ROCKY MOUNTAIN DEALERSHIPS

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2010

ROCKY MOUNTAIN DEALERSHIPS INC.

Rocky Mountain Dealerships Inc. ("**RMDI**" or the "**Company**") is a public reporting issuer whose shares are listed on the Toronto Stock Exchange. RMDI is Canada's largest network of dealerships representing Case IH agriculture equipment, New Holland agriculture equipment and Case Construction equipment, all of which are divisions of CNH Global N.V. ("**CNH**"). The Company is a major independent dealer of CNH equipment and also distributes equipment from a number of other manufacturers, including but not limited to, Terex, Dynapac, Doosan, Takeuchi, Leeboy, Kawasaki, Metso, Bourgault, Claas and Kuhn-Knight.

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("**MD&A**") of the financial results of the Company is prepared as of November 8, 2010 and should be read in conjunction with the consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**") and are presented in Canadian dollars. This discussion focuses on key information from the audited consolidated financial statements for the year ended December 31, 2009. Additional information related to the Company is available at www.sedar.com and pertains to known risks and uncertainties in the construction and agriculture equipment dealership industry.

The Company cautions readers that certain statements contained in this MD&A may be considered forward-looking and refers readers to the section titled "Forward-Looking Information".

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EXECUTIVE SUMMARY

Business Overview

The Company operates through 34 locations across the Canadian prairie provinces with 23 branches in Alberta, 4 in Saskatchewan, and 7 in Manitoba. The Company distributes agriculture and construction equipment as well as provides product support by selling parts and providing in-branch and on-site repair and maintenance services. Each branch supports its sales and leasing departments by providing third party financing and insurance services. In addition, the Company provides other ancillary services such as equipment transportation and global positioning satellite (GPS) signal subscriptions.

Where appropriate, certain functions are centralized to reduce overhead costs and to optimize the available resources. These functions include accounting, administration, marketing, human resources, safety, product specialists and financial reporting. This allocation of resources provides greater opportunity to satisfy the needs of the customer while maintaining exceptionally low selling, general and administrative costs ("**SG&A**").

Highlights from the Quarter

- Acquisition of the holding company effectively owning 100% of the issued and outstanding shares of Allen's Agrocentre Ltd. located in Oyen, Alberta with prior year revenues of approximately $5.8 million.
- Acquisition of all of the issued and outstanding shares of Gateway Farm Equipment Ltd. located in Grande Prairie, Alberta with prior year revenues of approximately $12.3 million.
- Additional financing of $31.5 million through the issuance of convertible debentures.
- Three and nine month periods ended September 30, 2010 revenues of $170.5 million and $437.1 million, net earnings of $3.8 million and $8.7 million, and diluted earnings per share of $0.20 and $0.48, respectively.

General Overview

Our business is focused on two main industries: agriculture and construction. In the agriculture industry, we mainly represent the Case IH and New Holland brands. In the construction industry, we distribute mobile equipment with our primary brands being Case Construction, Terex, Metso and Dynapac.

The North American new agricultural equipment deliveries were up 7% as reported by CNH through the first nine months of 2010. In Canada, sales for high horsepower tractors and harvesting equipment remained strong. The slow agricultural equipment sales the Company experienced in the second quarter of 2010 as a result of the significant levels of moisture in Western Canada have reversed in the third quarter of 2010 with a good harvest driving sales increases versus 2009. Reductions in seeded acreage, worldwide grain shortages, drought conditions in Eastern Europe, and general market confidence have improved farm commodity prices. As well, the additional moisture has increased yields in many areas of our market. The farm incomes generated from this year's yield and pricing should improve western farmer's balance sheets and ultimately our results.

North American new construction equipment deliveries are up 33% in the first nine months of 2010. Construction equipment sales in the Company's region continued to improve through the first nine months of 2010, however most increases were in light equipment such as skid steer loaders, wheel loaders and loader backhoes. Case expects North American construction equipment sales will ultimately increase 15% in 2010 as the impact of government stimulus funds and private investment improvement throughout the year. The Company's construction equipment sales are balanced through residential construction, roadwork (including paving and aggregate production), and commercial, industrial, and municipal construction. Increases in housing starts, oil rig count, vehicle sales, and GDP growth are all factors that influence construction equipment purchases in our market. In the market we represent, these key indicators are all up versus 2009.

The Company continued to execute on its growth strategy during the third quarter with the acquisitions of two Case IH agriculture dealerships on September 1, 2010. The two additional locations in Grande Prairie and Oyen, Alberta will provide continued and additional support to the northern and south central Alberta markets, respectively.

Additionally, the acquisitions of Roydale New Holland Inc. in the first quarter and Wardale Equipment (1998) Ltd. in the second quarter provide new avenues of expansion for the Company with Roydale being our entry in the New Holland organization, and Wardale being our first significant expansion in Saskatchewan.

Acquisitions

Subsequent to the end of the third quarter of 2010 on October 15, 2010, the Company purchased the outstanding shares of K&M Farm Equipment Ltd. ("**K&M**"), a New Holland Agriculture dealership, with locations in Westlock, and Barrhead, Alberta. The preliminary purchase price before working capital adjustments was $3.0 million and was funded with 96,401 shares, at a price of $7.90 for an aggregate of $0.8 million and the remainder with cash. The integration of the business system is currently scheduled for December.

On September 1, 2010, the Company acquired 100% of the outstanding common shares of Gateway Farm Equipment Ltd. ("**Gateway**" or the "**Gateway Acquisition**"). The purchase consideration was $2.0 million, which was comprised of 55,000 shares, issued at a price of $8.29 per share for an aggregate of $0.5 million and cash of $1.5 million. In the most recent fiscal year ended March, 31, 2010, Gateway reported revenues of approximately $12.3 million. Gateway is a Case IH agriculture dealership in Grande Prairie, Alberta. The integration of the business system has been completed for this location.

On September 1, 2010, the Company also acquired 100% of the outstanding common shares of the holding company that collectively owned 100% of Allen's Agrocentre Ltd. ("**Allen's**" or the "**Allen's Acquisition**"). The purchase consideration was $2.6 million, which was comprised of 20,000 shares, issued at a price of $8.29 per share for an aggregate of $0.2 million and cash of $2.4 million. In the most recent fiscal year ended October 31, 2009, Allen's reported revenues of approximately $5.8 million. Gateway is a Case IH agriculture dealership in Oyen, Alberta. The integration of the business system has been completed for this location.

Effective June 1, 2010, the Company acquired certain dealership assets of Wardale Equipment (1998) Ltd. (“**Wardale**” or the “**Wardale Acquisition**”). The purchase consideration was $7.0 million, which was comprised of 292,643 shares, issued at a price of $8.71 per share for an aggregate of $2.5 million and cash of $4.5 million. In the most recent fiscal year ended November 30, 2009, Wardale reported revenues of approximately $39.0 million. The Wardale Acquisition added three Case IH Agriculture branches to the Company’s dealer network located in Yorkton, Langenburg, and Preeceville, Saskatchewan. The integration of the business system has been completed for these locations.

On March 1, 2010, the Company acquired all of the issued and outstanding shares of Roydale New Holland Inc. (“**Roydale NH**” or the “**Roydale NH Acquisition**”). The purchase consideration was $2.8 million, which was comprised of 148,572 shares, issued at a price of $8.99 per share for an aggregate of $1.3 million and cash of $1.5 million. In the most recent fiscal year ended November 30, 2009, Roydale NH reported revenues of approximately $22.0 million. Roydale NH is located in Red Deer, Alberta and represents the first New Holland agriculture dealership for RMDI. The Roydale NH Acquisition will be the cornerstone for New Holland expansion with the existing management of Roydale NH continuing on with RMDI. The integration of the business system has been completed for this location.

In the fourth quarter of 2009, the Company announced two acquisitions of dealerships in Manitoba, firstly Enns Agri (“**Enns**” or “**Enns Acquisition**”) in Winkler, Manitoba, followed by Mayor Equipment (“**Mayor**”) in Neepawa, Manitoba. The Enns purchase consideration was $2.2 million, which was comprised of 50,000 shares, issued at a price of $6.15 for an aggregate of $0.3 million and cash of $1.9 million. The Mayor purchase consideration was $2.6 million and was comprised of cash. These two acquisitions were completed as of November 1, 2009 and are contiguous to existing locations in Manitoba. All of the integration with respect to these acquisitions has been completed.

STRATEGY

RMDI’s strategy is to grow revenue and enhance profitability through organic growth and acquisitions. The expansion of RMDI’s existing branch network creates an opportunity to increase sales as the installed base equipment ages, which in turn drives the higher margin revenue streams such as parts, service, finance and insurance, and should also increase profitability. Profitability can also be enhanced through the management and monitoring of direct and indirect costs.

The Company’s strategy for expansion is the heavy equipment market on the east side of the Rocky Mountain Corridor. Essentially, our long term growth area includes Alberta, Saskatchewan and Manitoba, and those U.S States south of the Canadian prairie provinces through to the Gulf of Mexico. Our growth to date has been in Canada. There are numerous opportunities in the Canadian market and with our recent partnership with New Holland, we are able to focus on the abundant opportunities available within Western Canada. In addition to our 34 locations there are approximately 20 Case IH dealer locations and 35 New Holland dealer locations in Western Canada. When the right opportunity presents itself, the Company may decide to make acquisitions in the United States.

The Company is able to achieve growth and profitability because of its people. The platform and procedures utilized allow the Company to expand with minimal interruptions. As such, management is continually assessing the needs of its team members. During the first quarter of 2010, the Company initiated an employee share ownership plan which allows employees to share in the ownership and success of the Company and save for retirement.

Management believes the Company is well capitalized and has the management system and people in place to achieve growth without significant additional administration costs. During the third quarter, the agriculture dealerships' operations formerly carried on through Miller Equipment Ltd. and Hi-Way Service Ltd. merged and are now carried on through Rocky Mountain Dealer Group Partnership. As such, we operate through two wholly owned divisions: Hammer Equipment which represents primarily New Holland, Terex, Dynapac, Doosan, Metso, and Kawasaki, and; Rocky Mountain Dealer Group Partnership, which will represent the Case Construction and Case IH products. Each division has experienced teams in place that can provide exceptional results with little assistance from corporate management. This provides an extremely scalable model for growth with minimal overhead. In many acquisitions, we have retained the owners and employees of the dealerships we have purchased to provide continuity for our customers and add management depth to the Company.

KEY PERFORMACE DRIVERS

This MD&A contains discussions referring to overhead absorption ("**Overhead Absorption**") and earnings before long-term interest, income taxes, depreciation and amortization ("**EBITDA**"). These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and it is therefore unlikely that these measures are comparable to similar measures presented by other issuers.

The Overhead Absorption, which is regularly monitored by management, is a commonly used metric in the equipment dealership industry, at the branch and organization level. The Overhead Absorption is calculated by dividing the gross margin from product support revenue, by total overhead expenses, including interest, less variable equipment selling expenses, intangible amortization or impairment, stock-based compensation and interest accretion on the convertible debentures. It is management's belief that Overhead Absorption is a useful measurement tool because it indicates an equipment dealership's ability to maintain profitable operations particularly during periods of reduced equipment sales. Management's target for Overhead Absorption for the 2010 fiscal year has declined from between 82% and 86% to 77%-82% as a result of the significant moisture during the year which postponed or eliminated product support opportunities in the second and third quarters of this year. The seasonal factors, which led to the reduced product support revenue earlier in 2010, have diminished as the year progressed with a strong harvest and good fall weather for completing construction projects.

EBITDA is another commonly used metric in the dealership industry. This metric is calculated by adding the long-term interest, income taxes, depreciation and amortization to the net income. Adding back non-operating expenses allows management to consistently compare periods by removing changes in tax rates, long-term assets and financing costs.

SELECTED FINANCIAL INFORMATION
IN THOUSANDS (other than per share amounts)

	3 months ended September 30, 2010 (unaudited) $		3 months ended September 30, 2009 (unaudited) $	
Revenue:				
New equipment sales	68,298	40.0%	69,353	47.6%
Used equipment sales	68,694	40.3%	46,144	31.6%
Product support	32,348	19.0%	29,068	19.9%
Finance and insurance (F&I)	690	0.4%	527	0.4%
Rental and leasing	448	0.3%	713	0.5%
Total Revenue	170,478	100.0%	145,805	100.0%
Cost of Sales	144,434	84.7%	123,537	84.7%
Gross Profit	26,044	15.3%	22,268	15.3%
Expenses:				
SG&A	16,962	9.9%	12,497	8.6%
Interest on short-term debt	1,725	1.0%	1,481	0.9%
Interest on long-term debt	662	0.4%	237	0.2%
Amortization of PPE	1,139	0.7%	810	0.6%
Earnings from Operations	5,556	3.3%	7,243	5.0%
Income taxes	1,742	1.0%	2,302	1.6%
Net Earnings	3,814	2.3%	4,941	3.4%
Net Earnings Per Share				
Basic	$0.21		$0.34	
Diluted	$0.20		$0.34	

	9 months ended September 30, 2010 (unaudited) $		9 months ended September 30, 2009 (unaudited) $	
Revenue:				
New equipment sales	212,301	48.6%	207,461	50.8%
Used equipment sales	143,762	32.8%	124,122	30.4%
Product support	78,163	17.9%	72,545	17.8%
Finance and insurance (F&I)	1,997	0.5%	1,403	0.3%
Rental and leasing	899	0.2%	2,551	0.6%
Total Revenue	437,122	100.0%	408,082	100.0%
Cost of Sales	368,889	84.4%	347,917	85.3%
Gross Profit	68,233	15.6%	60,165	14.7%
Expenses:				
SG&A	46,849	10.7%	38,321	9.4%
Interest on short-term debt	4,594	1.1%	4,586	1.1%
Interest on long-term debt	1,121	0.3%	784	0.2%
Amortization of PPE	3,174	0.7%	2,170	0.5%
Earnings from Operations	12,495	2.8%	14,304	3.5%
Income taxes	3,761	0.9%	4,806	1.2%
Net Earnings	8,734	1.9%	9,498	2.3%
Net Earnings Per Share				
Basic	$0.48		$0.69	
Diluted	$0.48		$0.69	

RECONCILIATION OF NET EARNINGS TO EBITDA
IN THOUSANDS

	3 months ended September 30, 2010 (unaudited)	3 months ended September 30, 2009 (unaudited)	9 months ended September 30, 2010 (unaudited)	9 months ended September 30, 2009 (unaudited)
	$	$	$	$
Net earnings	3,814	4,941	8,734	9,498
Long-term interest	662	237	1,121	784
Depreciation	1,139	810	3,174	2,170
Income taxes	1,742	2,302	3,761	4,806
Rental depreciation	325	241	559	776
Lease depreciation	4	53	30	360
EBITDA	7,686	8,584	17,379	18,394
Overhead Absorption	75%	114%	74%	92%

RESULTS OF OPERATIONS (unaudited)
IN THOUSANDS (OTHER THAN PER SHARE AMOUNTS)

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
	$	$	$	$	$	$	$	$
Revenue	170,478	146,169	120,475	147,673	145,805	155,127	107,150	146,906
Net earnings before impairment	3,814	3,108	1,811	5,724	4,941	3,829	728	9,332
Impairment	-	-	-	-	-	-	-	(102,787)
Net earnings	3,814	3,108	1,811	5,724	4,941	3,829	728	(93,455)
EPS - Basic	0.21	0.17	0.10	0.35	0.34	0.28	0.06	(7.34)
EPS - Diluted	0.20	0.17	0.10	0.35	0.34	0.28	0.05	(7.34)
EBITDA	7,686	5,769	3,922	9,288	8,584	7,169	2,641	9,379
Overhead Absorption	75%	78%	70%	67%	114%	89%	74%	81%

The results of operations discussed below are for the three and nine months ended September 30, 2010 and are compared to the three and nine months ended September 30, 2009.

The first calendar quarter is typically the weakest due to winter shutdowns while the fourth quarter is the strongest due to conversions of equipment on rent with purchase options and the post-harvest buying that is typical in the agricultural sector.

New and used equipment sales increased from approximately $115.5 million to $137.0 million in the three months ended and from $331.6 million to $356.1 million in the nine months ended September 30, 2010 compared to the same periods in 2009. The increases over the periods are a result of improved market conditions in the agricultural sector late in the third quarter, and management's focus on reducing the used inventory balance in the third quarter of 2010. New equipment sales remained relatively flat over the three and nine month periods compared to the prior year. Compared with 2009, used equipment sales increased by $22.6 million in the third quarter and $19.6 million year to date. A favorable harvest, strong commodity prices, and a focus in the third quarter of 2010 to reduce aged inventory contributed to the improved performance. Construction equipment sales also improved versus 2009 YTD as we continue to see signs of economic recovery across Western Canada.

Both agricultural and construction industry volumes are affected by foreign exchange that changes our revenue based primarily on the Canadian / USA exchange. In the third quarter our selling prices for parts and whole goods were reduced by approximately 15% based on the Canadian dollar strengthening during the period.

Product support revenues slightly increased from approximately $29.1 million to $32.3 million and $72.5 million to $78.2 million for the three and nine month periods ended September 30, 2010, compared to the same periods in 2009. The increases over the periods are mainly a result of the additional service and parts revenue from acquisitions over the past twelve months. Product support revenue for legacy stores were down in the second quarter due to the aforementioned wet spring and summer, combined with a late harvest, moving the typical customer work schedule into the fourth quarter.

Finance and insurance revenues increased from $0.5 million to $0.7 million and from $1.4 million to $2.0 million for the three and nine month periods ended September 30, 2010, compared to the same periods in 2009. The increases arise from the additional equipment sales which provided additional opportunities for finance and insurance revenue.

Rental and leasing decreased from $0.7 million to $0.4 million and from $2.6 million to $0.9 million in the three and nine month periods ended September 30, 2010, compared to the same periods in 2009. This is a result of management's continued commitment to reducing this portion of the business in favor of using third party vendors to free up capital resources.

During the third quarter of 2010, the Company maintained a gross margin percentage of 15.3% in line with the same period in the prior year. Over the nine months ended September 30, 2010, the Company realized an increase in the gross margin percentage from 14.7% to 15.6%. The increase has partially improved over the nine month comparative period because of the efficiencies generated through the integration of the acquired locations. Acquisitions generally reduce the Company's gross margins until it has time to implement its management practices and install its business system. We have added 12 locations (including K&M in October 2010) since the third quarter of 2009 which temporarily reduced gross margin and added SG&A while the businesses were being integrated. The trend of improving gross margins as we convert acquired stores to our business system demonstrates the strength of the Company's model through the use of a common business system and sharing the expertise and best practices of the Company.

In addition, the $3.8 million and $8.1 million increases in gross profits in the three and nine months ended September 30, 2010, respectively, from the same periods in 2009, resulted mainly from higher sales recognized through acquisitions. The Company took charges against inventory of approximately $Nil million and $0.1 million in the three and nine months ended September 30, 2010, respectively, to ensure valuation of the inventory remains consistent with market conditions.

SG&A expenses increased from $12.5 million to $17.0 million and from $38.3 million to $46.8 million in the three and nine month periods ended September 30, 2010 compared with 2009. The increase is mainly attributable to the additional expenses incurred in connection with the acquisitions completed in the latter part of 2009 and the first nine months of 2010. In addition, during the third quarter of 2009 the Company realized a foreign exchange gain of approximately $1 million on the conversion of US denominated floor plan to Canadian dollars which did not recur in 2010. As a percentage of total sales, SG&A was at 8.6% and 9.4% for the three and nine months ended September 30, 2009 compared with 9.9% and 10.7% for 2010. The Company continues to maintain the target of sub 10% SG&A expenses as a percentage of total sales for the year.

Compared with the three and nine month periods ended September 30, 2009, long-term interest expense increased from $0.2 million to $0.7 million and from $0.8 million to $1.1 million. The additional long-term interest is attributable to the interest from the convertible debentures issued in July 2010. The debentures are discussed in more detail below under "Liquidity and Capital Resources."

CASH FLOW

The Company's operating activities utilized $6.5 million and $5.5 million in cash for the three and nine month periods ended September 30, 2010, respectively. RMDI generated cash through net earnings of $3.8 million and $8.7 million with non-cash items adding $2.2 million and $7.2 million for the three and nine month periods ended September 30, 2010, respectively. Cash was utilized through working capital in the amounts of $12.5 million and $21.4 million in the three and nine month periods ended September 30, 2010. The Company utilized available cash and financing with favorable rates to eliminate bank indebtedness and settle outstanding floor plan items near the end of the third quarter of 2010.

Cash was generated in financing activities primarily as a result of the issuance of $31.5 million in convertible debentures, as discussed in more detail below under "Liquidity and Capital Resources." The Company generated $26.8 million and $25.8 million cash from financing activities in the three and nine month periods ended September 30, 2010 after paying dividends over the same periods of $0.8 million and $2.4 million

Investing activities utilized $4.0 and $7.7 million for the three and nine month periods ended September 30, 2010. Cash was utilized primarily to purchase equipment dealerships in the amounts of $4.1 and $6.6 million dollars over the same periods in 2010.

The net effect of the activities from operations, financing and investing was an increase to cash in the amounts of $16.3 million and $12.6 million for the three and nine months periods ended September 30, 2010.

BALANCE SHEET
IN THOUSANDS

	September 30, 2010 (unaudited) $	December 31, 2009 (unaudited) $	September 30, 2009 (unaudited) $
Current assets	323,426	281,234	248,835
Property, plant and equipment	20,280	19,343	18,260
Goodwill	7,391	4,086	3,902
Total assets	351,097	304,663	270,997
Current liabilities	205,572	203,653	174,230
Long-term debt	12,650	12,968	14,424
Obligations under capital lease	1,308	896	720
Convertible debentures	28,329	-	-
Future income taxes	3,640	1,051	1,017
Total liabilities	251,499	218,568	190,391
Shareholders' equity	99,598	86,095	80,606
Total liabilities and shareholders' equity	351,097	304,663	270,997

Current assets consisted primarily of new and used inventory of approximately $245.1 million at September 30, 2010, $225 million at December 31, 2009 and $186 million at September 30, 2009, respectively. The increase over the year and periods ended September 30, 2010 are primarily related to the acquisitions completed in the second half of 2009 and first nine months of 2010. Equipment inventory levels have been reduced versus the June 30, 2010 level of $263.5 million, demonstrating the recovery in sales as a result of the strong harvest conditions. The goodwill on the balance sheet at September 30, 2010 and December 31, 2009 is mainly attributable to the Heartland, Roydale NH, Wardale, Allen's and Gateway acquisitions.

The current liabilities consisted primarily of floor plan payable for inventory financed of approximately $166.1 million, $158.8 million and $133.9 million, as of September 30, 2010, December 31, 2009, and September 30, 2009, respectively. The increases over the comparative periods are consistent with the above noted increases in new and used inventories.

SHARE CAPITAL – OUTSTANDING SHARES

	September 30, 2010	**December 31, 2009**
Opening balance, January 1	17,807,302	13,220,359
Heartland Acquisition	-	636,943
Enns Acquisition	-	50,000
Bought Deal Financing	-	3,900,000
Roydale NH Acquisition	148,572	-
Wardale Acquisition	292,643	-
Allen's Acquisition	20,000	-
Gateway Acquisition	55,000	-
Share issuance	9,332	-
Closing balance	18,332,849	17,807,302

There were 18,332,849 and 17,807,302 shares outstanding as at September 30, 2010 and December 31, 2009, respectively. Subsequent to period end, 2,000 shares were repurchased under the normal course issuer bid and 96,401 were issued in partial consideration of the K&M Equipment Ltd. acquisition. As at November 8, 2010, there were 18,427,250 shares outstanding.

There were 130,250 shares under a restricted shares unit plan outstanding as at September 30, 2010 (144,500– December 31, 2009). Under this plan, certain key employees will receive treasury shares of the Company on December 20, 2012, should they remain with the Company at that time.

The options outstanding at September 30, 2010 are as follows:

Date Issued	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life (Years)
December 20, 2007	83,450	55,633	10.00	December 20, 2012	2.2
December 20, 2007	130,000	-	0.01	May 31, 2011	0.7
February 29, 2008	530,550	353,700	12.40	February 28, 2013	2.4
May 16, 2008	6,500	4,333	11.50	May 16, 2013	2.6
March 12, 2009	73,334	19,335	4.15	March 12, 2014	3.4
December 29, 2009	264,500	-	9.22	December 29, 2014	4.2
	1,088,334	433,001	9.40		2.7

LIQUIDITY AND CAPITAL RESOURCES

RMDI has available credit facilities with its bank and credit union lenders for the purposes of its general day-to-day cash requirements of its operations and for acquisitions. In addition, RMDI has floor plan facilities from various lending institutions for the purpose of financing inventory with sufficient availability to meet its needs through 2010.

Facility	Amount available (million $)	Drawn at September 30, 2010 (million $)
Working Capital Facility	22.0	0.0
Acquisition Facility	20.0	14.4
Credit Union Facility	7.0	0.0
Various Floor plan facilities	275.0	166.1
	324.0	180.5

RMDI has access to two credit facilities (the **"Credit Facility"**) at its bank (the **"Bank"**), one of which consists of a revolving facility providing up to $22.0 million for working capital (the **"Working Capital Facility"**) and another facility of up to $20.0 million for acquisitions of additional equipment dealerships (the **"Acquisition Facility"**). The interest rate on the Acquisition Facility and the Working Capital Facility is 3.5% and 5.0% (December 31, 2009 - 3.8% and 2.8%), per annum respectively based on the prime rate at September 30, 2010 of 3.00% (December 31, 2009 - 2.25%). In addition, RMDI has access to $7.0 million through a Manitoba credit union (the **"Credit Union Facility"**). Amounts drawn under the Credit Union Facility bear interest currently at 4.8% (December 31, 2009 - 3.25%), the credit union's prime rate plus 1.0% and as at September 30, 2010 $Nil was drawn on this facility.

The indebtedness under the Credit Facility is secured in favour of the Bank by the Company's receivables and the non-CNH parts inventory. At September 30, 2010, the Company had positive cash of $21.6 million, and $14.4 million was drawn on the Acquisition Facility. RMDI pays standby fees of 0.4% and 0.5% per annum on any undrawn portion of the Working Capital and Acquisition Facilities respectively. The Bank has also provided financing terms for the vehicle lease fleet comprised of individual contracts with individual interest rates that are either floating at the Bank's prime rate plus 0.4% or fixed, based on the Bank's daily fixed rate for the particular length of the individual contract. These financing contracts are secured by all real property owned and subsequently acquired by the Company and individual payment terms are up to five years from the time each contract is initiated. The indebtedness under the Credit Union Facility is secured in favour of the credit union by the Miller receivables and the Miller non-CNH parts inventory.

The Company has existing floor plan facilities of approximately $275.0 million from various lending institutions for the purpose of financing inventory in sufficient approved limits to meet its needs for the foreseeable future. The Company currently has approximately $108.9 million available on such facilities. The new equipment inventory (and, in some cases, a portion of the used equipment inventory) is financed by way of floor plan financing, which is made available to RMDI by the equipment manufacturer's captive finance companies or divisions (such as CNH Capital), as well as banks and specialty lenders. As an extension to the CNH floor plan facility described above, the Company also has financing provided by GE Capital, terms which are substantially the same but qualify as long-term debt and are used to finance the rental fleet. The interest rates on these facilities are based on prime rate plus a percentage currently ranging from 0% to prime plus 4.9%. The floor plan facility is used to finance our new equipment inventory which generally is retailed within the year. These facilities generally include an interest free period of between four and twelve months. As such, we include the floor plan lines under short term obligations therefore the interest is expensed each month and not added back for the purposes of computing EBITDA.

On July 6, 2010, the Company completed a $31.5 million bought deal financing arrangement where a syndicate of underwriters agreed to buy 30,000 (with a full over-allotment exercise of 1,500) convertible unsecured subordinated debentures ("**Debenture**s") of the Company at a price of $1,000 per Debenture (the "**Offering**"). The Offering closed on July 27, 2010.

The Debentures will mature on September 30, 2017 and will accrue interest at the rate of 7.0% per annum, payable semi-annually in arrears on March 31 and September 30 in each year, commencing on September 30, 2010. At the holder's option, the Debentures may be converted into common shares of the Company at any time on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of $10.65 per share.

The Debentures will be direct, unsecured obligations of RMDI, subordinated to other indebtedness of the Company and ranking equally with all other unsecured subordinated indebtedness.

The Debentures will not be redeemable prior to September 30, 2014. On or after September 30, 2014 and prior to September 30, 2015, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the market price of the Company's shares traded on the Toronto Stock Exchange on the date on which the notice of redemption is given is not less than 125.0% of the conversion price. On or after September 30, 2015 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

On November 8, 2010, the Board of Directors of RMDI declared a quarterly dividend of $0.045 per common share on the Company's outstanding common shares. The common share dividend is payable on December 31, 2010, to shareholders of record at close of business on November 30, 2010. The Company is in compliance with all externally imposed capital requirements on all of its lending facilities.

Management believes there is sufficient liquidity available to meet its needs for the foreseeable future.

ADEQUACY OF CAPITAL RESOURCES

RMDI has used its cash flow from operations to finance the purchase of inventory, service its debt requirements, and fund its operating activities, including working capital, both operating and capital leases and floor plan payable. The Company is rationalizing both the lease and rental fleets. Leasing is not the core business and is better suited to third party providers. Rental fleets primarily serve construction equipment customers and therefore need to be sized to suit the anticipated market. RMDI anticipates it will be able to finance its current fleet needs through its existing credit facilities and cash flow from operations. RMDI's ability to service its debt will depend upon its ability to generate cash, which depends on its future operating performance, general economic conditions, as well as other factors, of which some are beyond its control. Based on its current operational performance, RMDI believes that cash flow from operations along with existing credit facilities will provide for its capital needs in the next 12 months.

GOODWILL AND INTANGIBLE ASSETS

At least annually, the Company tests goodwill and intangibles for impairment by comparing the carrying amount of these assets to the fair value on a reporting entity basis. At December 31, 2009 the Company performed an impairment test of goodwill to compare its carrying value to fair value. The impairment test is based on a two step process. In step one, a fair value was determined using two different valuation methods, a market based approach and discounted cash flow approach. The market based approach derives a fair value based on the market capitalization of the Company. The discounted cash flow approach analyzes future cash flows based on internally developed forecasts. Step one showed a carrying value that was below fair value, therefore the Company determined that goodwill was not impaired and did not perform the second impairment step. During the nine months ended and as at September 30, 2010, there were no events or circumstances to suggest that goodwill may be impaired.

In 2008, the second step was required and the fair value determined in step one was allocated to each individual asset and liability as it would be in a business combination. After performing this allocation, it was determined there was no value left to assign to goodwill. As a result, the amount of $84.8 million was recorded as an impairment loss to the income statement as non-operating expenses.

In determining fair value, management relies on a number of factors including operating results, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments are required to be made in applying them to the analysis of goodwill and intangibles impairment.

CONTRACTUAL OBLIGATIONS

The following table provides an overview of the contractual obligations of RMDI as of September 30, 2010.

IN THOUSANDS

	Total	Remainder of 2010	2011-2012	2013-2014	Thereafter
	$	$	$	$	$
Long-term debt	19,489	2,366	11,419	5,704	-
Convertible debentures	28,329	-	-	-	28,329
Capital lease obligations	2,102	215	1,289	449	149
Operating lease obligations	24,356	1,542	11,709	6,030	5,075
Total contractual obligations	74,276	4,123	24,417	12,183	33,553

RELATED PARTY TRANSACTIONS

IN THOUSANDS

For the three and nine months ended September 30, 2010, the Company paid management fees of $88 and $263 (2009 - $65 and $195), performance bonuses of $Nil and $142 (2009 $Nil and $150), and flight costs $17 and $127 (2009 - $54 and $203) to a company controlled by a related party, respectively. In addition, rental payments on the Company's facilities of $862 and $2,586 (2009 - $838 and $2,515) were paid to companies controlled by certain members of senior management. Equipment sales of $881 and $1,209 (2009 - $775 and $2,092) and purchases of $256 and $303 (2009 - $1,143 and $2,070) were transacted between the Company and a company controlled by a significant shareholder and member of senior management. At September 30, 2010, $Nil (December 31, 2009 - $53) was due from related companies in accounts receivable and other and $Nil (December 31, 2009 - $185) was due to related companies included in accounts payable and accrued liabilities.

Equipment sales of $12 and $12 for the three and nine months ended September 30, 2010, respectively, were transacted between the Company and a company controlled by a member of the Board of Directors of the Company (2009 - $Nil and $Nil).

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value.

For the three and nine month periods ended September 30, 2009 and 2010, the Company did not have any related party transactions that were not in the normal course of operations.

OFF-BALANCE SHEET ARRANGEMENTS

RMDI has availed itself of off-balance sheet financing in connection with numerous operating leases between RMDI and arm's length leasing companies in respect of the fleet of vehicles used by RMDI and its employees in the conduct of its business. RMDI has paid monthly amounts under each of such operating leases ranging from $0.4 thousand to $1.9 thousand. The current operating leases have terms of five years or less expiring between November 30, 2010 and October 14, 2015. Management intends to replace or extend these operating leases when their terms expire in respect of vehicles used by RMDI and its employees in the conduct of its business.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Given the nature of the business of RMDI, it is subject to a number of external factors that affect its business, including seasonality and cyclicality, currency fluctuations, inflation, and interest rate fluctuations.

Seasonality and Cyclicality

RMDI's customers operate in industries that are affected by seasonality. The seasonal nature of customers' businesses affects their demand for RMDI's equipment and services. The Company generally experiences a lower volume of equipment sales during the first quarter of the calendar year due to the crop growing season and winter weather making certain types of construction and agricultural work difficult to perform. The Company has mitigated the effects of seasonality to some extent by also carrying lines of equipment for which peak operating periods occur during the winter months. Examples of such lines of equipment are used primarily in aggregate crushing, mulching and clearing applications.

Currency Fluctuations and Foreign Exchange

RMDI's manufacturers are geographically diversified, leading the Company to conduct business in two currencies, U.S. dollars and Canadian dollars. Therefore, the fluctuation of the U.S. dollar has significant foreign exchange impact on the Company's revenues and net income, the most significant of which is purchases of U.S. dollar denominated products (inventory). In addition, as a result of foreign currency fluctuations, the Company experiences foreign currency translation gains or losses; currency translation adjustments arise as a result of fluctuations in foreign currency exchange rates at the period end. The nature of exposure to foreign exchange fluctuations differs between equipment manufacturers and the various dealer agreements with them.

The last several years have seen a weakening of the U.S. dollar in comparison to the Canadian dollar, which has generally had a positive effect on RMDI's performance by lowering its cost of goods sold. However, as the markets in which RMDI operates are highly competitive, a declining U.S. dollar also has the effect of reducing sales prices in Canadian dollars and, as a consequence, the Company cannot capture the entire potential benefit of a declining U.S. dollar environment. If the U.S. dollar strengthens in comparison to the Canadian dollar, and RMDI is unable to offset the increase in its cost of goods through price increases, its results may be negatively affected. RMDI does mitigate some of this risk, however, by occasionally purchasing forward contracts for U.S. dollars on large transactions to cover the period from the time the equipment was ordered from the manufacturer to the delivery date.

Inflation

Inflation has not had a material effect on the operating results of the Company, and this is not expected to change in the near term. RMDI has experienced cost increases that are similar to the cost escalations being experienced throughout the Alberta, Manitoba and Saskatchewan economies but has been able to increase selling prices to offset such increases. Items that are susceptible to localized inflation in the above-mentioned areas, such as labor and rent, are a relatively small component of RMDI's overall cost structure as compared to the cost of goods sold, which is affected by numerous factors. There is no assurance, however, that inflation will not affect the Company in the longer term or that the Company will be continually able to increase selling prices as a means to offset the effect of increases on its cost structure (including, without limitation, cost of goods sold) while remaining competitive.

Interest Rate Fluctuations

RMDI finances its purchases of new and, to a lesser extent, used equipment inventory through floor plan borrowing arrangements, under which it is charged interest at floating rates. As a result, rising interest rates have the effect of increasing the Company's costs, particularly in respect of interest on debt financing, including floor plan financing. To the extent the Company cannot pass on such increased costs to its customers, its net earnings or cash flow may decrease. In addition, its customers finance the majority of the equipment they purchase through the Company. A customer's decision to purchase may be affected by interest rates available to finance the purchase.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the preparation of the financial statements, management is required to make estimates, assumptions and judgments that affect reporting amounts. Estimates, assumptions and judgments that affect the balance sheet include, but are not limited to: allowance for doubtful accounts, inventories, capital assets, deferred revenue and future taxes. Estimates, assumptions and judgments that affect the statements of earnings and comprehensive income include, but are not limited to, allowance for doubtful accounts and revenue recognition. The estimates, assumptions and judgments are updated when management considers it appropriate, but review them at least quarterly. The technical accounting knowledge, cumulative business experience, judgment and industry comparatives are all considered in selecting and applying accounting policies. While management believes estimates, assumptions, and judgments used in the preparation of the financial statements are appropriate, they are subject to factors and uncertainties regarding their outcome and, therefore, actual results may differ materially from these estimates. Management believes the following are the primary critical accounting policies and estimates:

Allowance for Doubtful Accounts

Outstanding receivables are reviewed on a weekly basis by the applicable managers at the branch level and daily by the credit manager. At the end of every quarter, all of the receivables are reviewed in detail to ensure there is sufficient coverage in allowance for doubtful accounts.

Inventory

In the financial statements the equipment inventory is recorded at the lower of cost and net realizable value, with cost being determined on a specific-item, actual-cost basis. Management records parts inventory at the lower of cost and replacement cost, with cost being determined using average cost. Any work-in-progress is valued at actual cost.

Capital Assets

Capital assets consist primarily of the equipment inventory, equipment rent-to-rent fleet and equipment lease fleet. In particular, the fleet of rent-to-rent equipment consists primarily of articulated trucks, each of which is replaced on a three-year cycle. To ensure that the rent-to-rent articulated trucks are accurately valued when they are replaced, 80% of the rental revenue generated is allocated with each unit to depreciation expense. Management records depreciation on leasing equipment using the declining balance method at a 30% rate. Currently, both these fleets are under review to determine their long term strategic benefit.

Deferred Revenue

Deferred revenue is recognized in a number of circumstances, namely, upon placing a preventative maintenance contract with a customer, in connection with incentives received from equipment manufacturers and with respect to future lease payments. When a preventative maintenance contract is placed with a customer, the customer is charged in advance or on a flat monthly rate for services that will be performed during the term of the maintenance contract, which may be as long as five years. Revenue is recognized when the service is performed. When equipment manufacturers provide incentives for particular pieces of equipment, which are typically credits against the wholesale price as shown on the manufacturer's equipment invoice, RMDI recognizes and records that deferred revenue credit as goods sold. The third type of deferred revenue relates to the lease fleet; the future lease payments are recorded as deferred revenue and recognize the payments as they become due during the year.

Future Taxes

The future income tax liability is calculated using the asset and liability method of tax allocation. Under this method, the temporary differences between the tax bases of assets and their carrying amounts on the balance sheet are used to calculate the future income tax liability.

FUTURE CHANGES RELATED TO INTERNATIONAL FINANCIAL REPORTING

Convergence with International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in 2008 that the use of International Financial Reporting Standards ("**IFRS**") by publicly accountable enterprises will be required in 2011. The Company has assigned a committee of people from various levels of the organization to consider the impact that the conversion to IFRS will have on the Company. The members of the committee include the CFO, Reporting Controller, General Manager – Information Technology, and Controllers from each of their respective divisions.

The Company has identified three phases to conversion as outlined below:

- Phase 1 - Diagnostic and Scoping – This involves identifying and performing a high-level assessment of significant areas of IFRS and differences from GAAP. The assessment focuses on identifying moderate to significant issues that will impact the Company throughout conversion.

- Phase 2 - Impact Assessment and Design – In this phase, the significant issues identified in the first phase are further examined for their potential quantitative, process, and system impacts, as well as any other significant issues identified. Also, when applicable, alternatives and policies are assessed to determine the most appropriate policies and practices on conversion.

- Phase 3 - Implementation –This phase involves reviewing, testing, and implementing the final accounting policy and process changes required for conversion.

The Company has completed the Diagnostic and Scoping phase and is working on the Impact Assessment and Design phase, which is expected to be completed with implementation commencing during the fourth quarter of 2010.

The Company expects to have its unaudited IFRS opening balance sheet at January 1, 2010 and unaudited comparative financial statement information for the three and six month periods ended March 31, 2010 and June 30, 2010 completed and presented to the Company's Audit Committee for approval in the first quarter of 2011.

Impact of First-Time Adoption of IFRS

IFRS 1 – First-Time Adoption of International Financial Reporting Standards

IFRS 1 provides elective exemptions to full retrospective application of IFRS. The impacts of optional exemptions, if elected, that may have a significant effect are discussed below.

Share-based payment transactions

IFRS 1 provides an elective exemption which does not require first-time adopters to apply IFRS 2 "Share-based Payment" to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company does not intend to make this election since the application of IFRS 2 "Share-based Payment" retrospectively to all share-based payment transactions is not considered complex. The Company currently estimates that the application of IFRS 2 retrospectively at transition will require an increase to contributed surplus and corresponding decrease in retained earnings of approximately $0.3 million.

Deemed cost

IFRS 1 permits first-time adopters to measure certain items of property, plant and equipment (PP&E) at fair value as at the date of transition or prior to transition where an event occurred requiring PP&E to be revalued at fair value. This provides relief to the Company from retrospectively having to recognize and measure previously recorded items of PP&E according to IAS 16 "Property, Plant and Equipment." The Company intends to make this election using the revaluation of PP&E which occurred on December 20, 2007 as part of the purchase price accounting for the acquisitions of Hammer Equipment Sales Limited and Hi-Way Service (Medicine Hat) Ltd. The Company does not expect this election to have a material impact on the balances of PP&E at transition.

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the date of transition to IFRS (January 1, 2010 for the Company). The Company intends to make this election to apply IFRS 3 only to business combinations that occurred on or after the date of transitions as it feels users will not significantly benefit from the retrospective disclosure. With respect to the Company's transactions that fall under the scope of IFRS 3 on or after January 1, 2010, the first business combination to which IFRS 3 will be applied is the acquisition of Roydale New Holland Inc., where the risks and rewards of ownership were transferred on March 1, 2010.

Impact on Balance Sheet and Earnings

Impairment of Assets

GAAP impairment testing compares the asset carrying values with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable, the carrying values are written down to estimated fair value.

IAS 36 “Impairment of Assets”, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may result in more frequent write-downs where carrying values of assets were previously supported under GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the impairments have reduced. Canadian GAAP prohibits reversal of impairment losses.

IAS 36 also provides for the option to measure intangible assets after initial recognition at their fair values or amortized cost. Canadian GAAP only permits subsequent measurement using amortized cost.

As of the end of the first quarter of 2010, the Company has not identified any quantitative differences with respect to testing for or measurement of impairment losses or reversals. However, the differences discussed above may result in more frequent impairment losses and reversals in future periods. The effect of these differences cannot be quantified until tested and measured, if applicable, in future periods.

Property, Plant and Equipment (“PP&E”)

IAS 16 “Property, Plant and Equipment” provides more explicit guidance than GAAP does for separating and depreciating significant components of PP&E items. In many instances, IFRS will require a more granular approach for depreciating items of PP&E. Based on analysis and work performed through Phase 1 and Phase 2 to the end of the first quarter of 2010, the Company has not identified any significant quantitative differences with respect to the more granular approach to PP&E depreciation.

IFRS also permits property, plant and equipment to be measured subsequent to recognition at fair value or amortized cost. GAAP only allows subsequent measurement at amortized cost. The Company expects to continue to measure all items of PP&E at amortized cost as this method provides a consistent measurement for financial statement users. As such, this difference is not expected to have a quantitative impact on adoption of IFRS.

Share-based payment transactions

The Company issues certain stock-based awards in the form of stock options that vest evenly over a three year period. Under GAAP, the Company recognizes the fair value of the award, determined at the time of the grant, on a straight-line basis over the three-year vesting period. Under IFRS, the fair value of each installment of the award is considered a separate grant based on the vesting period with the fair value of each installment determined separately and recognized as compensation expense over the term of its respective vesting period (“graded vesting”). Accordingly, this will result in the amounts of each grant being recognized in income at a faster rate than under GAAP.

Under GAAP, the Company accounts for forfeited stock options in the period in which the forfeiture occurs. Under IFRS, the Company will be required to estimate forfeitures at the grant date with revised estimates reflected in each subsequent reporting period. Accordingly, this will result in the amounts of each grant being recognized in income at a slower rate than under GAAP partially offsetting the impact of the graded vesting discussed above.

These differences from GAAP are expected to have some of the most significant quantitative impacts on the Company on adoption and subsequent reporting periods. The overall amount of share-based payment expense to be recognized under IFRS is not expected to be materially different from GAAP, rather the most significant difference is in the timing of recognition.

Provisions

IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” uses a threshold of “more likely than not” to determine when there is enough probability to record a provision. Canadian GAAP uses a higher threshold of “likely” which in most instances would result in fewer provisions recognized from GAAP. Through work performed in Phase 1 and Phase 2 to the end of the first quarter of 2010, the Company has not identified any quantitative differences with respect to IAS 37.

Other Considerations

Presentation and disclosure

The conversion to IFRS will impact the way the Company presents its financial position and results. Although the adoption of IFRS will not impact the cash flows of the Company, IFRS and its related standards will require more extensive disclosure in the notes to the consolidated financial statements. The Company feels that it will be able to meet or exceed disclosure and presentation requirements through various tools available to the Company, such as disclosure checklists and other relevant IFRS material, in addition to the resources already dedicated to the conversion.

The first set of IFRS compliant financial statements issued by the Company will be for the interim period ending March 31, 2011.

Information technology

During phases 1 and 2, the Company assessed and considered the impact of conversion on its business systems and related technology. All business systems employed by the Company at transition were considered to be sufficient for the conversion to and adoption of IFRS.

Expertise and training

The Company has utilized resources made available by reliable third parties in addition to attending relevant training seminars. The Company feels it has the relevant knowledge and expertise to convert to and adopt IFRS.

Impact on Key Performance Indicator’s (KPI’s)

The Company has assessed the impact of adoption of IFRS on KPI’s. The Company primarily uses EBITDA and Overhead Absorption to assess its operations and performance. The differences discussed above for *PP&E, Share-based payment transactions*, and *Provisions* will, or could potentially affect the Company’s levels of earnings in future periods, and thus would impact future EBITDA levels.

The differences discussed above for *Impairment of Assets* are not expected to have a significant impact on future EBITDA levels as impairment losses or reversals will be adjusted out of EBITDA when reconciled from net earnings.

Cautionary Note

Changes in regulation or economic conditions at the date of the changeover could result in the adoption of accounting policies different from previously communicated expectations. The Company has not finalized its selection of accounting policies, therefore the Company cautions readers of this MD&A and refers to the section titled “Forward-Looking Information.”

KEY FINANCIAL STATEMENT COMPONENTS

Equipment Sales – Equipment revenues are derived from the sale of new and used construction and agricultural equipment. Revenue is recognized when the customer has signed the sales agreement, has paid or is credit-approved through, and title to and risk of loss for the piece of equipment has transferred, except in respect of deferred revenue, which is discussed above. New equipment sales also include rental revenues where customers purchase equipment following a period of “rent-to-own” payments.

Product Support – Product support revenue is derived from the sales of both parts and service. Revenue from parts sales is recognized when title to and risk for a particular part has transferred to the customer, as evidenced by the part being shipped or physically taken by the customer, or in the case of parts drawn to complete service work, when the service work order is completed. Service revenue is recognized when the applicable repair or maintenance work has been completed, except in respect of deferred revenues, which are discussed above.

Equipment Rentals – Equipment rental revenue is recognized on the first day of each rental period specified in the rental contract. Rental revenue, as presented in the financial statements, is generated from the equipment in the rent-to-rent fleet. All other equipment rental revenue (e.g., rent-to-own revenue) is included in the new equipment sales revenue. In either case, 80% of the equipment rental revenue is considered to be cost of sales.

Equipment Leasing – Leasing revenue is recognized on a monthly basis, based on the term of the lease, independent of the timing of the payments received. The lease is initially set up as deferred revenue, and recognized as revenue on a monthly basis coinciding with the term of the original lease.

Finance and Insurance (F&I) – Each sale of new or used equipment enables RMDI to offer customers proprietary or third party purchase and lease financing, third party insurance products and manufacturers’ extended warranties. F&I revenue is recognized when the customer executes the applicable F&I contract. F&I revenue includes commissions and fees on third-party F&I products the Company places (rates determined by the third parties through whom such F&I products are sourced), fees on certain financing products equal to the present value of the interest rate spread between the cost of funds and the lending rate to the customer, and margins generated by the extended warranties that are sold to customers for their equipment. In addition to these F&I revenues, an administration fee is charged in connection with processing such F&I products.

Cost of Sales – Cost of sales is the accumulation of the costs of sales attributable to the sources of revenue set forth in the financial statements. Revenues are matched to cost of sales attributable to specific revenue sources. The cost of equipment sales is determined based on the actual cost of the equipment. The cost of parts sales is determined based on the average actual cost for those parts. The cost of service revenues is determined based on actual costs to complete the service job, which include, without limitation, wages paid to service technicians and the actual cost of externally sourced labour.

Selling and Administrative Expenses – Selling and administrative expenses include sales and marketing expenses, sales commissions, payroll, and related benefit costs, insurance expenses, professional fees, rent, and other facility costs and administration overhead.

Interest Expense – Short-term interest includes the aggregate expense for interest under the current floor plan financing programs associated with financing inventory through numerous creditors, and existing credit facilities. Short-term interest also includes charges related to credit and financing. Long-term interest includes the aggregate expense for interest under long-term indebtedness associated with the equipment rental inventory, long-term indebtedness, and various capital leases.

RISKS AND UNCERTAINTIES

Risk factors faced by RMDI include industry risks associated with construction and agricultural equipment dealerships and others, including but not limited to: dependence on equipment manufacturers; nature of dealership agreements; consolidations within the equipment manufacturing industry; non-exclusive nature of key geographic markets; inventory management risks; floor plan financing risks; dependence on credit facilities; changing economic conditions; fluctuations in commodity prices; seasonality and cyclicality in RMDI's customers' businesses; competition; fluctuations in interest rates; customer credit risks; import product restrictions; foreign trade; foreign exchange exposure; insurance risks; dependence on leasing branch premises and key personnel; labor costs and shortages; labor relations; freight costs; reliance on information systems; government regulation; industry oversupply; future warranty claims; product liability risks; manufacturers' restrictions on dealership acquisitions; growth risks, dividend policy risks; future sales of common shares by existing shareholders; dilution of common shares due to future distributions; conflicts of interest; income tax matters; dependence on subsidiaries; potential unknown liabilities; unpredictability and volatility of common share price.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining the Company's disclosure controls and procedures, ("**DC&P**"), to provide reasonable assurance that material information related to the Company is made known. In addition, internal controls over financial reporting have been designed by or have been caused to be designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

The CEO and CFO have evaluated the effectiveness of the Company's DC&P and assessed the design of the Company's internal control over financial reporting, ("**ICFR**"), as of September 30, 2010, pursuant to the requirements of National Instrument 52-109, and have concluded that:

(i) The DC&P are effective to provide reasonable assurance that all material or potentially material information about activities of the Company are made known to them; and

(ii) Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management has concluded that, as of September 30, 2010, the Company has sufficiently documented and tested the effectiveness of the internal controls over financial reporting for the Company and can conclude that these controls are working effectively.

FORWARD-LOOKING INFORMATION

This MD&A contains certain statements or disclosures relating to RMDI that are based on the expectations of its management as well as assumptions made by and information currently available to RMDI which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as “forecast”, “future”, “may”, “will”, “expect”, “anticipate”, “believe”, “potential”, “enable”, “plan”, “continue”, “contemplate”, “pro-forma”, or other comparable terminology. Many factors could cause the performance or achievements of RMDI to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

In particular, such forward-looking statements include:

a) Under the heading “Liquidity and Capital Resources” the statement that:

> “Management believes there is sufficient liquidity available to meet its needs through 2010”; and

Under the heading “Adequacy of Capital Resources” the statements that:

> “RMDI anticipates it will be able to finance its current fleet needs through its existing credit facilities and cash flow from operations.” and
>
> “Based on its current operational performance, RMDI believes that cash flow from operations along with existing credit facilities will provide for its capital needs in the next 12 months.”

The foregoing statements are based on the assumptions that the Company's cash flow from sales continue as anticipated and that there will be no material reduction in its existing credit facilities. Those assumptions are subject to the risks that the Company would not be able to maintain the existing credit facilities as a result of a change in the amount of capital available in the marketplace or a change in Company's relationship with its lenders which could reduce its access to its credit facilities. Those forward-looking statements are also subject to the risk that cash flow could not be as anticipated as a result of reduced sales due to economic conditions that deteriorate more than anticipated. Should those risks become a reality the Company may not be in a position to maintain its rental and lease fleets at its current levels; and

b) Under the heading “Future Changes Related to International Financial Reporting” (“**IFRS**”), RMDI provides a summary of the expected effects on its financial statements arising from the adoption of IFRS in 2011. Those statements make certain assumptions as to how the transition of IFRS may affect RMDI’s financial statements and readers are cautioned that the ultimate changes to RMDI’s financial statements, as a result of IFRS, could be substantially different from those stated.

Consolidated Financial Statements of

ROCKY MOUNTAIN DEALERSHIPS INC.

Three and Nine Month Periods Ended September 30, 2010
(unaudited)

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Balance Sheets
In thousands of dollars (Unaudited)

	September 30, 2010 $	December 31, 2009 $
ASSETS		
CURRENT		
Cash	**21,576**	8,912
Accounts receivable and other (Notes 6 and 19)	**26,501**	24,186
Inventory (Note 7)	**273,781**	247,627
Prepaid expenses	**1,568**	509
	323,426	281,234
Property, plant and equipment (Note 9)	**20,280**	19,343
Goodwill (Notes 5 and 8)	**7,391**	4,086
	351,097	304,663
LIABILITIES		
CURRENT		
Bank indebtedness (Note 10)	**-**	1,947
Accounts payable and accrued liabilities (Notes 11 and 19)	**30,790**	30,595
Floor plan payable (Note 12)	**166,079**	158,793
Deferred revenue	**1,070**	3,154
Current portion of long-term debt (Note 13)	**6,839**	8,545
Current portion of obligations under capital lease	**794**	619
	205,572	203,653
Long-term debt (Note 13)	**12,650**	12,968
Obligations under capital lease	**1,308**	896
Convertible debentures (Note 14)	**28,329**	-
Future income taxes	**3,640**	1,051
	251,499	218,568
CONTINGENCY AND GUARANTEE (Note 15)		
COMMITMENTS (Note 18)		
SHAREHOLDERS' EQUITY		
Common shares (Note 16a)	**75,159**	70,601
Convertible debentures – equity component (Note 14)	**1,343**	-
Contributed surplus (Note 16d)	**4,221**	2,915
Retained earnings	**18,875**	12,579
Accumulated and other comprehensive income	**-**	-
	99,598	86,095
	351,097	304,663

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" M. C. (Matt) Campbell
M.C. (Matt) Campbell, Director

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

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings (Deficit)

Three and Nine Month Periods Ended

In thousands of dollars, except per share amounts (Unaudited)

	Three Months Ended September 30, 2010 $	Three Months Ended September 30, 2009 $	**Nine Months Ended September 30, 2010 $**	Nine Months Ended September 30, 2009 $
SALES				
New units	**68,298**	69,353	**212,301**	207,461
Used units	**68,694**	46,144	**143,762**	124,122
Product support	**32,348**	29,068	**78,163**	72,545
Finance and insurance	**690**	527	**1,997**	1,403
Rental and leases	**448**	713	**899**	2,551
	170,478	145,805	**437,122**	408,082
COST OF SALES (including amortization of $329 and $589 for the three and nine months ended) (2009 - $294 and $1,136) (Note 9)	**144,434**	123,537	**368,889**	347,917
GROSS PROFIT	**26,044**	22,268	**68,233**	60,165
EXPENSES				
Selling, general and administrative	**16,962**	12,497	**46,849**	38,321
Interest on short-term debt	**1,725**	1,481	**4,594**	4,586
Interest on long-term debt	**662**	237	**1,121**	784
Amortization of property, plant and equipment	**1,139**	810	**3,174**	2,170
	20,488	15,025	**55,738**	45,861
EARNINGS BEFORE INCOME TAXES	**5,556**	7,243	**12,495**	14,304
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	**1,408**	2,484	**1,384**	5,038
Future	**334**	(182)	**2,377**	(232)
	1,742	2,302	**3,761**	4,806
NET EARNINGS AND COMPREHENSIVE INCOME	**3,814**	4,941	**8,734**	9,498
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	**15,882**	3,339	**12,579**	(89,116)
REDUCTION OF STATED CAPITAL (Note 16a)	**-**	-	**-**	89,116
DIVIDENDS	**(821)**	(624)	**(2,438)**	(1,842)
RETAINED EARNINGS, END OF PERIOD	**18,875**	7,656	**18,875**	7,656
EARNINGS PER SHARE (Note 17)				
Basic	**$0.21**	$0.34	**$0.48**	$0.69
Diluted	**$0.20**	$0.34	**$0.48**	$0.69

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

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Statements of Cash Flows
Three and Nine Month Periods Ended
In thousands of dollars (Unaudited)

	Three Months Ended September 30, 2010 $	Three Months Ended September 30, 2009 $	**Nine Months Ended September 30, 2010 $**	Nine Months Ended September 30, 2009 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings and comprehensive income	**3,814**	4,941	**8,734**	9,498
Adjustments for:				
Amortization of property, plant and equipment	**1,468**	1,104	**3,763**	3,306
Accretion on convertible debentures (Note 14)	**36**	-	**36**	-
Future income tax expense (recovery)	**334**	(182)	**2,377**	(232)
Stock-based compensation (Note 16d)	**438**	381	**1,325**	1,134
Gain on sale of property, plant and equipment (Note 9)	**(76)**	(280)	**(271)**	(665)
Changes in non-cash working capital, net of the effect of acquisitions	**(12,466)**	(11,850)	**(21,444)**	(13,519)
	(6,452)	(5,886)	**(5,480)**	(478)
FINANCING				
Payments regarding acquisitions (Note 5)	**-**	-	**-**	(3,691)
Repayment of long-term debt	**(1,793)**	(2,871)	**(6,986)**	(9,415)
Proceeds from long-term debt	**-**	1,200	**4,962**	8,242
Repayment of obligations under capital lease	**(231)**	(128)	**(472)**	(240)
Proceeds from obligations under capital lease	**-**	582	**1,059**	813
Dividends paid	**(821)**	(624)	**(2,438)**	(1,842)
Proceeds from issuance of share capital	**-**	22,909	**39**	22,909
Proceeds from issuance of convertible debentures (Note 14)	**31,500**	-	**31,500**	-
Debt issuance costs (Note 14)	**(1,864)**	-	**(1,864)**	-
	26,791	21,068	**25,800**	16,776
INVESTING				
Purchase of property, plant and equipment	**(689)**	(951)	**(3,520)**	(1,893)
Proceeds on disposal of property, plant and equipment	**722**	1,528	**2,507**	3,050
Purchase of equipment dealerships, net of cash acquired	**(4,055)**	(1,220)	**(6,643)**	(2,996)
	(4,022)	(643)	**(7,656)**	(1,839)
NET INCREASE IN CASH	**16,317**	14,539	**12,664**	14,459
CASH, BEGINNING OF PERIOD	**5,259**	413	**8,912**	493
CASH, END OF PERIOD	**21,576**	14,952	**21,576**	14,952
SUPPLEMENTARY INFORMATION				
Interest paid	**2,387**	1,718	**5,715**	5,370
Income taxes paid	**267**	1,278	**4,308**	5,326

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

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2010
In thousands except per share and per option amounts (Unaudited)

1. NATURE OF BUSINESS

Rocky Mountain Dealerships Inc. (the "Company") was incorporated on September 17, 2007 and through its subsidiaries, sells, leases and provides support for a wide variety of agriculture and construction equipment in Western Canada.

During 2009 and the nine month period ended September 30, 2010, the Company acquired the shares or certain business assets of agriculture and equipment dealerships as discussed further in Note 5.

Inter-company transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2010 have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for unaudited interim consolidated financial statements on a basis consistent with the year ended December 31, 2009, except as noted in Note 3, and include all adjustments necessary to present fairly the results of the interim periods. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 and the unaudited interim consolidated financial statements for the period ended September 30, 2009. The interim consolidated financial statements do not conform in all respects to the note disclosure requirements of GAAP for annual financial statements, and may not be representative of the operations for a full year as presented in the annual consolidated financial statements as a result of the seasonal nature of operations in both the construction and agriculture equipment industries. The first quarter of the year is typically the weakest due to winter shutdowns, while the fourth quarter of the year is the strongest due to conversions of equipment on rent with purchase options.

In the opinion of Management, all adjustments considered necessary for fair presentation have been included in the consolidated interim financial statements.

3. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

Convertible debentures

On July 27, 2010 and as discussed further in Note 14, the Company issued convertible debentures that are compound financial instruments. These convertible debentures can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings (Deficit). Distributions to shareholders are recognized in equity, net of any tax benefit.

4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Business combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582, Business Combinations, to replace Section 1581. Prospective application of the standard is effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired, liabilities assumed, goodwill created and accounting for non-controlling interests at the time of a business combination. This standard will impact the Company's consolidated financial statements if the Company enters into business acquisitions in the future. When adopted, the Company will expense all transaction costs as incurred, as opposed to including such costs as part of the consideration when assessing the purchase price allocation.

Consolidation

The CICA concurrently issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, which replace Section 1600, Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective for fiscal years beginning on or before January 1, 2011, unless they are early adopted at the same time as Section 1582, Business Combinations. Changes from the new standard are not expected to have a significant impact on the Company.

Convergence with IFRS

The Accounting Standards Board of Canada requires the full adoption of IFRS for all Canadian publicly accountable enterprises on and effective January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's fiscal 2011 interim and annual consolidated financial statements will include comparative fiscal 2010 consolidated financial statements adjusted to comply with IFRS.

In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES

a) On September 1, 2010, the Company acquired 100% of the outstanding common shares of Gateway Farm Equipment Ltd. ("Gateway"), a Case IH dealer. The effective date and the risks and rewards of ownership were transferred on September 1, 2010.

The aggregate purchase price for Gateway was $2,008, which was comprised of cash consideration of $1,552, inclusive of transaction costs in the amount of $32, of which $1,108 has been paid (net of cash acquired of $80), and the issuance of 55 shares at $8.29 per share (valued based on the average share price of two days around September 1, 2010, date of announcement), for share consideration of $456. The net working capital related to the acquisition was $1,241.

The purchase price is anticipated to be finalized and the remaining cash paid out upon completion of the working capital adjustment. At September 30, 2010, $364 was payable to the former shareholders of Gateway pending the finalization of the purchase price. This amount has been included in accounts payable and accrued liabilities.

	Preliminary $
Cash consideration	1,520
Transaction costs	32
Shares issued	456
Purchase consideration	2,008

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Preliminary $
Net working capital	1,241
Property, plant and equipment	528
Goodwill	322
Future income tax liability	(83)
Net assets acquired	2,008

Goodwill is not deductible for tax purposes.

In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES (Continued)

b) On September 1, 2010, the Company acquired 100% of the outstanding common shares of the holding company that effectively owned 100% of Allen's Agrocentre Ltd. ("Allen's"), a Case IH dealer. The effective date and the risks and rewards of ownership were transferred on September 1, 2010.

The aggregate purchase price for Allen's was $2,612, which was comprised of cash consideration of $2,446, inclusive of transaction costs in the amount of $107, of which $2,396 has been paid (net of cash acquired of $Nil), and the issuance of 20 shares at $8.29 per share (valued based on the average share price of two days around September 1, 2010, date of announcement), for share consideration of $166. The net working capital related to the acquisition was $1,717.

The purchase price is anticipated to be finalized and the remaining cash paid out upon completion of the working capital adjustment. At September 30, 2010, $50 was payable to the former shareholders of Allen's pending the finalization of the purchase price. This amount has been included in accounts payable and accrued liabilities.

	Preliminary
	$
Cash consideration	2,339
Transaction costs	107
Shares issued	166
Purchase consideration	2,612

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Preliminary
	$
Net working capital	1,717
Property, plant and equipment	788
Goodwill	107
Net assets acquired	2,612

Goodwill is not deductible for tax purposes.

In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES (Continued)

c) Effective June 1, 2010, the Company acquired certain assets of Wardale Equipment (1998) Ltd. ("Wardale"), a Case IH dealer. The effective date and the risks and rewards of ownership were transferred on June 1, 2010.

The aggregate purchase price for Wardale was $7,039, which was comprised of cash consideration of $4,490, inclusive of transaction costs in the amount of $63, of which $1,931 has been paid (net of cash acquired of $Nil), and the issuance of 293 shares at $8.71 per share (valued based on the average share price of two days around June 3, 2010, date of announcement), for share consideration of $2,549. The net working capital related to the acquisition was $4,065.

The purchase price is anticipated to be finalized and the remaining cash paid out upon completion of the working capital adjustment. At September 30, 2010, $2,559 was payable to the former shareholders of Wardale pending the finalization of the purchase price. This amount has been included in accounts payable and accrued liabilities.

	Preliminary $
Cash consideration	4,427
Transaction costs	63
Shares issued	2,549
Purchase consideration	7,039

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Preliminary $
Net working capital	4,065
Property, plant and equipment	1,500
Goodwill	1,474
Net assets acquired	7,039

Goodwill is not deductible for tax purposes.

In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES (Continued)

d) On March 1, 2010, the Company acquired 100% of the outstanding common shares of Roydale New Holland Inc. ("Roydale NH"), a New Holland dealer. The operating results of the business acquired are consolidated from March 1, 2010, the acquisition's effective date. The effective date and the risks and rewards of ownership were transferred on March 1, 2010.

The aggregate purchase price for Roydale NH was $2,840, which was comprised of cash consideration of $1,504, inclusive of transaction costs in the amount of $36, of which $1,310 has been paid (net of cash acquired of $26), and the issuance of 149 shares at $8.99 per share (valued based on the average share price of two days around February 12, 2010, date of announcement), for share consideration of $1,336. The net working capital related to the acquisition was $1,168.

The purchase price is anticipated to be finalized and the remaining cash paid upon completion of the net working capital adjustment. At September 30, 2010, $168 was payable to the former shareholder of Roydale NH pending the finalization of the purchase price. This amount has been included in accounts payable and accrued liabilities.

	Preliminary
	$
Cash consideration	1,468
Transaction costs	36
Shares issued	1,336
Purchase consideration	2,840

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Preliminary
	$
Net working capital	1,168
Property, plant and equipment	600
Goodwill	1,201
Future income tax liability	(129)
Net assets acquired	2,840

Goodwill is not deductible for tax purposes.

In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES (Continued)

e) On November 1, 2009, the Company acquired certain assets of Enns Agri ("Enns"), a Case IH dealer. The effective date and the risks and rewards of ownership were transferred on November 1, 2009.

The aggregate purchase price for Enns was $2,164, which was comprised of cash consideration of $1,856 inclusive of transaction costs in the amount of $68, of which $1,856 has been paid (net of cash acquired of $Nil), and the issuance of 50 shares at $6.15 per share (valued based on the average share price of two days around November 2, 2009, date of announcement), for share consideration of $308. The net working capital related to the acquisition was $1,545.

At September 30, 2010, $Nil (December 31, 2009 - $18) was receivable from the former shareholder of Enns.

	$
Cash consideration	1,788
Transaction costs	68
Shares issued	308
Purchase consideration	2,164

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital	1,545
Property, plant and equipment	500
Goodwill	119
Net assets acquired	2,164

Goodwill is not deductible for tax purposes.

In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES (Continued)

f) On November 1, 2009, the Company acquired certain assets of Mayor Equipment ("Mayor"), a Case IH dealer. The effective date and the risks and rewards of ownership were transferred on November 1, 2009.

The aggregate purchase price for Mayor was $2,555, which was comprised of cash consideration of $2,555, inclusive of transaction costs in the amount of $66, of which $2,555 has been paid (net of cash acquired of $Nil). The net working capital related to the acquisition was $1,700.

	$
Cash consideration	2,489
Transaction costs	66
Purchase consideration	2,555

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital	1,700
Property, plant and equipment	737
Goodwill	118
Net assets acquired	2,555

Goodwill is not deductible for tax purposes.

In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES (Continued)

g) On April 1, 2009, the Company acquired 100% of the outstanding common shares of the holding companies that collectively owned 100% of Heartland Equipment Limited ("Heartland"), a Case IH dealer. The operating results of the business acquired are consolidated from April 1, 2009, the acquisition's effective date. The risks and rewards of ownership of these businesses were transferred on April 1, 2009.

The aggregate purchase price for Heartland was $6,080 which was comprised of cash consideration of $3,341, inclusive of transaction costs in the amount of $141, of which $3,047 has been paid (net of cash acquired of $294), and the issuance of 637 shares at $4.30 per share (valued based on the average share price of two days around March 10, 2009, date of announcement), for share consideration of $2,739. The net working capital related to the acquisition was $1,606.

	$
Cash consideration	3,200
Transaction costs	141
Shares issued	2,739
Purchase consideration	6,080

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital	1,606
Property, plant and equipment	600
Goodwill	4,050
Future income tax liability	(122)
Debt assumed	(54)
Net assets acquired	6,080

Goodwill is not deductible for tax purposes.

In thousands except per share and per option amounts (Unaudited)

6. ACCOUNTS RECEIVABLE AND OTHER

	September 30, 2010 $	December 31, 2009 $
Trade receivables and other	**25,151**	22,740
Warranty receivables	**2,156**	2,480
	27,307	25,220
Less allowance for doubtful accounts	**(806)**	(1,034)
	26,501	24,186

7. INVENTORY

	September 30, 2010 $	December 31, 2009 $
Equipment – new	**145,257**	121,830
Equipment – used	**99,855**	102,684
Parts	**27,153**	22,469
Work-in-progress	**1,516**	644
	273,781	247,627

For the three and nine months ended September 30, 2010, new and used equipment, parts and work-in-progress recognized as an expense amounted to $144,105 and $368,300 (2009 - $123,243 and $346,781), respectively, and is included in cost of sales on the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings (Deficit). For the three and nine months ended September 30, 2010, there were inventory write downs to estimated net realizable value of $Nil and $115 in the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings (Deficit) (2009 - $1,302 and $1,537). There have been no reversals of previously recorded inventory write downs for the three and nine months ended September 30, 2010 (2009 - $Nil and $Nil). All inventory has been pledged as security for liabilities as disclosed in Notes 10, 12 and 13.

In thousands except per share and per option amounts (Unaudited)

8. GOODWILL IMPAIRMENT

At least annually, the Company tests goodwill for impairment by comparing the carrying amount to the fair value on a reporting entity basis. At December 31, 2009, the Company performed an impairment test of goodwill. The impairment test is based on a two step process. In step one, a fair value was determined using a market based approach. If applicable, the second step requires the fair value determined in step one to be allocated to each of the individual assets and liabilities as it would be in a business acquisition. The market based approach derives a fair value based on the market capitalization of the Company at December 31, 2009. For the year ended December 31, 2009, step one showed a fair value that exceeded carrying value and, as a result, no impairment was recognized and the Company did not perform the second step in the process. There were no events during the three or nine months ended September 30, 2010 to indicate that there was a material reduction in the fair value of the reporting entities for which goodwill is assigned to.

In determining fair value, management relies on a number of factors including operating results, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill and intangible asset impairment. However, fair value determinations require considerable judgment and are sensitive to changes in the factors described above.

9. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2010		
	Cost $	Accumulated Amortization $	Net Book Value $
Land	2,252	-	2,252
Rental assets	7,840	2,098	5,742
Lease equipment	427	199	228
Buildings	373	121	252
Computer equipment	2,761	946	1,815
Furniture and fixtures	1,804	553	1,251
Leasehold improvements	1,163	268	895
Shop tools and equipment	4,940	1,721	3,219
Vehicles	9,104	4,478	4,626
	30,664	10,384	20,280

In thousands except per share and per option amounts (Unaudited)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	December 31, 2009		
	Cost $	Accumulated Amortization $	Net Book Value $
Land	2,252	-	2,252
Rental assets	9,447	2,048	7,399
Lease equipment	3,551	2,432	1,119
Buildings	373	84	289
Computer equipment	1,185	554	631
Furniture and fixtures	986	338	648
Leasehold improvements	917	169	748
Shop tools and equipment	3,458	1,018	2,440
Vehicles	6,652	2,835	3,817
	28,821	9,478	19,343

Included in cost of sales is amortization expense aggregating $325 and $559 (2009 - $241 and $776) for rental assets and $4 and $30 (2009 - $53 and $360) for leased equipment for the three and nine month periods ended September 30, 2010, respectively. Gain on sale of property, plant and equipment of $76 and $271 (2009 - $280 and $665) for the three and nine month periods ended is included in selling, general and administrative expenses.

Assets under capital lease, included in computer equipment and vehicles, have a cost of $808 and $2,876 (2009 - $258 and $1,383), respectively, and accumulated amortization of $211 and $1,514 (2009 - $29 and $366), respectively.

10. BANK INDEBTEDNESS

The Company has an operating revolving credit facility to a maximum of $22,000 with HSBC and bears interest ranging from the HSBC's prime rate plus 0.5% to 1.5%. The balance drawn at September 30, 2010 was $Nil (December 31, 2009 - $Nil). The effective interest rate at September 30, 2010 was 3.5% (December 31, 2009 – 2.8%). Indebtedness on this facility is secured by a general security agreement in favor of the HSBC that is subject to various priority agreements covering the Company's receivables and the non-CNH parts inventory.

The Company has an additional working capital line of $7,000 through Vanguard Credit Union Ltd. and bears interest at the credit union's prime rate plus 1.0%. The balance drawn at September 30, 2010 was $Nil (December 31, 2009 - $2,507). The balance at December 31, 2009 included outstanding deposits of $560. The effective interest rate at September 30, 2010 was 4.8% (December 31, 2009 - 3.3%). This indebtedness is secured by the receivables and non-CNH parts inventory of the Company's subsidiary, Miller Equipment Ltd.

In thousands except per share and per option amounts (Unaudited)

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2010 $	December 31, 2009 $
Trade accounts payable	**29,698**	26,579
Income taxes payable	**1,092**	4,016
	30,790	30,595

12. FLOOR PLAN PAYABLE

The floor plan payable is due to various creditors who have extended wholesale credit, and is due on various dates, and at fixed or variable interest rates ranging from 0.0% to the bank's prime rate plus 4.9%. At September 30, 2010, the Company had in excess of approximately $108,921 available of floor plan financing. The amounts due are secured by certain of the Company's new and used equipment inventory and are due when the equipment is sold or transferred, up to a maximum term of 48 months. At September 30, 2010, the Company had $2,390 of floor plan outstanding in US currency (December 31, 2009 - $1,510). The entire amount has been classified as current, as the corresponding inventory to which it relates has also been classified as current.

Pursuant to agreements with lenders, the Company is required to monitor and report certain non-GAAP measures including: current ratio, funded debt to EBITDA and debt to net tangible worth (each lender has its own definition of which account balances are to be included in these computations). The Company was in compliance with all externally imposed covenant requirements at September 30, 2010 and December 31, 2009.

13. LONG-TERM DEBT

	September 30, 2010 $	December 31, 2009 $
Bankers acceptance rate plus 5.7% to prime plus 4.9% payable on rental assets to various vendors, payable in monthly principal instalments based on rents earned and secured by related equipment. The interest rates at September 30, 2010 ranged from 6.8% to 7.9% (December 31, 2009 – 6.0% to 8.3%)	**2,821**	4,254

In thousands except per share and per option amounts (Unaudited)

13. LONG-TERM DEBT (Continued)

	September 30, 2010 $	December 31, 2009 $
Mortgage payable interest only payments due monthly at prime plus 1.8% and secured by the specific property. The effective interest rate at September 30, 2010 was 4.8% (December 31, 2009 – 4.0%)	**875**	875
Case Credit promissory note settled during the nine month period ended September 30, 2010.	**-**	157
Case Credit promissory note settled during the nine month period ended September 30, 2010.	**-**	1,182
Acquisition Loan payable in equal monthly principal instalments over a 60 month period, plus interest ranging from the Bank's prime rate plus 2% to plus 3%, and secured by all real property owned and subsequently acquired. The available limit is $20,000. The effective interest rate at September 30, 2010 was 5.0% (December 31, 2009 - 3.8%)	**14,390**	12,193
HSBC Dealer Leasing loans comprised of individual contracts with individual interest rates that are either floating at prime plus 0.4% or fixed based on the bank's daily fixed rate for the particular length of the individual contract. Contracts are secured by all real property owned and subsequently acquired and individual payment terms are up to five years from the time each contract is initiated. The effective interest rate at September 30, 2010 was 6.1% (December 31, 2009 – 5.6%)	**901**	2,575

In thousands except per share and per option amounts (Unaudited)

13. LONG-TERM DEBT (Continued)

Contracts with various financial institutions repayable in monthly instalments ranging from \$1 to \$13, plus interest ranging from 0.0% to 5.5%, secured by various motor vehicles and computer equipment, due between October 2010 and March 2013.	**502**	277
	19,489	21,513
Less current portion	**(6,839)**	(8,545)
	12,650	12,968

Principal payments due are as follows:

	$
Remainder of 2010	**2,366**
2011	**5,808**
2012	**5,611**
2013	**3,559**
2014	**2,145**
	19,489

14. CONVERTIBLE DEBENTURES

On July 27, 2010, the Company completed a \$31,500 bought deal financing arrangement where a syndicate of underwriters agreed to buy 31.5 convertible unsecured subordinated debentures (“Debentures”) of the Company at a price of \$1 per Debenture.

The Debentures will mature on September 30, 2017 and will accrue interest at the rate of 7.0% per annum, payable semi-annually in arrears on March 31 and September 30 in each year, commencing on September 30, 2010. At the holder’s option, the Debentures may be converted into common shares of the Company at any time on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of \$10.65 per share.

The Debentures are direct, unsecured obligations of the Company, subordinated to other indebtedness of the Company and ranking equally with all other unsecured subordinated indebtedness.

In thousands except per share and per option amounts (Unaudited)

14. CONVERTIBLE DEBENTURES (Continued)

The debentures will not be redeemable prior to September 30, 2014. On or after September 30, 2014 and prior to September 30, 2015, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the market price of the Company's shares traded on the Toronto Stock Exchange on the date on which the notice of redemption is given is not less than 125.0% of the conversion price. On or after September 30, 2015 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

On issuance, the Company allocated $28,293 to the liability component and $1,343 to the equity component. The fair value of the liability component was estimated by discounting the future payments of interest and principal and will be accreted to the $31,500 face value using the estimated effective interest rate of 9.3%. Accretion relating to the convertible debentures totalled $36 for the three and nine month periods ended September 30, 2010 (2009 - $Nil) and is included in interest on long-term debt.

	Debt $	Equity $
Opening balance, July 27, 2010	28,293	1,343
Accretion	36	-
Ending balance, September 30, 2010	28,329	1,343

15. CONTINGENCY AND GUARANTEE

The Company is subject to various degrees of recourse, arising in the ordinary course of business, by assisting its customers in financing the sale of equipment. The Company is exposed to potential losses arising from the difference between the assessed value of the underlying security and the loan balance if certain customers default on their loan. Any resulting losses are recorded as soon as the amount of the loss can be reasonably estimated. It is management's opinion that there is an insignificant risk of loss from this guarantee, as the assessed value of the underlying security generally exceeds the loan balance. Accordingly, management believes the fair value of the guarantee is not significant.

The Company is subject to various degrees of recourse resulting from the sale of certain of its accounts receivable to a third party. The Company becomes liable if customers default on their account payable. There is no indication of default on any of these amounts. Any resulting losses are recorded as soon as the amount of the loss can be reasonably estimated.

In thousands except per share and per option amounts (Unaudited)

16. SHARE CAPITAL

a) Shares

The share capital of the Company consists of following:

	September 30, 2010		December 31, 2009	
	Shares	**Total $**	Shares	Total $
Authorized				
Unlimited number of common shares				
Issued				
Opening balance	**17,807**	**70,601**	13,220	133,879
Shares issued in consideration for acquisitions				
Heartland (Note 5g)	**-**	**-**	637	2,739
Enns (Note 5e)	**-**	**-**	50	308
Roydale NH (Note 5d)	**149**	**1,336**	-	-
Wardale (Note 5c)	**293**	**2,549**	-	-
Allen's (Note 5b)	**20**	**166**	-	-
Gateway (Note 5a)	**55**	**456**	-	-
Reduction of stated capital	**-**	**-**	-	(89,116)
Shares issued for cash, net of share issue costs	**-**	**-**	3,900	22,909
Shares issued on exercise of stock options (Note 16b)	**9**	**58**	-	-
	18,333	**75,166**	17,807	70,719
Transaction costs	**-**	**(7)**	-	(118)
Closing balance	**18,333**	**75,159**	17,807	70,601

On September 4, 2009, the Company issued 3,900 common shares at a price of $6.20 per share for gross proceeds of $24,180 by way of private placement on a bought-deal with a syndicate of underwriters. Share issue costs amounted to $1,387.

On May 12, 2009 at the annual general meeting, the shareholders of the Company, by way of a special resolution, voted to reduce the stated capital of the common shares in the amount of $89,116 effective as of that date. This reduction offset the deficit attributable to the write-down of goodwill and intangibles to a $Nil amount as at December 31, 2008.

16. SHARE CAPITAL (Continued)

a) Shares, continued

On September 29, 2010, the Company received final acceptance from the Toronto Stock Exchange to implement a normal course issuer bid ("NCIB") to purchase existing common shares.

Under the NCIB program the Company will have the ability to repurchase up to a maximum of 1,153 common shares during the next 12 months which represents ten percent of its 11,530 outstanding public float of common shares as of September 29, 2010. The maximum daily purchases under the NCIB shall not exceed 9 common shares of the Company. The NCIB will begin on October 1, 2010 and will end when the Company has purchased the maximum allowable number of shares, unless it provides earlier notice of termination. If not previously terminated, the NCIB will end on September 30, 2011. All purchases pursuant to the NCIB will be made through the facilities of the Toronto Stock Exchange and all shares purchased under the NCIB will be cancelled.

b) Stock options

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, and employees of the Company at an exercise price equal to the market price of the Company's common shares at the time of the grant. The plan is limited to 10% of the issued and outstanding common shares. During each of the three month periods ended September 30, 2010 and 2009, the Company issued no options. During the nine month period ended September 30, 2010, the Company issued no options (2009 - 86) with a weighted-average exercise price of $nil (2009 - $4.15), which vest equally over the next three years.

In 2007, the Company issued an option to a shareholder to purchase 130 shares at an aggregate exercise price of $0.25. This option vests on April 1, 2011 and expires May 31, 2011. The weighted average exercise price of this option is $0.01. This option grant is a continuation of a private share option plan to a member of executive management. The option was measured at fair value in accordance with the Company's accounting policy and compensation expense is recognized over the vesting period (see Note 16d). The weighted average fair value of this option, as calculated using the Black-Scholes model, was $10.

In thousands except per share and per option amounts (Unaudited)

16. SHARE CAPITAL (Continued)

b) Stock options, continued

The outstanding options for the nine months ended September 30 are as follows:

	2010		2009	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Opening balance, January 1	**1,153**	**9.43**	821	10.18
Issued	**-**	**-**	86	4.15
Exercised	**(9)**	**4.15**	-	-
Cancelled	**-**	**-**	-	-
Forfeited	**(56)**	**10.95**	(15)	12.40
Closing balance, September 30	**1,088**	**9.40**	892	9.56

Options in the amount of 433 were exercisable at September 30, 2010 (2009 - 225). For the three and nine month periods ended September 30, 2010, Nil and 9 options were exercised (2009 – Nil and Nil) and 33 and 56 options were forfeited (2009 – Nil and 15), respectively.

The options outstanding at September 30, 2010 are as follows:

Date Issued	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life
December 20, 2007	83	55	10.00	December 20, 2012	2.2
December 20, 2007	130	-	0.01	May 31, 2011	0.7
February 29, 2008	530	355	12.40	February 28, 2013	2.4
May 16, 2008	7	4	11.50	May 16, 2013	2.6
March 12, 2009	73	19	4.15	March 12, 2014	3.4
December 29, 2009	265	-	9.22	December 29, 2014	4.2
	1,088	433	9.40		2.7

In thousands except per share and per option amounts (Unaudited)

16. SHARE CAPITAL (Continued)

c) Restricted share unit plan

In 2007, the Company reserved 158 shares under a restricted shares unit plan. Under this plan, certain key employees will receive treasury shares in the Company on December 20, 2012 should they remain with the Company at that time. During the three and nine months ended September 30, 2010, 3 and 14 of these units were forfeited, respectively (2009 – nil and 1). The aggregated fair value of the remaining 130 shares at September 30, 2010 is $1,303 (December 31, 2009 - $1,445). These shares were valued upon issuance, using the Black-Scholes option pricing model, at a fair value of $10, and the compensation expense is allocated over the vesting term of five years.

d) Stock-based compensation

During the three and nine months ended September 30, 2010, the Company recorded compensation expense in the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings (Deficit) totaling $438 and $1,325 (2009 - $381 and $1,134) using a fair value based method for stock options granted to directors, officers and employees and shares reserved under the restricted share unit plan in the consolidated financial statements.

	2010 **$**	2009 $
Contributed surplus, opening balance, January 1	**2,915**	1,406
Stock-based compensation expense	**1,325**	1,134
Exercise of options	**(19)**	-
Contributed surplus, closing balance, September 30	**4,221**	2,540

In thousands except per share and per option amounts (Unaudited)

16. SHARE CAPITAL (Continued)

d) Stock-based compensation, continued

There were no options granted in each of the three month periods ended September 30, 2010 and 2009 and therefore no fair value measurement was required. There were no options granted in the nine month period ended September 30, 2010 (2009 – 86) and therefore no fair value measurement of options was required (2009 - $1.98). The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	September 30, 2010	September 30, 2009
Discount rate - risk free interest rate	-	1.6%
Expected lives (years)	-	5
Expected volatility	-	54.0%
Expected dividends	-	$Nil

17. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are calculated to reflect the dilutive effect of exercising outstanding stock options and convertible debentures by applying the treasury stock method.

For the three and nine months ended September 30, 2010, 915 options were anti-dilutive (2009 – 676).

Notes to the Consolidated Financial Statements

Three and Nine Month Periods Ended September 30, 2010
In thousands except per share and per option amounts (Unaudited)

17. EARNINGS PER SHARE (Continued)

Basic and diluted earnings per share are as follows.

	Three Months Ended September 30, 2010 $	Three Months Ended September 30, 2009 $	**Nine Months Ended September 30, 2010 $**	Nine Months Ended September 30, 2009 $
Basic earnings per share	**0.21**	0.34	**0.48**	0.69
Diluted earnings per share	**0.20**	0.34	**0.48**	0.69

The earnings and used in the calculations of basic and diluted earnings per share are as follows.

	Three Months Ended September 30, 2010 $	Three Months Ended September 30, 2009 $	**Nine Months Ended September 30, 2010 $**	Nine Months Ended September 30, 2009 $
Earnings used in the calculations of basic earnings per share	**3,814**	4,941	**8,734**	9,498
After tax effect of interest on convertible debentures	**310**	-	**310**	-
Earnings used in the calculations of diluted earnings per share	**4,124**	4,941	**9,044**	9,498

In thousands except per share and per option amounts (Unaudited)

17. EARNINGS PER SHARE (Continued)

The weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share are as follows.

	Three Months Ended September 30, 2010 $	Three Months Ended September 30, 2009 $	**Nine Months Ended September 30, 2010 $**	Nine Months Ended September 30, 2009 $
Weighted average number of ordinary shares used in the calculations of basic earnings per share	**18,283**	14,493	**18,067**	13,859
Shares assumed issued on the exercise of stock options	**334**	336	**340**	344
Shares assumed repurchased from proceeds on exercise of stock options	**(156)**	(351)	**(167)**	(344)
Share assumed issued on the conversion of convertible debentures	**2,089**	-	**704**	-
Weighted average number of ordinary shares used in the calculations of diluted earnings per share	**20,550**	14,478	**18,944**	13,859

18. COMMITMENTS

Annual rents payable under long-term operating leases as at September 30, 2010 are as follows:

	$
Remainder of 2010	**1,542**
2011	**5,940**
2012	**5,769**
2013	**3,299**
2014	**2,731**
Thereafter	**5,075**

19. RELATED PARTY TRANSACTIONS

For the three and nine months ended September 30, 2010, the Company paid management fees of $88 and $263 (2009 - $65 and $195), performance bonuses of $Nil and $142 (2009 $Nil and $150), and flight costs $17 and $127 (2009 - $54 and $203) to a company controlled by a related party, respectively. In addition, rental payments on the Company's facilities of $862 and $2,586 (2009 - $838 and $2,515) were paid to companies controlled by certain members of senior management. Equipment sales of $881 and $1,209 (2009 - $775 and $2,092) and purchases of $256 and $303 (2009 - $1,143 and $2,070) were transacted between the Company and a company controlled by a significant shareholder and member of senior management. At September 30, 2010, $Nil (December 31, 2009 - $53) was due from related companies in accounts receivable and other and $Nil (December 31, 2009 - $185) was due to related companies included in accounts payable and accrued liabilities.

Equipment sales of $12 and $12 for the three and nine months ended September 30, 2010, respectively, were transacted between the Company and a company controlled by a member of the Board of Directors of the Company (2009 - $Nil and $Nil).

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value.

For the three and nine month periods ended September 30, 2009 and 2010, the Company did not have any related party transactions that were not in the normal course of operations.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk, foreign currency exchange risk, interest rate risk and liquidity risk. The following analysis provides a measurement of risks as at the Consolidated Balance Sheet date of September 30, 2010.

Credit risk

The Company's principal financial assets are cash and accounts receivable and other, which represent the Company's exposure to credit risk in relation to financial assets.

The Company's credit risk is attributable to its trade receivables and warranty receivables. The amounts disclosed in the Consolidated Balance Sheet are net of allowances for doubtful accounts, estimated by the management of the Company based on previous experience and their assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. The Company does not have significant exposure to any individual customer and has not incurred any significant bad debts during the period. The credit risk on cash is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

In thousands except per share and per option amounts (Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk, continued

The carrying amount of financial assets represents the maximum credit exposure and therefore the credit risk at the reporting date was:

	$
Cash	21,576
Accounts receivable	26,501
	48,077

The aging of accounts receivable at the reporting date was:

	$
Trade receivables	
Current	22,997
Aged between 61 - 119 days	1,182
Aged greater than 120 days	972
Total receivables	25,151
Allowance for doubtful accounts	(806)
Net trade receivables	24,345
Warranty receivables	2,156
	26,501

Reconciliation of allowance for doubtful accounts:

	$
Balance, December 31, 2009	1,034
Decrease in period	(228)
Balance, September 30, 2010	806

Market risk

Market risk is the risk from changes in market prices, such as changes in foreign currency exchange rates and interest rates which will affect the Company's income or the value of the financial instruments held.

In thousands except per share and per option amounts (Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency exchange risk and sensitivity analysis

The Company's financial instruments are exposed to currency fluctuations as it purchases a significant portion of its inventory in foreign currencies. A significant weakening of the U.S. dollar ("USD") against the Canadian dollar could result in a write-down of inventory as a large portion of the inventory is purchased in USD. In order to mitigate this risk, the Company uses forward contracts when appropriate. At September 30, 2010 and December 31, 2009 there were no contracts outstanding.

Included in selling, general and administrative expenses are gains recognized due to foreign currency translation for transactions and balances aggregating $267 and $493 for the three and nine months ended September 30, 2010 (2009 - $761 and $946), respectively.

Certain of the Company's financial instruments are exposed to fluctuations in the USD. The following table details the Company's exposure to currency risk at September 30, 2010 and a sensitivity analysis to changes in currency (a 5.0% change in currency was used for obligations that would be retired in 30 days or less and a 10.0% change in currency for obligations that would be retired in greater than nine months). The sensitivity analysis includes USD denominated monetary items and adjusts their translation at year end for their respective change in the USD. For the respective weakening of the USD, there would be an equal and opposite impact on the Company's net earnings and comprehensive income.

	Denominated USD $	Change in Currency %	Effect on Earnings and Comprehensive Income (net of tax) Nine Months Ended September 30, 2010 $
Cash	1,347	5.0	49
Accounts payable and accrued liabilities	(1,276)	5.0	(46)
Floor plan payable	(2,390)	10.0	(172)
	(2,319)		(169)

In thousands except per share and per option amounts (Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Company's financial liabilities are exposed to fluctuations in interest rates with respect to certain of its non-current liabilities and floor plan payable. The Company is exposed to the following interest rate risks at September 30, 2010:

	$
Floor plan payable	116,255
Rental loan	2,821
HSBC dealer lease	901
Acquisition loan	14,390
CWB mortgage	875
	135,242

Interest rate risk sensitivity analysis

The following table details the Company's sensitivity analysis to an increase of interest rates by 0.5% on net earnings and comprehensive income. The sensitivity includes floating rate financial liabilities and adjusts their effect at period end for a 0.5% increase in interest rates. A decrease of 0.5% would result in an equal and opposite effect on net earnings and comprehensive income.

	Effect on Earnings and Comprehensive Income (net of tax) 9 Months Ended September 30, 2010 $
Floor plan payable	419
Rental loan	10
HSBC dealer lease	3
Acquisition loan	52
CWB Mortgage	3
	487

In thousands except per share and per option amounts (Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. The Company has the following financial liabilities at the reporting date:

	Carrying Value $	Remainder of 2010 $	2011-2012 $	2013-2014 $	Thereafter $
Accounts payable and accrued liabilities	30,790	30,790	-	-	-
Floor plan payable	166,079	166,079	-	-	-
Long-term debt	19,489	2,366	11,419	5,704	-
Capital leases	2,102	215	1,289	448	150
Convertible debentures	28,329	-	-	-	28,329
	246,789	199,450	12,708	6,152	28,479

Fair value of financial instruments

The Company's current financial instruments consist of cash, accounts receivable and other, bank indebtedness, accounts payable and accrued liabilities, floor plan payable, long-term debt, obligations under capital lease and convertible debentures. The carrying amounts of cash, accounts receivable and other, bank indebtedness, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturities of these items. The carrying amounts of floor plan payable, long-term debt and obligations under capital lease approximate their fair values as the interest rates are consistent with market rates for similar debt, except for the non-interest bearing debt with Ford Credit Canada and GMAC Financial Services, in which the fair value aggregates $35 at September 30, 2010 (December 31, 2009 - $80). Convertible debentures are carried at amortized cost using the effective interest method.

In thousands except per share and per option amounts (Unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments, continued

The following table provides the basis of analysis for financial instruments of the Company, which are measured subsequent to initial recognition at fair value. This analysis is based on the degree to which the fair value is observable and grouped into categories accordingly:

- Level 1 financial instruments are those which can be derived from quoted market prices (unadjusted) in active markets for similar financial assets or liabilities. At September 30, 2010 and December 31, 2009, the Company did not have any Level 1 financial instruments other than cash.

- Level 2 financial instruments are those which can be derived from inputs, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). At September 30, 2010, Level 2 financial instruments for the Company included convertible debentures. The carrying amounts and fair values of Level 2 financial instruments at September 30, 2010 were $28,329 and $29,079, respectively (December 31, 2009 - $Nil and $Nil).

- Level 3 financial instruments are those derived from valuation techniques that include inputs for the financial asset or liability which are not based on observable market data (unobservable inputs). At September 30, 2010, Level 3 financial instruments for the Company included the valuation of interest-free loans. The Company used an imputed interest rate of 5.0% (December 31, 2009 – 5.0%) to assess the fair value of the loans. This rate is obtained internally based on the Company’s risk for similar financial liabilities. The fair value of the financial liabilities at September 30, 2010 is $35 (December 31, 2009 - $80).

	Level 3 Financial Instruments September 30, 2010 $
Balance, December 31, 2009	80
Realized and unrealized gains (losses)	-
Settlements	(45)
Transfers in and/or out of Level 3	-
Balance, September 30, 2010	35

21. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are:

(a) To maintain a flexible capital structure which optimized the cost of capital at acceptable risk; and
(b) To maintain capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes shareholders' equity, long-term debt, convertible debentures, and capital leases in the definition of capital.

The Company manages its capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

The Company monitors debt to equity capitalization. This ratio is a non-GAAP measure which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Pursuant to agreements with lenders, the Company is required to monitor and report certain other non-GAAP measures including: current ratio, funded debt to EBITDA and debt to net tangible worth (each lender has its own definition of which account balances are to be included in these computations). These measures are calculated quarterly and annually.

The Company was in compliance with all externally imposed capital requirements at September 30, 2010 and December 31, 2009.

Debt to equity capitalization is calculated as total long-term debt including capital leases, (both long-term and short-term portions) and convertible debentures, divided by total equity, (share capital, convertible debentures – equity component, contributed surplus, retained earnings and accumulated and other comprehensive income).

In thousands except per share and per option amounts (Unaudited)

21. MANAGEMENT OF CAPITAL (Continued)

The debt to equity target for the Company is debt between 30% to 50% of shareholders' equity. The ratio is currently within the target range.

The components of debt and coverage ratios are as follows:

	September 30, 2010 $	December 31, 2009 $
Current portion of long-term debt	**6,839**	8,545
Current portion of obligations under capital leases	**794**	619
Long-term debt	**12,650**	12,968
Obligations under capital leases	**1,308**	896
Convertible debentures	**28,329**	-
Total debt	**49,920**	23,028
Shareholders' equity	**99,598**	86,095
Debt to equity	**50%**	27%

22. ECONOMIC DEPENDENCE

The Company is the holder of authorized dealerships granted by the CNH group of companies whereby it has the right to act as an authorized dealer for Case equipment. The dealership authorizations and floor plan facilities can be cancelled by the CNH group of companies if the Company does not observe certain established guidelines and covenants, which is common for this industry.

23. SUBSEQUENT EVENT

On October 15, 2010, the Company purchased 100% of the outstanding shares of K&M Farm Equipment Ltd. ("K&M"), a New Holland Agriculture dealership. The purchase was funded with cash and 96 of the Company's common shares.

K&M has locations in Westlock and Barrhead, Alberta, and is contiguous to the New Holland locations of Hammer Equipment Ltd., a wholly owned subsidiary of the Company. The Company is in the process of determining the purchase price allocation.