of the transactions referenced above shall take place (the "Closing") on or before August 3, 1998, at 10:00 a.m., local time, at the offices of Honigman, Miller Schwartz and Cohn in Lansing, Michigan, or at such other time, date and place as Purchaser and Seller shall in writing designate; provided, however, that Purchaser shall have the right to delay the Closing up to and including October 31, 1998,in accordance with Section 8.6. The date of the Closing is referred to herein as the "Closing Date".

2.6 Excluded Assets. Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following items (collectively, the "Excluded Assets") are

not part of the sale and purchase contemplated hereunder, are excluded from the Assets being conveyed hereunder, and shall remain the property of Seller:

(a) all accounts receivable, pre-paid items, cash and cash equivalents and all securities and short term investments listed on Schedule 2.6(a);

(b) all Seller's insurance policies cash surrender values, and all other contracts listed in Schedule 2.6(b);

(c) all rights and funds in connection with retirement, employee benefit and similar plans;

(d) any assets expressly designated in Schedule 2.6(d) as Excluded Assets;

(e) any and all other assets designated by Purchaser, in its sole discretion, as being Excluded Assets. Purchaser shall advise Seller in writing at least five days prior to Closing of those other items which Purchaser does not intend to purchase. The exclusion of any such items shall not reduce the Purchase Price; and

(f) Seller's interest in Maple Creek Golf Course, LLC, including the names "Maple Creek," "Maple Creek Golf Course," the "Emerald," and the "Emerald at Maple Creek," alone or in connection with any product identification, and all logos, trademarks, trade names, and copyrights which include the same.

3. PURCHASE PRICE.

3.1 Price and Payment. Subject to adjustment as provided in Section 19.3 and Article 21 with respect to prorations, deposits and certain other items, the aggregate consideration to be paid by Purchaser for the Assets is as follows (the "Purchase Price"):

(a) $2,000,000, plus

(b) an amount equal to Seller's actual cost, taking into account for each piece of construction machinery equipment of Seller described in Section 2.1(a), (i) all manufacturer's rebates, allowances and other reductions paid or credited to Seller on such equipment purchased by the Purchaser, and (ii) all previously invoiced freight and pre-delivery expenses, plus

(c) an amount equal to all of the previously invoiced freight and pre-delivery expenses paid by Seller for each piece of construction machinery equipment not purchased by Purchaser and returned by Seller to John Deere, plus

(d) an amount equal to the actual cost of the items described in Sections 2.1(b) and (c), plus

(e) an amount equal to the Seller's actual cost plus Seller's internal burdened labor rate (determined in accordance with generally accepted accounting principles, consistently applied) of the work in process and sublet repairs described in Section 2.1(d), plus

(f) an amount equal to the net book value (determined in accordance with generally accepted accounting principles, consistently applied) at Closing of the items described in Sections 2.1(e), (f) and (g), plus

(g) zero for the items described in Section 2.1(k), plus

(h) an amount equal to Seller's actual cost for items described in Section 2.1(o) that have been held by Seller for less than three years, and an amount to be agreed upon for any such items held by Seller for three years or longer (provided that if Purchaser and Seller cannot agree on an amount to be paid for any Asset described in this Section, such Asset shall be an Excluded Asset), plus

(i) an amount equal to the lesser of (i) the net book value (determined in accordance with generally accepted accounting principles, consistently applied) and (ii) the Appraised Value (as hereafter defined), for each piece of used, rental, leased or "rent to own" construction machinery equipment and used attachment inventory described in Section 2.1(l).

The Purchase Price shall be payable by payment of all amounts specified in Sections 3.1(a) - (i) above in cash or cashier's check at Closing.

3.2 Assumed Obligations. At the Closing, Purchaser shall assume and agree to timely discharge the obligations of Seller under all contracts and agreements transferred by Seller to Purchaser under this Agreement that are listed and described on Schedule 2.1(p) or that are (a) listed and described on Schedule 4.8 or on the updated list of contracts required by Section 10.5 and (b) accepted in writing by Purchaser pursuant to the provisions of Section 4.8 or Section 10.5; provided that Purchaser specifically does not assume any liabilities of Seller under any contracts or agreements with respect to any breaches of such contracts or agreements occurring on or before the Closing Date or any damages to third parties resulting from acts, events or omissions occurring on or before the Closing Date. Except for the obligations expressly assumed by Purchaser pursuant to this Agreement, Seller shall take full and complete responsibility for all of its respective liabilities, debts and obligations, whether known or unknown, now existing or hereafter arising, contingent or liquidated (the "Retained Liabilities"), and Purchaser shall not assume, or in any way be liable or responsible for, any of the Retained Liabilities. The Retained Liabilities shall include, without limitation, the following:

(a) the responsibility for contributions to, or any liability in connection with, any employee pension benefit plan, any employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller for its employees, former employees, retirees, their beneficiaries or any other person, and any continuation coverage (including any penalties, excise taxes or interest resulting from the failure to provide continuation coverage) required by Section 4980B of the Code due to qualifying events which occur on or before Closing Date;

(b) any liability or obligation of Seller, or any consolidated group of which Seller is a member, for any federal income tax or state franchise tax, or for any foreign, federal, state, commonwealth, county or local taxes of any kind or nature, or any taxes levied by any other legitimate taxing authority, or any interest or penalties thereon, except for any proration and assumption thereof by Purchaser pursuant to Article 21 hereof;

(c) any liability to which any of the parties may become subject as a result of the fact that the transactions contemplated by this Agreement are being effected without compliance with the bulk sales provisions of the Uniform Commercial Code as in effect in the State of Michigan;

(d) any liability with respect to any claims, suits, actions or causes of action arising out of the conduct of the Business on or prior to the Closing Date;

(e) notwithstanding any disclosures or representations by Seller, any dispute, litigation, settlement, negotiation, administrative or other proceeding, any related or subsequent litigation, appeal or administrative action and any debt, obligation or liability arising out of or in connection with any facts existing prior to the Closing Date;

(f) any noncompliance by Seller with any applicable laws, rules and regulations relating to employment and labor management relations, including without limitation any provisions thereof relating to wages and the payment thereof, hours of work, collective bargaining agreements, workers' compensation laws and the withholding and payment of Social Security and similar taxes;

(g) any failure by Seller to withhold all amounts required by law or agreement to be withheld from the wages or salaries of its employees, and any liability for any wage arrearages, taxes or penalties for failure to comply with any of the foregoing;

(h) any liability arising out of any controversies between Seller and its employees or former employees or any union or other collective bargaining unit that has been certified or recognized by any Seller as representing any of its employees;

(i) accounts payable of Seller;

(j) any and all contracts, agreements or other obligations of Seller to repurchase any equipment, parts or other items previously sold by Seller; and

(k) any liability arising out of any breach or default by Seller under the Grand Rapids Lease or the Ellsworth Lease and all obligations of Seller under the Grand Rapids Lease and the Ellsworth Lease arising during or attributable to any period prior to Closing hereunder.

3.3 Allocation. The Purchase Price payable by Purchaser for the Assets shall be allocated as set forth in Schedule 3.3 hereto. The Rush Parties and Seller shall, at Closing; complete Internal Revenue Service Form 8594 (Asset Acquisition Statement under I.R.C. Section 1060) and otherwise report the federal, state and local income and other tax consequences of the transactions contemplated hereby in a manner consistent with such allocation and shall not take any position or action inconsistent with such allocation in the filing of any federal or state income or other tax returns.

4. REPRESENTATIONS AND WARRANTIES OF SELLER. Except as set forth in a schedule hereto referring to the applicable Section herein, Seller represents and warrants to the Rush Parties as follows:

4.1 Incorporation; Capitalization.

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan, and is duly authorized, qualified and licensed under all applicable Governmental Requirements to carry on its business in the places and in the manner as now conducted and to own, operate and lease the Assets it now owns, operates or holds under lease. There has not been any claim by any other jurisdiction to the effect that Seller is required to qualify or otherwise be authorized to do business as a foreign corporation therein in order to carry on any of its businesses as now conducted or to own, lease or operate the Assets. Seller has not, to Seller's Best Knowledge, taken any action, or failed to take any action which such action or such failure will preclude or prevent Seller's Business from being conducted in substantially the same manner in which Seller has heretofore conducted the same.

4.2 Employee Benefits. As used in this Section, the "Company" shall include the Seller and any member of a controlled group or affiliated service group (as defined in Sections 414(b), (c), (m), and (o) of the Code) of which the Seller is a member.

(a) List of All Benefit Plans and Compensation Agreements. Schedule 4.2(a) includes a complete and accurate list of all employee welfare benefit and employee pension benefit plans as defined in Sections 3(1), 3(2), and 3(3) of ERISA and all other employee benefit agreements or arrangements, including but not limited to deferred compensation plans, incentive plans, bonus plans or arrangements, stock option plans, stock purchase plans, golden parachute agreements, severance pay plans, dependent care plans, cafeteria plans, employee assistance programs, scholarship programs, employment contracts and other similar plans, agreements and arrangements that are currently in effect or were maintained within three years of the Closing Date, or have been approved before this date but are not yet effective, for the benefit of directors, officers, employees, or former employees (or beneficiaries of them) of the Seller.

(b) Representations. The consummation of this Agreement (and the employment by the Purchaser of former employees of the Seller) will not result in any carryover liability to the Purchaser for taxes, penalties, interest or any other claims resulting from any employee pension benefit plan, employee welfare benefit plan, or other employee benefit agreement or arrangement set out in Schedule 4.2(a). In addition, the Seller makes the following representations (i) as to employee pension benefit plans of the Company: (a) no Company has become liable to the PBGC under Section 4062, 4063 or 4064 of ERISA under which a lien could attach to the assets of the Seller under Section 4068 of ERISA; (b) the Company has not ceased operations at a facility so as to become subject to the provisions of Section 4062(e) of ERISA; and (c) the Company has not made a complete or partial withdrawal from a multiemployer plan (as defined in Section 3(37) of ERISA) so as to incur withdrawal liability as defined in Section 4201 of ERISA, and (ii) all group health plans maintained by the Company have been operated in compliance with Section 4980B(f) of the Code.

(c) Non-assumption of Seller's Plans. The parties agree that the Purchaser does not and will not assume the sponsorship of, or the responsibility for contributions to, or any liability in connection with, any employee pension benefit plan, any employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller for its employees, former employees, retirees, their beneficiaries or any other person. In addition and not as a limitation of the foregoing covenant the parties agree that the Seller shall be liable for any continuation coverage (including any penalties, excise taxes or interest resulting from the failure to provide continuation coverage)

required by Section 4980B of the Code due to qualifying events which occur on or before Closing Date.

4.3 Financial Statements. Seller has delivered to Purchaser copies of the following financial statements of the Business, all of which financial statements are included in Schedule 4.3 hereto:

(a) Unaudited Balance Sheet (the "Reference Balance Sheet") as of May 31, 1998 (the "Balance Sheet Date") and Unaudited Income Statement for the two-month period ended on the Balance Sheet Date; and

(b) Unaudited Balance Sheet and Income Statement for the fiscal year ending on March 31, 1998, and Audited Balance Sheets, Income Statements and Statements of Changes in Financial Position for the two fiscal years ending on March 31, 1996 and March 31, 1997.

All financial statements supplied to Purchaser by Seller, whether or not included in Schedule 4.3 hereto, are and will be true and accurate in all respects, have been and will be prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated, and will present fairly the financial condition of the Business as of the dates and for the periods indicated thereon. The Reference Balance Sheet reflects, as of the Balance Sheet Date, all liabilities, debts and obligations of any nature of the Business, whether accrued, absolute, contingent or otherwise, and whether due, or to become due, including, but not limited to, liabilities, debts or obligations on account of Taxes to the extent such items are required to be reflected on such balance sheet under generally acceptable accounting principles consistently applied.

4.4 Events Since the Balance Sheet Date. Since the Balance Sheet Date, there has not been:

(a) any change in the condition (financial or otherwise) or in the properties, assets, liabilities, business or prospects of the Business, except normal and usual changes in the ordinary course of business, none of which has been adverse and all of which in the aggregate have not been adverse;

(b) any labor trouble, strike or any other occurrence, event or condition affecting the employees of Seller that adversely affects the condition (financial or otherwise) of the Assets or the Business;

(c) any breach or default by Seller or, to the Best Knowledge of Seller, by any other party, under any agreement or obligation included in the Assets or by which any of the Assets are bound;

(d) any damage, destruction or loss (whether or not covered by insurance) adversely affecting the Assets, the Business, the Real Property, the Ellsworth Property, or the Grand Rapids Property;

(e) to the Best Knowledge of Seller, any legislative or regulatory change adversely affecting the Assets, the Business, the Real Property, the Ellsworth Property, or the Grand Rapids Property;

(f) any change in the types, nature, composition or quality of the services of the Business, any adverse change in the contributions of any of the service lines of the Business to the revenues or net income of such Business, or any adverse change in the sales, revenue or net income of the Business;

(g) any transaction related to or affecting the Assets, the Business, the Real Property, the Ellsworth Property, or the Grand Rapids Property other than transactions in the ordinary course of business of Seller; or

(h) any other occurrence, event or condition that has adversely affected (or can reasonably be expected to adversely affect) the Assets, the Business, the Real Property, the Ellsworth Property, or the Grand Rapids Property.

4.5 Customer List. Schedule 4.5 sets forth a true, correct and complete list of all customers of the Business to which Seller has sold or provided products or services during the fiscal year ended March 31, 1998, and an accurate statement of the gross revenues received from each such customer by the Business during such period.

4.6 Taxes.

(a) all Tax Returns of or relating to any Taxes that are required to be filed on or before the Closing Date, subject to any allowable extension periods, for, by, on behalf of or with respect to Seller, including, but not limited to, those relating to the income, business, operations or property of Seller (whether on a separate, consolidated, affiliated, combined, unitary or any other basis), have been timely filed with the appropriate foreign, federal, state and local authorities, and all Taxes shown to be due and payable on such Tax Returns or related to such Tax Returns have been paid in full on or before the Closing Date except Taxes which have not yet accrued or otherwise become due, all of which are reflected in the Reference Balance Sheet;

(b) all such Tax Returns and the information and data contained therein have been properly and accurately compiled and completed in all material respects, fairly present the information purported to be shown therein, and reflect, to the Best Knowledge of Seller, all liabilities for Taxes for the periods covered by such Tax Returns, net of any applicable reserves;

(c) Seller has not received notice that any of such Tax Returns are under audit or examination by any foreign, federal, state or local authority and there are no agreements, waivers or other arrangements providing for an extension of time with respect to the assessment or collection of any Tax or deficiency of any nature against Seller or with respect to any such Tax Return, or any suits or other actions, proceedings, investigations or claims now pending or, to the Best Knowledge of Seller, threatened against Seller with respect to any Tax, or any matters under discussion with any foreign, federal, state or local authority relating to any Tax, or any claims for any additional Tax asserted by any such authority;

(d) all Taxes assessed and due and owing from or against Seller on or before the Closing Date (including, but not limited to, ad valorem Taxes relating to any property of Seller) have been timely paid in full on or before the Closing Date;

(e) all withholding Tax, Tax deposit and estimated Tax payment requirements imposed on Seller for any and all periods ending on or before the Closing Date, or through and including the Closing Date for periods that have not ended on or before the Closing Date, have been satisfied in full on or before the Closing Date or reserves adequate for the payment of such withholding, deposit and estimated Taxes have been established in the financial statements of Seller on or before the Closing Date; and

(f) the financial statements reflect and include adequate charges, accruals, reserves and provisions for the payment in full of any and all Taxes payable with respect to any and all periods ending on or before the respective dates thereof.

4.7 Employee Matters. Schedule 4.7 sets forth a true and complete list of the names of, and current annual compensation paid by Seller to each employee of Seller utilized in connection with the operation of the Business. Seller has not, within the last five years, had or been threatened with any union activities, work stoppages or other labor trouble with respect to its employees. There are no collective bargaining or other labor union agreements to which Seller is a party or by which it is bound. To the best of Seller's knowledge, at the date hereof, there are no disputes with employees in general to which Seller is a party. At the date hereof, there are no strikes, slowdowns or picketing against Seller. At the date hereof, Seller has not received notice from any union or employees setting forth demands for representation, elections or for present or future changes in wages, terms of employment or working conditions. Other than wage increases in the ordinary course of business and except as set forth on Schedule 4.7, since the Balance Sheet Date Seller has not made any commitment or agreement to increase the wages or modify the conditions or terms of employment of any of the employees of Seller.

4.8 Contracts and Agreements. Schedule 4.8, together with Schedule 2.1(p), sets forth a true and complete list of and briefly describes all of the following contracts, agreements, leases, licenses, plans, arrangements or commitments, written or oral, that relate to the Assets, the Real Property, the Grand Rapids Property, the Ellsworth Property and the Business (including all amendments, supplements and modifications thereto):

(a) all contracts, agreements or commitments in respect of the sale of products or services or the purchase of raw materials, supplies or other products or utilities;

(b) all offers, tenders or the like outstanding and capable of being converted into an obligation of Seller by the passage of time or by an acceptance or other act of some other person or entity or both;

(c) all sales, agency or distributorship agreements or franchises or legally enforceable commitments or obligations with respect thereto;

(d) all collective bargaining agreements, union agreements, employment agreements, consulting agreements or agreements providing for the services of an independent contractor;

(e) all profit-sharing, pension, stock option, severance pay, retirement, bonus, deferred compensation, group life and health insurance or other employee benefit plans, agreements, arrangements or commitments of any nature whatsoever, whether or not legally binding, and all agreements with any present or former officer, director or shareholder of Seller;

(f) all loan or credit agreements, indentures, guarantees (other than endorsements made for collection), mortgages, pledges, conditional sales or other title retention agreements, and all equipment financing obligations, lease and lease-purchase agreements relating to or affecting the Assets or the Business;

(g) all leases related to the Assets, the Business, the Real Property, the Ellsworth Property, or the Grand Rapids Property;

(h) all performance bonds, bid bonds, surety bonds and the like, all contracts and bids covered by such bonds, and all letters of credit and guaranties;

(i) all consent decrees and other judgments, decrees or orders, settlement agreements and agreements relating to competitive activities, requiring or prohibiting any future action;

(j) all contracts or agreements of any nature with Seller, or any Affiliate of Seller or Shareholders; and

(k) all contracts, commitments and agreements entered into outside the ordinary course of the operation of the Business.

All of such contracts, agreements, leases, licenses, plans, arrangements, and commitments and all other such items included in the Assets but not specifically described above (collectively, the "Contracts") are valid, binding and in full force and effect in accordance with their terms and conditions and there is no existing default thereunder or breach thereof by Seller, or, to the Best Knowledge of Seller, by any other party to the Contracts, or any conditions which, with the passage of time or the giving of notice or both, might constitute such a default by Seller, or, to the Best Knowledge of Seller, by any other party to the Contracts, and the Contracts will not be breached by or give any other party a right of termination as a result of the transactions contemplated by this Agreement. Seller is not obligated to pay any liquidated damages under any of the contracts, agreements, indentures, leases or other instruments described in Schedule 4.8 hereto and Seller is not aware of any facts or circumstances that could reasonably be expected to result in an obligation of Seller to pay any such liquidated damages. To the Best Knowledge of Seller there is no reason why any of the Contracts (i) will result in a loss to Purchaser on completion by performance or (ii) cannot readily be fulfilled or performed by Purchaser with the Assets on time without undue or unusual expenditure of money or effort. Copies of all of the documents (or in the case of oral commitments, descriptions of the material terms thereof) relevant to the Contracts listed in Schedule 4.8 have been delivered by Seller to Purchaser, and such copies and/or descriptions are true, complete and accurate and include all amendments, supplements or modifications thereto. After reviewing the Contracts described on Schedule 4.8, the Purchaser may, at its sole option, choose to assume one or more of such Contracts, and, within twenty (20) days of receipt by Purchaser of all information reasonably requested by Purchaser with respect to such Contracts, Purchaser shall notify Seller of which Contracts, if any, Purchaser intends to assume hereunder. Except for Contracts, if any, that Purchaser notifies Seller (in writing) that it will assume, all of the Contracts described on Schedule 4.8 (but not including any other Contracts, including the Contracts on Schedule 2.1(p)) shall remain the sole obligation of Seller and shall not be assumed by Purchaser, and Purchaser shall have no obligation or liability with respect thereto.

4.9 Effect of Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (a) violate any provision of the

Articles of Incorporation or other charter documents or bylaws of Seller; (b) result in any violation of any Governmental Requirement applicable to Seller, the Assets or the Business; (c) conflict with, or result in any breach of, or default or loss of any right under (or an event or circumstance that, with notice or the lapse of time, or both, would result in a default), or the creation of an Encumbrance pursuant to, or cause or permit the acceleration prior to maturity or "put" right with respect to, any obligation under, any contract, indenture, mortgage, deed of trust, lease, loan agreement or other agreement or instrument to which Seller is a party or to which any of the Assets are subject; (d) relieve any Person of any obligation (whether contractual or otherwise) or enable any Person to accelerate or terminate any such obligation or any right or benefit enjoyed by Seller or to exercise any right under any agreement in respect of the Assets or the Business; and (e) require (to the Best of Seller's Knowledge) notice to or the consent, authorization, approval, clearance, waiver or order of any Person (except as may be contemplated by the last sentence of Section 4.8). To the Best Knowledge of Seller, the business relationships of clients, customers and suppliers of the Business will not be adversely affected by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. To the Best of Seller's Knowledge, the execution, delivery and performance of this Agreement by Seller will not result in the loss of any material governmental license, franchise or permit possessed by Seller.

4.10 Properties, Assets and Leasehold Estates. Seller owns or has the right to use (pursuant to a valid lease or license disclosed on Schedule 4.8) all operating assets and properties necessary for Seller to conduct the Business in the manner presently conducted by Seller, and all of such operating assets and properties (or, in the case of leased assets, the leases covering such assets) are included in the Assets. Seller has good, marketable title to all the Assets, free and clear of all mortgages, liens, pledges, conditional sales agreements, charges, easements, covenants, assessments, options, restrictions and encumbrances of any nature whatsoever and, with respect to the Real Property, each of the owners thereof identified on Schedule 4.10 has good, marketable and indefeasible title in fee simple, free and clear of all restrictions, liens, leases, encumbrances, rights-of-way, easements, encroachments, exceptions, and other matters affecting title, except for the Permitted Exceptions. Neither Seller nor (to the Best of Seller's Knowledge) the Grand Rapids Landlord nor the Ellsworth Landlord are currently in default of any of their respective obligations under the Grand Rapids Lease and the Ellsworth Lease, and each such lease is now and at Closing will be in full force and effect in accordance with its terms. The plants, structures, equipment, vehicles and other tangible properties included in the Assets, the Real Property and the tangible property leased by Seller under the Grand Rapids Lease and the Ellsworth Lease and other leases included in the Assets, are in good operating condition and repair, normal wear and tear excepted, and are capable of being used for their intended purpose in the Business as now conducted. The Assets include all existing warranties and service contracts with respect to any of the Assets, the Real Property, the Ellsworth Property and the Grand Rapids Property to the extent the same are capable of being assigned to Purchaser. During the past two years, there has not been any significant interruption of the Business due to the breakdown or inadequate maintenance of any of the Assets. To the Best of Seller's Knowledge, all plants, structures, equipment, vehicles and other tangible properties included in the Assets, the Real Property, the Ellsworth Property and the Grand Rapids Property and the present use of all such items, conform to all applicable Governmental Requirements, and no notice of any violation of any such Governmental Requirements relating to such assets or their use has been received by Seller. The Assets include all easements, rights of ingress and egress, and utilities and services necessary for the conduct of the Business.

4.11 Intangible Property. Schedule 4.11 is a list and description of all material patents, trademarks, service marks, trade names, and copyrights and applications therefor owned by or registered in the name of Seller or in which Seller has any right, license or interest. Except for Seller's agreements with John Deere and the agreements listed on Schedule 4.11, Seller is not a party to any license agreements, either as licensor or licensee, with respect to any patents, trademarks, service marks, trade names, or copyrights or applications therefor. To the Best of Seller's Knowledge, Seller has good and indefeasible title to or the right to use such assets and all inventions, processes, designs, formulae, trade secrets, and know-how necessary for the conduct of its business, without the payment of any royalty or similar payment. To the Best of Seller's Knowledge, Seller is not infringing any patent, trademark, service mark, trade name, or copyright of others, and Seller is not aware of any infringement by others of any such rights owned by Seller.

4.12 Suits, Actions and Claims. Except as set forth in Schedule 4.12, (a) there are no suits, actions, claims, inquiries or investigations by any Person, or any legal, administrative or arbitration proceedings in which Seller is engaged or which are pending or, to the Best Knowledge of Seller, threatened against or affecting Seller or any of its properties, assets or business, or to which Seller is or might become a party, or which question the validity or legality of the transactions contemplated hereby, (b) no basis or grounds for any such suit, action, claim, inquiry, investigation or proceeding exists, and (c) there is no outstanding order, writ, injunction or decree of any Governmental Authority against or affecting Seller or any of its properties, assets or business. Without limiting the foregoing, Seller does not have any Best Knowledge of any state of facts or the occurrence of any event forming the basis of any present or potential claim against Seller.

4.13 Licenses and Permits; Compliance With Governmental Requirements. To the Best of Seller's Knowledge and except as set forth in Schedule 4.13 hereto, Seller has all material federal, state, local and foreign governmental licenses and permits necessary to the conduct of the operations of Seller's Business as currently conducted, such licenses and permits are in full force and effect, no material violations currently exist in respect of any thereof and no proceeding is pending or, threatened to revoke or limit any thereof. Schedule 4.13 hereto contains a true, complete and accurate list of (a) all such governmental licenses and permits, (b) all consents, orders, decrees and other compliance agreements under which Seller is operating or bound, copies of all of which have been furnished to Purchaser, and (c) all material governmental licenses and permits applied for but not yet received by Seller. Seller has not received and is not aware of any reports of inspections under the United States Occupational Safety and Health Act, or under any other applicable federal, state or local health and safety laws and regulations relating to Seller, the Assets or the operation of Seller's Business. Seller has not received any notice that there are safety, health, anti-competitive or discrimination claims that have been made or are pending or, to the Best Knowledge of Seller, that are threatened relating to the business or employment practices of Seller. To the Best Knowledge of Seller, Seller has complied with all Governmental Requirements applicable to its business and all Governmental Requirements with respect to the distribution and sale of products and services by it.

4.14 Authorization. As of the Closing, the Seller shall have full legal right, power, and authority to enter into and deliver this Agreement and to consummate the transactions set forth herein and to perform all the terms and conditions hereof to be performed by them. As of the Closing, the execution and delivery of this Agreement by Seller and each of the Shareholders and the performance by Seller and each of the Shareholders of the transactions contemplated herein shall have been duly and validly authorized by all requisite corporate action of Seller and

by each Shareholder, and this Agreement shall have been duly and validly executed and delivered by Seller and by each Shareholder and shall be the legal, valid and binding obligation of each of them, enforceable against Seller and each of the Shareholders in accordance with its terms, except as limited by applicable bankruptcy, moratorium, insolvency or other similar laws affecting principles of equity.

4.15 Records. To the Best of Seller's Knowledge, the books, records and minutes kept by Seller with respect to the Assets and the Business, including, but not limited to, all customer files, service agreements, quotations, correspondence, route sheets and historic revenue data of Seller, have been kept properly and contain records of all matters required to be included therein by any Governmental Requirement or by generally accepted accounting principles, and such books, records and minutes are true, accurate and complete and (except for corporate minute books and stock records) are included in the Assets.

4.16 Environmental Protection Laws. Except as described on Schedule 4.16:

(a) To the Best Knowledge of Seller, Seller and each of the respective owners of the Real Property, as applicable, have at all times operated the Real Property, Grand Rapids Property, Ellsworth Property, Assets and Business in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or other Governmental Authority, and are not currently operating or required to be operating the Assets, the Business, the Real Property, the Ellsworth Property, or the Grand Rapids Property under any compliance order, decree or agreement; any consent decree, order or agreement; and/or any corrective action decree, order or agreement issued by or entered into with any Governmental Authority under any Environmental Law.

(b) There are no existing, pending or, to the Best Knowledge of Seller, threatened actions, suits, claims, or to the Best Knowledge of Seller, investigations, inquiries or proceedings by or before any court or any other Governmental Authority directed against the Real Property, Grand Rapids Property, Ellsworth Property, Assets or Business which pertain or relate to (i) any remedial obligations under any applicable Environmental Law, (ii) violations of any Environmental Law, (iii) personal injury or property damage claims relating to the release of chemicals or Hazardous Materials or (iv) response, removal or remedial costs under CERCLA or any similar state law, and there is not any Environmental Condition on or at the Real Property, Grand Rapids Property, Ellsworth Property, or any other matter on or connected with the Assets that would cause the imposition on Purchaser of Environmental Liabilities if such Environmental Condition or other matter were disclosed to Governmental Authorities.

(c) To the Best of Seller's Knowledge, all notices, Environmental Permits, licenses or similar authorizations required to be obtained or filed by Seller under all applicable Environmental Laws in connection with its current and previous operation or use of the Real Property, Grand Rapids Property, Ellsworth Property and Assets, or the current and previous conduct of the Business have been duly obtained or filed and are in full force and effect.

(d) Seller has not received notice that any Environmental Permit, license or similar authorization is to be revoked or suspended by any Governmental Authority.

(e) There are no underground storage tanks on the Real Property, the Ellsworth Property or the Grand Rapids Property. To the best knowledge of Seller and each of the Shareholders, there have never been any underground storage tanks on the Real Property, the Ellsworth Property or the Grand Rapids Property.

(f) To the Best Knowledge of Seller, no portion of the Real Property, the Ellsworth Property or Grand Rapids Property is part of a Superfund site under CERCLA or any similar ranking or listing under any similar state law.

(g) To the Best Knowledge of Seller and each of the Shareholders, all Hazardous Materials generated in connection with the operation of the Business have been transported, stored, treated and disposed of by carriers, storage, treatment and disposal facilities authorized and maintaining valid permits under all applicable Environmental Laws, and no Hazardous Materials have been dumped, landfilled, stored, located or disposed of on the Real Property, the Ellsworth Property or the Grand Rapids Property.

(h) To the Best Knowledge of Seller and each of the Shareholders, no Person has disposed or released any Hazardous Materials on or under the Real Property, the Ellsworth Property or the Grand Rapids Property and Seller has not disposed or released Hazardous Materials on or under the Real Property, Ellsworth Property, Grand Rapids Property, Assets or Business except in compliance with all Environmental Laws, and there has not been, in respect to the Assets, any emission (other than steam or water vapor) into the atmosphere or any discharge, direct or indirect, of any pollutants into the waters of the State of Michigan or the United States of America other than domestic sewage discharged into a publicly owned treatment facility.

(i) To the Best Knowledge of Seller, no facts or circumstances exist which could reasonably be expected to result in any liability to any Person with respect to the Real Property, Grand Rapids Property, Ellsworth Property, Business or Assets in connection with (i) any release, transportation or disposal of any Hazardous Materials, hazardous substance or solid waste or (ii) action taken or omitted that was not in full compliance with or was in violation of, any applicable Environmental Law.

4.17 Brokers and Finders. No broker or finder has acted for Seller or any of the Shareholders in connection with this Agreement or the transactions contemplated by this Agreement and no broker or finder is entitled to any brokerage or finder's fee or to any commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Seller or any of the Shareholders.

4.18 Deposits. Seller does not now hold any deposits or prepayments by third parties with respect to any of the Assets or the Business ("Deposits") which are not reflected as liabilities on the Reference Balance Sheet or on Schedule 4.18. If Seller holds any Deposits as of the Closing Date, Purchaser will be given credit against the Purchase Price for the amount of any such Deposits pursuant to Article 21 hereof.

4.19 Work Orders. There are no outstanding work orders or contracts relating to any portion of the Assets, Real Property, Ellsworth Property, or Grand Rapids Property from or required by any policy of insurance, fire department, sanitation department, health authority or other governmental authority nor, to the Best of Seller's Knowledge, is there any matter under discussion with any such parties or authorities relating to work orders or contracts.

4.20 Telephone Numbers. Seller will use its best efforts to transfer all telephone numbers used by Seller in connection with the Business to Purchaser.

4.21 No Royalties. No royalty or similar item or amount is being paid or, to the Best of Seller's Knowledge, is owing by Seller, nor is any such item accruing, with respect to the operation, ownership or use of the Business or the Assets.

4.22 Insurance. Schedule 4.22 hereto sets forth all existing insurance policies held by Seller relating to the Business, the Assets, the Real Property, the Ellsworth Property, the Grand Rapids Property, the Improvements and all employees or agents of Seller. Each such policy is in full force and effect and is with insurance carriers believed by Seller to be responsible. To the Best of Seller's Knowledge, there is no dispute with respect to such policies, and all claims arising from events or circumstances occurring prior to the date hereof have been paid in full or adequate reserves therefor are recorded in the Reference Balance Sheet. To the Best of Seller's Knowledge, all retroactive premium adjustments for any period ended on or before June 1, 1997, under any worker's compensation policy or any other insurance policies of Seller have been recorded in accordance with generally accepted accounting principles and are reflected in the Reference Balance Sheet. To the Best of Seller's Knowledge and except for such policies which are identified as such on Schedule 4.22, none of such policies will terminate as a result of the transactions contemplated by this Agreement.

4.23 Warranties and Product Liability.

(a) Except for warranties implied by law, Seller has not given or made any warranties in connection with the sale or rental of goods or services in connection with the operation of the Business, including, without limitation, warranties covering the customer's consequential damages. To the Best of Seller's Knowledge, there is no state of facts or occurrence of any event forming the reasonable basis of any present claim against Seller with respect to warranties in connection with the operation of the Business relating to products, sold or distributed by Seller or services performed by or on behalf of Seller in connection with the operation of the Business that could reasonably be expected to materially exceed the reserves therefor.

(b) To the Best of Seller's Knowledge, there is no state of facts or any event forming the reasonable basis of any present claim against Seller in connection with the operation of the Business not fully covered by insurance, except for deductibles and self-insurance retentions, for personal injury or property damage alleged to be caused by products shipped or services rendered by or on behalf of Seller in connection with the operation of the Business.

4.24 No Untrue Statements. To the Best of Seller's Knowledge, the statements, representations and warranties of Seller set forth in this Agreement and the Schedules and in all other documents and information furnished to Purchaser and its representatives in connection herewith do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements, representations and warranties made not misleading. To the Best Knowledge of Seller, there is no fact or matter that is not disclosed to Purchaser in this Agreement or the Schedules that materially and adversely affects or, so far as Seller can now reasonably foresee, could materially and adversely affect the condition (financial or otherwise) of any of the Assets or the Business or the ability of Seller or any of the Shareholders to perform their respective obligations under this Agreement.

4.25 Shareholders' Representations and Warranties. The Shareholders hereby jointly and severally represent and warrant to the Rush Parties as follows:

(a) Due Authorization. Each Shareholder has full power and authority to execute and deliver this Agreement and the agreement contemplated herein and to perform his obligations hereunder and thereunder. Each Shareholder has duly executed this Agreement, and this Agreement is, and each other agreement contemplated hereby to which he will be a party will be, upon execution and delivery thereof by him, his legal, valid and binding obligation, enforceable against him in accordance with its terms (except as the enforceability thereof may be limited by any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally or by general principles of equity, regardless of whether such enforceability is considered in equity or at law).

(b) No Conflict. Neither Shareholders' execution and delivery of this Agreement or the agreements contemplated herein nor the consummation of the transactions contemplated hereby or thereby by him will (i) conflict with, result in a breach or violation of or constitute (or with notice or lapse of time or both constitute) a default under any law, statute, regulation, order, judgment or decree or any instrument, contract or other agreement to which he is a party or by which he (or any of his assets or properties) is bound; or (ii) require him to obtain any authorization, consent, approval or waiver from, to give notification to, or to make any filing with, any Governmental Authority, or to obtain the approval or consent of any other Person.

(c) Brokers. Neither Shareholder has paid or become obligated to pay any fee or commission to any broker, finder, investment banker or other intermediary in connection with the transactions contemplated by this Agreement.

(d) Seller's authorized capital stock consists of 250,000 shares of Common Stock, of which 54,796 shares are issued and outstanding and are owned of record and beneficially as set forth on Schedule 4.25, free and clear of all liens, Encumbrances or other obligations. All of the outstanding shares of capital stock of Seller have been duly authorized and validly issued and are fully paid and non-assessable. There are no outstanding options, warrants, convertible securities, calls, rights, commitments, preemptive rights, agreements, arrangements or understandings of any character obligating Seller (a) to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of Seller or any securities or obligations convertible into or exchangeable for such shares or (b) to grant, extend or enter into any such option, warrant, convertible security, call, right, commitment, preemptive right, agreement, arrangement or understanding described in clause (a) above.

5. REPRESENTATIONS AND WARRANTIES OF THE RUSH PARTIES. The Rush Parties represent and warrant to Seller and the Shareholders as follows:

5.1 Incorporation. Each of the Rush Parties is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation.

5.2 Authorization. Each of the Rush Parties has full legal right and corporate power to enter into and deliver this Agreement and to consummate the transactions set forth herein and to perform all the terms and conditions hereof to be performed by it. This Agreement has been duly executed and delivered by each of the Rush Parties and is a legal, valid and binding obligation of each of them enforceable in accordance with its terms, except as limited by

applicable bankruptcy, moratorium, insolvency or other laws affecting generally the rights of creditors or by principles of equity.

5.3 Brokers and Finders. No broker or finder has acted for either of the Rush Parties in connection with this Agreement or the transactions contemplated by this Agreement and no broker or finder is entitled to any brokerage or finder's fee or to any commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of the Rush Parties.

5.4 No Violation of Laws of Agreements. The execution, delivery and performance of this Agreement and/or the transactions contemplated by this Agreement by each of the Rush Parties does not (a) violate any provision of applicable law, (b) violate any judgment, order, writ or decree of any court or other tribunal applicable to either or both of the Rush Parties, (c) violate any of the provisions of the Articles of Incorporation or the By-Laws of the Rush Parties, of (d) constitute a default under any material agreement, bond, note or indenture by which the Rush Parties or any of their properties or assets are bound.

6. NATURE OF STATEMENTS AND SURVIVAL OF INDEMNIFICATIONS, GUARANTEES, REPRESENTATIONS AND WARRANTIES OF THE PARTIES. All statements of fact contained in this Agreement or in any written statement (including financial statements), certificate, schedule or other document delivered by or on behalf of Seller, any of the Shareholders or the Rush Parties, as the case may be, pursuant to this Agreement or in connection with the transactions contemplated hereby shall be deemed representations and warranties hereunder of Seller, each Shareholder or the Rush Parties, as the case may be. All indemnifications, guarantees, covenants, agreements, representations and warranties made by any party hereunder or pursuant hereto or in connection with the transactions contemplated hereby shall survive the Closing regardless of any investigation at any time made by or on behalf of any other party.

7. CONTRACTS PRIOR TO THE CLOSING DATE.

7.1 Approval of Contracts. Other than contracts entered into in the ordinary course of business, none of which are materially adverse to the transaction to which it relates, Seller shall not enter into or amend any contracts related to the Business, the Assets, the Real Property, the Ellsworth Property or the Grand Rapids Property between the date hereof and the Closing Date unless approved in writing by Purchaser. Seller will provide all information requested by Purchaser relating to each such contract or amendment to enable Purchaser to make an informed decision regarding approval of such contract or amendment.

7.2 Contracts Included in Assets. Any contracts, agreements or commitments (or amendments to such items) related to the Business, the Assets, the Real Property, the Ellsworth Property or the Grand Rapids Property that are entered into by Seller between the date hereof and the Closing Date and are approved in writing by Purchaser (after review of true, correct and accurate copies of such items) shall be included in the Assets (with no addition to the Purchase Price) and shall be assumed by Purchaser pursuant to Section 3.2.

8. COVENANTS OF SELLER PRIOR TO CLOSING DATE. Seller hereby covenants and agrees that between the date of this Agreement and the Closing Date:

8.1 Access to Information. Seller shall afford to the officers and authorized representatives of the Rush Parties access to the facilities, properties, books and records of

Seller related to the Assets, the Business, the Real Property, the Ellsworth Property and the Grand Rapids Property and shall furnish the Rush Parties with such financial and operating data and other information regarding the Assets, the Business, the Real Property and the Grand Rapids Property and as Purchaser may from time to time reasonably request.

8.2 General Affirmative Covenants. Seller shall:

(a) conduct the Business only in the ordinary course;

(b) maintain the Assets and the Improvements in good working order and condition, ordinary wear and tear excepted;

(c) perform all its obligations under agreements relating to or affecting the Assets the Real Property, the Grand Rapids Property, the Ellsworth Property or the Business (including, without limitation, the Grand Rapids Lease and the Ellsworth Lease);

(d) keep in full force and effect adequate insurance coverage on the Assets the Improvements and the operation of the Business;

(e) use its best efforts to maintain and preserve the Business, and retain its present employees, customers, suppliers and others having business relations with it;

(f) duly and timely file all reports or returns required to be filed with any Governmental Authority, and promptly pay all Taxes levied or assessed upon it or its properties, upon any part thereof or upon its Shareholders as the result of the Seller's election to be taxed as an "S" corporation under the Code;

(g) duly observe and conform to all Governmental Requirements relating to the Assets or its properties, the Real Property, the Ellsworth Property and the Grand Rapids Property or to the operation and conduct of its Business and all covenants, terms and conditions upon or under which any of its properties are held;

(h) remove and have released, by payment or otherwise, all liens and encumbrances of any nature whatsoever on the Assets, the Real Property, the Ellsworth Property and the Grand Rapids Property (except for liens and encumbrances, if any, specifically assumed by Purchaser pursuant to this Agreement or permitted under the Leases, the New Ellsworth Lease or the Grand Rapids Lease, as applicable);

(i) duly and timely take all actions necessary to carry out the transactions contemplated hereby;

(j) deliver to Purchaser on or before the 15th day of each month true and correct unaudited monthly balance sheets and statements of income for the Business for the immediately preceding month;

(k) deliver to Purchaser on or before the Closing Date a true and correct audited annual balance sheet, statement of income and statement of changes in financial position for the year ended March 31, 1998, together with any additional financial information reasonably requested by Purchaser to allow Purchaser to timely comply with

its reporting requirements under the Exchange Act, all in form and substance sufficient to allow Purchaser to timely comply with such reporting requirements;

(l) preserve and maintain the goodwill of the Business; and

(m) cause the book value of the used, rental, leased and "rent to own" construction machinery equipment, and all used attachment inventory of Seller to be at least $2,300,000 and to purchase and sell such equipment and inventory only in accordance with past practice.

8.3 General Negative Covenants. Seller shall not take any of the following actions without the prior written consent of Purchaser:

(a) entering into or amending or assuming any contract, agreement, obligation, lease, license or commitment related to the Business, the Real Property, the Ellsworth Property, the Grand Rapids Property or the Assets (or of a type included in the Assets) other than in accordance with the provisions of Section 7.1;

(b) entering into or amending or assuming any mortgage, pledge, conditional sale or other title retention agreement, lien, encumbrance or charge of any kind upon any of the Assets, the Real Property, the Ellsworth Property, the Grand Rapids Property, or selling, leasing, abandoning or otherwise disposing of any of the Assets, the Real Property, the Ellsworth Property, or the Grand Rapids Property, including, but not limited to, real property, machinery, equipment or other operating properties;

(c) engaging in any activities or transactions that might adversely affect the Assets, the Real Property, the Ellsworth Property, the Grand Rapids Property or the Business; or

(d) increasing the compensation of any officer or employee of Seller, other than normal compensation adjustments in the ordinary course of the Business consistent with past practice.

8.4 Disclosure of Misrepresentations and Breaches. If any of the representations or warranties of Seller or any of the Shareholders hereunder are determined by Seller or any of the Shareholders to have been incorrect when made, or are determined by Seller or any of the Shareholders to be incorrect as of any date subsequent to the date hereof, or if any of the covenants of Seller and each of the Shareholders contained in this Agreement have not been complied with timely, then Seller or the Shareholders, as the case may be, shall immediately notify Purchaser to such effect (provided that such notice shall in no way limit the rights of Purchaser (a) under Articles 10 and 18 to terminate this Agreement or refuse to consummate the transactions contemplated hereby or (b) to enforce any rights or remedies it may have hereunder).

8.5 Government Filings. Seller and the Shareholders shall cooperate with Purchaser and their representatives in the preparation of any documents or other material that may be required by any Governmental Authority in connection with the Assets or the Business or the transactions contemplated hereby, including, but not limited to, any required filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act").

8.6 Access to and Inspection of Premises, Facilities and Equipment. Seller shall afford to the officers and authorized representatives of Purchaser access to the Real Property, the Ellsworth Property, the Grand Rapids Property and all other premises, facilities and tangible assets included in the Assets for the purpose of inspecting such premises, facilities and equipment in such manner as Purchaser shall deem appropriate, including, but not limited to, an environmental inspection and audit. To the extent the consent of any owner of any parcel of the Real Property, the Ellsworth Landlord or the Grand Rapids Landlord is required for such access, Seller has heretofore obtained or will obtain the same and agrees to indemnify the Rush Parties and their agents, officers, employees, contractors, consultants and representatives against any and all claims, demands or suits against any of such persons by the owners of any parcel of the Real Property, the Ellsworth Landlord or the Grand Rapids Landlord in connection with such access or the exercise of any of Seller's or Purchaser's rights under this agreement, except to the extent such claims, demands or suits arise out of the negligence or intentional misconduct of the indemnified parties. If upon completion of such inspection the Rush Parties find any conditions which the Rush Parties, in their sole discretion, consider to be unacceptable, the Rush Parties may, in addition to their rights to terminate this Agreement pursuant to Articles 10 and 18, delay the Closing under Article 2 up to and including the earlier of (a) ten days after remedy of the condition to the Rush Parties' satisfaction, or (b) October 31, 1998.

9. COVENANTS REGARDING THE CLOSING AND POST-CLOSING.

9.1 Covenants of Seller. (a) Seller and each Shareholder hereby covenant and agree that they shall each (i) use commercially reasonable efforts to cause all of their respective representations and warranties set forth in this Agreement to be true on and as of the Closing Date, (ii) use commercially reasonable efforts to cause all of their respective obligations that are to be fulfilled on or prior to the Closing Date to be so fulfilled, (iii) use commercially reasonable efforts to cause all conditions to the Closing set forth in this Agreement to be satisfied on or prior to the Closing Date, and (iv) deliver to Purchaser at the Closing the certificates, updated lists, opinion of counsel, notices, consents, authorizations, approvals, agreements, leases, transfer documents, receipts, and amendments contemplated by Article 10 (with such additions or exceptions to such items as are necessary to make the statements set forth in such items accurate, provided that if any of such additions or exceptions cause any of the conditions to Purchaser's obligations hereunder as set forth in Article 10 not to be fulfilled, such additions and exceptions shall in no way limit the rights of Purchaser under Articles 10 and 18 to terminate this Agreement or refuse to consummate the transactions contemplated hereby).

(b) To the extent Seller receives any funds or other assets in connection with the Assets being sold to Purchaser pursuant hereto, Seller shall immediately deliver such funds and assets to Purchaser and take all steps necessary to vest title to such funds and assets in Purchaser. Seller hereby designates Purchaser and its officers as Seller's true and lawful attorney-in-fact, with full power of substitution, to execute or endorse for the benefit of Purchaser any checks, notes or other documents included in the Assets or received by Purchaser in payment of or in substitution or exchange for any of the Assets. Seller hereby acknowledges and agrees that the power of attorney set forth in the preceding sentence is coupled with an interest, and further agrees to execute and deliver to Purchaser from time to time any documents or instruments reasonably requested by Purchaser to evidence such power of attorney.

9.2 Covenants of Shareholders. For a period of 18 calendar months following the Closing Date, the Shareholders shall cause Seller to maintain cash and prepaid amounts to the Internal Revenue Service in the aggregate amount of at least $1.5 million and the cash

surrender value of all life insurance policies currently owned by Seller, to retain its ownership interest in Maple Creek Golf Course, LLC, and not to incur any indebtedness from and after the Closing other than indebtedness incurred in connection with any existing recourse obligation, guaranty or any Contract described on Schedule 4.8.

9.3 Covenants of the Rush Parties. (a) Each of the Rush Parties hereby covenants and agrees that it shall (a) use commercially reasonable efforts to cause all of its representations and warranties set forth in this Agreement to be true on and as of the Closing Date, (b) use commercially reasonable efforts to cause all of its obligations that are to be fulfilled on or prior to the Closing Date to be so fulfilled, (c) use commercially reasonable efforts to cause all conditions to the Closing set forth in this Agreement to be satisfied on or prior to the Closing Date (provided that failure by the Rush Parties to comply with a second requirement for information under the HSR Act or to comply with any requested divestiture of assets or to enter into any consent or similar order or agreement shall not constitute a failure of the Rush Parties to use commercially reasonable efforts), and (d) deliver to Seller at the Closing the certificate contemplated by Article 11 (with such additions or exceptions to such certificate as are necessary to make the statements set forth in such certificate accurate, provided that if any of such additions or exceptions cause any of the conditions to Seller's obligations hereunder as set forth in Article 11 not to be fulfilled, such additions and exceptions shall in no way limit the rights of Seller under Articles 11 and 18 to terminate this Agreement or to refuse to consummate the transactions contemplated hereby).

(b) In the event Seller repurchases any equipment or machinery covered by a repurchase obligation referred to in Section 3.2(j) and listed on Schedule 2.1(p) and thereafter elects to have repairs made to such equipment and machinery before selling or disposing of such equipment and machinery, the Rush Parties shall make all such repairs in consideration for the actual cost of such repairs plus the intercompany labor rate of the Rush Parties.

9.4 HSR Act. The parties will prepare and file the notification, if any, required to be filed by them under the HSR Act with respect to the transactions contemplated by this Agreement, will request early termination prior to the Closing Date of the statutory waiting period prescribed by the HSR Act, and will use commercially reasonable efforts to respond to any inquiry made by the Federal Trade Commission or the Antitrust Division of the Department of Justice regarding such notification; provided that the parties will respond to any request for information only if and to the extent requested by the Rush Parties, in their sole discretion.

9.5 Inventory Audit. Within five days prior to Closing, Seller and the Rush Parties shall each appoint one or more representatives knowledgeable in the equipment business, and shall cause such representatives to conduct an audit (in accordance with generally accepted accounting principles, consistently applied) of the inventory of the Assets as of the Closing Date. Each party shall bear their cost of conducting such audit.

10. CONDITIONS TO OBLIGATIONS OF THE RUSH PARTIES. The obligations of the Rush Parties hereunder are, at the option of the Rush Parties, subject to the satisfaction, on or prior to the Closing Date, of the following conditions (any of which may be waived by the Rush Parties, in their sole discretion):

10.1 Accuracy of Representations and Warranties and Fulfillment of Covenants. The representations and warranties of Seller and each of the Shareholders contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date. Each and

all of the agreements and covenants of Seller and each of the Shareholders, respectively, to be performed on or before the Closing Date pursuant to the terms hereof shall have been performed. Seller and each of the Shareholders shall have delivered to the Rush Parties a certificate dated the Closing Date and executed by Seller and each of the Shareholders, as the case may be, to all such effects.

10.2 Financial Information. Seller shall have provided to the Rush Parties at Closing all financial information of Seller in the format required in connection with the filing of financial information of Seller with Rush's Current Report on Form 8-K under the Exchange Act required in connection with Purchaser's acquisition of the Business.

10.3 No Governmental Actions. No action or proceeding before any Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions contemplated by this Agreement, and Seller shall have delivered to Purchaser a certificate dated the Closing Date and executed by Seller stating it has no Best Knowledge of any such items. No Governmental Authority shall have taken any other action as a result of which the management of the Rush Parties reasonably deems it inadvisable to proceed with the transactions contemplated by this Agreement.

10.4 No Adverse Change. No adverse change in the Business shall have occurred, and no loss or damage to any of the Assets, whether or not covered by insurance, shall have occurred since the Balance Sheet Date, and Seller shall have delivered to Purchaser a certificate dated the Closing Date and executed by Seller to all such effects.

10.5 Update of Contracts. Seller shall have delivered to the Rush Parties an accurate list, as of the Closing Date, showing (a) all agreements, contracts and commitments of the type listed on Schedule 4.8 entered into since the date of this Agreement (including, but not limited to, amendments, if any, to the items listed on Schedule 4.8), and (b) all other agreements, contracts and commitments related to the Business or the Assets entered into since the date of this Agreement, together with true, complete and accurate copies of all documents (or in the case of oral commitments, descriptions of the material terms thereof) relevant to the items on the list (the "New Contracts"). The Rush Parties shall have the opportunity to review the New Contracts, and shall have the right to delay the Closing for up to five days if the Rush Parties in their sole discretion deem such a delay necessary to enable them to adequately review the New Contracts. All of the New Contracts that are approved in writing by the Rush Parties prior to the Closing, as it may be delayed, (whether such approval by the Rush Parties is given before or after Seller executes the New Contract) shall be included in the Assets (with no addition to the Purchase Price) and the future obligations of Seller thereunder shall be assumed by Purchaser pursuant to Section 3.2. Any New Contracts that are not approved in writing by the Rush Parties prior to the Closing, as it may be delayed, shall remain the sole obligation of Seller and shall not be assumed by Purchaser, and Purchaser shall have no obligation or liability with respect thereto.

10.6 Approval of Counsel. All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel to the Rush Parties.

10.7 No Material Adverse Information. The investigations with respect to Seller, the Assets and the Business, performed by the Rush Parties' professional advisors and other representatives shall not have revealed any material adverse information concerning Seller, the

Assets or the Business that has not been made known to the Rush Parties in writing prior to the date of this Agreement.

10.8 Notices and Consents. No notice to or consent, authorization, approval or order of any Person shall be required for the consummation of the transactions contemplated by this Agreement (except for notices that have been duly and timely given and consents, authorizations and approvals that have been obtained), and Seller shall have delivered to the Rush Parties a certificate dated the Closing Date and executed by Seller to such effect. True and correct copies of all required notices, consents, authorizations and approvals shall have been delivered to the Rush Parties and shall be satisfactory in form and substance to the Rush Parties and their counsel.

10.9 Lease Arrangements. Purchaser shall have entered into Lease Agreements with the owners of the Real Property and the Ellsworth Landlord for each of the parcels of real property comprising the Real Property and the Ellsworth Property, respectively, in the forms attached hereto as Exhibit D-1 and subject to the location-specific rent rates and other business terms set forth in Exhibit D-2 attached hereto. All such lease agreements covering the Real Property are herein referred to individually as a "Lease" and collectively as the "Leases". Such new Lease Agreement covering the Ellsworth Property is referred to herein as the "New Ellsworth Lease". In addition, the owners of the Real Property, the Grand Rapids Landlord and the Ellsworth Landlord shall have obtained the signatures of all mortgagees of the Real Property, the Grand Rapids Property and the Ellsworth Property (as applicable) on the Subordination, Non-disturbance and Attornment Agreements in substantially the form incorporated into the Lease Agreement attached hereto as Exhibit D-1. In addition Rush shall execute a Lease Guaranty Agreement in favor of each of the Landlords under the Leases in the form attached hereto as Exhibit D-1.

10.10 Corporate Approval. Seller shall have taken or caused to be taken all necessary or desirable actions, steps and corporate proceedings (whether by directors, shareholders or otherwise) to approve and authorize the transfer of the Business and the Assets by Seller to the Rush Parties and the entering into of the Leases and the New Ellsworth Lease by the owners of the Real Property and the Ellsworth Landlord, respectively, and to approve and authorize the execution and delivery of this Agreement by the Seller, the Leases by the owners of the Real Property, and the New Ellsworth Lease by the Ellsworth Landlord, and Seller, the owners of the Real Property and the Ellsworth Landlord, as applicable, shall have delivered to Purchaser at Closing a certificate to all such effects.

10.11 Transfer and Assignment Documents. Seller shall have delivered to Purchaser all documents reasonably necessary or required to effectively transfer and assign the Business and the Assets to Purchaser (including, without limitation, all required consents), such transfers and assignments to convey good and marketable title to the Assets to Purchaser, free and clear of all liens and encumbrances whatsoever (except for liens, encumbrances and obligations, if any, specifically assumed by Purchaser pursuant to this Agreement), and to be in form and substance reasonably satisfactory to Purchaser and its counsel.

10.12 Liens Released. Each and every lien or encumbrance of any nature, if any, relating to the Assets shall have been terminated and released and proof thereof delivered to the Purchaser (except for liens and encumbrances, if any, specifically assumed by Purchaser pursuant to this Agreement.

10.13 Ordinary Course of Business. During the period from the date of this Agreement until Closing, Seller shall have carried on the Business in the ordinary and usual course and the Seller shall have delivered to the Rush Parties at Closing a certificate to that effect.

10.14 Other Documents. Seller shall have delivered or caused to be delivered all other documents, agreements, resolutions, certificates or declarations as the Rush Parties or their attorneys may have reasonably requested.

10.15 Dealer License. Purchaser shall have obtained written approval by the appropriate departments or agencies of the State of Michigan to do business as a John Deere dealer in the present territory of Seller's dealership.

10.16 Inventory Audit. The inventory audit contemplated by Section 9.5 shall have been completed and the results thereof shall be satisfactory to the Rush Parties.

10.17 Other Records. All original licenses and permits, certificates of occupancy, certificates of compliance, permits, architectural, mechanical, or electrical plans and specifications and surveys relating to the Real Property, the Grand Rapids Property, the Ellsworth Property and the Assets; all studies with respect to the functional aspects of the Real Property, the Grand Rapids Property, the Ellsworth Property and the Assets, including, without limitation, environmental site assessments and reports; soil and compaction tests and flooding studies; all extra promotional brochures, posters, signs and other advertising materials relative to the operation of the Real Property, the Grand Rapids Property, the Ellsworth Property and the Assets; and copies of all other books and records relating to the ownership and operation of the Real Property, the Grand Rapids Property, the Ellsworth Property and the Assets.

10.18 Keys. Keys to the Improvements shall be delivered to the Purchaser.

10.19 Government Approvals. All necessary government and regulatory approvals have been obtained, including all necessary approvals under the HSR Act and all waiting periods under the HSR Act shall have expired or been terminated.

10.20 Employment Agreements. Each of Mark Pirie and Conrad Klooster, Jr., shall have entered into and delivered a fully executed Employment Agreement in substantially the form attached hereto as Exhibit C.

10.21 Non-Competition Agreements. Each of Mark Pirie, Conrad Klooster, Conrad Klooster, Jr., and James Craig Klooster shall either be subject to the non-competition agreement in Article 15 hereof, or shall have entered into and delivered a fully-executed Non-Competition Agreement in substantially the form of Article 15 hereof.

10.22 Assignment/Termination of Leases. Seller shall have delivered to Purchaser an executed assignment of Seller's interest in the Grand Rapids Lease and a Landlord's Consent and Estoppel executed by the Grand Rapids Landlord, in form and substance reasonably acceptable to Seller and Purchaser and their respective counsel, and an instrument terminating the Ellsworth Lease executed by Purchaser and the Ellsworth Landlord in form and substance reasonably acceptable to Seller and Purchaser and their respective counsel, wherein the Ellsworth Landlord shall represent and agree that there are no existing defaults or further obligations or liabilities on the part of Sellers in connection with or as a result of the Ellsworth Lease.

10.23 Leasehold Policies. Seller shall have delivered to Purchaser leasehold policies of title insurance in the form contemplated by Section 22.2 hereof insuring the Purchaser with respect to leasehold interests under the Leases, the Ellsworth Lease and the Grand Rapids Lease.

10.24 Dealership Agreement. Purchaser and John Deere shall have executed and delivered a dealer sales and service agreement, and ancillary or related agreements, in form and substance satisfactory to Purchaser.

11. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER AND SHAREHOLDERS. The obligations of Seller and the Shareholders hereunder are, at their option, subject to the satisfaction, on or prior to the Closing Date, of the following conditions (any of which may be waived by Seller and the Shareholders in their sole discretion):

11.1 Accuracy of Representations and Warranties and Fulfillment of Covenants. The representations and warranties of the Rush Parties contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date. Each of the agreements and covenants of the Rush Parties to be performed on or before the Closing Date shall have been performed. The Rush Parties shall have delivered to Seller a certificate dated the Closing Date and executed by the Rush Parties to all such effects.

11.2 Delivery of Purchase Price. Purchaser shall have paid to Seller the Purchase Price as required by this Agreement, subject in all respects to the provisions of Article 21 below.

11.3 Approval of Counsel. All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel to Seller and the Shareholders.

11.4 Governmental Approvals. All necessary government and regulatory approvals have been obtained, including all necessary approvals under the HSR Act, and required waiting periods under the HSR Act shall have expired or been terminated.

11.5 Lease Arrangements. Seller and Purchaser shall have entered into the Leases and the New Ellsworth Lease.

12. SPECIAL CLOSING AND POST-CLOSING COVENANTS.

12.1 Change of Name. Immediately upon the occurrence of the Closing, Seller and the Shareholders shall cease using the name "John Deere," "Klooster," "Klooster Equipment," and "Stihl" and all derivations thereof. Seller covenants and agrees that after the Closing they will not, directly or indirectly, use the name "John Deere," "Klooster," "Klooster Equipment," "Stihl" or any derivation thereof in connection with any business enterprise.

12.2 Exchange Act Filing; Cooperation. After the Closing, Seller shall reasonably cooperate with and provide information to the Rush Parties as is necessary for the Rush Parties to comply with its reporting obligations under the Exchange Act.

13. INDEMNITY BY SELLER AND THE SHAREHOLDERS.

13.1 Indemnification by Seller. Seller agrees to indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against such party (collectively, "General Losses"), arising out of or resulting from or relating to any misrepresentation, breach of warranty, representation or breach of any covenant, commitment or agreement made or undertaken by Seller.

13.2 Indemnification by Shareholders. The Shareholders, agree to jointly and severally indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against such party, arising out of or resulting from or relating to any misrepresentation, breach of warranty or breach of any covenant, commitment or agreement made or undertaken by any of the Shareholders in this Agreement.

13.3 Environmental Indemnification. Seller agrees to indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Environmental Liabilities which may now or in the future be paid, incurred or suffered by or asserted against such party, arising out of or resulting from or relating to or in connection with (a) the acts or omissions of Seller, any of the Shareholders or other person or entity on or prior to the Closing Date relating to the Real Property, the Grand Rapids Property, the Ellsworth Property, the Assets or any operations conducted by Seller or on the Real Property, the Ellsworth Property, or the Grand Rapids Property; (b) any violation of Environmental Law occurring or commencing on or prior to the Closing Date and resulting from or related to the Real Property, the Grand Rapids Property, the Ellsworth Property, the Assets or the operations conducted on or with respect to the Real Property, the Ellsworth Property, the Grand Rapids Property, or the Assets; (c) the management, treatment or disposal of any wastes at or from the Real Property, the Ellsworth Property or the Grand Rapids Property on or prior to the Closing Date; (d) the presence or use of any Hazardous Materials at, on or under the Real Property, the Grand Rapids Property or the Ellsworth Property on or prior to the Closing Date; (e) any Environmental Condition existing at or with respect to the Assets, the Real Property, the Ellsworth Property, or the Grand Rapids Property as of the Closing Date; (f) any acts or omissions of Seller or any of the Shareholders, relating to the Real Property, the Ellsworth Property, the Grand Rapids Property, the Assets or the Businesses or any operations conducted on or with the Real Property, the Grand Rapids Property, the Ellsworth Property or the Assets; or (g) any breach by Seller of a representation or warranty contained in Section 4.16 hereof (collectively, "Environmental Losses"). In clarification of this Section 13.3, and not in limitation thereof, Seller's indemnity of Purchaser hereunder shall include (y) any capital or other expenditures necessary to comply with Environmental Laws, provided such expenditures relate to any Environmental Condition that existed as of the Closing Date, and (z) all fines, penalties and other costs and expenses that arise from or relate to an Environmental Condition that existed as of the Closing Date, including fines, penalties and other costs and expenses that arise from or relate to the continued existence of such Environmental Condition after the Closing Date.

13.4 Tax Indemnification. Seller agrees to indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against such party arising out of or resulting from or relating to any Taxes or Tax Returns of Seller for any period, or portion thereof, up to and including the Closing Date (collectively, "Tax Losses").

13.5 Products Liability and Warranty Indemnification. Seller agrees to indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against such party arising out of or resulting from or relating to any products manufactured, sold or distributed or services provided by or on behalf of Seller in connection with the Business or Assets on or prior to the Closing Date or with respect to any claims made pursuant to warranties to third Persons in connection with products manufactured, sold or distributed or services provided by or on behalf of Seller in connection with the Business or Assets on or prior to the Closing Date (collectively, "Product Losses").

13.6 Maximum Loss. Seller shall not have any liability under this Article 13 in the event that the aggregate amount of General Losses, Environmental Losses, Tax Losses and Product Losses do not exceed $50,000.

13.7 Indemnification by the Rush Parties. The Rush Parties jointly and severally agree to indemnify, defend and hold harmless Seller and the Shareholders and Seller's Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against any such party, arising out of or resulting from or relating to any misrepresentation, breach of warranty or breach of any covenant, commitment or agreement made or undertaken by the Rush Parties in this Agreement.

13.8 Procedure. All claims for indemnification or payment under this Article 13 shall be asserted and resolved as follows:

(a) An Indemnitee shall promptly give the Indemnitor written notice of any matter which an Indemnitee has determined has given or could give rise to a right of indemnification under this Agreement (an "Indemnification Event"), stating the amount of the Loss, if known, and method of computation thereof, all with reasonable particularity, and stating with particularity the nature of such matter. Failure to provide such written notice shall not affect the right of the Indemnitee to indemnification except to the extent such failure shall have resulted in liability to the Indemnitor that could have been actually avoided had such notice been provided within such required time period and except that an Indemnitor shall not have any liability under this Article 13 in the event such written notice is not given under within 18 months following the Closing Date.

(b) The obligations and liabilities of an Indemnitor under this Article 13 with respect to Losses arising from claims of any third party that are subject to the indemnification provided for in this Article 13 ("Third-Party Claims") shall be governed

by and contingent upon the following additional terms and conditions: if an Indemnitee shall receive notice of any Third-Party Claim, the Indemnitee shall give the Indemnitor prompt notice of such Third-Party Claim and the Indemnitor may, at its option, assume and control the defense of such Third-Party Claim at the Indemnitor's expense and through counsel of the Indemnitor's choice reasonably acceptable to Indemnitee. Subject to the condition that written notice be delivered prior to the expiration of one year after the Closing Date, failure to provide such written notice shall not affect the right of the Indemnitee to indemnification except to the extent such failure shall have resulted in liability to the Indemnitor that could have been actually avoided had such notice been provided within such required time period. In the event the Indemnitor assumes the defense against any such Third-Party Claim as provided above, the Indemnitee shall have the right to participate at its own expense in the defense of such asserted liability, shall cooperate with the Indemnitor in such defense and will attempt to make available on a reasonable basis to the Indemnitor all witnesses, pertinent records, materials and information in its possession or under its control relating thereto as is reasonably required by the Indemnitor. In the event the Indemnitor does not elect to conduct the defense against any such Third-Party Claim, the Indemnitor shall cooperate with the Indemnitee (and be entitled to participate) in such defense and attempt to make available to it on a reasonable basis all such witnesses, records, materials and information in its possession or under its control relating thereto as is reasonably required by the Indemnitee. The Indemnitor understands that if such Third-Party Claim results in an obligation to indemnify hereunder, Damages shall include all reasonable costs and expenses of such defense. Except for the settlement of a Third-Party Claim that involves the payment of money only and for which the Indemnitor has provided written objection to Indemnitee under Section 13.8(c), no Third-Party Claim may be settled without the written consent of the Indemnitee. Written notice of any proposed settlement of any such claim and the material terms thereof shall be delivered by Indemnitee to Indemnitor at least five Business Days prior to any settlement of any such claim.

(c) If a claim for indemnity is provided pursuant to this Article 13 by an Indemnitee and the Indemnitor does not pay such claim or object to such claim within 20 Business Days after written notice is received by the Indemnitor, such claim shall be deemed agreed to by the Indemnitor. If the Indemnitor shall object to such claim, a written notice of such objection setting forth in reasonable detail the basis for such objection shall be provided to the Indemnitee and such dispute shall be resolved in accordance with Section 24.12 hereof. In addition, if the claim shall have been determined to have been a valid claim, Damages shall include interest at the prime rate as quoted from time to time by The Frost National Bank from the date the claim is first made until fully paid.

13.9 Payment. Payment of any amounts due pursuant to this Article 13 shall be made within ten Business Days after final adjudication of such claim and after written notice is sent by the Indemnitee.

13.10 Failure to Pay Indemnification. If and to the extent the Indemnitee shall make written demand upon the Indemnitor for indemnification pursuant to this Article 13 and the Indemnitor shall refuse or fail to pay in full within 20 Business Days of such written demand the amounts demanded pursuant hereto and in accordance herewith, then the Indemnitee shall proceed in accordance with the arbitration provisions of Section 24.12 hereof; provided, however,

that in the case of indemnification for a Third-Party Claim, such matter need not be resolved by arbitration until the underlying Third-Party Claim is finally resolved.

13.11 Cooperation. The Indemnitor and the Indemnitee shall cooperate with each other with regard to any indemnification obligation under this Article 13 and each shall attempt to make available to the other on a reasonable basis all personnel records, materials and information in its possession or under its control as is reasonably requested by the other.

14. LEASES. On the Closing Date, Seller shall cause the appropriate owner(s) of the Real Property to enter into the Leases described in Exhibit D with Purchaser.

15. NON-COMPETITION AGREEMENTS.

15.1 (a) Non-Competition. In consideration of the benefits of this Agreement to Seller and as a material inducement to the Rush Parties to enter into this Agreement and pay the Purchase Price, Seller and the Shareholders hereby covenant and agree that, commencing on the Closing Date and ending on the second anniversary of the Closing Date, Seller and the Shareholders shall not, and Seller will cause their Affiliates, officers, directors and representatives, as applicable, not to, directly or indirectly, as proprietor, partner, stockholder, director, executive, officer, employee, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control, of any entity which engages in the sales, service and/or rental of construction equipment and machinery and any similar business activity in Michigan and/or Texas; provided, however, the foregoing shall not prohibit Seller and the Shareholders, and their Associates, Affiliates and representatives from purchasing and holding as an investment not more than 5% of any class of publicly traded securities of any entity which conducts a business in competition with the business of the Rush Parties, so long as Seller and each of the Shareholders, and their Affiliates and representatives do not participate in any way in the management, operation or control of such entity.

(b) Permitted Competition. Notwithstanding anything to the contrary in this Section 15, in the event that the Rush Parties do not assume any contract, repurchase agreement, recourse retail installment contracts, guaranteed buyback contracts, or similar undertaking, including the repurchase obligations set forth on Schedule 15.1(b), then Seller, after repurchasing such equipment or machinery from a customer, shall be entitled to re-sell or otherwise dispose of such equipment or machinery to any customer, person or buyer in Michigan, Texas or elsewhere, on such terms as Seller may deem appropriate and Seller shall retain 100% of the proceeds from the sale or disposition of such equipment and machinery.

15.2 Judicial Reformation. Seller and each of the Shareholders acknowledge that, given the nature of the Rush Parties' business, the covenants contained in Section 15.1 establish reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is reasonably necessary to protect and preserve the goodwill of the Rush Parties' business and to protect their legitimate business interests. If, however, Section 15.1 is determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too long a period of time or over too large a geographic area or by reason of it being too extensive in any other respect or for any other reason, it will be interpreted to extend only over the longest period of time for which it may be enforceable and/or over the largest geographic area as to which it may be enforceable and/or to the maximum extent in all other aspects as to which it may be enforceable, all as determined by such court.

15.3 Customer Lists; Non-Solicitation. Seller and each of the Shareholders hereby further covenant and agree that they shall not, and Seller and each of the Shareholders will cause their Affiliates and representatives not to, directly or indirectly, (a) use or make known to any person or entity the names or addresses of any clients or customers of Seller or the Rush Parties or any other information pertaining to them, provided, however, such limitation shall not apply to any information which (i) is then generally known to the public; (ii) become or becomes generally known to the public through no fault of Seller and any of the Shareholders, its Affiliates and representatives, and (iii) is disclosed in accordance with an order of a court of competent jurisdiction or applicable law, (b) call on, solicit, or attempt to call on or solicit any clients or customers of Seller or the Rush Parties, nor (c) solicit for employment, recruit, hire or attempt to recruit or hire any employees of Seller or the Rush Parties.

15.4 Covenants Independent. The covenants of each of Seller and each of the Shareholders contained in this Section 15 will be construed as independent of any other provision in this Agreement, and the existence of any claim or cause of action by Seller or any of Shareholders against the Rush Parties will not constitute a defense to the enforcement by the Rush Parties of said provisions. Seller and each of the Shareholders understand that the provisions contained in Sections 15.1, 15.2 and 15.3 are essential elements of the transactions contemplated by this Agreement and, but for the agreement of Seller and each of the Shareholders to Sections 15.1, 15.2 and 15.3, the Rush Parties would not have agreed to enter into this Agreement and the transactions contemplated herein. Seller and each of the Shareholders have been advised to consult with counsel in order to be informed in all respects concerning the reasonableness and propriety of Sections 15.1, 15.2 and 15.3 with specific regard to the nature of the business conducted by Seller and the Rush Parties and Seller and each of the Shareholders acknowledge that Sections 15.1, 15.2 and 15.3 are reasonable in all respects.

15.5 Remedies. In the event of a breach or a threatened breach by Seller or any of the Shareholders of any of the provisions contained in Sections 15.1, 15.2 or 15.3 of this Agreement, Seller and each of the Shareholders acknowledge that the Rush Parties will suffer irreparable damage or injury not fully compensable by money damages, or the exact amount of which may be impossible to obtain, and, therefore, will not have an adequate remedy available at law. Accordingly, the Rush Parties shall be entitled to obtain such injunctive relief or other equitable remedy, without the necessity of posting bond therefor, from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that the Rush Parties may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

16. NONDISCLOSURE OF CONFIDENTIAL INFORMATION. Seller and each of the Shareholders recognize and acknowledge that they have and will have access to certain confidential information of Seller that is included in the Assets (including, but not limited to, lists of customers, trade secrets, costs and financial information) that after the consummation of the transactions contemplated hereby will be valuable, special and unique property of the Rush Parties. Seller and each of the Shareholders agree that Seller and each of the Shareholders will, and will cause their Affiliates and representatives to, keep confidential and not disclose to any other Person or use for his or its own benefit or for the benefit of any other Person, and Seller and each of the Shareholders will use their best efforts to prevent disclosure by any other Person of, any such confidential information to any Person for any purpose or reason whatsoever, except to authorized representatives of the Rush Parties; provided, however, such limitation shall not apply to any information which (a) is then generally known to the public, (b) become or becomes generally known to the public through no fault of Seller or any of

the Shareholders, or their respective Affiliates and representatives, and (c) is disclosed in accordance with an order of a court of competent jurisdiction or applicable law. In the event of a breach or a threatened breach by Seller or any of the Shareholders of any of the provisions contained in this Article 16, Seller and each of the Shareholders acknowledge that the Rush Parties will suffer irreparable damage or injury not fully compensable by money damages, or the exact amount of which may be impossible to obtain, and, therefore, will not have an adequate remedy available at law. Accordingly, the Rush Parties shall be entitled to obtain such injunctive relief or other equitable remedy, without the necessity of posting bond therefor, from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that the Rush Parties may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

17. DAMAGE TO ASSETS. If, on or before the Closing Date, any of the Assets are damaged or destroyed, Seller will immediately notify the Rush Parties of such damage or destruction. In the event of any such damage or destruction, the Purchaser shall (a) remove any or all of the damaged or destroyed asset or assets it does not desire to purchase from the Assets to be purchased hereunder and reduce the Purchase Price by an amount equal to the portion of the Purchase Price attributable to the damaged or destroyed asset or assets so removed and (b) complete the purchase of the remainder of the Assets and reduce the Purchase Price by the loss in fair market value of any damaged or destroyed Assets that are purchased by Purchaser. If, on or before the Closing Date, all or any portion of the Real Property or the Grand Rapids Property (including, without limitation, any of the buildings or other improvements thereon) is damaged or destroyed by fire or other casualty or wholly or partially taken by condemnation or eminent domain or action in lieu thereof, then Seller shall immediately notify the Rush Parties thereof, whereupon the Rush Parties shall have the option of (i) requiring Seller to repair and restore the damaged parcel to the condition it was in as of the date hereof, immediately upon Seller's receipt of the casualty insurance proceeds or condemnation award therefor (as applicable), in which event the Closing hereunder (as to either the entirety of this transaction or just the parcel so affected, at the Rush Parties' election) shall be delayed until such repairs are complete, (ii) proceeding to Closing upon Seller's assignment to Purchaser of all casualty insurance proceeds or condemnation awards associated with such damage, destruction or taking, (iii) electing not to enter into a Lease with respect to any parcel of Real Property so damaged, destroyed or taken, (iv) electing to enter into a Lease with respect to any such parcel so damaged, destroyed or taken, but with a fair and equitable reduction in the rental rate therefor determined by mutual agreement of the owner thereof and the Rush Parties, or (v) if such damage, destruction or taking affects the Grand Rapids Property, electing not to take assignment of the Grand Rapids Lease or, at the Rush Parties' option, postponing acceptance of such assignment until such time as the results of the damage, destruction or taking of the Grand Rapids Property have been repaired or otherwise resolved in accordance with the terms of the Grand Rapids Lease), or (vi) if such damage, destruction or taking affects the Ellsworth Property, electing not to enter into the New Ellsworth Lease or, at the Rush Parties' option, postponing the entering into of the New Ellsworth Lease until such time as the results of the damage, destruction or taking of the Ellsworth Property have been repaired or otherwise resolved in accordance with the terms of the Ellsworth Lease).

18. TERMINATION. This Agreement may be terminated without further obligation of the parties, as follows:

18.1 Mutual Consent. This Agreement may be terminated at any time prior to Closing by mutual written consent of the parties hereto.

18.2 Failure of Conditions. This Agreement may be terminated by either party hereto, if the conditions, as set forth in this Agreement, to such party's obligations under this Agreement are not fulfilled on or prior to the Closing Date; provided that any such termination shall not limit the remedies otherwise available to such party as a result of misrepresentations of or breaches by the other party.

18.3 Failure to Close. This Agreement will automatically terminate on October 31, 1998, if the Closing shall not have occurred on or before such date, unless the parties shall have otherwise agreed in writing prior to such date. No party will be liable in damages to any other party as a result of termination pursuant to this Section 18.3 unless the failure of the Closing was due to the failure of such party to comply with the terms of this Agreement.

19. SPECIAL PROVISIONS REGARDING EMPLOYEES OF SELLER.

19.1 New Employees of Purchaser. It is the intention of Purchaser, and Seller hereby acknowledges and agrees with such position, that any employees of Seller that Purchaser hires will be new employees of Purchaser as of the Closing Date or the date of hire, whichever is later. Such new employees shall be entitled only to such compensation and employee benefits as are agreed to by such employees and Purchaser, or as are otherwise provided by Purchaser, in its sole discretion.

19.2 No Hiring Commitment. Purchaser specifically does not commit to hire any of the employees of the Business, and Seller specifically understands and acknowledges this fact. However, notwithstanding Purchaser's position, Purchaser will review its needs in anticipation of the purchase of the Assets with a view to hiring certain of the employees of Seller as of the Closing Date. In its review, Purchaser expects to be able to review employee records and conduct employee interviews. Seller agrees that after the date hereof it will make, on a confidential basis, its employee records available to Purchaser and permit Purchaser to contact its employees for the purpose of conducting employee interviews. Seller further agrees to make employees designated by Purchaser available to Purchaser for such purpose.

19.3 Vacation, Sick Pay, Health Insurance, etc.

(a) Notwithstanding Purchaser's decision to hire any or all of such employees after the Closing Date, Purchaser shall not be liable under any bonus plan or other plan described in Schedule 4.2(a) or under any other similar plan that may have been established by Seller or for any health insurance benefits that may have accrued to such employees prior to the Closing Date, and Seller expressly acknowledges that it has sole liability for all such employee benefit costs accrued as of the Closing Date whether or not any or all of such employees are subsequently hired by Purchaser pursuant to Section 19.1. Notwithstanding the foregoing, Purchase shall assume at the Closing Seller's obligations to employees of Seller actually hired by Purchaser for accrued but unused vacation and sick leave, which shall include (i) accrued vacation and sick leave through each employee's previous anniversary date and (ii) the pro rata portion of vacation and sick leave earned by each employee since the last anniversary date through the Closing Date, which such vacation and sick leave will be available to employee following his next anniversary, and the Purchase Price shall be reduced by the dollar value of such obligation; provided, however, Purchaser shall only assume up to the number of accrued but unused vacation and sick leave days that each employee of Seller actually hired by Purchaser would be entitled to under Purchaser's vacation day and sick leave policy. Except for vacation and sick leave time assumed by Purchaser as set forth above,

Purchaser shall have no obligation after the Closing to continue any pension plans or work benefit plans currently offered by Seller to its employees.

(b) With respect to employees actually employed by Purchaser, Seller will remain responsible for medical expenses covered under its plans (i) actually incurred prior to the Closing Date or (ii) actually incurred with respect to any hospitalization that begins prior to the Closing Date until such hospitalization ends (as required under such plans), and Purchaser will be responsible for all other medical expenses incurred on or after the Closing Date to the extent covered under its plans; provided, however, the employees will be treated as newly hired employees of Purchaser beginning on the Closing Date insofar as medical expenses paid under Purchaser's plans affects the time or amount of coverage. Seller shall cooperate with Purchaser to provide continuity of such insurance coverage to such employees. Seller shall be solely responsible for any obligations under the Consolidated Omnibus Budget Reconciliation Act, as amended, with respect to its employees.

19.4 Severance Benefits; Employment Termination. Purchaser shall have no obligation whatsoever to pay all or any part of any severance benefits that Seller is or may be obligated to pay in connection with the termination of employment by Seller of any of its employees.

19.5 Employee Benefit Plans. Purchaser shall not and does not hereby assume, continue or maintain any pension, retirement or welfare plans, severance or vacation policies or benefits, or other employee compensation or benefit arrangements or policies or plans maintained by Seller for its employees. It is intended that Purchaser shall not at any time be a successor employer for purposes of Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Seller hereby represents and warrants to Purchaser that the consummation of this Agreement (and the employment by the Purchaser of former employees of the Seller) will not result in any carryover liability to the Purchaser for taxes, penalties, interest or any other claims resulting from any employee pension benefit plan, employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller. In addition, the Seller makes the following representations (a) as to employee pension benefit plans of Seller: (i) Seller has not become liable to the PBGC under Section 4062, 4063 or 4064 of ERISA under which a lien could attach to the assets of the Seller under Section 4068 of ERISA; (ii) Seller has not ceased operations at a facility so as to become subject to the provisions of Section 4062(e) of ERISA; and (iii) Seller has not made a complete or partial withdrawal from a multiemployer plan (as defined in Section 3(37) of ERISA) so as to incur withdrawal liability as defined in Section 4201 of ERISA, and (b) all group health plans maintained by Seller have been operated in compliance with Section 4980B(f) of the Code. In addition, the parties agree that the Purchaser does not and will not assume the sponsorship of, or the responsibility for contributions to, or any liability in connection with, any employee pension benefit plan, any employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller for its employees, former employees, retirees, their beneficiaries or any other person. In addition and not as a limitation of the foregoing covenant, the parties agree that the Seller shall be liable for any continuation coverage (including any penalties, excise taxes or interest resulting from the failure to provide continuation coverage) required by Section 4980B of the Code due to qualifying events which occur on or before Closing Date.

19.6 Reporting of Data. Purchaser and Seller shall complete and furnish to each other such other employee data as shall be reasonably required from time to time for each party to perform and fulfill its obligations under this Article 19.

19.7 Employment Related Claims. Seller agrees that it, and not Purchaser, shall be solely responsible for, and Seller hereby agrees to indemnify, defend and hold harmless Purchaser from and against, all liability, costs and expenses (including reasonable attorneys' fees) for all existing employment claims that have been filed by any employee or former employee of Seller prior to the Closing Date relating to arbitrations, unfair labor practice charges, employment discrimination charges, wrongful termination claims, workers' compensation claims, any employment-related tort claim or other claims or charges of or by employees of Seller, or any thereof filed after the Closing Date but arising as a result of conditions, actions or events or series of actions or events which occurred prior to the Closing Date. Schedule 19.7 hereto sets forth a brief description of any of such claims that have been filed or, to Seller's knowledge, threatened. Without in any way limiting the foregoing, Seller shall defend and hold harmless Purchaser from and against any and all claims, demands, actions, judgments, costs and expenses, including without limitation, attorney fees and settlement costs and other reasonable expenses, related to all liabilities and obligations in connection with Seller's qualified pension, retirement or welfare plans, severance or vacation policies or benefits, or other employee compensation or benefit arrangements or policies.

20. ACCESS TO INFORMATION. Seller, Shareholders and the Rush Parties shall reasonably cooperate with each other after the Closing so that (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege) each party has access to the employees, files, books, business records, contracts and other information existing at the Closing and relating to the Assets and the Business as is reasonably necessary for (a) any customer inquiry or audit, (b) the preparation for or the prosecution or defense of any suit, action, litigation or administrative, arbitration or other proceeding or investigation by or against Seller, the Shareholders or the Rush Parties (other than one by or on behalf of a party to this Agreement), (c) the preparation and filing of any tax return or election relating the Assets or the Business or any audit by any taxing authority of any returns of the Rush Parties, Seller or the Shareholders relating thereto, (d) the preparation and filing of any other documents required by any Governmental Authority or (e) any other valid business purpose. The party requesting such information and assistance shall reimburse the other party for all out-of-pocket costs and expenses incurred by such party in providing such information and in rendering such assistance other than attorney fees. The access to the employees, files, books, records, contracts and other information contemplated herein shall be during normal business hours and upon not less than five (5) business days' prior written request, shall be subject to such reasonable limitations as the party having custody or control thereof may impose to preserve the confidentiality of information contained therein, and shall not extend to material subject to a valid claim of privilege unless expressly waived by the party entitled to claim the same.

21. ADJUSTMENT OF PURCHASE PRICE. The Purchase Price shall be adjusted on the Closing Date (a) to reduce the Purchase Price by the amount allocated to any damaged or destroyed Assets as contemplated by Article 17; (b) to reduce the Purchase Price by the amount to be credited to Purchaser as described on the first page of Schedule 2.1(p); (c) to account for a proration of real and personal property taxes on the Assets, lease deposits, lease payments, utilities and other items commonly prorated; and (d) to account for any Deposits held by Seller on the Closing Date. Three days prior to the Closing Date, Seller will provide the Rush Parties with a statement of adjustments showing all proposed adjustments to the Purchase Price, such statement of adjustments having all reasonable backup documentation for such suggested adjustments. The Rush Parties and Seller will work to finalize all required adjustments prior to the Closing Date.

22. SURVEYS; TITLE COMMITMENT AND CONDITION OF TITLE.

22.1 Surveys. Within twenty (20) days from and after the date hereof, the Rush Parties shall have the right, at their sole option and at their sole cost and expense, to obtain an ALTA or equivalent boundary and improvements surveys of all or any portion of the Real Property, the Ellsworth Property and the Grand Rapids Property (whether one or more, the "Surveys"), prepared by a professional engineer or land surveyor licensed by the State of Michigan and in form and substance satisfactory to the Rush Parties. Should the Rush Parties elect to obtain a survey of the Grand Rapids Property or the Ellsworth Property, Seller agrees to use its best efforts to obtain the consent of the Grand Rapids Landlord or the Ellsworth Landlord, as the case may be, to the performance of such survey, if required under the Grand Rapids Lease or the Ellsworth Lease, and the twenty day time period provided for in this Section 23.1 shall not begin running until such time as such consent is obtained.

22.2 Title Commitment. Within ten days from and after the date hereof, at Seller's sole cost and expense, Seller agrees to cause the Title Company to furnish Purchaser and its counsel Commitments for Leasehold Policy of Title Insurance (each, a "Title Commitment" and collectively, the "Title Commitments") prepared and issued by the Title Company describing and covering the Real Property, the Ellsworth Property and the Grand Rapids Property, listing Purchaser as the prospective named insured and showing as the policy amounts the amounts set forth in Schedule 22.2 hereto. The Title Commitments shall constitute the commitment of the Title Company to insure, by title insurance in the standard form promulgated in the State of Michigan, Purchaser's leasehold interests in the Real Property, the Ellsworth Property and the Grand Rapids Property, subject to the standard printed exceptions on such promulgated form, except as modified below. The standard exception as to the lien for taxes shall be limited to the year of Closing, and shall be endorsed "Not Yet Due and Payable." The Title Commitments shall contain no exception for "rights of parties in possession" (other than Purchaser). Further, the Title Commitments shall incorporate the Title Company's commitment to provide (i) an ALTA Form 9 or CLTA Form 100 endorsement (or the closest equivalent thereto available in the State of Michigan) and (ii) an ALTA Form 3 or CLTA Form 123 endorsement (or the closest equivalent thereto available in the State of Michigan), to each of the policies of title insurance to be issued pursuant thereto.

22.3 Disclosure of Exceptions by Title Commitments and UCC Report. Purchaser shall have a period of 15 days from the last to be delivered to Purchaser and its counsel of each of the Surveys, UCC Report, Title Commitments and the documents referred to therein as conditions or exceptions to title in which to review such items and to deliver to Seller in writing such objections as Purchaser may have to anything contained or set forth in the Surveys, UCC Report, Title Commitments or title exception documents. Any items to which Purchaser does not object within such period shall be deemed to be permitted exceptions hereunder and under the applicable Leases and the Grand Rapids Lease or the New Ellsworth Lease, as applicable ("Permitted Exceptions"). In the event the Rush Parties timely object to any matter contained in the Surveys, UCC Report, Title Commitments or title exception documents, Seller shall have a reasonable time, not to exceed fifteen days from the date such objections are made known in writing to Seller, to cure such objections. Any curative actions shall be completed and all curative materials shall be filed by Seller, at its sole cost and expense, within such 15-day period. If Seller cannot cure the objections within such fifteen-day period, Purchaser shall have the option to (a) cancel this Agreement, in which event the parties shall have no further obligations hereunder; or (b) waive the objections, and proceed to close the transaction contemplated hereby in which event such objections shall be included as exceptions in the Leases, the Grand Rapids Lease, or the New Ellsworth Lease as applicable.

23. ENVIRONMENTAL STUDIES AND REMEDIATION ACTIVITIES.

23.1 Environmental Studies. Seller has heretofore provided to the Rush Parties copies of (a) all existing Environmental Site Assessments (whether Phase I, Phase II or otherwise) covering all or any portion of the Real Property, the Ellsworth Property and the Grand Rapids Property, to the extent the same are in Seller's possession or Seller has access to them, and (b) any other environmental studies, reports and information, including, without limitation, correspondence from Governmental Authorities, concerning the environmental condition of the Real Property, the Ellsworth Property and the Grand Rapids Property, to the extent the same are in Seller's possession or Seller has access to them (all of the foregoing information, whether obtained by the Rush Parties or provided by Seller, being hereinafter referred to as "Environmental Information"). Without in any way limiting the provisions of the preceding sentence, the Rush Parties and their contractors and representatives, at the Rush Parties' expense, shall have at least 45 days from the date hereof, but in no event less than 30 days from receipt of the Environmental Information (the "Feasibility Period") within which to conduct any and all engineering, environmental and economic feasibility studies and tests of the Real Property, the Ellsworth Property and its Grand Rapids Property which the Rush Parties, in their sole discretion, deem necessary to determine whether the Real Property, the Ellsworth Property and the Grand Rapids Property are environmentally, engineeringly and economically suitable for the Rush Parties' intended use. In accordance with Section 8.6 hereof, Seller has granted and hereby grants to the Rush Parties and their contractors and representatives access to the Real Property, the Ellsworth Property and the Grand Rapids Property for the purpose of performing such studies or tests. Such persons shall conduct their studies and tests in such a manner as to minimize interference with the Business, and, upon completion of their activities on the Real Property, the Ellsworth Property and the Grand Rapids Property, shall restore the Real Property, the Ellsworth Property and the Grand Rapids Property as nearly as is reasonably possible to the condition they were in immediately prior to such activities.

23.2 Remediation. In the event that any of the Environmental Information or any studies or tests performed or commissioned by the Rush Parties indicate the existence of any Environmental Conditions on the Real Property, the Ellsworth Property or the Grand Rapids Property, then Seller shall have a period of 30 days after notification thereof in which to remediate or otherwise cure the same in accordance with all applicable Governmental Requirements. In the event that an Environmental Condition exists or is discovered on the Real Property, the Ellsworth Property or the Grand Rapids Property and Seller fails or refuses to remediate or otherwise cure such Environmental Condition within the required 30-day period, or in the event such Environmental Condition is not capable of being remediated or otherwise cured within such 30-day period, then Purchaser shall have the following options: (a) cancel this Agreement by written notice thereof given to Seller prior to the Closing Date, in which event the parties hereto shall have no further obligations hereunder, (b) to postpone the leasing of all or any portion of the Real Property or the assumption of the Grand Rapids Lease or the Ellsworth Lease, as the case may be, for a reasonable period pending Seller's remediation of such Environmental Condition, or (c) waive in writing the remediation or cure of such Environmental Condition and proceed to close the sale and other transactions contemplated by this Agreement.

24. GENERAL PROVISIONS.

24.1 Governing Law; Interpretation; Section Headings. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to conflict-of-laws rules as applied in Texas. The section headings contained

herein are for purposes of convenience only, and shall not be deemed to constitute a part of this Agreement or to affect the meaning or interpretation of this Agreement in any way.

24.2 Severability. Should any provision of this Agreement be held unenforceable or invalid under the laws of the United States of America or the State of Texas, or under any other applicable laws of any other jurisdiction, then the parties hereto agree that such provision shall be deemed modified for purposes of performance of this Agreement in such jurisdiction to the extent necessary to render it lawful and enforceable, or if such a modification is not possible without materially altering the intention of the parties hereto, then such provision shall be severed herefrom for purposes of performance of this Agreement in such jurisdiction. The validity of the remaining provisions of this Agreement shall not be affected by any such modification or severance, except that if any severance materially alters the intentions of the parties hereto as expressed herein (a modification being permitted only if there is no material alteration), then the parties hereto shall use commercially reasonable efforts to agree to appropriate equitable amendments to this Agreement in light of such severance, and if no such agreement can be reached within a reasonable time, any party hereto may initiate arbitration under the then current commercial arbitration rules of the American Arbitration Association to determine and effect such appropriate equitable amendments.

24.3 Entire Agreement. This Agreement, the Schedules and the documents and agreements referenced herein set forth the entire agreement and understanding of the parties hereto with respect to the transactions contemplated hereby, and supersede all prior agreements, arrangements and understandings related to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party hereto which is not embodied or referenced in this Agreement, the Schedules or the documents or agreements referenced herein, and no party hereto shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not so set forth.

24.4 Binding Effect. All the terms, provisions, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective heirs, executors, administrators, representatives, successors and assigns.

24.5 Assignment. This Agreement and the rights and obligations of the parties hereto shall not be assigned or delegated by any party hereto without the prior written consent of the other parties hereto.

24.6 Amendment; Waiver. This Agreement may be amended, modified, superseded or canceled, and any of the terms, provisions, representations, warranties, covenants or conditions hereof may be waived, only by a written instrument executed by all parties hereto, or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right to enforce the same. No waiver by any party of any condition contained in this Agreement, or of the breach of any term, provision, representation, warranty or covenant contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, provision, representation, warranty or covenant.

24.7 Gender; Numbers. All references in this Agreement to the masculine, feminine or neuter genders shall, where appropriate, be deemed to include all other genders. All plurals used in this Agreement shall, where appropriate, be deemed to be singular, and vice versa.

24.8 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as signatories.

24.9 Telecopy Execution and Delivery. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

24.10 Press Releases. No press releases or other public announcement with respect to this Agreement or the transactions contemplated herein shall be made prior to the Closing Date without the joint approval of Purchaser and Seller, except as required by law.

24.11 Expenses. Whether or not the transactions contemplated hereby are consummated, each of the parties will pay all costs and expenses of its or his performance of and compliance with this Agreement.

24.12 Arbitration. Except for the provisions of Articles 15 and 16 of this Agreement dealing with restrictive covenants and nondisclosure of confidential information, with respect to which the Rush Parties expressly reserve the right to petition a court directly for injunctive and other relief, any controversy of any nature whatsoever, including but not limited to tort claims or contract disputes, between the parties to this Agreement or their respective heirs, executors, administrators, legal representatives, successors and assigns, as applicable, arising out of or related to this Agreement, including the implementation, applicability and interpretation thereof, shall, upon the written request of one party served upon the other, be submitted to and settled by arbitration in accordance with the provisions of the Federal Arbitration Act, 9 U.S.C. Sections 1-15, as amended. The terms of the commercial arbitration rules of the American Arbitration Association shall apply except to the extent they conflict with the provisions of this paragraph. If the amount in controversy in the arbitration exceeds Two Hundred and Fifty Thousand Dollars ($250,000), exclusive of interest, attorneys' fees and costs, the arbitration shall be conducted by a panel of three independent arbitrators. Otherwise, the arbitration shall be conducted by a single independent arbitrator. The parties shall endeavor to select independent arbitrators by mutual agreement. If such agreement cannot be reached within 30 calendar days after a dispute has arisen which is to be decided by arbitration, the selection of the arbitrator(s) shall be made in accordance with Rule 13 of the Rules as presently in effect. If three arbitrators are selected, the arbitrators shall elect a chairperson to preside at all meetings and hearings. If a dispute is to be resolved by a sole arbitrator in accordance with the terms hereof, or if the dispute is to be resolved by a panel of three arbitrators as provided hereinabove, then each such arbitrator shall be a member of a state bar engaged in the practice of law in the United States or a retired member of a state or the federal judiciary in the United States. The award of the arbitrator(s) shall require a majority of the arbitrators in the case of a panel of arbitrators, shall be based on the evidence admitted and the substantive law of the State of Texas and shall contain an award for each issue and counterclaim. The award shall be made 30 days following the close of the final hearing and the filing of any post hearing briefs authorized by the arbitrator(s). The award of the arbitrator(s) shall be final and binding on the parties hereto. Each party shall be entitled to inspect and obtain a copy of non-privileged

relevant documents in the possession or control of the other party. All such discovery shall be in accordance with procedures approved by the arbitrator(s). Unless otherwise provided in the award, each party shall bear its own costs of discovery. Each party shall be entitled to take one deposition. Each party shall be entitled to submit one set of interrogatories which require no more than 30 answers. All discovery shall be expedited, consistent with the nature and complexity of the claim or dispute and consistent with fairness and justice. The arbitrator(s) shall have the power to compel any party to comply with discovery requests of the other parties and to issue binding orders relating to any discovery dispute which shall be enforceable in the same manner as awards. The arbitrator(s) also shall have the power to impose sanctions for abuse or frustration of the arbitration process, including without limitation, the refusal to comply with orders of the arbitrator(s) relating to discovery and compliance with subpoenas. Without limiting the scope of the parties' obligation to arbitrate disputes pursuant to this Section 24.12, the arbitrator(s) are not empowered to award damages including, without limitation, punitive damages and multiple damages under applicable Texas statutes, in excess of compensatory damages; provided that in no event shall consequential damages be awarded. Each of Rush, Purchaser and Seller hereby irrevocably waives and releases any right to recover such damages in excess of those damages authorized by this Section 24.12. The arbitrator(s) may require the non- prevailing party to pay the prevailing party's attorneys' fees and costs incurred in connection with the arbitration. It is further agreed that any of the parties hereto may petition the United States District Court for the Western District of Texas, San Antonio Division, for a judgment to be entered upon any award entered through such arbitration proceedings.

In the event that any of the Shareholders is required to travel to Texas to attend any hearing or deposition in connection with arbitration proceedings pursuant to this Section 24.12, the Rush Parties shall reimburse each such Shareholder for his coach air fare and shall pay to such Shareholder a per diem travel allowance equal to the per diem travel allowance then paid by Rush to its employees.

24.13 Assignment of Contracts. Notwithstanding any other provision of this Agreement, nothing in this Agreement or any related document shall be construed as an attempt to assign (a) any Contract which, as a matter of law or by its terms, is nonassignable without the consent of the other parties thereto unless such consent has been given, or (b) any Contract or claim as to which all of the remedies for the enforcement thereof enjoyed by Seller would not, as a matter of law or by its terms, pass to Purchaser as an incident of the transfers and assignments to be made under this Agreement. In order, however, that the full value of every Contract and claim of the character described in clauses (a) and (b) above and all claims and demands on such Contracts may be realized for the benefit of Purchaser, Seller, at the request and expense and under the direction of Purchaser, shall take all such action and do or cause to be done all such things as will, in the opinion of Purchaser, be necessary or proper in order that the obligations of Seller under such Contracts may be performed in such manner that the value of such Contract will be preserved and will inure to the benefit of Purchaser, and for, and to facilitate, the collection of the moneys due and payable and to become due and payable thereunder to Purchaser in and under every such contract and claim. Seller shall promptly pay over to Purchaser all moneys collected by or paid to it in respect of every such contract, claim or demand. Nothing in this Section 24.13 shall relieve Seller of its obligations to obtain any consents required for the transfer of the Assets and all rights thereunder to Purchaser, or shall relieve Seller from any liability to Purchaser for failure to obtain such consents.

24.14 Further Actions. From time to time, at the request of any party hereto, the other parties hereto shall execute and deliver such instruments and take such action as may be reasonably requested to evidence the transactions contemplated hereby.

24.15 Bulk Transfer Laws. Seller, the Shareholders and the Rush Parties hereby waive compliance by the other parties with the provisions of any bulk sales or similar law in any applicable jurisdiction, if and to the extent applicable to this transaction. Seller shall indemnify the Rush Parties from, and hold them harmless against, any liabilities, damages, costs and expenses resulting from or arising out of (i) Seller's failure to comply with any of such laws in respect of the transactions contemplated by this Agreement, or (ii) any action brought or levy made as a result thereof, other than Seller's Obligations which are assumed by the Rush Parties. The Rush Parties shall indemnify Seller and the Shareholders from, and hold them harmless against, any liabilities, damages, costs and expenses resulting from or arising out of (i) the Rush Parties' failure to comply with any of such laws in respect of the transactions contemplated by this Agreement, or (ii) any action brought or levy made as a result thereof.

24.16 Notices. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, given by prepaid telex or telegram or by facsimile or other similar instantaneous electronic transmission device or mailed first class, postage prepaid, certified United States mail, return receipt requested, as follows:

(a) IF TO SELLER:

Mark Pirie
04175 Lake Shore Drive
Charlevoix, Michigan 49720

with a copy to:

Alan M. Valade, Esq.
Honigman Miller Schwartz and Cohn
222 N. Washington Square, Suite. 400
Lansing, Michigan 48933-1800
Facsimile No.: (517) 484-8286

(b) IF TO PURCHASER:

Rush Equipment Centers of Michigan, Inc.
P. O. Box 34630
San Antonio, Texas 78265
Attention: W. Marvin Rush
Facsimile No.: (210) 662-8017

With a copy to:

Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205
Attention: Phillip M. Renfro, Esq.
Facsimile No.: (210) 270-7205

IF TO RUSH, AT:

Rush Enterprises, Inc.
P. O. Box 34630
San Antonio, Texas 78265
Attention: W. Marvin Rush
Facsimile No.: (210) 662-8017

With a copy to:

Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205
Attention: Phillip M. Renfro, Esq.
Facsimile No.: (210) 270-7205

provided that any party may change its address for notice by giving to the other party written notice of such change. Any notice given under this Section 24.16 shall be effective when received at the address for notice for the party to which the notice is given.

24.17 Risk of Loss. Seller shall bear all risk of loss to the Assets until such time as the Closing has occurred and title to the Assets has passed to the Purchaser.

IN WITNESS WHEREOF, the parties have executed this Asset Purchase Agreement as of the date first above written.

RUSH:

RUSH ENTERPRISES, INC.

By: ----------

Name: ----------

Title: ----------

PURCHASER:

RUSH EQUIPMENT CENTERS
OF MICHIGAN, INC.

By:

Name:

Title:

SELLER:

KLOOSTER EQUIPMENT, INC.

By:

Name: Mark R. Pirie
Title: President

SHAREHOLDERS:

Mark R. Pirie

Conrad L. Klooster, Jr.

James Craig Klooster

APPENDIX A

DISPUTE RESOLUTION PROCEDURES

Re: Employment Agreement dated _____ ___, 1998 (including any amendments, the "Agreement"), between Rush Equipment Centers of Michigan, Inc., a Delaware corporation (the "Company"), and _____ ("Employee"). Unless otherwise defined in this Appendix A, terms defined in the Agreement and used herein shall have the meanings set forth therein.

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

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

2. Employee. Employee or his designee.

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

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

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

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

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

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

3. Location of Proceedings. The arbitration proceedings shall be held in Southfield, Michigan, unless the parties agree otherwise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT A

(ATTACH PROPERTY DESCRIPTIONS)

EXHIBIT B

GENERAL WARRANTY BILL OF SALE AND ASSIGNMENT
OF CONTRACT RIGHTS

THIS GENERAL WARRANTY BILL OF SALE AND ASSIGNMENT OF CONTRACT RIGHTS is made and executed by KLOOSTER EQUIPMENT, INC., a Michigan corporation ("Assignor"), to RUSH EQUIPMENT CENTERS OF MICHIGAN, INC., a Delaware corporation ("Assignee").

RECITALS

A. Assignor and Assignee have heretofore entered into that certain Asset Purchase Agreement dated July 12, 1998 (the "Purchase Agreement").

B. Pursuant to the terms of the Purchase Agreement, Assignor wishes to sell, transfer and convey to Assignee all of the Assets (as defined in the Purchase Agreement) owned or held by Assignor, as well as all other properties, rights and interests which Assignor has agreed to convey to Assignee under the Purchase Agreement.

AGREEMENTS

NOW THEREFORE, for and in consideration of the foregoing, Ten and No/100 Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Assignor and Assignee hereby agree as follows:

1. The foregoing recitals are incorporated herein for all purposes. Unless otherwise required by context, capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement.

2. Assignor hereby GRANTS, BARGAINS, SELLS, CONVEYS, ASSIGNS, TRANSFERS, SETS OVER, and DELIVERS unto Assignee, its successors and assigns forever, all of the Assets described in Section 2.1 of the Purchase Agreement including, without limitation, the Assets described on Exhibit A attached hereto and made a part hereof for all purposes.

Assignor hereby binds Assignor, and Assignor's successors and assigns, to warrant and forever defend the title to the Assets, unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

3. Assignor hereby TRANSFERS, ASSIGNS and SETS OVER unto Assignee, its successors and assigns forever, all of Assignor's right, title and interest in and to and under the following, to the extent that Assignor's right, title and interest in and to and under the same is assignable to Assignee:

a. all governmental permits or approvals or licenses heretofore granted with respect to the ownership, management and operation of the Business and the Assets; and

b. all goodwill of Assignor associated with the Business, the Assets and Assignor's operations thereof and Assignor's sales therefrom.

4. Assignor hereby TRANSFERS, ASSIGNS and SETS OVER unto Assignee, its successors and assigns forever, all of Assignor's right, title and interest in and to and under each of the contracts, agreements, arrangements and commitments of Assignor (the "Contracts") set forth on Exhibit B attached hereto and made a part hereof for all purposes.

5. Assignor agrees to perform, execute and/or deliver or cause to be performed, executed and/or delivered any and all such further acts and assurances as Assignee may reasonably require to perfect Assignee's interest in and to the Assets, properties, rights and interests herein conveyed, transferred and assigned from Assignor to Assignee.

(Signatures Begin on Next Page)

IN WITNESS WHEREOF, the parties have executed this General Warranty Bill of Sale and Assignment of Contract Rights as of the day of , 1998.

ASSIGNOR:

KLOOSTER EQUIPMENT, INC.,
a Michigan corporation

By: ----------
Name: ----------
Title: ----------

ASSIGNEE:

RUSH EQUIPMENT CENTERS
OF MICHIGAN, INC.,
a Delaware corporation

By: ----------
W. Marvin Rush
Chief Executive Officer

EXHIBIT A
(TO GENERAL WARRANTY BILL OF SALE ASSIGNMENT OF CONTRACT RIGHTS)

LIST OF ASSETS

[to come (will be same as Schedules 2.1, except
Schedule 2.1(p), to Purchase Agreement)]

EXHIBIT B
(TO GENERAL WARRANTY BILL OF SALE ASSIGNMENT OF CONTRACT RIGHTS)

LIST OF CONTRACTS

[to come (will be same as Schedule 2.1(p) to Purchase Agreement)]

EXHIBIT C

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

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into effective as of the ____ day of _____, 1998, between _____ ("Employee"), and Rush Equipment Centers of Michigan, Inc., a Delaware corporation (the "Company"), whose principal executive offices are located in San Antonio, Texas.

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

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

ARTICLE 1
DUTIES

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

1.2 Extent of Service. During the term of this Agreement, Employee shall devote his full- time business time, energy and skill to the affairs of the Company and its affiliated companies, and Employee shall not be engaged in any other substantial business or consulting activity pursued for gain, profit or other pecuniary advantage. The foregoing shall not prevent Employee from making monetary investments in businesses, provided that such investments do not involve any substantial services on the part of Employee in the operation or affairs of such businesses.

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

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

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

ARTICLE 2
TERM OF EMPLOYMENT

Subject to earlier termination pursuant to Article 4 hereof, this Agreement shall have a term commencing as of the date hereof and ending upon the expiration of 36 calendar months.

ARTICLE 3
COMPENSATION

3.1 Monthly Base Salary. As compensation for services rendered under this Agreement, Employee shall be entitled to receive from the Company a monthly base salary (before standard deductions) equal to $10,833, subject to periodic review and upward adjustment by the Board in its sole discretion (downward adjustment shall not be permitted). Employee's monthly base salary shall be payable at regular intervals (at least semi-monthly) in accordance with the prevailing practice and policy of the Company.

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

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

(a) Medical, Health and Disability Benefits. Employee shall be entitled to receive all medical, health and disability benefits that may, from time to time, be provided by Rush Enterprises, Inc., a Texas corporation ("Rush"), to its executive officers as a group.

(b) Other Benefits. Employee shall also be entitled to receive any other benefits that may, from time to time, be provided by Rush to its executive officers as a group.

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

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

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

(f) Car Allowance. The Company shall pay to Employee $500 per month as an automobile allowance, and such amount shall be in lieu of any other benefit relating to the use of an automobile to which Employee may otherwise be entitled.

(g) Compensation Program. Employee shall be entitled to participate in all current and deferred executive compensation programs offered by Rush to its executive officers as a group.

ARTICLE 4
TERMINATION

4.1 Termination With Notice. This Agreement may be terminated by the Company or Employee, without cause, upon 30 days' prior written notice thereof given by one party to the other party. In the event of termination effected by the Employee giving notice pursuant to this Section 4.1, the Company shall pay Employee his monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. In the event of termination effected by the Company giving notice pursuant to this Section 4.1, the Company shall pay Employee, within 15 days of such termination, a lump-sum payment equal to his base salary under Section 3.1 hereof for the remaining portion of his 36-month term of employment pursuant to this Agreement. Payment by the Company in accordance with this Section shall constitute Employee's full severance pay and the Company shall have no further obligation to Employee arising out of such termination.

4.2 Termination For Cause. This Agreement may be terminated by the Company for "Cause" (hereinafter defined) upon written notice thereof given by the Company to Employee. In the event of termination pursuant to this Section 4.2, the Company shall pay Employee his monthly base salary (subject to standard deductions) earned pro rata to the date of such termination and the Company shall have no further obligations to Employee hereunder. The term "Cause" shall include only the following: (i) Employee breaches any of the terms of this Agreement; (ii) Employee is convicted of a felony; (iii) Employee fails, after at least two written warnings, to perform duties assigned under this Agreement (other than a failure due to death or physical or mental disability); (iv) Employee intentionally engages in conduct which is injurious to the Company or its affiliates, monetarily or otherwise; (v) Employee commits fraud or theft of personal or Company property from Company premises; (vi) Employee falsifies Company documents or records; (vii) Employee engages in acts of gross carelessness or willful negligence to endanger life or property on Company premises; (viii) Employee uses, distributes or is under the influence of illegal drugs, alcohol or any other intoxicant on Company premises; (ix) Employee possesses or stores lethal weapons on Company premises; or (x) Employee intentionally violates state, federal or local laws and regulations.

4.3 Termination Upon Death or Disability. In the event that Employee dies, this Agreement shall terminate upon Employee's death. Likewise, if Employee becomes unable to perform the essential functions of his duties hereunder, with or without reasonable accommodation, on account of illness, disability or other reason whatsoever for a period of more than 180 consecutive or nonconsecutive days in any 12-month period, the Company may, upon notice to Employee, terminate this Agreement. In the event of termination pursuant to this Section 4.3, Employee (or his legal representatives) shall be entitled only to his monthly base salary earned pro rata for services actually rendered prior to the date of such termination;

provided, however, Employee shall not be entitled to his monthly base salary for any period with respect to which Employee has received short- term or long-term disability benefits under employee benefit plans maintained from time to time by the Company.

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

ARTICLE 5
PROPRIETARY PROPERTY; CONFIDENTIAL INFORMATION

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

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

ARTICLE 6
RESTRICTIVE COVENANTS

6.1 Non-Competition. Except as otherwise provided in that certain Asset Purchase Agreement dated July 12, 1998, between Employee, the Company, Rush and other parties, in consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby covenants and agrees that during the term of this Agreement and for a period equal to the longer of (i) five years from the date hereof, and (ii) two years following termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, and the Employee will cause his associates, affiliates and representatives not to, directly or indirectly, as proprietor, partner, stockholder, director, officer, employee, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control, of any entity which engages in the sales, service and/or rental of construction equipment and machinery or any similar business activity in Michigan and/or Texas; provided, however, the foregoing shall not, prohibit Employee and his associates, affiliates and representatives from purchasing and holding as an investment not more than 5%

of any class of publicly traded securities of any entity which conducts a business in competition with the business of the Company, so long as Employee does not participate in any way in the management, operation or control of such entity.

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

6.3 Customer Lists; Non-Solicitation. In consideration of the benefits of this Agreement, including Employee's access to and limited use of proprietary and confidential information of the Company, as well as training, education and experience provided to Employee by the Company directly and/or as a result of work projects assigned by the Company with respect thereto, Employee hereby further covenants and agrees that following the termination of this Agreement, regardless of how such termination may be brought about, Employee shall not, directly or indirectly, (a) use or make known to any person or entity the names or addresses of any clients or customers of the Company or any other information pertaining to them, (b) call on, solicit, take away or attempt to call on, solicit or take away any clients or customers of the Company on whom Employee called or with whom he or she became acquainted during his employment with the Company, nor (c) recruit, hire or attempt to recruit or hire any employees of the Company.

ARTICLE 7
ARBITRATION

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

ARTICLE 8
MISCELLANEOUS

8.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by an overnight delivery service with tracking procedures or by facsimile to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice: If to Employee, at the address set forth below his name on the signature page hereof; and if to the Company, by mail at P. O. Box 34630, San Antonio,

Texas 78265, or by delivery at 8810 I.H. 10 East, San Antonio, Texas 78219, Attention: Chairman of the Board and Chief Executive Officer.

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

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

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

8.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to the conflict of law provisions thereof.

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

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

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

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

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

RUSH EQUIPMENT CENTERS
OF MICHIGAN, INC.

By:

W. Marvin Rush,
Chief Executive Officer

EMPLOYEE:

Address:

EXHIBIT D-1

LEASE FORMS; FORM OF LEASE GUARANTY AGREEMENT;
FORM OF SUBORDINATION, NONDISTURBANCE AND
ATTORNMENT AGREEMENT

This Exhibit D-1 is comprised of the following five (5) documents, each of which is attached hereto and made a part hereof:

Exhibit D-1-a	Lease Agreement With Option to Purchase (Ellsworth, Michigan Facility), between Three-K Company, as Landlord, and Rush Equipment Centers of Michigan, Inc., as Tenant
Exhibit D-1-b	Lease Agreement With Option to Purchase (Work-N-Play; Ellsworth, Michigan Facility), between Klooster Properties, Inc., as Landlord, and Rush Equipment Centers of Michigan, Inc., as Tenant
Exhibit D-1-c	Lease Agreement With Option to Purchase (Traverse City, Michigan Facility), between Klooster Properties, Inc., as Landlord, and Rush Equipment Centers of Michigan, Inc., as Tenant
Exhibit D-1-d	Form of Lease Guaranty Agreement
Exhibit D-1-e	Form of Subordination, Nondisturbance and Attornment Agreement

EXHIBIT D-1-d

LEASE GUARANTY AGREEMENT

THIS LEASE GUARANTY AGREEMENT (this "Agreement") is dated as of _____, 19__, between _____, a _____ ("Landlord"), having its principal offices at _____, and RUSH ENTERPRISES, INC., a Texas corporation ("Guarantor"), having its principal offices at 8810 I.H. 10 East, San Antonio, Texas 78219.

W I T N E S S E T H:

Contemporaneously herewith, Landlord, as landlord, is entering into a certain Lease Agreement With Option to Purchase (the "Lease") for real property located in the City of , County of , and State of Michigan, which property is more particularly described in Exhibit A attached to the Lease, with Rush Equipment Centers of Michigan, Inc., a Delaware corporation ("Tenant"), as tenant. Guarantor owns a controlling interest in the capital stock of Tenant and is executing this Agreement as an inducement to Landlord to enter into the Lease.

NOW THEREFORE, in consideration of the premises, Guarantor agrees as follows:

1. Guarantor hereby absolutely and unconditionally guarantees to Landlord the full and punctual payment by Tenant, its successors and assigns of all rent required to be paid by Tenant under the Lease. This is a guaranty of payment (and not merely collectability) only, and not a guaranty of the performance or observance of any of the other covenants, obligations or duties of Tenant under the Lease (other than Tenant's obligations to pay rent thereunder).

2. Guarantor hereby waives demand, protest, notice of any indulgences or extensions granted to Tenant, any requirements of diligence or promptness on the part of Landlord in the enforcement of the Lease and any notice thereof, and any other notice whereby to charge Guarantor; provided however, Guarantor shall be furnished with a copy of any notice of or relating to default under or termination of the Lease to which Tenant is entitled or which is served upon Tenant at the time the same is sent to or served upon Tenant.

3. The liability of Guarantor hereunder shall in no way be affected by: (a) the release or discharge of Tenant in any creditors', receivership or bankruptcy proceeding; (b) any alteration of or amendment to the Lease which alteration or amendment has been consented to in writing by Guarantor; (c) any permitted sale, assignment, or sublease, (unless Tenant is released by Landlord pursuant to any such sale, assignment, or sublease), pledge or mortgage of the rights of Tenant under the Lease; or (d) any application or release of any security or other guaranty given for the performance and observance of the covenants and conditions in the Lease on Tenant's part to be performed and observed.

4. This Agreement, and any obligations of Guarantor hereunder, shall terminate upon the earlier of (a) the expiration of the primary term of the Lease (including any extension or renewal periods) or (b) the termination of the Lease for any reason other than a default by Tenant thereunder.

5. This Agreement shall inure to the benefit of Landlord and its successors and assigns and any assignee of Landlord's interest in the Lease, and shall be binding upon Guarantor and its successors and assigns.

6. This Agreement may not be changed or terminated orally, but only by a written amendment hereto signed by a duly authorized representative of Guarantor.

7. Any notice required hereunder to be sent to Guarantor shall be sufficiently given by mailing by certified or registered mail, postage prepaid, addressed as follows:

Rush Enterprises, Inc.
P.O. Box 34630
San Antonio, Texas 78265
Attention: President

IN WITNESS WHEREOF, Guarantor has duly executed this Agreement by its duly authorized officer as of the day and year first above written.

RUSH ENTERPRISES, INC.

By:

Name:

Title:

EXHIBIT D-1-e

STATE OF MICHIGAN)
)
COUNTY OF _____)

SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT

THIS AGREEMENT is entered into by and between _____, a _____ ("Lender"), _____, a _____ ("Landlord"), and Rush Equipment Centers of Michigan, Inc., a Delaware corporation ("Tenant").

Recitals

Lender is the mortgagee under that certain _____ ("Mortgage") dated _____, executed by Landlord, as grantor, mortgaging certain real property ("Premises") located in _____ County, Michigan, more particularly described on EXHIBIT A attached hereto and made a part hereof for all purposes.

Tenant has a leasehold estate in and to the Premises pursuant to the Lease Agreement ("Lease") of even date herewith, executed by Tenant and Landlord.

Lender, Landlord, and Tenant desire to enter into this Agreement to set forth their agreement concerning the Lease and the Premises.

Agreement

In consideration of the covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Lease, and the rights of Tenant in, to and under the Lease and the Premises, are hereby subjected and subordinated to the lien of the Mortgage.

2. So long as Tenant is not in default of any material terms or provisions of the Lease (beyond any and all notice periods and periods given to Tenant to cure any such defaults), Lender shall not disturb Tenant's possession of the Premises or any of Tenant's other rights and privileges under the Lease, and the Lease shall not be terminated (except as permitted by the provisions of the Lease) or otherwise be diminished or adversely affected by the enforcement of any rights given to Lender in the Mortgage, in the note secured thereby, or in any other documents held by Lender or by the enforcement of any rights given to Lender as a matter of law.

3. Tenant shall attorn to Lender or to any person who acquires title to the Premises through a foreclosure of the lien created by the Mortgage or by a transfer in lieu of such foreclosure ("Purchaser"). Upon acquisition of title to the Premises, Purchaser shall succeed to the interest of Landlord under the Lease, and upon Tenant's receipt of notice from Purchaser,

together with a copy of the instrument of conveyance, Tenant shall accept Purchaser as Tenant's new landlord, and the Lease shall continue in full force and effect, after any such foreclosure or other transfer of title, as a direct lease between Tenant and Purchaser, upon all the terms, covenants, conditions, and agreements set forth in the Lease.

4. Tenant acknowledges and consents to the assignment of Landlord's rights under the Lease to Lender pursuant to the Mortgage which contains a provision assigning to Lender all Leases, rents and other income from the Premises.

5. If the Mortgage is foreclosed and Lender succeeds to the interest of Landlord under the Lease, Lender shall be bound to Tenant under all the terms, covenants and conditions of the Lease. Notwithstanding the foregoing, however, Lender shall not be (a) liable for any act or omission of Landlord or any prior lessor, except to the extent the same constitutes a default existing and continuing during Lender's ownership of the Premises; (b) subject to any offsets or defenses that Tenant may have against Landlord or any prior lessor or subject to any claim for damages or counterclaims against Landlord or any prior lessor; (c) bound by any rent or additional rent that Tenant may have paid more than one month in advance to Landlord or any prior lessor; (d) bound by any amendment or modification of the Lease or any consent, approval or waiver by Landlord with respect to the Lease or the Premises made after the date hereof without Lender's prior written consent; (e) liable for any security deposit except to the extent Lender does hold such security deposit; (f) liable to Tenant under the Lease or otherwise for matters first arising after Lender ceases to own the Premises; (g) liable for any covenant or agreement to undertake or complete construction or installation of improvements on the Premises or any part thereof; (h) liable for any payment to Tenant of any sums, or granting to Tenant of any credit, in the nature of a contribution towards the cost of preparing, furnishing or moving in to the Premises or any part thereof; or (i) liable for any other obligation under the Lease which shall have accrued prior to the date Lender acquires title to the Premises; provided, however, Lender shall be obligated to cure any existing and continuing defaults of Landlord or any prior lessor with respect to the maintenance or repair of the Premises. If Lender becomes liable to Tenant under this paragraph for any claim, loss or damage, Tenant shall look solely to the Premises for recovery of any judgment or damages from Lender, and Lender shall have no personal liability, directly or indirectly, under or in connection with the Lease. Nothing in this Agreement shall impose any obligation on Lender for the management, control or condition of the Premises prior to the time Lender succeeds to the interest of Landlord under the Lease.

6. Landlord and Tenant will not, without the prior written consent of Lender (which shall not be unreasonably withheld or delayed), (i) amend the Lease, (ii) assign or sublet all or any part of the Premises unless permitted under the express provisions of the Lease, or (iii) subordinate the Lease to any other lien.

7. In the event of the occurrence of any act or omission of Landlord that would give Tenant the right to terminate the Lease, to claim a partial or total eviction, or to exercise any other remedy under the Lease or other applicable law, Tenant shall give to Lender copies of all written notices of such act or omission that Tenant is required to give to Landlord pursuant to the terms of the Lease, and Lender shall have the same period for remedying such act or omission as granted to Landlord under the Lease.

8. Tenant hereby represents and warrants to Lender that as of the date hereof:

a. the Lease is in full force and effect;

b. the Lease has not been modified or amended;

c. all rents, additional rents and other sums due and payable under the Lease have been paid in full and no rent due under the Lease has been paid more than one (1) month in advance; and

d. Tenant has not assigned, sublet, transferred or hypothecated its interest in the Lease.

9. Tenant agrees, from time to time, upon ten (10) days' prior written notice from Lender, to execute, acknowledge and deliver to Lender an estoppel certificate in form reasonably satisfactory to Lender stating that the Lease is then in effect, the rental then prevailing under the Lease and any defaults by Landlord under the Lease of which Tenant is then aware.

10. The foregoing provisions shall be self-operative and effective without the execution of any further instruments on the part of any party hereto. The parties, however, agree to execute and deliver to each other such other instrument as shall be necessary to effectuate the provisions of this Agreement.

11. Any notice, request, demand, or other instrument which may be required or permitted to be furnished to or served upon the parties shall be in writing, shall be sent by United States mail, registered or certified, return receipt requested, and shall be deemed given when postmarked and addressed to such party at the address set forth below. Unless later changed by notices to all parties hereof in the manner provided herein, the parties' addresses for purposes of notices are as follows:

LENDER:

Attention: ---

LANDLORD:

Attention: ---

TENANT: Rush Equipment Centers of Michigan, Inc.
P.O. Box 34630
San Antonio, Texas 78265

Attention: President

with a copy to: Rush Enterprises, Inc.
P.O. Box 34630
San Antonio, Texas 78265

Attention: President

12. This Agreement shall be binding upon and inure to the benefit of Lender, Landlord, Tenant, and their respective representatives, successors and assigns; provided, however, this Agreement shall not be binding upon or inure to the benefit of any assignee from Tenant other than an assignee that is a wholly-owned subsidiary of Rush Enterprises, Inc., a Texas corporation.

13. The term "Lender" as used herein shall include the successors and assigns of Lender and any person, party or entity which shall become the owner of the premises by reason of foreclosure, the power of sale or the acceptance of a deed or assignment or otherwise. The term "Landlord" as used herein shall mean and include the present Landlord under the Lease and such Landlord's predecessors and successors in interest under the Lease, unless context requires otherwise. The term "Premises" as used herein shall mean the Premises, the improvements now or hereafter located thereon and the estates therein encumbered by the Mortgage. The term "Tenant" as used herein shall include the successors and assigns of Tenant.

14. This Agreement may not be modified or amended except pursuant to a written document executed by Lender, Landlord and Tenant.

15. This Agreement shall be governed by and construed under the laws of the State of Michigan.

[Signatures Begin on Next Page]

IN WITNESS WHEREOF, the parties have executed this Agreement on the _____ day of _____, 19__.

Attest:
- -------
- ----------
Printed Name: ----------

- ----------
Printed Name: ----------

Lender:

----------,
a ----------

By: ----------
Name: ----------
Title: ----------

Attest:
- ------
- ----------
Printed Name: ----------

- ----------
Printed Name: ----------

Landlord:

----------,
a ----------

By: ----------
Name: ----------
Title: ----------

Attest:
- ------
- ----------
Printed Name: ----------

- ----------
Printed Name: ----------

Tenant:

RUSH EQUIPMENT CENTERS OF MICHIGAN, INC., a Delaware corporation

By: ----------
Name: ----------
Title: ----------

THE STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____ , 19__ by _____, _____ of _____, a corporation, on behalf of said corporation.

(SEAL)

Notary Public in and for
the State of _____

(Printed Name of Notary)

My commission expires:

THE STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____ , 19__ by _____, _____ of _____, a corporation, on behalf of said corporation.

(SEAL)

Notary Public in and for
the State of _____

(Printed Name of Notary)

My commission expires:

THE STATE OF _____)
)
COUNTY OF _____)

This instrument was acknowledged before me on the _____ day of _____ , 19__ by _____, _____ of Rush Equipment Centers of Michigan, Inc., a Delaware corporation, on behalf of said corporation.

(SEAL)

Notary Public in and for
the State of _____

(Printed Name of Notary)

My commission expires:
_____

AFTER RECORDING PLEASE RETURN TO:
- ---

Mr. Les Caldwell
Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205

EXHIBIT A
(To Subordination, Nondisturbance and Attornment Agreement)

[Attach Legal Description for Premises]

EXHIBIT D-2

Location Specific Lease Provisions

Ellsworth:
- ---------

Term:	Initial five (5) year term with two (2) renewal options of five (5) years each
Monthly Rent:	$ 8,500 during initial 5-year term; increases each renewal term in proportion to the corresponding increase in the Consumer Price Index
Deposit:	$ 8,500
Purchase Option:	
At end of first five years of term:	$ 890,000
At end of first five year renewal term:	Appraised Value
At end of second five year renewal term:	Appraised Value

EXHIBIT E

LANDLORD'S CONSENT AND ESTOPPEL

Klooster Equipment, Inc.

- ----------

- ----------

- ----------

- ----------

Rush Equipment Centers of Michigan, Inc.
P.O. Box 34630
San Antonio, Texas 78265

Re: Lease between 5770 Investors, L.L.C. and Klooster Equipment, Inc. covering the premises located at 5770 Clyde Park, S.W., City of Wyoming, Kent County, Michigan

To each of the above addressees:

5770 Investors, L.L.C. , a _____ limited liability company ("Landlord"), is the landlord under that certain Lease dated September 9, 1994, between Klooster Equipment, Inc., a Michigan corporation ("Tenant") and Landlord. A true copy of such lease, together with all amendments and modifications thereto (collectively, the "Lease"), is attached hereto as Exhibit A. In connection with Tenant's assignment of all of its interest under the Lease to Rush Equipment Centers of Michigan, Inc., a Delaware corporation ("Rush"), Landlord does hereby certify and agree as follows:

1. The Lease is presently in full force and effect and is unmodified except as may be evidenced by a written instrument attached as a part of Exhibit A.

2. The Lease term has commenced and full rental is now accruing thereunder. The primary term of the Lease is ten (10) years, beginning March 1, 1995, and ending February 28, 2005, with one (1) option to extend the primary term of the

Lease for five (5) years, unless sooner terminated or extended pursuant to the provisions of the Lease.

3. There is no construction completed, ongoing or planned for which Tenant is obligated to reimburse Landlord (other than through payment of the base monthly rent herein disclosed) or for which Landlord is obligated to reimburse Tenant.

4. Tenant has accepted possession of the leased premises under the Lease and, to the best of Landlord's knowledge, any improvements required by the terms of the Lease to be made by Landlord have been completed to the satisfaction of Tenant.

5. Tenant is currently paying $, on a monthly basis, to Landlord as rent under the Lease. Such amount is subject to increase on March 1 of each year during the term of the Lease in a amount proportionate to the corresponding increase in the Consumer Price Index over the previous 12 months. In addition, Tenant is currently paying the following amounts due under the Lease:

   a. Real property taxes and special assessments levied against the leased premises;

   b. Personal property taxes on all personal property at the leased premises; and

   c. All utility charges with respect to the leased premises.

6. No rent under the Lease has been paid more than thirty (30) days in advance of its due date.

7. Tenant is not in monetary default under the terms and provisions of the Lease nor, to the best knowledge of Landlord, is Tenant in default of any of its other covenants, agreements, duties or obligations under the Lease.

8. Tenant has deposited the sum of $_____ with Landlord as a security deposit under the Lease (the "Security Deposit").

9. Landlord hereby consents to the assignment by Tenant of all of its rights, title and interests under the Lease to Rush and to the assumption by Rush of all of the rights, duties and obligations of Tenant as "Tenant" under the Lease from and after the date of such assignment. Landlord agrees that (i) Tenant shall not be liable for breaches or defaults by Rush under the Lease, and (ii) Rush shall

not be liable for breaches or defaults by Tenant under the Lease. Landlord understands that Tenant has assigned all of its rights with respect to the Security Deposit (including the right, subject to the terms of the Lease, to receive a return thereof at the end of the Lease term) to Rush.

5770 INVESTORS, L.L.C.

By:

- ---
Name:

Title:
- ---
Date:

, 1998
- ---

EXHIBIT 2.5

ASSET PURCHASE AGREEMENT

DATED AUGUST 23, 1999

BY AND AMONG

RUSH ENTERPRISES, INC.

RUSH EQUIPMENT CENTERS OF MICHIGAN, INC.

CALVERT SALES, INC.

AND

THOMAS B. CALVERT,
TRUSTEE OF THOMAS B. CALVERT TRUST
(Sole Shareholder of Calvert Sales, Inc.)

COVERING THE PURCHASE
OF SPECIFIED ASSETS OF

CALVERT SALES, INC.

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Exhibits

Schedules

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into this 23rd day of August, 1999 by and among (i) Calvert Sales, Inc., a Michigan corporation ("Seller"), (ii) Thomas B. Calvert, Trustee of Thomas B. Calvert Trust (a revocable inter-vivos grantor trust and the owner of 100% of the capital stock of Seller (referred to herein as the "Shareholder")), and (iii) Rush Equipment Centers of Michigan, Inc., a Delaware corporation ("Purchaser"). Rush Enterprises, Inc., a Texas corporation ("Rush" and, together with Purchaser, the "Rush Parties"), joins this Agreement for the limited purposes expressly set forth in this Agreement. Shareholder joins this Agreement for the limited purposes expressly set forth in this Agreement.

WITNESSETH:

WHEREAS, Seller is the owner of all right, title and interest in and to the Assets (as herein defined) described herein, with such assets being the assets currently used in the conduct of the operation of two John Deere dealership businesses operated by Seller;

WHEREAS, Purchaser is a wholly-owned subsidiary of Rush;

WHEREAS, Seller desires to sell the Assets to Purchaser and Purchaser desires to acquire the Assets from Seller, all pursuant to this Agreement as hereinafter provided; and

WHEREAS, the parties hereto desire to set forth certain representations, warranties and covenants made by each to the other as an inducement to the execution and delivery of this Agreement, and to set forth certain additional agreements related to the transactions contemplated hereby;

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

1. GENERAL DEFINITIONS. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

1.1 "Assets" shall have the meaning assigned to it in Section 2.1.

1.2 "Affiliate" of any Person shall mean any Person Controlling, Controlled by or under common Control with such Person.

1.3 "Balance Sheet Date" shall have the meaning assigned to it in Section 4.3(a).

1.4 "Best Knowledge" shall mean both what a Person knew as well as what the Person should have known had the person exercised reasonable diligence. When used with respect to a Person other than a natural person, the term "Best Knowledge" shall include matters that are known to the directors, officers, and key employees of the Person. When used with respect to Seller, the

term "Best Knowledge" shall include only those matters known to Walter Rose and Thomas B. Calvert.

1.5 "Business" shall have the meaning assigned to it in Section 2.1.

1.6 "Business Day" shall mean any day other than Saturday, Sunday or other day on which federally chartered commercial banks in San Antonio, Texas are authorized or required by law to close.

1.7 "Closing" shall have the meaning assigned to it in Section 2.5.

1.8 "Closing Date" shall have the meaning assigned to it in Section 2.5.

1.9 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.10 "Contracts" shall have the meaning assigned to it in Section 4.8.

1.11 "Control" and all derivations thereof shall mean the ability to either (i) vote (or direct the vote of) 50% or more of the voting interests in any Person or (ii) direct the affairs of another, whether through voting power, contract or otherwise.

1.12 "Damages" shall mean any and all liabilities, losses, damages, demands, assessments, punitive damages, loss of profits, refund obligations (including, without limitation, interest and penalties thereon) claims of any and every kind whatsoever, costs and expenses (including interest, awards, judgments, penalties, settlements, fines, costs of remediation, diminutions in value, costs and expenses incurred in connection with investigating, prosecuting and defending any claims or causes of action (including, without limitation, reasonable attorneys' fees and reasonable expenses and all reasonable fees and reasonable expenses of consultants and other professionals).

1.13 "Deposits" shall have the meaning assigned to it in Section 4.18.

1.14 "Encumbrance" shall mean any security interest, mortgage, pledge, trust, claim, lien, charge, option, defect, restriction, encumbrance or other right or interest of any third Person of any nature whatsoever.

1.15 "Environmental Conditions" means any and all acts, omissions, events, circumstances, and conditions on or in connection with the Mt. Morris Land, the old Pontiac Location, the New Pontiac Location, or the other Assets that constitute a violation of, or require remediation under, any Environmental Laws, including any pollution, contamination, degradation, damage, or injury caused by, related to, or arising from or in connection with the generation, use, handling, treatment, storage, disposal, discharge, emission or release of Hazardous Materials.

1.16 "Environmental Laws" shall mean all applicable federal, state, local or municipal laws, rules, regulations, statutes, ordinances or orders of any Governmental Authority, including all laws, rules, regulations, statutes, ordinances or orders of the State of Michigan and any political subdivision or instrumentality thereof (irrespective of the provisions of Section 24.1 hereof), relating to (a) the

control of any potential pollutant, or protection of health or the air, water or land, (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal, discharge, release, emission or transportation, (c) exposure to hazardous, toxic or other substances alleged to be harmful, (d) the protection of any endangered or at-risk plant or animal life, or (e) the emission, control or abatement of noise. "Environmental Laws" shall include, but not be limited to, the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Clean Water Act, 33 U.S.C. Section 1251 et seq., the Resource Conservation Recovery Act ("RCRA"), 42 U.S.C. Section 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., the Endangered Species Act, 16 U.S.C. Section 1531 et seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et seq., and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. Section 9601 et seq., including the Superfund Amendments and Reauthorization Act, 42 U.S.C. Section 11001, et seq. The term "Environmental Laws" shall also include all applicable state, local and municipal laws, rules, regulations, statutes, ordinances and orders dealing with the subject matter of the above listed federal statutes or promulgated by any governmental or quasi-governmental agency thereunder in order to carry out the purposes of any federal, state, local or municipal law.

1.17 "Environmental Liabilities" shall mean any and all liabilities, responsibilities, claims, suits, losses, costs (including remedial, removal, response, abatement, clean-up, investigative and/or monitoring costs and any other related costs and expenses), other causes of action recognized now or at any later time, damages, settlements, expenses, charges, assessments, liens, penalties, fines, pre- judgment and post-judgment interest, attorneys' fees and other legal costs incurred or imposed (a) pursuant to any agreement, order, notice of responsibility, directive (including directives embodied in Environmental Laws), injunction, judgment or similar documents (including settlements) arising out of, in connection with, or under Environmental Laws, (b) pursuant to any claim by a Governmental Authority or any other person or entity for personal injury, property damage, damage to natural resources, remediation, or payment or reimbursement of response costs incurred or expended by such Governmental Authority, person or entity pursuant to common law or statute and related to the use or release of Hazardous Materials, or (c) as a result of Environmental Conditions.

1.18 "Environmental Permits" shall mean any permits, licenses, approvals, consents, registrations, identification numbers or other authorizations with respect to the Assets or the Businesses or the ownership or operation thereof required under any applicable Environmental Law.

1.19 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.20 "Escrow Agent" shall mean The Frost National Bank, N.A. whose address is 100 West Houston Street, San Antonio, Texas 78205.

1.21 "Exchange Act" shall mean the Securities and Exchange Act of 1934, as amended.

1.22 "Excluded Assets" shall have the meaning assigned to it in Section 2.6.

1.23 "Governmental Authority" shall mean any and all foreign, federal, state or local governments, governmental institutions, public authorities and governmental entities of any nature whatsoever, and any subdivisions or instrumentalities thereof, including, but not limited to,

departments, boards, bureaus, commissions, agencies, courts, administrations and panels, and any divisions or instrumentalities thereof, whether permanent or ad hoc and whether now or hereafter constituted or existing.

1.24 "Governmental Requirement" shall mean any and all laws (including, but not limited to, applicable common law principles), statutes, ordinances, codes, rules, regulations, interpretations, guidelines, directions, orders, judgments, writs, injunctions, decrees, decisions or similar items or pronouncements, promulgated, issued, passed or set forth by any Governmental Authority.

1.25 "Hazardous Materials" means any (a) petroleum or petroleum products, (b) asbestos or asbestos containing materials, (c) hazardous substances as defined by Section 101(14) of CERCLA and (d) any other chemical, substance or waste that is regulated by any Governmental Authority under any Environmental Law.

1.26 "Indemnification Event" shall have the meaning assigned to it in Section 13.6.

1.27 "Indemnitee" shall mean (i) the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns, on the one hand, and (ii) the Seller and its Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns, on the other hand, whether indemnified, or entitled, or claiming to be entitled to be indemnified or receive property, pursuant to the provisions of Article 13 hereof.

1.28 "Indemnitor" shall mean the Person or Persons having the obligation to indemnify or make payment pursuant to the provisions of Article 13 hereof.

1.29 "John Deere" shall mean John Deere Construction Equipment Company and its Affiliates.

1.30 "Losses" shall mean General Losses, Environmental Losses, Tax Losses and Product Losses (each as defined in Article 13 hereof), as the case may be.

1.31 "Mt. Morris Improvements" shall have the meaning assigned to it in Section 1.35.

1.32 "Mt. Morris Land" shall have the meaning assigned to it in Section 1.35.

1.33 "Mt. Morris Lease" shall mean the Lease Agreement attached hereto as Exhibit A with such modifications as may be agreed to by Seller and Purchaser.

1.34 "Mt. Morris Property" shall mean all those certain tracts, pieces or parcels of land where Seller's Mt. Morris, Michigan dealership is located, as more particularly described in Exhibit A attached hereto and made a part hereof for all purposes (herein referred to as the "Mt. Morris Land"), together with the buildings, structures, manufacturing plants, fixtures, paving, curbing, trees, shrubs, plants, and other improvements of every kind and nature presently situated on, in, or under, or hereafter erected or installed or used in, on, or about or in connection with the ownership, use and

operation of the Mt. Morris Land (herein collectively referred to as the "Mt. Morris Improvements"), and all rights and appurtenances pertaining thereto, including, but not limited to: (a) all right, title and interest, if any, of the owner(s) of the Mt. Morris Land, in and to any land in the bed of any street, road or avenue open or proposed in front of or adjoining the Mt. Morris Land; (b) all right, title and interest, if any, of the owner(s) of the Mt. Morris Land, in and to any rights-of-way, rights of ingress or egress or other interests in, on, or to, any land, highway, street, road, or avenue, open or proposed, in, on, or across, in front of, abutting or adjoining the Mt. Morris Land, and any awards made, or to be made in lieu thereof, and in and to any unpaid awards for damage thereto by reason of a change of grade of any such highway, street, road, or avenue; (c) any easement across, adjacent or appurtenant to the Mt. Morris Land, existing or abandoned; (d) all sewage treatment capacity and water capacity and other utility capacity to serve the Mt. Morris Land and Mt. Morris Improvements; (e) all oil, gas, and other minerals in, on, or under, and that may be produced from the Mt. Morris Land; (f) all water in, under or that may be produced from the Mt. Morris Land, and all wells, water rights, permits and historical water usage pertaining to or associated with the Mt. Morris Land; (g) all right, title and interest, if any, of the owner(s) of the Mt. Morris Land, in and to any land adjacent or contiguous to, or a part of the Mt. Morris Land, whether those lands are owned or claimed by deed, limitations, or otherwise, and whether or not they are located inside or outside the description given herein, or whether or not they are held under fence by the owner(s) of the Mt. Morris Land, or whether or not they are located on any survey; and (h) any reversionary rights attributable to the Mt. Morris Land.

1.35 "New Contracts" shall have the meaning assigned to it in Section 10.6.

1.36 "New Pontiac Location" shall have the meaning assigned to it in Section 8.2(n).

1.37 "Old Pontiac Location" shall have the meaning to it in Section 3.2(j).

1.38 "Overstocked Item" shall mean any item described in Sections 2.1(b), (c) or (k) for which there is more than an 18-month supply (based on historical sales of such item over the last 12 months).

1.39 "PBGC" shall mean the Pension Benefit Guaranty Corporation.

1.40 "Permitted Exceptions" shall have the meaning assigned to it in Section 22.2.

1.41 "Person" shall mean any natural person, any Governmental Authority and any entity the separate existence of which is recognized by any Governmental Authority or Governmental Requirement, including, but not limited to, corporations, partnerships, joint ventures, joint stock companies, trusts, estates, companies and associations, whether organized for profit or otherwise.

1.42 "Pontiac Relocation" shall have the meaning assigned to it in Section 8.2(n).

1.43 "Purchase Price" shall have the meaning assigned it in Article 3.

1.44 "Reference Balance Sheet" shall have the meaning assigned it in Section 4.3(a).

1.45 "Retained Liabilities" shall have the meaning assigned it in Section 3.2.

1.46 "Schedule" shall mean the Schedules to this Agreement, unless otherwise stated. The Schedules to this Agreement may be attached to this Agreement or may be set forth in a separate document denoted as the Schedules to this Agreement, or both.

1.47 "SEC" or "Commission" shall mean the United States Securities and Exchange Commission.

1.48 "Section" shall mean the Sections of this Agreement, unless otherwise stated.

1.49 "Securities Act" shall mean the Securities Act of 1933, as amended.

1.50 "Slow-Moving Item" shall mean any item described in Sections 2.1(b), (c) or (k) that has not sold during the previous 12-month period.

1.51 "Subsidiary" shall mean, with respect to any Person (the "parent"), (a) any corporation, association, joint venture, partnership or other business entity of which securities or other ownership interests representing more than 50% of the ordinary voting power or beneficial interest are, at the time as of which any determination is being made, owned or controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent and (b) any joint venture or partnership of which the parent or any Subsidiary of the parent is a general partner or has responsibility for its management.

1.52 "Tax Returns" shall mean all Tax returns and reports (including, without limitation, income, franchise, sales and use, unemployment compensation, excise, severance, property, gross receipts, profits, payroll and withholding Tax returns and information returns).

1.53 "Taxes" shall mean any foreign, federal, state or local tax, assessment, levy, impost, duty, withholding, estimated payment or other similar governmental charge, together with any penalties, additions to Tax, fines, interest and similar charges thereon or related thereto.

1.54 "Territory" shall mean the following counties each of which is situated in the State of Michigan: (a) Genesee, (b) Saginaw, (c) Tuscola, (d) Sanilac, (e) Huron, (f) St. Clair, (g) Macomb, (h) Lapeer, (i) Oakland, (j) Wayne, (k) Washtenaw, and (l) half of Livingston.

1.55 "Third-Party Claims" shall have the meaning such term is given in Section 13.6(b) hereof.

1.56 "Title Company" shall mean Cislo Title Company, Agent for First American Title Insurance Company, whose office is located at 1208 S. Saginaw Street, Flint, Michigan 48502.

1.57 "UCC Report" shall have the meaning such term is given in Section 2.4 hereof.

2. PURCHASE AND SALE OF THE ASSETS; CLOSING DATE.

2.1 Assets to be Purchased. Subject to the terms and conditions of this Agreement, at the Closing, Seller shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase and acquire from company, all of Seller's right, title and interest in and to the Assets, in each case, free and clear of any charge, claim, community or marital property interest, condition, equitable interest, lien, option, pledge, security interest, right of first refusal or restriction of any kind, including any restriction on use, voting (in the case of any security), transfer, receipt of income, or exercise of any other attribute of ownership. The "Assets" shall mean all of Seller's property and assets, personal or mixed, tangible and intangible, of every kind and description, wherever located, belonging to Seller at the close of business on the Closing Date and which relate to the business currently conducted by Seller as a going concern, including its operation of a John Deere dealership as well as any and all goodwill associated therewith (the "Business"), other than the Excluded Assets (as defined in Section 2.6), including the following:

(a) all new construction machinery equipment, irrespective of manufacturer, except for new construction machinery equipment manufactured by John Deere, which will be returned by the Seller to John Deere (the "Returned Equipment"),

(b) all new, current and returnable parts and accessories inventory, except for John Deere new, current and returnable parts and accessories, which will be returned by the Seller to John Deere,

(c) all miscellaneous inventories, including gas, diesel fuel, oil, grease, paint and body shop materials,

(d) all work in progress and sublet repairs on vehicles and equipment in Seller's parts and service departments,

(e) all of Seller's furniture, fixtures and office equipment (including related software),

(f) all shop equipment and special tools, and all parts and accessories equipment other than new attachment inventory,

(g) all company vehicles (the "Company Vehicles"),

(h) all signs, and all promotional, advertising and training materials used in the Business, except for any of the foregoing items which are required to be returned to Bob Cat or Thomas based upon the termination of any dealer agreement with Seller upon the consummation of this transaction with Purchaser,

(i) all sales files and customer lists, and all warranty and service and customer service and repair files, excluding any files that support receivables retained by Seller,

(j) all intangible assets of Seller required to do business as a John Deere dealer, including any other permits or licenses issued by any department or agency for Seller's dealership, other than any and all existing dealer sales and service center agreements with John Deere, which agreements will be terminated by Seller and John Deere, together with all intangible assets of Seller required to do business as a dealer or distributor for other manufacturers (but only to the extent permission is given to the assignment by Seller to Purchaser of each dealer or distributor agreement by such other manufacturers),

(k) all new obsolete parts and accessories and all used parts,

(l) all used, rental, leased and "rent to own" construction machinery equipment, and all used attachment inventory,

(m) all customer deposits and agreements to sell construction machinery equipment ordered but not delivered to the customer at the time of Closing;

(n) all of Seller's interest in the Mt. Morris Improvements;

(o) all new attachment inventory; and

(p) the items described on Schedule 2.1.

2.2 Purchase and Sale. Subject to the terms and conditions herein contained, Seller agrees to sell, assign, transfer and deliver the Assets to Purchaser at the Closing (as hereinafter defined), free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder). Subject to the terms and conditions herein contained, Purchaser agrees to purchase from Seller the Assets in consideration for the Purchase Price (as hereinafter defined) payable as set forth in Article 3.

2.3 Delivery of Assets and Transfer Documents. At the Closing, Seller and the Shareholder shall take all steps necessary to put Purchaser in possession of the Assets, free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder), and shall deliver to Purchaser (a) a duly executed general warranty bill of sale covering the Assets, in the form of and containing substantially the same terms and provisions as the General Warranty Bill of Sale and Assignment of Contract Rights included in Exhibit D, (b) duly executed title and transfer documents covering any assets for which there exists a certificate of title, subject to payment of sales tax by Purchaser due upon registering the transfer of title of the Company Vehicles with the State of Michigan, (c) delivery of the Mt. Morris Lease, duly executed by the landlord thereunder, and (d) such other duly executed transfer and release documents as Purchaser shall reasonably request to evidence the transfer of the Assets to Purchaser free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder).

2.4 UCC Reports. Within seven days from and after the date hereof, Seller, at its sole cost and expense, shall furnish to Purchaser a report (the "UCC Report") of searches made of the Uniform Commercial Code Records of Genesee County and Oakland County, Michigan and of the Office of

the Secretary of State, State of Michigan, or the proper offices in the State of Michigan where Uniform Commercial Code records are maintained, which searches shall show that the Assets are not subject to any lien or security interest (other than liens and security interests which are to be released at the Closing). An update of the searches (dated no more than two days prior to the Closing Date, but delivered prior to the Closing Date) shall be provided by Seller to Purchaser at Seller's sole cost and expense.

2.5 Closing; Closing Date. Subject to the terms and conditions herein contained, the consummation of the transactions referenced above shall take place (the "Closing") on or before October 31, 1999, at 10:00 a.m., local time, at such location as may be agreed upon by the Parties, or at such other time, date and place as Purchaser and Seller shall in writing designate. Each of the Parties covenants and agrees to use its best efforts to have the Closing take place on or before August 31, 1999. The date of the Closing is referred to herein as the "Closing Date".

2.6 Excluded Assets. Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following items (collectively, the "Excluded Assets") are not part of the sale and purchase contemplated hereunder, are excluded from the Assets being conveyed hereunder, and shall remain the property of Seller:

(a) all cash and cash equivalents and all securities and short term investments listed on Schedule 2.6(a);

(b) all Seller's insurance policies and all other contracts listed in Schedule 2.6(b);

(c) all rights and funds in connection with retirement, employee benefit and similar plans;

(d) any assets expressly designated in Schedule 2.6(d) as Excluded Assets;

(e) the Pontiac Lease and all of Seller's right, title and interest in and to the real property leased and demised thereby;

(f) items of personal property and possessions of Thomas Calvert, inclusive of policy of life insurance and cash surrender value of such life insurance upon the life of Thomas Calvert, that are not and have not been a part of the operation of the Seller as set out in Schedule 2.6(e) attached hereto and made a part hereof;

(g) any and all other assets reasonably designated by Purchaser, in its sole discretion, as being Excluded Assets. Purchaser shall advise Seller in writing at least five days prior to Closing of those other items which Purchaser does not intend to purchase. The exclusion of any such items shall not reduce the Purchase Price;

(h) the Mt. Morris Property (which is to be leased to the Purchaser by the existing owner pursuant to the Mt. Morris Lease); and

(i) Any items required by Bob Cat or Thomas to be returned upon termination of dealer agreements with Seller.

2.7 Escrowed Funds. Contemporaneously with the execution of this Agreement, Purchaser shall deposit $150,000.00 (the "Escrowed Funds") in escrow with the Escrow Agent pursuant to the Escrow Agreement attached hereto as Exhibit A. At Closing, the Escrowed Funds shall be distributed to Purchaser; provided, however, in the event the Closing does not occur by October 31, 1999, for any reason other than (i) a breach of this Agreement by either Seller or Shareholder or (ii) a breach of any covenant, agreement, undertaking, representation or warranty of Seller or Shareholder pursuant to this Agreement, then the Escrowed Funds shall be distributed to the Seller as liquidated damages in accordance with the provisions of Section 17.4 hereof.

3. PURCHASE PRICE.

3.1 Price and Payment. Subject to adjustment as provided in Article 20 with respect to prorations, deposits and certain other items, the aggregate consideration to be paid by Purchaser for the Assets is as follows (the "Purchase Price"):

(a) $235,942 such amount representing the agreed upon value of the differential between adjusted book value and estimated fair market value and estimated fair market value of specified assets; plus

(b) an amount equal to Seller's actual cost for each piece of construction machinery equipment of Seller described in Section 2.1(a), reduced by the amount of all manufacturer's rebates, allowances, any dealer marketing funds attributed to such piece of equipment and other reductions paid or credited to Seller on such equipment; plus

(c) with respect to the items described in Sections 2.1(b) and (c), an amount equal to (i) 100% of the replacement cost of the new and not obsolete, not Overstocked and not Slow-Moving Items returnable to the manufacturer; (ii) 85% of the replacement cost for new Overstocked or Slow-Moving Items returnable to the manufacturer and that are not obsolete; (iii) 50% of the replacement cost for new Overstocked or Slow-Moving Items not returnable to the manufacturer and that are not obsolete; and (iv) with respect to all obsolete and all other items, including used items, an amount to be agreed upon by Seller and Purchaser; provided, however, in the event that the parties cannot agree on an amount for the items referred to in (iv) above, such items not agreed upon shall be excluded from the Assets; plus

(d) an amount equal to the actual freight costs and predelivery costs of Seller, less any discounts, credits, rebates or any and all other deductions received by Seller, paid by Seller on any Returned Equipment that is purchased from John Deere by Purchaser; plus

(e) amount equal to the Seller's actual cost plus Seller's internal burdened labor rate of the work in process and sublet repairs described in Section 2.1(d); plus

(f) an amount equal to the net book value (determined in accordance with generally accepted accounting principles, consistently applied) at Closing of the items described in Sections 2.1(e), (f) and (g), plus

(g) zero for the items described in Section 2.1(h), (i) and (j) ,plus

(h) an amount equal to Seller's actual cost for items described in Section 2.1(o) that have been held by Seller for less than two years, and an amount to be agreed upon for any such items held by Seller for two years or longer (provided that if Purchaser and Seller cannot agree on an amount to be paid for any Asset described in this Section, such Asset shall be an Excluded Asset), plus

(i) with respect to the items described in Section 2.1(k), an amount to be agreed upon by Seller and Purchaser; provided, however, in the event the parties cannot agree on an amount for such items, then such items shall be excluded from the Assets, plus

(j) an amount equal to the net book value (determined in accordance with generally accepted accounting principles, consistently applied) for each piece of used, rental, leased or "rent to own" construction machinery equipment and used attachment inventory, reduced by the amount of any dealer marketing funds attributed to each piece of equipment or inventory, described in Section 2.1(l).

The Purchase Price shall be payable by payment of all amounts specified in Sections 3.1(a) through (i) above by wire transfer as directed by Seller.

3.2 Assumed Obligations. At the Closing, Purchaser shall assume and agree to timely discharge the obligations of Seller under all contracts and agreements transferred by Seller to Purchaser under this Agreement that are (a) listed and described on Schedule 4.8 or on the updated list of contracts required by Article 13 and (b) accepted in writing by Purchaser pursuant to the provisions of Section 4.8 or Articles 10 or 13; provided that Purchaser specifically does not assume any liabilities of Seller under any contracts or agreements with respect to any breaches of such contracts or agreements occurring on or before the Closing Date or any damages to third parties resulting from acts, events or omissions occurring on or before the Closing Date. Except for the obligations expressly assumed by Purchaser pursuant to this Agreement, Seller shall take full and complete responsibility for all of its respective liabilities, debts and obligations, whether known or unknown, now existing or hereafter arising, contingent or liquidated (the "Retained Liabilities"), and Purchaser shall not assume, or in any way be liable or responsible for, any of the Retained Liabilities. The Retained Liabilities shall include, without limitation, the following:

(a) the responsibility for contributions to, or any liability in connection with, any employee pension benefit plan, any employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller for its employees, former employees, retirees, their beneficiaries or any other person, and any continuation coverage (including any penalties, excise taxes or interest resulting from the failure to provide continuation coverage) required by Section 4980B of the Code due to qualifying events which occur on or before Closing Date;

(b) any liability or obligation of Seller, or any consolidated group of which Seller is a member, for any federal income tax or state franchise tax, or for any foreign, federal, state, commonwealth, county or local taxes of any kind or nature, or any taxes levied by any other legitimate taxing authority, or any interest or penalties thereon, except for any proration and assumption thereof by Purchaser pursuant to Article 20 hereof;

(c) any liability to which any of the parties may become subject as a result of the fact that the transactions contemplated by this Agreement are being effected without compliance with the bulk sales provisions of the Uniform Commercial Code as in effect in the State of Michigan;

(d) any liability with respect to any claims, suits, actions or causes of action arising out of the conduct of the Business on or prior to the Closing Date;

(e) notwithstanding any disclosures or representations by Seller, any dispute, litigation, settlement, negotiation, administrative or other proceeding, any related or subsequent litigation, appeal or administrative action and any debt, obligation or liability arising out of or in connection with any facts existing prior to the Closing Date;

(f) any non-compliance by Seller with any applicable laws, rules and regulations relating to employment and labor management relations, including without limitation any provisions thereof relating to wages and the payment thereof, hours of work, collective bargaining agreements, workers' compensation laws and the withholding and payment of Social Security and similar taxes;

(g) any failure by Seller to withhold all amounts required by law or agreement to be withheld from the wages or salaries of its employees, and any liability for any wage arrearages, taxes or penalties for failure to comply with any of the foregoing;

(h) any liability arising out of any controversies between Seller and its employees or former employees or any union or other collective bargaining unit that has been certified or recognized by any Seller as representing any of its employees;

(i) accounts payable of Seller; and

(j) without limiting the generality of the foregoing provision of this Section 3.2, all Environmental Liabilities, known or unknown, whether now existing or hereafter arising, in, on, at, under, arising in connection with, or related to the real property located at 921 Brown Road, Onion Township, Michigan, at which Seller currently operates its Pontiac dealership (the "Old Pontiac Location").

4. REPRESENTATIONS AND WARRANTIES OF SELLER AND THE SHAREHOLDER. Seller and Shareholder hereby jointly and severally represent and warrant to Purchaser as follows:

4.1 Incorporation; Capitalization.

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan, and is duly authorized, qualified and licensed under all applicable Governmental Requirements to carry on its business in the places and in the manner as now conducted and to own, operate and lease the Assets it now owns, operates or holds under lease. There has not been any claim by any other jurisdiction to the effect that Seller is required to qualify or otherwise be authorized to do business as a foreign corporation therein in order to carry on any of its businesses as now conducted or to own, lease or operate the Assets. Seller is qualified or otherwise authorized to do business as a foreign corporation in each jurisdiction in order to carry on any of its business as now conducted or to own, lease or operate the Assets in any such jurisdiction. Seller has not, to Seller's Best Knowledge, taken any action, or failed to take any action which such action or such failure will preclude or prevent Seller's Business from being conducted in substantially the same manner in which Seller has heretofore conducted the same.

(b) The Shareholder owns all of the outstanding capital stock of Seller, and there are no options, rights or other grants currently outstanding for the acquisition or purchase of any shares of the capital stock of Seller.

4.2 Employee Benefits. As used in this Section, Seller shall include "Great Lakes Sales and Rental, Inc." and/or any member of a controlled group or affiliated service group (as defined in 414(b), (c), (m), and (o) of the Code) of which the Seller is a member.

(a) List of All Benefit Plans and Compensation Agreements. Schedule 4.2(a) includes a complete and accurate list of all employee welfare benefit and employee pension benefit plans as defined in Sections 3(1), 3(2), and 3(3) of ERISA and all other employee benefit agreements or arrangements, including but not limited to deferred compensation plans, incentive plans, bonus plans or arrangements, stock option plans, stock purchase plans, golden parachute agreements, severance pay plans, dependent care plans, cafeteria plans, employee assistance programs, scholarship programs, employment contracts and other similar plans, agreements and arrangements that are currently in effect or were maintained within three years of the Closing Date, or have been approved before this date but are not yet effective, for the benefit of directors, officers, employees, or former employees (or beneficiaries of them) of the Seller.

(b) Representations. The consummation of this Agreement (and the employment by the Purchaser of former employees of the Seller) will not result in any carryover liability to the Purchaser for taxes, penalties, interest or any other claims resulting from any employee pension benefit plan, employee welfare benefit plan, or other employee benefit agreement or arrangement set out in Schedule 4.2(a). In addition, the Seller makes the following representations (i) as to employee pension benefit plans of Seller: (a) no Person has become liable to the PBGC under Section 4062, 4063 or 4064 of ERISA under which a lien could attach to the assets of the Seller under Section 4068 of ERISA; (b) Seller has not ceased operations at a facility so as to become subject to the provisions of Section 4062(e) of ERISA; and (c) Seller has not made a complete or partial withdrawal from a multiemployer

plan (as defined in Section 3(37) of ERISA) so as to incur withdrawal liability as defined in Section 4201 of ERISA, and (ii) all group health plans maintained by Seller have been operated in compliance with Section 4980B(f) of the Code.

(c) Non-assumption of Seller's Plans. The parties agree that the Purchaser does not and will not assume the sponsorship of, or the responsibility for contributions to, or any liability in connection with, any employee pension benefit plan, any employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller for its employees, former employees, retirees, their beneficiaries or any other person. In addition and not as a limitation of the foregoing covenant the parties agree that the Seller shall be liable for any continuation coverage (including any penalties, excise taxes or interest resulting from the failure to provide continuation coverage) required by Section 4980B of the Code due to qualifying events which occur on or before Closing Date.

4.3 Financial Statements. Seller has delivered to Purchaser copies of the following financial statements of the Business, all of which financial statements are included in Schedule 4.3 hereto:

(a) Unaudited Balance Sheet (the "Reference Balance Sheet") as of July 31, 1999 (the "Balance Sheet Date") and Unaudited Income Statement for the seven-month period ended on the Balance Sheet Date;

(b) Reviewed Balance Sheets, Income Statements and Statements of Changes in Financial Position for the two (2) most recent fiscal years; and

(c) Unaudited Balance Sheet, as of June 30, 1999 and Unaudited Income Statement for the six-month period then ended.

All financial statements supplied to Purchaser by Seller, whether or not included in Schedule 4.3 hereto, are and will be true and accurate in all respects, have been and will be prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated, and will present fairly the financial condition of the Business as of the dates and for the periods indicated thereon. The Reference Balance Sheet reflects, as of the Balance Sheet Date, all liabilities, debts and obligations of any nature of the Business, whether accrued, absolute, contingent or otherwise, and whether due, or to become due, including, but not limited to, liabilities, debts or obligations on account of Taxes to the extent such items are required to be reflected on such balance sheet under generally acceptable accounting principles consistently applied.

4.4 Events Since the Balance Sheet Date. Since the Balance Sheet Date, there has not been:

(a) any change in the condition (financial or otherwise) or in the properties, assets, liabilities, business or prospects of the Business, except normal and usual changes in the ordinary course of business, none of which has been adverse and all of which in the aggregate have not been adverse;

(b) any labor trouble, strike or any other occurrence, event or condition affecting the employees of Seller that adversely affects the condition (financial or otherwise) of the Assets or the Business;

(c) any breach or default by Seller or, to the Best Knowledge of Seller and Shareholder, by any other party, under any agreement or obligation included in the Assets or by which any of the Assets are bound;

(d) any damage, destruction or loss (whether or not covered by insurance) adversely affecting the Assets or the Business;

(e) to the Best Knowledge of Seller and Shareholder, any legislative or regulatory change adversely affecting the Assets or the Business;

(f) any change in the types, nature, composition or quality of the services of the Business, any adverse change in the contributions of any of the service lines of the Business to the revenues or net income of such Business, or any adverse change in the sales, revenue or net income of the Business;

(g) any transaction related to or affecting the Assets or the Business other than transactions in the ordinary course of business of Seller; or

(h) any other occurrence, event or condition that has adversely affected (or can reasonably be expected to adversely affect) the Assets or the Business.

4.5 Customer List. Schedule 4.5 sets forth a true, correct and complete list of all customers of the Business to which Seller has sold or provided products or services during the two years immediately preceding the date hereof. Such list provides an accurate statement of the gross revenues received from each such customer by the Business during the 12-month period ended September 30, 1998. Two days prior to the Closing Date, Seller will deliver to Purchaser a true, correct and complete update of this list as of the three days prior to the Closing Date, and immediately prior to the Closing, Seller will deliver to Purchaser a true, correct and complete update of this list as of the Closing Date, in each case noting all deletions therefrom and additions thereto and updating all information contained thereon, and conspicuously marking all changes from the previous list or update, as the case may be.

4.6 Taxes. Except as set forth in Schedule 4.6 hereto:

(a) all Tax Returns of or relating to any Taxes that are required to be filed on or before the Closing Date, subject to any allowable extension periods, for, by, on behalf of or with respect to Seller, including, but not limited to, those relating to the income, business, operations or property of Seller (whether on a separate, consolidated, affiliated, combined, unitary or any other basis), have been timely filed with the appropriate foreign, federal, state and local authorities, and all Taxes shown to be due and payable on such Tax Returns or related to such Tax Returns have been paid in full on or before the Closing Date except Taxes

which have not yet accrued or otherwise become due, all of which are reflected in the Reference Balance Sheet;

(b) all such Tax Returns and the information and data contained therein have been properly and accurately compiled and completed in all material respects, fairly present the information purported to be shown therein, and reflect, to the Best Knowledge of Seller, all liabilities for Taxes for the periods covered by such Tax Returns, net of any applicable reserves;

(c) Seller has not received notice that any of such Tax Returns are under audit or examination by any foreign, federal, state or local authority and there are no agreements, waivers or other arrangements providing for an extension of time with respect to the assessment or collection of any Tax or deficiency of any nature against Seller or with respect to any such Tax Return, or any suits or other actions, proceedings, investigations or claims now pending or, to the Best Knowledge of Seller, threatened against Seller with respect to any Tax, or any matters under discussion with any foreign, federal, state or local authority relating to any Tax, or any claims for any additional Tax asserted by any such authority;

(d) all Taxes assessed and due and owing from or against Seller on or before the Closing Date (including, but not limited to, ad valorem Taxes relating to any property of Seller) have been timely paid in full on or before the Closing Date;

(e) all withholding Tax, Tax deposit and estimated Tax payment requirements imposed on Seller for any and all periods ending on or before the Closing Date, or through and including the Closing Date for periods that have not ended on or before the Closing Date, have been satisfied in full on or before the Closing Date or reserves adequate for the payment of such withholding, deposit and estimated Taxes have been established in the financial statements of Seller on or before the Closing Date; and

(f) the financial statements reflect and include adequate charges, accruals, reserves and provisions for the payment in full of any and all Taxes payable with respect to any and all periods ending on or before the respective dates thereof.

4.7 Employee Matters. Schedule 4.7 sets forth a true and complete list of the names of, and current annual compensation paid by Seller to each employee of Seller utilized in connection with the operation of the Business. Seller is not a party to any collective bargaining or other union agreements. Seller has not, within the last five years, had or been threatened with any union activities, work stoppages or other labor trouble with respect to its employees. There are no collective bargaining or other labor union agreements to which Seller is a party or by which it is bound. At the date hereof, there are no disputes with employees in general to which Seller is a party. At the date hereof, there are no strikes, slowdowns or picketing against Seller (or, to the Best Knowledge of Seller against any material supplier of goods or services to Seller) pending or, to the Best Knowledge of Seller, threatened. At the date hereof, Seller has not received notice from any union or employees setting forth demands for representation, elections or for present or future changes in wages, terms of employment or working conditions. Other than wage increases in the ordinary course of business,

since the Balance Sheet Date Seller has not made any commitment or agreement to increase the wages or modify the conditions or terms of employment of any of the employees of Seller.

4.8 Contracts and Agreements. Schedule 4.8 sets forth a true and complete list of and briefly describes (including termination date) all of the following contracts, agreements, leases, licenses, plans, arrangements or commitments, written or oral, that relate to the Assets or the Business (including all amendments, supplements and modifications thereto):

(a) all contracts, agreements or commitments in respect of the sale of products or services or the purchase of raw materials, supplies or other products or utilities;

(b) all offers, tenders or the like outstanding and capable of being converted into an obligation of Seller by the passage of time or by an acceptance or other act of some other person or entity or both;

(c) all sales, agency or distributorship agreements or franchises or legally enforceable commitments or obligations with respect thereto;

(d) all collective bargaining agreements, union agreements, employment agreements, consulting agreements or agreements providing for the services of an independent contractor;

(e) all profit-sharing, pension, stock option, severance pay, retirement, bonus, deferred compensation, group life and health insurance or other employee benefit plans, agreements, arrangements or commitments of any nature whatsoever, whether or not legally binding, and all agreements with any present or former officer, director or shareholder of Seller;

(f) all loan or credit agreements, indentures, guarantees (other than endorsements made for collection), mortgages, pledges, conditional sales or other title retention agreements, and all equipment financing obligations, lease and lease-purchase agreements relating to or affecting the Assets or the Business;

(g) all leases related to the Assets or the Business;

(h) all performance bonds, bid bonds, surety bonds and the like, all contracts and bids covered by such bonds, and all letters of credit and guaranties;

(i) all consent decrees and other judgments, decrees or orders, settlement agreements and agreements relating to competitive activities, requiring or prohibiting any future action;

(j) all accounts, notes and other receivables, and all security therefor, and all documents and agreements related thereto;

(k) all contracts or agreements of any nature with Seller, or any Affiliate of Seller or Shareholder; and

(l) all contracts, commitments and agreements entered into outside the ordinary course of the operation of the Business.

All of such contracts, agreements, leases, licenses, plans, arrangements, and commitments and all other such items included in the Assets but not specifically described above (collectively, the "Contracts") are valid, binding and in full force and effect in accordance with their terms and conditions and there is no known existing default thereunder or breach thereof by Seller, or, to the Best Knowledge of Seller, by any other party to the Contracts, or any conditions which, with the passage of time or the giving of notice or both, might constitute such a default by Seller, or, to the Best Knowledge of Seller, by any other party to the Contracts, and the Contracts will not be breached by or give any other party a right of termination as a result of the transactions contemplated by this Agreement. Seller is not obligated to pay any liquidated damages under any of the contracts, agreements, indentures, leases or other instruments described in Schedule 4.8(a) hereto and Seller is not aware of any facts or circumstances that could reasonably be expected to result in an obligation of Seller to pay any such liquidated damages. To the Best Knowledge of Seller there is no reason why any of the Contracts cannot readily be fulfilled or performed by Purchaser with the Assets on time without undue or unusual expenditure of money or effort. Copies of all of the documents (or in the case of oral commitments, descriptions of the material terms thereof) relevant to the Contracts listed in Schedule 4.8 have been delivered by Seller to Purchaser, and such copies and/or descriptions are true, complete and accurate and include all amendments, supplements or modifications thereto. After reviewing the Contracts, Purchaser may, at its sole option, choose not to assume one or more of the Contracts, and, within 30 days of receipt by Purchaser of all information reasonably requested by Purchaser with respect to the Contracts, Purchaser shall notify Seller of which Contracts, if any, Purchaser does not intend to assume hereunder. Except for Contracts, if any, that Purchaser notifies Seller that it will not assume, all of the Contracts are and shall be included in the Assets. All of the Contracts may be assigned to Purchaser without the approval or consent of any Person, or, if such approval or consent is required, it will be obtained by Seller and delivered to Purchaser at or prior to the Closing.

4.9 Effect of Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (a) violate any provision of the Articles of Incorporation or other charter documents or bylaws of Seller; (b) result in any violation of any Governmental Requirement applicable to Seller, the Assets or the Business; (c) conflict with, or result in any breach of, or default or loss of any right under (or an event or circumstance that, with notice or the lapse of time, or both, would result in a default), or the creation of an Encumbrance pursuant to, or cause or permit the acceleration prior to maturity or "put" right with respect to, any obligation under, any contract, indenture, mortgage, deed of trust, lease, loan agreement or other agreement or instrument to which Seller is a party or to which any of the Assets are subject; (d) relieve any Person of any obligation (whether contractual or otherwise) or enable any Person to accelerate or terminate any such obligation or any right or benefit enjoyed by Seller or to exercise any right under any agreement in respect of the Assets or the Business; and (e) require notice to or the consent, authorization, approval, clearance, waiver or order of any Person (except as may be contemplated by the last sentence of Section 4.8). To the Best Knowledge of Seller, the business

relationships of clients, customers and suppliers of the Business will not be adversely affected by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Seller will not result in the loss of any material governmental license, franchise or permit possessed by Seller.

Notwithstanding the foregoing, Seller and Shareholder represent that there are various dealer/distributor agreements with third parties other than John Deere and, upon notice of sale, any one or more of such third parties may object to the sale contemplated by this Agreement and further may terminate such dealer/distributor agreements. Seller shall take all reasonable steps to encourage the assignment of any such dealer/distributor agreements from Seller to Purchaser; however, the withholding of consent to any such assignment shall not be the basis of any claim of default or breach by Seller under this Agreement.

4.10 Properties, Assets and Leasehold Estates. Seller owns or has the right to use (pursuant to a valid lease or license disclosed on Schedule 4.8) all operating assets and properties necessary for Seller to conduct the Business in the manner presently conducted by Seller, and all of such operating assets and properties (or, in the case of leased assets, the leases covering such assets) are included in the Assets. Seller has good, marketable title to all the Assets, free and clear of all mortgages, liens, pledges, conditional sales agreements, charges, easements, covenants, assessments, options, restrictions and encumbrances of any nature whatsoever, and with respect to the Mt. Morris Property, T & I Equipment World, Inc., a Michigan corporation (the "Mt. Morris Landlord") on the Closing Date will have good, marketable and indefeasible title in fee simple, free and clear of all restrictions, liens, leases, encumbrances, rights-of-way, easements, encroachments, exceptions, and other matters affecting title, except for the Permitted Exceptions. To the Best Knowledge of Seller, the plants, structures, equipment, vehicles and other tangible properties included in the Assets and comprising the Mt. Morris Improvements, and the tangible property leased by Seller included in the Assets, are in good operating condition and repair, normal wear and tear excepted, and are capable of being used for their intended purpose in the Business as now conducted. The Assets include all existing warranties and service contracts with respect to any of the Assets to the extent the same are capable of being assigned to Purchaser. During the past two years, there has not been any significant interruption of the Business due to the breakdown or inadequate maintenance of any of the Assets. All plants, structures, equipment, vehicles and other tangible properties included in the Assets and comprising the Mt. Morris Improvements, and the present use of all such items, conform to all known applicable Governmental Requirements, and no notice of any violation of any such Governmental Requirements relating to such assets or their use has been received by Seller. The Assets include all easements, rights of ingress and egress, and utilities and services necessary for the conduct of the Business.

4.11 Intangible Property. Schedule 4.11 is a list and description of all material patents, trademarks, service marks, trade names, and copyrights and applications therefor owned by or registered in the name of Seller or in which Seller has any right, license or interest. Except for the agreements listed on Schedule 4.11, Seller is not a party to any license agreements, either as licensor or licensee, with respect to any patents, trademarks, service marks, trade names, or copyrights or applications therefor. Seller has good and indefeasible title to or the right to use such assets and all inventions, processes, designs, formulae, trade secrets, and know-how necessary for the conduct of its business, without the payment of any royalty or similar payment. Seller is not infringing any

patent, trademark, service mark, trade name, or copyright of others, and Seller is not aware of any infringement by others of any such rights owned by Seller.

4.12 Suits, Actions and Claims. Except as set forth in Schedule 4.12, (a) there are no suits, actions, claims, inquiries or investigations by any Person, or any legal, administrative or arbitration proceedings in which Seller is engaged or which are pending or, to the Best Knowledge of Seller, threatened against or affecting Seller or any of its properties, assets or business, or to which Seller is or might become a party, or which question the validity or legality of the transactions contemplated hereby, (b) no basis or grounds for any such suit, action, claim, inquiry, investigation or proceeding exists, and (c) there is no outstanding order, writ, injunction or decree of any Governmental Authority against or affecting Seller or any of its properties, assets or business. Without limiting the foregoing, to the Best Knowledge of Seller, there are no known facts or the occurrence of any event forming the basis of any present or potential claim against Seller.

4.13 Licenses and Permits; Compliance With Governmental Requirements. Except as set forth in Schedule 4.13 hereto, Seller has all material federal, state, local and foreign governmental licenses and permits necessary to the conduct of the operations of Seller's Business as currently conducted, such licenses and permits are in full force and effect, no material violations currently exist in respect of any thereof and no proceeding is pending or, to the Best Knowledge of Seller, threatened to revoke or limit any thereof. Schedule 4.13 hereto contains a true, complete and accurate list of (a) all such governmental licenses and permits, (b) all consents, orders, decrees and other compliance agreements under which Seller is operating or bound, copies of all of which have been furnished to Purchaser, and (c) all material governmental licenses and permits applied for but not yet received by Seller. Seller has not received and is not aware of any reports of inspections under the United States Occupational Safety and Health Act, or under any other applicable federal, state or local health and safety laws and regulations relating to Seller, the Assets or the operation of Seller's Business. Seller has not received any notice that there are safety, health, anti-competitive or discrimination claims that have been made or are pending or, to the Best Knowledge of Seller, that are threatened relating to the business or employment practices of Seller. To the Best Knowledge of Seller, Seller has complied with all Governmental Requirements applicable to its business and all Governmental Requirements with respect to the distribution and sale of products and services by it.

4.14 Authorization. Each of Seller and Shareholder has full legal right, power, and authority to enter into and deliver this Agreement and to consummate the transactions set forth herein and to perform all the terms and conditions hereof to be performed by them. The execution and delivery of this Agreement by Seller and Shareholder and the performance by Seller and Shareholder of the transactions contemplated herein have been duly and validly authorized by all requisite corporate action of Seller and by Shareholder, and this Agreement has been duly and validly executed and delivered by Seller and by Shareholder and is the legal, valid and binding obligation of each of them, enforceable against Seller and Shareholder in accordance with its terms, except as limited by applicable bankruptcy, moratorium, insolvency or other similar laws affecting principles of equity.

4.15 Records. The books, records and minutes kept by Seller with respect to the Assets and the Business, including, but not limited to, all customer files, service agreements, quotations, correspondence, route sheets and historic revenue data of Seller, have been kept properly and contain records of all matters required to be included therein by any Governmental Requirement or by

generally accepted accounting principles, and such books, records and minutes are true, accurate and complete and (except for corporate minute books and stock records) are included in the Assets.

4.16 Environmental Protection Laws.

(a) Except as set forth in Schedule 4.16 hereto, to the Best Knowledge of Seller, Seller has at all times operated the Assets and the Business at the Mt. Morris Land in substantial compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements and obligations of Environmental Laws and related orders of any court or other Governmental Authority, and is not currently operating or required to be operating the Assets or the Business under any compliance order, decree or agreement; any consent decree, order or agreement; and/or any corrective action decree, order or agreement issued by or entered into with any Governmental Authority under any Environmental Law.

(b) Except as set forth in Schedule 4.16 hereto, there are no existing, pending or, to the Best Knowledge of Seller, threatened actions, suits, claims or, to the Best Knowledge of Seller, investigations, inquiries or proceedings by or before any court or any other Governmental Authority directed against the Mt. Morris Land, the Assets or the Business which pertain or relate to (i) any remedial obligations under any applicable Environmental Law, (ii) violations of any Environmental Law, (iii) personal injury or property damage claims relating to the release of chemicals or Hazardous Materials or (iv) response, removal or remedial costs under CERCLA or any similar state law, and there is not any Environmental Condition on or at the Mt. Morris Land, or any other matter on or connected with the Assets that would cause the imposition on Purchaser of Environmental Liabilities if such Environmental Condition or other matter were disclosed to Governmental Authorities.

(c) Except as set forth in Schedule 4.16 hereto, all known notices, Environmental Permits, licenses or similar authorizations required to be obtained or filed by Seller under all applicable Environmental Laws in connection with its current and previous operation or use of the Mr. Morris Land and the Assets, or the current and previous conduct of the Business have been duly obtained or filed and are in full force and effect.

(d) Seller has not received notice that any Environmental Permit, license or similar authorization is to be revoked or suspended by any Governmental Authority.

(e) Other than as set forth on Schedule 4.16, there are no underground storage tanks on or under the Mt. Morris Land. To the Best Knowledge of Seller, there were underground storage tanks, other than those set forth on Schedule 4.16, on or under the Mt. Morris Land, but same have been removed in accordance with applicable Environmental Laws.

(f) To the Best Knowledge of Seller, no portion of the Mt. Morris Land is part of a Superfund site under CERCLA or any similar ranking or listing under any similar state law.

(g) To the Best Knowledge of Seller, all Hazardous Materials generated in connection with the operation of the Business at the Mt. Morris Land have been transported, stored, treated and disposed of by carriers, storage, treatment and disposal facilities authorized and maintaining valid permits under all applicable Environmental Laws, and no Hazardous Materials have been dumped, landfilled, stored, located or disposed of on the Mt. Morris Land by Seller or its agents, servants, employees or contractors.

(h) To the Best Knowledge of Seller, no Person has disposed or released any Hazardous Materials on or under the Mt. Morris Land and Seller has not disposed or released Hazardous Materials on or under the Mt. Morris Land, the Assets or the Business except in compliance with all Environmental Laws, and there has not been, in respect to the Assets, any emission (other than steam or water vapor) into the atmosphere or any discharge, direct or indirect, of any pollutants into the waters of the State of Michigan or the United States of America other than domestic sewage discharged into a publicly owned treatment facility.

(i) To the Best Knowledge of Seller, no facts or circumstances exist which could reasonably be expected to result in any liability to any Person with respect to the Mt. Morris Land, the Business or the Assets in connection with (i) any release, transportation or disposal of any Hazardous Materials, hazardous substance or solid waste or (ii) action taken or omitted that was not in full compliance with or was in violation of, any applicable Environmental Law, except as specifically described in any environmental report commissioned by Purchaser.

4.17 Brokers and Finders. No broker or finder has acted for Seller or Shareholder in connection with this Agreement or the transactions contemplated by this Agreement and no broker or finder is entitled to any brokerage or finder's fee or to any commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Seller or Shareholder.

4.18 Deposits. Seller does not now hold any deposits or prepayments by third parties with respect to any of the Assets or the Business ("Deposits") which are not reflected as liabilities on the Reference Balance Sheet. If Seller holds any Deposits as of the Closing Date, Purchaser will be given credit against the Purchase Price for the amount of any such Deposits pursuant to Article 20 hereof.

4.19 Work Orders. There are no outstanding work orders or contracts relating to any portion of the Assets or the Mt. Morris Land from or required by any policy of insurance, fire department, sanitation department, health authority or other governmental authority nor is there any matter under discussion with any such parties or authorities relating to work orders or contracts.

4.20 Telephone Numbers. All telephone numbers used by Seller in connection with the Business are included in the Assets and are believed to be fully transferable to Purchaser.

4.21 No Royalties. No royalty or similar item or amount is being paid or is owing by Seller, nor is any such item accruing, with respect to the operation, ownership or use of the Business or the Assets.

4.22 Insurance. Schedule 4.22 hereto sets forth all existing insurance policies held by Seller relating to the Business, the Assets, the Mt. Morris Improvements, or the employees or agents of Seller. Each such policy is in full force and effect and is with insurance carriers believed by Seller to be responsible. There is no dispute with respect to such policies, and all claims arising from events or circumstances occurring prior to the date hereof have been paid in full or adequate reserves therefor are recorded in the Reference Balance Sheet. All retroactive premium adjustments for any period ended on or before June 1, 1997, under any worker's compensation policy or any other insurance policies of Seller have been recorded in accordance with generally accepted accounting principles and are reflected in the Reference Balance Sheet. Except for such policies which are identified as such on Schedule 4.22, none of such policies will terminate as a result of the transactions contemplated by this Agreement.

4.23 Great Lakes Sales and Rental, Inc. The personal property of Great Lakes Sales and Rental, Inc., a Michigan corporation ("Great Lakes"), consisting of construction equipment, previously held in the name of Seller, shall have been re-acquired by Seller in accordance with all applicable laws. From and after the acquisition of such personal property of Great Lakes, Seller shall possess such property, as described on Schedule 4.23.

4.24 Warranties and Product Liability.

(a) Except for (i) warranties implied by law and (ii) warranties disclosed on Schedule 4.24 hereto, Seller has not given or made any warranties in connection with the sale or rental of goods or services in connection with the operation of the Business, including, without limitation, warranties covering the customer's consequential damages. To the Best Knowledge of Seller, there is no known existing state of facts or occurrence of any event forming the reasonable basis of any present claim against Seller with respect to warranties in connection with the operation of the Business relating to products manufactured, sold or distributed by Seller or services performed by or on behalf of Seller in connection with the operation of the Business that could reasonably be expected to materially exceed the reserves therefor.

(b) To the Best Knowledge of Seller, there is no known existing state of facts or any event forming the reasonable basis of any present claim against Seller in connection with the operation of the Business not fully covered by insurance, except for deductibles and self-insurance retentions, for personal injury or property damage alleged to be caused by products shipped or services rendered by or on behalf of Seller in connection with the operation of the Business.

4.25 No Untrue Statements. The statements, representations and warranties of Seller and Shareholder set forth in this Agreement and the Schedules and in all other documents and information furnished to the Rush Parties and their representatives in connection herewith do not include any known untrue statement of a material fact or omit to state any material fact necessary to make the statements, representations and warranties made not misleading. To the Best Knowledge of Seller, there is no fact or matter that is not disclosed to Purchaser in this Agreement or the Schedules that materially and adversely affects or, so far as Seller or Shareholder can now reasonably foresee, could materially and adversely affect the condition (financial or otherwise) of any of the Assets or the Business or the ability of Seller or Shareholder to perform their respective obligations under this Agreement.

5. REPRESENTATIONS AND WARRANTIES OF THE RUSH PARTIES. The Rush Parties represent and warrant to Seller and Shareholder as follows:

5.1 Incorporation. Each of the Rush Parties is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation.

5.2 Authorization. Each of the Rush Parties has full legal right and corporate power to enter into and deliver this Agreement and to consummate the transactions set forth herein and to perform all the terms and conditions hereof to be performed by it. This Agreement has been duly executed and delivered by each of the Rush Parties and is a legal, valid and binding obligation of each of them enforceable in accordance with its terms, except as limited by applicable bankruptcy, moratorium, insolvency or other laws affecting generally the rights of creditors or by principles of equity.

5.3 Brokers and Finders. No broker or finder has acted for either of the Rush Parties in connection with this Agreement or the transactions contemplated by this Agreement and no broker or finder is entitled to any brokerage or finder's fee or to any commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of the Rush Parties.

6. NATURE OF STATEMENTS AND SURVIVAL OF INDEMNIFICATIONS, GUARANTEES, REPRESENTATIONS AND WARRANTIES OF SELLER AND, WHERE APPLICABLE, OF SHAREHOLDER. All statements of fact contained in this Agreement or in any written statement (including financial statements), certificate, schedule or other document delivered by or on behalf of Seller or Shareholder pursuant to this Agreement or in connection with the transactions contemplated hereby shall be deemed representations and warranties of Seller and Shareholder hereunder. All indemnifications, guarantees, covenants, agreements, representations and warranties made by Seller, in addition, by and Shareholder, where applicable, hereunder or pursuant hereto or in connection with the transactions contemplated hereby shall survive the Closing regardless of any investigation at any time made by or on behalf of Purchaser.

7. CONTRACTS PRIOR TO THE CLOSING DATE.

7.1 Approval of Contracts. Seller shall not enter into or materially amend any contracts related to the Business or the Assets between the date hereof and the Closing Date, other than in the ordinary course of business, unless approved in writing by Purchaser. Except for contracts entered into in the ordinary course of business, Seller will provide all information requested by Purchaser relating to each such contract or amendment to enable Purchaser to make an informed decision regarding approval of such contract or amendment.

7.2 Contracts Included in Assets. Any contracts, agreements or commitments (or amendments to such items) related to the Business or the Assets that are entered into by Seller between the date hereof and the Closing Date and are approved in writing by Purchaser (after review of true, correct and accurate copies of such items) shall be included in the Assets (with no addition to the Purchase Price) and shall be assumed by Purchaser pursuant to the provisions of Section 3.2. Excluded from the foregoing are any Contracts that relate to the business prior to the Closing and do not impose on Purchaser any duty or obligation whatsoever.

8. COVENANTS OF SELLER AND SHAREHOLDER PRIOR TO CLOSING DATE. Seller and Shareholder hereby covenant and agree that between the date of this Agreement and the Closing Date:

8.1 Access to Information. Seller shall afford to the officers and authorized representatives of the Rush Parties access to the plants, properties, books and records of Seller related to the Assets and the Business and shall furnish Purchaser with such financial and operating data and other information regarding the Assets and the Business and as Purchaser may from time to time reasonably request.

8.2 General Affirmative Covenants. Seller shall, and each Shareholder shall cause Seller to:

(a) conduct the Business only in the ordinary course;

(b) maintain the Assets and the Mt. Morris Improvements in good working order and condition, ordinary wear and tear excepted;

(c) perform all its obligations under agreements relating to or affecting the Assets, the Mt. Morris Land, the Mt. Morris Improvements or the Business;

(d) keep in full force and effect adequate insurance coverage on the Assets, the Mt. Morris Improvements and the operation of the Business;

(e) use its best efforts to maintain and preserve the Business, and retain its present employees, customers, suppliers and others having business relations with it;

(f) duly and timely file all reports or returns required to be filed with any Governmental Authority, and promptly pay all Taxes levied or assessed upon it or its properties or upon any part thereof;

(g) duly observe and conform to all Governmental Requirements relating to the Assets, the Mt. Morris Land, or its properties or to the operation and conduct of its Business and all covenants, terms and conditions upon or under which any of its properties are held;

(h) remove and have released, by payment or otherwise, all liens and encumbrances of any nature whatsoever on the Assets or the Mt. Morris Land (except for liens and encumbrances, if any, specifically assumed by Purchaser pursuant to this Agreement or liens and encumbrances, if any, on the Mt. Morris Land that are expressly permitted pursuant to the terms and provisions of the Mt. Morris Lease);

(i) duly and timely take all actions necessary to carry out the transactions contemplated hereby;

(j) deliver to Purchaser on or before the 15th day of each month true and correct unaudited monthly balance sheets and statements of income for the Business for the immediately preceding month;

(k) deliver to Purchaser on the Closing Date a true and correct unaudited annual balance sheet, statement of income and statement of changes in financial position for the six months ended June 30, 1999, together with any additional financial information reasonably requested by Purchaser to allow Purchaser to timely comply with its reporting requirements under the Exchange Act, all in form and substance sufficient to allow Purchaser to timely comply with such reporting requirements;

(l) preserve and maintain the goodwill of the Business;

(m) cause the net book value of the used, rental, leased and "rent to own" construction machinery equipment, and all used attachment inventory of Seller to be 85% of the fair market value; and

(n) relocate Seller's Pontiac, Michigan dealership to a location designated by Purchaser (the "New Pontiac Location") and to sublease such location from Purchaser until the earlier of October 31, 1999 or the Closing Date under substantially identical terms as the terms of any lease by Purchaser of such location, so long as Purchaser agrees to reimburse Seller for all its reasonable out-of-pocket expenses from such relocation (the "Pontiac Relocation"). Notwithstanding the foregoing, in the event the transactions contemplated herein are not consummated by October 31, 1999, then Seller may, at its option, continue to sublease the New Pontiac Location under the same terms and conditions for any period of time ending on or before October 31, 2000, after which time Seller and Purchaser may enter into good faith negotiations for the continued leasing by Seller of the New Pontiac Location.

8.3 General Negative Covenants. Seller shall not take, and each Shareholder shall not permit Seller to take, any of the following actions without the prior written consent of Purchaser:

(a) entering into or amending or assuming any contract, agreement, obligation, lease, license or commitment related to the Business or the Assets (or of a type included in the Assets) other than in accordance with the provisions of Section 7.1;

(b) entering into or amending or assuming any mortgage, pledge, conditional sale or other title retention agreement, lien, encumbrance or charge of any kind upon any of the Assets or the Mt. Morris Land or selling, leasing, abandoning or otherwise disposing of any of the Assets, the Mt. Morris Land, including, but not limited to, real property, machinery, equipment or other operating properties;

(c) engaging in any activities or transactions that might adversely affect the Assets or the Business; or

(d) increasing the compensation of any officer or employee of Seller, other than normal compensation adjustments in the ordinary course of the Business consistent with past practice.

8.4 Disclosure of Misrepresentations and Breaches. If any of the representations or warranties of Seller or Shareholder hereunder are determined by Seller or Shareholder to have been incorrect when made, or are determined by Seller or Shareholder to be incorrect as of any date subsequent to the date hereof, or if any of the covenants of Seller or Shareholder contained in this Agreement have not been complied with timely, then Seller and Shareholder shall immediately notify Purchaser to such effect (provided that such notice shall in no way limit the rights of Purchaser (a) under Articles 10 and 17 to terminate this Agreement or refuse to consummate the transactions contemplated hereby or (b) to enforce any rights or remedies it may have hereunder). Notwithstanding the foregoing, is Seller provides written Notice to Purchaser that a material representation or warranty of Seller or Shareholder is incorrect prior to the Closing, the sole remedy that Purchaser may have is to either terminate this Purchase Agreement or enter into a mutual agreement with Seller and Shareholder regarding an adjustment of the Purchase Price.

8.5 Government Filings. Seller and Shareholder shall cooperate with the Rush Parties and their representatives in the preparation of any documents or other material that may be required by any Governmental Authority in connection with the Assets or the Business or the transactions contemplated hereby.

8.6 Access to and Inspection of Premises, Facilities and Equipment. Seller shall afford to the officers and authorized representatives of Purchaser access to the Mt. Morris Land and all other premises, facilities and tangible assets included in the Assets for the purpose of inspecting such premises, facilities and equipment in such manner as Purchaser shall deem appropriate.

9. COVENANTS REGARDING THE CLOSING AND POST-CLOSING.

9.1 Covenants of Seller. (a) Seller and Shareholder hereby covenant and agree that they shall (i) use commercially reasonable efforts to cause all of their respective representations and warranties set forth in this Agreement to be true on and as of the Closing Date, (ii) use commercially reasonable efforts to cause all of their respective obligations that are to be fulfilled on or prior to the Closing Date to be so fulfilled, (iii) use commercially reasonable efforts to cause all conditions to the Closing set forth in this Agreement to be satisfied on or prior to the Closing Date, and (iv) deliver to Purchaser at the Closing the certificates, updated lists, opinion of counsel, notices, consents, authorizations, approvals, agreements, leases, transfer documents, receipts, and amendments contemplated by Article 10 (with such additions or exceptions to such items as are necessary to make the statements set forth in such items accurate, provided that if any of such additions or exceptions cause any of the conditions to Purchaser's obligations hereunder as set forth in Article 10 not to be fulfilled, such additions and exceptions shall in no way limit the rights of Purchaser under Articles 10 and 17 to terminate this Agreement or refuse to consummate the transactions contemplated hereby).

(b) To the extent Seller receives any funds or other assets in payment of receivables, or in connection with any other Assets being sold to Purchaser pursuant hereto, Seller shall

immediately deliver such funds and assets to Purchaser and take all steps necessary to vest title to such funds and assets in Purchaser. Seller hereby designates Purchaser and its officers as Seller's true and lawful attorney-in-fact, with full power of substitution, to execute or endorse for the benefit of Purchaser any checks, notes or other documents included in the Assets or received by Purchaser in payment of or in substitution or exchange for any of the Assets. Seller hereby acknowledges and agrees that the power of attorney set forth in the preceding sentence is coupled with an interest, and further agrees to execute and deliver to Purchaser from time to time any documents or instruments reasonably requested by Purchaser to evidence such power of attorney.

9.2 Covenants of Purchaser. Purchaser hereby covenants and agrees that it shall (a) use commercially reasonable efforts to cause all of its representations and warranties set forth in this Agreement to be true on and as of the Closing Date, (b) use commercially reasonable efforts to cause all of its obligations that are to be fulfilled on or prior to the Closing Date to be so fulfilled, (c) use commercially reasonable efforts to cause all conditions to the Closing set forth in this Agreement to be satisfied on or prior to the Closing Date (provided that failure by Purchaser to comply with a second requirement for information under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or to comply with any requested divestiture of assets or to enter into any consent or similar order or agreement shall not constitute a failure of Purchaser to use commercially reasonable efforts), and (d) deliver to Seller at the Closing the certificate contemplated by Article 11 (with such additions or exceptions to such certificate as are necessary to make the statements set forth in such certificate accurate, provided that if any of such additions or exceptions cause any of the conditions to Seller's obligations hereunder as set forth in Article 11 not to be fulfilled, such additions and exceptions shall in no way limit the rights of Seller under Articles 11 and 17 to terminate this Agreement or to refuse to consummate the transactions contemplated hereby).

9.3 Inventory Audit. Within five days prior to Closing, Seller and Purchaser shall each appoint one or more representatives knowledgeable in the equipment business, and shall cause such representatives to jointly conduct an audit (in accordance with generally accepted accounting principles, consistently applied) of the inventory of the Assets as of the Closing Date. Each party shall bear their cost of conducting such audit.

10. CONDITIONS TO OBLIGATIONS OF PURCHASER. The obligations of Purchaser hereunder are, at the option of Purchaser, subject to the satisfaction, on or prior to the Closing Date, of the following conditions (any of which may be waived by Purchaser, in its sole discretion):

10.1 Accuracy of Representations and Warranties and Fulfillment of Covenants. The respective representations and warranties of Seller and Shareholder contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date. Each and all of the agreements and covenants of Seller and Shareholder to be performed on or before the Closing Date pursuant to the terms hereof shall have been performed. Seller and Shareholder shall have delivered to Purchaser a certificate dated the Closing Date and executed by Seller and Shareholder to all such effects.

10.2 Financial Information. Seller and Shareholder shall have provided to Purchaser at Closing all financial information of Seller in the format required in connection with the filing of

financial information of Seller with Rush's Current Report on Form 8-K under the Exchange Act required in connection with Purchaser's acquisition of the Business.

10.3 No Governmental Actions. No action or proceeding before any Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions contemplated by this Agreement, and Seller and Shareholder shall have delivered to Purchaser a certificate dated the Closing Date and executed by Seller and Shareholder stating they have no Best Knowledge of any such items. No Governmental Authority shall have taken any other action as a result of which the management of Purchaser reasonably deems it inadvisable to proceed with the transactions contemplated by this Agreement.

10.4 No Adverse Change. No adverse change in the Business shall have occurred, and no loss or damage to any of the Assets, whether or not covered by insurance, shall have occurred since the Balance Sheet Date, and Seller and Shareholder shall have delivered to Purchaser a certificate dated the Closing Date and executed by Seller and Shareholder to all such effects.

10.5 Update of Contracts. Seller shall have delivered to Purchaser an accurate list, as of the Closing Date, showing (a) all agreements, contracts and commitments of the type listed on Schedule 4.8 entered into since the date of this Agreement (including, but not limited to, amendments, if any, to the items listed on Schedule 4.8), and (b) all other agreements, contracts and commitments related to the Business or the Assets entered into since the date of this Agreement, together with true, complete and accurate copies of all documents (or in the case of oral commitments, descriptions of the material terms thereof) relevant to the items on the list (the "New Contracts"). Purchaser shall have the opportunity to review the New Contracts, and shall have the reasonable right to delay the Closing for up to five days if in its sole reasonable discretion Purchaser deems such a delay necessary to enable it to adequately review the New Contracts. All of the New Contracts that are approved in writing by Purchaser prior to the Closing, as it may be delayed, (whether such approval by Purchaser is given before or after Seller executes the New Contract) shall be included in the Assets and the future obligations of Seller thereunder shall be assumed by Purchaser pursuant to Section 3. Any New Contracts that are not approved in writing by Purchaser prior to the Closing, as it may be delayed, shall remain the sole obligation of Seller and shall not be assumed by Purchaser, and Purchaser shall have no obligation or liability with respect thereto.

10.6 Approval of Counsel. All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel to Purchaser.

10.7 No Material Adverse Information. The investigations with respect to Seller, the Assets and the Business, performed by Purchaser's professional advisors and other representatives shall not have revealed any material adverse information concerning Seller, the Assets or the Business that has not been made known to Purchaser in writing prior to the date of this Agreement.

10.8 Notices and Consents. No notice to or consent, authorization, approval or order of any Person shall be required for the consummation of the transactions contemplated by this Agreement (except for notices that have been duly and timely given and consents, authorizations and approvals that have been obtained), and Seller and Shareholder shall have delivered to Purchaser a

certificate dated the Closing Date and executed by Seller and Shareholder to such effect. True and correct copies of all required notices, consents, authorizations and approvals shall have been delivered to Purchaser and shall be satisfactory in form and substance to Purchaser and its counsel.

10.9 Mt. Morris Lease. Mt. Morris Landlord and Purchaser shall have entered into the Mt. Morris Lease.

10.10 Corporate Approval. Seller and Shareholder shall have taken or caused to be taken all necessary or desirable actions, steps and corporate proceedings (whether by directors, shareholders or otherwise) to approve and authorize the transfer of the Business and the Assets by Seller to Purchaser, and to approve and authorize the execution and delivery of this Agreement by the Seller, and Seller and Shareholder shall have delivered to Purchaser at Closing a certificate to all such effects.

10.11 Insurance Coverage. Seller has obtained from Seller's current insurers adequate "tail" insurance to provide coverage for any claims made after the termination of Seller's existing insurance policies.

10.12 Transfer and Assignment Documents. Seller shall have delivered to Purchaser all documents reasonably necessary or required to effectively transfer and assign the Business and the Assets to Purchaser (including, without limitation, all required consents), such transfers and assignments to convey good and marketable title to the Assets to Purchaser, free and clear of all liens and encumbrances whatsoever (except for liens, encumbrances and obligations, if any, specifically assumed by Purchaser pursuant to this Agreement), and to be in form and substance reasonably satisfactory to Purchaser and its counsel.

10.13 Liens Released. Each and every lien or encumbrance of any nature, if any, relating to the Assets shall have been terminated and released and proof thereof delivered to the Purchaser (except for liens and encumbrances, if any, specifically assumed by Purchaser pursuant to this Agreement).

10.14 UCC Matters. The current certificate issued by a company reasonably acceptable to Purchaser reflecting that since the date of the searches furnished pursuant to Section 2.4 hereof no Uniform Commercial Code filings, chattel mortgages, assignments, pledges or other encumbrances have been filed in the offices of the Secretary of State of the State of Michigan, in the office of the County Clerk of Genesee County, Michigan, or in any other appropriate offices for the filing of such documents in the State of Michigan with reference to the Assets.

10.15 Telephone Transfer. Seller shall have transferred to Purchaser its user rights to all telephone numbers included in the Assets.

10.16 Ordinary Course of Business. During the period from the date of this Agreement until Closing, Seller shall have carried on the Business in the ordinary and usual course and the Seller and Shareholder shall have delivered to Purchaser at Closing a certificate to that effect.

10.17 Other Documents. Seller shall have delivered or caused to be delivered all other documents, agreements, resolutions, certificates or declarations as Purchaser or its attorneys may have reasonably requested.

10.18 Dealer License. Purchaser shall have obtained written approval by the appropriate departments or agencies of the State of Michigan to do business as a John Deere dealer in the present territory of Seller's dealership.

10.19 John Deere Approval. Purchaser shall have received written confirmation from each of John Deere and John Deere Commercial Worksite Products, Inc., that the existing dealership agreements will survive the termination of the dealership or that Purchaser will have an authorized dealership from each of such companies in Seller's existing territory subsequent to the Closing Date.

10.20 Inventory Audit. The inventory audit contemplated by Section 9.3 shall have been completed and the results thereof shall be satisfactory to Purchaser.

10.21 Other Records. Seller shall have delivered or caused to be delivered all of the following items in the possession of or under the control of Seller: original licenses and permits, certificates of occupancy, certificates of compliance, permits, architectural, mechanical, or electrical plans and specifications and surveys relating to the Mt. Morris Land, the Mt. Morris Improvements, and the Assets; all studies with respect to the functional aspects of the Mt. Morris Land, the Mt. Morris Improvements and the Assets, including, without limitation, environmental site assessments and reports; soil and compaction tests and flooding studies; all extra promotional brochures, posters, signs and other advertising materials relative to the operation of the Mt. Morris Land and the Assets; and copies of all other books and records relating to the ownership and operation of the Mt. Morris Land, the Mt. Morris Improvements and the Assets.

10.22 Government Approvals. All necessary government and regulatory approvals have been obtained.

10.23 Receivables Guarantee. Rush shall have agreed to guarantee any recourse obligations of Seller required in connection with the sale by Seller of accounts receivable generated with respect to the Business prior to the Closing Date in consideration for the agreement of Seller to reimburse Rush for any amounts paid under such guarantee.

10.24 Leasehold Policy. Seller shall have delivered to Purchaser a leasehold policy of title insurance in the form ordinarily and customarily utilized in the State of Michigan insuring Purchaser's leasehold interest under the Mt. Morris Lease issued in accordance with the Title Commitment (including the required endorsements thereto as set forth in Section 22.1 hereof, and containing only those exceptions set forth in the Title Commitment as amended in accordance with Section 22.1 hereof).

10.25 Environmental Reports or Assessments. Purchaser shall have received environmental reports or assessments which show the Mt. Morris Land and the Assets in an environmental condition reasonably satisfactory to Purchaser.

10.26 MESA Form 1027. Purchaser shall have received from Seller in the time and manner required by law Michigan Employment Security Agency (MESA) Form 1027. Purchaser shall have two (2) days following receipt by Purchaser of such MESA Form to agree to be bound by terms of this Agreement irrespective of any other rights of review granted to Purchaser hereunder.

10.27 Fair Market Value. The net book value of the used, rental, leased and "rent to own" construction machinery equipment, and all used attachment inventory of Seller shall be 85% of fair market value.

10.28 Pontiac Relocation. Seller shall have completed the Pontiac Relocation.

10.29 Seller's Obligation to Hire Additional Employees. Seller shall have hired two (2) individuals designated by Purchaser to perform such duties for Seller as Purchaser may designate; provided, however, Seller acknowledges that such individuals are employees of Seller and not of Purchaser or Purchaser's Affiliates and Seller is responsible for any and all employment related issues or claims arising out of the employment relationships between Seller and such individuals.

11. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER. The obligations of Seller hereunder are, at its option, subject to the satisfaction, on or prior to the Closing Date, of the following conditions (any of which may be waived by Seller in its sole discretion):

11.1 Accuracy of Representations and Warranties and Fulfillment of Covenants. The representations and warranties of Purchaser contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date. Each of the agreements and covenants of Purchaser to be performed on or before the Closing Date shall have been performed. Purchaser shall have delivered to Seller a certificate dated the Closing Date and executed by Purchaser to all such effects.

11.2 Delivery of Purchase Price. Purchaser shall have paid to Seller the Purchase Price as required by this Agreement, subject in all respects to the provisions of Article 20 below.

11.3 Approval of Counsel. All actions, proceedings, instruments and documents required or incidental to carrying out this Agreement and all other related legal matters shall have been approved by counsel to Seller.

11.4 Governmental Approvals. All necessary government and regulatory approvals have been obtained.

11.5 Mt. Morris Lease. Mt. Morris Landlord and Purchaser shall have entered into the Mt. Morris Lease.

12. SPECIAL CLOSING AND POST-CLOSING COVENANTS.

12.1 Change of Name. Immediately upon the occurrence of the Closing, Seller and the Shareholder shall cease using the names "John Deere," "Calvert Sales," and all derivations thereof. Seller covenants and agrees that after the Closing they will not, directly or indirectly, use the names

"John Deere," "Calvert Sales," or any derivation thereof in connection with any business enterprise; provided, however, Seller may make reference to "Calvert Sales" in connection with the adoption of any plan of dissolution, liquidation and termination of existence of Seller.

12.2 Exchange Act Filing; Cooperation. After the Closing, Seller shall reasonably cooperate with and provide information to Purchaser as is necessary for Purchaser to comply with its reporting obligations under the Exchange Act.

13. INDEMNITY BY SELLER AND THE SHAREHOLDERS.

13.1 Indemnification by Seller. The Seller and Shareholder agree to jointly and severally indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against such party (collectively, "General Losses"), arising out of or resulting from or relating to any misrepresentation, breach of warranty or breach of any covenant, commitment or agreement made or undertaken by Seller and any of the Shareholders in this Agreement.

13.2 Environmental Indemnification. Seller and Shareholder agree to jointly and severally indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Environmental Liabilities which may now or in the future be paid, incurred or suffered by or asserted against such party, arising out of or resulting from or relating to or in connection with (a) the acts or omissions of Seller or Shareholder or other person or entity for whose actions Seller is legally responsible on or prior to the Closing Date relating to the Mt. Morris Land, the New Pontiac Location or the Assets or any operations conducted by Seller or on the Mt. Morris Land; (b) any violation of Environmental Law by Seller or other person or entity for whose actions Seller is legally responsible occurring or commencing on or prior to the Closing Date and resulting from or related to the Mt. Morris Land, the New Pontiac Location, the Assets or the operations conducted on or with the Mt. Morris Land, the New Pontiac Location or the Assets; (c) the management, treatment or disposal of any wastes at or from the Mt. Morris Land, the New Pontiac Location on or prior to the Closing Date by Seller or other person or entity for whose actions Seller is legally responsible; (d) the presence or use of any Hazardous Materials at, on or under the Mt. Morris Land or the New Pontiac Location on or prior to the Closing Date; (e) any Environmental Condition existing at or with respect to the Assets on the Mt. Morris Land or the New Pontiac Location as of the Closing Date attributable to Seller or other person or entity for whose actions Seller is legally responsible; (f) any acts or omissions of Seller or Shareholder relating to the Mt. Morris Land, the Assets or the Businesses or any operations conducted on or with the Mt. Morris Land, the New Pontiac Location, or the Assets; or (g) any breach by Seller or Shareholder of a representation or warranty contained in Section 4.16 hereof; or (h) the Old Pontiac Location (collectively, "Environmental Losses"). In clarification of this Section, and not in limitation thereof, Seller's or Shareholder's indemnity of Purchaser hereunder shall include (y) any capital or other expenditures necessary to comply with Environmental Laws, provided such expenditures relate to any Environmental Condition that existed as of the Closing Date, and (z) all fines, penalties and other costs and expenses that arise from or relate to an Environmental Condition

that existed as of the Closing Date, including fines, penalties and other costs and expenses that arise from or relate to the continued existence of such Environmental Condition after the Closing Date.

13.3 Tax Indemnification. Seller and Shareholder agree to jointly and severally indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against such party arising out of or resulting from or relating to any Taxes or Tax Returns of Seller for any period, or portion thereof, up to and including the Closing Date (collectively, "Tax Losses").

13.4 Products Liability and Warranty Indemnification. Seller and Shareholder agree to jointly and severally indemnify, defend and hold harmless the Rush Parties and each of their respective Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against such party arising out of or resulting from or relating to any products manufactured, sold or distributed or services provided by or on behalf of Seller in connection with the Business or Assets on or prior to the Closing Date or with respect to any claims made pursuant to warranties to third Persons in connection with products manufactured, sold or distributed or services provided by or on behalf of Seller in connection with the Business or Assets on or prior to the Closing Date (collectively, "Product Losses").

13.5 Indemnification by the Rush Parties. The Rush Parties jointly and severally agree to indemnify, defend and hold harmless Seller and Shareholder and Seller's Affiliates, officers, directors, employees, agents, consultants, representatives, shareholders and controlling Persons and their respective successors and assigns from and against and in respect of any and all Damages which may now or in the future be paid, incurred or suffered by or asserted against any such party, arising out of or resulting from or relating to (a) any misrepresentation, breach of warranty or breach of any covenant, commitment or agreement made or undertaken by the Rush Parties in this Agreement; (b) any violation of Environmental Law by any of the Rush Parties at the New Pontiac Location, the presence or use of Hazardous Materials at the New Pontiac Location, or any Environmental Condition at the New Pontiac Location, first arising after the Closing Date and not attributable to Seller, Shareholder or Seller's affiliates or any of their respective agents, employees or representatives.

13.6 Procedure. All claims for indemnification or payment under this Article shall be asserted and resolved as follows:

(a) An Indemnitee shall promptly give the Indemnitor written notice of any matter which an Indemnitee has determined has given or could give rise to a right of indemnification under this Agreement (an "Indemnification Event"), stating the amount of the Loss, if known, and method of computation thereof, all with reasonable particularity, and stating with particularity the nature of such matter. Failure to provide such written notice shall not affect the right of the Indemnitee to indemnification except to the extent such failure shall have

resulted in liability to the Indemnitor that could have been actually avoided had such notice been provided within such required time period.

(b) The obligations and liabilities of an Indemnitor under this Article with respect to Losses arising from claims of any third party that are subject to the indemnification provided for in this Article ("Third-Party Claims") shall be governed by and contingent upon the following additional terms and conditions: if an Indemnitee shall receive notice of any Third-Party Claim, the Indemnitee shall give the Indemnitor prompt notice of such Third- Party Claim and the Indemnitor may, at its option, assume and control the defense of such Third-Party Claim at the Indemnitor's expense and through counsel of the Indemnitor's choice reasonably acceptable to Indemnitee. Subject to the condition that written notice be delivered prior to the expiration of one year after the Closing Date, failure to provide such written notice shall not affect the right of the Indemnitee to indemnification except to the extent such failure shall have resulted in liability to the Indemnitor that could have been actually avoided had such notice been provided within such required time period. In the event the Indemnitor assumes the defense against any such Third-Party Claim as provided above, the Indemnitee shall have the right to participate at its own expense in the defense of such asserted liability, shall cooperate with the Indemnitor in such defense and will attempt to make available on a reasonable basis to the Indemnitor all witnesses, pertinent records, materials and information in its possession or under its control relating thereto as is reasonably required by the Indemnitor. In the event the Indemnitor does not elect to conduct the defense against any such Third-Party Claim, the Indemnitor shall cooperate with the Indemnitee (and be entitled to participate) in such defense and attempt to make available to it on a reasonable basis all such witnesses, records, materials and information in its possession or under its control relating thereto as is reasonably required by the Indemnitee. The Indemnitor understands that if such Third-Party Claim results in an obligation to indemnify hereunder, Damages shall include all reasonable costs and expenses of such defense. Except for the settlement of a Third-Party Claim that involves the payment of money only and for which the Indemnitor has provided written objection to Indemnitee under Section 13.6(c), no Third-Party Claim may be settled without the written consent of the Indemnitee. Written notice of any proposed settlement of any such claim and the material terms thereof shall be delivered by Indemnitee to Indemnitor at least five Business Days prior to any settlement of any such claim.

(c) If a claim for indemnity is provided pursuant to this Article by an Indemnitee and the Indemnitor does not pay such claim or object to such claim within 20 Business Days after written notice is received by the Indemnitor, such claim shall be deemed agreed to by the Indemnitor. If the Indemnitor shall object to such claim, a written notice of such objection setting forth in reasonable detail the basis for such objection shall be provided to the Indemnitee and such dispute shall be resolved in accordance with Section 24.12 hereof. In addition, if the claim shall have been determined to have been a valid claim, Damages shall include interest at the prime rate as quoted from time to time by The Frost National Bank from the date the claim is first made until fully paid.

13.7 Payment. Payment of any amounts due pursuant to this Article shall be made within ten Business Days after final adjudication of such claim and after written notice is sent by the Indemnitee.

13.8 Failure to Pay Indemnification. If and to the extent the Indemnitee shall make written demand upon the Indemnitor for indemnification pursuant to this Article and the Indemnitor shall refuse or fail to pay in full within thirty (30) Business Days of such written demand the amounts demanded pursuant hereto and in accordance herewith, then the Indemnitee shall proceed in accordance with the arbitration provisions of Section 24.12 hereof; provided, however, that in the case of indemnification for a Third-Party Claim, such matter need not be resolved by arbitration until the underlying Third-Party Claim is finally resolved.

13.9 Cooperation. The Indemnitor and the Indemnitee shall cooperate with each other with regard to any indemnification obligation under this Article and each shall attempt to make available to the other on a reasonable basis all personnel records, materials and information in its possession or under its control as is reasonably requested by the other.

13.10 Time Limitations. Notwithstanding any provision contained herein to the contrary, Shareholder will have no liability with respect to any representation, warranty, covenant or obligation, other than those set forth in Section 13.11, Section 14 or in which actual fraud is involved, unless on or before one (1) year from the Closing Date, Purchaser notifies Seller of a claim specifying the factual basis of such claim in reasonable detail to the extent then known by Purchaser.

13.11 Special Provisions Concerning New Pontiac Location. The Rush Parties and Seller agree to obtain a Phase I environmental site assessment of the New Pontiac Location at the time that Purchaser enters into the lease therefor (and Seller enters into the sublease therefor, as provided in Section 8.2(n) hereof, and to obtain an update thereof as of the time that the sublease from Purchaser to Seller terminates, in order to better establish the nature and extent of any Environmental Conditions or violations of Environmental Laws occurring at or with respect to the New Pontiac Location during Seller's occupancy thereof. Such site assessment and the update thereof shall be prepared by a qualified environmental consultant or firm selected and paid for by Purchaser and reasonably acceptable to Seller. Seller agrees that one such firm is GeoConsul of Buda, Texas. All reports prepared by such consultant or firm shall be the property of Purchaser, but Purchaser shall provide Seller with copies thereof, which Seller agrees to maintain in strict confidence in accordance with its provision of Article 15 hereof. Notwithstanding anything in this Section 13.11 to the contrary, any environmental study shall be at the sole expense of the Purchaser.

13.12 Limitation on Indemnification. Notwithstanding any provision contained herein to the contrary, the Rush Parties shall not make any claim for indemnification, nor shall Seller or Shareholder be responsible for paying any indemnification obligation, in excess of the Purchase Price.

14. NON-COMPETITION AGREEMENTS.

14.1 Non-Competition. In consideration of the benefits of this Agreement to Seller and as a material inducement to the Rush Parties to enter into this Agreement and pay the Purchase Price, Seller and Shareholder hereby covenant and agree that, commencing on the Closing Date and ending

on the fifth anniversary of the Closing Date, Seller and Shareholder shall not, and Seller will cause their Affiliates, officers, directors and representatives, as applicable, not to, directly or indirectly, as proprietor, partner, stockholder, director, executive, officer, employee, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control, of any entity in the states of Michigan or Texas which engages in any business activity which Seller or the Rush Parties or their Affiliates participates or participated as of the Closing Date, including, but not limited to, the construction machinery business; provided, however, the foregoing shall not prohibit Seller and Shareholder, and their Associates, Affiliates and representatives from purchasing and holding as an investment not more than 5% of any class of publicly traded securities of any entity which conducts a business in competition with the business of the Rush Parties, so long as Seller and Shareholder, and their Affiliates and representatives do not participate in any way in the management, operation or control of such entity.

14.2 Judicial Reformation. Seller and Shareholder acknowledge that, given the nature of the Rush Parties' business, the covenants contained in Section 14.1 establish reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is reasonably necessary to protect and preserve the goodwill of the Rush Parties' business and to protect their legitimate business interests. If, however, Section 14.1 is determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too long a period of time or over too large a geographic area or by reason of it being too extensive in any other respect or for any other reason, it will be interpreted to extend only over the longest period of time for which it may be enforceable and/or over the largest geographic area as to which it may be enforceable and/or to the maximum extent in all other aspects as to which it may be enforceable, all as determined by such court.

14.3 Customer Lists; Non-Solicitation. Seller and Shareholder hereby further covenant and agree that they shall not, and Seller and Shareholder will cause their Affiliates and representatives not to, directly or indirectly, (a) use or make known to any person or entity the names or addresses of any clients or customers of Seller or the Rush Parties or any other information pertaining to them, provided, however, such limitation shall not apply to any information which (i) is then generally known to the public; (ii) become or becomes generally known to the public through no fault of Seller or Shareholder, its Affiliates and representatives, and (iii) is disclosed in accordance with an order of a court of competent jurisdiction or applicable law, (b) call on, solicit, or attempt to call on or solicit any clients or customers of Seller or the Rush Parties, nor (c) solicit for employment, recruit, hire or attempt to recruit or hire any employees of Seller or the Rush Parties.

14.4 Covenants Independent. The covenants of Seller and Shareholder contained in Sections 14.1, 14.2 and 14.3 of this Agreement will be construed as independent of any other provision in this Agreement, and the existence of any claim or cause of action by Seller or the Shareholder against the Rush Parties will not constitute a defense to the enforcement by the Rush Parties of said provisions. Seller and Shareholder understand that the provisions contained in Sections 14.1, 14.2 and 14.3 are essential elements of the transactions contemplated by this Agreement and, but for the agreement of Seller and Shareholder to Sections 14.1, 14.2 and 14.3, the Rush Parties would not have agreed to enter into this Agreement and the transactions contemplated herein. Seller and Shareholder have been advised to consult with counsel in order to be informed in all respects concerning the reasonableness and propriety of Sections 14.1, 14.2 and 14.3 with specific

regard to the nature of the business conducted by Seller and the Rush Parties, Seller and Shareholder acknowledge that Sections 14.1, 14.2 and 14.3 are reasonable in all respects.

14.5 Remedies. In the event of a breach or a threatened breach by Seller or the Shareholder of any of the provisions contained in Sections 14.1, 14.2 or 14.3 of this Agreement, Seller and Shareholder acknowledge that the Rush Parties will suffer irreparable damage or injury not fully compensable by money damages, or the exact amount of which may be impossible to obtain, and, therefore, will not have an adequate remedy available at law. Accordingly, the Rush Parties shall be entitled to obtain such injunctive relief or other equitable remedy, without the necessity of posting bond therefor, from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that the Rush Parties may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

15. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.

15.1 Covenant of Seller and Shareholder. Seller and Shareholder recognize and acknowledge that they have and will have access to certain confidential information of Seller that is included in the Assets (including, but not limited to, environmental studies and reports, lists of customers, trade secrets, costs and financial information) that after the consummation of the transactions contemplated hereby will be valuable, special and unique property of Purchaser. Seller and Shareholder agree that Seller and Shareholder will, and will cause their Affiliates and representatives to, keep confidential and not disclose to any other Person or use for his or its own benefit or for the benefit of any other Person, and Seller and Shareholder will use their best efforts to prevent disclosure by any other Person of, any such confidential information to any Person for any purpose or reason whatsoever, except to authorized representatives of Purchaser; provided, however, such limitation shall not apply to any information which (a) is then generally known to the public, (b) become or becomes generally known to the public through no fault of Seller or the Shareholder, or Seller's Affiliates and representatives, and (c) is disclosed in accordance with an order of a court of competent jurisdiction or applicable law. In the event of a breach or a threatened breach by Seller or the Shareholder of any of the provisions contained in this Article, Seller and Shareholder acknowledge that the Rush Parties will suffer irreparable damage or injury not fully compensable by money damages, or the exact amount of which may be impossible to obtain, and, therefore, will not have an adequate remedy available at law. Accordingly, the Rush Parties shall be entitled to obtain such injunctive relief or other equitable remedy, without the necessity of posting bond therefor, from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that the Rush Parties may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

15.2 Covenant of Rush Parties. Rush and Rush Parties, their officers, directors, agents, employees and any Affiliate of Rush and Rush Parties (for purposes of this Section 15.2, collectively, the "Purchaser"), recognize and acknowledge that they have and will have access to certain confidential information of Seller that is included in the Assets (including, but not limited to, environmental studies and reports, lists of customers, trade secrets, costs and financial information) that is valuable, special and unique property of Seller. In the event the transactions

contemplated hereby are not consummated, Purchaser agrees that Purchaser will, and will cause Purchaser's Affiliates and representatives to, keep confidential and not disclose to any other Person or use for his or its own benefit or for the benefit of any other Person, and Purchaser will use their best efforts to prevent disclosure by any other Person of, any such confidential information to any Person for any purpose or reason whatsoever, except to authorized representatives of Seller; provided, however, such limitation shall not apply to any information which (a) is then generally known to the public, (b) become or becomes generally known to the public through no fault of Purchaser and Purchaser's representatives, and (c) is disclosed in accordance with an order of a court of competent jurisdiction or applicable law. In the event of a breach or a threatened breach by Purchaser of any of the provisions contained in this Article, Purchaser acknowledges that Seller and Shareholder will suffer irreparable damage or injury not fully compensable by money damages, or the exact amount of which may be impossible to obtain, and, therefore, will not have an adequate remedy available at law. Accordingly, Seller and Shareholder shall be entitled to obtain such injunctive relief or other equitable remedy, without the necessity of posting bond therefor, from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that Seller and Shareholder may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

16. DAMAGE TO ASSETS. If, on or before the Closing Date, any of the Assets are damaged or destroyed, Seller will immediately notify Purchaser of such damage or destruction. In the event of any such damage or destruction, Purchaser shall (a) remove any or all of the damaged or destroyed asset or assets it does not desire to purchase from the Assets to be purchased hereunder and reduce the Purchase Price by an amount equal to the portion of the Purchase Price attributable to the damaged or destroyed asset or assets so removed and (b) complete the purchase of the remainder of the Assets and reduce the Purchase Price by the loss in fair market value of any damaged or destroyed Assets that are purchased by Purchaser.

17. TERMINATION. This Agreement may be terminated without further obligation of the parties, as follows:

17.1 Mutual Consent. This Agreement may be terminated at any time prior to Closing by mutual written consent of the parties hereto.

17.2 Failure of Conditions. This Agreement may be terminated by any party hereto, if the conditions, as set forth in this Agreement, to such party's obligations under this Agreement are not fulfilled on or prior to the Closing Date; provided that any such termination shall not limit the remedies otherwise available to such party as a result of misrepresentations of or breaches by the other party.

17.3 Failure to Close. This Agreement will automatically terminate on October 31, 1999, if the Closing shall not have occurred on or before such date, unless the parties shall have otherwise agreed in writing prior to such date. No party will be liable in damages to any other party as a result of termination pursuant to this Section unless the failure of the Closing was due to the failure of such party to comply with the terms of this Agreement.

17.4 Liquidated Damages. The parties agree that in the event the Closing does not occur due to the failure of Purchaser to comply with the terms of this Agreement, the actual damages that might be sustained by Seller and Shareholder are uncertain and difficult, if not impossible, to ascertain. Therefore, the parties agree that upon such failure to close Purchaser shall pay to Seller the Escrowed Funds as liquidated damages. The parties agree that the payment of such amount as liquidated damages represents the parties' reasonable forecast of fair, reasonable and just compensation for Purchaser's failure to comply with the terms of this Agreement.

18. SPECIAL PROVISIONS REGARDING EMPLOYEES OF SELLER.

18.1 New Employees of Purchaser. It is the intention of Purchaser, and Seller hereby acknowledges and agrees with such position, that any employees of Seller that Purchaser hires will be new employees of Purchaser as of the Closing Date or the date of hire, whichever is later. Such new employees shall be entitled only to such compensation and employee benefits as are agreed to by such employees and Purchaser, or as are otherwise provided by Purchaser, in its sole discretion.

18.2 No Hiring Commitment. Purchaser specifically does not commit to hire any of the employees of the Business, and Seller specifically understands and acknowledges this fact. However, notwithstanding Purchaser's position, Purchaser will review its needs in anticipation of the purchase of the Assets with a view to hiring certain of the employees of Seller as of the Closing Date. In its review, Purchaser expects to be able to review employee records and conduct employee interviews. Seller agrees that after the date hereof it will make, on a confidential basis, its employee records available to Purchaser and permit Purchaser to contact its employees for the purpose of conducting employee interviews. Seller further agrees to make employees designated by Purchaser available to Purchaser for such purpose.

18.3 Vacation, Sick Pay, Health Insurance, etc.

(a) Notwithstanding Purchaser's decision to hire any or all of such employees after the Closing Date, Purchaser shall not be liable under any bonus plan or other plan described in Schedule 4.2(a) or under any other similar plan that may have been established by Seller or for any health insurance benefits that may have accrued to such employees prior to the Closing Date, and Seller expressly acknowledges that it has sole liability for all such employee benefit costs accrued as of the Closing Date whether or not any or all of such employees are subsequently hired by Purchaser pursuant to Section 18.1. Notwithstanding the foregoing, Purchase shall assume at the Closing Seller's obligations to employees of Seller actually hired by Purchaser for accrued but unused vacation and sick leave, which shall include (i) accrued vacation and sick leave through each employee's previous anniversary date and (ii) the pro rata portion of vacation and sick leave earned by each employee since the last anniversary date through the Closing Date, which such vacation and sick leave will be available to employee following his next anniversary, and the Purchase Price shall be reduced by the dollar value of such obligation; provided, however, Purchaser shall only assume up to the number of accrued but unused vacation and sick leave days that each employee of Seller actually hired by Purchaser would be entitled to under Purchaser's vacation day and sick leave policy. Except for vacation and sick leave time assumed by Purchaser as set forth above, Purchaser

shall have no obligation after the Closing to continue any pension plans or work benefit plans currently offered by Seller to its employees.

(b) With respect to employees actually employed by Purchaser, Seller will remain responsible for medical expenses covered under its plans (i) actually incurred prior to the Closing Date or (ii) actually incurred with respect to any hospitalization that begins prior to the Closing Date until such hospitalization ends (as required under such plans), and Purchaser will be responsible for all other medical expenses incurred on or after the Closing Date to the extent covered under its plans; provided, however, the employees will be treated as newly hired employees of Purchaser beginning on the Closing Date insofar as medical expenses paid under Purchaser's plans affects the time or amount of coverage. Seller shall cooperate with Purchaser to provide continuity of such insurance coverage to such employees. Seller shall be solely responsible for any obligations under the Consolidated Omnibus Budget Reconciliation Act, as amended, with respect to its employees.

18.4 Severance Benefits; Employment Termination. Purchaser shall have no obligation whatsoever to pay all or any part of any severance benefits that Seller is or may be obligated to pay in connection with the termination of employment by Seller of any of its employees.

18.5 Employee Benefit Plans. Purchaser shall not and does not hereby assume, continue or maintain any pension, retirement or welfare plans, severance or vacation policies or benefits, or other employee compensation or benefit arrangements or policies or plans maintained by Seller for its employees. It is intended that Purchaser shall not at any time be a successor employer for purposes of Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Seller hereby represents and warrants to Purchaser that the consummation of this Agreement (and the employment by the Purchaser of former employees of the Seller) will not result in any carryover liability to the Purchaser for taxes, penalties, interest or any other claims resulting from any employee pension benefit plan, employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller. In addition, the Seller makes the following representations (a) as to employee pension benefit plans of Seller: (i) Seller has not become liable to the PBGC under Section 4062, 4063 or 4064 of ERISA under which a lien could attach to the assets of the Seller under Section 4068 of ERISA; (ii) Seller has not ceased operations at a facility so as to become subject to the provisions of Section 4062(e) of ERISA; and (iii) Seller has not made a complete or partial withdrawal from a multiemployer plan (as defined in Section 3(37) of ERISA) so as to incur withdrawal liability as defined in Section 4201 of ERISA, and (b) all group health plans maintained by Seller have been operated in compliance with Section 4980B(f) of the Code. In addition, the parties agree that the Purchaser does not and will not assume the sponsorship of, or the responsibility for contributions to, or any liability in connection with, any employee pension benefit plan, any employee welfare benefit plan, or other employee benefit agreement or arrangement maintained by Seller for its employees, former employees, retirees, their beneficiaries or any other person. In addition and not as a limitation of the foregoing covenant, the parties agree that the Seller shall be liable for any continuation coverage (including any penalties, excise taxes or interest resulting from the failure to provide continuation coverage) required by Section 4980B of the Code due to qualifying events which occur on or before Closing Date.

18.6 Reporting of Data. Purchaser and Seller shall complete and furnish to each other such other employee data as shall be reasonably required from time to time for each party to perform and fulfill its obligations under this Article.

18.7 Employment Related Claims. Seller agrees that it, and not Purchaser, shall be solely responsible for, and Seller hereby agrees to indemnify, defend and hold harmless Purchaser from and against, all liability, costs and expenses (including reasonable attorneys' fees) for all existing employment claims that have been filed by any employee or former employee of Seller prior to the Closing Date relating to arbitrations, unfair labor practice charges, employment discrimination charges, wrongful termination claims, workers' compensation claims, any employment-related tort claim or other claims or charges of or by employees of Seller, or any thereof filed after the Closing Date but arising as a result of conditions, actions or events or series of actions or events which occurred prior to the Closing Date. Schedule 18.7 hereto sets forth a brief description of any of such claims that have been filed or, to Seller's knowledge, threatened. Without in any way limiting the foregoing, Seller shall defend and hold harmless Purchaser from and against any and all claims, demands, actions, judgments, costs and expenses, including without limitation, attorney fees and settlement costs and other reasonable expenses, related to all liabilities and obligations in connection with Seller's qualified pension, retirement or welfare plans, severance or vacation policies or benefits, or other employee compensation or benefit arrangements or policies.

19. OFFSET PROVISIONS. Notwithstanding any other provisions of this Agreement, in the event Seller or Shareholder become obligated to pay sums to Purchaser or any party entitled to indemnification under this Agreement or any of the documents or agreements referenced herein or contemplated hereby (whether as a result of indemnity, breach of contract or otherwise), Purchaser shall be entitled to, and shall have the right to, reduce and offset payments due under this Agreement or the Mt. Morris Lease in such amount or amounts as Purchaser (and any Indemnitee that is not promptly paid by Seller) is entitled to receive from Seller or Shareholder, and any such offset shall be deemed to be a payment under this Agreement.

20. ADJUSTMENT OF PURCHASE PRICE. The Purchase Price shall be adjusted on the Closing Date (a) to reduce the Purchase Price by the amount allocated to any damaged or destroyed Assets as contemplated by Article 16; (b) to account for a proration of personal property taxes on the Assets, lease payments, utilities and other items commonly prorated; and (c) to account for any Deposits held by Seller on the Closing Date. Three days prior to the Closing Date, Seller will provide Purchaser with a statement of adjustments showing all proposed adjustments to the Purchase Price, such statement of adjustments having all reasonable backup documentation for such suggested adjustments. Purchaser and Seller will work to finalize all required adjustments prior to the Closing Date.

21. SURVEY.

21.1 Survey. Upon written request by Purchaser within ten days from and after the date hereof, Seller agrees, on behalf of Purchaser, and at Purchaser's sole cost and expense, (a) to cause a registered, licensed state surveyor approved by Purchaser and the Title Company to prepare a new or updated on the ground survey of the Mt. Morris Land (the "Survey"), and (b) to deliver to Purchaser at least three copies, to Purchaser's counsel at least one copy, and to the Title Company

at least one copy of the Survey plat and a certificate under the seal of the surveyor, which shall be made in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 1992, including items 1, 2, 3, 4, 6, 7, 8, 9, 10, 11 and 13 thereof. The Survey shall also include the surveyor's registered number and seal, the date of the Survey (which shall be no earlier than the date hereof), and the following narrative certificate:

> "The undersigned does hereby certify that (i) this survey was this day made upon the ground of the property reflected hereon, for the benefit of and reliance by Rush Equipment Centers of Michigan, Inc., Rush Enterprises, Inc. and Cislo Title Company, (ii) the description contained hereon is correct, (iii) the property described hereon has separate access to and from a dedicated roadway as shown hereon, (iv) except as shown hereon, there are no discrepancies, conflicts, shortages in area, encroachments, improvements, overlapping of improvements, set-back lines, easements or roadways, (v) the gross and net areas (both acreage and square footage) of the property shown hereon are correct, and (vi) the area of the property is shown, if any, which lies within the one hundred year (100) year plain or any area having special flood hazards as designated by the U.S. Army Corps of Engineers, the Federal Emergency Management Agency, or any other government agency."

The Survey shall be in form and substance acceptable to the Title Company as a basis for deleting to the maximum extent permitted by applicable title insurance regulations (at Seller's expense) the standard printed exceptions from the Leasehold Policy of Title Insurance to be delivered by Seller as provided below. The terms "net acreage" and "net square footage" as used herein shall mean the number of acres and square feet determined by the surveyor to be equal to (a) the total acreage and square footage within the surveyed parcel, less (b) the number of total acres and square feet contained within any land lying within any easement or right-of-way or other such matter as described in Subsections (iv), (v) and (vi) above, and contained within any land lying within the 100 year flood plain. For purposes of the property description to be included in the Mt. Morris Lease, the field notes prepared by the surveyor shall control any conflicts or inconsistencies with the description herein. Without in any way limiting the foregoing, the surveyor shall provide separate written field note descriptions for each parcel comprising the Mt. Morris Land.

21.2 Remedies for Failure to Deliver Survey. In the event Seller does not deliver the Surveys within such ten-day period, then and thereafter, Purchaser shall have the option to (a) cancel this Agreement, in which event the parties hereto shall have no further obligations hereunder, or (b) procure the Survey, at the expense of Seller (and Seller shall reimburse Purchaser immediately upon demand for all amounts incurred or expended in procuring the same, and in the event Seller does not so reimburse Purchaser, Purchaser may deduct such amounts from the Purchase Price on the Closing Date), or (c) waive the Survey requirements and proceed to close the transactions contemplated by this Agreement.

22. TITLE COMMITMENT AND CONDITION OF TITLE.

22.1 Title Commitment. Within ten days from and after the date hereof, at Purchaser's sole cost and expense, Seller for the benefit of Purchaser agrees to cause the Title Company to furnish

Purchaser and its counsel a Commitment for Leasehold Owner Policy of Title Insurance (the "Title Commitment") prepared and issued by the Title Company describing and covering the Mt. Morris Land listing Purchaser as the prospective named insured and showing as the policy amount $400,000. The Title Commitment shall constitute the commitment of the Title Company to insure, by title insurance in the standard form promulgated in the State of Michigan, Purchaser's leasehold interest in the Mt. Morris Land subject only to the exceptions set forth in the Title Commitment and to the standard printed exceptions except as modified below, but deleting (at Purchaser's expense in excess of the expense of a standard policy with exceptions) to the maximum extent permitted by applicable title insurance regulations the standard printed form survey exception. The standard exception as to the lien for taxes shall be limited to the year of Closing, and shall be endorsed "Not Yet Due and Payable." The Title Commitments shall contain no exception for "visible and apparent easements" or for "public or private roads" or the like. The Title Commitments shall contain no exception for "rights of parties in possession" (other than Purchaser). In addition, the Title Commitment shall provide (by endorsements or otherwise as permissible under applicable regulations) coverage against violation of restrictive covenants and zoning laws, encroachments, overlapping of improvements, shortages in area and mechanic's liens.

22.2 Disclosure of Exceptions by Title Commitment and UCC Report. Purchaser shall have a period of 20 days from the last to be delivered to Purchaser and its counsel of each of the Survey, UCC Report, Title Commitment and the documents referred to therein as conditions or exceptions to title in which to review such items and to deliver to Seller in writing such objections as Purchaser may have to anything contained or set forth in the Survey, UCC Report, Title Commitment or title exception documents. Any items to which Purchaser does not object within such period shall be deemed to be permitted exceptions hereunder ("Permitted Exceptions"). In the event Purchaser timely objects to any matter contained in the Survey, UCC Report, Title Commitment or title exception documents, Seller shall have a reasonable time, not to exceed fifteen days from the date such objections are made known in writing to Seller, to cure such objections. Any curative actions shall be completed and all curative materials shall be filed by Seller, at its sole cost and expense, within such 15-day period. If Seller cannot cure the objections within such fifteen- day period, Purchaser shall have the option to (a) cancel this Agreement, in which event the parties shall have no further obligations hereunder; (b) if the matters to which Purchaser has objected can be cured for $50,000 or less (subject to the consent of the owner of the applicable parcel), to cure and deduct the cost of such cure from the Purchase Price; or (c) waive the objections, and proceed to close the transaction contemplated hereby in which event such objections shall be included as exceptions to title in the Mt. Morris Lease. In the event, however, that a lien indebtedness against the Mt. Morris Property (including past due taxes) is disclosed by the applicable Title Commitment or UCC Report, then Seller shall (y) discharge such lien indebtedness prior to the Closing, or (z) authorize the Title Company to discharge such lien indebtedness at the Closing out of the Purchase Price, and all costs incurred in connection with discharging such lien indebtedness shall not count against the $50,000 amount referenced in clause (b) of the immediately preceding sentence.

23. ENVIRONMENTAL STUDIES AND REMEDIATION ACTIVITIES.

23.1 Environmental Studies. Within 10 days after the date hereof, Seller shall provide to Purchaser, at Seller's cost and expense, copies of (a) all existing Environmental Site Assessments (whether Phase I, Phase II or otherwise) covering all or any portion of the Mt. Morris Land, to the

extent the same are in Seller's possession or Seller has access to them, and (b) any other environmental studies, reports and information, including, without limitation, correspondence from Governmental Authorities, concerning the environmental condition of the Mt. Morris Land, to the extent the same are in Seller's possession or Seller has access to them (all of the foregoing information, whether obtained by Purchaser or provided by Seller, being hereinafter referred to as "Environmental Information"). At Purchaser's option (x) Purchaser may obtain new or updated Environmental Site Assessments for the Mt. Morris Land certified to Purchaser so that Purchaser may rely on same, and/or (y) a recertification of the existing Environmental Site Assessments to Purchaser, and/or (z) Phase II Environmental Site Assessments certified to both Seller and Purchaser. Without in any way limiting the provisions of the preceding sentence, Purchaser and its contractors and representatives, at Purchaser's expense, shall have at least sixty (60) days from the date hereof (the "Feasibility Period") within which to conduct any and all engineering, environmental and economic feasibility studies and tests of the Mt. Morris Land which Purchaser, in Purchaser's sole discretion, deems necessary to determine whether the Real Property is environmentally, engineeringly and economically suitable for Purchaser's intended use. In accordance with Section 8.6 hereof, Seller has granted and hereby grants to Purchaser and its contractors and representatives access to the Mt. Morris Land for the purpose of performing such studies or tests. Such persons shall conduct their studies and tests in such a manner as to minimize interference with the Business, and, upon completion of their activities on the Mt. Morris Land shall restore each parcel of real property as nearly as is reasonably possible to the condition it was in immediately prior to such activities.

23.2 Remediation. In the event that any of the Environmental Information or any studies or tests performed or commissioned by Purchaser indicate the existence of any Environmental Conditions on the Mt. Morris Land, then Seller shall have a period of 30 days after notification thereof in which to remediate or otherwise cure the same in accordance with all applicable Governmental Requirements or to give notice in writing to Purchaser, that it will not undertake such remediation. In the event that an Environmental Condition exists or is discovered on the Mt. Morris Land and Seller fails or refuses to remediate or otherwise cure such Environmental Condition within the required 30-day period, or in the event such Environmental Condition is not capable of being remediated or otherwise cured within such 30-day period, then Purchaser shall have the following options: (a) cancel this Agreement by written notice thereof given to Seller prior to the Closing Date, in which event the parties hereto shall have no further obligations hereunder, (b) if the Environmental Condition can be remediated or cured for $50,000 or less, to remediate or cure and deduct the cost of such cure from the Purchase Price; (c) if the Environmental Conditions affect a portion, but not all, of the Mt. Morris Land, to elect to delete the portion of the real property so affected from the definition of "Mt. Morris Land" hereunder and to lease only the newly defined "Mt. Morris Land" at Closing, or (d) waive in writing the remediation or cure of such Environmental Condition (without in any way waiving Purchaser's rights under Article 13 hereof pertaining to Seller's environmental indemnification) and proceed to close the sale contemplated by this Agreement.

24. GENERAL PROVISIONS.

24.1 Governing Law; Interpretation; Section Headings. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to conflict-of-laws rules as applied in Michigan. The section headings contained herein are for purposes

of convenience only, and shall not be deemed to constitute a part of this Agreement or to affect the meaning or interpretation of this Agreement in any way.

24.2 Severability. Should any provision of this Agreement be held unenforceable or invalid under the laws of the United States of America or the State of Texas, or under any other applicable laws of any other jurisdiction, then the parties hereto agree that such provision shall be deemed modified for purposes of performance of this Agreement in such jurisdiction to the extent necessary to render it lawful and enforceable, or if such a modification is not possible without materially altering the intention of the parties hereto, then such provision shall be severed herefrom for purposes of performance of this Agreement in such jurisdiction. The validity of the remaining provisions of this Agreement shall not be affected by any such modification or severance, except that if any severance materially alters the intentions of the parties hereto as expressed herein (a modification being permitted only if there is no material alteration), then the parties hereto shall use commercially reasonable efforts to agree to appropriate equitable amendments to this Agreement in light of such severance, and if no such agreement can be reached within a reasonable time, any party hereto may initiate arbitration under the then current commercial arbitration rules of the American Arbitration Association to determine and effect such appropriate equitable amendments.

24.3 Entire Agreement. This Agreement, the Schedules and the documents and agreements referenced herein set forth the entire agreement and understanding of the parties hereto with respect to the transactions contemplated hereby, and supersede all prior agreements, arrangements and understandings related to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party hereto which is not embodied or referenced in this Agreement, the Schedules or the documents or agreements referenced herein, and no party hereto shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not so set forth.

24.4 Binding Effect. All the terms, provisions, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective heirs, executors, administrators, representatives, successors and assigns.

24.5 Assignment. This Agreement and the rights and obligations of the parties hereto shall not be assigned or delegated by any party hereto without the prior written consent of the other parties hereto.

24.6 Amendment; Waiver. This Agreement may be amended, modified, superseded or canceled, and any of the terms, provisions, representations, warranties, covenants or conditions hereof may be waived, only by a written instrument executed by all parties hereto, or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right to enforce the same. No waiver by any party of any condition contained in this Agreement, or of the breach of any term, provision, representation, warranty or covenant contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, provision, representation, warranty or covenant.

24.7 Gender; Numbers. All references in this Agreement to the masculine, feminine or neuter genders shall, where appropriate, be deemed to include all other genders. All plurals used in this Agreement shall, where appropriate, be deemed to be singular, and vice versa.

24.8 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as signatories.

24.9 Telecopy Execution and Delivery. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

24.10 Press Releases. No press releases or other public announcement with respect to this Agreement or the transactions contemplated herein shall be made prior to the Closing Date without the joint approval of Purchaser and Seller, except as required by law.

24.11 Expenses. Whether or not the transactions contemplated hereby are consummated, each of the parties will pay all costs and expenses of its or his performance of and compliance with this Agreement.

24.12 Arbitration. Except for the provisions of Articles 14 and 15 of this Agreement dealing with restrictive covenants and non-disclosure of confidential information, with respect to which the Rush Parties expressly reserve the right to petition a court directly for injunctive and other relief, any controversy of any nature whatsoever, including but not limited to tort claims or contract disputes, between the parties to this Agreement or their respective heirs, executors, administrators, legal representatives, successors and assigns, as applicable, arising out of or related to this Agreement, including the implementation, applicability and interpretation thereof, shall, upon the written request of one party served upon the other, be submitted to and settled by arbitration in accordance with the provisions of the Federal Arbitration Act, 9 U.S.C. ss.ss.1-15, as amended. The terms of the commercial arbitration rules of the American Arbitration Association shall apply except to the extent they conflict with the provisions of this paragraph. If the amount in controversy in the arbitration exceeds Two Hundred and Fifty Thousand Dollars ($250,000), exclusive of interest, attorneys' fees and costs, the arbitration shall be conducted by a panel of three independent arbitrators. Otherwise, the arbitration shall be conducted by a single independent arbitrator. The parties shall endeavor to select independent arbitrators by mutual agreement. If such agreement cannot be reached within 30 calendar days after a dispute has arisen which is to be decided by arbitration, the selection of the arbitrator(s) shall be made in accordance with Rule 13 of the Rules as presently in effect. If three arbitrators are selected, the arbitrators shall elect a chairperson to preside at all meetings and hearings. If a dispute is to be resolved by a sole arbitrator in accordance with the terms hereof, or if the dispute is to be resolved by a panel of three arbitrators as provided hereinabove, then each such arbitrator shall be a member of a state bar engaged in the practice of law in the United States or a retired

member of a state or the federal judiciary in the United States. The award of the arbitrator(s) shall require a majority of the arbitrators in the case of a panel of arbitrators, shall be based on the evidence admitted and the substantive law of the State of Texas and shall contain an award for each issue and counterclaim. The award shall be made 30 days following the close of the final hearing and the filing of any post hearing briefs authorized by the arbitrator(s). The award of the arbitrator(s) shall be final and binding on the parties hereto. Each party shall be entitled to inspect and obtain a copy of non-privileged relevant documents in the possession or control of the other party. All such discovery shall be in accordance with procedures approved by the arbitrator(s). Unless otherwise provided in the award, each party shall bear its own costs of discovery. Each party shall be entitled to take one deposition. Each party shall be entitled to submit one set of interrogatories which require no more than 30 answers. All discovery shall be expedited, consistent with the nature and complexity of the claim or dispute and consistent with fairness and justice. The arbitrator(s) shall have the power to compel any party to comply with discovery requests of the other parties and to issue binding orders relating to any discovery dispute which shall be enforceable in the same manner as awards. The arbitrator(s) also shall have the power to impose sanctions for abuse or frustration of the arbitration process, including without limitation, the refusal to comply with orders of the arbitrator(s) relating to discovery and compliance with subpoenas. Without limiting the scope of the parties' obligation to arbitrate disputes pursuant to this Section, the arbitrator(s) are not empowered to award damages including, without limitation, punitive damages and multiple damages under applicable Texas statutes, in excess of compensatory damages; provided that in no event shall consequential damages be awarded. Each of Rush, Purchaser and Seller hereby irrevocably waives and releases any right to recover such damages in excess of those damages authorized by this Section. The arbitrator(s) may require the non-prevailing party to pay the prevailing party's attorneys' fees and costs incurred in connection with the arbitration. It is further agreed that any of the parties hereto may petition the United States District Court for the Western District of Texas for a judgment to be entered upon any award entered through such arbitration proceedings.

24.13 Assignment of Contracts. Notwithstanding any other provision of this Agreement, nothing in this Agreement or any related document shall be construed as an attempt to assign (a) any Contract which, as a matter of law or by its terms, is non-assignable without the consent of the other parties thereto unless such consent has been given, or (b) any Contract or claim as to which all of the remedies for the enforcement thereof enjoyed by Seller would not, as a matter of law or by its terms, pass to Purchaser as an incident of the transfers and assignments to be made under this Agreement. In order, however, that the full value of every Contract and claim of the character described in clauses (a) and (b) above and all claims and demands on such Contracts may be realized for the benefit of Purchaser, Seller, at the request and expense and under the direction of Purchaser, shall take all such action and do or cause to be done all such things as will, in the opinion of Purchaser, be necessary or proper in order that the obligations of Seller under such Contracts may be performed in such manner that the value of such Contract will be preserved and will inure to the benefit of Purchaser, and for, and to facilitate, the collection of the moneys due and payable and to become due and payable thereunder to Purchaser in and under every such contract and claim. Seller shall promptly pay over to Purchaser all moneys collected by or paid to it in respect of every such contract, claim or demand. Nothing in this Section shall relieve Seller of its obligations to obtain any consents required for the transfer of the Assets and all rights thereunder to Purchaser, or shall relieve Seller from any liability to Purchaser for failure to obtain such consents.

24.14 Further Actions. From time to time, at the request of any party hereto, the other parties hereto shall execute and deliver such instruments and take such action as may be reasonably requested to evidence the transactions contemplated hereby.

24.15 Notices. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, given by prepaid telex or telegram or by facsimile or other similar instantaneous electronic transmission device or mailed first class, postage prepaid, certified United States mail, return receipt requested, as follows:

(a) If to Purchaser, at:

Rush Equipment Centers of Michigan, Inc.
P. O. Box 34630
San Antonio, Texas 78265
Attention: W. Marvin Rush
Facsimile No.: (210) 662-8017

With a copy to:

Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205
Attention: Phillip M. Renfro, Esq.
Facsimile No.: (210) 270-7205

(b) If to Rush, at:

Rush Enterprises, Inc.
P. O. Box 34630
San Antonio, Texas 78265
Attention: W. Marvin Rush
Facsimile No.: (210) 662-8017

With a copy to:

Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205
Attention: Phillip M. Renfro, Esq.
Facsimile No.: (210) 270-7205

(c) If to Seller, at:

Attn: Thomas B. Calvert
4979 Skelton Road
Columbiaville, Michigan 48421

With a copy to:

Webster, Looby & Baumgarten, C.P.A.
G-3497 Richfield Road
Flint, Michigan 48506
Attention: Paul Webster, C.P.A.
Facsimile No.: (810) 736-9608

AND

Hicks, Shaheen & Schmidlin, PLC
2300 Austin Parkway, Suite 120
Flint, Michigan 48507
Attention: William A. Shaheen, Jr., Esq.
Facsimile No.: (810) 232-5538

(d) If to Shareholder, at:

Thomas B. Calvert, Trustee of Thomas B. Calvert Trust
4979 Skelton Road
Columbiaville, Michigan 48421;

provided that any party may change its address for notice by giving to the other party written notice of such change. Any notice given under this Section shall be effective when received at the address for notice for the party to which the notice is given.

24.16 Risk of Loss. Seller shall bear all risk of loss to the Assets until such time as the Closing has occurred and title to the Assets has passed to the Purchaser.

(Remainder of page intentionally left blank, signatures on following page)

IN WITNESS WHEREOF, the parties have executed this Asset Purchase Agreement as of the date first above written.

RUSH:

RUSH ENTERPRISES, INC.

By: ---

Name: ---

Title: ---

PURCHASER:

RUSH EQUIPMENT CENTERS
OF MICHIGAN, INC.

By: ---

Name: ---

Title: ---

SELLER:

CALVERT SALES, INC.

By: ---

Thomas B. Calvert, President

SHAREHOLDER:

Thomas B. Calvert, Trustee of Thomas B. Calvert Trust

EXHIBIT 2.8

ASSET PURCHASE AGREEMENT

DATED SEPTEMBER 27, 1999

BY AND AMONG

RUSH TRUCK CENTERS OF CALIFORNIA, INC.

NORM PRESSLEY'S TRUCK CENTER

AND

SCOTT PRESSLEY

COVERING THE PURCHASE
OF SPECIFIED ASSETS OF

NORM PRESSLEY'S TRUCK CENTER

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into this 27th day of September, 1999, by and among (i) Norm Pressley's Truck Center, a California corporation ("Seller"), (ii) Scott Pressley, contemplated to be the beneficial owner of a majority of the capital stock of Seller on the Closing Date ("Shareholder"), and (iii) Rush Truck Centers of California, Inc., a Delaware corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Seller is the owner of all right, title and interest in and to the assets described in Section 2.1 hereto (the "Assets"), with such Assets being the assets currently used in the conduct of the heavy duty truck sales and service business and various related businesses operated by Seller in the State of California (collectively, the "Business");

WHEREAS, Seller desires to sell the Assets to Purchaser and Purchaser desires to acquire the Assets from Seller, all pursuant to this Agreement as hereinafter provided; and

WHEREAS, the parties hereto desire to set forth certain representations, warranties and covenants made by each to the other as an inducement to the execution and delivery of this Agreement, and to set forth certain additional agreements related to the transactions contemplated hereby;

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

1. GENERAL DEFINITIONS. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

1.1 Adjoining Property Assignment. "Adjoining Property Assignment" shall have the meaning assigned thereto in Section 15(b).

1.2 Adjoining Property Landlord. "Adjoining Property Landlord" shall have the meaning assigned thereto in Section 15(b).

1.3 Adjoining Property Lease. "Adjoining Property Lease" shall have the meaning assigned thereto in Section 15(b).

1.4 Affiliate. "Affiliate" of any Person shall mean any Person Controlling, Controlled by or under common Control with such Person.

1.5 Article. "Article" shall mean an Article of this Agreement, unless otherwise stated.

1.6 Assets. "Assets" shall have meaning assigned thereto in Section 2.1.

1.7 Balance Sheet Date. "Balance Sheet Date" shall have the meaning assigned thereto in Section 4.3.

1.8 Best Knowledge. "Best Knowledge" shall mean both what a Person knew as well as what the Person should have known had the person exercised reasonable diligence. When used with respect to a Person other than a natural person, the term "Best Knowledge" shall include matters that are known to the directors, officers and employees of the Person.

1.9 Bonus Payment. "Bonus Payment" shall have the meaning assigned thereto in Section 3.1.

1.10 Closing. "Closing" shall have the meaning assigned thereto in Section 2.4.

1.11 Closing Date. "Closing Date" shall have the meaning assigned thereto in Section 2.4.

1.12 Closing Price. "Closing Price" shall mean the average weighted closing price of the Common Stock on The Nasdaq National Market during the ten (10) consecutive trading day period ending at the close of the third trading day preceding the Closing Date.

1.13 Commission. "Commission" shall mean the United States Securities and Exchange Commission.

1.14 Common Stock. "Common Stock" shall mean the Common Stock of Rush, $.01 par value per share.

1.15 Contracts. "Contracts" shall have the meaning assigned thereto in Section 4.8.

1.16 Control. "Control" and all derivations thereof shall mean the ability to either (i) vote (or direct the vote of) 50% or more of the voting interests in any Person or (ii) direct the affairs of another, whether through voting power, contract or otherwise.

1.17 Dealer Cost. "Dealer Cost" shall mean manufacturer's invoice price to Seller, reduced by the amount of all manufacturer's rebates, allowances and other price reductions paid or credited to Seller on such vehicle (other than the manufacturer's reimbursement for dealer preparation and delivery expenses and any floor plan interest

credits for such vehicle), plus Seller's actual cost and expense of installation of dealer-installed options on such vehicle and the pre- delivery inspection costs incurred by Seller in the normal course of business that are not reimbursed by the manufacturer; provided such inspection costs for each motor vehicle shall be limited to the lesser of the actual cost of such pre-delivery inspection to the new or used truck department of Seller and $500 per Class 8 truck and $250 per Class 7 truck included in the Assets.

1.18 Deposits. "Deposits" shall have the meaning assigned thereto in Section 4.20.

1.19 Disclosure Schedule. "Disclosure Schedule" shall have the meaning assigned thereto in Article 4.

1.20 El Centro Landlord. "El Centro Landlord" shall have the meaning assigned thereto in Section 15(d).

1.21 El Centro Lease. "El Centro Lease" shall have the meaning assigned thereto in Section 15(d).

1.22 Employment Agreement. "Employment Agreement" shall have the meaning assigned thereto in Section 10.7.

1.23 ERISA. "ERISA" shall have the meaning assigned thereto in Section 4.7.

1.24 Exchange Act. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.25 Excluded Assets. "Excluded Assets" shall have the meaning assigned thereto in Section 2.1.

1.26 Fair Market Value Warrant. "Fair Market Value Warrant" shall have the meaning assigned thereto in Section 3.1.

1.27 GMC. "GMC" shall mean GMC Truck Division and any successor thereto.

1.28 GMC Excluded Assets. "GMC Excluded Assets" shall have the meaning assigned thereto in Section 2.1.

1.29 GMC Operating Agreement. "GMC Operating Agreement" shall have the meaning assigned thereto in Section 11.9.

1.30 Governmental Authority. "Governmental Authority" shall mean any and all foreign, federal, state or local governments, governmental institutions, public

authorities and governmental entities of any nature whatsoever, and any subdivisions or instrumentalities thereof, including, but not limited to, departments, boards, bureaus, commissions, agencies, courts, administrations and panels, and any divisions or instrumentalities thereof, whether permanent or ad hoc and whether now or hereafter constituted or existing.

1.31 Governmental Requirement. "Governmental Requirement" shall mean any and all laws (including, but not limited to, applicable common law principles), statutes, ordinances, codes, rules, regulations, interpretations, guidelines, directions, orders, judgments, writs, injunctions, decrees, decisions or similar items or pronouncements, promulgated, issued, passed or set forth by any Governmental Authority.

1.32 Hino. "Hino" shall mean Hino Diesel Trucks (USA), Inc. and any successor thereto.

1.33 Hino Operating Agreement. "Hino Operating Agreement" shall have the meaning assigned thereto in Section 11.9.

1.34 HSR Act. "HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

1.35 Lease Documents. "Lease Documents" shall mean collectively the San Diego Lease, the Adjoining Property Assignment, the PACLEASE Lease and the El Centro Lease.

1.36 New Contracts. "New Contracts" shall have the meaning assigned thereto in Section 10.4.

1.37 PACLEASE Lease. "PACLEASE Lease" shall have the meaning assigned thereto in Section 15(c).

1.38 Person. "Person" shall mean any natural person, any Governmental Authority and any entity the separate existence of which is recognized by any Governmental Authority or Governmental Requirement, including, but not limited to, corporations, partnerships, joint ventures, joint stock companies, trusts, estates, companies and associations, whether organized for profit or otherwise.

1.39 Purchase Price. "Purchase Price" shall have the meaning assigned thereto in Section 3.1.

1.40 Purchaser Claims. "Purchaser Claims" shall have the meaning assigned thereto in Section 13.3.

1.41 Purchaser Damages. "Purchaser Damages" shall have the meaning assigned thereto in Section 13.1.

1.42 Purchaser Environmental Liabilities. "Purchaser Environmental Liabilities" shall have the meaning assigned thereto in Section 13.2.

1.43 Purchaser Indemnified Parties. "Purchaser Indemnified Parties" shall have the meaning assigned thereto in Section 13.1.

1.44 Reference Balance Sheet. "Reference Balance Sheet" shall have the meaning assigned thereto in Section 4.3.

1.45 Registration Rights Agreement. "Registration Rights Agreement" shall have the meaning assigned thereto in Section 11.7.

1.46 Rule 144. "Rule 144" shall mean Rule 144, as amended, under the Securities Act.

1.47 Rush. "Rush" shall mean Rush Enterprises, Inc., a Texas corporation and the parent corporation of Purchaser.

1.48 San Diego Lease. "San Diego Lease" shall have the meaning assigned thereto in Section 15(a).

1.49 Schedule. "Schedule" shall mean the Schedules to this Agreement, unless otherwise stated, and shall include the Disclosure Schedule. The Schedules to this Agreement may be attached to this Agreement or may be set forth in a separate document denoted as the Schedules to this Agreement, or both.

1.50 SEC. "SEC" shall mean the United States Securities and Exchange Commission and any successor thereto.

1.51 SEC Documents. "SEC Documents" shall have the meaning assigned thereto in Section 5.3.

1.52 Section. "Section" shall mean a Section of this Agreement, unless otherwise stated.

1.53 Securities. "Securities" shall have the meaning assigned thereto in Section 4.17.

1.54 Securities Act. "Securities Act" shall mean the Securities Act of 1933, as amended

1.55 Securities Laws. "Securities Laws" shall have the meaning assigned thereto in Section 4.18.

1.56 Seller Certificate. "Seller Certificate" shall mean the certificate to be delivered at Closing to Purchaser pursuant to Article 11.

1.57 Seller Claims. "Seller Claims" shall have the meaning assigned thereto in Section 14.2.

1.58 Seller Damages. "Seller Damages" shall have the meaning assigned thereto in Section 14.2.

1.59 Seller Environmental Liabilities. "Seller Environmental Liabilities" shall have the meaning assigned thereto in Section 14.2.

1.60 Seller Indemnified Parties. "Seller Indemnified Parties" shall have the meaning assigned thereto in Section 13.1.

1.61 Seller Indemnifying Parties. "Seller Indemnifying Parties" and "Seller Indemnifying Party" shall have the meanings assigned thereto in Section 13.1.

1.62 Subsidiary. "Subsidiary" shall mean, with respect to any Person (the "parent"), (a) any corporation, association, joint venture, partnership or other business entity of which securities or other ownership interests representing more than 50% of the ordinary voting power or beneficial interest are, at the time as of which any determination is being made, owned or controlled by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent and (b) any joint venture or partnership of which the parent or any Subsidiary of the parent is a general partner or has responsibility for its management.

1.63 Taxes. "Tax" and "Taxes" shall mean any and all income, excise, franchise or other taxes and all other charges or fees imposed or collected by any Governmental Authority or pursuant to any Governmental Requirement, and shall also include any and all penalties, interest, deficiencies, assessments and other charges with respect thereto.

1.64 Territory. "Territory" shall have the meaning assigned thereto in Section 3.1.

1.65 Underwater Warrant. "Underwater Warrant" shall have the meaning assigned thereto in Section 3.1(a).

1.66 Warrant Stock. "Warrant Stock" shall mean the number of shares of Common Stock equal to $674,000 divided by the Closing Price.

2. PURCHASE AND SALE OF THE ASSETS; CLOSING DATE.

2.1 Assets to be Purchased. The assets to be purchased from Seller are the following assets held by Seller as of the Closing for use in connection with all or any part of the Business (collectively, the "Assets"):

(a) subject to the provisions relating to Excluded Assets set forth in this Section 2.1, all new 1998, 1999 and 2000 Peterbilt, GMC and Hino motor vehicles inventory,

(b) subject to the provisions relating to Excluded Assets set forth in this Section 2.1, all new, current and returnable parts and accessories inventory and all chassis kits,

(c) all miscellaneous inventories, including gas, diesel fuel, oil, grease, paint and body shop materials,

(d) all work in process and sublet repairs on vehicles in Seller's service departments,

(e) all of Seller's leasehold improvements, including all signs, furniture, fixtures and office equipment, other than the leasehold improvements set forth on Schedule 2.1,

(f) all shop equipment and special tools, and all parts and accessories equipment,

(g) all company vehicles, excluding the vehicles set forth on Schedule 2.1,

(h) all promotional, advertising and training materials,

(i) all sales files and customer lists, and all warranty and service and customer service and repair files,

(j) to the extent transferable, all intangible assets of Seller to do business in the State of California as a motor vehicle dealer, including any permits or licenses issued by any department or agency of the State of California for Seller's dealerships,

(k) subject to agreement on price pursuant to Section 3.1 below, all prepaid expenses and deposits,

(l) subject to agreement on price pursuant to Section 3.1 below, all used vehicles,

(m) subject to agreement on price pursuant to Section 3.1 below, all new obsolete parts and accessories and all used parts and accessories, and

(n) subject to the provisions relating to Excluded Assets set forth in this Section 2.1, all customer deposits and agreements to sell Peterbilt, GMC or Hino vehicles ordered but not delivered to the customer at the time of Closing.

All other assets of Seller not described in this Section 2.1, including, without limitation, cash, bank accounts, and the assets described on Schedule 2.1 (collectively, the "Excluded Assets"), shall not be sold by Seller to Purchaser. Additionally, notwithstanding anything herein to the contrary, in the event Purchaser does not enter into a dealer sales and service agreement with Hino and GMC on or before the Closing Date, the Hino and/or GMC, as applicable, vehicles, parts and accessories inventory and chassis kits and the customer deposits and agreements to sell Hino and/or GMC vehicles, as applicable, will not be included in the Assets, but will be included in the Excluded Assets (such GMC Excluded Assets, other than the customer deposits and agreements to sell GMC vehicles, are hereinafter referred to as the "GMC Excluded Assets", and such Hino Excluded Assets, other than customer deposits and agreements to sell Hino vehicles, are hereinafter referred to as the "Hino Excluded Assets").

2.2 Purchase and Sale. Subject to the terms and conditions herein contained, Seller agrees to sell, assign, transfer and deliver the Assets to Purchaser at the Closing (as hereinafter defined), free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder). Subject to the terms and conditions herein contained, Purchaser agrees to purchase from Seller the Assets in consideration for the Purchase Price (as hereinafter defined) payable as set forth in Section 3.

2.3 Delivery of Assets and Transfer Documents. At the Closing, Seller and Shareholder shall take all steps necessary to put Purchaser in possession of the Assets, free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder), and shall deliver to Purchaser (i) a duly executed General Conveyance, Assignment and Assumption Agreement covering the Assets and the Assumed Obligations, in substantially the form attached hereto as Exhibit 2.3, (ii) duly executed title and transfer documents covering any assets for which there exists a certificate of title, and (iii) such other duly executed transfer and release documents as Purchaser shall reasonably request to evidence the transfer of the Assets to Purchaser free and clear of any liens or encumbrances of any nature whatsoever (except for liens, encumbrances or obligations, if any, expressly assumed by Purchaser hereunder).

2.4 Closing; Closing Date. Subject to the terms and conditions herein contained, the consummation of the transactions referenced above shall take place (the "Closing") on or before December 1, 1999, at 10:00 a.m., local time, at the offices of Seller's counsel in Phoenix, Arizona, or at such other time, date and place as

Purchaser and Seller shall in writing designate. The date of the Closing is referred to herein as the "Closing Date".

3. PURCHASE PRICE.

3.1 Price and Payment. Subject to adjustment as provided in Sections 3.3 and 3.4 with respect to damaged assets, prorations, deposits and certain other items, the aggregate consideration (the "Purchase Price") to be paid by Purchaser for the Assets is as follows:

(a) $2,926,000 to be paid in cash by wire transfer at Closing, plus

(b) an amount to be paid in cash at Closing equal to Dealer Cost for each vehicle described in Section 2.1(a), plus

(c) an amount to be paid in cash at Closing equal to the replacement cost of the items described in Sections 2.1(b) and (c), plus

(d) an amount to be paid in cash at Closing equal to Seller's actual cost of the work in process and sublet repairs described in Section 2.1(d), plus

(e) an amount to be paid in cash at Closing equal to the depreciated book value (determined in accordance with generally accepted accounting principles, consistently applied) at Closing of the items described in Sections 2.1(e), (f) and (g), plus

(f) an amount to be agreed upon by Seller and Purchaser to be paid in cash at Closing for the items described in Sections 2.1(k), (l) and (m) (provided that if Seller and Purchaser cannot agree on the amount to be paid for any Asset described in these Sections, such Asset shall be an Excluded Asset), plus

(g) one of the following, at the election of Shareholder, to be issued at Closing: (a) a warrant (the "Fair Market Value Warrant") to purchase the Warrant Stock at an exercise price equal to the Closing Price, (b) a warrant (the "Underwater Warrant") to purchase the Warrant Stock at an exercise price equal to $5.00 greater than the Closing Price plus the agreement of Purchaser to pay Shareholder a consulting fee of $3,100 per month, or (c) the agreement of Purchaser to pay Shareholder a consulting fee of $3,900 per month. The Fair Market Value Warrant and the Underwater Warrant shall expire on the date the Bonus Payment is paid. The consulting fee shall be payable monthly on the last day of each month until the date the Bonus Payment is paid. Shareholder must make the election on or before Closing. The warrant shall be issued and the consulting fee shall be paid, upon such other terms and conditions as the parties thereto may agree.

When and if Purchaser and/or its Affiliates sell 400 or more new Class 7 or 8 Peterbilt trucks in the Territory or outside the Territory through sales personnel employed in the Territory (including sales to any affiliated leasing company or division in the Territory), Purchaser shall pay Seller at the end of the calendar month in which such performance criteria is satisfied, but no earlier than at the end of the 24 month period after the Closing Date, an amount equal to $674,000 (the "Bonus Payment"). The Bonus Payment, if paid, shall be paid in cash by wire transfer and shall be additional consideration for the Assets and shall be included in the Purchase Price. The "Territory" shall be defined as the territory under Seller's dealership agreements with Peterbilt Motors Company, a division of PACCAR, Inc. ("PACCAR").

Within 15 calendar days after the end of each six month period, beginning six months after the Closing Date and ending on the date the Bonus Payment is paid, Purchaser shall provide Seller a written report detailing the number of Class 7 and 8 Peterbilt trucks sold in the Territory or through sales personnel employed in the Territory during such six-month period, together with all supporting documentation reasonably requested by Seller, at Purchaser's cost and expense. Purchaser shall, and shall cause its Affiliates, employees, agents, representatives, officers and directors to use their best efforts to sell Class 7 and 8 Peterbilt trucks in the Territory prior to the date the Bonus Payment is paid.

All cash payments at Closing shall be subject to the adjustment provisions of Sections 3.3 and 3.4. Purchaser shall not pay any cash for the conveyance of the items identified in Sections 2.1(h), (i), (j), and (m).

3.2 Assumed Obligations. At the Closing, Purchaser shall assume and agree to timely discharge (a) the obligations of Seller under all contracts and agreements transferred by Seller to Purchaser under this Agreement that are (i) listed and described on Schedule 4.8 or on the updated list of contracts required by Section 10.4 and (ii) accepted in writing by Purchaser pursuant to the provisions of Section 4.8, Article 7 or Section 10.4, and (b) certain vacation and sick leave obligations of Seller pursuant to Section 16.3; provided that Purchaser specifically does not assume any liabilities of Seller under any contracts or agreements with respect to any breaches of such contracts or agreements occurring on or before the Closing Date or any damages to third parties resulting from acts, events or omissions occurring on or before the Closing Date. Except as specifically set forth in this Section 3.2, Purchaser shall not assume, and shall not be treated as having assumed, any liability or obligation of Seller of any nature whatsoever

3.3 Damage to Assets. If, on or before the Closing Date, any of the Assets are damaged or destroyed, Seller will immediately notify Purchaser in writing of such damage or destruction. In the event of any such damage or destruction, Purchaser shall (i) remove any or all of the damaged or destroyed asset or assets it does not desire to purchase from the Assets to be purchased hereunder and reduce the cash portion of the Purchase Price by an amount equal to the portion of the Purchase Price

attributable to the damaged or destroyed asset or assets so removed and (ii) complete the purchase of the remainder of the Assets and reduce the cash portion of the Purchase Price by the loss in fair market value of any damaged or destroyed Assets that are purchased by Purchaser.

3.4 Adjustment of Purchase Price. The Purchase Price shall be adjusted on the Closing Date (i) to reduce the Purchase Price by the amount allocated to any damaged or destroyed Assets as contemplated by Section 3.3; (ii) to account for a proration of property taxes on the Assets, lease payments, utilities and other items commonly prorated; (iii) to account for any Deposits held by Seller on the Closing Date; and (iv) to reduce the Purchase Price for the value of any vacation and sick time obligations of Seller assumed by Purchaser pursuant to Section 16.3. Three (3) days prior to the Closing Date, Seller will provide Purchaser with a statement of adjustments showing all proposed adjustments to the Purchase Price, such statement of adjustments having all reasonable back up documentation for such suggested adjustments. Purchaser and Seller will work to finalize all required adjustments prior to the Closing Date.

3.5 Sales and Use Tax. Seller shall be responsible for payment to the appropriate Governmental Authority of all sales and use tax in connection with the consummation of the transactions contemplated by this Agreement.

3.6 Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets to the extent relevant for income tax purposes in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and Schedule 3.6 attached hereto. The parties agree to report the transactions contemplated by this Agreement for tax purposes in accordance with the allocation shown on Schedule 3.6, and each party will indemnify and hold each other party harmless from any loss, cost, damage, additional tax or expense (including attorneys' fees) arising from any failure by the indemnifying party to so report such transactions.

4. REPRESENTATIONS AND WARRANTIES OF SELLER AND SHAREHOLDER. Seller and Shareholder hereby jointly and severally represent and warrant to Purchaser that the statements contained in this Article 4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Article 4), except as set forth in the disclosure schedule delivered by Seller and Shareholder to Purchaser on the date hereof and initialed by Seller and Shareholder (the "Disclosure Schedule"). The Disclosure Schedule will be arranged in paragraphs corresponding to the numbered paragraphs contained in this Article 4, and any disclosure on any part of the Disclosure Schedule shall be deemed a disclosure on all other parts of the Disclosure Schedule provided the required disclosure is fully and accurately disclosed.

4.1 Incorporation. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation, and is duly authorized, qualified and licensed under all applicable Governmental Requirements to carry on its business in the places and in the manner as now conducted in the State of California. Seller is not qualified as a foreign corporation in any jurisdiction, and Seller is not required to qualify or otherwise be authorized to do business as a foreign corporation in any jurisdiction in order to carry on any of its businesses as now conducted or to own, lease or operate the Assets.

4.2 Share Capital. Part 4.2 of the Disclosure Schedule is a list of all Persons owning capital stock of Seller with an indication thereon of the class of capital stock and the number of shares of each class owned by each such Person.

4.3 Financial Statements. Seller has delivered to Purchaser copies of the following financial statements for Seller, all of which financial statements are included in Schedule 4.3 hereto:

(a) Unaudited Balance Sheet (the "Reference Balance Sheet") as of July 31, 1999, (the "Balance Sheet Date") and Unaudited Income Statement for the nine-month period ended on the Balance Sheet Date; and

(b) Audited Balance Sheets, Income Statements and Statements of Changes in Financial Position for Seller's two (2) most recent fiscal years.

All financial statements supplied to Purchaser by Seller, whether or not included in Schedule 4.3 hereto, are and will be true and accurate in all material respects, have been and will be prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated, and will present fairly in all material respects the financial condition of Seller as of the dates and for the periods indicated thereon, except as otherwise indicated in the notes thereto. The Reference Balance Sheet reflects, as of the Balance Sheet Date, all liabilities, debts and obligations of any nature of Seller, whether accrued, absolute, contingent or otherwise, and whether due, or to become due, including, but not limited to, liabilities, debts or obligations on account of Taxes to the extent such items are required to be reflected on such balance sheet under generally acceptable accounting principles consistently applied.

4.4 Events Since the Balance Sheet Date. Since the Balance Sheet Date, there has not been:

(a) any change in the condition (financial or otherwise) or in the properties, assets, liabilities, business or prospects of all or any part of the Business, except normal and usual changes in the ordinary course of business, none of which has been adverse and all of which in the aggregate have not been adverse;

(b) any labor trouble, strike or any other occurrence, event or condition affecting the employees of Seller that adversely affects the condition (financial or otherwise) of the Assets or all or any part of the Business;

(c) any breach or default by Seller or, to the Best Knowledge of Seller and Shareholder, by any other party, under any agreement or obligation included in the Assets or by which any of the Assets are bound;

(d) any damage, destruction or loss (whether or not covered by insurance) adversely affecting the Assets or the Business;

(e) to the Best Knowledge of Seller and Shareholder, any legislative or regulatory change adversely affecting the Assets or the Business;

(f) any change in the types, nature, composition or quality of the services of the Business, any adverse change in the contributions of any of the service lines of the Business to the revenues or net income of such Business, or any adverse change in the sales, revenue or net income of the Business;

(g) any transaction related to or affecting the Assets or the Business other than transactions in the ordinary course of business of Seller; or

(h) any other occurrence, event or condition that has adversely affected (or can reasonably be expected to adversely affect) the Assets or the Business.

4.5 Customer List. Part 4.5 of the Disclosure Schedule sets forth a true, correct and complete list of all customers of the Business to which Seller has sold or provided (i) new or used trucks during the period from January 1, 1998 through July 31, 1999, and/or (ii) parts and service during the one year period immediately preceding the date hereof. Immediately prior to the Closing, Seller shall deliver to Purchaser a true, correct and complete update of this list as of the Closing Date.

4.6 Taxes and Governmental Returns. As of the date hereof, all Tax returns, information returns and governmental reports of every nature required by any Governmental Authority or Governmental Requirement to be filed by Seller or which include or should include Seller, including, but not limited to, those relating to Taxes of any nature to which Seller or any of its business is subject ("Governmental Returns"), have been filed for all periods ending on or before the date hereof (except for any returns not yet due), and all Taxes shown to be due and payable on such Governmental Returns or on any assessments related to such Governmental Returns have been paid. All such Governmental Returns and reports and the information and data contained therein have been properly and accurately compiled and completed, fairly present the information purported to be shown therein, and reflect all Tax

liabilities of Seller for the periods covered by such Governmental Returns. Seller has no unpaid liability for any Taxes of any nature whatsoever for any period prior to the date hereof. To the Best Knowledge of Seller and Shareholder, none of the Governmental Returns of Seller or that include Seller have been audited, and none are now under audit, by any Governmental Authority. There are no agreements, waivers or other arrangements providing for an extension of time with respect to the assessment of any Taxes of any nature against Seller or with respect to any Governmental Return filed by Seller or that include Seller, or any suits or other actions, proceedings, investigations or claims now pending or threatened against Seller with respect to any Taxes or any matters under discussion with any Governmental Authority relating to any Taxes, or any claims for additional Taxes asserted by any Governmental Authority.

4.7 Employee Matters. Part 4.7 of the Disclosure Schedule sets forth a true and complete list of the names of and current annual compensation paid by Seller to each employee of Seller utilized in connection with the operation of the Business. With respect to each employee hired after November 6, 1986, a copy of the Form I-9 completed pursuant to the Immigration Reform and Control Act of 1986, and the rules and regulations promulgated thereunder, has been attached to Part 4.7 of the Disclosure Schedule. Seller does not have any employee benefit plans (including, but not limited to, pension plans and health or welfare plans), arrangements or understandings, whether formal or informal. Purchaser will have no liability with respect to any such plans as a result of the transactions contemplated by this Agreement. Seller does not now contribute and has not ever contributed to a "multiemployer plan" as defined in section 4001(a)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Seller has complied with all applicable provisions of ERISA and all rules and regulations promulgated thereunder and neither Seller nor any trustee, administrator, fiduciary, agent or employee thereof has at anytime been involved in a transaction that would constitute a "prohibited transaction" within the meaning of Section 406 of ERISA. Seller is not a party to any collective bargaining or other union agreements. Seller has not, within the last five years, had or been threatened with any union activities, work stoppages or other labor trouble with respect to its employees which had or might have had a material adverse effect on any of the Business. To the Best Knowledge of Seller and Shareholder, no union activities, work stoppages or other labor trouble with respect to the employees of any of the customers or suppliers of the Business are pending or threatened which might have an adverse effect on the Business. Other than wage increases in the ordinary course of business, since the Balance Sheet Date, Seller has not made any commitment or agreement to increase the wages or modify the conditions or terms of employment of any of the employees of Seller used in connection with the Business, and between the date of this Agreement and the Closing Date, Seller will not make any agreement to increase the wages or modify the conditions or terms of

employment of any of the employees of Seller used in connection with the Business without the prior written approval of Purchaser.

4.8 Contracts and Agreements. Part 4.8 of the Disclosure Schedule sets forth a true and complete list of and briefly describes (including termination date) all of the following contracts, agreements, leases, licenses, plans, arrangements or commitments, written or oral, that relate to the Assets or the Business (including all amendments, supplements and modifications thereto):

(a) all contracts, agreements or commitments in respect of the sale of products or services or the purchase of raw materials, supplies or other products or utilities;

(b) all offers, tenders or the like outstanding and capable of being converted into an obligation of Seller by the passage of time or by an acceptance or other act of some other person or entity or both;

(c) all sales, agency or distributorship agreements or franchises or legally enforceable commitments or obligations with respect thereto;

(d) all collective bargaining agreements, union agreements, employment agreements, consulting agreements or agreements providing for the services of an independent contractor;

(e) all profit-sharing, pension, stock option, severance pay, retirement, bonus, deferred compensation, group life and health insurance or other employee benefit plans, agreements, arrangements or commitments of any nature whatsoever, whether or not legally binding, and all agreements with any present or former officer, director or shareholder of Seller;

(f) all loan or credit agreements, indentures, guarantees (other than endorsements made for collection), mortgages, pledges, conditional sales or other title retention agreements, and all equipment financing obligations, lease and lease-purchase agreements relating to or affecting the Assets or the Business;

(g) all leases related to the Assets or the Business;

(h) all performance bonds, bid bonds, surety bonds and the like, all contracts and bids covered by such bonds, and all letters of credit and guaranties;

(i) all consent decrees and other judgments, decrees or orders, settlement agreements and agreements relating to competitive activities, requiring or prohibiting any future action;

(j) all accounts, notes and other receivables, and all security therefor, and all documents and agreements related thereto;

(k) all contracts or agreements of any nature with Shareholder or any Affiliate of Shareholder; and

(l) all contracts, commitments and agreements entered into outside the ordinary course of the operation of the Business.

All of such contracts, agreements, leases, licenses, plans, arrangements, and commitments and all other such items included in the Assets but not specifically described above (collectively, the "Contracts") are valid, binding and in full force and effect in accordance with their terms and conditions and there is no existing default thereunder or breach thereof by Seller, or, to the Best Knowledge of Seller and Shareholder, by any other party to the Contracts, or any conditions which, with the passage of time or the giving of notice or both, might constitute such a default by Seller, or, to the Best Knowledge of Seller and Shareholder, by any other party to the Contracts, and the Contracts will not be breached by or give any other party a right of termination as a result of the transactions contemplated by this Agreement. To the Best Knowledge of Seller and Shareholder there is no reason why any of the Contracts (i) will result in a loss to Purchaser on completion by performance or (ii) cannot readily be fulfilled or performed by Purchaser with the Assets on time without undue or unusual expenditure of money or effort. Copies of all of the documents (or in the case of oral commitments, descriptions of the material terms thereof) relevant to the Contracts listed in Part 4.8 of the Disclosure Schedule have been delivered by Seller to Purchaser, and such copies and/or descriptions are true, complete and accurate and include all amendments, supplements or modifications thereto. After reviewing the Contracts, Purchaser may, at its sole option, choose not to assume one or more of the Contracts, and, within 30 days of receipt by Purchaser of all information reasonably requested by Purchaser with respect to the Contracts, Purchaser shall notify Seller of which Contracts, if any, Purchaser does not intend to assume hereunder. Except for Contracts, if any, that Purchaser notifies Seller that it will not assume, all of the Contracts are and shall be included in the Assets. All of the material Contracts may be assigned to Purchaser without the approval or consent of any Person, or, if such approval or consent is required, it will be obtained by Seller and delivered to Purchaser at or prior to the Closing.

4.9 Effect of Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (i) result in any breach of any of the terms or conditions of, or constitute a default under, the Articles of Incorporation or other charter documents or bylaws of Seller, or any commitment, mortgage, note, bond, debenture, deed of trust, contract, agreement, license or other instrument or obligation to which Seller is now a party or by which Seller or any of its properties or assets may be bound or affected; (ii) result in any violation of any Governmental Requirement applicable to Seller, the Assets or the Business; (iii) cause Purchaser to lose the benefit of any right or privilege included in the Assets; (iv) relieve any Person of any obligation (whether contractual or otherwise) or enable any Person to terminate any such obligation or any right or benefit enjoyed by Seller or to exercise any right under any agreement in respect of the Assets or the Business; or (v) require notice to or the consent, authorization, approval or order of any Person

(except as may be contemplated by the last sentence of Section 4.8). To the Best Knowledge of Seller and Shareholder, the business relationships of clients, customers and suppliers of the Business will not be adversely affected by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

4.10 Properties, Assets and Leasehold Estates. Seller owns or has the right to use (pursuant to a valid lease or license disclosed on Part 4.8 of the Disclosure Schedule) all operating assets and properties necessary for Seller to conduct the Business in the manner presently conducted by Seller, and all of such operating assets and properties (or, in the case of leased assets, the leases covering such assets) are included in the Assets. Seller has good and marketable title to all the Assets, free and clear of all mortgages, liens, pledges, conditional sales agreements, charges, easements, covenants, assessments, options, restrictions and encumbrances of any nature whatsoever. The plants, structures, equipment, vehicles and other tangible properties included in the Assets and the tangible property leased by Seller under leases included in the Assets are in good operating condition and repair, normal wear and tear excepted, and are capable of being used for their intended purpose in the Business as now conducted. The Assets include all existing warranties and service contracts with respect to any of the Assets to the extent the same are capable of being assigned to Purchaser. During the past two years, there has not been any significant interruption of the Business due to the breakdown or inadequate maintenance of any of the Assets. All plants, structures, equipment, vehicles and other tangible properties included in the Assets, and the present use of all such items, conform to all applicable Governmental Requirements, and no notice of any violation of any such Governmental Requirements relating to such assets or their use has been received by Seller. The Assets include all easements, rights of ingress and egress, and utilities and services necessary for the conduct of the Business.

4.11 Intangible Property. The operation of the Business as now conducted by Seller does not require the use of or consist of any rights under any trademarks, trade names, brand names, service marks or copyrights other than "Peterbilt", "GMC", "Hino", "Bendix", "CAT", "Cummins", "Detroit Diesel", "Thermo-King", "Caterpillar", "Norm Pressley's Truck Center", "Pressley Peterbilt" and "Custom Truck Leasing".

4.12 Suits, Actions and Claims. There are no suits, actions, claims, inquiries or investigations by any Person, or any legal, administrative or arbitration proceedings in which Seller is engaged or which are pending or, to the Best Knowledge of Seller and Shareholder, threatened against or affecting Seller or any of its properties, assets or business, or to which Seller is or might become a party, or which question the validity or legality of the transactions contemplated hereby, no basis or grounds for any such suit, action, claim, inquiry, investigation or proceeding exists, and there is

no outstanding order, writ, injunction or decree of any Governmental Authority against or affecting Seller or any of its properties, assets or business. Without limiting the foregoing, neither Seller nor Shareholder has any Best Knowledge of any state of facts or the occurrence of any event forming the basis of any present or potential claim against Seller.

4.13 Licenses and Permits; Compliance With Governmental Requirements. Part 4.13 of the Disclosure Schedule sets forth a true and complete list of all licenses and permits necessary for the conduct of the Business. Seller has all such licenses and permits validly issued to it and in its name, and all such licenses and permits are in full force and effect. True and correct copies of all such licenses and permits are attached to Part 4.13 of the Disclosure Schedule. No violations are or have been recorded in respect of such licenses or permits and no proceeding is pending or, to the Best Knowledge of Seller and Shareholder, threatened seeking the revocation or limitation of any of such licenses or permits. All such licenses and permits that are subject to transfer are included in the Assets, and all such licenses and permits that are not subject to transfer are conspicuously marked as such on Part 4.13 of the Disclosure Schedule. Seller has complied in all material respects with all Governmental Requirements applicable to its business, and all Governmental Requirements with respect to the distribution and sale of products and services by it.

4.14 Authorization. Seller and Shareholder have full legal right, power, and authority to enter into and deliver this Agreement and to consummate the transactions set forth herein and to perform all the terms and conditions hereof to be performed by them. The execution and delivery of this Agreement by Seller and Shareholder and the performance by each of them of the transactions contemplated herein have been duly and validly authorized by all requisite corporate action of Seller and by Shareholder, and this Agreement has been duly and validly executed and delivered by Seller and Shareholder and is the legal, valid and binding obligation of each of them, enforceable against each of them in accordance with its terms, except as limited by applicable bankruptcy, moratorium, insolvency or other similar laws affecting generally the rights of creditors or by principles of equity.

4.15 Records. The books, records and minutes kept by Seller with respect to the Assets and the Business, including, but not limited to, all customer files, service agreements, quotations, correspondence, route sheets and historic revenue data of Seller, contain records of all matters required to be included therein by any Governmental Requirement or by generally accepted accounting principles, and such books, records and minutes are true, accurate and complete in all material respects and (except for corporate minute books and stock records) are included in the Assets.

4.16 Environmental Protection Laws.

(a) For purposes of this Section 4.16, unless the context otherwise specifies or requires, the following terms shall have the meaning herein defined:

(i) "Waste Materials" shall mean

(A) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, 42. U.S.C. Sections 6901 et seq., as amended from time to time, and regulations promulgated thereunder;

(B) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq., as amended from time to time;

(C) asbestos;

(D) polychlorinated biphenyls;

(E) underground storage tanks, whether empty, filled or partially filled with any substance;

(F) any other substance the presence of which is prohibited by any Governmental Requirement; and

(G) any other substance which by any Governmental Requirement requires special handling or notification of any federal, state or local governmental entity in its collection, storage, treatment, recycling, or disposal.

(ii) "Waste Materials Contamination" shall mean the presence of Waste Materials on, in or under any property whatsoever which is associated with or is in any way related to the Assets or the Business, including the improvements, facilities, soil, ground, water or air.

(b) All business conducted by Seller, including but not limited to the Business, has been and is being operated, and the assets of Seller, including but not limited to the Assets, have been and are being used and were obtained, in all material respects in compliance with all Governmental Requirements.

(c) Seller is not now, and has not ever been, in violation of any Governmental Requirement. The Assets, the Business and all of the operations of Seller are in full compliance with all Governmental Requirements relating to Waste Materials, and no judicial or administrative actions, including non-compliance orders or demand letters, are pending that relate to such Governmental Requirements. Without in any way limiting the foregoing, Seller and Shareholder hereby jointly and severally specifically represent and warrant that to the Best Knowledge of Seller and Shareholder:

(i) Seller has complied with all applicable Governmental Requirements relating to pollution and environmental control;

(ii) Seller is not in violation of any of the permits described in or required to be described on Part 4.13 of the Disclosure Schedule or any Governmental Requirement regulating emissions, discharges or releases (including solids, liquids and gases) into the environment or the proper transportation, handling, storage, treatment or disposal of materials;

(iii) Seller has received all permits and approvals with respect to emissions, discharges or releases (including solids, liquids and gases) into the environment and the proper transportation, handling, storage, treatment and disposal of materials required for the operation of the businesses of Seller as presently conducted;

(iv) Seller has kept all records and made all filings required by applicable Governmental Requirements with respect to emissions, discharges or releases (including solids, liquids and gases) into the environment and the proper transportation, handling, storage, treatment and disposal of materials;

(v) All hazardous waste, hazardous materials and hazardous substances attributable to the Assets, the Business or the operations of Seller on, in or under any real property owned or leased by Seller have been removed and no past or present disposal, spill, or other release of hazardous waste, hazardous materials or hazardous substances attributable to the Assets, the Business or the operations of Seller on, in, under or adjacent to any real property owned or leased by Seller will subject Purchaser to corrective or response action or any other liability under any Governmental Requirement or the common law;

(vi) No investigation, administrative order, consent order and agreement, litigation or settlement with respect to Waste Materials or Waste Materials Contamination is proposed, threatened, anticipated or in existence with respect to the Assets or the Business. None of the Assets are currently on, and to the Best Knowledge of Seller and Shareholder, have ever been on, any federal or state "Superfund" or "Superlien" list.

(vii) Seller does not have any contingent liabilities under any Governmental Requirement to any Person, whether or not such contingent liability is required pursuant to generally accepted accounting principles to be reflected on the financial statements of Seller, in connection with any emission, discharge or release of any hazardous or toxic waste, substance or constituent or any other substance into the environment caused by Seller; and

(viii) Seller has not handled, treated, stored, generated, transported or disposed of any Waste Material in contravention of any Governmental Requirement, and there have been no acts or omissions of Seller or any of its agents or employees that would result in liability under any Governmental Requirement.

(d) Seller has, and has listed on Part 4.13 of the Disclosure Schedule, all necessary environmental and operations permits for operations relating to the Business or the Assets.

4.17 No Underground Storage Tanks. Except as described in the Disclosure Schedule, there are no underground storage tanks located on any of the premises to be leased by Purchaser pursuant to the provisions of Article 15.

4.18 Securities Laws Matters.

(a) Except as expressly set forth in the Registration Rights Agreement, Seller recognizes and understands that the warrants described in Section 3.1 and the Common Stock issued upon exercise of such warrants (collectively, the "Securities") will not be registered under the Securities Act, or under the securities laws of any state (the Securities Act and such securities laws, collectively the "Securities Laws"). The Securities are not being so registered in reliance upon exemptions from the Securities Laws which are predicated, in part, on the representations, warranties and agreements of Seller contained herein.

(b) (i) Seller has business knowledge and experience, such experience being based on actual participation therein, (ii) Seller is capable of evaluating the merits and risks of an investment in the Securities and the suitability thereof as an investment therefor, (iii) the Securities will be acquired solely for investment and not with a view toward resale or redistribution in violation of the Securities Laws, (iv) in connection with the transactions contemplated hereby, no assurances have been made concerning the future results of Purchaser or Rush or any Affiliate thereof or as to the value of the Securities and (v) Seller is an "accredited investor" within the meaning of (i) Regulation D promulgated by the SEC pursuant to the Securities Act and (ii) the Corporate Securities Laws of 1968 of the State of California and the regulations promulgated thereunder. Seller understands that neither Purchaser nor Rush is under any obligation to file a registration statement or to take any other action under the Securities Laws with respect to any such Securities except as expressly set forth in the Registration Rights Agreement.

(c) Seller has consulted with Seller's own counsel in regard to the Securities Laws and is fully aware (i) of the circumstances under which Seller is required to hold the Securities, (ii) of the limitations on the transfer or disposition of the Securities, (iii) that the Securities must be held indefinitely unless the transfer thereof is registered under the Securities Laws or an exemption from registration is available and (iv) that no exemption from registration is likely to become available for at least one year from the date of acquisition of the Securities. Seller has been advised by Seller's counsel as to the provisions of Rules 144 and 145 as promulgated by the Commission under the Securities Act and has been advised of the applicable limitations thereof. Seller acknowledges that Purchaser and Rush are relying upon the truth and accuracy of the representations and warranties in this Section 4.18 by Seller in consummating the transactions contemplated by this Agreement without registering the Securities under the Securities Laws.

(d) Seller has been furnished with (i) the definitive proxy statement filed with the Commission in connection with the annual meeting of stockholders of Rush held on May 18, 1999 and (ii) copies of Rush's Amendment No. 2 to Form S-1 Registration Statement and Prospectus to Form S-1 filed on Form 424(b)(4), Annual Report on Form 10-K for the year ended December 31, 1998, and Quarterly Reports on Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999, filed with the Commission under the Exchange Act. Seller has been furnished with the complete financial statements of Rush for the fiscal years ended 1996, 1997 and 1998. Seller has been furnished with a summary description of the terms of the Common Stock and Purchaser and Rush have made available to Seller the opportunity to ask questions and receive answers concerning the terms and conditions of the transactions contemplated by this Agreement and to obtain any additional information which they possess or could reasonably acquire for the purpose of verifying the accuracy of information furnished to Seller as set forth herein or for the purpose of considering the transactions contemplated hereby. Rush has offered to make available to Seller upon request at any time all exhibits filed by Rush with the Commission as part of any of the reports filed therewith.

(e) Seller agrees that the certificates representing the Securities will be imprinted with the following legend, the terms of which are specifically agreed to:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY APPLICABLE STATE SECURITIES LAWS AND ARE "RESTRICTED SECURITIES" AS THAT TERM IS DEFINED IN RULE 144 UNDER THE ACT. NEITHER THE SHARES NOR ANY INTEREST THEREIN MAY BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND SUCH STATE SECURITIES LAWS OR AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS WHICH, IN THE OPINION OF COUNSEL FOR THE HOLDER, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COUNSEL FOR THIS CORPORATION, IS AVAILABLE.

Seller understands and agrees that appropriate stop transfer notations will be placed in the records of Rush and with its transfer agent in respect of the Securities.

4.19 Brokers and Finders. No broker or finder has acted for Seller or Shareholder in connection with this Agreement or the transactions contemplated by this Agreement and no broker or finder is entitled to any brokerage or finder's fee or to

any commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Seller or Shareholder.

4.20 Deposits. Seller does not hold any deposits or prepayments by third parties with respect to any of the Assets or the Business ("Deposits") which are not reflected as liabilities on Seller's Reference Balance Sheet. If Seller holds any Deposits as of the Closing Date, Purchaser will be given credit against the cash portion of the Purchase Price for the amount of any such Deposits pursuant to Section 3.4 hereof.

4.21 Work Orders. There are no outstanding work orders or contracts relating to any portion of the Assets from or required by any policy of insurance, fire department, sanitation department, health authority or other governmental authority nor is there any matter under discussion with any such parties or authorities relating to work orders or contracts.

4.22 Telephone Numbers. All telephone numbers used by Seller in connection with the Business are included in the Assets and will not be used by Seller or Shareholder following the Closing, except by Shareholder in the conduct of Purchaser's business.

4.23 No Untrue Statements. The statements, representations and warranties of Seller and Shareholder set forth in this Agreement, the Schedules, the Seller Certificate and the exhibits and annexes attached hereto do not include (and in the case of the Seller Certificate, will not include) any untrue statement of a material fact or omit to state any material fact necessary to make the statements, representations and warranties made not misleading. To the Best Knowledge of Seller and Shareholder, there is no fact or matter that is not disclosed to Purchaser in this Agreement or the Schedules that materially and adversely affects or, so far as Seller or Shareholder can now reasonably foresee, could materially and adversely affect the condition (financial or otherwise) of any of the Assets or the Business or the ability of Seller or Shareholder to perform their respective obligations under this Agreement.

5. REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser represents and warrants to Seller as follows:

5.1 Incorporation. Purchaser and Rush are each a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and the State of Texas, respectively.

5.2 Authorization. Purchaser has full legal right and corporate power to enter into and deliver this Agreement and to consummate the transactions set forth herein and to perform all the terms and conditions hereof to be performed by it. This Agreement has been duly executed and delivered by Purchaser and is a legal, valid and binding obligation of Purchaser enforceable in accordance with its terms, except as limited by

applicable bankruptcy, moratorium, insolvency or other laws affecting generally the rights of creditors or by principles of equity.

5.3 SEC Documents. Rush has provided to Seller and Shareholder copies of its Annual Report on Form 10-K for the year ended December 31, 1998, its Quarterly Reports on Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999, its proxy statement with respect to the Annual Meeting of Stockholders held on May 18, 1999, and its Amendment No. 2 to Form S-1 Registration Statement and Prospectus to Form S-1 filed on Form 424(b)(4) (such documents collectively referred to herein as the "SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to such SEC Documents, and none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The consolidated financial statements of Rush included in the SEC Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position of Rush and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (except in the case of interim period financial information for normal year-end adjustments). All material agreements, contracts and other documents required to be filed as exhibits to the SEC Documents have been so filed. The consolidated balance sheet included in Rush's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 reflects, as of the date thereof, all liabilities, debts and obligations of any nature, kind or manner of Rush and its subsidiaries, whether direct, accrued, absolute, contingent or otherwise, and whether due or to become due that are required to be reflected on such balance sheet under generally accepted accounting principles consistently applied.

5.4 Brokers and Finders. No broker or finder has acted for Purchaser or Rush in connection with this Agreement or the transactions contemplated by this Agreement and no broker or finder is entitled to any brokerage or finder's fee or to any commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of Purchaser or Rush.

5.5 Effect of Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (i) result in any breach of any of the terms or conditions of, or constitute a default under, the Articles of Incorporation or other charter documents or bylaws of Purchaser, or any

commitment, mortgage, note, bond, debenture, deed of trust, contract, agreement, license or other instrument or obligation to which Purchaser is now a party or by which Purchaser or any of its properties or assets may be bound or affected; or (ii) result in any violation of any Governmental Requirement applicable to Purchaser.

6. NATURE OF STATEMENTS AND SURVIVAL OF INDEMNIFICATIONS, GUARANTEES, REPRESENTATIONS AND WARRANTIES OF SELLER AND SHAREHOLDER. All statements of fact contained in this Agreement, the Schedules, the Seller Certificate and the exhibits and annexes attached hereto delivered by or on behalf of Seller or Shareholder shall be deemed representations and warranties of Seller and Shareholder hereunder. Regardless of any investigation at any time made by or on behalf of Purchaser, all indemnifications, guarantees, covenants, agreements, representations and warranties made by Seller or Shareholder hereunder or pursuant hereto or in connection with the transactions contemplated hereby shall survive for eighteen months after the Closing Date, except with respect to (a) the representations and warranties set forth in Section 4.6, which shall survive until the sixth anniversary of the Closing Date, (b) the representations and warranties set forth in Sections 4.16 and 4.17, which shall survive until the fifth anniversary of the Closing Date and (c) the representations and warranties set forth in Section 4.18, which shall survive the Closing Date indefinitely.

7. CONTRACTS PRIOR TO THE CLOSING DATE.

7.1 Approval of Contracts. Except in the ordinary course of business and consistent with past practice, Seller shall not enter into or amend any contracts related to the Business or the Assets between the date hereof and the Closing Date unless approved in writing by Purchaser. Seller will provide all information relating to each such contract or amendment that is necessary or requested by Purchaser to enable Purchaser to make an informed decision regarding approval of such contract or amendment.

7.2 Contracts Included in Assets. Any contracts, agreements or commitments (or amendments to such items) related to the Business or the Assets that are entered into by Seller between the date hereof and the Closing Date and are approved pursuant to the provisions of Section 7.1, shall be included in the Assets (with no addition to the Purchase Price) and shall be assumed by Purchaser pursuant to Section 3.2.

8. COVENANTS OF SELLER AND SHAREHOLDER PRIOR TO CLOSING DATE. Seller and Shareholder hereby covenant and agree that between the date of this Agreement and the Closing Date:

8.1 Access to Information. Seller shall afford to the officers and authorized representatives of Purchaser access to the plants, properties, documents, books and

records of Seller related to the Assets and the Business and shall furnish Purchaser with such financial and operating data and other information regarding the Assets and the Business and as Purchaser may from time to time reasonably request.

8.2 General Affirmative Covenants. Seller shall, and Shareholder shall cause Seller to:

(a) conduct the Business only in the ordinary course;

(b) maintain the Assets in good working order and condition, ordinary wear and tear excepted;

(c) perform all its obligations under agreements relating to or affecting the Assets or the Business;

(d) keep in full force and effect adequate insurance coverage on the Assets and the operation of the Business;

(e) use its best efforts to maintain and preserve the Business, and retain its present employees, customers, suppliers and others having business relations with it;

(f) duly and timely file all reports or returns required to be filed with any Governmental Authority, and promptly pay all Taxes levied or assessed upon it or its properties or upon any part thereof;

(g) duly observe and conform to all Governmental Requirements relating to the Assets or its properties or to the operation and conduct of its business and all covenants, terms and conditions upon or under which any of its properties are held;

(h) remove and have released, by payment or otherwise, all liens and encumbrances of any nature whatsoever on the Assets (except for liens and encumbrances, if any, specifically assumed by Purchaser pursuant to this Agreement);

(i) duly and timely take all actions necessary to carry out the transactions contemplated hereby;

(j) deliver to Purchaser on or before the 15th day of each month true and correct unaudited monthly balance sheets and statements of income for the Business for the immediately preceding month;

(k) deliver to Purchaser on or before the Closing Date any additional financial information reasonably requested by Purchaser to allow Purchaser to timely comply with its reporting

requirements under the Exchange Act, all in form and substance sufficient to allow Purchaser to timely comply with such reporting requirements; and

(l) preserve and maintain the goodwill of the Business.

8.3 General Negative Covenants. Seller shall not take, and Shareholder will not permit Seller to take, any of the following actions without the prior written consent of Purchaser:

(a) entering into or amending or assuming any contract, agreement, obligation, lease, license or commitment related to the Business or the Assets (or of a type included in the Assets) other than in accordance with the provisions of Section 7.1;

(b) except in the ordinary course of business and consistent with past practice, selling, leasing, abandoning or otherwise disposing of any of the Assets, including, but not limited to, real property, machinery, equipment or other operating properties;

(c) engaging in any activities or transactions that might adversely affect the Assets or the Business;

(d) making any organizational change or personnel change, or increasing the compensation or benefits of any officer or employee of Seller, other than normal compensation and benefit adjustments in the ordinary course of the Business consistent with past practice; or

(e) selling or agreeing to sell 10 or more new trucks in any single transaction or any series of related transactions at a gross margin of less than 3 1/2%, or purchasing or agreeing to purchase 10 or more used trucks in a single transaction or any series of related transactions.

8.4 Disclosure of Misrepresentations and Breaches. If any of the representations or warranties of Seller or Shareholder hereunder are determined by Seller or Shareholder to have been incorrect when made, or are determined by Seller or Shareholder to be incorrect as of any date subsequent to the date hereof, or if any of the covenants of Seller or Shareholder contained in this Agreement have not been complied with timely, then Seller and Shareholder shall immediately notify Purchaser to such effect (provided that such notice shall in no way limit the rights of Purchaser (i) under Articles 10 and 17 to terminate this Agreement or refuse to consummate the transactions contemplated hereby or (ii) to enforce any rights or remedies it may have hereunder).

8.5 Government Filings. Seller and Shareholder shall cooperate with Purchaser and its representatives in the preparation of any documents or other material that may be required by any Governmental Authority in connection with the Assets or the

Business or the transactions contemplated hereby. With respect to any filing required by the HSR Act, Purchaser, on the one hand, and Seller, on the other hand, shall split the cost of any such filing fees, and each party shall pay their own attorneys' fees.

8.6 Access to and Inspection of Premises, Facilities and Equipment. Seller shall afford the officers and authorized representatives of Purchaser access to the premises, facilities and tangible assets included in the Assets and the premises to be leased by Purchaser pursuant to the provisions of Article 15 for the purpose of inspecting such premises, facilities and equipment in such manner as Purchaser shall deem appropriate, including, but not limited to, an environmental inspection and audit to be conducted by GEO-Consul. The cost of such environmental inspection and audit shall be split equally between Purchaser and Seller, provided that GEO-Consul shall address all reports generated by such inspection and audit to Purchaser and Seller and shall authorize Purchaser and Seller to each rely on all reports generated by such inspection and audit. If upon completion of such inspection, Purchaser finds any conditions which Purchaser, in its sole discretion, considers to be unacceptable, Purchaser shall have the right to cause Seller to pay 50% of the first $200,000 to remedy such unacceptable condition and, in the event the amount required to remedy such unacceptable condition exceeds $200,000, Purchaser shall have the right to terminate this Agreement pursuant to Articles 10 and 17.

9. COVENANTS REGARDING THE CLOSING.

9.1 Covenants of Seller and Shareholder. Seller and Shareholder hereby covenant and agree that they shall (i) use commercially reasonable efforts to cause all of their representations and warranties set forth in this Agreement to be true on and as of the Closing Date, (ii) use commercially reasonable efforts to cause all of their obligations that are to be fulfilled on or prior to the Closing Date to be so fulfilled, (iii) use commercially reasonable efforts to cause all conditions to the Closing set forth in this Agreement to be satisfied on or prior to the Closing Date, and (iv) deliver to Purchaser at the Closing the certificates, updated lists, notices, consents, authorizations, approvals, agreements, leases, transfer documents, receipts, and amendments contemplated by Article 10 (with such additions or exceptions to such items as are necessary to make the statements set forth in such items accurate, provided that if any of such additions or exceptions cause any of the conditions to Purchaser's obligations hereunder as set forth in Article 10 not to be fulfilled, such additions and exceptions shall in no way limit the rights of Purchaser under Articles 10 and 18 to terminate this Agreement or refuse to consummate the transactions contemplated hereby).

9.2 Covenants of Purchaser. Purchaser hereby covenants and agrees that it shall (i) use commercially reasonable efforts to cause all of its representations and warranties set forth in this Agreement to be true on and as of the Closing Date,

(ii) use commercially reasonable efforts to cause all of its obligations that are to be fulfilled on or prior to the Closing Date to be so fulfilled, (iii) use commercially reasonable efforts to cause all conditions to the Closing set forth in this Agreement to be satisfied on or prior to the Closing Date (provided that failure by Purchaser to comply with a second requirement for information under the HSR Act or to comply with any requested divestiture of assets or to enter into any consent or similar order or agreement shall not constitute a failure of Purchaser to use commercially reasonable efforts), and (iv) deliver to Seller at the Closing the certificate contemplated by Article 11 (with such additions or exceptions to such certificate as are necessary to make the statements set forth in such certificate accurate, provided that if any of such additions or exceptions cause any of the conditions to Seller's obligations hereunder as set forth in Article 11 not to be fulfilled, such additions and exceptions shall in no way limit the rights of Seller under Articles 11 and 18 to terminate this Agreement or to refuse to consummate the transactions contemplated hereby).

9.3 Inventory Audit. Within five days prior to Closing, Seller and Purchaser shall each appoint one or more representatives knowledgeable in the heavy duty truck business, and shall cause such representatives to conduct an audit (in accordance with generally accepted accounting principles, consistently applied) of the inventory of the Assets as of the Closing Date. Each party shall bear their cost of conducting such audit.

10. CONDITIONS TO OBLIGATIONS OF PURCHASER. The obligations of Purchaser hereunder are, at the option of Purchaser, subject to the satisfaction, on or prior to the Closing Date, of the following conditions (any of which may be waived by Purchaser, in its sole discretion):

10.1 Accuracy of Representations and Warranties and Fulfillment of Covenants. The representations and warranties of Seller and Shareholder contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date. Each and all of the agreements and covenants of Seller and Shareholder to be performed on or before the Closing Date pursuant to the terms hereof shall have been performed in all material respects. Seller and Shareholder shall have delivered to Purchaser a certificate dated the Closing Date and executed by Seller and Shareholder to all such effects or disclosing any such representation or warranty not so true and correct or any such agreement or covenant not so performed.

10.2 No Governmental Actions. No action or proceeding before any Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions contemplated by this Agreement. No Governmental Authority shall have

taken any other action as a result of which the management of Purchaser reasonably deems it inadvisable to proceed with the transactions contemplated by this Agreement.

10.3 No Adverse Change. No material adverse change in the Business shall have occurred, and no loss or damage to any of the Assets, whether or not covered by insurance, shall have occurred since the Balance Sheet Date, and Seller shall have delivered to Purchaser a certificate dated the Closing Date and executed by Seller and Shareholder to all such effects.

10.4 Update of Contracts. Seller and Shareholder shall have delivered to Purchaser an accurate list, as of the Closing Date, showing (i) all agreements, contracts and commitments of the type listed on Part 4.8 of the Disclosure Schedule entered into since the date of this Agreement (including, but not limited to, amendments, if any, to the items listed on Part 4.8 of the Disclosure Schedule), and (ii) all other agreements, contracts and commitments related to the Business or the Assets entered into since the date of this Agreement, together with true, complete and accurate copies of all documents (or in the case of oral commitments, descriptions of the material terms thereof) relevant to the items on the list (the "New Contracts"). Purchaser shall have the opportunity to review the New Contracts, and shall have the right to delay the Closing for up to five (5) days if it in its sole discretion Purchaser deems such a delay necessary to enable it to adequately review the New Contracts. All of the New Contracts that are approved in writing by Purchaser prior to the Closing, as it may be delayed, (whether such approval by Purchaser is given before or after Seller executes the New Contract) shall be included in the Assets (with no addition to the Purchase Price) and the future obligations of Seller thereunder shall be assumed by Purchaser pursuant to Section 3.2. Any New Contracts that are not approved in writing by Purchaser prior to the Closing, as it may be delayed, shall remain the sole obligation of Seller and shall not be assumed by Purchaser, and Purchaser shall have no obligation or liability with respect thereto.

10.5 No Material Adverse Information. The investigations with respect to Seller, the Assets and the Business, performed by Purchaser's professional advisors and other representatives shall not have revealed any material adverse information concerning Seller, the Assets or the Business that has not been made known to Purchaser in writing prior to the date of this Agreement.

10.6 Notices and Consents. No notice to or consent, authorization, approval or order of any Person shall be required for the consummation of the transactions contemplated by this Agreement (except for notices that have been duly and timely given and consents, authorizations and approvals that have been obtained). True and correct copies of all required notices, consents, authorizations and approvals shall have been delivered to Purchaser and shall be satisfactory in form and substance to Purchaser and its counsel.

10.7 Employment Agreement. Shareholder shall have executed and delivered to Purchaser an employment agreement in substantially the form of the agreement attached hereto as Exhibit 10.7 (the "Employment Agreement").

10.8 Lease Documents. Seller or Shareholder, as applicable, shall have executed and delivered to Purchaser the Lease Documents; Seller shall have executed, acknowledged and delivered to Purchaser the memorandum of lease required by each of the San Diego Lease, the PACLEASE Lease and the El Centro Lease; and the Adjoining Property Landlord shall have executed and delivered to Purchaser a landlord estoppel and consent relating to the Adjoining Property Lease in form and substance reasonably acceptable to Purchaser.

10.9 Other Documents. Seller and Shareholder shall have delivered or caused to be delivered all other documents, agreements, resolutions, certificates or declarations as Purchaser or its attorneys may reasonably request.

10.10 West Mission Road Lease. Seller shall have renegotiated the lease agreement covering property located on West Mission Road, Escondido, California where Seller's Escondido, California dealership is located on such terms and conditions acceptable to Purchaser, and Seller shall have assigned its rights in such renegotiated lease agreement to Purchaser pursuant to documentation acceptable to Purchaser.

10.11 Dealer License. Purchaser shall have obtained written approval to be licensed as a New Motor Vehicle Dealer by the appropriate department or agency of the State of California to do business as a motor vehicle dealer at the present locations of the dealerships; provided, however, that Purchaser shall use its reasonable best efforts to secure such approval prior to Closing.

10.12 Inventory Audit. The inventory audit contemplated by Section 9.3 shall have been completed and the results thereof shall be satisfactory to Purchaser.

10.13 Due Diligence. Purchaser shall be satisfied with the results of its continuing legal, accounting and other due diligence regarding Seller and the Business.

10.14 Dealership Agreement. Purchaser and PACCAR shall have executed and delivered a dealer sales and service agreement, and ancillary or related agreements, in form and substance satisfactory to Purchaser.

10.15 Governmental Approvals. All necessary government and regulatory approvals have been obtained, and all required waiting periods under the HSR Act shall have expired or been terminated.

11. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER. The obligations of Seller hereunder are, at its option, subject to the satisfaction, on or prior to the Closing Date, of the following conditions (any of which may be waived by Seller in its sole discretion):

11.1 Accuracy of Representations and Warranties and Fulfillment of Covenants. The representations and warranties of Purchaser contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date. Each of the agreements and covenants of Purchaser to be performed on or before the Closing Date shall have been performed. Purchaser shall have delivered to Seller a certificate dated the Closing Date and executed by Purchaser to all such effects.

11.2 Governmental Approvals. All necessary government and regulatory approvals have been obtained, and all required waiting periods under the HSR Act shall have expired or been terminated.

11.3 Employment Agreement. Purchaser shall have executed and delivered to Shareholder the Employment Agreement.

11.4 Lease Documents. Purchaser shall have executed and delivered to Seller or Shareholder, as applicable, the Lease Documents.

11.5 Other Documents. Purchaser shall have delivered or caused to be delivered all other documents, agreements, resolutions, certificates or declarations as Seller or Shareholder or their attorneys may reasonably request.

11.6 Inventory Audit. The inventory audit contemplated by Section 9.3 shall have been completed and the results thereof satisfactory to Seller.

11.7 Registration Rights Agreement. If Shareholder elects to receive the warrant referenced in Section 3.1, Rush shall have executed and delivered to Seller a registration rights agreement in substantially the form of the agreement attached hereto as Exhibit 11.7 (the "Registration Rights Agreement").

11.8 Norm Pressley. In the event of the death of Norm Pressley, the father of Shareholder, on or before the Closing Date, Shareholder shall have the option to require any or all of the heirs of Norm Pressley to agree in writing to be jointly and severally liable for the obligations of the Seller Indemnifying Parties under Article 13 and Seller shall be entitled to the proceeds of an accidental death and dismemberment insurance policy on the life of Norm Pressley in the face amount of $3,000,000 or such other amount as Seller and Purchaser may agree, the cost of which shall be borne equally between Purchaser and Shareholder.

11.9 Operating Agreements. Purchaser shall have executed and delivered (a) an Operating Agreement relating to the GMC inventory of new and used vehicles, parts and accessories held by Seller as of the Closing in substantially the form of the agreement attached hereto as Exhibit 11.9(a) (the "GMC Operating Agreement") and (b) an Operating Agreement relating to the Hino inventory of new and used vehicles, parts and accessories held by Seller as of the Closing in substantially the form of the agreement attached hereto as Exhibit 11.9(b) (the "Hino Operating Agreement").

12. SPECIAL CLOSING AND POST-CLOSING COVENANTS.

12.1 Further Assurances. After Closing, as and when requested by any party hereto from time to time, the other parties hereto shall and shall cause their Affiliates to execute and deliver, or cause to be executed and delivered, such documents and instruments and shall take, or cause to be taken, such further or other actions as may be reasonably necessary to carry out the purposes of this Agreement, including without limitation, executing and delivering any instrument Purchaser may reasonably request to convey the Assets to Purchaser as required by this Agreement.

12.2 Delivery of Funds and Other Assets Collected by Seller. To the extent Seller receives any funds or other assets in payment of receivables, or in connection with any other Assets, being sold to Purchaser pursuant hereto, Seller shall immediately deliver such funds and assets to Purchaser and take all steps necessary to vest title to such funds and assets in Purchaser.

12.3 Change of Name of Seller. Immediately upon the occurrence of the Closing, Seller and Shareholder shall cease using the name "Norm Pressley Truck Center", "Pressley Peterbilt" and "Custom Truck Leasing" and all derivations thereof, and covenant and agree that after Closing they will not, directly or indirectly, use such names or any derivation thereof, in connection with selling, servicing, renting, leasing, insuring or financing new or used Class 3 through 8 trucks; provided (i) Shareholder may use such names for a period of one year following the Closing for the sole purpose of winding up the affairs of Seller, so long as such use does not involve selling, servicing, renting, leasing, insuring or financing new or used Class 3 through 8 trucks or interfere with the use of such name by Rush or any of its Affiliates, and (ii) Seller and Shareholder may use such names in connection with selling, renting or leasing any Excluded Asset.

12.4 Access to Files. For a period of five years after the Closing, or such longer term as Seller or Shareholder may reasonably require if Seller or Shareholder is then involved in litigation or under investigation or audit by a governmental agency or bureau relating to Seller or the Assets, Purchaser shall maintain and give Seller and Shareholder and their respective representatives full access to the premises of

Purchaser and full access to, and shall permit Seller and Shareholder and their respective representatives, at their own expense, to make photocopies of, all originals of the files and records relating to Seller or the Assets.

12.5 Exchange Act Filing; Cooperation. After the Closing, Seller shall, at the cost and expense of Purchaser, reasonably cooperate with and provide information to Purchaser as is necessary for Purchaser to comply with its reporting obligations under the Exchange Act.

12.6 Non-disclosure of Confidential Information.

(a) By Seller and Shareholder. Seller and Shareholder recognize and acknowledge that they have and will have access to certain confidential information) of Seller that is included in the Assets (including, but not limited to, lists of customers, and costs and financial information) that after the consummation of the transactions contemplated hereby will be valuable, special and unique property of Purchaser. Seller and Shareholder agree that they will not disclose, and they will use their best efforts to prevent disclosure by any other Person of, any such confidential information to, nor any discussion of any of the terms of this Agreement with, any Person for any purpose or reason whatsoever, except to authorized representatives of Purchaser. Seller and Shareholder recognize and agree that violation of any of the agreements contained in this Section 12.6(a) will cause irreparable damage or injury to Purchaser, the exact amount of which may be impossible to ascertain, and that, for such reason, among others, Purchaser shall be entitled to an injunction, without the necessity of posting bond therefor, restraining any further violation of such agreements. Such rights to any injunction shall be in addition to, and not in limitation of, any other rights and remedies Purchaser may have at law or in equity against Seller or Shareholder.

(b) By Purchaser. Purchaser recognizes and acknowledges that it may have access to certain confidential information of Seller that is not included in or connected with the Assets and not used or necessary for the Business that after the consummation of the transactions contemplated hereby will be valuable, special and unique property of Seller. Purchaser agrees that it will not disclose, and will use its best efforts to prevent disclosure by any other Person of, any such confidential information to any Person for any purpose or reason whatsoever, except to authorized representatives of Purchaser. Purchaser recognizes and agrees that violation of any of the agreements contained in this Section 12.6(b) will cause irreparable damage or injury to Seller, the exact amount of which may be impossible to ascertain, and that, for such reason, among others, Seller shall be entitled to an injunction, without the necessity of posting bond therefor, restraining any further violation of such agreements. Such rights to any injunction shall be in addition to, and not in limitation of, any other rights and remedies Seller may have at law or in equity against Purchaser.

(c) Exceptions. The foregoing restrictions will not apply to any information which (a) becomes available to the public generally (otherwise than by reason of a breach of the

provisions of this Section 12.6), (b) can be shown by written records to have been known by the disclosing party prior to the date of this Agreement or (c) is lawfully acquired by the disclosing party from another person. In the event any confidential information protected by this Section 12.6 is required to be disclosed under court or governmental order, rule or regulation, the party required to disclose such confidential information shall immediately provide the party entitled to protection hereunder with notice thereof and shall give full and complete cooperation to such party in its efforts to object to, and to obtain protection of any confidential information that is the subject of, such required disclosure.

12.7 Assignment of Contracts. Notwithstanding any other provision of this Agreement, nothing in this Agreement or any related document shall be construed as an attempt to assign (i) any Contract which, as a matter of law or by its terms, is non-assignable without the consent of the other parties thereto unless such consent has been given, or (ii) any Contract or claim as to which all of the remedies for the enforcement thereof enjoyed by Seller would not, as a matter of law or by its terms, pass to Purchaser as an incident of the transfers and assignments to be made under this Agreement. In order, however, that the full value of every Contract and claim of the character described in clauses (i) and (ii) above and all claims and demands on such Contracts may be realized for the benefit of Purchaser, Seller, at the request and expense and under the direction of Purchaser, shall take all such action and do or cause to be done all such things as will, in the opinion of Purchaser, be necessary or proper in order that the obligations of Seller under such Contracts may be performed in such manner that the value of such Contract will be preserved and will inure to the benefit of Purchaser, and for, and to facilitate, the collection of the moneys due and payable and to become due and payable thereunder to Purchaser in and under every such contract and claim. Seller shall promptly pay over to Purchaser all moneys collected by or paid to it in respect of every such contract, claim or demand. Nothing in this Section 12.7 shall relieve Seller or Shareholder of their obligations to obtain any consents required for the transfer of the Assets and all rights thereunder to Purchaser, or shall relieve Seller or Shareholder from any liability to Purchaser for failure to obtain such consents.

12.8 Non-Compete, Non-Solicitation.

(a) Non-Competition. In consideration of the benefits of this Agreement to Seller and Shareholder and as a material inducement to Purchaser to enter into this Agreement and to pay the Purchase Price, Seller and Shareholder, hereby covenant and agree that for a period of five years after the Closing Date, Seller and Shareholder shall not, and each shall cause their Affiliates not to, directly or indirectly, as proprietor, partner, stockholder, director, officer, employee, consultant, joint venturer, investor or in any other capacity, engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control, of any entity which engages in the sale, servicing, renting, leasing, insuring or financing of new or used Class 3 through 8 trucks (not including construction equipment) in

any geographical or commercial markets in which Rush or any of its Affiliates (including Purchaser) conducts such business on the Closing Date; provided, however, the foregoing shall not, in any event, prohibit Seller or Shareholder from (i) purchasing and holding as an investment not more than 1% of any class of publicly traded securities of any entity which conducts such business, so long as neither Seller nor Shareholder participates in any way in the management, operation or control of such entity or (ii) selling, leasing or otherwise disposing of any vehicles, parts and accessories inventory or chassis kits held by the Business as of the Closing Date that are not transferred to Purchaser pursuant to the terms of this Agreement. It is further recognized and agreed that, even though the activity may not be restricted under the foregoing provision, for a period of five years following the Closing Date, neither Seller nor Shareholder shall, and each shall cause their Affiliates not to, provide any services to any person or entity which may be used against, or in conflict with the interests of, Purchaser or an Affiliate of Purchaser.

(b) Judicial Reformation. Seller and Shareholder acknowledge that, given the nature of Purchaser and its Affiliates' business, the covenants contained in this Section 12.8 establish reasonable limitations as to time, geographic area and scope of activity to be restrained and do not impose a greater restraint than is reasonably necessary to protect and preserve the goodwill of Purchaser and its Affiliates' business and to protect their legitimate business interests. If, however, this Section 12.8 is determined by any court of competent jurisdiction or an arbitrator pursuant to Section 20.1 to be unenforceable by reason of it extending for too long a period of time or over too large a geographic area or by reason of it being too extensive in any other respect or for any other reason, it will be interpreted to extend only over the longest period of time for which it may be enforceable and/or over the largest geographic area as to which it may be enforceable and/or to the maximum extent in all other aspects as to which it may be enforceable, all as determined by such court or arbitrator.

(c) Customer Lists, Non-Solicitation. In consideration of the benefits of this Agreement to Seller and Shareholder and as a material inducement to Purchaser to enter into this Agreement and to pay the Purchase Price, Seller and Shareholder hereby further covenant and agree that for a period of five years following the Closing Date, Seller and Shareholder shall not, and each shall cause their Affiliates not to, directly or indirectly, (a) use or make known to any person or entity the names or addresses of any clients or customers of Seller, Purchaser or any Affiliate of Purchaser or any other information pertaining to them, (b) call on, solicit, take away or attempt to call on, solicit or take away any clients or customers of Seller, Purchaser or any Affiliate of Purchaser, or (c) solicit for employment, recruit, hire or attempt to recruit or hire any employees of Seller, Purchaser or any Affiliate of Purchaser.

(d) Equitable Relief. In the event of a breach or a threatened breach by Shareholder or Seller of any of the provisions contained in this Section 12.8, each acknowledges that Purchaser and its Affiliates will suffer irreparable injury not fully compensable by money damages and, therefore, will not have an adequate remedy available at law. Accordingly, Purchaser shall be entitled, without the necessity of posting a bond, to obtain such injunctive

relief or other equitable remedy from any court of competent jurisdiction as may be necessary or appropriate to prevent or curtail any such breach, threatened or actual. The foregoing shall be in addition to and without prejudice to any other rights that Purchaser may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

(e) Covenants Independent. The covenants of Seller and Shareholder contained in this Section 12.8 will be construed as independent of any other provision in this Agreement, and the existence of any claim or cause of action by Seller or Shareholder, or any of them, against Purchaser or any Affiliate of Purchaser will not constitute a defense to the enforcement by Purchaser of said provisions. Seller and Shareholder understand that the provisions contained in this Section 12.8 are essential elements of the transactions contemplated by this Agreement and, but for their agreement to be bound by the provisions of this Section 12.8, Purchaser would not have agreed to enter into this Agreement and the transactions contemplated herein. Seller and Shareholder have each been advised to consult with, and each represents that it or he has consulted with, counsel in order to be informed in all respects concerning the reasonableness and propriety of the provisions of this Section 12.8 and each acknowledges that the provisions of this Section 12.8 are reasonable in all respects.

12.9 Agreement Regarding GMC Excluded Assets. If as of the date that is six months after the Closing Date, Purchaser has not entered into a dealer sales and service agreement with GMC, the GMC Excluded Assets have not been sold pursuant to the GMC Operating Agreement and Seller is not able to transfer the GMC Excluded Assets to GMC or an Affiliate of GMC, Purchaser will purchase the GMC Excluded Assets from Seller and Seller shall sell the GMC Excluded Assets to Purchaser for the price indicated for such items in Section 3.1. The closing for such sale and purchase shall take place at a date and time that is mutually agreeable to the parties, which shall be no more than 30 days after Seller provides Purchaser written notice that Seller is not able to transfer the GMC Excluded Assets to GMC or an Affiliate of GMC. Seller, at its sole cost and expense, shall provide all documentation and evidence reasonably requested by Purchaser to enable Purchaser to verify that the conditions to Purchaser's purchase obligations hereunder have been satisfied. At such closing, Purchaser shall pay the amount due Seller by wire transfer of immediately available funds to an account designated by Seller.

12.10 Agreement Regarding Hino Excluded Assets. If as of the date of termination of the Hino Operating Agreement, Purchaser has entered into a dealer sales and service Agreement with Hino, Purchaser will purchase the Hino Excluded Assets to the extent not previously sold under the Hino Operating Agreement from Seller and Seller shall sell such Hino Excluded Assets to Purchaser for the price indicated for such assets in Section 3.1. The closing for such sale and purchase shall take place at a date and time that is mutually agreeable to the parties, which shall be no more than 30 days after the termination date of the Hino Operating Agreement. Seller, at its sole cost and expense, shall provide all documentation and evidence reasonably requested

by Purchaser to enable Purchaser to verify the conditions to Purchaser's purchase obligations hereunder have been satisfied. At such closing, Purchaser shall pay the amount due Seller by wire transfer of immediately available funds to an account designated by Seller.

13. INDEMNITY BY SELLER AND SHAREHOLDER.

13.1 Indemnity. Seller and Shareholder (collectively, the "Seller Indemnifying Parties" and individually, a "Seller Indemnifying Party") shall, and hereby do, jointly and severally indemnify, hold harmless and defend Purchaser and its officers, directors, employees, agents, consultants, representatives and Affiliates (collectively, the "Purchaser Indemnified Parties") from and against any and all penalties, demands, damages, punitive damages, losses, liabilities, suits, costs, costs of any settlement or judgment, claims of any and every kind whatsoever, refund obligations (including, without limitation, interest and penalties thereon) and remediation costs and expenses (including, without limitation, reasonable attorneys' fees), of or to any of the Purchaser Indemnified Parties ("Purchaser Damages"), which may now or in the future be paid, incurred or suffered by or asserted against the Purchaser Indemnified Parties by any Person resulting or arising from or incurred in connection with any one or more of the following (provided that this Section 13.1 shall not apply to any items that have been expressly assumed by Purchaser under this Agreement):

(a) any liability or claim for liability (whether in contract, in tort or otherwise, and whether or not successful) related in any way to the Assets or the Business to the extent such liability or claim for liability arises in connection with any action, omission or event occurring on or prior to the Closing Date (including, but not limited to, claims for product liability with respect to products manufactured, distributed or sold by Seller on or prior to the Closing Date);

(b) any liability or claim for liability (whether in contract, in tort or otherwise, and whether or not successful) related to any liens, obligations or encumbrances of any nature whatsoever against or in any way related to the Assets or the Business which have not been expressly assumed by Purchaser hereunder;

(c) any liability or claim for liability (whether in contract, in tort or otherwise, and whether or not successful) related to Taxes of Seller;

(d) any liability or claim for liability (whether or not successful) related to any lawsuit or threatened lawsuit or claim involving any Seller Indemnifying Party other than claims brought by the Seller Indemnifying Parties pursuant to Article 14;

(e) any misrepresentation, breach of warranty or nonfulfillment of any covenant or agreement on the part of a Seller Indemnifying Party under this Agreement or from any

misrepresentation in or omission from any Schedule, the Seller Certificate or the exhibits and annexes hereto;

(f) any liability or claim for liability against Purchaser or any of the Assets to the extent such liability or claim for liability arises in connection with the failure of Purchaser and Seller to comply with any applicable bulk transfer law; and

(g) all actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including costs of court and reasonable attorneys' fees) incident to any of the foregoing.

13.2 Environmental Liability of the Seller Indemnifying Parties. Notwithstanding anything herein to the contrary, the Seller Indemnifying Parties shall have no liability or obligation to indemnify hereunder for any Purchaser Environmental Liabilities or obligations arising from acts, events or omissions occurring prior to Seller's operation of the Business on any real property owned, leased or used by Seller or any environmental condition or liability disclosed on the Disclosure Schedule. The Seller Indemnifying Parties, jointly and severally, shall retain liability for, and any Seller Indemnifying Parties, jointly and severally, shall indemnify, hold harmless and defend the Purchaser Indemnified Parties from and against all claims (whether in contract, in tort or otherwise, and whether or not successful), fines, penalties, liabilities, damages and losses, including but not limited to remedial, removal, response, abatement, clean-up, investigation and monitoring costs and any other related costs and expenses incurred (whether any claims or causes of action relating thereto be asserted in common law or under statute and regardless of form including strict liability and negligence) (collectively referred to as "Purchaser Environmental Liabilities") arising from (a) any violation of any Requirement of Environmental Law or Environmental Permits (as those terms are hereinafter defined) of any Seller Indemnifying Party occurring or existing between the date Seller began conducting business on each parcel of real estate owned, leased or used by Seller and the Closing Date, (b) any acts, omissions, conditions, facts, or circumstances occurring or existing between the date Seller began conducting business on each parcel of real estate owned, leased or used by Seller and the Closing Date with respect to the Assets, the Business or the operations of Seller which give rise to an Environmental Claim (as hereinafter defined) before or after the date hereof, and (c) any failure of any Seller Indemnifying Party to obtain or maintain, between the date Seller began conducting business on each parcel of real estate owned, leased or used by Seller and the Closing Date, any Environmental Permit. For purposes of this Section 13.2 the term "Environmental Claim" means any action, lawsuit, claim or proceeding by any Person relating to the Assets or the Business or the operations or the business of Seller which seeks to impose liability for (i) noise, (ii) pollution or contamination or threatened pollution or contamination of the air, surface water, groundwater or land, (iii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation, (iv) exposure to hazardous or toxic substances or (v) non-compliance with any

Requirement of Environmental Law. An "Environmental Claim" includes, without limitation, a proceeding to terminate a permit or license to the extent that such a proceeding attempts to redress violations of the applicable permit or license or any Requirement of Environmental Law as alleged by any Governmental Authority. For purposes of this Section 13.2 the term "Environmental Permit" means any permit, license, approval or other authorization related to, used in connection with or necessary for the operation or use of the Business or the Assets, or the operations or the businesses of Seller under any applicable Requirement of Environmental Law. For purposes of this Section 13.2 the term "Requirement of Environmental Law" means all Governmental Requirements related to health or the environment, including, but not limited to, all Governmental Requirements that relate to (i) noise, (ii) pollution or protection of the air, surface water, groundwater or land, (iii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation, (iv) exposure to hazardous or toxic substances, or (v) any other matters related to health or the environment.

13.3 Notice of Claim. Purchaser agrees that upon its discovery of facts giving rise to a claim for indemnity under the provisions of this Agreement, including receipt by it or any Purchaser Indemnified Party of notice of any demand, assertion, claim, action or proceeding, judicial or otherwise, by any Person with respect to any matter as to which any of the Purchaser Indemnified Parties are entitled to indemnity under the provisions of this Agreement (such actions being collectively referred to herein as a "Purchaser Claim"), Purchaser will give prompt notice thereof in writing to the Seller Indemnifying Parties together with a statement of such information respecting any of the foregoing as it shall then have; provided that any delay in giving or failure to give such notice shall not limit the rights of Purchaser or any Purchaser Indemnified Party to indemnity hereunder except in accordance with the time limitations provided in Section 13.10 and to the extent that the Seller Indemnifying Parties are shown to have been damaged by such delay or failure.

13.4 Right of the Seller Indemnifying Parties to Participate in Defense. With respect to any Purchaser Claim as to which any of the Purchaser Indemnified Parties seeks indemnity hereunder, Purchaser shall provide the Seller Indemnifying Parties with the opportunity to participate in the defense of such Purchaser Claim with counsel of the Seller Indemnifying Parties' choice and at the Seller Indemnifying Parties' cost and expense and shall not, without the consent of Shareholder, which consent shall not be unreasonably withheld, settle any such Purchaser Claim, so long as the Seller Indemnifying Parties shall have unconditionally acknowledged their obligation to indemnify hereunder with respect to such Purchaser Claim. To the extent reasonably requested by Purchaser, shall reasonably cooperate with Purchaser and its representatives and counsel in any dispute or defense related to any Purchaser Claim.

13.5 Payment. The Seller Indemnifying Parties shall promptly pay to Purchaser or such other Purchaser Indemnified Party as may be entitled to indemnity hereunder in cash by wire transfer the amount of any Purchaser Damages to which Purchaser or such Purchaser Indemnified Party may become entitled by reason of the provisions of this Agreement.

13.6 Limit of Liability of Shareholder. Notwithstanding any other provisions of this Agreement, the aggregate liability of the Seller Indemnifying Parties under this Agreement shall be limited to $500,000, except that such limit shall be $2,000,000 for breach of the representations and warranties set forth in Sections 4.6, 4.16 and 4.17 or any indemnification claim relating to environmental matters.

13.7 Limitations on Indemnification. Notwithstanding any provision of this Agreement, the Seller Indemnifying Parties shall not be liable for any matter that could be made the subject of a claim under this Article 13 regarding any claims, losses, expenses or other liabilities until the aggregate amount thereof exceeds $50,000 and after such threshold amount has been attained, all claims, other than those aggregated to reach the threshold, shall be indemnified hereunder.

13.8 Insurance and Refunds. The Seller Indemnifying Parties' indemnification obligations shall be reduced to the extent that the subject matter of the claim is covered by and paid to Purchaser or its Affiliates pursuant to a warranty or indemnification from a third party or third party insurance. The amount of indemnification due from the Seller Indemnifying Parties with respect to any claim shall be reduced by the effect of any tax deduction, credit, refund or other tax benefit to Purchaser or it Affiliates relating to the same tax period and resulting from the subject matter of that claim and such indemnification.

13.9 Offset Provisions. Notwithstanding any other provisions of this Agreement, in the event, between the Closing Date and the date the Bonus Payment is paid, the Seller Indemnifying Parties becomes obligated to pay sums to Purchaser or any Purchaser Indemnified Party under this Agreement or any of the documents or agreements referenced herein or contemplated hereby (whether as a result of indemnity, breach of contract or otherwise), Purchaser shall have the right to and shall be obligated to reduce and offset payments due on the Bonus Payment in such amount or amounts as Purchaser (and any Purchaser Indemnified Party that is not promptly paid by the Seller Indemnifying Parties) is entitled to receive from the Seller Indemnifying Parties, and any such offset shall be deemed to be a payment of the Bonus Payment to the extent of such offset; provided, however, that any such offset shall not relieve the Seller Indemnifying Parties from paying all amounts that are due in excess of the amount offset. Prior to any offset under this Section 13.9, Purchaser shall have provided to the Seller Indemnifying Parties a notice of Purchaser Claim as

described in Section 13.3 or an otherwise reasonably detailed description of the matter giving rise to such offset.

13.10 Time Limits for Indemnity Claims. Any claim for indemnification under this Article 13 must be made within the time periods set forth in Article 6.

14. INDEMNITY BY PURCHASER.

14.1 Indemnity. Purchaser shall, and hereby does indemnify, hold harmless and defend Seller and Shareholder (the "Seller Indemnified Parties") at all times from and after the date of this Agreement, from and against any and all penalties, demands, damages, punitive damages, losses, liabilities, suits, costs, costs of any settlement or judgment, claims of any and every kind whatsoever, refund obligations (including, without limitation, interest and penalties thereon), remediation costs and expenses (including, without limitation, reasonable attorneys' fees), of or to any of the Seller Indemnified Parties ("Seller Damages"), which may now or in the future be paid, incurred or suffered by or asserted against the Seller Indemnified Parties by any Person resulting or arising from or incurred in connection with any one or more of the following:

(a) any liability or claim for liability (whether in contract, in tort or otherwise, and whether or not successful) related in any way to the Assets or the Business to the extent such liability or claim for liability arises in connection with any action, omission or event occurring after the Closing Date (including, but not limited to, claims for product liability with respect to products manufactured, distributed or sold by Purchaser after the Closing Date); and

(b) any misrepresentation, breach of warranty or nonfulfillment of any covenant or agreement on the part of Purchaser under this Agreement or from any misrepresentation in or omission from any list, schedule, certificate or other instrument furnished or to be furnished to Seller or Shareholder pursuant to the terms of this Agreement.

14.2 Environmental Liability of Purchaser. Notwithstanding any other provision of this Agreement, including, but not limited to the rights to indemnity set forth in Section 14.1, and in addition thereto, Purchaser shall indemnify, hold harmless and defend the Seller Indemnified Parties, at all times from and after the Closing Date, from and against all claims (whether in contract, in tort or otherwise, and whether or not successful), fines, penalties, liabilities, damages and losses, including but not limited to remedial, removal, response, abatement, clean-up, investigation and monitoring costs and any other related costs and expenses incurred (whether any claims or causes of action relating thereto be asserted in common law or under statute and regardless of form including strict liability and negligence) (collectively referred to as "Seller Environmental Liabilities") arising from (a) any violation of any Requirement of Environmental Law or Environmental Permits (as those terms are

hereinafter defined) of Purchaser occurring after the Closing Date, (b) any acts, omissions, conditions, facts, or circumstances occurring after the Closing Date with respect to the Assets, the Business or the operations of Purchaser which give rise to an Environmental Claim (as hereinafter defined) during the time Purchaser is the owner of the Assets and the operator of the Business, and (c) any failure of Seller or Shareholder to obtain or maintain after the Closing Date, any Environmental Permit. For purposes of this Section 14.2, the term "Environmental Claim" means any action, lawsuit, claim or proceeding by any Person relating to the Assets or the Business or the operations or the Business which seeks to impose liability for (i) noise, (ii) pollution or contamination or threatened pollution or contamination of the air, surface water, groundwater or land, (iii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation, (iv) exposure to hazardous or toxic substances or (v) non-compliance with any Requirement of Environmental Law. An "Environmental Claim" includes, without limitation, a proceeding to terminate a permit or license to the extent that such a proceeding attempts to redress violations of the applicable permit or license or any Requirement of Environmental Law as alleged by any Governmental Authority. For purposes of this Section 14.2, the term "Environmental Permit" means any permit, license, approval or other authorization related to, used in connection with or necessary for the operation or use the Business or the Assets, or the operations or the Business under any applicable Requirement of Environmental Law. For purposes of this Section 14.2, the term "Requirement of Environmental Law" means all Governmental Requirements related to health or the environment, including, but not limited to, all Governmental Requirements that relate to (i) noise, (ii) pollution or protection of the air, surface water, groundwater or land, (iii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation, (iv) exposure to hazardous or toxic substances, or (v) any other matters related to health or the environment. Notwithstanding anything herein to the contrary, Purchaser shall have no liability or obligation to indemnify hereunder for any Seller Environmental Liabilities or obligations arising from acts, events or omissions occurring after Purchaser ceases to operate the Business on any of the premises to be owned, leased or used by Purchaser pursuant to the provisions of Article 15.

14.3 Notice of Claim. Seller and Shareholder agree that upon their discovery of facts giving rise to a claim for indemnity under the provisions of this Agreement, including receipt by Seller or Shareholder of notice of any demand, assertion, claim, action or proceeding, judicial or otherwise, by any Person with respect to any matter as to which Seller or Shareholder is entitled to indemnity under the provisions of this Agreement (such actions being collectively referred to herein as a "Seller Claim"), Seller and Shareholder will give prompt notice thereof in writing to Purchaser together with a statement of such information respecting any of the foregoing as they shall then have; provided that any delay in giving or failure to give such notice shall

not limit the rights of Seller or Shareholder to indemnity hereunder except to the extent that Purchaser is shown to have been damaged by such delay or failure.

14.4 Right of Purchaser to Participate in Defense. With respect to any Seller Claim as to which Seller or Shareholder seeks indemnity hereunder, Seller and Shareholder shall provide Purchaser with the opportunity to participate in the defense of such Seller Claim with counsel of Purchaser's choice and at Purchaser's cost and expense. To the extent reasonably requested by Seller and Shareholder, Purchaser shall reasonably cooperate with Seller and Shareholder and their representatives and counsel in any dispute or defense related to any Seller Claim.

14.5 Payment. The Purchaser Indemnifying Parties shall promptly pay to Seller and/or Shareholder, as applicable, in cash by wire transfer the amount of any Seller Damages to which Seller and/or Shareholder, as applicable, may become entitled by reason of the provisions of this Agreement.

14.6 Limitations on Indemnification. Notwithstanding any provision of this Agreement, Purchaser shall not be liable for any matter that could be made the subject of a claim under this Article 14 regarding any claims, losses, expenses or other liabilities until the aggregate amount thereof exceeds $50,000 and after such threshold amount has been attained, all claims, other than those aggregated to reach the threshold, shall be indemnified hereunder.

14.7 Insurance and Refunds. Purchaser's indemnification obligations shall be reduced to the extent that the subject matter of the claim is covered by and paid to Seller or its Affiliates pursuant to a warranty or indemnification from a third party or third party insurance. The amount of indemnification due from Purchaser with respect to any claim shall be reduced by the effect of any tax deduction, credit, refund or other tax benefit to either of Seller or its Affiliates relating to the same tax period and resulting from the subject matter of that claim and such indemnification.

15. REAL PROPERTY.

(a) San Diego, California Dealership. At Closing, Shareholder and Purchaser shall enter into a lease agreement in substantially the form of the Lease Agreement attached hereto as Exhibit 15(a) (the "San Diego Lease"), pursuant to which Shareholder will lease to Purchaser the property on which Seller's San Diego, California dealership is located.

(b) Property Adjoining San Diego, California Dealership. At Closing, Seller shall assign to Purchaser its rights and Purchaser shall assume Seller's obligations under that certain Commercial Lease between Seller and Erickson Enterprises, formerly Red-e-Crete of San Diego ("Adjoining Property Landlord") dated May 26, 1994 (the "Adjoining Property Lease") relating to property adjoining the property on which Seller's San Diego dealership

is located. To evidence such assignment and assumption, Seller and Purchaser shall enter into an Assignment and Assumption of Tenant's Interest in Lease in substantially the form attached hereto as Exhibit 15(b) (the "Adjoining Property Assignment"). Seller shall obtain all consents necessary to assign its rights and obligations under the Adjoining Property Lease to Purchaser at Closing.

(c) PACLEASE Facility. At Closing, Shareholder and Purchaser shall enter into a lease agreement in substantially the form of the Lease Agreement attached hereto as Exhibit 15(c) (the "PACLEASE Lease"), pursuant to which Shareholder will lease to Purchaser the property on which Seller's PACLEASE facility is located in San Diego, California.

(d) El Centro, California Dealership. At Closing, Norm Pressley, an individual, and The Smith Family Trust, joint owners (the "El Centro Landlord"), and Purchaser shall enter into a lease agreement in substantially the form attached hereto as Exhibit 15(d) (the "El Centro Lease"), pursuant to which the El Centro Landlord will lease to Purchaser the property on which Seller's El Centro, California dealership is located.

16. SPECIAL PROVISIONS REGARDING EMPLOYEES OF SELLER.

16.1 New Employees of Purchaser. It is the intention of Purchaser, and Seller hereby acknowledges and agrees with such position, that any employees of Seller that Purchaser hires will be new employees of Purchaser as of the Closing Date or the date of hire, which ever is later. Such new employees shall be entitled only to such compensation and employee benefits as are agreed to by such employees and Purchaser, or as are otherwise provided by Purchaser, in its sole discretion.

16.2 No Hiring Commitment. Purchaser specifically does not commit to hire any of the employees of the Business, and Seller specifically understands and acknowledges this fact. However, notwithstanding Purchaser's position, Purchaser will review its needs in anticipation of the purchase of the Assets with a view to hiring certain of the employees of Seller as of the Closing Date. In its review, Purchaser expects to be able to review employee records and conduct employee interviews. Seller agrees that after the date hereof it will make, on a confidential basis, its employee records available to Purchaser and permit Purchaser to contact its employees for the purpose of conducting employee interviews. Seller further agrees to make employees designated by Purchaser available to Purchaser for such purpose.

16.3 Existing Employee Benefit Plans; Assumption of Vacation and Sick Leave Obligations. At the Closing, Purchaser shall assume Seller's obligations to employees of Seller hired by Purchaser for accrued but unused vacation and sick leave, and the Purchase Price shall be reduced by the dollar value of such obligation. Except for vacation and sick leave time assumed by Purchaser as set forth above, Purchaser shall have no obligation after the Closing to continue any pension plans or work benefit

plans currently offered by Seller to its employees. Except for vacation and sick leave time assumed by Purchaser as set forth above, Seller and Shareholder jointly and severally agree to indemnify and hold harmless Purchaser from and against any claim which may arise because of the failure to continue such pension plans or work benefit programs.

17. TERMINATION. This Agreement may be terminated without further obligation of the parties, as follows:

17.1 Mutual Consent. This Agreement may be terminated at any time prior to Closing by mutual written consent of the parties hereto.

17.2 Failure of Conditions. This Agreement may be terminated by either party hereto, if the conditions, as set forth in this Agreement, to such party's obligations under this Agreement are not fulfilled on or prior to the Closing Date; provided that any such termination for any other reason shall not otherwise limit the remedies otherwise available to such party as a result of misrepresentations of or breaches by the other party.

17.3 Failure to Close. This Agreement will automatically terminate on February 1, 2000, if the Closing shall not have occurred on or before such date, unless the parties shall have otherwise agreed in writing prior to such date. No party will be liable in damages to any other party as a result of termination pursuant to this Article 17 unless the failure of the Closing was due to the failure of such party to comply with the terms of this Agreement.

18. NOTICES. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, given by prepaid telex or telegram or by facsimile or other similar instantaneous electronic transmission device or mailed first class, postage prepaid, certified United States mail, return receipt requested, as follows:

(a) If to Purchaser, at:

If mailed:

P.O. Box 34630
San Antonio, Texas 78265

If personally delivered or delivered by overnight courier:

8810 I.H. 10 East
San Antonio, Texas 78219

Attention: W. Marvin Rush
Facsimile No.: (210) 662-8017

With a copy to:

Fulbright & Jaworski L.L.P.
300 Convent Street, Suite 2200
San Antonio, Texas 78205

Attention: Phillip M. Renfro, Esq.
Facsimile No.: (210) 270-7205

(b) If to Seller or Shareholder, at:

Scott Pressley
3390 Lilac Summit
Encinitas, California 92024

With a copy to:

Greenberg, Traurig, P.A.
One East Camelback Road, Suite 1100
Phoenix, Arizona 85012
Attention: Robert S. Kant, Esq.
Facsimile No.: (602) 263-2900

Any party may change its address for notice by giving to the other party written notice of such change. Any notice given under this Article 18 shall be effective when received at the address for notice for the party to which the notice is given.

19. GENERAL PROVISIONS.

19.1 Governing Law; Interpretation; Section Headings. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to conflict-of-law principles. The parties agree to submit to the jurisdiction of the State and federal courts of the State of California with respect to the breach or interpretation of Sections 12.3 and 12.8 of this Agreement or the enforcement of any and all rights, duties, obligations, powers and other relations among the parties arising under this Agreement. Exclusive venue for any action

arising under Sections 12.3 and 12.8 of this Agreement shall be San Diego, San Diego County, California. Except for the provisions of Sections 12.3 and 12.8 of this Agreement, with respect to which Purchaser and its Affiliates expressly reserve the right to petition a court directly for injunctive and other relief, any claim, dispute or controversy of any nature whatsoever, including but not limited to tort claims or contract disputes between the parties to this Agreement or their respective heirs, executors, administrators, legal representatives, successors and assigns, as applicable, arising out of or related to the terms and conditions of this Agreement, including the implementation, applicability or interpretation thereof, shall be resolved in accordance with the dispute resolution procedures set forth in Appendix A attached hereto and made a part hereof. The section headings contained herein are for purposes of convenience only, and shall not be deemed to constitute a part of this Agreement or to affect the meaning or interpretation of this Agreement in any way.

19.2 Severability. Should any provision of this Agreement be held unenforceable or invalid under the laws of the United States of America or the State of Texas, or under any other applicable laws of any other jurisdiction, then the parties hereto agree that such provision shall be deemed modified for purposes of performance of this Agreement in such jurisdiction to the extent necessary to render it lawful and enforceable, or if such a modification is not possible without materially altering the intention of the parties hereto, then such provision shall be severed herefrom for purposes of performance of this Agreement in such jurisdiction. The validity of the remaining provisions of this Agreement shall not be affected by any such modification or severance, except that if any severance materially alters the intentions of the parties hereto as expressed herein (a modification being permitted only if there is no material alteration), then the parties hereto shall use commercially reasonable efforts to agree to appropriate equitable amendments to this Agreement in light of such severance, and if no such agreement can be reached within a reasonable time, any party hereto may initiate arbitration under the then current commercial arbitration rules of the American Arbitration Association to determine and effect such appropriate equitable amendments.

19.3 Entire Agreement. This Agreement, the Schedules and the documents and agreements referenced herein set forth the entire agreement and understanding of the parties hereto with respect to the transactions contemplated hereby, and supersede all prior agreements, arrangements and understandings related to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party hereto which is not embodied or referenced in this Agreement, the Schedules or the documents or agreements referenced herein, and no party hereto shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not so set forth.

19.4 Expenses. Whether or not the transactions contemplated hereby are consummated, each of the parties will pay all costs and expenses of its or his performance of and compliance with this Agreement.

19.5 Further Actions. From time to time, at the request of any party hereto, the other parties hereto shall execute and deliver such instruments and take such action as may be reasonably requested to evidence the transactions contemplated hereby.

19.6 Binding Effect. All the terms, provisions, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective heirs, executors, administrators, representatives, successors and assigns.

19.7 Assignment. This Agreement and the rights and obligations of the parties hereto shall not be assigned or delegated by any party hereto without the prior written consent of the other parties hereto.

19.8 Amendment; Waiver. This Agreement may be amended, modified, superseded or canceled, and any of the terms, provisions, representations, warranties, covenants or conditions hereof may be waived, only by a written instrument executed by all parties hereto, or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right to enforce the same. No waiver by any party of any condition contained in this Agreement, or of the breach of any term, provision, representation, warranty or covenant contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, provision, representation, warranty or covenant.

19.9 Gender; Numbers. All references in this Agreement to the masculine, feminine or neuter genders shall, where appropriate, be deemed to include all other genders. All plurals used in this Agreement shall, where appropriate, be deemed to be singular, and vice versa.

19.10 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement shall be binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as signatories.

19.11 Telecopy Execution and Delivery. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile

or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

19.12 Press Releases. No press releases or other public announcement with respect to this Agreement or the transactions contemplated herein shall be made prior to the Closing Date without the joint approval of Purchaser and Seller, except as required by law.

19.13 Review of Counsel. Each party hereto acknowledges that it and its counsel have received, reviewed and been involved in the drafting of this Agreement and the agreements referenced herein to be executed at Closing and that normal rules of construction, to the effect that ambiguities are to be resolved against the drafting party, shall not apply.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Asset Purchase Agreement as of the date first above written.

PURCHASER:

RUSH TRUCK CENTERS OF
CALIFORNIA, INC.

By: _____

Name: _____

Title: _____

SELLER:

NORM PRESSLEY'S TRUCK CENTER

By: _____

Name: _____

Title: _____

SHAREHOLDER:

_____
Scott Pressley

APPENDIX A

DISPUTE RESOLUTION PROCEDURES

Re: Asset Purchase Agreement dated September 27, 1999 (including any amendments, the "Agreement"), by and among (i) Norm Pressley's Truck Center, a California corporation ("Seller"), (ii) Scott Pressley, contemplated to be the owner of a majority of the capital stock of Seller on the Closing Date ("Shareholder"), and (iii) Rush Truck Centers of California, Inc., a Delaware corporation ("Purchaser"). Unless otherwise defined in this Appendix A, terms defined in the Agreement and used herein shall have the meanings set forth therein.

A. Related Parties. For purposes hereof, Seller and Shareholder shall be considered one party and Purchaser and Rush shall be considered one party.

B. Negotiations. If any claim, dispute or controversy described in Section 20.1 of the Agreement (collectively, the "Dispute") arises, either party may, by written notice to the party, have the Dispute referred to the persons designated below for attempted resolution by good faith negotiations within 45 days (5 days with respect to any dispute under Section 13.9 of the Agreement) after such written notice is received. Such designated persons are as follows:

1. Purchaser and Rush. The Chairman of the Board and Chief Executive Officer of Rush or his designee; and

2. Seller and Shareholder. Shareholder or his or her designee.

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

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

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

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

1. Arbitrators. All Disputes and related matters in question shall be referred to and decided and settled by a panel of three arbitrators, one selected by Purchaser, one selected by Shareholder and the third selected by the two arbitrators so selected. Selection of the arbitrators to be selected by Purchaser and Shareholder shall be made within ten (10) business days after the date of giving of a notice of demand for arbitration, and the two arbitrators so appointed shall appoint the third within 10 business days following their appointment. No person who has a bias, or financial or personal interest in the result of the arbitration or any past or present relationship with the parties or their representatives shall serve as arbitrator

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIST OF EXHIBITS

EXHIBIT 2.3

GENERAL CONVEYANCE,
ASSIGNMENT AND ASSUMPTION AGREEMENT

EXHIBIT 10.7

EMPLOYMENT AGREEMENT

EXHIBIT 11.7

REGISTRATION RIGHTS AGREEMENT

EXHIBIT 11.9(a)

GMC OPERATING AGREEMENT

EXHIBIT 11.9(b)

HINO OPERATING AGREEMENT

EXHIBIT 15(a)

SAN DIEGO LEASE

EXHIBIT 15(b)

ADJOINING PROPERTY ASSIGNMENT

EXHIBIT 15(c)

PACLEASE LEASE

EXHIBIT 15(d)

EL CENTRO LEASE

LIST OF SCHEDULES

SCHEDULE 2.1

SCHEDULE 4.8

SCHEDULE 3.6

SCHEDULE 4.3

Exhibit 10.16

[GENERAL MOTORS ACCEPTANCE CORPORATION LETTERHEAD]

February 1, 1999

Mr. W. Marvin Rush
Rush Enterprises, Inc.
Rush Truck Group (RUSH)

SUBJECT: SPECIAL WHOLESALE INCENTIVE PLAN INTEREST RATE ALLOWANCES

From time to time GMAC offers to dealers a reduced interest rate on new and used floor plan finance obligations. This special rate is offered for competitive reasons as an incentive to encourage dealers to provide GMAC with . It is known as the Wholesale Incentive Plan ("WIP").

This letter confirms GMAC's agreement to provide RUSH with the following WIP:

> New and used wholesale floor plan and Borrowing Base Line of Credit, will be net billed at Prime minus .50 p.p. with maximum Credit Account Plan (CAP) at 50% of wholesale floor plan outstandings (the amount earned in the CAP shall be at a rate equivalent to the amount payable to GMAC on wholesale floor plan, less .25 p.p.). To qualify for this reduction, minimum wholesale outstandings must total at least $25 million, GMAC must retain all current wholesale outstandings for franchises presently owned and in the future and GMAC must be provided first right of refusal on all future wholesale financing.

The WIP becomes effective as of February 1, 1999. It will remain in effect indefinitely, subject to modifications, restrictions, qualifications, or outright cancellation by GMAC at any time in its sole and absolute discretion; provided that absent any default by you, any such change in the WIP will not be effective except upon a thirty (30) day notice to you.

Notwithstanding the foregoing, your wholesale credit lines are expressly subject to the written terms of the Wholesale Security Agreement under which they were extended. They are discretionary lines of credit and may be modified, suspended or terminated at our election, and at our sole and absolute discretion.

W. G. Hartnuss
Area Manager

Exhibit 10.18

DEALER SALES AND SERVICE AGREEMENT

BETWEEN

PETERBILT MOTORS COMPANY

AND

TABLE OF CONTENTS

ADDENDA

A. PRODUCTS

B. DEALERSHIP LOCATION AND FACILITY STANDARDS

C. OPERATING REQUIREMENTS, PERFORMANCE GOALS AND SALES/SERVICE EVALUATION

D. STATEMENT OF OWNERSHIP AND FINANCIAL AND MANAGEMENT STANDARDS

E. RIGHT OF FIRST REFUSAL

EXHIBIT 10.18

DEALER SALES AND SERVICE AGREEMENT

This is an AGREEMENT between Peterbilt Motors Company ("PETERBILT"), a division of PACCAR Inc, a Delaware corporation, and the principal owners identified in Addendum D and _____. a corporation (collectively referred to as "DEALER" throughout this AGREEMENT), duly incorporated in the State of Delaware and doing business as _____.

I. INTRODUCTION

A. PURPOSE AND GENERAL OBLIGATIONS. This AGREEMENT provides for the sale and servicing of PETERBILT trucks and tractors ("Vehicles"), and parts and accessories manufactured by or for PETERBILT and/or PACCAR Parts, a division of PACCAR Inc, ("Genuine Parts and Accessories") in a manner that will best serve the interests of PETERBILT, DEALER, other authorized PETERBILT dealers, and owners of Vehicles and Genuine Parts and Accessories (collectively called "PRODUCTS"). PETERBILT has selected its dealers based on their experience and commitment to provide adequate capital, equipment, personnel and facilities to sell and service PRODUCTS in a manner which promotes and maintains customer confidence and satisfaction and protects the reputation of PRODUCTS. Both PETERBILT and DEALER agree to use the highest ethical business standards in dealings with each other and with customers.

B. APPOINTMENT OF DEALER. Subject to the terms of this AGREEMENT, PETERBILT hereby grants DEALER a nonexclusive right to buy PRODUCTS identified in the attached Addendum A, to identify itself as an authorized PETERBILT dealer and to use Trademarks in the promotion, sale and servicing of PRODUCTS. PETERBILT reserves the right to revise Addendum A from time to time. DEALER has paid no fee for this AGREEMENT and no right granted by this AGREEMENT is a property right.

C. LOCATION OF DEALER FACILITY. DEALER will maintain a facility for the sale and servicing of PRODUCTS at Dealer Location(s) identified in Addendum B and in full compliance with all the requirements of Addendum B including identifying the facility with a sign.

D. TERM OF THE AGREEMENT. This AGREEMENT will become effective on _____ and will continue in effect for a period of Three (3) year(s) to expire on _____ unless terminated as provided in Article VIII. This AGREEMENT may not be extended or renewed except in writing signed by the General Manager or other authorized employee of PETERBILT.

II. SALE OF PRODUCTS

A. DEALER RESPONSIBILITIES.

1. PRODUCT Sales. DEALER's fundamental obligation under this AGREEMENT is to stock, sell at retail and service the PRODUCTS in the area defined in Addendum C. DEALER agrees that PETERBILT may add new dealers to, relocate dealers in, or make changes to the area defined in Addendum C from time to time. DEALER expressly agrees to develop the sales volume necessary to meet DEALER's PERFORMANCE GOALS identified in Addendum C.

2. DEALER Performance Evaluation. PETERBILT and DEALER will meet periodically, but not less than annually, to evaluate DEALER's sales and service performance in the local market in accordance with the criteria of Addendum C and this AGREEMENT. These criteria include but are not limited to:

a. The achievement of reasonable sales objectives as PETERBILT may establish, and as are set forth in Addendum C;

b. Customer satisfaction with DEALER'S conduct, participation or assistance in sales transactions, as may be determined by PETERBILT through customer opinion polls, personal interviews, letters from customers or otherwise;

c. The relationship of the registrations in the area defined in Addendum C of new PETERBILT Vehicles sold by DEALER to the total registrations in this same period of all new trucks of the same class (for this purpose, trucks of the same class will be those selected by PETERBILT for comparison which shall be generally competitive with PETERBILT Vehicles);

d. DEALER'S performance under subparagraph c above, as compared with the performance of dealers similarly situated and with the national average for all PETERBILT dealers, and with the regional and district averages for all PETERBILT dealers in the region and district to which DEALER is assigned.

e. The trend of DEALER'S sales performance over a period of time;

f. Conditions affecting the market for trucks;

g. DEALER'S participation in sales and promotional programs offered by PETERBILT;

h. DEALER'S inventory and sale of Genuine Parts and Accessories in relation to the population of PETERBILT Vehicles and similar vehicles of the same class in the area defined in Addendum C; and

i. DEALER's participation in, and use of, other programs, products and services offered by PETERBILT or PETERBILT affiliates.

3. Sales Operations and Product Promotion. DEALER agrees to establish and maintain a sales organization in accordance with the requirements for a minimum number of personnel and training certification defined in Addendum C. DEALER agrees to conduct all sales activities in full compliance with PETERBILT's sales directives and to maintain a high standard of ethical sales activity and advertising. Under no circumstances will DEALER solicit or make sales through sub-dealers, agents, or representatives without the prior written consent of PETERBILT. DEALER acknowledges that PETERBILT may sell direct to major customers from time to time. If such sales occur, PETERBILT may compensate DEALER in a manner and an amount to be determined by PETERBILT for the contribution of the DEALER to the sale. DEALER further agrees to the following:

a. In order to maintain the confidence of the public in DEALER and PRODUCTS, DEALER shall use its best efforts to sell each customer PRODUCTS with specifications most appropriate to the customer's application and will not mislead or deceive its customers with respect to the specifications or performance of PRODUCTS.

b. DEALER shall use its best efforts to promote the sale of PRODUCTS in the area defined in Addendum C through systematic contacts with owners and users and prospective owners and users of PRODUCTS, and through such other means as may be specified from time to time by PETERBILT in its directives and suggestions.

c. DEALER shall at all times carry in stock an adequate inventory of unsold new PETERBILT Vehicles not ordered or held for specific customers as may be sufficient to meet the sales potential for PETERBILT Vehicles in the area defined in Addendum C. DEALER shall also at all times carry in stock an adequate inventory of Genuine Parts and Accessories as may be required to meet the sales potential for Genuine Parts and Accessories and the service needs of owners and users of PETERBILT Vehicles in the area defined in Addendum C.

d. In order to further sales of new PETERBILT Vehicles, DEALER will engage in the purchase and sale of customer trade-ins of used heavy-duty vehicles as may be required to effectively compete in the area defined in Addendum C. PETERBILT may from time to time provide DEALER with lists of used heavy-duty vehicles available for sale. DEALER will use its best efforts to market such used heavy-duty vehicles.

4. Sales Reporting. To assist PETERBILT in the evaluation of current market trends, DEALER upon request will deliver a report in a form prescribed by PETERBILT promptly upon delivery of new vehicles to a customer. DEALER will also furnish other market information reasonably requested by PETERBILT from time to time.

5. Purchase Orders. When placing orders for PRODUCTS, DEALER will only use purchase order forms provided by PETERBILT. All orders are subject to acceptance by PETERBILT. No order may be cancelled, except in accordance with PETERBILT's standard policy on order cancellation then in effect. PETERBILT will use its best efforts to fill any orders it has accepted, but will not be obligated to deliver to DEALER any particular number of PRODUCTS over a specific period of time.

6. Prices and Payments. PETERBILT may change prices and terms of sale from time to time. Unless otherwise agreed in writing, payments for Vehicles purchased shall be by medium of payment acceptable to PETERBILT against a wholesale line of credit established by DEALER and expressly approved by PETERBILT as provided for in Addendum D. PETERBILT will invoice DEALER for all PRODUCT purchases in accordance with PETERBILT's standard policy. In accordance with PETERBILT'S credit policy, PETERBILT may place sales of Genuine Parts and Accessories on a payment in advance basis. DEALER's right to return Genuine Parts and Accessories shall be governed by the terms of PETERBILT's parts return policy then in effect.

7. Payment Default. Should DEALER fail to pay for, or should any applicable financing arrangement fail to provide credit for the payment of, any PRODUCTS ordered by DEALER when payment is due, PETERBILT may take any of the actions set forth in Addendum D.

8. Delivery. PETERBILT will select the distribution points, carriers and modes of transportation for delivery of PRODUCTS to DEALER. DEALER will reimburse PETERBILT for delivery, freight, and related costs as set out on PETERBILT's invoice to DEALER. Unless otherwise provided under PETERBILT's warranty procedures, DEALER will file and pursue any claims against any carrier for loss or damage during shipment. PETERBILT will not be liable for delay or failure to fill orders that have been accepted where the failure or delay is the result of any cause beyond PETERBILT's reasonable control, including domestic or foreign laws, governmental actions, war or civil disturbance, acts of God, interruptions of navigation, shipwreck, strikes or other labor troubles, delays of suppliers or carriers.

9. Warranty. DEALER agrees that the only warranties that will be applicable to each new PRODUCT will be the written limited warranty furnished by PETERBILT to the first retail purchaser of the PRODUCTS as it may be revised from time to time. DEALER is not authorized to provide any additional warranties or assume any additional obligations or liabilities on behalf of PETERBILT. DEALER agrees that at the time the customer signs an order, DEALER will explain the warranty to the customer and obtain the customer's signature acknowledging receipt thereof.

10. PRODUCT Alterations. DEALER will not alter any PRODUCT, or change or substitute any of its components as sold by PETERBILT, if it might affect the safe mechanical operation, safety or structural integrity of any PRODUCT.

B. ADVERTISING.

PETERBILT agrees to establish and maintain general advertising and promotion programs for the PRODUCTS. DEALER agrees to actively participate in cooperative advertising programs developed by PETERBILT from time to time for all DEALERS and to follow PETERBILT advertising guidelines in local advertising. DEALER also agrees to promote the purchase of PRODUCTS through DEALER's own advertising and sales promotion activities.

Neither PETERBILT nor DEALER will publish any advertising likely to mislead or deceive the public or impair the good will of PETERBILT or DEALER or the reputation of the PRODUCTS.

III. SERVICE AND PARTS

A. DEALER RESPONSIBILITIES. DEALER agrees to establish and maintain a service and parts organization in accordance with the requirements for a minimum number of personnel with training certification defined in Addendum C. DEALER agrees to take all reasonable steps to provide service and parts for all PRODUCTS, regardless of where purchased, and whether or not under warranty, and to ensure that necessary repairs on PRODUCTS are performed in accordance with the highest professional standards and with the customer's consent.

1. Predelivery Service, Warranty Service, Campaign Inspections. DEALER will perform predelivery service on each new Vehicle, warranty service and recall campaign inspections and service in accordance with PETERBILT procedures then in effect. DEALER will procure special tools and service equipment as may be necessary to meet DEALER's obligations under this paragraph.

2. Reimbursement Rates. PETERBILT agrees to compensate DEALER for all warranty, and campaign inspection work related to recalls, in accordance with PETERBILT procedures and applicable law. Warranty service is provided for the benefit of customers and customers will not be obligated to pay any charges for warranty work, except as required by law.

3. Non-Genuine Parts or Accessories. DEALER has the right to sell, install or use parts or accessories which are not Genuine Parts and Accessories manufactured by or for PETERBILT. However, in cases where DEALER does not sell, install or use Genuine Parts and Accessories, DEALER will only use such other parts or accessories as will not adversely affect the mechanical operation or safety of the PRODUCTS being serviced or repaired, or will be equivalent in quality and design to Genuine Parts and Accessories.

If DEALER uses parts or accessories which are not Genuine Parts and Accessories or are not approved by PETERBILT or the PACCAR Parts division for use in PRODUCTS, DEALER does so at its own risk and PETERBILT will not be responsible to DEALER or to any third party for any products liability, warranty or other claim which may arise as a consequence of the installation and/or use of such parts.

B. ASSISTANCE PROVIDED BY PETERBILT.

1. Customer Lists. PETERBILT may, from time to time, furnish DEALER with a list of potential customers of PRODUCTS located in the area defined in Addendum C. This will enable DEALER to maintain regular and periodic contact with each such customer and make every reasonable effort to sell PRODUCTS. Also, if available, PETERBILT will furnish DEALER with a list of the owners of Vehicles located in areas where such Vehicles could reasonably be brought to the DEALER for service. This will enable DEALER to maintain regular and periodic contact with each such Vehicle owner and make every reasonable effort to see that every owner is satisfied with their Vehicle(s).

2. Sales and Service Training Assistance. PETERBILT periodically will offer general and specialized truck and parts sales, and other service and technical training programs and materials. DEALER agrees that its sales, service and/or parts personnel will participate in these programs. Completion of training programs is required to comply with training standards or recommendations set out in Addendum C.

3. Service Manuals and Materials. PETERBILT agrees to make available to DEALER copies of service manuals and bulletins, publications and technical data as PETERBILT deems necessary for the effective operation of DEALER's service and parts organization. PETERBILT will use its best efforts to make available such data and information before new PRODUCTS are introduced for sale. DEALER agrees to keep these manuals, publications and data current and available for use by its parts and service employees.

4. Field Sales and Service Personnel Assistance. PETERBILT agrees to make available field personnel who will periodically advise DEALER on sales, parts and service related subjects, including fleet sales, product quality, technical adjustment, repair, replacement and sale of PRODUCTS, customer relations, warranty administration, and service and parts merchandising, training and management.

IV. CAPITAL STANDARDS

A. NET WORKING CAPITAL. DEALER agrees to establish and maintain net working capital in accordance with Addendum D. If at anytime DEALER's net working capital falls below the minimum requirements as determined by PETERBILT financial standards for dealership capitalization, DEALER shall take all steps reasonably necessary to meet such minimum capital requirements.

B. OWNERSHIP. Addendum D also sets forth the identity of all DEALER owners and their respective ownership interests in DEALER (called "DEALER PRINCIPAL(S)") and the principal managers, who may or may not have ownership interests (called "OPERATING MANAGER(S)") of DEALER. DEALER acknowledges that this is a personal service contract. The effectiveness of DEALER is ultimately dependent upon the DEALER PRINCIPAL(S) and OPERATING MANAGER(S) who must assume full managerial authority and responsibility for DEALER business. No change in ownership or change in DEALER PRINCIPAL(S) shall be made without first consulting with and obtaining PETERBILT's prior written consent. DEALER also agrees to notify PETERBILT of any changes in OPERATING MANAGER(S). Any change approved by PETERBILT will be contained in a new Addendum D.

V. ACCOUNTS, RECORDS AND REPORTS

A. UNIFORM ACCOUNTING SYSTEM. DEALER agrees to maintain a uniform accounting system designated by PETERBILT, and in accordance with PETERBILT policies, procedures and forms, as amended from time to time. In addition, DEALER will furnish to PETERBILT, by the twentieth of each month, in the manner set forth in the PETERBILT Accounting Manual and in a format and on forms prescribed by PETERBILT, a complete and accurate financial and operating statement covering the preceding month and DEALER's fiscal year-to-date operations. DEALER will also promptly furnish to PETERBILT a copy of any adjusted financial or operating statement prepared by or for DEALER.

B. AUDIT OF DEALER RECORDS. DEALER agrees that PETERBILT will have the right, at all reasonable times and during DEALER's regular business hours, to examine, audit and reproduce all records, accounts and other data relating to the sale and service of PRODUCTS by DEALER. PETERBILT will provide a copy of the report of the examination or audit to DEALER upon request.

C. CONFIDENTIALITY. PETERBILT agrees that it will not provide any data or documents submitted to PETERBILT pursuant to this Article V to any independent third party, unless authorized by DEALER, required by law, or otherwise pertinent to legal proceedings. DEALER agrees that PETERBILT may provide such data to affiliated entities such as PACCAR Financial Corp., provided that such entities have agreed to comply with the terms of this provision governing confidentiality. DEALER also agrees that PETERBILT may use such data or documents to generate composite data which PETERBILT believes will be useful to share with its dealers to assist them in improving operations. Such composite data will not specifically identify any dealer.

VI. TRADEMARKS, SERVICE MARKS AND TRADE NAMES

A. USE BY DEALER. PETERBILT authorizes DEALER to use the trade names, trademarks and logos of PETERBILT (hereinafter "Trademarks"). PETERBILT grants to DEALER the nonexclusive privilege of displaying or otherwise using Trademarks solely in connection with the promotion and sale of PRODUCTS from approved location(s).

DEALER agrees, however, that it will promptly discontinue the display and use of any Trademarks, and will change the manner in which any Trademarks are displayed and used when requested to do so by PETERBILT. DEALER further agrees that it will do nothing to impair the value of or contest PETERBILT's use or ownership of any trademark, design mark, service mark or trade name at any time acquired, claimed or adopted by PETERBILT. In addition, no company owned by or affiliated with DEALER or any DEALER PRINCIPALS may use any Trademarks or PRODUCT name without the prior written consent of PETERBILT.

B. DISCONTINUANCE OF USE. Upon termination, non-renewal or expiration of this AGREEMENT, DEALER agrees that it will immediately discontinue all use of the word "Peterbilt" and the Trademarks, or similar words and cease representing itself as an authorized PETERBILT Dealer. Thereafter DEALER will not use, either directly or indirectly, any Trademarks, trademarks of affiliated companies, or any other similar trademarks in a manner likely to cause confusion or mistake or to deceive the public. In addition, DEALER will promptly remove all PRODUCT signs bearing the word "Peterbilt" or the Trademarks from its facilities at DEALER's sole cost and expense. In the event DEALER fails to comply with its obligations herein within thirty (30) days of termination, non-renewal or expiration, PETERBILT will have the right to enter upon DEALER's premises and remove, without liability, all signs bearing the word "Peterbilt" or using any Trademarks. DEALER will reimburse PETERBILT for any costs and expenses incurred in connection with the enforcement of this paragraph, including reasonable attorney's fees.

VII. DEALER'S REPRESENTATION OF COMPETING LINES

PETERBILT PRODUCTS have traditionally been sold primarily through independently owned dealerships. Representing multiple lines of competing truck manufacturers may create conflicts of interest resulting in inadequate representation of PETERBILT PRODUCTS. Demands on capital, personnel and other limited resources of a dealership may become increasingly difficult to balance when they must be allocated among several competing product lines. For these reasons, DEALER agrees not to enter into a written agreement to sell and service the competitive vehicles of another truck manufacturer without providing at least sixty (60) days prior written notice to PETERBILT so that PETERBILT may evaluate and discuss with DEALER the likely effect of such an action on DEALER, PETERBILT and other PETERBILT dealers. In conducting its evaluation PETERBILT will consider and discuss with DEALER the following:

a. Whether and to what degree the competing line competes with PETERBILT's major product lines;

b. Whether DEALER already represents the competing line with the acceptance or approval of PETERBILT;

c. Whether DEALER's representation of competing lines in another PETERBILT dealer's marketing area is likely to cause competitive injury to that dealer.

d. Whether DEALER's capital, personnel and management resources will be adequate to represent more than one line; and

e. For non-exclusive facilities, whether the facility is adequate to support an additional line.

VIII. TERMINATION OF AGREEMENT

This section explains the circumstances under which the AGREEMENT may be terminated by either party, the procedure to be followed and the consequences of termination. Identifying specific events which could result in termination is intended to reduce the possibility of misunderstandings between PETERBILT and DEALER.

A. TERMINATION BY DEALER. DEALER may voluntarily terminate this AGREEMENT at any time by written notice to PETERBILT. Termination will be effective thirty (30) days after PETERBILT receives such notice unless otherwise mutually agreed in writing.

B. TERMINATION FOR CAUSE.

1. Immediate Termination. PETERBILT will have the right to terminate this AGREEMENT immediately in any of the following situations:

a. Any misrepresentation to PETERBILT by DEALER or any Owner or DEALER PRINCIPAL in applying for this AGREEMENT or for approval as Owner or DEALER PRINCIPAL of DEALER;

b. If DEALER, or any Owner, officer, or DEALER PRINCIPAL of DEALER, is convicted of any felony or of any violation of law which in PETERBILT's sole opinion tends to adversely affect the business or interests of DEALER or PETERBILT, or to impair good will associated with the Trademarks;

c. Submission by DEALER to PETERBILT of: (i) false claims for reimbursement, sales incentives, warranty claims, refunds, rebates or credits; (ii) false financial information, sales reports or other data required by PETERBILT; or (iii) false statements relating to predelivery or warranty service, campaign inspections, servicing, repairing, or maintenance required by PETERBILT;

d. If DEALER is closed for a period of five (5) consecutive days, except when due to an event beyond DEALER's reasonable control such as acts of God, war or civil disturbance, labor strikes or other labor trouble;

e. Failure of DEALER to obtain or maintain any license, or the suspension or revocation of any license, necessary for the conduct by DEALER of its business pursuant to this AGREEMENT; or

f. If DEALER becomes insolvent, as defined by the Uniform Commercial Code, or files any voluntary petition under any bankruptcy law, or executes an assignment for the benefit of creditors, or any petition is filed by any third party to have DEALER declared bankrupt or to appoint a receiver or trustee, or another officer having similar power, and such filing or appointment is not vacated within thirty (30) days or there is any levy under attachment or execution or similar process which is not vacated or removed by payment or bonding within ten (10) days.

g. Any attempted or actual sale, transfer or assignment by DEALER of this AGREEMENT, ownership interests in the DEALER, or any of the rights granted DEALER under this AGREEMENT, or any attempted or actual transfer, assignment or delegation by DEALER of any of the responsibilities assumed by it under the AGREEMENT, including but not limited to removal, withdrawal or change of Owner or DEALER PRINCIPAL, without the prior written consent of PETERBILT;

2. Termination Upon Sixty (60) Days Notice. If any of the following events has occurred and PETERBILT determines that the matter may require termination of this AGREEMENT, PETERBILT will so advise DEALER in writing. If DEALER does not correct the condition within thirty (30) days after notice is sent, PETERBILT will have the right to terminate this AGREEMENT upon an additional sixty (60) days notice, subject to DEALER's right to arbitrate under Article IX. Events which may result in such termination include:

a. he conduct, directly or indirectly, of DEALER's operations from a facility other than a facility and location specifically approved in Addendum B, without the prior written consent of PETERBILT;

b. Any sale or transfer, by operation of law or otherwise, of any of the location(s) approved in Addendum B or of substantially all of the assets required in the conduct of DEALER's operations, without the prior written consent of PETERBILT;

c. Any dispute, disagreement or controversy between or among Owners, DEALER PRINCIPALS, officers or managers of DEALER which, in the sole opinion of PETERBILT, adversely affects the operations, management, reputation or business interests of DEALER or PETERBILT or the reputation of PETERBILT's PRODUCTS;

d. Any refusal to permit PETERBILT to examine or audit DEALER's accounts and records as provided in Article V upon receipt by DEALER of written notice from PETERBILT requesting such permission or information;

e. Repeated failure of DEALER to furnish timely sales or financial information and related data;

f. Failure of DEALER to establish or maintain required net working capital or adequate wholesale credit lines;

g. Failure of DEALER to pay PETERBILT for any PRODUCTS in accordance with the terms and conditions of sale;

h. Failure of DEALER to accept an amended form of the AGREEMENT or renewal within thirty (30) days after its presentation to DEALER if the AGREEMENT is substantially the same as offered and accepted by a substantial majority of PETERBILT dealers or if any applicable law or regulation, or any new interpretation thereof indicates that a change in any of the provisions of the AGREEMENT is necessary or desirable;

i. Entry by DEALER into a written agreement to sell and service vehicles for another truck manufacturer at an exclusive facility identified in Addendum B;

j. Other than performance failures set out below in Article VIII.B.3, any other failure to comply with material provisions of the AGREEMENT and/or minimum standards set forth in Addenda to the AGREEMENT.

3. Termination For Failure of Performance on Ninety (90) Days Notice. If, upon evaluation of DEALER's performance pursuant to Addenda B and C, PETERBILT determines that DEALER has failed to perform adequately its sales responsibilities or to provide adequate facilities, PETERBILT will review promptly with DEALER the nature and extent of such failure(s). PETERBILT will notify DEALER in writing of DEALER's failure of performance and will grant DEALER one hundred eighty (180) days from the date of such notice to correct such failure(s). If DEALER fails or refuses to correct such failure(s) or has not made substantial progress towards remedying such failure(s) at the expiration of such period, PETERBILT may terminate this AGREEMENT upon ninety (90) days notice.

4. Termination Based on Market Withdrawal. This AGREEMENT will terminate upon the effective date of PETERBILT's ceasing to manufacture or sell PRODUCTS subject to any notice requirements under applicable federal or state laws.

5. Termination Upon Death or Incapacity. PETERBILT will have the right to terminate this AGREEMENT in the event of the death or incapacity of any Owner or DEALER PRINCIPAL identified in Addendum D, upon ninety (90) days written notice to DEALER. Notwithstanding its right to terminate under this paragraph 5, PETERBILT agrees to permit succession to majority ownership or DEALER PRINCIPAL by any person provided they are approved as an Owner or DEALER PRINCIPAL by PETERBILT in accordance with the then current policies and procedures of PETERBILT. Provided DEALER is not then in default under any of the provisions of this Article VIII, Company also will grant DEALER one hundred eighty (180) days from the date of such death or incapacity to submit a succession plan for PETERBILT's approval.

C. EFFECTIVE DATE OF TERMINATION. If any period of notice of termination required under this Article VIII is less than that required by applicable law, the period of notice required will be deemed to be the minimum period required by such law.

D. EFFECT OF TERMINATION.

1. The Right to Purchase PRODUCTS. Upon sending any notice of termination, expiration or non-renewal, PETERBILT will have no further obligation to sell and DEALER will have no right to purchase any PRODUCTS. Any decision to permit DEALER to purchase PRODUCTS thereafter will be in PETERBILT's sole discretion and will not be construed as a waiver of the termination or a renewal, extension or continuation of this AGREEMENT. Upon the expiration or prior termination of this AGREEMENT, PETERBILT will have the right to cancel any and all pending requests by DEALER to purchase PRODUCTS and any shipments scheduled for delivery to DEALER.

2. Repurchase of PRODUCTS.

a. PETERBILT's Obligations. Upon expiration, non-renewal or termination of this AGREEMENT, PETERBILT will repurchase from DEALER the following PRODUCTS which DEALER initially purchased from PETERBILT or from a source designated by PETERBILT:

(i) New, unused, unmodified and undamaged current model PETERBILT Vehicles then in DEALER's inventory. The repurchase price will be the original purchase price paid by DEALER, less all prior refunds or other allowances made by PETERBILT to DEALER with respect to the original purchase (and less standard freight charges).

(ii) New, unused and undamaged Genuine Parts and Accessories then in DEALER's inventory which are in good and saleable condition, provided that they are listed in the then current PETERBILT Dealer Parts Price List. The prices for such Genuine Parts and Accessories will be the prices last established by PETERBILT for dealers in the area in which DEALER is located (less standard re-stocking and freight charges).

(iii) Tools and equipment required by PETERBILT and then owned by DEALER especially designed for servicing PETERBILT Vehicles. The purchase prices for tools and equipment will be the price paid by DEALER less appropriate depreciation or such other price as the parties may negotiate.

PETERBILT shall have no obligation to repurchase PRODUCTS as provided herein in the event DEALER and PETERBILT agree to renew this AGREEMENT.

b. DEALER's Responsibilities. DEALER's right to reimbursement under Article VIII.D.2.a is contingent upon the following:

(i). Within thirty (30) days after the date of expiration or the effective date of termination of this AGREEMENT, DEALER will request PETERBILT in writing to purchase the qualifying inventory and tools and will provide PETERBILT with a detailed and accurate list of such inventory and tools. After receiving the list, PETERBILT may, in its discretion, enter upon DEALER's premises to verify the inventory and tools as qualifying under Article VIII.D.2.a.

(ii) DEALER agrees to execute and deliver to PETERBILT instruments satisfactory to PETERBILT conveying good and marketable title to the inventory and tools as PETERBILT may require. If such property is subject to any lien or charge of any kind, DEALER agrees to secure the discharge and satisfaction thereof prior to the repurchase of the inventory and tools.

(iii) DEALER agrees to allow PETERBILT to remove, at its own expense, all signage bearing PETERBILT Trademarks before DEALER is eligible for payment hereunder.

c. Payment by PETERBILT. PETERBILT will make payment for all repurchased items as soon as practicable upon DEALER's compliance with the obligations set forth in Article VIII.D.2.b, above. Any amount due DEALER at termination shall be fully subject to set-off against any amounts owed PETERBILT by DEALER.

IX. VOLUNTARY ARBITRATION OF DISPUTES

In order to encourage DEALER and PETERBILT to resolve disputes in an efficient and inexpensive manner, DEALER and PETERBILT may mutually agree that any disputes, protests, controversies or claims, whether for damages, stays of action or otherwise, ("Disputes"), may be resolved by arbitration. If DEALER and PETERBILT agree to arbitrate a Dispute, it shall be subject to arbitration under the following procedures:

A. FILING CLAIM. Unless otherwise agreed, arbitration may be initiated by DEALER filing a written request therefor no later than sixty (60) days after PETERBILT and DEALER have agreed to resolve the Dispute by arbitration. DEALER's written request to arbitrate, together with the appropriate filing fee, shall be filed by DEALER with the Office of the American Arbitration Association located nearest to the DEALER, which shall then become the site of the arbitration proceedings, unless otherwise agreed between the parties. The arbitration request should state clearly and completely the nature of DEALER's claim and its basis, the amount involved, if any, and the remedies sought.

B. EXCLUSIVE REMEDY. Unless the parties specifically agree otherwise at the time they elect to arbitrate the Dispute, arbitration shall be the sole and exclusive remedy of DEALER for that Dispute, and the decision and award of the arbitrator shall be final and binding on both parties. At DEALER's request, PETERBILT will agree to mediation of the Dispute prior to binding and final arbitration.

C. PROCEDURES. The arbitration and/or mediation will be conducted in accordance with the Commercial Rules of the American Arbitration Association then in effect (hereinafter referred to as the "Commercial Rules"), except as modified by mutual agreement of the parties, and in compliance with the United States Arbitration Act (9 U.S.C. Section 1, et. seq.).

D. CHOICE OF ARBITRATOR. Unless the DEALER at its option requests three (3) arbitrators, the arbitration shall be heard by a single arbitrator mutually agreeable to the parties, who, unless the parties agree otherwise, shall be an attorney at law admitted to practice for at least ten (10) years with substantial commercial experience and selected from a panel of American Arbitration Association arbitrators. If the parties fail to reach agreement within fifteen (15) days of the DEALER's request to arbitrate, an arbitrator (or three arbitrators, if the DEALER so elects) meeting these qualifications shall be named by the American Arbitration Association from such panel in accordance with the Commercial Rules, provided that the arbitrator(s) selected shall not have previously provided legal representation in litigation between motor vehicle manufacturers and motor vehicle dealers.

E. ARBITRATOR'S AWARD. If the arbitrator finds that PETERBILT has acted in accordance with provisions of this AGREEMENT, the standards set forth in 15 U.S.C. Sections 1221-1225 (the "Dealer's Day in Court Act"), and any applicable federal, state or local law, the arbitrator shall render an award in favor of PETERBILT. If the award in favor of PETERBILT relates to termination or nonrenewal of this AGREEMENT, the termination or nonrenewal shall be expressly recognized by DEALER as having been made without breach by PETERBILT of the AGREEMENT, the Dealer's Day in Court Act, or any applicable federal, state or local law. The termination or nonrenewal shall then become effective on the date of the award. If the arbitrator renders an award in favor of DEALER relating to a Dispute involving termination, PETERBILT's notice of termination shall be void and shall not be deemed to constitute a breach of this AGREEMENT. The arbitrator shall not have the authority to award punitive damages for any Dispute or to impose remedies unavailable in a court of law. The decision and award of the arbitrator shall be conclusive as to all matters within the arbitrator's jurisdiction in all other proceedings between parties, their successors or assigns, and judgment upon the award may be entered in any Court of competent jurisdiction.

F. PAYMENT OF FEES. The parties agree to compensate the arbitrator commensurate with the professional standing of the arbitrator and in accordance with the Commercial Rules. The compensation of the arbitrator, the administrative fees and charges of the American Arbitration Association, and the other expenses of the arbitration shall be borne equally by the parties and each party shall bear its own legal fees, provided that in all cases in which the DEALER is entitled to recovery of its legal fees under applicable state or federal law, PETERBILT shall pay such fees.

G. TIME PERIOD. Unless PETERBILT and DEALER specifically agree to the contrary, and subject to the Commercial Rules and the procedures of the American Arbitration Association, the arbitration hearing shall be concluded not more than one hundred and eighty (180) days after the date of DEALER's written request to arbitrate.

X. DEFENSE AND INDEMNIFICATION BY PETERBILT

PETERBILT will assume the defense of DEALER and agrees to indemnify and hold DEALER harmless in any legal proceeding naming DEALER as a defendant and involving any PRODUCT when the proceeding involves allegations of: breach of warranty, or a defect in manufacture or design; provided that PETERBILT has available sufficient evidence to support the conclusion that DEALER has not done or failed to do any act which would provide an independent basis for any allegations of liability against DEALER. DEALER agrees to cooperate fully in developing the facts necessary for defense of the lawsuits whether or not DEALER remains a party. The obligations of the parties set forth in this Article X shall survive the termination of this AGREEMENT.

XI. MISCELLANEOUS PROVISIONS

A. ENTIRE AGREEMENT. This AGREEMENT and Addenda constitute the entire AGREEMENT made by the parties and cancels and supersedes any and all previous agreements relating to the subject matters covered herein.

B. AMENDMENT. No amendment of any portion of this AGREEMENT will be valid or binding unless approved in writing by an authorized representative of each of the parties.

C. COLLATERAL ASSIGNMENT. DEALER may not pledge, assign, hypothecate, or grant a security interest in, this AGREEMENT or DEALER's right, title or interest therein.

D. SEVERABILITY. If any term or provision of this AGREEMENT is adjudged by any court or government agency to be invalid, void or unenforceable, such term or provision will be deemed deleted from this AGREEMENT and the remaining provisions thereof will continue in full force and effect.

E. GOVERNING LAW. This AGREEMENT will be governed and construed according to the laws of the state in which DEALER is located. To the extent a valid law of any jurisdiction requires any obligations or rights under this AGREEMENT to be exercised other than in accordance with this AGREEMENT, the rights and obligations shall be exercised in accordance with such law. All provisions of this AGREEMENT shall be construed in light of this paragraph.

F. WAIVERS. Any failure of either party at any time to require performance by the other party of any provision herein will not be deemed to be a waiver by such party of any subsequent breach or violation of the same or any other provision.

G. NOTICES. Any notice required to be given by either party to the other under or in connection with this AGREEMENT will be in writing and delivered personally or by certified mail, return receipt requested and will be effective from the date of receipt.

H. NEW AND SUPERSEDING DEALER AGREEMENTS. In the event any new and superseding form of this AGREEMENT is offered by PETERBILT to all authorized PETERBILT dealers at any time prior to the expiration of the term of this AGREEMENT, and a substantial majority (no fewer than sixty-five percent (65%) of PETERBILT dealers) accept it, PETERBILT may, by written notice to DEALER, terminate this AGREEMENT and replace it with a new AGREEMENT in the new and superseding form for a term not less than the then unexpired term of this AGREEMENT. In that event, such termination shall be effective, without further notice, upon the earlier of: (1) execution of a new and superseding form of this AGREEMENT by DEALER; or (ii) thirty (30) days after a new AGREEMENT is offered and sent to DEALER for execution.

I. INDEPENDENT ENTITY. DEALER is not PETERBILT's agent in any respect and has not been granted any express or implied authority to incur obligations or make representations binding upon PETERBILT.

By their signatures hereto, PETERBILT and DEALER agree to abide by the terms and conditions of this AGREEMENT in good faith and for their mutual benefit.

.	PETERBILT MOTORS COMPANY
- ----------	
By: ----------	By: ----------
W.M. Rush II	Nicholas P. Panza
Title: Chairman & CEO	Title: General Manager
Date ----------	Date: October 5, 1997

ADDENDUM A
PRODUCTS

Effective _____, DEALER has a non-exclusive right to buy the following Vehicles:

Heavy Duty Models 320, 362, 357, 377, 378, 379, 385 and Medium Duty Model 330

trucks/tractors bearing the name "Peterbilt" and Genuine Parts and Accessories consisting of new parts, components and accessories manufactured by or for PETERBILT and/or the PACCAR Parts division of PACCAR Inc, designed primarily for use on such Vehicles (the Vehicles and their Genuine Parts and Accessories are referred to in the Dealer Sales and Service Agreement collectively as "PRODUCTS").

This Addendum shall remain in full effect until superseded by a new Addendum A furnished DEALER by PETERBILT. This Addendum A cancels and supersedes any previous Addendum A.

PETERBILT MOTORS COMPANY

By:

Nicholas P. Panza
Title: General Manager
Date: October 5, 1997

ADDENDUM B
DEALERSHIP LOCATION AND FACILITY STANDARDS

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PETERBILT has entered into this Agreement in reliance upon DEALER's representation that it will establish and maintain DEALER facilities and operations only at the following location(s) identified in this Addendum:

Main: _____	Exclusive Heavy Duty	Yes
_____	Exclusive Medium Duty:	Yes
	Facility Type:	Full Service

Moreover, it is the mutual desire of DEALER and PETERBILT that DEALER's facilities reflect a premium image and distinctive appearance consistent with all other duly authorized PETERBILT dealers. DEALER agrees that the facilities will at all times be in compliance with standards set forth in this Addendum, as amended from time to time.

DEALER further agrees to the following:

1. Operating Hours. DEALER will maintain its DEALER operations open for business during 5.5 days per week and 16 hours per day which are customary and lawful for truck dealers where DEALER is located.

2. Signs. Subject to applicable law, DEALER will erect and maintain at the DEALER location(s), at DEALER's expense, standard product and service signs owned by PETERBILT, as well as such other signs authorized by PETERBILT as are necessary to identify the DEALER Operations effectively and as recommended by PETERBILT. DEALER shall in no way alter or modify the signs without obtaining prior written approval from PETERBILT.

3. Computer Systems. DEALER will acquire, install, maintain and upgrade at DEALER's sole expense, standardized electronic data processing systems, business systems, communication systems and appropriate software compatible with PETERBILT's systems. The computer terminals for the system will be installed and maintained by DEALER at location(s) identified herein. Furthermore, DEALER will use the systems in accordance with PETERBILT's instructions.

4. Evaluation of DEALER Facilities. PETERBILT will periodically evaluate DEALER's facilities in accordance with the terms of this Addendum. PETERBILT will provide DEALER with a written evaluation.

DEALER will maintain a facility which will reflect favorably upon and preserve the goodwill of DEALER, PETERBILT and all other PETERBILT dealers and which will meet PETERBILT's current minimum facilities standards as to size, cleanliness, appearance, features, Peterbilt signage and corporate identity. DEALER shall use the Peterbilt name in its legal name and/or a dba in a manner or form subject to PETERBILT's prior approval. At such time as sales show the requirement for additional facilities within the geographic area used by PETERBILT to establish DEALER's sales quotas for Vehicles and Genuine Parts and Accessories, DEALER may be expected to establish outlets in additional locations with the prior written approval of PETERBILT.

It is agreed that each facility shall meet the following minimum standards:

(1) At least 20 service bays adequate for servicing heavy-duty trucks.

(2) 10,040 square feet for parts storage with adequate racking of which 800 square feet will be used for visual display.

(3) Adequate tools for heavy equipment maintenance including the following: N/A.

For facilities designated as "exclusive" in this Addendum, DEALER agrees that the facility will be dedicated to selling and servicing PETERBILT PRODUCTS and DEALER acknowledges that PETERBILT has entered into this AGREEMENT in reliance on DEALER's representation to provide and maintain an exclusive facility which will not be used by DEALER to represent competitive truck manufacturers.

For nonexclusive facilities approved by PETERBILT, DEALER recognizes that if it engages in other business activities in the facilities and/or on the DEALER location(s), the facilities necessary for the sale and servicing of PRODUCTS may be adversely affected. For these reasons, DEALER agrees that it will not substantially modify, relocate, change the usage of, reduce or expand the DEALER location(s) or the facilities without PETERBILT's prior approval.

All changes in the DEALER location(s) and facilities that may be agreed upon by DEALER and PETERBILT pursuant to this Addendum shall be reflected in a new Addendum B which supersedes and cancels the existing Addendum B.

-	PETERBILT MOTORS COMPANY
By: _____	By: _____
W.M. Rush II	Nicholas P. Panza
Title: Chairman & CEO	Title: General Manager
Date: October 5, 1997	Date: October 5, 1997

ADDENDUM C
OPERATING REQUIREMENTS, PERFORMANCE GOALS AND SALES/SERVICE EVALUATION

OPERATING REQUIREMENTS. DEALER agrees to meet the following minimum operating requirements to order, sell, and service PETERBILT Vehicles. DEALER will:

1. Employ at all times a minimum of 10 qualified salespeople who have completed the training required to sell Vehicles and also employ a minimum of 10 qualified and trained salespeople to sell other PRODUCTS.

2. Maintain a minimum inventory of at least 8 new and unused PETERBILT Heavy Duty Vehicles and 2 new and unused PETERBILT Medium Duty Vehicles in stock or on order for stock.

3. Employ at all times a minimum of 20 qualified service personnel who have sufficient training to perform routine diesel truck maintenance and overhaul procedures.

4. Purchase and maintain the recommended inventory of special tools necessary for servicing the PETERBILT Vehicles.

5. Purchase and maintain a minimum parts inventory of PETERBILT Genuine Parts and Accessories. The anticipated investment for these parts is approximately $1,300,000. Inventory records will be maintained and available to support this requirement.

Where this Dealer Sales and Service Agreement covers multiple locations, minimum operating requirements for each location may be set forth in an attachment to this Addendum.

PERFORMANCE GOALS, SALES AND SERVICE EVALUATIONS. PETERBILT will evaluate DEALER's sales and service performance periodically and agrees to review such evaluations with DEALER so that DEALER may take prompt action if necessary to improve its sales and service performance. PETERBILT will provide DEALER with a copy of such evaluation. PETERBILT will evaluate DEALER's performance based on criteria set forth in Article II.A.2. of the Dealer Sales and Service Agreement and this Addendum C, including but not limited to:

1. Achievement of fair and reasonable PERFORMANCE GOALS as PETERBILT may establish at its discretion;
2. The trend of DEALER's sales and service performance over a reasonable period of time;
3. The manner in which DEALER has conducted its sales and service operations, including advertising, sales promotions and customer relations.

IT IS AGREED THAT DEALER'S PERFORMANCE GOALS FOR 2000 ARE:

HEAVY DUTY VEHICLES	2212
MEDIUM DUTY VEHICLES	360
PARTS	TBD

These performance goals are established in reliance on the DEALER's commitment to promote maximum sales in the non-exclusive area consisting of the following counties in the State of _____.

For Medium Duty products these performance goals are established in reliance on the DEALER'S commitment to promote maximum sales in the non-exclusive area consisting of _____county _____.

Upon providing DEALER one hundred and eighty (180) days prior written notice, PETERBILT may in its sole discretion alter the area described above at any time by written notice to DEALER and/or appoint additional dealers in the area without altering the area.

DEALER may sell outside this area and other PETERBILT dealers may sell into the area from approved locations. If PETERBILT uses this area in part or in whole to establish performance goals for another PETERBILT dealer, the performance goals established for DEALER in this AGREEMENT shall be adjusted accordingly.

In addition, DEALER agrees to take the following actions in the time period stated below in order to improve dealership operations:

	ACTION	COMPLETION DATE
General:	DEALER agrees the following counties will be deleted from DEALER's area of primary marketing responsibility at the sole discretion of PETERBILT to establish a Central Texas primary marketing area: Anderson, Brazos, Freestone, Houston, Leon, Madison, and Robertson.	

PETERBILT MOTORS COMPANY

- ----------

By: ----------
W.M. Rush II
Title: Chairman & CEO
Date: January 4, 2000

By: ----------
Nicholas P. Panza
Title: General Manager
Date: January 4, 2000

ADDENDUM D
STATEMENT OF OWNERSHIP AND FINANCIAL AND MANAGEMENT STANDARDS

STATEMENT OF OWNERSHIP AND MANAGEMENT. This Addendum is executed effective as of _____ pursuant to Articles I and IV of the Agreement. PETERBILT enters into the Agreement in reliance upon personnel qualifications, representations and present financial condition of the persons identified below and upon DEALER's assurances that the following persons and only the following persons will be the owners of DEALER.

Name	Title	Percent Ownership
Rush Enterprises, Inc. *a Public Owned Corporation		100%

DEALER recognizes that the effective performance of its obligations require that experienced DEALER management be actively involved in DEALER operations at all times. PETERBILT enters into this DEALER Sales and Service Agreement in reliance upon the qualifications of to participate actively in the daily operation and management of DEALER and upon DEALER's assurance that such person(s), and no other person(s), will at all times function as DEALER PRINCIPAL(S) and/or OPERATING MANAGER(S) and be considered as the individual(s) with complete authority to make all decisions on behalf of DEALER with respect to DEALER's operations.

NET WORKING CAPITAL. DEALER agrees to establish and maintain actual net working capital in an amount not less than the minimum net working capital requirements as determined by PETERBILT financial standards for dealership capitalization. DEALER further agrees to invest or obtain additional funds within a reasonable period of time to meet such minimum net working capital requirements.

WHOLESALE CREDIT. DEALER recognizes that in order to operate successfully, it must maintain flooring lines of credit adequate to meet its ongoing obligations. Accordingly, DEALER agrees to obtain, maintain and increase as PETERBILT may require, adequate flooring and lines of credit from reputable financial institution(s) or other credit source expressly approved by PETERBILT.

DEFAULT IN PAYMENT. Should DEALER when payment is due fail to pay for, or fail to obtain financing to pay for, any PRODUCTS ordered by DEALER, PETERBILT may, with respect to any such PRODUCTS, take any of the following actions:

(a) Store them at the sole risk and expense of DEALER;
(b) Cause them to be shipped elsewhere (including returning the same to PETERBILT) at DEALER's expense, including expenses for storing, handling, and shipping; or
(c) Sell them directly to any other PETERBILT dealer or other party, all expenses or losses occasioned thereby to be borne by DEALER.

FINANCIAL MANAGEMENT PERSONNEL ASSISTANCE. PETERBILT agrees to make available field personnel who will periodically advise DEALER on subjects relating to financial management of DEALER.

OTHER FINANCIAL STANDARDS. DEALER agrees to comply with all other PETERBILT financial standards, including changes or additions thereto, published by PETERBILT from time to time. PETERBILT agrees that DEALER will have a reasonable period of time to comply with changes or additions to PETERBILT financial standards.

PETERBILT MOTORS COMPANY

By: _____	By: _____
W.M. Rush II	Nicholas P. Panza
Title: Chairman & CEO	Title: General Manager
Date: October 5, 1997	Date: October 5, 1997

ADDENDUM E
RIGHT OF FIRST REFUSAL

This Addendum to the Dealer Sales and Service Agreement between PETERBILT and DEALER is entered into as of the date set forth below.

WHEREAS, DEALER desires to have PETERBILT provide assistance in identifying potential buyers in the event DEALER decides to sell its business, or any branch thereof (and DEALER has not otherwise entered into an agreement with PETERBILT governing succession); and

WHEREAS, PETERBILT desires to have an option to purchase and a right of first refusal in the event DEALER decides to sell its business, or any branch thereof;

NOW, therefor, in consideration of the promises and mutual covenants of the parties hereinafter set forth, it is agreed as follows:

1. DEALER shall give PETERBILT notice in writing before undertaking any efforts to sell the dealership. The notice will contain a description of the assets to be sold, the proposed selling price, and other terms relevant to the sale. Upon request, PETERBILT agrees to provide assistance to DEALER in locating buyer candidates acceptable to both PETERBILT and DEALER, although DEALER shall independently negotiate any buy/sell agreement. PETERBILT also agrees to make best efforts to conditionally approve potential buyers to facilitate DEALER'S negotiations. Upon conditionally approving a specific buyer, PETERBILT will waive its right of first refusal as to that buyer.

2. In the event PETERBILT refuses to approve DEALER's proposed transfer or sale of any ownership interest in the dealership, PETERBILT shall have under Paragraph 4 herein, the right of first refusal in the event the DEALER has entered into a written buy/sell agreement or, under Paragraph 5 herein, an option to purchase the dealership assets, including any leasehold interest or realty, if the DEALER has not yet entered into such an agreement.

3. If PETERBILT intends to exercise its right of first refusal and/or option to purchase the dealership, it must so advise DEALER in writing of its decision within thirty (30) days of receiving the DEALER'S written request for approval of sale or transfer to a bona fide buyer identified in DEALER's request. DEALER agrees that PETERBILT shall have the right to assign its right to exercise its option to purchase or right of first refusal to any third party it may select and PETERBILT hereby guarantees the full payment of the purchase price by such assignee.

4. If PETERBILT has refused to approve the transfer or sale of DEALER'S ownership or assets and DEALER has entered into a bona fide arms length written agreement governing such transfer or sale, PETERBILT'S right under this paragraph shall be a right of first refusal, permitting PETERBILT to assume the buyer's rights and obligations under such written agreement. The purchase price and other terms of sale shall be those set forth in such agreement and any related documents. PETERBILT may request and DEALER agrees to provide any and all supporting documents relating to the transfer or sale which PETERBILT may require to assess the bona fides of the agreement. Refusal to provide such documentation or to state that no such documents exist shall create the presumption that the buy/sell agreement is not a bona fide agreement.

5. If PETERBILT has refused to approve the transfer or sale of DEALER'S ownership or assets and DEALER has not entered into a bona fide arms length written agreement governing such transfer or sale, then PETERBILT shall have the option to purchase the principal tangible and intangible assets of DEALER used in the dealership operations, including real estate and/or leasehold interest, and to terminate the Dealer Sales and Service Agreement. The purchase price for the dealership shall be the fair market value of the business as negotiated by the parties.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date set forth below.

PETERBILT MOTORS COMPANY

- ----------

By: ----------
W.M. Rush II
Title: Chairman & CEO
Date: October 5, 1997

By: ----------
Nicholas P. Panza
Title: General Manager
Date: October 5, 1997

Exhibit 10.19

LETTER AGREEMENT - FINAL

March 29, 2000
Via: Facsimile
830-626-5314

Mr. Marvin Rush, Chairman
Rush Enterprises
P O Box 346630
San Antonio, Texas 78265-4630

Dear Marvin:

PACCAR Financial Corp. is pleased to offer this Letter Agreement confirming the 2000/2001 "financing plan" for the Rush Enterprises' Peterbilt dealerships listed below. In consideration of this preferred finance plan, our mutual expectation is to reach at least 20% new Peterbilt finance penetration (units financed/units sold) in the year 2000 (about $110 million in finance volume) and at least 25% in 2001. The program described below is intended for "day to day" business, and the parties are free to negotiate terms for other transactions as needs arise.

PROGRAM PERIOD

January 1, 2000 through December 31, 2001, unless terminated by either party prior to its conclusion.

RATES

New
5 year Treasuries plus 3.40 percent

Used

3 year Treasuries plus 4.25 percent

(1) Three Year Treasury Rates for new and used, respectively, will be based on the weekly H-15 Treasury Interest Rate report. The rates appearing on the last Tuesday of the preceding month will be used for the following month.

(2) The above rate structure will also be used for PFC's owner operator lease program (stream rate). 60-month leases with 10% residual will be at a .25% premium due to the longer amortization. The cost of PFC's liability insurance will be added to this rate structure, for owner operator leases.

DEALER LIABILITY

8% New Non Fleet

5%* New Transactions of 10 or more units

10% Used

* 5% fixed, all other liability amounts based on the declining balance. Parties are free to negotiate LL of other amounts as conditions warrant. Nonrecourse is available for qualified credits.

ANNUAL LOSS CAP

The annual loss cap for the program period (2000 and 2001) will be $500,000 per year, plus any additional recourse agreed to by the parties. This will be an aggregate cap for all the Rush Peterbilt dealerships.

DEALERSHIPS

Rush Truck Centers of Texas, Inc.
Rush Truck Centers of California, Inc.
Rush Truck Centers of Colorado, Inc.
Rush Truck Centers of Louisiana, Inc.
Rush Truck Centers of Oklahoma, Inc.
Rush Truck Centers of Arizona, Inc.
Rush Truck Centers of New Mexico, Inc.

DEALER RESERVE

Dealer reserve will be paid 100% upfront on new trucks up to a 3% dealer reserve and up to a 5% dealer reserve on used trucks. Reserve amounts above 3% and 5% will be split pro rata 75% for Rush and 25% for PFC. PFC's 25% will be added to the program rate. The following illustrates this concept:

Dealer Reserve Used	New	PFC Rate
Up to 5%	Up to 3%	No change
5.4%	3.4%	+.1%
5.8%	3.8%	+.2%
Etc.	Etc.	Etc.

Dealer fees on the owner operator lease program in excess of 10% of the capitalized equipment cost will be split 50/50 with PFC.

The dealer's reserve payment and dealer fee on leases will be paid on the 15 th of the following month. The difference in payment methods will be used on all finance transactions. Dealer fees on leases will be expressed as a percentage of the capitalized equipment cost.

CHARGEBACKS

Early terminations of any retail finance contract or modification of terms due to a bankruptcy proceeding will result in a chargeback of unearned dealer reserve to Rush Enterprises based on current PFC practices, where dealer reserve is earned using the same method as interest earned on the underlying retail contract.

On owner operator lease transactions, 100% of unearned dealer fees will be charged back on a straight line basis throughout the term of the lease on all early termination defaults, repossessions and bankruptcies where terms are amended.

Transactions will be evaluated based on PFC's credit underwriting standards. PFC will provide standard administrative services including contract administration and collections.

This Letter Agreement shall be and hereby is incorporated into the Agreement for Acquisition of Secured Retail Installment Paper between

Rush Truck Centers of Texas, Inc., Rush Truck Centers of California, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Louisiana, Inc., and Rush Truck Centers of Oklahoma, Inc., and PACCAR Financial Corp., dated September 14, 1998, as well as any amendments thereto (including work to incorporate the dealerships in New Mexico and Arizona), and the Lease Marketing Agreement between the same parties and of even date therewith, as well as any amendments and attachments thereto (collectively, the "Rush Dealer Agreements"). Except for the modifications stated herein, the Rush Dealer Agreements shall remain in full force and effect unchanged.

INSURANCE

PFC is pleased to offer the following commission structure for physical damage insurance for the year 2000:

- Standard Commission - 12.5% of Net Written Premium for all business (fleet and non-fleet) paid monthly.

- Quarterly Bonus - 3.25% of Net Written Premium on volume over $300k (not retroactive) paid quarterly.

- Annual Bonus - 1.25% of Net Written Premium on volume over $1.5 million (retroactive) paid annually.

- Contingency Income - PFC's standard contingency program will remain in effect, allowing up to 8% of annual earned premium based on loss ratios. Contingency income is paid annually.

It is anticipated that the quarterly and annual targets will increase in 2001 and beyond and as our insurance relationship develops. Other Items:

1. Other insurance in PFC contracts - With PFC's competitive commission structure outlined above, there should be little need to place other physical damage insurance in PFC contracts. However, PFC will consider exceptions when specific customer needs or market conditions warrant those exceptions.

2. Specified perils versus comprehensive coverage - At this point in time, PFC does not offer comprehensive coverage. To manage your E&O exposure, we understand that you have the customer sign an acknowledgement in cases where specified perils is sold.

3. Claims service - PFC's dedicated claims group, part of AIG, provides outstanding claims service. The utilization of independent appraisers allows for quick authorization of repairs and fast overall service. As we experience claims over the next year, we will review this service together. If the service is not satisfactory, we can develop a program similar to the Rapid Repair program used by Associates.

We appreciate the opportunity to provide this program to Rush Enterprises, Inc. and look forward to supporting your efforts to provide financial services to truck owners in your territories. This proposal contains proprietary information and may not be disclosed to anyone outside Rush Enterprises, Inc. without prior written consent of PACCAR Financial Corp.

Please call me if you have any questions.

Sincerely,

Andrew J. Wold
President

AJW:ejb
rushltragreement

Acknowledged and Agreed to this _____ day of January, 2000.

By:

Rush Truck Centers of Texas, Inc.
Rush Truck Centers of California, Inc.
Rush Truck Centers of Colorado, Inc.
Rush Truck Centers of Louisiana, Inc.
Rush Truck Centers of Oklahoma, Inc.
Rush Truck Centers of Arizona, Inc.
Rush Truck Centers of New Mexico, Inc.

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,	
	1999	1998	1999	1998
BASIC EARNINGS PER SHARE CALCULATION	(UNAUDITED)			
Net Income	$ 4,775	$ 3,862	$ 16,166	$ 10,797
Weighted average number of common shares outstanding	7,002	6,644	6,735	6,644
Earnings per share - Basic	$ 0.68	$ 0.58	$ 2.40	$ 1.62
DILUTED EARNINGS PER SHARE CALCULATION				
Net Income	$ 3,862	$ 3,862	$ 16,166	$ 10,797
Weighted average number of common shares outstanding	7,002	6,644	6,735	6,644
Weighted average number of common share equivalents applicable to stock options	178	29	152	26
Common shares and common share equivalents	7,180	6,673	6,887	6,670
Earnings per share - Diluted	$ 0.66	$ 0.58	$ 2.34	$ 1.62

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, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANICAL STATEMENT OF RUSH ENTERPRISES, INC. FOR THE YEAR ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-K.

1,000

12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
20,004
0
29,767
0
173,565
224,072
120,007
(16,581)
365,696
221,229
65,414
0
0
70
74,782
365,696
0
808,355
673,563
773,227
0
0
8,185
26,943
10,777
16,166
0
0
0
16,166
2.40
2.34