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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998

OR

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

For the transition period from _____ to _____

Commission file number 0-20797

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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.) |

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

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

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

Yes X No
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Indicated below is the number of shares outstanding of the registrant's only class of common stock, as of May 7, 1998.

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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PART I
Item 1. Financial Statements

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

| ASSETS | MARCH 31, 1998 (UNAUDITED) | DECEMBER 31, 1997 (AUDITED) |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 17,894 | $ 19,816 |
| Accounts receivable, net | 25,870 | 20,894 |
| Inventories | 88,206 | 66,757 |
| Prepaid expenses and other | 413 | 381 |
| Total current assets | 132,383 | 107,848 |
| PROPERTY AND EQUIPMENT, net | 39,604 | 34,158 |
| OTHER ASSETS, net | 14,123 | 13,472 |
| Total assets | $186,110 | $155,478 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Floorplan notes payable | $ 83,900 | $ 63,268 |
| Current maturities of long-term debt | 2,754 | 2,439 |
| Advances outstanding under lines of credit | 10 | 20 |
| Trade accounts payable | 4,896 | 5,751 |
| Accrued expenses | 13,393 | 12,556 |
| Note payable to shareholder | 5,550 | 5,450 |
| Total current liabilities | 110,503 | 89,484 |
| DEFERRED INCOME TAX LIABILITY, net | 1,340 | 1,180 |
| LONG-TERM DEBT, net of current maturities | 30,858 | 22,742 |
| SHAREHOLDERS' EQUITY: | | |
| Rush Enterprises, Inc., common stock, par value $.01 per share; 25,000,000 shares authorized; 3,750,000 and 6,643,730 outstanding at March 31, 1998 and 1997 | 66 | 66 |
| Additional paid-in capital | 33,342 | 33,342 |
| Retained earnings | 10,001 | 8,664 |
| Total shareholders' equity | 43,409 | 42,072 |
| Total liabilities and shareholders' equity | $186,110 | $155,478 |

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE - UNAUDITED)

| | THREE MONTHS ENDED MARCH 31, | |
|---|---|---|
| | 1998 | 1997 |
| REVENUES: | | |
| New and used truck sales | $ 84,987 | $61,805 |
| Parts and service | 23,329 | 16,295 |
| Construction Equipment Sales | 7,951 | -- |
| Lease and rental | 4,830 | 3,208 |
| Finance and insurance | 2,358 | 1,025 |
| Other | 2,620 | 579 |
| Total revenues | 126,075 | 82,912 |
| COST OF PRODUCTS SOLD | 104,363 | 69,743 |
| GROSS PROFIT | 21,712 | 13,169 |
| SELLING, GENERAL AND ADMINISTRATIVE | 17,231 | 10,784 |
| DEPRECIATION AND AMORTIZATION | 955 | 628 |
| OPERATING INCOME | 3,526 | 1,757 |
| INTEREST EXPENSE | 1,298 | 490 |
| INCOME BEFORE INCOME TAXES | 2,228 | 1,267 |
| PROVISION FOR INCOME TAXES | 891 | 482 |
| NET INCOME | $ 1,337 | $ 785 |
| Basic and diluted income from operations per share | $ .20 | $ .12 |
| Weighted average shares outstanding: | | |
| Basic | 6,644 | 6,644 |
| Diluted | 6,645 | 6,644 |

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS - UNAUDITED)

| | THREE MONTHS ENDED MARCH 31, | |
|---|---|---|
| | 1998 | 1997 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | 1,337 | $ 785 |
| Adjustments to reconcile net income to cash provided by (used in) continuing operations | | |
| Depreciation and amortization | 955 | 628 |
| Gain on sale of property, plant and equipment | (47) | -- |
| Provision for deferred income tax expense | 160 | 52 |
| Change in receivables | (4,251) | 8,469 |
| Change in inventories | (17,019) | 8,602 |
| Change in other current assets | (25) | 902 |
| Change in accounts payable | (1,023) | (1,272) |
| Change in accrued liabilities | 244 | (1,416) |
| Net cash provided by (used in) operating activities | (19,669) | 16,750 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (4,585) | (2,032) |
| Proceeds from the sale of property and equipment | 139 | 1,141 |
| Business acquisitions | (5,817) | (7,915) |
| Change in other assets | 607 | (86) |
| Net cash provided by (used in) investing activities | (9,656) | (8,892) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable | 7,274 | 4,692 |
| Principal payments on notes payable | (503) | (1,562) |
| Draws (payments) on floor plan financing, net | 20,632 | (16,850) |
| Net cash provided by (used in) financing activities | 27,403 | (13,720) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,922) | (5,862) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 19,816 | 21,507 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | 17,894 | $ 15,645 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during year for interest | $ 1,312 | $ 937 |
| Cash paid during year for taxes | $ 42 | $ -- |

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

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

2 - ACQUISITION

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

3 - COMMITMENTS AND CONTINGENCIES

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

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

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

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

4 - EARNINGS PER SHARE

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

| | THREE MONTHS ENDED MARCH 31, 1998 | 1997 |
|---|---|---|
| Numerator: | | |
| Net income - numerator for basic and diluted earnings per share | $1,337,000 | $ 785,000 |
| Denominator: | | |
| Denominator for basic earnings per share - weighted average shares | 6,643,730 | 6,643,730 |
| Effect of dilutive securities: | | |
| Employee and Director stock options | 1,659 | -- |
| Denominator for diluted earnings per share - adjusted weighted average shares | 6,645,389 | 6,643,730 |
| Basic earnings per share | $ .20 | $ .12 |
| Diluted earnings per share | $ .20 | $ .12 |

5 - SEGMENT INFORMATION

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

The Company has two reportable segments: the Heavy Duty Truck segment, and the Construction Equipment segment. The Heavy Duty Truck segment operates a regional network of truck centers that provides an integrated one-stop source for the trucking needs of its customers, including retail sales of new Peterbilt and used heavy-duty trucks; after-market parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Heavy Duty Truck segment has locations in Texas, California, Colorado, Oklahoma and Louisiana. The Construction Equipment segment, formed during 1997, operates a full-service John Deere dealership that serves the Houston, Texas Metropolitan and surrounding areas. Dealership operations include the retail sale of new and used construction equipment, after-market parts and service facilities, equipment rentals, and the financing of new and used equipment. The Company had only one segment prior to the October 1997 acquisition of such John Deere dealership, thus for the quarter ended March 31, 1997 results depict only the Heavy Duty Truck segment.

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

The Company accounts for intersegment sales and transfers at current market prices as if the sales or transfers were to third parties. There were no intersegment sales during the three months ended March 31, 1998.

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

| | HEAVY-DUTY TRUCK SEGMENT SEGMENT | CONSTRUCTION EQUIPMENT SEGMENT | ALL OTHER | TOTALS |
|---|---|---|---|---|
| Three months ended March 31, 1998 | | | | |
| Revenues from external customers | $110,864 | $11,856 | $ 3,355 | $126,075 |
| Segment income before taxes | 2,091 | 2 | 135 | 2,228 |
| Segment assets | 126,415 | 41,202 | 18,493 | 186,110 |

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

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

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

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

GENERAL

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

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

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

for consolidation. As a result, the Company's growth strategy is to realize economies of scale, favorable purchasing power, and cost savings by developing a network of John Deere dealerships through acquisitions and growth inside existing territories. The Company currently operates only one construction equipment dealership and there can be no assurance that the Company will be able to successfully develop a network of construction equipment dealerships or, if such network of construction equipment dealerships is established, that it will realize economies of scale, favorable purchasing power or cost savings.

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

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

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

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

RESULTS OF OPERATIONS

The following discussion and analysis includes the Company's historical results of operations for the three months ended March 31, 1998 and 1997.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 1998 | 1997 |
| New and used truck sales | 67.4% | 74.5% |
| Parts and service | 18.5 | 19.6 |
| Construction equipment sales | 6.3 | -- |
| Lease and rental | 3.8 | 3.9 |
| Finance and insurance | 1.9 | 1.2 |
| Other | 2.1 | .8 |
| Total revenues | 100.0 | 100.0 |
| Cost of products sold | 82.8 | 84.1 |
| Gross profit | 17.2 | 15.9 |
| Selling, general and administrative expenses | 13.7 | 13.0 |
| Depreciation and amortization | .7 | .8 |
| Operating income | 2.8 | 2.1 |
| Interest expense | 1.0 | .5 |
| Income before income taxes | 1.8 | 1.6 |
| Provision for income taxes | .7 | .7 |
| Net income | 1.1% | .9% |

THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO THREE MONTHS ENDED MARCH 31, 1997

Revenues

Revenues increased by approximately $43.2 million, or 52.1%, from $82.9 million to $126.1 million from the first quarter of 1997 to the first quarter of 1998. Approximately, $23.6 million in sales is attributable to the addition of the Colorado and Pharr heavy-duty truck dealerships, and the John Deere construction equipment dealership, while the remaining increase of $19.6 million or 23.6%, is attributable to same store growth. Sales of new and used trucks increased by approximately $23.2 million, or 37.5%, from $61.8 million to $85.0 million from the first quarter of 1997 to the first quarter of 1998. Unit sales of new and used trucks increased by 25.3% and 34.3%, respectively, from the first quarter of 1997 to the first quarter of 1998, while new truck average revenue per unit increased by 5.8% and used truck average revenue per unit increased by 16.8%. Average new truck prices and used truck prices increased due to a change in product mix, and used truck demands increased due to increasing delivery times on new truck orders.

Parts and service sales increased by approximately $7.0 million, or 43.0%, from $16.3 million to $23.3 million. The increase was due to same store growth of 21.6% and parts and service sales associated with addition of the Colorado and Pharr heavy-duty truck dealerships, and the John Deere construction equipment dealership.

Lease and rental revenues increased by approximately $1.6 million, or 50.0% from $3.2 million to $4.8 million. The increase was due to $1.2 million of lease and rental revenues generated by the John Deere dealership acquired in October 1997, and same store growth in revenues of $396,000 or 12.4%.

Finance and insurance revenues increased by approximately $1.3 million, or 130.0%, from $1.0 million to $2.3 million from the first quarter of 1997 to the first quarter of 1998. The majority of the increase resulted from the increase in used truck deliveries. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Gross Profit

Gross profit increased by approximately $8.5 million, or 64.4%, from $13.2 million to $21.7 million from the first quarter of 1997 to the first quarter of 1998. Gross profit as a percentage of sales increased from 15.9% in the first quarter of 1997 to 17.2% in the first quarter of 1998. The increase in gross profit resulted from an increase in the sales mix to the parts, service and body shop departments, in addition to increased gross margins on used truck, service and body shop sales, as well as the addition of the Rush Equipment Center, which achieved a gross margin of 19.6%. These margin increases were offset by slight decreases in gross margins on new truck and parts sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $6.4 million, from $10.8 million to $17.2 million, or 59.3%, from the first quarter of 1997 to the first quarter of 1998. The increase resulted from approximately $3.5 million of selling, general and administrative expense related to the acquisition and integration of Denver Peterbilt Inc., the John Deere construction equipment dealership, and D & D Farm and Ranch Supermarket, Inc., and increased sales commissions resulting from increased gross margins.

Interest Expense

Interest expense increased by approximately $808,000 or 164.9%, from $490,000 to $1.3 million, from the first quarter of 1997 to the first quarter of 1998, primarily as the result of increased levels of indebtedness due to higher floor plan liability levels and the refinancing of certain real property owned by the Company during the fourth quarter of 1997.

Income before Income Taxes

Income before income taxes increased by $961,000, or 73.9%, from $1.3 million to $2.3 million from the first quarter of 1997 to the first quarter of 1998, as a result of the factors described above.

Income Taxes

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

As a result of the initial public offering, working capital levels have generally increased. At March 31, 1998, the Company had working capital of approximately $21.7 million, including $17.9 million in cash and cash equivalents, $25.9 million in accounts receivable, $88.2 million in inventories, and $0.5 million in prepaid expenses, less $18.5 million of accounts payable and accrued expenses, $2.8 million of current maturities on long-term debt, $5.6 million in a note payable to a shareholder, and $83.9 million outstanding under floor plan financing. The aggregate maximum borrowing limits under working capital lines of credit with various commercial banks are approximately $8.0 million. The Company's floor plan agreements with its primary lender limit the aggregate amount of borrowings based on the number of new and used trucks and the book value of construction equipment inventory.

For the first three months of 1998, operating activities resulted in net cash used in operations of approximately $19.7 million. Net income of $1.3 million, an increase in accrued liabilities coupled with provisions for depreciation, amortization and deferred taxes totaling $1.4 million was more than offset by increases in accounts receivable, inventories and other assets and a decrease in accounts payable totaling $22.4 million.

For the first three months of 1997, operating activities generated $16.8 million of cash. Net income of $785,000, a decrease in accounts receivable, inventories and other assets, coupled with provisions for depreciation, amortization, and deferred taxes totaling $18.7 million more than offset decreases in accounts payable and accrued liabilities of $2.7 million.

During the first three months of 1998, the Company used $9.7 million in investing activities, including purchases of property, plant and equipment of $4.6 million, a cash outlay of $5.8 million for the acquisition of D & D Farm and Ranch Supermarket, Inc., offset by proceeds from the sale of property, plant and equipment and a decrease in other assets totaling $746,000.

During the first three months of 1997, the Company used $8.9 million for investing activities, primarily related to the acquisition of Denver Peterbilt, Inc..

Net cash generated from financing activities in the first three months of 1998 amounted to $27.4 million. Proceeds from additional floor plan financing and increased notes payable more than offset principal payments on notes payable.

For the first three months of 1997, net cash used in financing activities amounted to $13.7 million. Payments on floor plan financing and principal payments on notes payable more than offset the increase in notes payable.

Substantially all of the Company's truck purchases from PACCAR are made on terms requiring payment within 15 days or less from the date of shipment from the factory. The Company finances all, or substantially all, of the purchase price of its new truck inventory, and 75% of the loan value of its used truck inventory, under a floor plan arrangement with GMAC under which GMAC pays PACCAR directly with respect to new trucks. The Company makes monthly interest payments on the amount financed but is not required to commence loan principal repayments to GMAC prior to the sale of new vehicles for a period of 12 months and for used vehicles for a period of three months. At March 31, 1998, the Company had approximately $54.8 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to 62.5% of the amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate less one-half percent on overnight funds deposited by the Company with GMAC.

The Company finances all, or substantially all, of the purchase price of its new equipment inventory under its floor plan facilities with John Deere and Associates Commercial Corp.. The agreement with John Deere provides for an immediate 3% discount if the equipment is paid for within 30 days from the date of purchase, or interest free financing for five months, after which time the amount financed is required to be paid in full. When the equipment is sold prior to the expiration of the five month period, the Company is required to repay the principal within approximately 15 days of date of the sale. Should the equipment financed by John Deere not be sold within the five month period, it is transferred to the Associates Commercial Corp. floor plan arrangement. The Company makes principal payments to Associates Commercial Corp., for sold inventory, and interest payments for all inventory, on the 15th day of each month. Used and rental equipment, to a maximum of book value, is financed under a floor plan arrangement with Associates Commercial Corp. The Company makes monthly interest payments on the amount financed and is required to commence loan principal repayments on rental equipment as book value reduces. Principal payments, for sold inventory, on used equipment are made the 15th day of each month following the sale. The loans are collateralized by a lien on the equipment. The Company's floor plan agreements limit the aggregate amount of borrowings based on the book value of new and used equipment units. As of March 31, 1998, the Company's floor plan arrangement with Associates Commercial Corp. permits the financing of up to $25 million in construction equipment. At March 31, 1998, the Company had $8.7 million and $20.4 million, outstanding under its floor plan financing arrangements with John Deere and Associates Commercial Corp., respectively.

Backlogs

The Company enters firm orders into its backlog at the time the order is received. Currently, customer orders are being filled in approximately six to nine months and customers have historically placed orders expecting delivery within three to six months. However, certain customers, including fleets and governments, typically place orders up to one year in advance of their desired delivery date. The Company in the past has typically allowed customers to cancel orders at any time prior to delivery, and the Company's level of cancellations is affected by general economic conditions, economic recessions and customer business cycles. As a percentage of orders, cancellations historically have ranged from 5% to 12% of annual order volume. The Company's backlogs as of March 31, 1998, and 1997, were approximately $150 million and $95.0 million, respectively. Backlogs increased principally due to the above noted longer lead times for truck deliveries at March 31, 1998, compared to March 31, 1997, delivery lead times of 75 to 90 days.

Seasonality

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

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

Cyclicality

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

Effects of Inflation

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

Year 2000

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

Based on current information, the Company expects to attain year 2000 compliance and institute appropriate testing of its modifications and replacements in a timely fashion and in advance of the year 2000 date change. It is anticipated that modification or replacement of the Company's Programs and Systems will be performed in-house by Company personnel. The Company believes that, with modifications to existing software and conversions to new software, the year 2000 problem will not pose a significant operational problem for the Company. However, because most computer systems are, by their very nature, interdependent, it is possible that non-compliant third party computers may not interface properly with the Company's computer systems. The Company could be adversely affected by the year 2000 problem if it or unrelated parties fail to successfully address this issue. Management of the Company currently anticipates that the expenses and capital expenditures associated with its year 2000 compliance project will not have a material effect on its financial position or results of operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

| Exhibit Number | |
|---|---|
| 10.1* | Master Loan Agreement between General Motors Acceptance Corporation and Rush Enterprises, Inc. dated July 28, 1997. |
| 10.2* | 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. |
| 27.1* | Financial data schedule |
| * | Filed herewith |

b) Reports on Form 8-K

None

SIGNATURES

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

RUSH ENTERPRISES, INC.

Date: May 13, 1998

By: /S/ W. MARVIN RUSH
---
Name: W. Marvin Rush
Title: Chairman and Chief Executive Officer (Principal Executive Officer)

Date: May 13, 1998

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

# EXHIBIT INDEX

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| 27.1* | Financial data schedule |

* Filed herewith

# MASTER LOAN AGREEMENT

BETWEEN

GENERAL MOTORS ACCEPTANCE CORPORATION

AND

RUSH ENTERPRISES, INC.

JULY 28, 1997

TABLE OF CONTENTS

# MASTER LOAN AGREEMENT

This Master Loan Agreement ("Agreement") is made to be effective as of July 28, 1997 by and between the following parties:

(i) General Motors Acceptance Corporation, a New York corporation ("GMAC"),

(ii) Rush Enterprises, Inc., a Texas corporation ("Rush"),

(iii) Rush Truck Centers of California, Inc., a Delaware corporation ("RTC-California"),

(iv) Rush Truck Centers of Louisiana, Inc., a Delaware corporation ("RTC-Louisiana"),

(iv) Rush Truck Centers of Oklahoma, Inc., a Delaware corporation ("RTC-Oklahoma"),

(iv) Rush Truck Centers of Texas, Inc., a Delaware corporation ("RTC-Texas"), and

(v) Rush Truck Centers of Colorado, Inc., a Delaware corporation ("RTC-Colorado").

## RECITALS

A. GMAC is in the business of providing various credit accommodations to motor vehicle dealers to facilitate (i) their purchase, sale, lease, rental, and servicing of motor vehicles, (ii) their purchase of parts and accessories, and (iii) their purchase of land and buildings for dealership facilities, and related plant and equipment.

B. Rush presently has numerous loans with GMAC, as evidenced by the Borrowing Base Loans, Oklahoma Real Estate Loans, Texas Real Estate Loans and Wholesale Floor Plan Loans, as defined below.

C. Rush has formed RTC-California, RTC-Oklahoma, RTC-Louisiana, RTC-Texas and RTC-Colorado as wholly owned subsidiaries to operate in each of said referenced states. Rush has requested that GMAC consent to the conveyance of certain of its assets to said subsidiaries, and to consolidate certain of its loans, as well as modify certain of the payment and other terms of said loans. GMAC has agreed to said items, and the parties wish to reflect their agreement herein.

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

## ARTICLE I

## DEFINITIONS

Section 1.01 Definitions. In addition to other defined terms herein, as used in this Agreement, and unless the context otherwise requires, the following terms shall have the respective meanings set forth below:

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

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

(c) Borrower - Rush Enterprises, Inc.

(d) Borrowing Base Loans - the existing loans from GMAC to Rush evidenced by the following:

(i) Demand Promissory Note dated September 26, 1990 in the principal amount of $2,500,000, executed by Rush and payable to GMAC, and Revolving Line of Credit Loan and Security Agreement dated September 26, 1990 between Rush and GMAC. (This revolving line of credit loan has subsequently been reduced to a maximum of $2,000,000)

(ii) Demand Promissory Note dated March 21, 1996 in the principal amount of $2,500,000, executed by Rush (dba South Coast Peterbilt) and payable to GMAC, and Revolving Line of Credit Loan and Security Agreement dated March 21, 1996 between Rush and GMAC.

(iii) Promissory Note dated December 18, 1995 in the principal amount of $800,000, executed by Rush (dba Oklahoma Trucks, Inc.) and payable to GMAC, and Revolving Line of Credit Loan and Security Agreement dated December 18, 1995 between Rush and GMAC.

(iv) Promissory Note dated December 18, 1995 in the principal amount of $700,000, executed by Rush (dba Tulsa Trucks, Inc.) and payable to GMAC, and Revolving Line of Credit Loan and Security Agreement dated December 18, 1995 between Rush and GMAC.

In accordance with Article II below, the above Borrowing Base Loans shall be consolidated, and the credit line shall be increased, and shall be evidenced by the execution of a new promissory note in the principal amount of $8,000,000.00.

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

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

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

(h) Default or Event of Default - as defined in Article IX of this Agreement, or in any of the other Loan Documents.

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

(j) (not used)

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

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

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

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

(o) Guaranty Agreement or Guaranty Agreements - the Guaranty Agreement(s) executed by the Guarantors. Each Dealer shall execute a Guaranty Agreement in the forms acceptable to GMAC, pursuant to which each Dealer shall guarantee all Obligations of Rush and the other Dealers under to this Agreement.

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

(q) Indebtedness - (i) all principal and interest owing from time to time by Borrower to Lender pursuant to the Loans, together with (ii) all other amounts owing to Lender from time to time by Borrower to Lender under the Loan Documents.

(r) Loan Documents - this Agreement, the Guaranty Agreements, Security Agreements, and any other document executed to evidence or secure the Loans.

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

(t) Loan Documents - This Agreement, the GMAC Forms and any security agreements, guarantees, financing statements or other agreements, instruments or certificates contemplated by this Agreement. A "Loan Document" shall refer to any one of said instruments.

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

(v) Material Adverse Effect - the effect of any event or condition which, alone or when taken together with other events or conditions occurring or existing concurrently therewith, (i) has a material adverse effect upon the business, operations, Collateral, condition (financial or otherwise) or business prospects of Borrower or any Dealer; (ii) has any material adverse effect whatsoever upon the validity or enforceability of the Agreement or any of the other Loan Documents; (iii) has or may be reasonably expected to have any material adverse effect upon the value of the whole or any material part of the Collateral, the liens of Lender with respect to the Collateral or any material part thereof or the priority of such Liens; (iv) materially impairs the ability of Borrower or any Dealer to perform its obligations under this Agreement, any Guaranty Agreement or any of the other Loan Documents, including repayment of the Obligations when due; or (v) materially impairs the ability of Lender to enforce or collect the Obligations or realize upon any of the Collateral in accordance with the Loan Documents and Applicable Law.

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

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

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

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

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

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

(z) Oklahoma Liens - all liens, presently existing or hereafter arising, securing payment of the Oklahoma Real Estate Loans, including without limitation those evidence by the following (collectively, the "Mortgages"):

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

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

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

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

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

(ab) Parts Inventory - all of the following, whether now owned or hereafter acquired by Borrower or any Dealer, whether now existing, or whether arising or created hereafter:

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

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

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

The Parts Inventory shall include all items defined as the New Parts Inventory in Section 2.07 below.

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

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

(ae) Real Estate - the real property, improvements, fixtures and appurtenances described in the instruments evidencing the

Oklahoma Liens and Texas Liens, together with any similar property given hereafter as security for all or any part of the Indebtedness.

(af) Rush Group - Rush, RTC-California, RTC-Louisiana, RTC-Oklahoma, RTC-Texas and RTC-Colorado collectively. If Rush forms a new Dealer in the future, the "Rush Group" shall include such new Dealer (except for Rush Truck Leasing, as set forth above). Whenever any obligation, covenant, indemnification or other agreement is made herein by the Rush Group, such obligation, covenant or agreement is made jointly and severally by each of Rush, RTC-California, RTC- Louisiana, RTC-Oklahoma, RTC-Texas and RTC-Colorado, together with any future Dealer, as applicable.

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

(ah) Texas Liens - all liens, presently existing or hereafter arising, securing payment of the Texas Real Estate Loans, including without limitation those evidenced by the following (collectively, the "Deeds of Trust"):

(i) Deed of Trust dated January 20, 1995 from Rush to William H. Huffman, Trustee recorded in Volume 6324, Page 414 of the Official Public Records of Bexar County, Texas and as Clerk's File No. R-242472 of the Official Public Records of Harris County, Texas.

(ii) Security Agreement dated January 20, 1995 from Rush to GMAC.

(ai) Texas Real Estate Loans - the loans from Lender to Rush, as evidence by the following promissory notes:

(i) Promissory Note dated January 20, 1995 in the original principal amount of $564,000.00, executed by Rush and payable to GMAC.

(ii) Promissory Note dated January 20, 1995 in the original principal amount of $893,000.00, executed by Rush and payable to GMAC.

(iii) Promissory Note dated January 20, 1995 in the original principal amount of $799,000.00, executed by Rush and payable to GMAC.

(iv) Promissory Note dated January 20, 1995 in the original principal amount of $658,000.00, executed by Rush and payable to GMAC.

(v) Promissory Note dated January 20, 1995 in the original principal amount of $1,786,000.00, executed by Rush and payable to GMAC.

(aj) Security Agreements - all documents now existing or hereafter given to secure payment of the Indebtedness and other Obligations, including without limitation the Agreement, the documents evidencing the Oklahoma Liens and Texas Liens, and the new security agreements to be executed by each Dealer.

(ak) Wholesale Floor Plan Loans - the existing loans from GMAC to Rush evidenced by the following:

San Antonio Peterbilt-GMC Truck, Inc.:

(i) Promissory Note dated June 19, 1995 in the principal amount of $5,000,000, executed by Rush (dba San Antonio Peterbilt-GMC Truck, Inc.) and payable to GMAC.

(ii) Loan Agreement dated June 19, 1995 between GMAC and Rush (dba San Antonio Peterbilt-GMC Truck, Inc.) and payable to GMAC.

(iii) Wholesale Security Agreement dated June 19, 1995 executed by Rush (dba San Antonio Peterbilt-GMC Truck, Inc.) in favor of GMAC.

San Antonio Peterbilt, Inc.:

(i) Promissory Note dated August 19, 1992 in the principal amount of $5,000,000, executed by Rush (dba San Antonio Peterbilt, Inc.) and payable to GMAC.

(ii) Promissory Note dated July 5, 1995 in the principal amount of $5,000,000, executed by Rush (dba San Antonio Peterbilt, Inc.) and payable to GMAC.

(iii) Loan Agreement dated August 19, 1992 between GMAC and Rush (dba San Antonio Peterbilt, Inc.) and payable to GMAC.

(iv) Wholesale Security Agreement dated August 19, 1992 executed by Rush (dba San Antonio Peterbilt, Inc.) in favor of GMAC.

Houston Peterbilt:

(i) Promissory Note dated March 1, 1989 in the principal amount of $3,500,000, executed by Rush (dba Houston Peterbilt, Inc.) and payable to GMAC.

(ii) Promissory Note dated August 7, 1989 in the principal amount of $1,000,000, executed by Rush (dba Houston Peterbilt, Inc.) and payable to GMAC.

(iii Promissory Note dated April 21, 1994 in the principal amount of $500,000, executed by Rush (dba Houston Peterbilt, Inc.) and payable to GMAC.

(iv) Promissory Note dated June 28, 1995 in the principal amount of $5,500,000, executed by Rush (dba Houston Peterbilt, Inc.) and payable to GMAC.

(v) Promissory Note dated November 26, 1986 in the principal amount of $4,500,000, executed by Rush (dba Houston Peterbilt, Inc.) and payable to GMAC.

(vi) Loan Agreement dated March 1, 1989 between GMAC and Rush (dba Houston Peterbilt, Inc.) and payable to GMAC.

(vii) Wholesale Security Agreement dated March 1, 1989 executed by Rush (dba Houston Peterbilt, Inc.) in favor of GMAC.

(viii) Wholesale Security Agreement dated April 22, 1993 executed by Rush (dba Houston Peterbilt, Inc.) in favor of GMAC.

Lufkin Peterbilt:

(i) Promissory Note dated August 5, 1993 in the principal amount of $2,000,000, executed by Rush (dba Lufkin Peterbilt, Inc.) and payable to GMAC.

(ii) Promissory Note dated July 5, 1995 in the principal amount of $3,000,000, executed by Rush (dba Lufkin Peterbilt, Inc.) and payable to GMAC.

(iii) Loan Agreement dated August 5, 1993 between GMAC and Rush (dba Lufkin Peterbilt, Inc.) and payable to GMAC.

(iv) Wholesale Security Agreement dated August 5, 1993 executed by Rush (dba Lufkin Peterbilt, Inc.) in favor of GMAC.

Laredo Peterbilt:

(i) Promissory Note dated October 4, 1994 in the principal amount of $2,000,000, executed by Rush (dba Laredo Peterbilt, Inc.) and payable to GMAC.

(ii) Promissory Note dated February 4, 1997 in the principal amount of $1,000,000, executed by Rush (dba Laredo Peterbilt, Inc.) and payable to GMAC.

(iii) Loan Agreement dated October 4, 1994 between GMAC and Rush (dba Laredo Peterbilt, Inc.) and payable to GMAC.

(iv) Wholesale Security Agreement dated October 4, 1994 executed by Rush (dba Laredo Peterbilt, Inc.) in favor of GMAC.

South Coast Peterbilt:

Wholesale Security Agreement dated January 31, 1994 executed by South Coast Peterbilt in favor of GMAC.

ARK-LA-TEX Peterbilt, Inc.:

Wholesale Security Agreement dated February 21, 1994 executed by Rush (dba ARK-LA-TEX Peterbilt, Inc.) in favor of GMAC.

Oklahoma Trucks, Inc.:

Wholesale Security Agreement dated November 30, 1995 executed by Rush (dba Oklahoma Trucks, Inc.) in favor of GMAC.

Tulsa Trucks, Inc.:

Wholesale Security Agreement dated November 30, 1995 executed by Rush (dba Tulsa Trucks, Inc.) in favor of GMAC.

ARTICLE II

BORROWING BASE LINE OF CREDIT

Section 2.01 Consolidation of Borrowing Base Loans. The credit facility and funding terms of the Borrowing Base Loans shall be modified and governed in accordance with this Article II.

Section 2.02 Establishment of Line of Credit. Subject to the terms and conditions of this Agreement, GMAC hereby establishes a revolving line of credit for Borrower in an amount not to exceed the lesser of:

(a) $8,000,000, or

(b) the Collateral Formula Amount, as defined in Section 2.07 below.

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

Section 2.03 Loans. Within 3 Business Days after each request made by Borrower from time to time, GMAC will loan and advance Borrower the principal amount of money so requested, up to the Line of Credit (hereinafter the Credit Advance). The aggregate principal amounts so loaned and advanced and remaining unpaid from time to time shall be deemed to be Credit Line Advances. Each Credit Advance shall be disbursed by GMAC from its San Antonio, Texas office and, upon such disbursement being made, shall be charged to Borrower's account on GMAC's books and records. GMAC will render to Borrower a statement at least once each month of Borrower's account which shall constitute an account stated and shall be presumed to be correct.

Section 2.04 Repayment. Borrower shall repay the Credit Line Advances to GMAC together with all accrued and unpaid interest and applicable costs and expenses as hereinafter set forth (hereinafter the Total Borrowing Base Indebtedness). Upon request made by GMAC, Borrower shall execute and deliver such promissory note or notes in the form then in use by GMAC (being hereafter referred to as the Borrowing Base Promissory Note) and guaranties to further evidence the Credit Line Advances and related obligations; provided that the failure of GMAC to so request or the failure of Borrower to execute and deliver such Borrowing Base Promissory Note or Notes, or guaranty or guaranties, shall not affect Borrower's obligation to

repay GMAC as herein set forth. Any Borrowing Base Promissory Note or Notes, or guaranty or guaranties, executed and delivered hereby shall be expressly made subject to the terms and conditions of this Agreement. GMAC may send monthly statements to Borrower for the amount owed; if Borrower fails to question or otherwise contest the information on such statements within 10 days of receipt by Borrower, Borrower shall be deemed to agree with the information on the statements, including the accuracy of GMAC's calculation of the amount owed.

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

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

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

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

Section 2.05 Interest. The Credit Line Advances shall bear interest on the unpaid principal amount of and from the date of each Credit Advance to the date of repayment in full of the Credit Line Advances. Only one interest rate will apply to the Credit Line Advances at any given time. Subject to the provisions of the last sentence of this Section 2.05, the interest rate on each Credit Line Advance will be determined from time to time at the Prime Rate plus 1.25 percentage points. Interest shall be calculated on the basis of a 360-day year for the number of actual days outstanding. Interest shall be due and payable monthly within 10 days of the billing date and the billing date shall be within the first 5 Business Days of each month hereafter until Borrower have paid GMAC all sums owing under this Agreement. GMAC may offer, from time to time at is sole discretion, a wholesale incentive program which allows for a 1.25 percentage point reduction in the interest rate, as outlined in Exhibit 2.05; if such a program is at any time in place and Rush elects to participate in it, then Rush shall receive such 1.25 percentage point reduction on the interest rate in its Credit Line Advances; provided, however, that GMAC shall have the right to terminate or modify the program upon 30 days' notice.

Section 2.06 Permitted Use of Credit Advances. Each and every Credit Advance by GMAC to Borrower or on Borrower's behalf may be used solely for the purposes of: (a) holding or acquiring inventory consisting of the New Parts Inventory by the Rush Group;

(b) for general working capital purposes; and (c) for such other purposes related to the business of the Rush Group as may be reasonably acceptable to GMAC.

Section 2.07 Collateral Formula Amount. The Collateral Formula Amount shall be 75% of the Net Book Value of the New Parts Inventory of the Rush Group, as of the date of this Agreement, and as subsequently adjusted from time to time as certified in the Certification Report required to be submitted to GMAC by Borrower.

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

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

Certification Report shall mean that form of document attached hereto as Exhibit 2.07 attached hereto.

Section 2.08 Security Interest and Collateral Assignment. To secure:

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

(b) as to the Dealers, their obligations under the Guaranty Agreements,

the Rush Group hereby pledge, assign and grant to GMAC a security interest in the Parts Inventory (sometimes also referred to as the Borrowing Base Collateral). Rush Group shall execute and deliver to GMAC one or more security agreements, documents, and financing statements, in form and substance satisfactory to GMAC in the exercise of reasonable judgment of GMAC (but not inconsistent with this Agreement as to any subject dealt with in this Agreement), as

may be required by GMAC to grant and maintain a valid, perfected first lien or security interest in the Borrowing Base Collateral. The security agreements to be executed contemporaneously herewith shall be in the forms required by GMAC. If an additional Dealer is formed in the future, such Dealer shall execute similar documents required by GMAC granting to GMAC a security interest in the Borrowing Base Collateral, conforming as necessary to the laws of the Dealer's place of business.

Section 2.09 Obligations Regarding Borrowing Base Collateral. With respect to the Borrowing Base Collateral, Rush Group shall:

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

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

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

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

Section 2.10 Other Covenants by Rush Group. In addition to the other obligations and agreements here, Rush Group covenant and agree as follows:

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

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

(c) Rush Group shall furnish GMAC by the 20th day of each month a Certification Report certified by the chief executive officer, chief financial officer, president or vice president of a Dealer of that Dealer's Collateral Formula Amount as of the last day of the previous month. GMAC may request, at any time, a parts

inventory schedule for any or all dealerships; Rush Group shall provide such schedule within 48 hours of such request.

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

(e) Rush Group shall keep their respective properties in good repair, working order and condition and, from time to time, make all needful and proper repairs, renewals, replacements, additions and improvements thereto, so that the business carried on may be properly and advantageously conducted at all times in accordance with prudent business management. As an exception to the covenant of Rush Group continued in the preceding sentence, it is understood that Rush Group shall not be deemed to have violated such covenant on account of ordinary wear and tear and damage due to casualty or any cause beyond Rush Group's reasonable control.

## ARTICLE III

## REAL ESTATE LOANS

Section 3.01 Consent to Conveyance. GMAC consents to the conveyance of the Real Estate from Rush to RTC- Oklahoma and RTC-Texas respectively upon the following terms and conditions:

(a) The deeds conveying the Real Estate must be satisfactory to GMAC in its sole discretion.

(b) GMAC may offer, from time to time at is sole discretion, a wholesale incentive program which allows for a 1.00 percentage point reduction in the interest rate for real estate loans calling for a floating rate of interest; if such a program is at any time in place and Rush elects to participate in it, then Rush shall receive such 1.00 percentage point reduction on the floating interest rate in its real estate loans; provided, however, that GMAC shall have the right to terminate or modify the program upon 30 days' notice.

(c) Rush Group shall provide GMAC with Mortgagee Policies of Title Insurance, or endorsements to said existing Policies, acceptable to GMAC as to form, coverage and exceptions, and showing GMAC's Mortgages and Deeds of Trust to be in first lien position.

Section 3.02 Refinance of Oklahoma and Texas Real Estate Loans. On the condition that there has been no Event of Default hereunder, GMAC shall permit Rush Group to refinance the Oklahoma

and Texas Real Estate Loans. Upon payment of all amounts owing under the Oklahoma Real Estate Loans, GMAC agrees to release the liens evidenced by the Mortgages referenced in Section 1.01(z)(i) and (ii) above. Upon payment of all amounts owing under the Texas Real Estate Loans, GMAC agrees to release the liens evidenced by the Deeds of Trust referenced in Section 1.01(ah)(i) above. In addition to releasing the liens under said Deeds of Trust, GMAC agrees to also release, as applicable, any other liens on personal or other property which pertains to the real estate covered by said Deeds of Trust (by way of example, security interests in equipment used at such locations).

## ARTICLE IV

## WHOLESALE FLOOR PLAN LOANS

Section 4.01 Consolidation of Wholesale Floor Plan Loans. The credit facility and funding terms of the Wholesale Floor Plan Loans shall be modified and governed in accordance with this Article IV.

Section 4.02 Establishment. From time to time prior to a termination pursuant to Section 10.01 hereof, Borrower or any Dealer may, subject to the terms and conditions of this Agreement, obtain loans from GMAC in order to finance their acquisition of new and used motor vehicles from manufacturers, distributors, customers, dealers and other sellers. Such credit facility is referred to hereinafter as the "Wholesale Facility." The Wholesale Facility will be used by solely for the purpose of acquiring new and used motor vehicles.

Section 4.03 Wholesale Credit Advances. Upon request of Borrower or any Dealer, GMAC will, subject to the terms and conditions of this Agreement, loan funds (a "Wholesale Credit Advance") to Borrower or any Dealer, as applicable, pursuant to the Wholesale Facility. Such request shall be in the form prescribed by GMAC from time to time.

Section 4.04 Wholesale Credit Note. For Wholesale Floor Plan Loans in Texas or other state where GMAC uses promissory notes for such loans, the member of the Rush Group for whom the Wholesale Floor Plan Loan is made (referred to herein as the "Borrowing Party") will repay the Wholesale Credit Advances to GMAC, together with all accrued and unpaid expenses thereon, and applicable costs and expenses as set forth in a promissory note or notes payable to the order of GMAC, executed by the Borrowing Party and delivered to GMAC concurrently with execution and delivery of this Agreement, substantially in the form referenced in the GMAC Forms described below (the "Wholesale Credit Note"). Notwithstanding anything in this Agreement or the Wholesale Credit Note to the contrary, each

Wholesale Credit Advance made (a) with respect to any new motor vehicle, will be repaid by Borrowing Party to GMAC in the ordinary course of business, or such earlier time as GMAC may determine in its sole, absolute discretion, after the day of the sale, lease or other disposition of such vehicle by Borrowing Party, and (b) with respect to any used motor vehicle, will be repaid by Borrowing Party upon the earlier to occur of (i) 180 days from Borrowing Party's acquisition of such vehicle or (ii) in the ordinary course of business, or such earlier time as GMAC may determine in its sole, absolute discretion, after the sale, lease or other disposition of such vehicle by Borrowing Party. The Wholesale Credit Advances will bear interest at the Prime Rate plus 1.00 percentage points. GMAC may offer, from time to time at is sole discretion, a wholesale incentive program which allows for a 1.00 percentage point reduction in the interest rate; if such a program is at any time in place and Borrowing Party elects to participate in it, then Borrowing Party shall receive such 1.00 percentage point reduction on the interest rate in its Wholesale Credit Advances; provided, however, that GMAC shall have the right to terminate or modify the program upon 30 days' notice.

Section 4.05 Limitations. The Wholesale Credit Advance will be (a) 100% of the original, factory invoice amount for the new motor vehicles; and (b) 75% of the current listed average finance value, as provided in the current, regional edition of the "The Truck Blue Book", for the used trucks which are currently listed in The Truck Blue Book. Notwithstanding anything herein contained to the contrary, the Wholesale Facility is expressly subject to the written terms of the wholesale financing documents as listed in Section 4.10 and may be modified, suspended or terminated at the sole and absolute discretion of GMAC.

Section 4.06 Other Financing. From time to time, GMAC may also provide other categories of vehicle inventory and equipment financing to members of the Rush Group, including, without limitation, financing under GMAC's so-called Delayed Payment Privilege, Shop Rental Plan, Rental Plan, plans for wholesale demonstrations and the like (collectively, "Other Financing").

Section 4.07 Retail Financing. From time to time, GMAC may also provide retail finance and lease accommodations to members of the Rush Group or customers of Rush Group in accordance with GMAC's customary practices (collectively "Retail Financing").

Section 4.08 Dealer Obligations. The amounts and obligations now or hereafter owing to GMAC by any members of the Rush Group under the Wholesale Facility, Other Financing, Retail Financing, and any and all other indebtedness, obligations, or liabilities of Rush Group whether direct or indirect, liquidated or contingent, are referred to hereinafter as "Dealer Obligations." Rush Group hereby promises to pay to GMAC all Dealer Obligations promptly on

demand, except as may otherwise be set forth in accordance with the express terms and conditions of this Agreement, the Loan Documents and the GMAC Forms (as defined in Section 4.10 below).

Section 4.09 Absolute Discretion of GMAC. The amount, terms, conditions, interest rate, repayment terms, advance rate, existence, documentation, and administration of the Wholesale Facility will, at all times, be subject to change, suspension, and cancellation at the sole, absolute discretion of GMAC, notwithstanding anything herein or otherwise to the contrary. Nothing contained in this Agreement will, at any time, obligate GMAC to provide Other Financing or Retail Financing to Borrower or any Dealer, or customer of Borrower or any Dealer. The making and amount of any Other Financing or Retail Financing will be in the sole, absolute discretion of GMAC. If GMAC elects to suspend or cancel financing under this Agreement, the following notice provisions shall apply: (i) if there is no default of any nature by any entity in the Rush Group, GMAC shall not make the suspension or cancellation effective earlier than 120 days after notice to Borrower; (ii) if there is any default of any nature by any entity in the Rush Group, GMAC may make suspension or cancellation effective immediately upon notice of same.

Section 4.10 Documentation of Dealer Obligations. Concurrently with the execution and delivery of a Wholesale Facility, Borrower and Dealers will, as appropriate, duly execute and deliver to GMAC at least one original of each of the following documents, instruments, or agreements (the "GMAC Forms") to further evidence the parties' intentions with respect to Dealer Obligations:

| Wholesale Facility | | GMAC Form No. |
|---|---|---|
| (i) | Inventory Loan and Security Agreement | 177JV |
| (i) | Wholesale Security Agreement | 178 |
| (ii) | UCC-1 Financing Statement | |
| (iii) | Signature Card | 524 |
| (iv) | Addendum to Financial Statement | 505 C |
| (v) | Loan Agreement | 176 GLA |
| (vi) | Promissory Note | 176-GPN |
| (vii) | Agreement Amending the Wholesale Security Agreement and Conditionally Authorizing the Sale of New Floor Plan Vehicles on a Delayed Payment Privilege Basis | 570 |
| (viii) | Assignment of DPP Vehicle Proceeds | 570-1 |
| (ix) | Factory Authorization Letter | |
| Retail Facility (for Dealer service vehicles) | | |
| (i) | Inventory Security Agreement | 141 |

Copies of the GMAC Forms have been provided to Borrower. Borrower and Dealers, as applicable, will duly execute and deliver to GMAC such other documents, instruments, or agreements and any amendments thereto with respect to the Dealer Obligations, as GMAC may customarily require from time to time. The existence of this Agreement, representations, covenants, terms of default, and the like is in no way intended to alter the demand nature of all Dealer Obligations which in every instance are

subject to change, suspension, and cancellation at the sole, absolute discretion of GMAC.

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

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

Section 4.11 Security Interest. To secure:

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

(b) as to Guarantors, their obligations under the Guaranty Agreements,

the Rush Group hereby pledges, assigns and grants to GMAC a security interest in the Motor Vehicle Inventory. If an additional Dealer is formed in the future, such Dealer shall execute similar documents required by GMAC granting to GMAC a security interest in the Motor Vehicle Inventory.

## ARTICLE V

## REPRESENTATIONS AND WARRANTIES

The Rush Group, individually and collectively, jointly and severally, represent and warrant to GMAC as follows:

Section 5.01 Organization, Corporate Authority and Qualifications.

(a) Borrower and each Dealer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified to transact business or own real property in each state or other jurisdiction in which its principal real properties are located or

in which it conducts any important or material part of its business.

(b) Borrower and each Dealer has the corporate power and authority to execute, deliver and perform this Agreement and the Loan Documents.

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

Section 5.02 Authorization and Compliance with Laws and Material Agreements. The execution, delivery and performance of this Agreement and the Loan Documents, and the borrowings here under, by Rush Group have been duly authorized by all requisite corporate action on the part of Rush Group and will not violate the articles of incorporation or bylaws of Rush Group and will not violate any provision of law, or order of any court or governmental agency affecting it in any respect, and will not conflict with, result in a breach of the provisions of, constitute a default under, or result in the imposition of any lien, charge, or encumbrance upon any assets of the Rush Group pursuant to the provisions of any indenture, mortgage, deed of trust, franchise, permit, license, note or other agreement or instrument to which the Rush Group may be bound. No approval or consent from any Governmental Authority or other third party is required in connection with the execution of or performance under this Agreement and the Loan Documents by Rush Group.

Section 5.03 Valid and Binding Obligation. All of the Loan Documents to which Borrower or any Dealer is a party, will upon execution and delivery by such party, constitute a valid binding obligation of the Rush Group, enforceable in accordance with their terms.

Section 5.04 Financial Condition. The balance sheets and statements of income and retained earnings of the Rush Group, heretofore furnished to GMAC, are complete and correct and fairly represent the financial condition of the Rush Group as at the dates of said financial statements and the results of their operations for the periods ending on said dates. Neither Borrower nor any Dealer has any material contingent obligations, liabilities for taxes, long-term leases, or unusual forward or long-term commitments not disclosed by, or reserved against in, said balance sheets or the notes thereto; and at the present time, there are no material realized or anticipated losses from any unfavorable commitments of Borrower or any Dealer. Said financial statements were prepared in accordance with generally accepted principles and practices of accounting consistently maintained throughout the periods involved. Since the date of the latest of such statements,

there has been no material adverse change in the financial condition of Borrower or any Dealer from that set forth in said balance sheets as at that date.

Section 5.05 Litigation and Judgments. There are no suits or proceedings pending, or, to the knowledge of Borrower or any Dealer threatened, against or affecting Borrower or any Dealer that, if adversely determined, would have a Material Adverse Effect on the financial condition or business of Borrower or any Dealer, as the case may be, or on the Collateral; and there are no proceedings by or before any governmental commission, board, bureau, or other administrative agency pending or to the knowledge of Borrower or any Dealer, threatened against Borrower or any Dealer, which if adversely determined, would have a Material Adverse Effect on the business, properties, condition, financial or otherwise of the Borrower or any Dealer. There are no outstanding judgments (final or otherwise) against Borrower or any Dealer.

Section 5.06 Title to and Perfection of Security Interest in Collateral. Rush Group are the owners of all their respective Collateral, free and clear of all liens, security interests, and encumbrances other than those in favor of GMAC hereunder and those shown on Schedule 5.06 attached hereto, and will execute all such financing statements or other documents and take such actions as GMAC may deem necessary or desirable to evidence or perfect its first and prior security interest and lien in Collateral under the Loan Documents.

Section 5.07 No Other Financing Statements. No UCC-1 or other financing statement covering any assets owned by Rush Group has been executed or is on file in any public office, except those financing statements disclosed on the attached Schedule 5.06 and the financing statements of GMAC.

Section 5.08 Purpose of Borrowers; Use of Proceeds. Rush Group has entered into this Agreement for legitimate purposes, and will use the proceeds of the Loans exclusively as set forth in this Agreement.

Section 5.09 Ownership of Properties; Liens. Rush Group has good and indefeasible title or valid leasehold interests in all their significant or material properties and assets, real and personal, which are owned or used in connection with its products or services, and none of such properties or assets or leasehold interests of Rush Group are subject to any mortgage, pledge, security interest, encumbrance, lien or charge of any kind which would materially restrict the manner in which Rush Group uses or intends to use such property.

Section 5.10 Taxes. Rush Group has filed all federal and state tax returns or reports required of them, including but not

limited to income, franchise, employment and sales taxes, and have paid or made adequate provision for the payment of all taxes which have become due pursuant to such returns or reports or pursuant to any assessment which has been received, none of such being outstanding and unpaid, and Rush Group knows of no pending investigations of Rush Group by any taxing authority, nor of any material pending but unassessed tax liability.

Section 5.11 Guarantees. Except as set forth on Schedule 5.11 attached hereto, neither Borrower nor any Dealer has guaranteed any dividend or any obligation of any other person, corporation or entity, including any unconsolidated subsidiary, and no subsidiary has guaranteed any dividend, obligation or indebtedness of any other person, corporation or entity, including Borrowers, in each case other than deposit of items for collection in the ordinary course of business and intercompany transactions.

Section 5.12 Compliance with Laws and Franchise Agreements. Except to the extent that failure to comply would not have a Material Adverse Effect, each Borrower has complied with all applicable laws, ordinances, statutes, rules, regulations, orders, injunctions, writs or decrees (collectively, "Laws") or any agreements, contracts and understandings, including without limitation, all licensing and other permit or registration laws for the sale and service of vehicles, and all agreements and understandings, written or oral, to which it is party, or subject to, with any motor vehicle manufacturer (each such agreement and understanding is referred to in this Agreement as a "Franchise Agreement"), including with respect to: (a) any restrictions, specifications or other requirements pertaining to vehicles or other products sold by any Borrower or to services performed by any Borrower; (b) the conduct of any Borrower's business; or (c) the use, maintenance and operation of the real and personal properties owned by any Borrower or leased by it in the conduct of its business.

Section 5.13 No Materially Adverse Agreements. Neither Borrower nor any Dealer are a party to any agreement which in the opinion of Borrowers does or will materially and adversely affect the business, operations or condition, financial or otherwise, of any Borrower.

Section 5.14 Default. Neither Borrower nor any Dealer is in default in any material respect under the provisions of any instrument evidencing any material obligation, indebtedness or liability of a Borrower or of any agreement relating thereto, or under any order, writ, injunction, or decree of any court, or in default under or in violation of any order, regulation, or demand of any governmental instrumentality which default or violation might have consequences which would have a Material Adverse Effect

affect on the business, financial condition, or properties of a Borrower.

Section 5.15 Misrepresentation. There is no fact which Borrower or any Dealer have failed to disclose to GMAC, which materially and adversely affects nor, so far as Borrower or any Dealer can now foresee, is reasonably likely to have a Material Adverse Effect on the business, operation, properties, profits, or condition of Borrower or any Dealer or the Collateral, or the ability of Borrower or any Dealer to perform this Agreement.

Section 5.16 Environmental Liabilities. To the Best Knowledge of Borrower and Dealers there is no Hazardous Material (defined above) on or in any facility, owned, managed or occupied by Borrower or any Dealer located on the Real Estate (a "Facility"), except such Hazardous Material stored on a Facility in the ordinary course of Borrower's or any Dealer's business on the Facility and managed to prevent a release or threatened release thereof, and in accordance with all federal, state and local Laws (as defined in Section 5.12) relating to Hazardous Material or other environmental matters, nor is there any Hazardous Material being released or threatened to be released from or on any Facility. To the Best Knowledge of Borrower and Dealers, (i) no part of any Facility has ever been used as a manufacturing, storage or dump site for Hazardous Material (except such Hazardous Material stored on a Facility in the ordinary course of Borrower's or any Dealer's business on the Facility and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters), nor is any part of the Facility affected by any Hazardous Material contamination; (ii) no real estate adjoining any Facility has ever been used as a manufacturing, storage or dump site for Hazardous Material (except such Hazardous Material stored in the ordinary course of business and in accordance with all federal, state and local Laws relating to Hazardous Material or other environmental matters); and (iii) no real estate adjoining any Facility is affected by Hazardous Material contamination. To the Best Knowledge of Borrower and Dealers, no report, analysis, study or other document exists. Further, no communications have been received by Borrower or any Dealer asserting that Hazardous Material contamination exists on any Facility or identifying any Hazardous Material as being located upon or released on or from any Facility.

ARTICLE VI

POSITIVE COVENANTS OF RUSH GROUP

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

Section 6.01 Accounting Records. Rush Group shall maintain a standard and modern system for accounting in accordance with generally accepted accounting principles consistently applied throughout all accounting periods.

Section 6.02 Financial Reports. Rush Group will furnish GMAC:

(a) during the first full calendar month after the date of this Agreement, (i) a financial statement for Borrower and each Dealer, which fairly and accurately reflects a condition not adversely and materially changed from the financial statement with respect to such party last provided to GMAC by such party prior to the date of this Agreement; and (ii) a financial statement, prepared on a consolidated basis for all the Rush Group which fairly and accurately reflects a condition not adversely and materially changed from the financial statement with respect to all of the Rush Group last provided to GMAC by Rush Group prior to the date of this Agreement. Rush Group will continue to provide to GMAC, by the 20th day of each month thereafter, financial statements as described in this Section 6.01(a) for the prior calendar month.

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

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

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

Section 6.03 Continuing Business. Except to the extent failure to do so will not have a Material Adverse Effect on the business or operations of Rush Group, Rush Group shall maintain and continue their present business and maintain their corporate

existence in good standing, shall preserve and keep in full force and effect any franchise rights and trade names, and shall pay, before the same become delinquent and before penalties accrue thereon, all taxes, assessments, and other governmental charges against Borrower or any Dealer or their property, and any and all other liabilities, except to the extent, and so long as the same are being contested in good faith by appropriate proceedings, with adequate reserves provided for such payments.

Section 6.04 Financial Status. Rush will, on a consolidated basis with all Dealers, maintain at all times (i) a Tangible Net Worth in the amount of at least $12,500,000 and (ii) a ratio of Total Liabilities to Tangible Net Worth of not greater than 8 to 1.

As used herein, the term "Tangible Net Worth" means the depreciated book value amount of all assets of Borrowers (on a consolidated basis and excluding intercompany items), plus gross 50% of LIFO reserves (if applicable) (less purchase accounting adjustments), less:

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

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

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

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

(e) Total Liabilities.

As used herein, the term "Total Liabilities" means with respect to Rush Group, on a consolidated basis, all obligations for borrowed money, including without limitation, all notes payable and drafts accepted representing extensions of credit, commercial paper, all obligations evidenced by bonds, debentures, notes or other similar instruments and all obligations upon which interest charges are customarily paid, all obligations under conditional

sale or other title retention agreements, all obligations issued or assumed as full or partial payment for property (whether or not any such obligations represent obligations for borrowed money), all capitalized lease obligations, and all indebtedness secured by any lien existing on property owned or acquired by Rush Group subject to any such lien whether or not the obligations secured thereby shall have been assumed.

Section 6.05 Liens, Etc. Borrower and Dealers will not create, incur, or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest in, any of its properties, assets, or receivables, now owned or hereafter acquired, securing the Obligations (all such security being herein called "liens"), except:

(a) liens to GMAC.

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

(c) purchase money security interests in [I] property described on the attached Schedule 6.05(c) or [II] property hereafter acquired by Rush Group, provided that absolutely no lien or interest shall be granted or allowed by Rush Group to any other person with respect to any Motor Vehicle Inventory. GMAC agrees that it will permit purchase money security interests in new Motor Vehicle Inventory if each the following conditions exist: (i) the inventory is not manufactured by General Motors or any of its subsidiaries (i.e., Cadillac, Buick, Chevrolet, GMC Truck, Pontiac and Oldsmobile), and (ii) the interest rate at which Borrower or Dealer will finance the inventory with another lender is less than the interest rate that GMAC is willing to provide.

(d) equipment purchased in the ordinary course of business, which in the aggregate for all of Rush Group, on a consolidated basis, shall not exceed $1,000,000 annually.

(e) the liens shown in Schedule 5.06 attached hereto.

(f) liens against the Real Estate subject to the Oklahoma and Texas Liens in connection with a refinance of the Oklahoma and Texas Real Estate Loans pursuant to Section 3.02 above.

Section 6.06 Taxes, Etc. All taxes, levies, and assessments of whatever description will be paid by Rush Group before interest or penalties accrue thereon, unless the same is being contested in good faith by appropriate proceedings.

Section 6.07 Possession of Titles. Rush Group will permit GMAC upon demand to hold all invoices, manufacturer certificates of origin, and title for any Collateral (other than the Real Estate).

Section 6.08 Monthly Certification Report. Rush will furnish to GMAC, within 20 days of each of the last day of each month, a report certified by the chief executive officer or chief financial officer of Rush, in the form attached as Exhibit 2.07, detailing the Collateral Formula Amount as of the reporting date ("Monthly Certification Report"). Each Monthly Certification Report submitted as of a month-end date shall have attached to it a complete and detailed listing (by Dealer location) of New Parts Inventory, in the form attached to Exhibit 2.07. GMAC may, in its sole and absolute discretion, increase the frequency of such reports and demand such a report at any time.

Section 6.09 Inspection. Rush Group will permit GMAC or its designee to: (a) visit, at any time during normal business hours upon GMAC's request, all premises where any Collateral, or any records or documents of any of the Rush Group, are located; (b) inspect during normal business hours all Collateral and any records or documents of any of the Rush Group or which relate to any Collateral; and (c) discuss their affairs, finances and accounts with any director, officer, employee, accountant, partner, affiliate or agent of any of the Rush Group.

Section 6.10 Insurance: Payment of Premium. Rush Group will, at their sole cost and expense, keep and maintain their properties insured for their full insurable value against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks ordinarily insured against under all risk policies in use by other owners or users of such properties in similar businesses and notify GMAC promptly of any event or occurrence causing a material loss or decline in value of its properties and the estimated (or actual, if available) amount of such loss or decline. All policies of insurance on the Collateral will be in form and with insurers acceptable to GMAC and all such policies will be in such amounts as may be satisfactory to GMAC. Rush Group will deliver to GMAC (i) the original (or certified copy) of each policy of insurance or, in GMAC's sole, absolute discretion, a certificate evidencing such insurance and (ii) evidence of payment of all premiums therefor. Such policies and certificates of insurance will contain an endorsement, in form and substance acceptable to GMAC, showing loss payable to GMAC. Such endorsement, or an independent instrument furnished to GMAC, will provide that the insurance companies will give GMAC at least 30 days' prior written notice before any such policy or policies of insurance will be altered or canceled and that no act or default of Borrower, Dealers or any other person shall affect the right of GMAC to recover under such policy or policies of insurance in case of loss or damage and that GMAC will have the right to cure any such default by such parties. Rush

Group hereby directs all insurers under such policies of insurance where loss or damage to Collateral exceeds $500,000 under any such policy of insurance to pay all proceeds payable thereunder directly to GMAC. So long as no Event of Default exists hereunder, at the option of Rush Group, in the case of insurance proceeds arising from the loss or damage of improvements to Rush Group's real or personal property, the proceeds may be used to replace or restore same with property having equal or greater value and utility to that lost or destroyed; provided, however, Rush Group shall at its expense furnish to GMAC evidence satisfactory to GMAC (including without limitation, title insurance policies or endorsements thereto and opinions of counsel) that GMAC has a valid, duly perfected lien on such property of equal or superior priority to the lien in the property so replaced or restored. To the extent not so used, all such proceeds shall be applied as a partial prepayment of the Loans. Borrower and each Dealer irrecoverably makes, constitutes and appoints GMAC (and all officers, employees or agents designated by GMAC) as its true and lawful attorney (and agent-in- fact), effective from and after the occurrence of an Event of Default, for the purpose of making, settling and adjusting claims under such policies of insurance, endorsing the name of Borrower or any Dealer on any check, draft, instrument or other item or payment for the proceeds of such policies of insurance (which, in GMAC's sole discretion, shall either be used towards the repair, restoration or replacement of the Collateral, or the satisfaction of Borrower's obligations hereunder), and for making all determinations and decisions with respect to such policies of insurance. In the event Borrower or any Dealer, at any time or times hereafter, fails to obtain or maintain any of the policies of insurance required above or to pay any premium in whole or in part relating thereto, then GMAC, without waiving or releasing any obligation or default by Rush Group hereunder, may (but will be under no obligation to) at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which GMAC deems advisable. All sums so disbursed by GMAC, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, will be payable, on demand, by Rush Group to GMAC, will bear interest until paid in full at the interest rate per annum equal to the Prime Rate plus 1.00 percentage point (subject, if applicable, to the 1.00 percentage point reduction under the wholesale incentive program described above) and will be additional indebtedness hereunder secured by the Collateral. In addition, Rush Group will obtain and maintain in full force and effect policies of liability, workers compensation and business interruption insurance in amounts at least equal to that customarily carried by persons or entities conducting comparable businesses.

Section 6.11 Environmental Matters.

(a) From the Effective Date, Borrower, Dealers and any of its agents, authorized representatives and employees (collectively "Agents") shall not engage in any of the following prohibited activities, and Rush Group will use their best and diligent efforts to see that their invitees, tenants and contractors, and such persons' employees, agents, and invitees, shall not:

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

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

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

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

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

(b) If Hazardous Material is discovered on any Facility, Rush Group will pay (or cause those responsible to pay) immediately when due the cost of removal of any Hazardous Material from the Facility (or other appropriate remediation of the Hazardous Material) in compliance with all governmental requirements, and keep the entire Facility free of any lien imposed pursuant to any Laws having to do with the removal of Hazardous Material. Within 30 days after

demand by GMAC, Rush Group will obtain and deliver to GMAC a bond, letter of credit, or similar financial assurance for the benefit of GMAC, evidencing, to GMAC's satisfaction in its sole, absolute discretion, that the necessary funds are available to pay the cost of removing, treating, and disposing of all Hazardous Material on the Facility or any contamination caused thereby, and discharging any assessments or liens which may be established on the Facility as a result thereof.

(c) Borrower and each Dealer will:

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

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

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

(iv) Immediately advise GMAC in writing upon Rush Group's discovery or any discovery by their Agents of any occurrence or condition on any real property adjoining or in the vicinity of any Facility which does, or could, cause the Facility, or any part thereof, to contain Hazardous Material or otherwise be in violation of any Hazardous Material Laws or cause the Facility to be subject to any restrictions on the ownership, occupancy, transferability or use thereof under any Hazardous Material Laws. Nothing in this Section 6.11(c)(iv) is intended or shall operate to create a duty on the part of Rush Group or any of its Agents to inquire as to the condition (environmental or otherwise) of any property not owned or leased by Rush Group.

(d) GMAC will have the right, but not the obligation, to cause all Hazardous Material and Hazardous Material contamination found on or in any Facility (except that used in the ordinary course of Rush Group's business) to be removed therefrom or remediated on site if cost effective and permitted by law. In such

event, the cost of the removal or remediation, including all expenses, charges, and fees incurred by any GMAC in connection therewith, including attorneys', engineers', and consultants' fees, shall be payable by Rush Group on demand. Rush Group will give to GMAC and its Agents access to the Facility for such purposes and Rush Group hereby grant to GMAC and its Agents full right and authority to remove any such Hazardous Material and Hazardous Material contamination from the Facility or to remediate it on site if cost effective and permitted by law.

(e) If at any time during the term of any Loan, GMAC has reasonable cause to believe that an environmental condition in violation of Section 5.16 above exists (other than in the ordinary course of Rush Group's business), GMAC may notify Rush Group in writing that it desires a site assessment or environmental audit ("Audit") of any or all Facility(s) to be made, and at any time thereafter cause such Audit to be made of the Facility(s) at Rush Group's sole expense. Such Audit(s) will be performed in a manner reasonably calculated to confirm and verify compliance with the provisions of this Section 6.11. Rush Group will reasonably cooperate with the persons conducting the Audit to allow entry and reasonable access to all portions of the Facility(s) for the purpose of the Audit(s), to supply the auditors with all available historical and operational information regarding the Facility(s), as may reasonably be requested by the auditors, and to make available for meetings with the auditors appropriate personnel having knowledge of matters relevant to the Audit(s). Rush Group will comply, at their sole cost and expense, with all recommendations contained in the Audit(s) to the extent necessary to bring Rush Group into compliance with the other provisions of the Section 6.11, including any recommendations for additional testing and studies to detect the presence of Hazardous Material, or to otherwise confirm and verify Rush Group's compliance with the provisions of this Section, to the extent required by GMAC.

(f) The representations and obligations of Rush Group under this Section 6.11 shall, with respect to each tract or parcel of real property constituting the Real Estate, remain in effect until GMAC releases its liens in any applicable part of the Real Estate; upon such release, the obligations shall cease only as to that portion of the Real Estate released. Without limiting the foregoing, it is expressly understood that if, for example, GMAC becomes the owner of any part of the Real Estate through foreclosure, deed in lieu of foreclosure or otherwise, all obligations of Rush Group under this Section 6.11 shall remain in full force and effect.

Section 6.12 Indemnification. Rush Group will defend, indemnify and hold GMAC (including the successors, assigns, employees, agents, officers and directors of GMAC) harmless from and against any and all actions, claims, losses, liabilities,

damages and expenses (including, without limitation, cleanup costs and reasonable attorneys' fees) arising from or relating to any breach of any covenants, agreements or obligation arising under this Agreement or any inaccuracy of or omission from any representation or warranty of Rush Group set forth in this Agreement, including without limitation, those arising directly or indirectly from, or relating, to the handling, manufacture, transport, storage, treatment, emission, spill, leak, dump or disposal of any Hazardous Material by or in respect of Rush Group or any Collateral. This indemnity will apply notwithstanding any negligent or other contributory conduct by or on the part of GMAC (except to the extent the actions, claims, losses, liabilities, damages or expenses are solely attributable to the gross negligence or willful or wanton misconduct of GMAC) or any one or more other persons or entities, and will be enforceable notwithstanding any attempts by Rush Group to exercise due diligence. The loss, liability, damage, cost or expense which is covered by this indemnity will include, without limitation, all foreseeable consequential damages; the costs of any required or necessary repair, cleanup or detoxification of any Facility, including the soil and ground water thereof, and the preparation and implementation of any closure, remedial or other required plans; damage to any natural resources; and all reasonable costs and expenses incurred by GMAC in connection with the above, including but not limited to, attorneys' and consultants' fees. The provisions of this Section 6.12 will survive repayment of the Loans or other obligation to GMAC in full and expiration or termination of this Agreement.

Section 6.13 Further Assurances. At its costs and expense, upon request of GMAC, Rush Group will duly execute and deliver or cause to be duly executed and delivered, to GMAC such further instruments, documents, certificates, financing and continuation statements, and do and cause to be done such further acts that may be reasonably necessary or advisable in the opinion of GMAC to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

Section 6.14 Future Dealers. In the event any future entity formed by Rush becomes a "Dealer" subject to the terms of this Agreement, such new Dealer shall execute a Guaranty Agreement on a form acceptable to GMAC conforming to the laws of the state where that Dealer does business. Rush shall also execute a Guaranty Agreement of any obligations of the Dealers pursuant to this Agreement, including without limitation any Wholesale Floor Plan Loans made to Dealers under Article IV. From time to time GMAC may require members of the Rush Group to execute such acknowledgments, consents, revised guaranty agreements and the like to affirm and ratify the obligations of each member of the Rush Group for the payment and performance of all Obligations hereunder.

ARTICLE VII

NEGATIVE COVENANTS OF BORROWER

Rush Group covenants and agrees that on and after the Effective Date, while any part of the Indebtedness remains unpaid, they shall not cause or permit, without the written consent of GMAC (which consent shall not be unreasonably withheld or delayed):

Section 7.01 Reorganizations, Acquisitions, Change of Name. (a) merge or consolidate with or into any partnership, trust, or corporation or other entity whatsoever; or (b) sell, lease, transfer, or otherwise dispose of any of its assets which is greater than ten (10%) of the aggregate total assets of Rush Group (except in the ordinary course of business), whether now owned or hereafter acquired.

Section 7.02 Management: Ownership. Except in the case of unforeseen death disability, or other similar emergency, not make any significant change in its structure or management.

Section 7.03 Restriction on Other Indebtedness. Incur any indebtedness for borrowed money or extensions of credit except:

(a) the Obligations;

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

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

(d) indebtedness relating to liens permitted by Sections 6.05 above;

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

(f) any other indebtedness of Rush Group not exceeding in the aggregate $5,000,000.

Section 7.04 Loans and Investments. Lend or advance money, credit or property to any Person, or invest in (by capital contribution or otherwise), or purchase or repurchase the stock or indebtedness, of all or a substantial part of the assets or

properties of any Person, or agree to do any of the foregoing, except for:

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

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

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

(d) (omitted)

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

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

(g) any guaranty of any of the indebtedness permitted by Section 7.03 hereof by any member of the Rush Group.

ARTICLE VIII

CONDITIONS PRECEDENT

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

Section 8.01 Representations True. The representations and warranties of Rush Group contained in this Agreement and in any other Loan Document are true; there is not then in existence any Event of Default hereunder or any event which upon the service of notice or passage of time would constitute an Event of Default hereunder; there is not any suit or proceeding at law or in equity or of any governmental authority instituted or, to the knowledge of any of the Rush Group, threatened which in either case would materially adversely affect the financial condition of Borrower or any Dealer or the Collateral.

Section 8.02 Opinion of Counsel. GMAC will have received an opinion of counsel to Rush Group in the form required by GMAC.

Section 8.03 Good Standing and Certified Copies. GMAC will have received (a) a current certificate of corporate status with respect to each of the Rush Group, or confirmation by telecommunication, if such confirmation is available, from the jurisdiction of incorporation or organization of each such entity and each foreign jurisdiction where Borrower's or a Dealer's failure to be duly qualified or licensed would have a Material Adverse Effect on the financial condition of such entity or on the Collateral; (b) certified copies of the corporation charter and by-laws of Borrower and each Dealer, to the extent applicable; (c) signature and incumbency certificates with respect to the officers executing this Agreement, and the other Loan Documents; and (d) a certified copy of the corporate action taken by Borrower and each Dealer authorizing execution, delivery and performance of this Agreement and the other Loan Documents.

Section 8.04 Guarantees. GMAC will have received guarantees executed and delivered by the Guarantors in accordance with Section 1.01(n) above.

Section 8.05 Loan Documents. All of the Loan Documents relating to the Collateral, including without limitation the Guaranty Agreements, will have been executed by Borrower and the Dealers, or other applicable persons or entities, and delivered to GMAC.

Section 8.06 Material Adverse Change. No material adverse change will have occurred in the business, operations, financial condition or prospects of Rush Group or the Collateral.

Section 8.07 Due Diligence: UCC Filings and Searches. GMAC will, to its satisfaction, have completed and received all audits, inspections, examinations and surveys deemed necessary in the sole, absolute discretion of GMAC with respect to the Collateral and the financial and business condition of Borrower or Dealers; GMAC will have received (a) confirmation of UCC-1 Financing Statements with respect to Rush Group describing the Collateral having been filed in the proper places in each jurisdiction designated by GMAC and (b) UCC and other record searches acceptable to GMAC showing the first priority of GMAC's security interest in the Collateral.

Section 8.08 Sales Authority. Except as disclosed on the attached Schedule 8.08, Borrower or each Dealer, as the case may be, will have been duly and continuously approved (a) by the appropriate original manufacturer or distributor of motor vehicles to sell and service the brand of new motor vehicles contemplated by the parties hereto to be sold by Borrower or such Dealer; and (b) by any pertinent local, state, or federal government agency to purchase, sell, lease, and service motor vehicles as a new and used dealer thereof.

Section 8.09 Repurchase Agreements. GMAC will have executed the customary vehicle factory (a) drafting and delivery instructions and (b) repurchase agreements between GMAC and the manufacturer or distributor of the new motor vehicles which Rush Group intends to acquire.

Section 8.10 Real Estate Loans. All conditions set out in Article III have been met to the satisfaction of GMAC.

## ARTICLE IX

## EVENTS OF DEFAULT

Section 9.01 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

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

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

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

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

(e) Default on Other Debt. Borrower, any Dealer or Guarantor shall fail to pay all or any part of the principal of or interest on any other indebtedness, when due (whether at maturity, by acceleration or otherwise) and such default shall not be cured within the period of grace, if any, specified in the evidence of such other indebtedness.

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

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

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

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

(i) The appointment of a receiver, trustee, custodian, conservator, or liquidator, or other similar official for Borrower, any Dealer or Guarantor, any of its property, or any other property of Borrower, any Dealer or Guarantor.

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

(iii) Borrower, any Dealer or Guarantor shall commence any case, proceeding or other action seeking relief, reorganization, arrangement, adjustment, liquidation, dissolution or composition of such Borrower, any Dealer or Guarantor or its debts under any debtor relief laws.

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

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

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

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

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

(l) Cross-Default. The occurrence of (i) any Event of Default under this Agreement; (ii) a default under any other Loan Document; or (iii) a default under any other agreement between Borrower, any Dealer or Guarantor and GMAC now existing or hereafter arising, will constitute an immediate default of this Agreement, the Loan Documents and all other such agreements.

## ARTICLE X

## REMEDIES

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

Section 10.01 Termination of Agreement. GMAC may terminate this Agreement or any part thereof. By way of example only, GMAC may terminate the Line of Credit under Article II (the Borrowing Base Line of Credit) and the Wholesale Facility, Other Financing and Retail Facility under Article IV (the Wholesale Floor Plan Loans).

Section 10.02 Specific Remedies. GMAC shall have the right to:

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

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

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

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

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

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

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

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

(d) subject to any specific, contrary provision in any other security agreement executed now or in the future: sell or lease the Collateral, or any portion thereof, after giving 5 days' written notice, at public or private sale. The sale by GMAC of less than the whole of the Collateral shall not exhaust the power

of sale, and GMAC is empowered to make successive sales under such power until all of the Collateral shall be sold; the liens, security interests and rights hereunder shall remain in full force and effect as to the unsold portion of the Collateral. The decision to sell all or only a portion of the Collateral at any sale shall be at the sole discretion of Secured Party.

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

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

Section 10.03 Remedies Cumulative. GMAC shall have all rights and remedies contained in any other Loan Document, all of which rights and remedies shall be cumulative of those granted herein, or otherwise available at law or in equity. All of GMAC's rights and remedies may be enforced successively or concurrently. GMAC's rights shall include all rights of a secured party under the Uniform Commercial Code applicable in any particular state.

Section 10.04 Expenses. Rush Group shall pay all expenses and reimburse GMAC for any expenditures, including reasonable attorney fees and legal expenses, in connection with GMAC's exercise of any of its rights and remedies under this Agreement.

Section 10.05 Proceeds. Proceeds realized by GMAC on the sale or other disposition of the Collateral, after payment of all expenses incurred by GMAC in enforcing the Indebtedness or in retaking, holding, preparing for sale or lease, selling, leasing or otherwise disposing of or realizing on the Collateral or the Indebtedness, shall be applied by GMAC to the remaining Indebtedness in such manner as GMAC shall elect.

Section 10.06 Default Interest. In addition to the remedies provided above or elsewhere in this Agreement, all Indebtedness which is not paid when due, by acceleration, at maturity or otherwise, shall bear interest (i) in the case of Indebtedness evidenced by promissory notes, at the default rate (if any) provided in the applicable notes, and (ii) in the case of all Indebtedness not covered by item (i), at the highest nonusurious default rate provided for in any of the notes.

Section 10.07 No Agency. Nothing herein contained shall be construed to constitute Borrower or any Dealer as agent of GMAC for any purpose whatsoever, and GMAC shall not be responsible nor liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof, except to the extent the same results from GMAC's own gross negligence or willful misconduct. GMAC shall not, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Collateral or any instrument received in payment thereof or for any damage resulting therefrom, except to the extent the same results from GMAC's own gross negligence or willful misconduct. GMAC does not by anything herein or in any assignment or otherwise, assume any of Rush Group's obligations under any contract or agreement assigned to GMAC, and GMAC shall not be responsible in any way for the performance by Rush Group of any of the terms and conditions thereof.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01 GMAC's Accounts. GMAC shall maintain on its books in accordance with its usual practice an account or accounts with respect to the Loans, which account or accounts shall include, without limitation, (i) the outstanding principal amount of each of the Loans, (ii) the amount of principal and interest due under each of the Loans and the required payment dates, (iii) all other fees, costs, expenses, losses and indemnities due under this Agreement or any other Loan Document, and (iv) all amounts received by GMAC with respect to the foregoing. For purposes of any legal action or proceeding arising out of or in connection with this Agreement or any other Loan Document, and for all other purposes, the entries made in such account or accounts maintained by GMAC pursuant to this Section shall create a presumption as to the existence and amounts of the foregoing, absent manifest error. However, Rush Group shall have 30 days from the date the GMAC Account statement is received to contest the accuracy of the statement; the failure of Rush Group to contest the accuracy shall constitute conclusive evidence of its accuracy. If Rush Group contests the accuracy with

said 30 days, GMAC shall have 30 days to reconcile the disputed GMAC Account balance. The failure by GMAC to maintain such account or accounts shall not in any manner affect the Indebtedness.

Section 11.02 Notices. All notices or other communications required or permitted to be given pursuant to the provisions of this Agreement shall be in writing and shall be considered as properly given if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering same in person to the intended addressee, or by prepaid telegram, telex or telecopy. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the parties shall be as set forth below; provided, however, that either party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of 30 days' notice to the other party in the manner set forth hereinabove. The addresses for notice hereunder are:

| | |
|---|---|
| If to Rush or any member of the Rush Group: | P.O. Box 34630<br>San Antonio, Texas 78265-4630 |
| And: | |
| If to RTC-California: | P.O. Box 223<br>Pico Rivera, California 90660-0223 |
| If to RTC-Louisiana: | 5220 Industrial Drive Extension<br>Bossier City, Louisiana 71112 |
| If to RTC-Oklahoma: | P.O. Box 271148<br>Oklahoma City, Oklahoma 73137 |
| If to RTC-Texas: | P.O. Box 200105<br>San Antonio, Texas 78220-0105 |
| If to RTC-Colorado: | P.O. Box 16474<br>Denver, Colorado 80216 |
| For notices to Rush or any Dealer, with a copy to: | Mr. Phillip M. Renfro<br>Fulbright & Jaworski L.L.P.<br>300 Convent Street, Suite 2200<br>San Antonio, Texas 78205-3792 |
| If to GMAC: | P.O. Box 40500<br>San Antonio, Texas 78229<br>Attn: Branch Manager |

For notices to GMAC, with a copy to:

Ms. Mary Ann McKinnon
General Motors Acceptance Corporation
P.O. Box 33122
Detroit, Michigan 48232

Section 11.03 Waiver. No course of dealing, or any failure by GMAC to insist, or any election by GMAC not to insist, upon any of Rush Group's strict performance of any of the terms, provisions or conditions of the Loan Documents shall not be deemed to be a waiver of same or of any other term, provision or condition thereof; and GMAC shall have the right at any time thereafter to insist upon strict performance by Borrower or any Dealer of any and all of same. Specifically, no Advance by GMAC when there exists an Event of Default under Article IX hereinabove shall in any way preclude GMAC from thereafter declaring such failure to comply to be an Event of Default hereunder.

Section 11.04 Survival. All agreements, representations, warranties and covenants of Borrower and Dealers contained in this Agreement shall survive the execution of this Agreement and the other Loan Documents, and the making of the Loans; provided, however, that to the extent any agreement, representation, warranty or covenant of Borrower or any Dealer herein, either by its express terms or by the determination of a court of competent jurisdiction, survives the repayment of the Loans and the expiration or termination of this Agreement, such agreement, representation, warranty or covenant shall in no event survive more than 2 years from the later of the (i) date of repayment of the Loans or (ii) the expiration or termination of this Agreement.

Section 11.05 Limitations on Interest. All agreements between GMAC, Borrower and Dealers, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand for payment or acceleration of the maturity hereof or otherwise, shall the interest contracted for, charged or received by GMAC exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to Lender in excess of the maximum lawful amount, the interest payable to GMAC shall be reduced to the maximum amount permitted under applicable law; and if from any circumstance GMAC shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal balance of the Indebtedness and not to the payment of interest, or if such excessive interest exceeds the principal balance such excess shall be refunded to Borrower and/or Dealers, as applicable. All interest paid or agreed to be paid to GMAC shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal so that the interest hereon for

such full period shall not exceed the maximum amount permitted by applicable law. This paragraph shall control all agreements between GMAC, Borrower and Dealers.

Section 11.06 Applicable Law. This Agreement and the other Loan Documents (except as may be otherwise expressly provided in such other Loan Documents), shall be governed by and construed in accordance with the laws of the State of Texas and the laws of the United States applicable to transactions within such State. The Guaranty Agreements, Security Agreements or other Loan Documents (except this Agreement) executed by a Dealer or Guarantor doing business in a state other than Texas, or granting a lien on collateral located in a state other than Texas, shall be governed by the laws of the state specified in such documents.

Section 11.07 Venue and Waiver of Jury Trial. The parties agree that all actions or proceedings arising in connection with this Agreement and any of the Loan Documents shall be tried and litigated only in the state and federal courts located in the State of Texas or, at the sole option of GMAC, in any other court in which GMAC shall initiate legal or equitable proceedings and which has subject matter jurisdiction over the matter in controversy. All the parties to this Agreement waive any right each may have to assert the doctrine of forum non conveniens or to object to venue to the extent any proceeding is brought in accordance with this Section 11.07. All the parties to this Agreement hereby further jointly and severally waive any right to trial by jury with respect to any action, claim, suit or proceeding in respect of or relating to this Agreement or any other Loan Document and/or any relationship between GMAC and Rush Group.

Section 11.08 Severability. If any provision hereof or of any of the other Loan Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the application of such provision to any other person or circumstance nor the remainder of the instrument in which such provision is contained shall be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

Section 11.09 Construction. This Agreement and each other Loan Document are being entered into by competent and experienced businessmen, represented by counsel, and the parties acknowledge that each party and its counsel have reviewed and revised this Agreement and the Loan Documents; therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, the Loan Documents or any amendments or exhibits hereto. The parties intend that all Loan Documents shall be construed and interpreted in a consistent manner.

Section 11.10 GMAC's Discretion. In any instance hereunder (including any exhibits, schedules, annexes or addenda hereto) where GMAC's satisfaction, approval or consent or the exercise of GMAC's judgment is required, the granting or denial of such satisfaction, approval or consent and the exercise of such judgment shall be within the sole discretion of GMAC. This provision shall govern any such satisfaction requirements, consents, approvals or exercise of judgment required in connection with any of the Loan Documents.

Section 11.11 No Third Party Beneficiary. This Agreement is for the sole benefit of GMAC and Rush Group and is not for the benefit of any third party.

Section 11.12 Rush Group In Control; No Partnership. In no event shall GMAC's rights and interests under the Loan Documents be construed to give GMAC the right to, or be deemed to indicate that GMAC is in control of the business, management or properties of Rush Group or has power over the daily management functions and operating decisions made by Rush Group. Nothing contained herein or in any of the other Loan Documents shall be construed as creating joint venture, partnership, tenancy-in-common or joint tenancy arrangement between GMAC and Rush Group. The relationship of GMAC and Rush Group is and at all times shall be solely that of debtor and creditor.

Section 11.13 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, legal representatives and assigns. However, Borrowers shall not assign or encumber this Agreement or any rights herein, it being expressly understood and agreed that Rush Group's rights hereunder are not assignable.

Section 11.14 Number and Gender. Whenever used herein, the singular number shall include the plural and the plural the singular, and the use of any gender shall be applicable to all genders. The duties, covenants, obligations, and warranties of Borrower and Dealers in this Agreement shall be joint and several obligations of Borrower and of each Dealer if more than one.

Section 11.15 Captions. The captions, headings, and arrangements used in this Agreement are for convenience only and do not in any way affect, limit, amplify, or modify the terms and provisions hereof.

Section 11.16 Time of the Essence. Time is of the essence with respect to each and every matter pertaining to performance under this Agreement and of each provision hereof.

Section 11.17 Executed Copies. This Agreement may be executed in any number of counterpart copies, each of which counterparts shall be deemed an original for all purposes.

Section 11.18 Entire Agreement of the Parties. This Agreement, including all agreements referred to or incorporated herein and all recitals hereto, is the entire agreement among the parties relating to the subject matter hereof, supersedes all prior agreements, commitments and understandings among the parties hereto relating to the subject matter hereof, and cannot be changed or terminated orally, and shall be deemed effective as of the date hereof. To the extent that the terms of the documents heretofore evidencing the Borrowing Base Loans, Oklahoma Real Estate Loan, Texas Real Estate Loans or Wholesale Floor Plan Loans are inconsistent with the terms hereof, or if any contemporaneous or subsequent documents evidencing said loans are inconsistent with the terms hereof, the terms of this Agreement shall control.

Section 11.19 Statutory Notice. In accordance with Section 26.02 of the Texas Business and Commerce Code, GMAC hereby notifies Rush Group that:

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

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Executed on the dates indicated below, but to effective as of the date and year first above written.

General Motors Acceptance Corporation

By: /s/ R. L. MARTINEZ
Name: R. L. MARTINEZ
Title: Operation Manager

Rush Enterprises, Inc.

By: /s/ W. M. "RUSTY" RUSH
Name: W. M. "RUSTY" RUSH
Title: President

Rush Truck Centers of California, Inc.

By: /s/ W. M. "RUSTY" RUSH
Name: W. M. "RUSTY" RUSH
Title: President

Rush Truck Centers of Louisiana, Inc.

By: /s/ W. M. "RUSTY" RUSH
Name: W. M. "RUSTY" RUSH
Title: President

Rush Truck Centers of Oklahoma, Inc.

By: /s/ W. M. "RUSTY" RUSH
Name: W. M. "RUSTY" RUSH
Title: President

EXHIBIT 2.05
WHOLESALE INCENTIVE PROGRAM

[GENERAL MOTORS ACCEPTANCE CORPORATION LETTERHEAD]

June 25, 1998

Mr. W. Marvin Rush
Rush Enterprises, Inc.
8810 IH 10 East
San Antonio, Texas 78219

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 and certain floating rate loans. This special rate is offered for competitive reasons as an incentive to encourage dealers to provide GMAC with continued wholesale financing. It is known as the Wholesale Incentive Plan ("WIP").

This letter confirms GMAC's agreement to provide you with a WIP. The following sets forth the percent reduction which GMAC will provide you below the standard rate of interest we have been charging for your new and used wholesale floor plan financing, dealer real-estate loans and Borrowing Base Line of Credit. All wholesale, dealer real-estate loans and Borrowing Base Line of Credit will be at prime. Existing rates: prime (wholesale); prime plus 1.00p.p. (all dealer real-estate loans); prime plus 1.25p.p. (Borrowing Base Line of Credit).

Minimum wholesale outstandings must total at least $20 million and GMAC must retain all current wholesale and dealer loan outstandings for the Rush dealership franchises presently owned and in the future. GMAC must also be provided first right of refusal on all future loans and wholesale financing.

The WIP becomes effective as of July 1, 1996. 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 ninety (90) 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.

/s/ WM. R. HUFFMAN
Wm. R. Huffman
Area Manager

EXHIBIT 2.07
CERTIFICATION REPORT

Parts & Accessories Borrowing Base Credit Line
Loan Agreement Between GMAC and ("Borrower")
dated_____, 199_ (the "Loan Agreement")

As of _____, 199_

To: Attention: _____, Area Manager
General Motors Acceptance Corporation
100 NE Loop 410, Suite 500
San Antonio, TX 78216

DEALER CERTIFICATION REPORT SUMMARY

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Parts & Accessories (per Schedule of Inventory Acct. 242) | 1) | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Less: Parts and Accessories in stock, not owned | 2) | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Less: Parts and Accessories known to be obsolete. | 3) | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Adjusted Schedule of Inventory Value (Line 1 minus 2 & 3) | 4) | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |

The undersigned hereby certifies that as of the date hereof, the above information and attached balance sheets (and parts inventory schedules - for aduits only) of the Rush Truck Group are true and correct and that there exists no default under the Loan Agreement.
The Monthly Certification Report of Borrower shall be subject to GMAC's approval. No failure by GMAC to provide notice of approval or notice of disapproval shall limit or constitute a waiver of any of the rights or remedies of GMAC hereunder or under any other loan document. Notwithstanding anything herein to the contrary and notwithstanding that GMAC may have previously approved any parts and accessories for Inclusion in the Collateral Formula Amount at a specified value, GMAC may, at any time and from time to time, revalue any parts and accessories included in the Collateral Formula Amount. Incident to any such revaluation, the Borrower shall promptly provide to GMAC any materials GMAC may reasonably require. GMAC, in its sole and absolute discretion, may determine as a result of any such revaluation to reduce the amount which any parts and accessories contributes to the Collateral Formula Amount or to exclude such amount of any parts and accessories entirely, which determination shall be conclusive and binding in the absence of manifest error. If GMAC so determines that the Collateral Formula Amount of Borrower is to be reduced, GMAC shall give written notice thereof to the Borrower stating the amount of the reduction, the nature of the action taken by GMAC, and the reduction shall be effective upon GMAC's issuance of that notice.

BORROWER _____

PREPARER'S NAME _____

DATE OF REPORT _____

PREPARER'S SIGNATURE _____

PREPARER'S TITLE _____

| | | | |
|---|---|---|---|
| 1. San Antonio Peterbilt (Med. & Hvy Trucks) | 4. Lufkin Peterbilt | 7. Tulsa Peterbilt | 10. Pharr Peterbilt |
| 2. Houston Peterbilt | 5. Ark-La-Tex Peterbilt | 8. Oklahoma Peterbilt | 11. |
| 3. Laredo Peterbilt | 6. South Coast Peterbilt | 9. Denver Peterbilt | 12. |

SCHEDULE 5.06

Liens, Security Interests and Encumbrances
Other Than Those in Favor of GMAC

(see attached pages)

1. Real Estate Mortgage dated December 1, 1995, from Rush Enterprises, Inc. ("Rush") to Kerr Consolidated, Inc., covering the Oklahoma County, Oklahoma real estate covered and described in the Mortgage Assignment and Security Agreement dated March 1, 1996, from Rush to GMAC recorded in Book 6862, Page 0378 of the Oklahoma County Clerk Records; and

2. The liens shown on the attached summaries of UCC financing statements for each member of the Rush Group.

UCCs on file for
Rush Truck Centers of Texas, Inc.
Rush Truck Centers of Oklahoma, Inc.
Rush Truck Centers of California, Inc.
Rush Truck Centers of Louisiana, Inc.
Rush Truck Centers of Colorado, Inc.
(as of April 30, 1997)

Online Lexis searches were conducted in the following databases on April 30, 1997: (1) Texas Secretary of State--Uniform Commercial Code and Federal Tax Liens (information current through April 29, 1997); (2) California Secretary of State--Uniform Commercial Code Lien Filings and Federal and State Tax Liens (information current through April 30, 1997); (3) Oklahoma Central Filing Office--Uniform Commerical Code Filings (information current through February 7, 1997); (4) Louisiana Parish Clerk's Office--Uniform Commercial Code Filings (information current through January 31, 1997); and Colorado Secretary of State--Uniform Commercial Code Filings information current through March 12, 1997).

The results of the searches, separated by state and debtor, are summarized below. Filings in which General Motors Acceptance Corporation is the secured party were omitted.

TEXAS

| DEBTOR | INSTRUMENT # | SECURED PARTY |
|---|---|---|
| Rush Truck Centers of Texas, Inc.<br>Houston Peterbilt, Inc.<br>(Houston and Lufkin) | 96-163153 | Paccar Inc. |
| Rush Truck Centers of Texas, Inc.<br>San Antonio Peterbilt-GMAC<br>Truck, Inc.<br>Laredo Peterbilt, Inc.<br>(San Antonio and Laredo) | 96-183894 | Paccar Inc. |

CALIFORNIA

| DEBTOR | INSTRUMENT # | SECURED PARTY |
|---|---|---|
| Rush Truck Centers of California, Inc. dba South Coast Peterbilt | 9623460653 | Paccar Inc. and its divisions |

LOUISIANA

| DEBTOR | INSTRUMENT # | SECURED PARTY |
|---|---|---|
| Rush Truck Centers of Louisiana, Inc. Ark-La-Tex Peterbilt, Inc. | 08-373190 | Paccar Inc. |

COLORADO

| DEBTOR | INSTRUMENT # | SECURED PARTY |
|---|---|---|
| Rush Truck Centers of Colorado | 97-2017852 | Interstate Building (Billing?) Service Inc. |
| Rush Truck Center Peterbilt Greeley | 97-2017853 | Interstate Billing Service Inc. |

UCCs on file for Rush Enterprises, Inc. (as of April 25, 1997)

Online Lexis searches were conducted in the following databases on April 25, 1997: (1) Texas Secretary of State-Uniform Commercial Code and Federal Tax Liens (information current through April 22, 1997); (2) California Secretary of State-Uniform Commercial Code Lien Filings and Federal and State Tax Liens (information current through April 18, 1997); (3) Oklahoma Central Filing Office-Uniform Commercial Code Filings (information current through December 17,1996); (4) Louisiana Parish Clerk's Office-Uniform Commercial Code Filings (information current through January 31, 1997); and Colorado Secretary of State-Uniform Commercial Code Filings (information current through March 12, 1997).

The results of the searches, separated by state and debtor, are summarized below. Filings in which General Motors Acceptance Corporation is the secured party were omitted.

TEXAS

| Debtor | Instrument # | Secured Party |
|---|---|---|
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 88-000470 | Paccar Inc. and Its Divisions |
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 88-000471 | Paccar Inc. and Its Divisions |
| Rush Enterprises Inc.<br>Translease Corp. | 88-068301 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 88-076273 | Paccar Financial Corp. |
| Rush Enterprises Inc.<br>San Antonio Truck Sales<br>and Service Inc.<br>San Antonio Peterbilt Inc. | 88-095950 | Paccar Financial Corporation |
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 88-095951 | Paccar Financial Corporation |
| Rush Enterprises Inc.<br>San Antonio Truck Sales and<br>Service Inc.<br>San Antonio Peterbilt Inc. | 88-287860 | Paccar Financial Corp. |
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 89-003429 | Paccar Financial Corp. |

| | | |
|---|---|---|
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 89-092679 | Paccar Financial Corp. |
| Rush Enterprises Inc.<br>Translease Corp. | 89-200359 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease, Corp. | 89-222922 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Lufkin Peterbilt Inc. | 90-232411 | Paccar Inc. and Its Divisions |
| Rush Enterprises Inc.<br>Trans Lease Corp. | 92-129020 | Associates Commercial Corp. |
| Rush Enterprises Inc.<br>Translease Corp. | 92-199818 | Associates Commercial Corporation |
| Rush Enterprises Inc.<br>Trans Lease Corp. | 92-199819 | Associates Commercial Corporation |
| Rush Enterprises Inc.<br>San Antonio Truck Sales & Service | 92-208891 | Southern Pacific Thrift & Loan Association Leasing Division |
| Rush Enterprises Inc.<br>Laredo Peterbilt Inc. | 92-235780 | Paccar Inc. |
| Rush Enterprises Inc. | 93-017410 | Associates Commercial Corporation |
| Rush Enterprises Inc.<br>Trans Lease Corp. | 93-033961 | Associates Commercial Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 93-066280 | Paccar Machinery Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 93-071664 | Paccar Machinery Corporation |
| Rush Enterprises Inc.<br>Translease Corporation | 93-086174 | Associates Commercial Corp. |
| Rush Enterprises Inc.<br>Translease Corporation | 93-086175 | Associates Commercial Corp. |
| Rush Enterprises Inc.<br>Translease Corporation | 93-086176 | Associates Commercial Corp. |
| Rush Enterprises Inc. | 93-130316 | Bell & Howell Acceptance Corp. |

| | | |
|---|---|---|
| Hush Enterprises Inc. | 93-133881 | The Frost National Bank of San Antonio |
| Rush Enterprises | 93-142774 | Associates Commercial Corporation |
| Rush Enterprises Inc.<br>Hou Tex Industrial & Truck Supply | 93-145372 | Interstate Billing Service |
| Rush Enterprises Inc.<br>Laredo Peterbilt Inc. | 93-145373 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Rush Pontiac GMC Truck Center<br>San Antonio Peterbilt Inc. | 93-145374 | Interstate Ming Service Inc. |
| Rush Enterprises Inc.<br>Lufkin Peterbilt Inc. | 93-145375 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Translease Corp. | 93-145376 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 93-145377 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 93-198744 | Paccar Inc. and Its Divisions |
| Rush Enterprises Inc.<br>Houston Peterbilt, Inc. | 93-212357 | Paccar Inc. and Its Divisions |
| Rush Enterprises Inc.<br>Houston Peterbilt, Inc. | 94-012120 | Associates Commercial Corporation |
| Rush Enterprises Inc. | 94-066816 | Concord Commercial Corporation |
| Rush Enterprises Inc. | 94-154856 | Associates Commercial Corporation |
| Rush Enterprises Inc. | 94-209560 | Associates Commercial Corporation |
| Rush Enterprises Inc.<br>Laredo Peterbilt Inc. | 94-246554 | Paccar Financial Corp. |
| Rush Enterprises Inc.<br>Translease Corporation | 95-004085 | Associates Leasing Inc. |
| Rush Enterprises Inc.<br>Houston Peterbilt Inc. | 95-032812 | Paccar Financial Corp. |

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|---|---|---|
| Rush Enterprises Inc. Trans Lease Corp. | 95-112036 | Associates Commercial Corporation |
| Rush Enterprises Inc. Trans Lease Corp. | 95-126184 | Associates Commercial Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-126686 | Paccar Lease Corporation |
| Rush Enterprises Inc. Trans Lease Corp. Corporation | 95-137228 | Associates Commercial Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-145368 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-145369 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-145370 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-145372 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-145375 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-145377 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-164075 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-168405 | Associates Leasing Inc. |
| Rush Enterprises Inc. Translease Corp. | 95-173744 | Paccar Leasing Corporation |
| Rush Enterprises Inc. Translease | 95-233113 | Interstate Billing Service Inc. |
| Rush Enterprises Inc. Tulsa Trucks Inc. | 95-233114 | Interstate Billing Service Inc. |
| Rush Enterprises Inc. Oklahoma Trucks Inc. | 95-233115 | Interstate Billing Service Inc. |
| Rush Enterprises Inc. | 95-235381 | General Electric Capital Corporation |
| Rush Enterprises Inc. Translease Corp. | 95-241763 | Paccar Leasing Corporation |

| | | |
|---|---|---|
| Rush Enterprises Inc.<br>San Antonio Truck Sales &<br>Service Inc.<br>San Antonio Peterbilt-GMC<br>Truck Inc. | 81-079376 | Paccar Inc. |
| Rush Enterprises Inc.<br>South Coast Peterbilt | 96-012838 | Concord Commercial |
| Rush Enterprises Inc. | 96-013403 | Concord Commercial |
| Rush Enterprises Inc.<br>Translease Corp. | 96-065340 | Associates Leasing Inc. |
| Rush Enterprises Inc.<br>Service Inc. | 6-078156 | Entergy (sp.?) Systems and |
| Rush Enterprises Inc. | 6-110415 | Concord Commercial |
| Translease Corp.<br>Rush Enterprises Inc. | 5-140834 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-145367 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-145371 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-145373 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-145374 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-145376 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-164074 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-173745 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-173746 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 5-174172 | Paccar Leasing Corporation |
| Translease Corp.<br>Rush Enterprises Inc. | 6-019586 | Paccar Leasing Corporation |

| | | |
|---|---|---|
| Translease Corp.<br>Rush Enterprises Inc. | 96-042349 | Paccar Leasing Corporation |
| Worldwide Tires<br>Truck Tires Inc.<br>Rush Enterprises Inc. | 82-033549 | Dunlop Tire Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 96-169452 | Associates Leasing, Inc. |

CALIFORNIA

| Debtor | Instrument # | Secured Party |
|---|---|---|
| Rush Enterprises Inc. | 94-019355 | Paccar Inc. |
| Rush Enterprises Inc. | 94-019358 | Paccar Inc. |
| Rush Enterprises Inc. | 94-019361 | Paccar Inc. |
| Rush Enterprises Inc. | 94-019365 | Paccar Inc. |
| Rush Enterprises Inc. | 94-056247 | Paccar Financial Corp. |
| Rush Enterprises Inc. | 94-077448 | G E Capital Corp. |
| Rush Enterprises Inc. dba Translease Corp. | 95-17860450 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660903 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660917 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660920 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660923 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660934 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660944 | Paccar Leasing Corporation |

| | | |
|---|---|---|
| Rush Enterprises Inc. dba Translease Corp. | 95-20660952 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660956 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660959 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660966 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660970 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-20660981 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 94-124271 | Paccar Leasing Corp. |
| Rush Enterprises Inc. dba Translease Corp. | 94-124272 | Paccar Leasing Corp. |
| Rush Enterprises Inc. dba Translease Corp. | 95-33260613 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease, Corp. | 96-00860909 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease, Corp. | 96-02960277 | Paccar Leasing Corporation |
| Rush Enterprises Translease | 96-07960073 | Paccar Financial Corp. |
| Rush Enterprises Inc. Rush Enterprises Inc. dba South Coast Peterbilt | 94-056249 | Paccar Financial Corp. |
| Rush Enterprises Inc. dba Translease Corp. | 96-09460122 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 96-09460146 | Paccar Leasing Corporation |
| Rush Enterprises Inc. South Coast Peterbilt Tom McKeller Inc. | 94-046626 | Interstate Billing Service Inc. |

| | | |
|---|---|---|
| Rush Enterprises Inc. dba South Coast Peterbilt<br>South Coast Peterbilt | 94-056253 | Paccar Financial Corp. |
| Rush Enterprises Inc.<br>Translease<br>South Coast Peterbilt<br>Tom McKeller Inc. | 94-114482 | Interstate Billing Service Inc. |
| Rush Enterprises Inc. dba Translease, Corp. | 95-17860441 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 95-33260618 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 96-02960285 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 96-02960291 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 96-09460138 | Paccar Leasing Corporation |
| Rush Enterprises Inc. dba Translease Corp. | 96-15160996 | Paccar Leasing Corporation |
| Rush Truck Leasing Inc. | 96-32560446 | Paccar Leasing Corporation |

OKLAHOMA

| Debtor | Instrument # | Secured Party |
|---|---|---|
| Rush Enterprises Inc.<br>Translease Corp. | 043520 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Tulsa Trucks | 065798 | Paccar Inc. |
| Rush Enterprises Inc.<br>Oklahoma Trucks | 065799 | Paccar Inc. |
| Rush Enterprises Inc.<br>Oklahoma Trucks Inc. | 063706 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Tulsa Trucks Inc. | 063707 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Translease | 063705 | Interstate Billing Service Inc. |

| | | |
|---|---|---|
| Rush Enterprises Inc.<br>Translease Corp. | 067723 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Tulsa Trucks Inc. | 014862 | Volvo GM Heavy Truck Corporation |
| Rush Enterprises Inc.<br>Oklahoma Trucks Inc. | 014863 | Volvo GM Heavy Truck Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020057 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020060 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020061 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020064 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020696 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 043519 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 062425 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020058 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020059 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020062 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 020063 | Paccar Leasing Corporation |

LOUISIANA

| Debtor | Instrument# | Secured Party |
|---|---|---|
| Rush Enterprises Inc.<br>Ark-La-Tex Peterbilt Inc. | 08368221 | Paccar Inc. |
| Rush Enterprises Inc.<br>Translease Corp. | 08-369984 | Paccar Leasing Corporation |

| | | |
|---|---|---|
| Rush Enterprises Inc.<br>Ark-La-Tex Peterbilt Inc. | 08-370042 | Paccar Financial Corp. |
| Rush Enterprises Inc.<br>Ark-La-Tex Peterbilt | 08-369002 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Translease Corporation | 08-369983 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Ark-La-Tex Peterbilt | 09-919648 | Interstate Billing Service Inc. |
| Rush Enterprises Inc.<br>Translease, Corp. | 08-371259 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 08-369983 | Paccar Leasing Corporation |
| Rush Enterprises Inc.<br>Translease Corp. | 08-369984 | Paccar Leasing Corporation |

SCHEDULE 5.11
RUSH GROUP GUARANTEES

1. Guaranty Agreement between Rush and Associates Commercial Corporation dated effective December 26, 1996, whereby Rush guarantees repayment of indebtedness of Los Cuernos, Inc. to Associates Commercial Corporation in the original principal amount of $1,238,000.

2. It is contemplated that RTC-Oklahoma might assume a certain $2,800,000 promissory note payable by Rush to Kerr Consolidated, Inc. ("Kerr") and/or the obligations of Rush to Kerr under a Dealership Purchase Agreement dated November 10, 1995, and that Rush might guarantee the repayment of such promissory note and/or the satisfaction by RTC-Oklahoma of its obligations under such Dealership Purchase Agreement. In the alternative, RTC-Oklahoma might guarantee the repayment of such promissory note and/or the satisfaction by Rush of its obligations under such Dealership Purchase Agreement.

3. Rush has guaranteed the obligations of RTC-Colorado under the asset purchase agreement whereby RTC-Colorado recently acquired its Colorado assets.

SCHEDULE 6.05(C)

Property Subject to Purchase Money Security Interests
to Lenders Other Than GMAC

None

SCHEDULE 8.08

Circumstances Under Which Borrower or Any Dealer
Is Not Approved By Any Manufacturer or Distributor to Sell and Service
or By Any Governmental Agency to Purchase, Sell, Lease and Service

None

# STOCK PURCHASE AGREEMENT

DATED AS OF

FEBRUARY 20, 1998

BY AND AMONG

RUSH ENTERPRISES, INC.

RUSH RETAIL CENTERS, INC.

D&D FARM & RANCH SUPERMARKET, INC.

AND

GEORGETTE HAWKINS

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# STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT, dated as of February 20, 1998 (this "Agreement"), by and among RUSH RETAIL CENTERS, INC., a Delaware corporation ("Purchaser"), D&D FARM & RANCH SUPERMARKET, INC., a Texas corporation (the "Company") and GEORGETTE HAWKINS, the sole stockholder of the Company ("Seller"). RUSH ENTERPRISES, INC., a Texas corporation ("Rush"), joins this Agreement for the limited purposes expressly set forth in this Agreement.

## RECITALS:

WHEREAS, Seller owns all of the outstanding capital stock of the Company.

WHEREAS, Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, all of the outstanding capital stock of the Company on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows.

1. Definitions. The following terms shall have the following respective meanings for all purposes of this Agreement:

1.1 Acquisition. "Acquisition" shall mean the purchase and sale of the Company Stock pursuant to the terms of this Agreement.

1.2 Adverse Consequences. "Adverse Consequences" shall mean all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses and fees, including court costs and reasonable attorneys' fees and expenses.

1.3 Affiliate or affiliate. "Affiliate or affiliate" shall mean, with respect to any Person, any other Person that, directly or indirectly, controls or is controlled by or is under common control with such Person, and shall include the spouse of any natural person. As used in this definition of "Affiliate", the term "control" and any derivatives thereof mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract, or otherwise.

1.4 Agreement. "Agreement" shall mean this Stock Purchase Agreement, as it may be from time to time amended.

1.5 Audited Financial Statements. "Audited Financial Statements" shall have the meaning set forth in Section 3.7(a).

1.6 Basis. "Basis" shall mean any past or present fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction that forms or could form the basis for any specified consequence.

1.7 Business Combination. "Business Combination" shall mean (i) any merger or consolidation of, or share exchange involving, the Company with or into any Person, (ii) any sale, lease, exchange, transfer or other disposition (whether in one transaction or a series of related transactions) of more than ten percent of the Company's consolidated assets, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, (iv) any issuance, sale, purchase or redemption of equity securities, any reclassification of equity securities or recapitalization of the Company, and (v) any transaction having an effect similar to those described above.

1.8 Business Day. "Business Day" shall mean any day, other than a Saturday, Sunday or legal holiday under the Federal laws of the United States.

1.9 Cash Consideration. "Cash Consideration" shall have the meaning set forth in Section 2.1.

1.10 Closing. "Closing" shall mean the completion of the Acquisition pursuant to this Agreement.

1.11 Closing Date. "Closing Date" shall mean the date the Closing takes place.

1.12 Closing Date Balance Sheet. "Closing Date Balance Sheet" shall have the meaning assigned to it in Section 2.3.

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

1.14 Company Contracts. "Company Contracts" shall have the meaning set forth in Section 3.17(a).

1.15 Company Licenses. "Company Licenses" shall have the meaning set forth in Section 3.26.

1.16 Company Stock. "Company Stock" shall mean all the issued and outstanding capital stock of D&D Farm & Ranch Supermarket, Inc.

1.17 Confidential Information. "Confidential Information" shall mean any information concerning the businesses and affairs of the Company that is not already generally available to the public.

1.18 Contaminated Site List. "Contaminated Site List" shall mean any list, registry or other compilation established by any Governmental Entity of sites that require or potentially require investigation, removal actions, remedial

actions or any other response under any Environmental Laws or treaty covering environmental matters, as the result of a Release or threatened Release of any Hazardous Materials.

1.19 Defensible Title. "Defensible Title" shall mean such title that is good, valid and indefeasible.

1.20 Employee Plans. "Employee Plans" shall have the meaning set forth in Section 3.18(a).

1.21 Environmental Conditions. "Environmental Conditions" shall mean any pollution, contamination, degradation, damage or injury caused by, related to, arising from or in connection with the generation, handling, use, treatment, storage, transportation, disposal, discharge, Release or emission of any Hazardous Materials.

1.22 Environmental Information. "Environmental Information" shall have the meaning set forth in Section 16.1.

1.23 Environmental Laws. "Environmental Laws" shall mean all laws, rules, regulations, statutes, ordinances, decrees or orders of any governmental entity relating to (a) the control of any potential pollutant or protection of the air, water or land, (b) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation, and (c) exposure to hazardous, toxic or other substances alleged to be harmful, and includes without limitation final and binding requirements related to the foregoing imposed by (i) the terms and conditions of any license, permit, approval or other authorization by any governmental entity, and (ii) applicable judicial, administrative or other regulatory decrees, judgments and orders of any governmental entity. The term "Environmental Laws" shall include, but not be limited to the following statutes and the regulations promulgated thereunder, as currently in effect or as subsequently amended: the Clean Air Act, 42 U.S.C. ss. 7401 et seq., the Clean Water Act, 33 U.S.C. ss. 1251 et seq., the Resource Conservation Recovery Act ("RCRA"), 42 U.S.C. ss. 6901 et seq., the Superfund Amendments and Reauthorization Act, 42 U.S.C. ss. 11011 et seq., the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq., the Water Pollution Control Act, 33 U.S.C. ss. 1251, et seq., the Safe Drinking Water Act, 42 U.S.C. ss. 300f et seq., the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. ss. 9601 et seq., and any similar state, federal or local statute or ordinance.

1.24 Environmental Liabilities. "Environmental Liabilities" shall mean any and all liabilities, responsibilities, claims, suits, losses, costs (including remediation, removal, response, abatement, clean-up, investigative and/or monitoring costs and any other related costs and expenses, including without limitation Environmental Remediation Costs), 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, attorney fees and other legal fees (a) pursuant to any agreement, order, notice, directive (including directives embodied in Environmental Laws), injunction, judgment or similar

documents (including settlements), or (b) pursuant to any claim by a governmental entity or other person for personal injury, property damage, damage to natural resources, remediation or similar costs or expenses incurred or asserted by such governmental entity or person pursuant to common law or statute.

1.25 Environmental Remediation Costs. "Environmental Remediation Costs" shall mean all costs and expenses of actions or activities to (a) clean-up or remove Hazardous Materials from the environment, (b) prevent or minimize the movement, leaching or migration of Hazardous Materials into the environment, (c) prevent, minimize or mitigate the Release or threatened Release of Hazardous Materials into the environment, or injury or damage from such Release, and (d) comply with the requirements of any Environmental Laws. Environmental Remediation Costs include, without limitation, costs and expenses payable in connection with the foregoing for legal, engineering or other consultant services, for investigation, testing, sampling and monitoring, for boring, excavation and construction, for removal, modification or replacement of equipment or facilities, for labor and material, and for proper storage, treatment and disposal of Hazardous Materials.

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

1.27 ERISA Affiliate. "ERISA Affiliate" shall mean any person, firm or entity (whether or not incorporated) which, by reason of its relationship with the Company, is required to be aggregated with the Company under Sections 414(b), 414(c) or 414(m) of the Code, or which, together with the Company is a member of a controlled group within the meaning of Section 4001(a) of ERISA.

1.28 ESA. "ESA" shall have the meaning set forth in Section 16.1.

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

1.30 Feasibility Period. "Feasibility Period" shall have the meaning set forth in Section 16.1.

1.31 Financial Statements. "Financial Statements" shall have the meaning set forth in Section 3.7(a).

1.32 Governmental Entity. "Governmental Entity" shall mean any foreign or domestic court, administrative agency or commission or other governmental authority or instrumentality.

1.33 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.

1.34 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.

1.35 Hazardous Materials. "Hazardous Materials" shall mean any (a) toxic or hazardous materials or substances; (b) solid wastes, including asbestos, buried contaminants, chemicals, flammable or explosive materials; (c) radioactive materials; (d) petroleum wastes and spills or releases of petroleum products; and (e) any other chemical, pollutant, contaminant, substance or waste that is regulated by any governmental entity under any Environmental Law.

1.36 Intellectual Property. "Intellectual Property" shall mean all patents (including all reissues, divisions, continuations, and extensions thereof), patent applications, trademarks, servicemarks, trade names, all other names, logos and slogans embodying business, product or service goodwill and all computer software (including data and related documentation).

1.37 IRS. "IRS" shall mean the Internal Revenue Service.

1.38 Knowledge. "Knowledge" shall mean, with respect to a Person, actual knowledge after reasonable investigation, including the knowledge of such Person's directors and officers and employees of such Person with responsibility for the particular matters referred to.

1.39 Liability. "Liability" shall mean any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

1.40 Market Price. "Market Price" shall mean the average of the closing bid and asked prices of a share of Rush Stock for the trading day immediately prior to the Closing Date, as reported in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System.

1.41 Material Adverse Change. "Material Adverse Change" shall mean an occurrence, event or development which has had or is reasonably likely to have a Material Adverse Effect.

1.42 Material Adverse Effect. "Material Adverse Effect" shall mean, with respect to any Person, a material adverse effect on the business, prospects, results of operations, financial condition or assets of such Person and its Subsidiaries taken as a whole. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does

not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then existing events would result in a Material Adverse Effect.

1.43 Ordinary Course of Business. "Ordinary Course of Business" shall mean the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

1.44 Parties. "Parties" shall mean collectively Purchaser, the Company and Seller.

1.45 PBGC. "PBGC" shall mean the United States Pension Benefit Guaranty Corporation.

1.46 Permitted Exceptions. "Permitted Exceptions" shall have the meaning set forth in Section 15.3.

1.47 Person. "Person" shall mean an individual, partnership, corporation, joint venture, unincorporated organization, cooperative or a governmental entity or agency thereof.

1.48 Promissory Note. "Promissory Note" shall have the meaning set forth in Section 2.1.

1.49 Real Property. "Real Property" shall mean all of that property located in Guadalupe County, Texas, which is comprised of three tracts of land as more fully described in three legal descriptions attached hereto as Exhibit 1.49 A.

1.50 Purchase Price. "Purchase Price" shall mean the Cash Consideration and the aggregate amount of the Promissory Note, collectively, as adjusted in accordance with Section 2.3.

1.51 Regulatory Authority. "Regulatory Authority" shall mean any foreign, United States Federal or state government or governmental authority the approval of which, or filing with, is legally required or permitted for consummation of the transactions contemplated by this Agreement.

1.52 Release. "Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment.

1.53 Rush Stock. "Rush Stock" shall mean the common stock, $.01 par value, of Rush.

1.54 SEC. "SEC" shall mean the Securities and Exchange Commission.

1.55 Securities Act. "Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

1.56 Security Interest. "Security Interest" shall mean any mortgage, pledge, lien, encumbrance, charge or other security interest, other than (a) mechanic's, materialmen's and similar liens, (b) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings and for which adequate reserves exist on such Person's books, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

1.57 Subsidiary. "Subsidiary" shall mean, with respect to any entity, any corporation of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are directly or indirectly owned by such entity.

1.58 Tax. "Tax" shall mean any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Code), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

1.59 Tax Return. "Tax Return" shall mean any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

1.60 Title Company. "Title Company" shall mean Alamo Title Company, Attention Ron Bates, 112 E. Pecan, Suite 125, San Antonio, Texas 78205.

1.61 Title Commitment. "Title Commitment" shall have the meaning set forth in Section 15.1.

1.62 Trade Secrets. "Trade Secrets" shall have the meaning assigned to it in Section 3.25.

1.63 UCC Report. "UCC Report" shall have the meaning set forth in Section 15.2.

1.64 Unaffiliated Firm. "Unaffiliated Firm" shall have the meaning assigned to it in Section 2.3.

2. Purchase and Sale.

2.1 Purchase and Sale. At the Closing and subject to and upon the terms and conditions of this Agreement, Seller shall sell, transfer and deliver to Purchaser, and Purchaser shall purchase and acquire from Seller, all right, title and interest in and to all of the outstanding shares of Company Stock free and

clear of all Security Interests or other restriction on transfer (other than restrictions on transfer imposed by the Securities Act and state securities laws) in consideration for the Purchase Price. At the Closing, (a) Purchaser shall deliver to Seller $8,750,000, subject to adjustment, in cash (the "Cash Consideration") by wire transfer of immediately available funds, with such account being specified to Purchaser in writing at least five Business Days prior to the Closing Date, and (b) Rush shall execute and deliver to Seller a promissory note (the "Promissory Note") in the original principal sum of $1,750,000 and in the form of Exhibit 2.1 A.

2.2 Closing.

(a) Subject to the provisions of Article 8 hereof, the Closing of the Acquisition shall take place at 10:00 a.m., San Antonio time, at the offices of Duncan, Ulman, Weakley & Bressler, Inc., 603 Navarro Street, Suite 1000, South Texas Building, San Antonio, Texas 78205-1838, no later than the second Business Day after satisfaction of the latest to occur of the conditions set forth in Article 8 hereof (other than the delivery of the officers' certificates referred to therein and other than any conditions which are waived in accordance with said Article) or such other time, place or date as Seller and Purchaser may mutually agree. Failure to consummate the transactions provided for in this Agreement on the date and time selected pursuant to this Section 2.2(a) shall not, except as permitted by Article 8 hereof, result in the termination of this Agreement and shall not relieve any party to this Agreement of any obligation hereunder.

(b) At the Closing, Seller shall deliver to Purchaser certificate(s) representing the Company Stock accompanied by stock power(s) duly executed in blank, and with all necessary transfer tax and other revenue stamps, acquired at Seller's expense, affixed and canceled. Seller agrees to cure any deficiencies with respect to the endorsements of the certificates representing the Company Stock or with respect to the stock powers accompanying any such certificates.

2.3 Adjustments to Purchase Price.

(a) At the Closing, Purchaser shall have the option, exercised by written notice from Purchaser to Seller delivered at the Closing, subject to Seller's rights under Section 8.2(f), to reduce the value of any inventory on the Closing Date Balance Sheet which Purchaser, in its sole discretion, determines to be obsolete or not saleable in the ordinary course of business in such amount as Purchaser shall determine in its sole discretion and of which Purchaser shall give written notice to Seller at the Closing.

(b) As soon as practicable and in any event no later than ninety (90) days after the Closing Date, Seller shall deliver to Purchaser a consolidated balance sheet of the Company as of the Closing Date,

prepared by the Company's independent auditors in accordance with generally accepted accounting principles and on a basis consistent with the Audited Financial Statements, subject to the reductions pursuant to Section 2.3(a) and excluding any accounts receivable of the company existing on the Closing Date and not collected by the date of such delivery, (the "CLOSING DATE BALANCE SHEET"). The Company shall pay the costs of preparing the Closing Date Balance Sheet.

(c) Within thirty (30) days after receipt of the Closing Date Balance Sheet and copies of the workpapers relating thereto, Purchaser shall inform Seller in writing that either the Closing Date Balance Sheet is acceptable or object to the Closing Date Balance Sheet in writing setting forth a specific description of Purchaser's objections (it being agreed that the failure of Purchaser to deliver such written notice to Seller within such thirty (30) day period shall be deemed acceptance by Purchaser). If Purchaser objects as provided above and if Seller does not agree with Purchaser's objections, if any (it being agreed that the failure of Seller to deliver written notice to the Purchaser of Seller's disagreement with Purchaser's objections within thirty (30) days of Seller's receipt of Purchaser's objections shall be deemed acceptance by Seller), or such objections are not resolved on a mutually agreeable basis within thirty (30) days after Seller's receipt of Purchaser's objections, any such disagreement shall be promptly submitted to a mutually acceptable "big-six" accounting firm that has no affiliation with any of Purchaser, Seller or the Company (the "UNAFFILIATED FIRM"). The Unaffiliated Firm shall resolve within thirty (30) days after said Unaffiliated Firm's engagement by the parties the differences regarding the Closing Date Balance Sheet in accordance with generally accepted accounting principles consistently applied and this Agreement. The decision of such Unaffiliated Firm shall be final and binding upon, and its fees, costs and expenses shall be shared equally by, Seller and Purchaser. Seller and Purchaser shall each bear the fees, costs and expenses of its own accountants. Upon resolution of any such dispute, the determination of the Closing Date Balance Sheet shall be deemed to be final.

(d) If the Closing Date Balance Sheet as finally determined pursuant to this Section 2.3 shows that stockholders' equity is less than $8,600,000, then the purchase price shall be reduced through the return to Purchaser of cash in an amount equal to the difference between $8,600,000 and the amount of stockholders' equity of the Company as reflected on the Closing Date Balance Sheet. Such amount shall be promptly returned by wire transfer of immediately available funds to Purchaser. If the Closing Date Balance Sheet as finally determined pursuant to this Section 2.3 shows that stockholders' equity is greater than $8,600,000, then the purchase price shall be increased through the prompt payment to Seller of cash in an amount equal to 50% of the difference between $8,600,000 and the amount of stockholders' equity of the Company as reflected on the Closing Date Balance Sheet. Such amount shall be paid by wire transfer of immediately available funds to

Seller. If the Closing Date Balance Sheet as finally determined pursuant to this Section 2.3 shows that stockholders' equity is equal to $8,600,000, no adjustment to the Purchase Price shall be made.

(e) From and after the Closing, the Company shall use its best efforts to sell any inventory reduced in value pursuant to Section 2.3(a) and to collect any accounts receivable excluded pursuant to Section 2.3(b) and shall promptly pay to Seller by wire transfer of immediately available funds 50% of the proceeds of such sale in excess of the reduced value and 50% of the proceeds of such collection; provided, however, that the Company may, at its option, at any time transfer any of such inventory and accounts receivable to Seller and shall have no further obligation under this Section 2.3(e) with respect to the inventory and accounts receivable so transferred.

3. Representations and Warranties Concerning the Company.

Seller represents and warrants to Purchaser and Rush that the statements contained in this Article 3 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 3), except as set forth in the disclosure schedule delivered by Seller to Purchaser on the date hereof and initialed by the Parties (the "Disclosure Schedule"). Nothing in the Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein, however, unless the Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Article 3.

3.1 Organization, Etc. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and has full corporate power and authority to conduct its business as it is now being conducted and to own, operate or lease the properties and assets it currently owns, operates or holds under lease. The Company is duly qualified or licensed to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its business or the nature of its properties makes such qualification or licensing necessary, all of which jurisdictions are set forth on the Disclosure Schedule. The Company has heretofore delivered to Purchaser true and correct copies of its Certificate of Incorporation and By-laws as in effect on the date hereof. The minute books (containing the records of meetings of the stockholders, the board of directors, and any committees of the board of directors), the stock certificate books, and the stock record books of the Company are correct and complete.

3.2 Subsidiaries. The Company does not have, directly or indirectly, any legal or beneficial interest in any Subsidiary, partnership, joint venture or other entity.

3.3 Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth on the Disclosure Schedule. All of the issued and outstanding shares of capital stock of the Company are owned, of record and beneficially, by Seller. No Person other than Seller is or will be entitled to receive any payment with respect to the Company Stock. On the Closing Date, no shares of Company Stock will be held as treasury shares. The designations, powers, preferences, rights, qualifications, limitations and restrictions in respect of each class and series of authorized capital stock of the Company are as set forth in the Company's Certificate of Incorporation, and all such designations, powers, preferences, rights, qualifications, limitations and restrictions are valid, binding and enforceable and in accordance with all applicable laws. All outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable. All of the outstanding securities of the Company were issued in compliance with all applicable Federal and state securities laws. None of such outstanding securities has been issued in violation of any preemptive rights, rights of first refusal or similar rights. There are no outstanding options, warrants, convertible securities, calls, rights, commitments, preemptive rights or agreements or instruments or understandings of any character to which the Company is a party or by which the Company is bound, obligating the Company to issue, deliver or sell, or cause to be issued, delivered or sold, contingently or otherwise, additional shares of its capital stock or any securities or obligations convertible into or exchangeable for such shares or to grant, extend or enter into any such option, warrant, convertible security, call, right, commitment, preemptive right or agreement. There are no outstanding obligations, contingent or other, of the Company to purchase, redeem or otherwise acquire any shares of its capital stock. There are no voting trust agreements or other contracts, agreements, arrangements, commitments, plans or understandings restricting or otherwise relating to voting, dividend or other rights with respect to the capital stock of the Company.

3.4 Authorization. The Company has all requisite corporate power and authority to enter into this Agreement and each of the other agreements contemplated hereby, to carry out its obligations under this Agreement and each of the other agreements contemplated hereby and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance by the Company of its obligations hereunder have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company and 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).

3.5 No Violation. The execution and delivery of this Agreement by the Company does not, and the consummation by the Company of the transactions contemplated hereby and compliance with the terms hereof will not, (a) conflict with, or result in any violation of or default or loss of any benefit under, any provision of the Company's Certificate of Incorporation or By-laws; (b) conflict with, or result in any violation of or default or loss of any benefit under, any permit, concession, grant, franchise, law, rule or regulation, or any judgment, decree or order of any court or other governmental agency or instrumentality to which the Company is a party or to which any of its property is subject; (c) conflict with, or result in a breach or violation of or default or loss of any benefit under, or accelerate the performance required by, the terms of any agreement, contract, indenture or other instrument to which the Company is a party or to which any of its property is subject, or constitute a default or loss of any right thereunder or an event which, with the lapse of time or notice or both, might result in a default or loss of any right thereunder or the creation of any Security Interest upon any of the assets or properties of the Company; or (d) result in any suspension, revocation, impairment, forfeiture or non-renewal of any Company License.

3.6 Approvals. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby by the Company will not require the consent, approval, order or authorization of any Governmental Entity or Regulatory Authority or any other Person under any statute, law, rule, regulation, permit, license, agreement, indenture or other instrument to which the Company or Seller is a party or to which any of its or their properties are subject, and no declaration, filing or registration with any Governmental Entity or Regulatory Authority is required or advisable by the Company or Seller in connection with the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, or the performance by each of the Company and Seller of its or their respective obligations hereunder.

3.7 Financial Statements and Other Information.

(a) Seller has delivered to Purchaser (i) true, correct and complete copies of the audited consolidated balance sheets of the Company as of April 30, 1997 and 1996, and the related statements of operations, retained earnings and cash flows (together with the auditors' reports thereon) for each of the years in the three year period ended April 30, 1997, together with notes to such financial statements (the "Audited Financial Statements") and (ii) true, correct and complete copies of the unaudited balance sheets of the Company as of December 31, 1997, and the related statements of operations and cash flows for the eight-month period ended December 31, 1997 (the "Interim Financial Statements"). The Audited Financial Statements and Interim Financial Statements are herein collectively referred to as the "Financial Statements".

(b) The Financial Statements are in accordance with the books and records of the Company and have been prepared in accordance with generally accepted accounting principles consistently applied throughout

the periods covered thereby, and the balance sheets included therein present fairly as of their respective dates the financial condition of the Company (subject, in the case of Interim Financial Statements, to year-end adjustments that may be required upon audit, which adjustments will not have a Material Adverse Effect on such financial statements). All liabilities and obligations, whether absolute, accrued, contingent or otherwise, whether direct or indirect, and whether due or to become due, which existed at the date of such Financial Statements have been disclosed in the balance sheets included in the Financial Statements or in notes to the Financial Statements to the extent such liabilities were required, under generally accepted accounting principles, to be so disclosed. The statements of operations, retained earnings and cash flows included in the Financial Statements present fairly the results of operations and cash flows of the Company for the periods indicated (subject, in the case of Interim Financial Statements, to year-end adjustments that may be required upon audit, which adjustments will not have a Material Adverse Effect on such financial statements), and the notes included in the Financial Statements present fairly the information purported to be shown thereby. The statements of operations included in the Financial Statements do not contain any items of special or non-recurring income or other income not earned in the ordinary course of business except as expressly specified therein.

(c) All properties and tangible assets reflected in the latest balance sheet included in the Financial Statements have a fair market or realizable value at least equal to the value thereof as reflected therein. Purchaser acknowledges that certain personal property located on the premises of the Company is owned by Seller, all of which property is designated as such on the Disclosure Schedule. Purchaser further acknowledges that certain rebates identified as such on the Disclosure Schedule, if received by the Company within nine months after the Closing Date, shall be paid to Seller as a commission.

(d) The accounts receivable of the Company, net of applicable allowances in accordance with generally accepted accounting principles consistently applied, as set forth on the latest balance sheet included in the Financial Statements or arising since the date thereof are valid and genuine; have arisen solely out of bona fide sales and deliveries of goods, performance of services and other business transactions in the ordinary course of business consistent with past practice; are not subject to valid defenses, set-offs or counterclaims; and are collectible at the full recorded amount thereof over the period of usual trade terms (by use of the Company's normal collection methods without resort to litigation or reference to a collection agency). The Company has fully performed all obligations with respect thereto which they were obligated to perform to the date hereof. Seller has delivered to Purchaser an aging schedule for the accounts receivable as of December 31, 1997.

(e) The books, records and accounts of the Company maintained with respect to its business accurately and fairly reflect, in reasonable detail, the transactions and their assets and liabilities with respect to their business. The Company has not engaged in any transaction with respect to its business, maintained any bank account for its business or used any of its funds in the conduct of its business except for transactions, bank accounts and funds which have been and are reflected in its normally maintained books and records.

(f) Since April 30, 1997, there has been (i) no adverse change in the assets or liabilities, or in the business or condition, financial or otherwise, or in the results of operations or prospects, of the Company, whether as a result of any legislative or regulatory change, revocation of any license or right to do business, fire, explosion, accident, casualty, labor trouble, flood, drought, riot, storm, condemnation or act of God or otherwise, and (ii) to the best Knowledge of the Company and Seller, no fact or condition exists or is contemplated or threatened which could reasonably be anticipated to cause such a change in the future.

3.8 No Undisclosed Liabilities. Except as set forth in the notes to the Financial Statements, the Liabilities on the latest balance sheet included in the Financial Statements consist solely of accrued obligations and Liabilities incurred by the Company in the ordinary course of its business to Persons which are not Affiliates of the Company. There are no Liabilities of the Company of any kind whatsoever, whether or not accrued and whether or not contingent or absolute, determined or determinable or otherwise, including without limitation documentary or standby letters of credit, bid or performance bonds, or customer or third party guarantees, and no existing condition, situation or set of circumstances that could reasonably result in such a Liability, other than (i) Liabilities disclosed in the Financial Statements or (ii) Liabilities which have arisen after April 30, 1997 in the Ordinary Course of Business and consistent with past practice (none of which is a Liability for breach of contract, breach of warranty, tort, infringement claim or lawsuit). There are no asserted claims for indemnification by any Person against the Company under any law or agreement or pursuant to the Company's Certificate of Incorporation or By-laws and the Company is not aware of any facts or circumstances that might reasonably give rise to the assertion of such a claim against the Company thereunder.

3.9 Corporate Action. All corporate action of the Board of Directors and of the stockholders of the Company taken on or prior to the date hereof has been duly authorized, adopted or ratified in accordance with applicable law and the Certificate of Incorporation and By-laws (or analogous organizational documents) of the Company and has been duly recorded in its corporate minute books (which have been made available for inspection by Purchaser).

3.10 Events Subsequent to April 30, 1997. Since April 30, 1997, the Company has not (a) sold, leased, transferred or assigned any of its assets, tangible or intangible, other than for fair consideration in the Ordinary Course of Business; (b) entered into any agreement, contract, lease or license (or series

of related agreements, contracts, leases and licenses) either involving more than $5,000 or outside the Ordinary Course of Business; (c) discharged or satisfied any lien or encumbrance or incurred or paid any obligation or liability (absolute, accrued or contingent) other than current liabilities shown on the most recent balance sheet included in the Financial Statements and current liabilities incurred since April 30, 1997 in the Ordinary Course of Business; (d) imposed any Security Interest upon any of its assets, tangible or intangible; (e) made any capital expenditure (or series of related capital expenditures) either involving more than $5,000 or outside the Ordinary Course of Business; (f) made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans and acquisitions) either involving more than $5,000 or outside the Ordinary Course of Business; (g) borrowed any amount or incurred or become subject to any liability (absolute, accrued or contingent), except current liabilities incurred, liabilities under contracts entered into, borrowings under its revolving credit facility and liabilities in respect of letters of credit issued under the credit facility, all of which were in the Ordinary Course of Business; (h) delayed or postponed the payment of accounts payable and other Liabilities outside the Ordinary Course of Business; (i) canceled, compromised, waived or released any right or claim (or series of related rights and claims) either involving more than $5,000 or outside the Ordinary Course of Business; (j) granted any license or sublicense of any rights under or with respect to any Intellectual Property; (k) made or authorized any change in its charter or bylaws; (l) issued, sold or otherwise disposed of any of its capital stock, or granted any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any of its capital stock; (m) declared, set aside or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind) or redeemed, purchased or otherwise acquired any of its capital stock; (n) experienced any damage, destruction or loss (whether or not covered by insurance) to its property; (o) made any loan to, or entered into any other transaction with, any of its directors, officers and employees outside the Ordinary Course of Business; (p) suffered any adverse change in its relations with, or any loss or threatened loss of, any of its suppliers or customers disclosed pursuant to Section 3.24; (q)(i) granted any severance or termination pay to any of its directors, officers or employees, (ii) entered into any employment, deferred compensation, collective bargaining or other similar agreement (or any amendment to any such existing agreement) or arrangement with any of its directors, officers or employees, (iii) increased any benefits payable under any existing severance or termination pay policies or employment agreements, or (iv) increased the compensation, bonus or other benefits payable to any of its directors or officers or, other than in the Ordinary Course of Business and consistent with past practice, employees; (r) accelerated, terminated, modified or canceled any agreement, contract, lease or license (or series of related agreements, contracts, leases and licenses), or had any third party do so, involving more than $5,000 to which it is a party or by which it is bound; (s) made any change in the manner of its business or operations; (t) made any change in any method of accounting or accounting practice, except for any such change required by reason of a concurrent change in generally accepted accounting principles or disclosed in the Financial Statements; (u) entered into

any transaction except in the Ordinary Course of Business or as otherwise contemplated hereby; or (v) entered into any commitment (contingent or otherwise) to do any of the foregoing; provided, however, that the Company may pay dividends, make distributions and pay bonuses so long as the foregoing do not exceed, in the aggregate, $250,000. There has not been any other occurrence, event, incident, action, failure to act or transaction outside the Ordinary Course of Business involving the Company.

3.11 Taxes.

(a) The Company has filed all Tax Returns that it was required to file (taking into account all extensions). All such Tax Returns 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 Liabilities for Taxes for the periods covered by such Tax Returns. All Taxes owed by the Company (whether or not shown on any Tax Return) have been paid. The Company currently is not the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Security Interests on any of the assets of the Company that arose in connection with any failure (or alleged failure) to pay any Tax.

(b) The Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party.

(c) No Seller or director or officer (or employee responsible for Tax matters) of the Company expects any authority to assess any additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax Liability of the Company either (i) claimed or raised by any authority in writing or (ii) as to which Seller or the Company has Knowledge based upon personal contact with any agent of such authority. The Disclosure Schedule lists all federal, state, local and foreign income Tax Returns filed with respect to the Company for taxable periods ended on or after April 30, 1995, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. Seller has delivered to Purchaser correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Company since April 30, 1995.

(d) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(e) The Company has not filed a consent under Section 341(f) of the Code concerning collapsible corporations. The Company has not made any payments, is obligated to make any payments, or is a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Section 280G of the Code. The Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code. The Company has disclosed on their federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code. The Company is not a party to any Tax allocation or sharing agreement. The Company (i) has not been a member of an affiliated group (within the meaning of Section 1504 of the Code) filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or (ii) has no Liability for the Taxes of any Person (other than the Company) under Treas. Reg. ss.1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(f) All elections and consents with respect to any Tax (or the computation thereof) affecting the Company as of the date hereof are obvious from the Tax Returns or are set forth on the Disclosure Schedule. After the date hereof, no election or consent with respect to any Tax (or the computation thereof) affecting the Company will be made without the written consent of Purchaser. The Company has not agreed to make or is required to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

(g) The Disclosure Schedule sets forth the following information with respect to the Company as of the most recent practicable date (as well as on an estimated pro forma basis as of the Closing giving effect to the consummation of the transactions contemplated hereby): (i) the basis of the Company in its assets; (ii) the amount of any net operating loss, net capital loss, unused investment or other credit, unused foreign tax, or excess charitable contribution allocable to the Company; and (iii) the amount of any deferred gain or loss allocable to the Company arising out of any Deferred Intercompany Transaction (as defined in Treas. Reg. ss.1.1502-13).

(h) The unpaid Taxes of the Company (i) did not, as of the date of the latest balance sheet included in the Financial Statements, exceed the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the latest balance sheet included in the Financial Statements (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing its Tax Returns.

3.12 Litigation. There is no action, suit, investigation, arbitration or proceeding pending or, to the best Knowledge of the Company and Seller threatened against or affecting the Company or any of its respective properties or rights (including without limitation no charge of patent and/or trademark infringement), by or before any Governmental Entity, or any Basis in fact therefor known to the Company or Seller, against or involving the Company or any of its officers, directors or employees (in their capacity as such), assets, business or products, whether at law or in equity. None of the actions, suits, proceedings, hearings and investigations set forth in the Disclosure Schedule could result in any adverse change in the Company. With respect to each litigation or claim described in the Disclosure Schedule, copies of all pleadings, filings, correspondence with opposing parties and their counsel, opinions of counsel, results of studies, judgments, orders, attachments, impositions of or recordings of Security Interests and other documents have been furnished to Purchaser. The Company is not subject to any outstanding injunction, judgment, order, decree, ruling or charge.

3.13 Compliance with Laws. The Company and its predecessors and Affiliates, has complied in all respects with all applicable laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings and charges thereunder) of any Governmental Entity relating to or affecting the operation, conduct or ownership of their respective property or business, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand or notice has been filed or commenced or, to the best Knowledge of the Company and Seller, threatened against any of them alleging any failure so to comply. Neither the Company nor, to the best Knowledge of the Company and Seller, any of the Company's directors, officers, consultants or employees (in their capacity as such), is in default in any respect with respect to any order, writ, injunction or decree known to or served upon the Company of any Governmental Entity or Regulatory Authority. There is no existing law, rule, regulation or order, whether Federal, state, local or foreign, which would prohibit or restrict the Company from, or otherwise adversely affect the Company in, conducting its business in any jurisdiction in which it is now conducting business or in which it currently proposes to conduct business.

3.14 Title to and Condition of Property.

(a) The Disclosure Schedule identifies all of the rights and interests in real property and leasehold estates owned by the Company as of the date hereof, and the nature and amount of its respective interest therein. The Company has Defensible Title to all real property and have valid, subsisting and enforceable leases to all leasehold estates identified and reflected in the Disclosure Schedule and either good and indefeasible title or rights as lessee to all personalty of any kind or nature owned or used by the Company in its business, in each case free and clear of all Security Interests, easements, covenants or other restrictions whatsoever, except for (i) Security Interests or irregularities of title identified on the Disclosure Schedule which, individually or in the aggregate, do not detract from or interfere with the present or reasonably foreseeable use or value

of the properties subject thereto, and (ii) Security Interests for non-delinquent ad valorem taxes and non-delinquent statutory liens arising other than by reason of default by the Company and (iii) Permitted Exceptions.

(b) With respect to each parcel of owned real property:

(i) there are no pending or, to the best Knowledge of the Company and Seller, threatened condemnation proceedings, lawsuits or administrative actions relating to the property or other matters affecting adversely the current use, occupancy or value thereof;

(ii) the legal description for the parcel contained in the deed thereof describes such parcel fully and adequately, the buildings and improvements are located within the boundary lines of the described parcels of land, are not in violation of applicable setback requirements, zoning laws and ordinances (and none of the properties or buildings or improvements thereon are subject to "permitted non-conforming use" or "permitted non-conforming structure" classifications), and do not encroach on any easement which may burden the land, and the land does not serve any adjoining property for any purpose inconsistent with the use of the land, and the property is not located within any flood plain or subject to any similar type restriction for which any permits or licenses necessary to the use thereof have not been obtained;

(iii) to the best Knowledge of the Company and Seller, all facilities have received all approvals of Governmental Entities (including licenses and permits) required in connection with the ownership or operation thereof and have been operated and maintained in accordance with applicable laws, rules and regulations;

(iv) there are no leases, subleases, licenses, concessions or other agreements, written or oral, granting to any party or parties the right of use or occupancy of any portion of the parcel of real property;

(v) there are no outstanding options or rights of first refusal to purchase the parcel of real property, or any portion thereof or interest therein;

(vi) there are no parties (other than the Company) in possession of the parcel of real property, other than tenants under any leases disclosed in the Disclosure Schedule which are in possession of space to which they are entitled;

(vii) all facilities located on the parcel of real property are supplied with utilities and other services necessary for the operation of such facilities, including gas, electricity, water, telephone, sanitary sewer and storm sewer, all of which services are adequate in accordance with all applicable laws, ordinances, rules and regulations and are provided via public roads or via permanent, irrevocable, appurtenant easements benefitting the parcel of real property; and

(viii) each parcel of real property abuts on and has direct vehicular access to a public road, or has access to a public road via a permanent, irrevocable, appurtenant easement benefitting the parcel of real property, and access to the property is provided by paved public right-of-way with adequate curb cuts available.

(c) The Company as lessee has the right under valid leases to occupy, use, possess and control all property leased by the Company as now occupied, used, possessed and controlled by the Company. With respect to each parcel of leased real property:

(i) the Company has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold;

(ii) to the best Knowledge of the Company and Seller, all leased facilities have received all approvals of Governmental Entities (including licenses and permits) required in connection with the operation thereof and have been operated and maintained in accordance with applicable laws, rules and regulations; and

(iii) all leased facilities are supplied with utilities and other services necessary for the operation of said facilities.

(d) Each lease or agreement under which the Company is a lessee or lessor of any property, real or personal, is a valid and binding agreement of the Company and, to the best Knowledge of the Company and Seller, the other party thereto, without any default by the Company thereunder and, to the best Knowledge of the Company and Seller, without any default thereunder by any other party thereto. No event has occurred and is continuing which, with due notice or lapse of time or both, would constitute a default or event of default by the Company under any such lease or agreement or, to the best Knowledge of the Company and Seller, by any other party thereto. The Company's possession of such property has not been disturbed and no claim has been asserted in writing against the Company adverse to its rights in such leasehold interests.

(e) All buildings, structures, appurtenances and items of machinery, equipment and other tangible assets used by the Company are in good operating condition and repair, normal wear and tear excepted,

are usable in the ordinary course of business, are adequate and suitable for the uses to which they are being put and conform, to the best Knowledge of the Company and Seller, to all applicable laws, ordinances, codes, rules, regulations and authorizations relating to their construction, use and operation. To the best Knowledge of the Company and Seller, none of the Company's premises or equipment are in need of maintenance or repairs other than ordinary routine maintenance and repairs which are not material, individually or in the aggregate, in nature or cost.

(f) The assets and properties owned or leased by the Company are sufficient to operate and conduct the business of the Company in a manner consistent with at least the same standards of quality and reliability as have been achieved as of the date hereof.

3.15 Environmental Matters.

(a) With respect to permits and licenses, (i) all licenses, permits, consents or other approvals required under Environmental Laws that are necessary to the operations of the business of the Company have been obtained and are in full force and effect and neither the Company nor Seller is aware of any Basis for revocation or suspension of any such licenses, permits, consents or other approvals; (ii) to the best Knowledge of the Company and Seller, no Environmental Laws impose any obligation upon Purchaser, as a result of any transaction contemplated hereby, requiring prior notification to any Governmental Entity of the transfer of any permit, license, consent or other approval which is necessary to the operations of the business of the Company; (iii) all of the facilities and operations of the business of the Company were constructed, and have been operated, in accordance with the representations and conditions made or set forth in the permit applications and the permits for the business of the Company; and (iv) the business of the Company has at all times been operated in full compliance with such permits, licenses, consents or approvals, and within the production levels or emission levels specified in such permits, licenses, consents or approvals.

(b) To the best Knowledge of the Company and Seller, the Company has at all times operated its 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 Entity.

(c) There are not any existing, pending or, to the best Knowledge of the Company and Seller, threatened actions, suits, claims, investigations, inquiries or proceedings by or before any court or any other Governmental Entity directed against the Company in connection with the operation of its business which pertain or relate to (i) any remedial obligations under any applicable Environmental Law, (ii) violations by the Company of any Environmental Law, (iii) personal injury or property damage claims relating to a release of chemicals or Hazardous

Materials by the Company, or (iv) response, removal or remedial costs under the Comprehensive Environmental Response, Compensation, and Liability Act or any similar state law.

(d) No portion of the real property owned or leased by the Company with respect to its business is listed on any Contaminated Site List.

(e) There has been no Release of any Hazardous Materials on or underlying any Real Property owned or leased by the Company.

(f) No asbestos-containing materials or polychlorinated biphenyls ("PCBs") are present on or underlying any real property owned or leased by the Company.

(g) There are no underground storage tanks for Hazardous Materials, active or abandoned, at any property now or previously owned or leased by the Company.

(h) Seller has provided to Purchaser all engineering, geologic, environmental and other documents or maps in the possession of Seller or the Company relating to (i) any Environmental Conditions existing on any real property owned or leased by the Company, or (ii) any violations by the Company of any Environmental Laws.

(i) All Hazardous Materials, if any, generated by the Company in its business have been transported, stored, treated and disposed of by transporters or carriers, or at treatment, storage and disposal facilities, authorized or maintaining valid permits under all applicable Environmental Laws.

(j) The Company nor Seller is aware of any Environmental Remediation Costs which are required or have been planned relating to the operation of their business by the Company for which Seller or the Company reasonably anticipates payment or accrual.

3.16 Inventories. The inventories of the Company reflected on the Closing Date Balance Sheet consist of items of a quality and quantity usable and saleable in the normal course of business of the Company at an aggregate value at least equal to the value at which such inventories are reflected on the Closing Date Balance Sheet. The method of valuing such inventories on the Closing Date Balance Sheet is consistent with that used in respect of the beginning and end of each of the two (2) most recent fiscal years of the Company. The value of obsolete materials and materials below standard quality has been written down on the books of account of the Company to realizable market value, or adequate reserves have been provided therefor. To the best Knowledge of Seller and the Company, the inventories of the Company are not excessive in kind or amount in light of the business done or reasonably expected to be done by it. The values at which such inventories are carried reflect the inventory valuation

policy applied by the Company of stating inventory at the lower of actual cost (first in-first out method) or realizable market value in accordance with generally accepted accounting principles.

3.17 Contracts.

(a) The Disclosure Schedule contains a complete list of all currently effective written or oral (i) employment contracts, arrangements or policies (including without limitation any collective bargaining contract or union agreement) of the Company which may not be immediately terminated without penalty (or any augmentation or acceleration of benefits); (ii) leases, sales contracts and other agreements with respect to any property, real or personal, of the Company, except for leases of personal property involving less than $1,000 individually and $10,000 in the aggregate; (iii) contracts or commitments for capital expenditures or acquisitions in excess of $5,000 for one project or set of related projects; (iv) agreements, contracts, indentures or other instruments relating to the borrowing of money, or the guarantee of any obligation (third party or otherwise) for the borrowing of money; (v) contracts or agreements providing for any covenant not to compete by the Company or otherwise restricting in any way the Company's engaging in any business activity (including a description of the businesses to which the covenant not to compete applies); (vi) contracts or agreements relating to consultancies, professional retentions, agency, sales or distributorship arrangements pertaining to the Company or its products, services or activities; (vii) any agreement (or group of related agreements) for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which will extend over a period of more than one year, result in a loss to the Company, or involve consideration in excess of $5,000; (viii) contracts, agreements or commitments requiring the Company to indemnify or hold harmless any Person other than purchase orders entered into in the Ordinary Course of Business; (ix) all contracts with any customer or supplier listed on the Disclosure Schedule pursuant to Section 3.24 hereto other than outstanding purchase orders in the Ordinary Course of Business; and (x) contracts, agreements, arrangements or commitments, other than the foregoing, which could reasonably be considered material to the business of the Company (all agreements, arrangements or commitments to which the Company is a party, whether or not listed on the Disclosure Schedule, being hereinafter referred to as "Company Contracts"). True and correct copies of all the Company Contracts listed on the Disclosure Schedule have been furnished to Purchaser. With respect to each Company Contract: (i) the agreement is legal, valid, binding, enforceable and in full force and effect; (ii) the agreement will continue to be legal, valid, binding, enforceable and in full force and effect on identical terms following the consummation of the transactions contemplated hereby; (iii) neither the Company nor, to the best Knowledge of the Company and Seller, any other party thereto, is in breach or default, and no event has occurred which with notice or lapse

of time would constitute a breach or default, or permit termination, modification or acceleration, under the agreement; and (iv) no party has repudiated any provision of the agreement. There are no Liabilities of the Company or, to the best Knowledge of the Company and Seller, any other party to any of the Company Contracts arising from any breach of or default in any provision thereof, nor has there occurred any breach or default thereof by the Company which would permit the acceleration of any obligation of any party thereto or the creation of a Security Interest upon any asset(s) of the Company. There are no negotiations pending or in progress to revise any terms of such Company Contracts.

(b) (i) No purchase contracts or commitments of the Company continue for a period of more than 12 months or are in quantities or amounts in excess of the normal, ordinary, usual and current requirements of its business or in excess of market prices generally available to purchasers of similar quantities; (ii) no Company Contract requires the Company to provide services at a fixed price; (iii) the Company does not have outstanding any bid, contract, commitment or proposal either (x) continuing for a period of more than 12 months or (y) quoting prices which will not result in profits consistent with past experience; and (iv) none of such Company Contracts obligates the Company to sell products or to perform services to third parties which the Company or Seller knows or has reason to believe are at a price which would result in a net loss on the sale of such products or the provision of services, or are pursuant to terms or conditions they cannot reasonably expect to satisfy or fulfill in their entirety.

3.18 Employee and Labor Matters and Plans.

(a) The Disclosure Schedule lists each of the following plans, contracts, policies and arrangements which is or, within six years prior to the date hereof, was sponsored, maintained or contributed to by, or otherwise binding upon the Company, or in the case of an "employee pension plan" (as defined in Section 3(2) of ERISA), an ERISA Affiliate for the benefit of any current or former employee, director or other personnel (including any such plan, contract, policy or arrangement approved or adopted before, but effective on or after, the date of this Agreement): (i) any "employee benefit plan," as such term is defined in Section 3(3) of ERISA, whether or not subject to the provisions of ERISA; (ii) any personnel policy; and (iii) any other employment, consulting, collective bargaining, stock option, stock bonus, stock purchase, phantom stock, incentive, bonus, deferred compensation, retirement, severance, vacation, dependent care, employee assistance, fringe benefit, medical, dental, sick leave, death benefit, golden parachute or other compensatory plan, contract, policy or arrangement which is not an employee benefit plan as defined in Section 3(3) of ERISA (each such plan, contract, policy and arrangement being herein referred to as an "Employee Plan").

(b) With respect to each Employee Plan, Seller has delivered to Purchaser true and complete copies of (i) each contract, plan document, policy statement, summary plan description and other written material governing or describing the Employee Plan and/or any related funding arrangements (including, without limitation, any related trust agreement or insurance company contract) or, if there are no such written materials, a summary description of the Employee Plan; and (ii), where applicable, (1) the last two annual reports (5500 series) filed with the IRS or the Department of Labor; (2) the most recent balance sheet and financial statement; (3) the most recent actuarial report or valuation statement; (4) the most recent determination letter issued by the IRS, as well as any other determination letter, private letter ruling, opinion letter or prohibited transaction exemption issued by the IRS or the Department of Labor within the last six years and any application therefor which is currently pending; and (5) the last PBGC-1 filed with the PBGC.

(c) Each Employee Plan (which, for the purpose of this subsection (c), includes any Employee Plan which, within six years prior to the date hereof, was sponsored, maintained, contributed to or binding upon the Company or an ERISA Affiliate) has been maintained and administered in all respects in accordance with its terms and in compliance with the provisions of applicable law, including, without limitation, applicable disclosure, reporting, funding and fiduciary requirements imposed by ERISA and/or the Code. All contributions, insurance premiums, benefits and other payments required to be made to or under each Employee Plan have been made timely and in accordance with the governing documents and applicable law. With respect to each Employee Plan, (i) no application, proceeding or other matter is pending before the IRS, the Department of Labor, the PBGC or any other governmental agency; (ii) no action, suit, proceeding or claim (other than routine claims for benefits) is pending or threatened; and (iii) to the Knowledge of Seller, no facts exist which could give rise to an action, suit, proceeding or claim which, if asserted, could result in a liability or expense to the Company or the plan assets.

(d) With respect to each Employee Plan which is an "employee benefit plan" within the meaning of Section 3(3) of ERISA or which is a "plan" within the meaning of Section 4975(e) of the Code, there has occurred no transaction which is prohibited by Section 406 of ERISA or which constitutes a "prohibited transaction" under Section 4975(c) of the Code and with respect to which a prohibited transaction exemption has not been granted and is not currently in effect.

(e) The Disclosure Schedule identifies each funded Employee Plan which is an employee pension plan within the meaning of Section 3(2) of ERISA (other than a multiemployer plan within the meaning of Section 3(37) of ERISA). With respect to each such Employee Plan, (i) the Employee Plan is a qualified plan under Section 401(a) or 403(a) of the Code, and its related trust is exempt from Federal income taxation

under Section 501(a) of the Code; (ii) a favorable IRS determination letter is currently in effect and, since the date of the last determination letter, the Employee Plan has not been amended or operated in a manner which would adversely affect its qualified status and no event has occurred which has caused or could cause the loss of such status; (iii) there has been no termination or partial termination within the meaning of Section 411(d)(3) of the Code; (iv) with respect to each such Employee Plan which is covered by Section 412 of the Code, there has been no accumulated funding deficiency, whether or not waived, within the meaning of Section 302(a)(2) of ERISA or Section 412 of the Code, and there has been no failure to make a required installment by its due date under Section 412(m) of the Code; and (v) with respect to each such Employee Plan which is covered by Title IV of ERISA, (1) no reportable event within the meaning of Section 4043(b) of ERISA and the regulations thereunder has occurred; (2) no notice of intent to terminate the plan has been provided to participants or filed with the PBGC under Section 4041 of ERISA, nor has the PBGC instituted or threatened to institute any proceeding under Section 4042 of ERISA to terminate the plan; (3) no liability has been incurred under Title IV of ERISA to the PBGC or otherwise (except for the payment of PBGC premiums) and no event or set of conditions exists which would subject the assets of the Company to a lien under Section 412 of the Code or under ERISA; and (4) in the case of a defined benefit pension plan (including for this purpose any Employee Plan which is described in Section 4(b)(4) of ERISA), the value of the plan assets exceeds the total present value of the plan's benefit liabilities on a plan termination Basis based upon actuarial assumptions and asset valuation principles applied by the PBGC (or applicable foreign law). Neither the Company nor any ERISA Affiliate has ceased operations at a facility so as to become subject to the provisions of Section 4068(f) of ERISA, withdrawn as a substantial employer so as to become subject to the provisions of Section 4063 of ERISA or ceased making contributions to any Employee Plan which is a pension plan subject to Section 4064(a) of ERISA.

(f) Each trust which is intended to be exempt from federal income taxation pursuant to Section 501(c)(9) of the Code has been identified as such on the Disclosure Schedule, and each such trust satisfies the requirements of that Section and is covered by a favorable IRS determination letter, and neither the trust nor any related plan has been amended or operated since the date of the most recent determination letter in a manner which would adversely affect such exempt status.

(g) No Employee Plan listed on the Disclosure Schedule is a multiemployer plan within the meaning of Section 3(37) of ERISA. Neither the Company nor ERISA Affiliate is, or within six years prior to the date hereof was, obligated to contribute or otherwise a party to any such multiemployer plan. Neither the Company nor any ERISA Affiliate has incurred or expects to incur any withdrawal liability under Title IV of ERISA (either as a contributing employer or as part of a controlled

group which includes a contributing employer) in connection with a complete or partial withdrawal from a multiemployer plan, and no ERISA Affiliate has received notice from any such multiemployer plan that the plan is in reorganization or insolvency pursuant to Sections 4241 or 4245 or ERISA or that the plan is intended to terminate or has terminated under Sections 4041A or 4042 of ERISA.

(h) The Company and its ERISA Affiliates have complied in all respects with the provisions of Section 4980(B) of the Code with respect to any Employee Plan or benefit arrangement which is a group health plan within the meaning of Section 5001(b)(1) of the Code. Except as may be required under Section 4980(B) of the Code or any similar state law requiring continuous coverage with respect to health plans, the Company does not maintain, contribute to, and is not obligated under any plan, contract, policy or arrangement providing health or death benefits (whether or not insured) to current or former employees or other personnel beyond the termination of their employment or other services. Except as set forth in the Disclosure Schedule, each Employee Plan may be unilaterally terminated and/or amended by the Company at any time.

(i) The consummation of the transactions contemplated by this Agreement will not (either alone or in conjunction with another event, such as a termination of employment or other services) entitle any employee or other person to receive severance or other compensation which would not otherwise be payable absent the consummation of the transactions contemplated by this Agreement or cause the acceleration of the time of payment or vesting of any award or entitlement under any Employee Plan.

(j) The Disclosure Schedule sets forth a complete and accurate list showing the names, the rate of compensation (and the portions thereof attributable to salary and bonuses, respectively) and location of all current officers of the Company or any ERISA Affiliate and of all employees of or consultants to the Company or any ERISA Affiliate that received, for the year ended December 31, 1996, or are expected to receive, during the year ending December 31, 1997, annual base salary or other compensation in excess of $40,000 (or the equivalent thereof in foreign currency). There are no covenants, agreements or restrictions to which the Company or any ERISA Affiliate is a party, including but not limited to employee non-compete agreements, prohibiting, limiting or in any way restricting any officer or employee listed on the Disclosure Schedule from engaging in any types of business activity in any location. To the best Knowledge of the Company and Seller, no officer or employee listed on the Disclosure Schedule, and no group of the Company's or any ERISA Affiliate's employees, has any plans to terminate their employment. There has not been, and neither the Company nor Seller anticipates, any adverse change in relations with employees as a result of the announcement of the transactions contemplated by this Agreement. Neither the Company nor any ERISA Affiliate has instituted any "freeze"

of, or delayed or deferred the grant of, any cost-of-living or other salary adjustments for any of its employees.

(k) The Disclosure Schedule sets forth by number and employment classification the approximate numbers of employees employed by the Company and each ERISA Affiliate as of the date of this Agreement, and, except as set forth therein, none of said employees are subject to union or collective bargaining agreements. There have been no audits of the equal employment opportunity practices of the Company and, to the best Knowledge of the Company and Seller, no Basis for such claim exists. There is no unfair labor practice charge or complaint against the Company pending before the National Labor Relations Board or strike, dispute, slowdown or stoppage pending or threatened against or involving the Company and none has occurred since April 30, 1995. No representation question exists respecting the employees of the Company and no collective bargaining agreement is currently being negotiated by the Company, nor is any grievance procedure or arbitration proceeding pending under any collective bargaining agreement and no claim therefor has been asserted. Neither Seller nor the Company has 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.

(l) The Disclosure Schedule sets forth all outstanding loans and other advances (other than travel advances in the ordinary course of business which do not exceed $5,000 per individual) made by the Company to any of its officers, directors, employees, stockholders or consultants.

3.19 Insurance Policies. The Disclosure Schedule contains a correct and complete description of all insurance policies of the Company covering the Company and its business, employees, agents and assets. Each such policy is in full force and effect and is, to the best Knowledge of the Company and Seller, adequate in coverage and amount to insure fully against risks to which the Company and its employees, businesses, properties and other assets may be exposed in the operation of their respective business. All retroactive premium adjustments under any worker's compensation policy of the Company have been recorded in the Financial Statements in accordance with generally accepted accounting principles and are reflected in the Financial Statements. All premiums with respect to such insurance policies have been paid on a timely basis, and no notice of cancellation or termination has been received with respect to any such policy. The Company has not failed to give any notice or present any claim thereunder in due and timely fashion. There are no pending claims against such insurance by the Company as to which the insurers have denied coverage or otherwise reserved rights. The Company has not been refused any insurance with respect to assets or operations, nor has its coverage been limited, by any insurance carrier to which it has applied for any such insurance with which it has carried insurance since April 30, 1995.

3.20 Records. The Company has records that accurately and validly reflect its transactions and accounting controls sufficient to insure that such transactions are (i) in all respects executed in accordance with its management's general or specific authorization and (ii) recorded in conformity with generally accepted accounting principles.

3.21 No Illegal or Improper Transactions. Neither the Company nor any of its officers, directors, employees, agents or Affiliates has offered, paid or agreed to pay to any person or entity (including any governmental official) or solicited, received or agreed to receive from any such person or entity, directly or indirectly, any money or anything of value for the purpose or with the intent of (i) obtaining or maintaining business, (ii) facilitating the purchase or sale of any product or service, or (iii) avoiding the imposition of any fine or penalty, in any such case in any manner which is in violation of any applicable ordinance, regulation or law; and there have been no false or fictitious entries made in the books or records of the Company.

3.22 Brokerage Fees. Neither the Company, Seller nor any of their respective Affiliates has retained any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement or any transaction contemplated hereby or any transaction of like nature that would be required to be paid by the Company.

3.23 No Product Liabilities; Product Warranties.

(a) The Company has not incurred, nor does the Company or Seller know of or have any reason to believe there is any Basis for alleging, any liability, damage, loss, cost or expense as a result of any defect or other deficiency ("Product Liability") with respect to any service rendered by the Company, whether such Product Liability is incurred by reason of any express or implied warranty (including, without limitation, any warranty of merchantability or fitness), any doctrine of common law (tort, contract or other), any statutory provision or otherwise and irrespective of whether such Product Liability is covered by insurance.

(b) Seller has furnished Purchaser with the standard forms of warranties or guarantees of the Company's services that are in effect or proposed to be used by it, which forms contain all warranties and guarantees given by the Company to its customers with respect to their services, except for those warranties imposed by law. There are no pending or, to the best Knowledge of the Company and Seller, threatened claims under any warranty or guaranty against the Company. The Disclosure Schedule lists all payments or settlements made in respect of any such warranty or guaranty (including without limitation any returns or allowances) in excess of $10,000 since April 30, 1995, indicating the name of each customer, the amount of each payment and a brief description of the facts relating thereto.

3.24 Suppliers and Customers.

(a) The Disclosure Schedule lists (i) all suppliers of the Company to which the Company made payments greater than $5,000 during the year ended April 30, 1997, or expect to make payments during the year ending April 30, 1998, and (ii) all customers maintaining charge accounts with the Company or that have purchased trailers from the Company that paid the Company greater than $5,000 during the year ended April 30, 1997 or that the Company expects will pay to the Company during the year ending April 30, 1998.

(b) Neither the Company nor Seller has any information which would currently indicate that any of the suppliers of the Company listed on the Disclosure Schedule intend to cease selling to or dealing with the Company nor has any information been brought to its attention which currently leads it to believe any such supplier intends to alter in any respect the amount of such sales or the extent of dealings with the Company or would alter in any respect such sales or dealings in the event of the consummation of the Acquisition. The Company has no information which might reasonably indicate, nor has any information been brought to its attention which might reasonably lead it to believe that, (i) any supplier will not be able to fulfill outstanding or currently anticipated purchase orders placed by the Company which, individually or in the aggregate, exceed $10,000, or (ii) any customer will cancel outstanding or currently anticipated purchase orders placed with the Company which, individually or in the aggregate, exceed $10,000.

(c) Neither the Company nor, to the best Knowledge of the Company and Seller, any of their respective officers, directors or Affiliates, nor any relative or spouse (or relative of such spouse) of any such officer, director or Affiliate, nor any entity controlled by one of more of the foregoing:

(i) owns, directly or indirectly, any interest in (excepting less than 1% stock holdings for investment purposes in securities of publicly held and traded companies), or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor, lessor, lessee, supplier, distributor, sales agent, customer or client of the Company;

(ii) owns, directly or indirectly, in whole or in part, any tangible or intangible property that the Company uses in the conduct of business; or

(iii) has any cause of action or other claim whatsoever against, or owes any amount to, the Company, except for claims in the ordinary course of business such as for accrued vacation pay, accrued benefits under employee benefit plans, and similar matters and agreements existing on the date hereof.

3.25 Intellectual Properties.

(a) Schedule 3.25 includes a true, complete and accurate list of all Intellectual Property held or owned by the Company or in which the Company has any interest and is all the Intellectual Property necessary for use in the Company's businesses as presently conducted. Except as completely and accurately set forth on Schedule 3.25, the Company owns or has the perpetual right to use, without payment to or interference from any person, all Intellectual Property identified in Schedule 3.25, such Intellectual Property being valid, enforceable and in good standing. The Company does not know, and has received no notice of any claim or infringement or interference or other conflict with the asserted rights of others with respect to any Intellectual Property.

(b) The Company owns or has the right to use all inventions (whether or not patentable), all proprietary rights and all business information (including, without limitation, ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer/subscriber lists, supplier lists, pricing and cost information and business and marketing plans and proposals) (collectively, "Trade Secrets") necessary for the operation of the business or operations of the Company as presently conducted and as proposed to be conducted, free and clear of all Security Interests and no Trade Secret has been challenged or misappropriated in any way or to the best Knowledge of Seller and the Company, has any proceeding been threatened with respect thereto and none of the subject matter of any such Trade Secret has been misappropriated or is alleged to have been misappropriated from any person.

(c) Each item of Intellectual Property owned or used by the Company immediately prior to the Closing hereunder will be owned or available for use by the Company on identical terms and conditions immediately subsequent to the Closing hereunder. The Company has taken all necessary and desirable action to maintain and protect each item of Intellectual Property that it owns or uses.

3.26 Licenses. The Company has all licenses, permits and other governmental certificates, authorizations and approvals required by every Federal, state, local and foreign Governmental Entity for the conduct of its business and the use of its properties as presently conducted or used including, without limitation, all licenses required under Environmental Laws and any Federal, state, local or foreign law relating to public health and safety, or employee health and safety (collectively, "Company Licenses"). The Disclosure Schedule contains a true and complete list of the Company Licenses, exclusive of any Company Licenses with respect to state or local sales, use or other Taxes. All of the Company Licenses are in full force and effect and no action or claim is pending nor, to the best Knowledge of the Company and Seller, is threatened to revoke or terminate any Company License or declare any Company License invalid in any respect. The Company has taken all necessary action to maintain such Company Licenses. The Disclosure Schedule contains a true and complete

list of all Federal, state, local and foreign governmental or judicial consents, orders, decrees and other compliance agreements relating to the Company or any of its assets or business under which the Company is operating or bound.

3.27 Restrictive Documents and Territorial Restrictions. The Company is not subject to, or a party to, any charter, by-law, mortgage, Security Interest, lease, license, permit, agreement, contract, instrument, law, rule, ordinance, regulation, order, judgment or decree, or any other restriction of any kind or character, which adversely affects the business, prospects, operations or condition (financial or otherwise) of the Company or any of its assets or property, or which would prevent consummation of the transactions contemplated hereby, or the continued operation of the Company's business after the date hereof on substantially the same basis as heretofore operated or which would restrict the ability of the Company to acquire any property or conduct business in any area.

3.28 No Misleading Statements. This Agreement, the information and schedules referred to herein and the information that has been furnished to Purchaser in connection with the transactions contemplated hereby do not include any untrue statement of a material fact and do not omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. There is no fact known to the Company or Seller which adversely affects or in the future may (so far as the Company or Seller can now reasonably foresee) adversely affect the business, condition (financial or otherwise), property or assets of the Company which has not been set forth herein.

4. Additional Representations and Warranties Relating to Seller.

Seller represents and warrants to Purchaser and Rush 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 Seller Disclosure Schedule attached hereto. Nothing in the Seller Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein, however, unless the Seller Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Seller Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Article 4.

4.1 Due Authorization. Seller has full power and authority to execute and deliver this Agreement and to perform her obligations hereunder and thereunder. Seller has duly executed this Agreement, and this Agreement is, and each other agreement contemplated hereby to which she will be a party will be, upon execution and delivery thereof by her, her legal, valid and binding

obligation, enforceable against her 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).

4.2 No Conflict. Neither Seller's execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby or thereby by her 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 she is a party or by which she (or any of her assets or properties) is bound; or (ii) require her to obtain any authorization, consent, approval or waiver from, to give notification to, or to make any filing with, any Governmental Entity or Regulatory Authority, or to obtain the approval or consent of any other Person.

4.3 Stock. Seller has full right, power and authority to sell, transfer, assign and deliver the Company Stock being sold by her hereunder. Immediately prior to the delivery of the shares of Company Stock being sold by her, she was the sole registered and beneficial owner of such shares of Company Stock and had good and valid title to such shares of Company Stock, free and clear of all Security Interests, rights or claims of others, restrictions on transfer or other encumbrances (other than restrictions on transfer imposed by the Securities Act and state securities laws) and, upon consummation of the transactions contemplated hereby, assuming that Purchaser purchases such shares of Company Stock in good faith without notice of any adverse claims as defined in Section 8.302 of the Uniform Commercial Code as in effect in the State of Texas on the date hereof, Purchaser will have acquired all the rights of Seller in such shares of Company Stock free of any adverse claim, any lien in favor of the Company or restrictions on transfer (other than restrictions on transfer imposed by the Securities Act and state securities laws). There are no outstanding options, warrants, convertible securities, calls, rights, commitments, preemptive rights or agreements or instruments or understandings of any character to which Seller is a party or by which Seller is bound, obligating Seller to issue, deliver or sell, or cause to be issued, delivered or sold, contingently or otherwise, any shares of Company Stock owned by Seller or any securities or obligations convertible into or exchangeable for such shares or to grant, extend or enter into any such option, warrant, convertible security, call, right, commitment, preemptive right or agreement. Seller is not a party to any voting trust agreements or other contracts, agreements, arrangements, commitments, plans or understandings restricting or otherwise relating to voting, dividend or other rights with respect to the Company Stock owned by her. The Company Stock is the separate property of Seller and neither Bobby Hawkins nor any other Persons have any community property or other interest in such Company Stock.

4.4 Brokers. Seller has not 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.

5. Representations and Warranties of Purchaser.

Purchaser represents and warrants to Seller that the statements contained in this Article 5 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 5), except as set forth in Purchaser Disclosure Schedule attached hereto. Nothing in Purchaser Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein, however, unless the Purchaser Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Purchaser Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Article 5.

5.1 Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to own or lease its properties and carry on its business as presently conducted. Purchaser is licensed or qualified to transact business and is in good standing as a foreign corporation in each jurisdiction where the character of its business or the nature of its properties makes such qualification or licensing necessary.

5.2 Due Authorization. Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and to perform fully its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement by Purchaser, the performance by Purchaser of its obligations hereunder and thereunder, and the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed by Purchaser, and this Agreement is a legal, valid and binding obligation of Purchaser enforceable against Purchaser 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).

5.3 No Conflict. Neither the execution and delivery of this Agreement by Purchaser nor the consummation of the transactions contemplated hereby or thereby by Purchaser 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, (A) the certificate of incorporation or by-laws of Purchaser, or (B) any law, statute, regulation, order, judgment or decree or any instrument, contract or other agreement to which Purchaser is a party or by which it (or any of its properties or assets) is subject or bound; (ii) result in the creation of, or give any party the right to create, any Security Interest or other adverse interest upon any property or asset of Purchaser; (iii) terminate or modify, or give any third party the right

to terminate or modify, the provisions or terms of any agreement or commitment to which Purchaser is a party or by which it (or any of its properties or assets) is subject or bound; or (iv) require Purchaser to obtain any authorization, consent, approval or waiver from, to give notification to, or to make any filing (other than filing to qualify as a foreign corporation where necessary) with, any Governmental Entity or Regulatory Authority, or to obtain the approval or consent of any other Person.

5.4 Brokers. Neither Purchaser nor any of its Affiliates 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.

5.5 Securities Act. Purchaser represents and warrants to Seller that the Company Stock is being acquired solely for its own account for investment and not with a view to, or for offer or resale in connection with, a distribution thereof within the meaning of the Securities Act.

6. Pre-closing Covenants.

The Parties agree as follows, except as otherwise described on the Disclosure Schedule, with respect to the period between the execution of this Agreement and the Closing:

6.1 General. Each of the Parties will use her or its reasonable best efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in Article 8 below).

6.2 Notices and Consents. Each of the Parties, as promptly as practicable, (i) will make, or cause to be made, all filings and submissions required under laws, rules and regulations applicable to it, or to its Subsidiaries and Affiliates, as may be required for it to consummate the transactions contemplated hereby; (ii) will use their respective reasonable efforts to obtain, or cause to be obtained, all authorizations, approvals, consents and waivers from all Persons, Governmental Entities and Regulatory Authorities necessary to be obtained by each of them, or any of their respective Subsidiaries or Affiliates, in order for each of them, respectively, so to consummate such transactions; and (iii) will use their respective best efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for each of them to fulfill their respective obligations hereunder.

6.3 Operation of Business. The Company will not, and Seller will not cause or permit the Company to engage in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business. Without limiting the generality of the foregoing, the Company will not, and Seller will not cause or permit the Company to, (i) declare, set aside, or pay any dividend or make any distribution with respect to its capital stock, except as provided in Section

3.10(v), or redeem, purchase or otherwise acquire any of its capital stock, (ii) take any action or omit to take any action which act or omission would result in the inaccuracy of any of its representations and warranties set forth herein if such representations or warranties were to be made immediately after the occurrence of such act or omission, or (iii) otherwise engage in any practice, take any action or enter into any transaction of the sort described in Section 3.10 above.

6.4 Preservation of Business. The Company and Seller will, and Seller will cause the Company to, (a) keep its business and properties substantially intact, including its present operations, physical facilities, working conditions and relationships with lessors, licensors, suppliers, customers and employees and (b) comply in all respects with all laws, ordinances, rules, regulations and orders applicable to its business.

6.5 Full Access. The Company and Seller will, and Seller will cause the Company to, permit representatives of Purchaser and its financing parties, upon not less than 24 hours notice to Seller, to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Company to all premises, properties, personnel, books, records (including Tax records and the workpapers of the independent accountants for the Company, contracts and documents of or pertaining to the Company).

6.6 Notice of Developments. Each Party will give prompt written notice to the others of any adverse development causing a breach of any of her or its own representations and warranties in Articles 3, 4 or 5 above. No disclosure by any Party pursuant to this Section 6.6, however, shall be deemed to amend or supplement the Disclosure Schedule, the Seller Disclosure Schedule or the Purchaser Disclosure Schedule or to prevent or cure any misrepresentation, breach of warranty or breach of covenant.

6.7 Updated Financial Statements. As soon as available and in any event within 30 days after the end of each month prior to the Closing Date, commencing with January 31, 1998, Seller shall deliver to Purchaser a consolidated balance sheet and related statement of operations and cash flows of the Company. All such financial statements shall be covered by and conform to the representations and warranties set forth in Section 3.7 hereof and shall be included in the term "Financial Statements" for purposes of this Agreement.

6.8 Exclusivity.

(a) Seller will not, and will not cause or permit any of the Company to, (i) solicit, initiate or encourage the submission of any proposal or offer from any Person relating to a Business Combination or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek a Business Combination. Seller will notify Purchaser immediately if any

Person makes any proposal, offer, inquiry, or contact with respect to any of the foregoing.

(b) The Parties hereto recognize and acknowledge that a breach by Seller of this Section 6.8 will cause irreparable and material loss and damage to Purchaser as to which it will not have an adequate remedy at law or in damages. Accordingly, each Party acknowledges and agrees that the issuance of an injunction or other equitable remedy is an appropriate remedy for any such breach. In addition, in the event of any breach of the foregoing which results in Business Combination with a Person other than Purchaser within 12 months of the date of such breach, Seller shall promptly reimburse Purchaser for the reasonable expenses incurred by Purchaser in connection with the transactions contemplated by this Agreement.

6.9 Environmental Inspections and Assessments. Purchaser shall have the right to inspect the records and the operations of the Company with respect to environmental matters, and shall have the right to require the Company to conduct Phase I assessments, as it deems appropriate. The Company shall pay the cost of such Phase I assessments. The representations, warranties, indemnities and other undertakings set forth herein shall not be affected by any such inspection or assessment or lack thereof, or the results of any such inspection or assessment.

6.10 Schedules. From time to time prior to the Closing, Seller and the Company will promptly supplement or amend the Disclosure Schedule with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule. No supplement or amendment of the Disclosure Schedule made pursuant to this Section shall be deemed to cure any breach of, affect or otherwise diminish any representation or warranty made in this Agreement unless Purchaser specifically agrees thereto in writing.

6.11 Inventory Audit. Within thirty (30) days prior to Closing, Seller and Purchaser shall mutually agree on an appraiser knowledgeable in the farm and ranch business, and shall cause such appraiser to conduct an audit (in accordance with generally accepted accounting principles, consistently applied) of the inventory of the Company's assets as of the Closing Date. Each of the Company and Purchaser shall pay one-half of the cost of conducting such audit.

6.12 Company Information. The Company and Seller shall provide to Purchaser all financial information of the Company in the format required in connection with the filing of financial information of the Company with Purchaser's Current Report on Form 8-K under the Exchange Act required in connection with Purchaser's acquisition of the Business. Once such information has been provided to Purchaser, the expense of preparation of such Form 8-K shall be borne entirely by Purchaser.

7. Post-closing Covenants.

The Parties agree as follows with respect to the period following the Closing:

7.1 General. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Article 9 below). Seller acknowledges and agrees that from and after the Closing Purchaser will be entitled to possession of all documents, books, records (including Tax records), agreements, and financial data of any sort relating to the Company. Purchaser will afford to Seller reasonable access to, and copies of, the records of the Company transferred to Purchaser at the Closing during normal business hours after the Closing.

7.2 Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction on or prior to the Closing Date involving the Company, each of the other Parties will cooperate with her or it and her or its counsel in the contest or defense, make available their personnel, and provide such testimony and access to their books and records as shall be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Article 9 below).

7.3 Transition. Seller will not take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier or other business associate of any of the Company from maintaining the same business relationships with the Company after the Closing as it maintained with the Company prior to the Closing. Seller will refer all customer inquiries relating to the businesses of the Company to Purchaser from and after the Closing.

7.4 Confidentiality. Seller recognizes and acknowledges that she has and will have access to certain Confidential Information of the Company that, after the consummation of the transactions contemplated hereby, will be valuable, special and unique property of Purchaser. Seller agrees that she will, and will cause her Affiliates and representatives, to keep confidential and not disclose to any other Person or use for her own benefit or for the benefit of any other Person, and she will use her 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 (i) is then generally known to the public; (ii) become or becomes generally known to the

public through no fault of Seller, her Affiliates or representatives; and (iii) 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 of any of the provisions contained in this Section 7.4 of this Agreement, Seller acknowledges that Purchaser and Rush 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, Purchaser and Rush 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 Purchaser and Rush may have under this Agreement, at law or in equity, including, without limitation, the right to sue for damages.

7.5 Tax Matters. The following provisions shall govern the allocation of responsibility as between Purchaser and Seller for certain tax matters following the Closing Date:

(a) Tax Periods Ending on or Before the Closing Date. Seller shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company for all periods ending on or prior to the Closing Date which are filed after the Closing Date. Seller shall permit Purchaser to review and comment on each such Tax Return described in the preceding sentence prior to filing. Seller shall reimburse Purchaser for Taxes of the Company with respect to such periods within fifteen (15) days after payment by Purchaser or the Company of such Taxes to the extent such Taxes are not reflected in the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) shown on the face of the Closing Date Balance Sheet.

(b) Tax Periods Beginning Before and Ending After the Closing Date. Purchaser shall prepare or cause to be prepared and file or cause to be filed any Tax Returns of the Company for Tax periods which begin before the Closing Date and end after the Closing Date. Seller shall pay to Purchaser within fifteen (15) days after the date on which Taxes are paid with respect to such periods an amount equal to the portion of such Taxes which relates to the portion of such Taxable period ending on the Closing Date to the extent such Taxes are not reflected in the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) shown on the face of the Closing Date Balance Sheet. For purposes of this clause (b), in the case of any Taxes that are imposed on a periodic basis and are payable for a Taxable period that includes (but does not end on) the Closing Date, the portion of such Tax which relates to the portion of such Taxable period ending on the Closing Date shall (x) in the case of any Taxes other than Taxes based upon or related to income or receipts, be deemed to be the amount of such Tax for the entire Taxable period

multiplied by a fraction, the numerator of which is the number of days in the Taxable period ending on the Closing Date, and the denominator of which is the number of days in the entire Taxable period, and (y) in the case of any Tax based upon or related to income or receipts be deemed equal to the amount which would be payable if the relevant Taxable period ended on the Closing Date. Any credits relating to a Taxable period that begins before and ends after the Closing Date shall be taken into account as though the relevant Taxable period ended on the Closing Date. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with prior practice of the Company.

(c) Cooperation on Tax Matters.

(i) Purchaser, the Company and Seller shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this Section and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Company and Seller agree (A) to retain all books and records with respect to Tax matters pertinent to the Company relating to any Taxable period beginning before the Closing Date until the expiration of the Taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Purchaser or Seller, any extensions thereof) of the respective Taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (B) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, the Company or Seller, as the case may be, shall allow the other party to take possession of such books and records.

(ii) Purchaser and Seller further agree, upon request, to use their reasonable best efforts to obtain any certificate or other document from any Governmental Entity or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(iii) Purchaser and Seller further agree, upon request, to provide the other party with all information that either party may be required to report pursuant to Section 6043 of the Code and all Treasury Department Regulations promulgated thereunder.

(d) Certain Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and

interest) incurred in connection with this Agreement, shall be paid by Seller when due, and Seller will, at its expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees.

(e) Name. Seller will not use any name or trademark containing the phrase "D&D" or any derivative thereof.

8. Conditions to Obligation to Close.

8.1 Conditions to Obligation of Purchaser. The obligation of Purchaser to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(a) all representations and warranties of the Company and Seller contained in this Agreement (including the Schedules hereto), and all written information delivered to Purchaser by the Company and Seller on or prior to the Closing Date pursuant to this Agreement, (i) that are qualified as to materiality shall be true in all respects on and as of the Closing Date and (ii) that are not qualified as to materiality shall be true in all material respects on and as of the Closing Date, with the same force and effect as though such representations and warranties were made, and such written information was delivered, on and as of the Closing Date;

(b) the Company and Seller shall have performed and complied with all of its or her covenants hereunder in all material respects through the Closing;

(c) there shall have been no Material Adverse Change in the Company from April 30, 1997 to the Closing Date not consented to by Purchaser in writing;

(d) the Company shall have procured all of the third party consents required in connection with the consummation of the transactions contemplated hereby;

(e) no action, suit or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling or charge would (i) prevent consummation of any of the transactions contemplated by this Agreement, (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, (iii) affect adversely the right of Purchaser to own the Company Stock and to control the Company, (iv) affect adversely the right of the Company to own its assets and to operate its businesses, (v) require or could reasonably be expected to require any divestiture by the Company of a portion of its business that Purchaser in its reasonable judgment believes will have a Material Adverse Effect on the Company or (vi) imposes any condition upon the

Company that in Purchaser's reasonable judgment (x) would be materially burdensome to the Company or (y) would materially increase the costs incurred or that will be incurred by Purchaser as a result of consummating the Acquisition and the other transactions contemplated hereby (and no such injunction, judgment, order, decree, ruling or charge shall be in effect);

(f) Seller shall have delivered to Purchaser a certificate to the effect that (i) each of the conditions specified above in Section 8.1(a) through (e) is satisfied in all respects;

(g) the Parties shall have received all authorizations, consents, and approvals of any Governmental Entity or Regulatory Authority required in connection with the consummation of the transactions contemplated hereby;

(h) Seller shall have delivered to Purchaser an MAI appraisal, dated as of a date within two months prior to the Closing Date, concluding that the orderly liquidation value of the Real Property is not less than $1,500,000 (Purchaser shall provide a list of prospective MAI appraisers to Seller from which list Seller shall choose the appraiser who shall conduct the appraisal and the Company shall pay the costs of such appraisal);

(i) Purchaser shall have received the resignations, effective as of the Closing, of each director and officer of the Company other than those whom Purchaser shall have specified in writing at least five Business Days prior to the Closing;

(j) 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;

(k) the board of directors of Purchaser and Rush, in its sole discretion, shall have approved this Agreement and the consummation by Purchaser and Rush of the transactions contemplated hereby;

(l) Purchaser is satisfied with the results of its continuing business, legal, and accounting due diligence regarding the Company;

(m) the Company and Seller shall have provided to Purchaser all financial information of the Company in the format required in connection with the filing of financial information of the Company with Purchaser's Current Report on Form 8-K under the Exchange Act required in connection with Purchaser's acquisition of the Business; provided, however, Purchaser shall pay for the preparation of the Form 8-K at its own expense;

(n) the inventory audit contemplated by Section 6.11 shall have been completed and the results thereof shall be satisfactory to Purchaser;

(o) Bobby Hawkins shall have entered into the Non-Competition and Confidentiality Agreement attached hereto as Schedule 8.1(o)(1), and the Consent Agreement attached hereto as Schedule 8.1(o)(2);

(p) Purchaser shall have had issued to it upon terms satisfactory to Purchaser a five-year term life insurance policy on each of the lives of Seller and Bobby Hawkins in the amount of $5.0 million and $1.0 million, respectively; and

(q) all actions to be taken by Seller in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to Purchaser.

Purchaser may waive any condition specified in this Section 8.1 if it executes a writing so stating at or prior to the Closing.

8.2 Conditions to Obligation of Seller. The obligation of Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(a) all representations and warranties of Purchaser contained in this Agreement, and all written information delivered to Seller by Purchaser on or prior to the Closing Date pursuant to this Agreement, (i) that are qualified as to materiality shall be true in all respects on and as of the Closing Date and (ii) that are not qualified as to materiality shall be true in all material respects on and as of the Closing Date, with the same force and effect as though such representations and warranties were made, and such written information was delivered, on and as of the Closing Date;

(b) Purchaser shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(c) no action, suit, or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement or (B) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling or charge shall be in effect);

(d) Purchaser shall have delivered to Seller a certificate to the effect that each of the conditions specified above in Section 8.2(a) through (c) is satisfied in all respects;

(e) the Parties shall have received all other authorizations, consents and approvals of any Governmental Entity or Regulatory Authority required in connection with the consummation of the transactions contemplated hereby;

(f) Purchaser shall not have elected to reduce the value of the inventory of the Company as reflected on the Closing Date Balance Sheet by greater than $150,000;

(g) the inventory audit contemplated by Section 6.11 shall have been completed and the results thereof shall be satisfactory to Seller;

(h) all actions to be taken by Purchaser in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to Seller; and

(i) Rush shall execute and deliver to each of Bobby Hawkins and Seller an option (the "Option") in the form of Exhibits 8.2A and 8.2B.

Seller may waive any condition specified in this Section 8.2 if they execute a writing so stating at or prior to the Closing.

9. Indemnity by Seller.

9.1 Survival of Representations and Warranties. All of the representations and warranties contained in this Agreement shall survive the Closing hereunder (even if the other Party knew or had reason to know of any misrepresentation or breach of warranty at the time of Closing) and continue in full force and effect for a period of three years thereafter, regardless of any investigation made by Rush, Purchaser or Seller or on their behalf, except as to any matters with respect to which a bona fide written claim shall have been made or an action at law or in equity shall have commenced before such date, in which event survival shall continue (but only with respect to, and to the extent of, such claim) until the final resolution of such claim or action, including all applicable periods for appeal; provided, however, that the representations and warranties relating to (i) environmental matters and ERISA shall survive and remain in full force and effect for the periods equal to the applicable statutes of limitation relating thereto and (ii) Taxes shall survive and remain in full force and effect until the latest to occur of (x) three years from the date of the last filing of a Tax Return covering all Taxes relating to all periods prior to the Closing Date, (y) the expiration of the applicable statute of limitations, or (z) six months following the ultimate disposition of any claim with respect to any

Taxes; and provided further that the representations set forth in Sections 3.3 and 4.3 shall survive and remain in full force and effect forever.

9.2 Indemnification Provisions for Benefit of the Purchaser and Rush.

(a) In the event the Company or Seller breaches (or in the event any third party alleges facts that, if true, would mean the Company or Seller has breached) any of their representations, warranties and covenants contained herein, and, if there is any applicable survival period pursuant to Section 9.1 above, provided that the Purchaser makes a written claim for indemnification against Seller within such survival period, then Seller agrees to indemnify the Purchaser and Rush from and against the entirety of any Adverse Consequences the Purchaser, the Company or Rush may suffer through and after the date of the claim for indemnification (including any Adverse Consequences the Purchaser, the Company or Rush may suffer after the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of or caused by the breach (or the alleged breach); provided, however, that Seller shall not have any obligation to indemnify the Purchaser or Rush from and against any Adverse Consequences resulting from, arising out of, relating to, in the nature of or caused by the breach (or alleged breach) of any representation or warranty of the Company or Seller until Rush, Purchaser or the Company have, in the aggregate, suffered Adverse Consequences by reason of all such breaches (or alleged breaches) in excess of $25,000, and then for all such Adverse Consequences, and provided further that Seller's maximum liability hereunder shall not exceed the Purchase Price. Notwithstanding anything herein to the contrary, the $25,000 and $10.5 million limitations shall not apply to any Adverse Consequences resulting from breaches of the representations and warranties contained in Sections 3.3 and 4.3 hereof.

(b) Seller agrees to indemnify the Purchaser and Rush from and against the entirety of any Adverse Consequences the Purchaser, Rush or the Company may suffer resulting from, arising out of, relating to, in the nature of or caused by any Liability of any of Seller, the Company, the Purchaser and Rush (w) for any Taxes of the Company with respect to any Tax year or portion thereof ending on or before the Closing Date (or for any Tax year beginning before and ending after the Closing Date to the extent allocable (determined in a manner consistent with Section 7.5) to the portion of such period beginning before and ending on the Closing Date), to the extent such Taxes are not reflected in the reserve for Tax Liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) shown on the face of the Closing Date Balance Sheet, (x) for the unpaid Taxes of any Person (other than the Company) under Treas. Reg. ss. 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise, (y) for the legal proceedings listed on the Disclosure Schedule or any legal proceedings (whether or not disclosed on the Disclosure Schedule) commenced after the Closing Date but in which the

principal event(s) giving rise thereto occurred prior to the Closing, or (z) for any Environmental Liabilities.

9.3 Indemnification Provisions for Benefit of the Seller. In the event the Purchaser breaches (or in the event any third party alleges facts that, if true, would mean the Purchaser has breached) any of its representations, warranties and covenants contained herein, and, if there is an applicable survival period pursuant to Section 9.1 above, provided that the Seller makes a written claim for indemnification against the Purchaser within such survival period, then the Purchaser agrees to indemnify the Seller from and against the entirety of any Adverse Consequences the Seller may suffer through and after the date of the claim for indemnification (including any Adverse Consequences the Seller may suffer after the end of any applicable survival period) resulting from, arising out of, relating to, in the nature of or caused by the breach (or alleged breach); provided, however, that Purchaser shall not have any obligation to indemnify the Seller from and against any Adverse Consequences resulting from, arising out of, relating to, in the nature of or caused by the breach (or alleged breach) of any representation or warranty of the Purchaser until the Seller has, in the aggregate, suffered Adverse Consequences by reason of all such breaches (or alleged breaches) in excess of $25,000, and then for all such Adverse Consequences up to and including the $25,000, and provided further that Purchaser's maximum liability hereunder shall not exceed the Purchase Price.

9.4 Matters Involving Third Parties.

(a) If any third party shall notify any Party (the "INDEMNIFIED PARTY") with respect to any matter (a "THIRD PARTY CLAIM") which may give rise to a claim for indemnification against any other Party (the "INDEMNIFYING PARTY") under this Article 9, then the Indemnified Party shall promptly notify each Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is prejudiced.

(b) Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim, (ii) the Indemnifying Party provides the Indemnified Party with the evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (iii) the Third Party Claim involves only money damages and does not seek an injunction or other

equitable relief, (iv) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice adverse to the continuing business interests of the Indemnified Party, and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently.

(c) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 9.4(b) above, (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (ii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the Prior written consent of the Indemnifying Party (not to be withheld, delayed or conditioned unreasonably), and (iii) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld, delayed or conditioned unreasonably).

(d) In the event any of the conditions in Section 9.4(b) above is or becomes unsatisfied, however, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it reasonably may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith), (ii) the Indemnifying Parties will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses), and (iii) the Indemnifying Parties will remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the fullest extent provided in this Article 9.

9.5 Determination of Adverse Consequences. All indemnification payments under this Article 9 shall be deemed adjustments to the Purchase Price.

9.6 Other Indemnification Provisions. The foregoing indemnification provisions are in addition to, and not in derogation of, any statutory, equitable or common law remedy any Party may have for breach of representation, warranty or covenant. Seller hereby agrees that she will not make any claim for indemnification against the Company by reason of the fact that she was a stockholder, director, officer, employee or agent of any such entity or was serving at the request of any such entity as a partner, trustee, director, officer, employee or agent of another entity (whether such claim is for judgments, damages, penalties, fines, costs, amounts paid in settlement, losses, expenses or otherwise and whether such claim is pursuant to any statute, charter document, bylaw, agreement or otherwise) with respect to any action, suit, proceeding, complaint,

claim or demand brought by the Purchaser against such Seller (whether such action, suit, proceeding, complaint, claim, or demand is pursuant to this Agreement, applicable law or otherwise).

9.7 INDEMNIFICATION IF NEGLIGENCE OF INDEMNITEE. THE INDEMNIFICATION PROVIDED IN THIS ARTICLE 9 SHALL BE APPLICABLE WHETHER OR NOT THE SOLE OR CONCURRENT NEGLIGENCE OR GROSS NEGLIGENCE OF THE PARTY SEEKING INDEMNIFICATION, OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED ON THE PARTY SEEKING INDEMNIFICATION, OR THE SOLE OR CONCURRENT LIABILITY IMPOSED VICARIOUSLY ON THE PARTY SEEKING INDEMNIFICATION, IS ALLEGED OR PROVEN.

9.8 Releases.

(a) As of the Closing, Seller does hereby for such Seller and such Seller's Affiliates, heirs, executors, administrators and legal representatives remise, release, acquit and forever discharge the Company and its Affiliates, officers, directors, controlling Persons or entities, employees, attorneys and successors and assigns (collectively, the "Company Released Parties") of and from any and all claims, demands, liabilities, responsibilities, disputes, causes of action and obligations of every nature whatsoever, liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent, which such Seller and such Seller's Affiliates now have, own or hold or have at any time previously had, owned or held against the Company Released Parties, including without limitation all liabilities created as a result of the sole or contributory negligence, gross negligence and willful acts of any Company Released Party, existing as of the Closing or relating to any matter that occurred on or prior to the Closing; provided, however, that any claims, liabilities, debts or causes of action that may arise in connection with the failure of any of the parties hereto to perform any of their obligations hereunder or under any other agreement relating to the transactions contemplated hereby or from any breaches by any of them of any representations or warranties herein or in connection with any of such other agreements shall not be released or discharged pursuant to this Agreement. Seller represents and warrants that such Seller has not previously assigned or transferred, or purported to assign or transfer, to any Person or entity whatsoever all or any part of the claims, demands, liabilities, responsibilities, disputes, causes of action or obligations released in this Section 9.8(a). Seller covenants and agrees that such Seller will not assign or transfer to any Person or entity whatsoever all or any part of the claims, demands, liabilities, responsibilities, disputes, causes of action or obligations released in this Section 9.8(a). Each of Seller and Purchaser represent and warrant to the other that they have been represented or advised by legal counsel and other professional advisors in connection with the negotiation and delivery of this Agreement.

(b) As of the Closing, the Company does hereby for such Company remise, release, acquit and forever discharge Seller and Seller's Affiliates, heirs, executors, administrators and legal representatives (collectively, the "Seller Released Parties") of and from any and all claims, demands, liabilities, responsibilities, disputes, causes of action and obligations of every nature whatsoever, liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent, which such Company now have, own or hold or have at any time previously had, owned or held against the Seller Released Parties, including without limitation all liabilities created as a result of the sole or contributory negligence, gross negligence and willful acts of any Seller Released Party, existing as of the Closing or relating to any matter that occurred on or prior to the Closing; provided, however, that any claims, liabilities, debts or causes of action that may arise in connection with the failure of any of the parties hereto to perform any of their obligations hereunder or under any other agreement relating to the transactions contemplated hereby or from any breaches by any of them of any representations or warranties herein or in connection with any of such other agreements shall not be released or discharged pursuant to this Agreement. The Company covenants and agrees that after the Closing Date the Company will not assign or transfer to any Person or entity whatsoever all or any part of the claims, demands, liabilities, responsibilities, disputes, causes of action or obligations released in this Section 9.8(b). Seller represents and warrants that neither Seller nor Seller Released Parties are indebted to the Company as of the Closing Date and that neither Seller nor Seller Released Parties will owe any amount to the Company that will be reflected as an asset on the Closing Date Balance Sheet.

10. Offset Provisions. Notwithstanding any other provisions of this Agreement, in the event Seller becomes obligated to pay sums to Purchaser, Rush 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 the Promissory Note in such amount or amounts as Purchaser (and Rush and any Indemnified Party that is not promptly paid by Seller) is entitled to receive from Seller, and any such offset shall be deemed to be a payment under the Promissory Note.

11. Termination.

11.1 Termination of Agreement. Certain of the Parties may terminate this Agreement as provided below:

(a) Purchaser and Seller may terminate this Agreement by mutual written consent at any time prior to the Closing;

(b) Purchaser may terminate this Agreement by giving written notice to Seller on or before the Closing Date if Purchaser is not satisfied

with the results of its continuing business, legal, and accounting due diligence regarding the Company;

(c) Purchaser may terminate this Agreement by giving written notice to Seller at any time prior to the Closing (i) in the event the Company or Seller has breached any representation, warranty or covenant contained in this Agreement in any material respect, Purchaser has notified Seller of the breach, and the breach has continued without cure for a period of 30 days after the notice of breach or (ii) if the Closing shall not have occurred on or before April 30, 1998, by reason of the failure of any condition precedent under Section 8.1 hereof (unless the failure results primarily from Purchaser itself breaching any representation, warranty or covenant contained in this Agreement); and

(d) Seller may terminate this Agreement by giving written notice to Purchaser at any time prior to the Closing (i) in the event the Purchase has breached any representation, warranty or covenant contained in this Agreement in any material respect, Seller has notified Purchaser of the breach, and the breach has continued without cure for a period of 30 days after the notice of breach or (ii) if the Closing shall not have occurred on or before April 30, 1998, by reason of the failure of any condition precedent under Section 8.2 hereof (unless the failure results primarily from the Company or Seller themselves breaching any representation, warranty or covenant contained in this Agreement).

11.2 Effect of Termination. If any Party terminates this Agreement pursuant to Section 11.1 above, all rights and obligations of the Parties hereunder shall terminate without any Liability of any Party to any other Party (except for any Liability of any Party then in breach).

12. Requirements of Securities Laws.

12.1 Accredited Investors. Seller recognizes that the Option Stock is not being registered under the Securities Act in reliance upon an exemption from the Securities Act which is predicated, in part, on the representations and agreements of Seller set forth in this Agreement. Seller represents and warrants to Purchaser and Rush that she is an "accredited investor" as that term is defined in Rule 501(a) of the Securities Act and that the Option Stock is being acquired solely for her own account for investment and not with a view to, or for offer or resale in connection with, a distribution thereof within the meaning of the Securities Act. Seller understands that the effect of such representation and warranty is that the Option Stock must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available at the time for any proposed sale or other transfer thereof. Seller also understands that neither Purchaser nor Rush is under any obligation to file a registration statement under the Securities Act covering the Option Stock or to take any other action to enable Seller to transfer or otherwise dispose of the Option Stock. Seller represents that she has consulted with counsel in regard to the Securities Act and that she is fully familiar with the circumstances under

which she is required to hold the Option Stock and the limitations upon the transfer or other disposition thereof. Seller acknowledges that Purchaser and Rush are relying upon the truth and accuracy of the foregoing representations and warranties in issuing the Option Stock under the Securities Act. Seller agrees to indemnify and hold Purchaser and Rush harmless against all liabilities, costs and expenses, including reasonable attorneys' fees, incurred by either Purchaser or Rush as a result of any sale, transfer or other disposition by him of all or any part of the Option Stock in violation of the Securities Act.

12.2 Legend. The certificates representing the Option Stock shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT.

12.3 SEC Documents. Seller acknowledges that she has been furnished by Rush with (a) a copy of the Annual Report on Form 10-K of Purchaser for the fiscal year ended December 31, 1996, in the form filed with the SEC, and (b) copies of all filings since December 31, 1996, by Purchaser with the SEC in compliance with Section 13 or 14 of the Exchange Act. Seller represents that she has reviewed the foregoing documents and acknowledge that she has been afforded the opportunity to obtain any additional information necessary to verify the accuracy of the information contained in the foregoing documents, including the opportunity to ask questions of, and receive answers from, officers and representatives of Rush concerning Rush and the terms and conditions of the transactions contemplated by this Agreement.

13. Non-Competition Agreement.

13.1 Non-Competition. In consideration of the benefits of this Agreement to the Seller and as a material inducement to Purchaser and Rush to enter into this Agreement and pay the Purchase Price, Seller hereby covenants and agrees that, commencing on the Closing Date and ending on the later of (i) five years from the Closing Date, or (ii) three years following the date Seller ceases to be employed by Purchaser or an Affiliate of Purchaser, regardless of how such cessation of employment may be brought about; she shall not, and the Seller will cause her Affiliates and representatives 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 anywhere in the States of California, Arizona, New Mexico, Texas, Oklahoma, Louisiana, Arkansas, Tennessee, Mississippi, Alabama, Georgia or Florida, in any business activity in which the Company participates or participated as of the Closing

Date; provided, however, the foregoing shall not prohibit the Seller and her representatives from purchasing and holding as an investment not more than 1% of any class of publicly-traded securities of any entity which conducts a business in competition with the business of the Company, so long as Seller, her Affiliates and representatives do not participate in any way in the management, operation or control of such entity.

13.2 Judicial Reformation. Seller acknowledges that, given the nature of the Purchaser's business, the covenants contained in Section 13.1 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 Purchaser's and Rush's business and to protect their legitimate business interests. If, however, Section 13.1 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.

13.3 Customer Lists; Non-Solicitation. Seller hereby further covenants and agrees that she shall not, and Seller will cause her Affiliates and representatives not to, directly or indirectly, for a period commencing on the Closing Date and ending on the later of (i) five years from the Closing Date, or (ii) three years following the date Seller ceases to be employed by Purchaser or an Affiliate of Purchaser, the Company or Rush (a) use or make known to any person or entity the names or addresses of any clients or customers of the Company or Purchaser or Rush 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, her Affiliates or 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 the Company or Purchaser or Rush, (c) solicit for employment, recruit, hire or attempt to recruit or hire any employees of the Company or Purchaser or Rush, nor (d) become the employee or consultant of or otherwise render services to, or own any interest in, any enterprise that directly or indirectly competes with the business engaged in by the Company as of the Closing Date.

13.4 Covenants Independent. The covenants of the Seller contained in Sections 13.1, 13.2 and 13.3 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 against Purchaser or Rush will not constitute a defense to the enforcement by Purchaser or Rush of said provisions. Seller understands that the provisions contained in Sections 13.1, 13.2 and 13.3 are essential elements of the transactions contemplated by this Agreement and, but for the agreement of Seller to Sections 13.1, 13.2 and 13.3, Purchaser and Rush would not have

agreed to enter into this Agreement and the transactions contemplated herein. Seller has been advised to consult with counsel in order to be informed in all respects concerning the reasonableness and propriety of Sections 13.1, 13.2 and 13.3 with specific regard to the nature of the business conducted by the Company and Purchaser and Rush and Seller acknowledges that Sections 13.1, 13.2 and 13.3 are reasonable in all respects.

13.5 Remedies. In the event of a breach or a threatened breach by either Seller of any of the provisions contained in Sections 13.1, 13.2 or 13.3 of this Agreement, Seller acknowledges that Purchaser and Rush 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, Purchaser and Rush 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 equity, including, without limitation, the right to sue for damages.

13.6 Exceptions. Notwithstanding the foregoing provisions of Article 13, Seller shall be entitled at all times from and after the Closing to (i) have membership in, hold office in and perform services on behalf of any trade association or similar organization, (ii) collect any accounts receivable transferred to Seller pursuant to Section 2.3(e), (iii) sell any inventory transferred to Seller pursuant to Section 2.3(a), (iv) solicit for employment and employ members of the immediate family of Seller, and (v) utilize the services of Susan Hubbert in a capacity not in competition with the Company's business so long as such utilization does not materially interfere with Ms. Hubbert's performance of services as an employee of the Company.

14. Survey.

14.1 Survey. Within 20 days from and after the date hereof, The Company agrees, and Seller agrees to cause the Company to, at the Company'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 or surveys of the Real Property (whether one or more, 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 each Survey plat and a certificate under the seal of the surveyor, which Survey 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, 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 Enterprises, Inc., Rush Retail Centers, Inc. and Alamo Title Company, (ii) the description contained hereon is correct, (iii) the Real Property 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 Real Property shown hereon are correct, and (vi) the area of the Real 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 the Company's expense) the standard printed exceptions from the Owner Policy of Title Insurance to be delivered by Seller as hereinabove provided. 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 Real Property 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. Without in any way limiting the foregoing, the surveyor shall provide separate written field note descriptions for the Real Property.

14.2 Remedies for Failure to Deliver Survey. In the event Seller does not cause the Survey to be delivered within such 20-day period, then and thereafter, Purchaser shall have the option to (a) 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 Cash Consideration on the Closing Date), or (b) waive the Survey requirements and proceed to close the sale contemplated by this Agreement.

15. Title Commitment and Condition of Title.

15.1 Title Commitment. Within ten days from and after the date hereof, at the Company's sole cost and expense, Seller agrees to cause the Company to, and the Company agrees to cause the Title Company to furnish Purchaser and its counsel a Commitment for Owner Policy of Title Insurance (the "Title Commitment") prepared and issued by the Title Company describing and covering the Real Property, listing the Company as the prospective named insured and showing as the policy amount an amount equal to the value of the Real Property as determined by the appraisal to be conducted pursuant to Section 8 hereof. The Title Commitment shall constitute the commitment of the

Title Company to insure, by title insurance in the standard form promulgated by the Board of Insurance of the State of Texas, The Company's title to the Real Property to be good and indefeasible and subject to the standard printed exceptions except as modified below, but deleting (at the Company's expense) to the maximum extent permitted by applicable title insurance regulations the standard printed form survey exception from the Owner Policy of Title Insurance as hereinabove provided. 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 Commitment shall contain no exception for "visible and apparent easements" or for "public or private roads" or the like. The Title Commitment shall contain no exception for "rights of parties in possession".

15.2 UCC Reports. Within ten days from and after the date hereof, Seller shall cause the Company to, and the Company shall, at the Company's sole cost and expense, furnish to Purchaser a report (the "UCC Report") of searches made of the Uniform Commercial Code Records of Guadalupe County, Texas, of the Official Public Records of Real Property of Guadalupe County, Texas, and of the Office of the Secretary of State, State of Texas, or the proper offices in the State of Texas where Uniform Commercial Code records are maintained, which searches shall show that none of the Company's assets are subject to any lien or security interest (other than liens and security interests which are not objected to by Purchaser). 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 the Company's sole cost and expense.

15.3 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 to the Real Property 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 twenty five 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 the Company's sole cost and expense, within such 25-day period. If Seller cannot cure the objections within such twenty-five 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 $25,000 or less, to cure and deduct the cost of such cure from the Cash Consideration; or (c) waive the objections, and proceed to close the transaction contemplated hereby. In the event, however, that a lien indebtedness against any of the Company's Assets (including past due taxes) is disclosed by the Title Commitment or the 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 Cash Consideration, and all costs incurred in connection with discharging such lien indebtedness shall not count against the $25,000 amount referenced in clause (b) of the immediately preceding sentence.

16. Environmental Studies and Remediation Activities.

16.1 Environmental Studies. Seller shall cause the Company to, and the Company shall, at the Company's cost and expense, undertake or is undertaking a Phase I environmental site assessment ("ESA") with respect to the Real Property utilizing the party designated by Purchaser. Within 20 days after the date hereof, Seller shall provide to Purchaser, at the Company's sole cost and expense, copies of (a) all existing ESAs (whether Phase I, Phase II or otherwise) covering all or any portion of the Real Property, to the extent the same are in Seller's or the Company's possession or Seller or the Company have 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, to the extent the same are in Seller's or the Company's possession or Seller or the Company have access to them (all of the foregoing information, whether obtained by Purchaser or provided by Seller, being hereinafter referred to as "Environmental Information"). 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 60 days from the date hereof, but in no event less than 20 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 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. Each of Seller and Company have granted and hereby grant to Purchaser and its contractors and representatives access to the Real 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 Company's business, and, upon completion of their activities on the Real Property, shall restore the Real Property as nearly as is reasonably possible to the condition it was in immediately prior to such activities.

16.2 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 Real 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 and Seller fails or refuses to remediate or otherwise cure or have cured 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 or (b) if the Environmental Condition can be remediated or cured for $25,000 or less, to remediate or cure and deduct the cost of such cure from the Cash Consideration.

16.3 No Waiver. It is expressly understood and agreed by Purchaser and Seller that nothing in this Article 16 shall in any way operate as a waiver of or limitation on the environmental indemnification obligations of Seller set forth in this Agreement, and such indemnification obligations shall apply without regard to whether (a) any Environmental Conditions are disclosed as existing on reports performed or commissioned by Seller, the Company or Purchaser, (b) any environmental remediation or curative actions are undertaken by Purchaser, the Company or Seller hereunder, or (c) Purchaser elects to waive remediation or other curative actions with respect to Environmental Conditions on the Real Property and to proceed to Closing.

17. Miscellaneous.

17.1 Damage to Assets. If, on or before the Closing Date, the assets or properties of the Company 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 have the right, in its sole discretion, to either (i) reduce the Purchase Price by an amount equal to the difference between the insurance proceeds and the value of the damaged or destroyed asset or assets, and complete the purchase, or (ii) terminate this Agreement as provided by Section 11.1 hereof and not complete the purchase.

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

17.3 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.

17.4 Dispute Resolution. Except for the provisions of Articles 7.4, 9 and 13 of this Agreement dealing with restrictive covenants and non-disclosure of confidential information and other disputes with respect to which the remedy of injunctive relief is sought as provided for in this Agreement, with respect to which Purchaser and Rush expressly reserve the right to immediately and without any negotiation or mediation as provided herein, petition a court directly for injunctive and other relief, the parties agree that each will attempt to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Agreement prior to proceeding to arbitration as provided herein. Either party may initiate this agreement prior to filing for arbitration as provided herein. Either party may initiate negotiations by providing written notice in letter form to the other party, setting forth the subject of the dispute and the relief requested. The recipient of such notice will respond in writing within five

days with a statement of its position on and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each party with full settlement authority will meet at a mutually agreeable time and place within ten days of the date of the initial notice in order to exchange relevant information and perspectives, and to attempt to resolve the dispute. If the dispute is not resolved by these negotiations, the matter will be submitted to a J.A.M.S., or its successor, for mediation. If the matter is not resolved by such mediation within 30 days of the initiation of negotiations, then either party may proceed with arbitration in accordance with this Agreement.

Except for the provisions of Articles 7.4, 9 and 13 of this Agreement dealing with restrictive covenants and non-disclosure of confidential information and other disputes with respect to which the remedy of injunctive relief is sought as provided for in this Agreement, with respect to which Purchaser and Rush 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 (the "AAA") 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 Fifty Thousand Dollars ($250,000), exclusive of interest, attorneys' fees and costs, 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. Each Seller, Purchaser and Rush hereby irrevocably waives and releases any right to recover such damages in excess of those damages authorized by this Section 17.4. 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.

17.5 Effect of Due Diligence. No investigation by or on behalf of Purchaser into the business, operations, prospects, assets or condition (financial or otherwise) of the Company shall diminish in any way the effect of any representations or warranties made by Seller and the Company in this Agreement or shall relieve Seller or the Company of any of its obligations under this Agreement.

17.6 Press Releases and Public Announcements. No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of Purchaser and Seller; provided, however, that any Party may make any public disclosure it believes in good faith is required by applicable law (in which case the disclosing Party will use its reasonable best efforts to advise the other Parties prior to making the disclosure).

17.7 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

17.8 Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they related in any way to the subject matter hereof, including without limitation that certain letter agreement dated November 10, 1997.

17.9 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of her or its rights, interests, or obligations hereunder without the prior

written approval of Purchaser and Seller; provided, however, that Purchaser may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases Purchaser nonetheless shall remain responsible for the performance of all of its obligations hereunder).

17.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

17.11 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

17.12 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given (a) on the date of delivery, if delivered to the persons identified below, (b) two Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller: Georgette Hawkins
P.O. Box 1837
Seguin, Texas 78155

Copy to: Duncan, Ulman, Weakley & Bressler, Inc.
603 Navarro Street, Suite 1000
South Texas Building
San Antonio, Texas 78205-1838
Attn: Edgar M. Duncan

If to Purchaser: Rush Enterprises, Inc.
P.O. Box 34630
San Antonio, Texas 78265
Attention: W. Marvin Rush and
Martin A. Naegelin, Jr.

Copy to: Fulbright & Jaworski L.L.P.
300 Convent, Suite 2200
San Antonio, Texas 78205
Attn: Phillip M. Renfro

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any

other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

17.13 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.

17.14 Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Purchaser and Seller. No waiver by any Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

17.15 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

17.16 Expenses. Each of Purchaser and Seller will bear her own costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby. Seller agrees that the Company has not borne or will bear any of Seller's costs and expenses in connection with this Agreement or any of the transactions contemplated hereby, other than her attorneys' fees, the fees of her accountants, the title policy, survey, environmental studies, inventory audit and appraisal of the Real Property, which shall be paid by the Company as provided in this Agreement.

17.17 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. The Parties intend that each representation, warranty and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty or covenant contained herein in any respect, the fact that there exists

another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty or covenant.

17.18 Incorporation of Exhibits, Annexes, and Schedules. The Exhibits, Annexes, and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

17.19 Specific Performance. Each of the Parties acknowledges and agrees that the other Parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Parties shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, in addition to any other remedy to which they may be entitled, at law or in equity.

IN WITNESS WHEREOF, the undersigned have duly executed this Stock Purchase Agreement as of the date set forth above.

RUSH RETAIL CENTERS, INC.

By:
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Title:
---

RUSH ENTERPRISES, INC.

By:
---
Title:
---

D&D FARM & RANCH SUPERMARKET, INC.

By:
---
Title:
---

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GEORGETTE HAWKINS

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF RUSH ENTERPRISES, INC FOR THE THREE MONTHS ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-Q.

1,000

3-MOS
DEC-31-1998
JAN-01-1998
MAR-31-1998
17,984
0
25,870
0
88,206
132,383
47,456
(7,852)
186,110
110,503
30,858
0
0
66
43,343
186,110
126,075
126,075
104,363
122,549
0
0
1,298
2,228
891
1,337
0
0
0
1,337
0.20
0.20