



MANAGEMENT'S DISCUSSION & ANALYSIS

ROCKY MOUNTAIN DEALERSHIPS INC.

FOR THE PERIOD ENDED SEPTEMBER 30, 2009

This Management Discussion and Analysis ("MD&A") of the financial results of Rocky Mountain Dealerships Inc. ("RMDI" or the "Company") is prepared as of November 10, 2009 and should be read in conjunction with the unaudited consolidated financial statements and accompanying notes for the year ended December 31, 2008. 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 statistics from the unaudited consolidated financial statements for the three and nine month periods ended September 30, 2009. Additional information related to the Company is available at www.sedar.com, and pertains to known risks and uncertainties in the construction and agricultural equipment dealership industry.

SELECTED FINANCIAL INFORMATION

IN THOUSANDS (other than per share amounts)

	3 months ended Sept 30, 2009 (unaudited)		3 months ended Sept 30, 2008 (unaudited)	
	\$		\$	
Revenue:				
New equipment sales	69,353	47.6%	46,535	49.8%
Used equipment sales	46,144	31.6%	21,110	22.6%
Product support	29,068	19.9%	23,213	24.9%
Finance and insurance (F&I)	527	0.4%	786	0.8%
Rental and Leasing	713	0.5%	1,598	1.7%
Total Revenue	145,805	100.0%	93,242	100.0%
Cost of sales	123,537	84.7%	75,053	80.5%
Gross profit	22,268	15.3%	18,189	19.5%
Expenses:				
Selling and administrative	12,497	8.6%	11,650	12.4%
Interest - short term debt	1,481	0.9%	1,034	1.1%
Interest - long term debt	237	0.2%	339	0.4%
Amortization of PPE	810	0.6%	579	0.6%
Earnings from operations	7,243	5.0%	4,587	4.9%
Amortization of intangibles	-	0.0%	758	0.8%
Income taxes	2,302	1.6%	1,338	1.4%
Net earnings	4,941	3.4%	2,491	2.8%
Net earnings per share				
Basic	\$0.34		\$0.19	
Diluted	\$0.34		\$0.19	

	9 months ended Sept 30, 2009 (unaudited)		9 months ended Sept 30, 2008 (unaudited)	
	\$		\$	
Revenue:				
New equipment sales	207,461	50.8%	149,851	58.3%
Used equipment sales	124,122	30.4%	47,150	18.3%
Product support	72,545	17.8%	53,713	20.9%
Finance and insurance (F&I)	1,403	0.3%	1,972	0.8%
Rental and Leasing	2,551	0.6%	4,521	1.8%
Total Revenue	408,082	100.0%	257,207	100.0%
Cost of sales	347,917	85.3%	210,243	81.7%
Gross profit	60,165	14.7%	46,964	18.3%
Expenses:				
Selling and administrative	38,321	9.4%	30,493	11.9%
Interest - short term debt	4,586	1.1%	3,182	1.2%
Interest - long term debt	784	0.2%	1,045	0.4%
Amortization of PPE	2,170	0.5%	1,365	0.5%
Earnings from operations	14,304	3.5%	10,879	4.2%
Amortization of intangibles	-	0.0%	2,274	0.9%
Income taxes	4,806	1.2%	2,843	1.1%
Net earnings	9,498	2.3%	5,762	2.2%
Net earnings per share				
Basic	\$0.69		\$0.46	
Diluted	\$0.69		\$0.45	

NON GAAP MEASURES

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, by total overhead expenses, including interest, less variable equipment selling expenses, intangible amortization or impairment, and stock-based compensation. 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. The Company has found that product support revenues grow during economic downturns as a percentage of total sales due to customers tending to repair their equipment rather than replace it. Management’s target for Overhead Absorption for the 2009 fiscal year is between 80% and 84% from the 2008 actual of 79%. This metric suggests that the Company could cover 80% to 84% of the total expenses from the gross margin of product support if the market experienced a period of reduced equipment sales.

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 because it removes changes in tax rates, changes in long-term assets and financing costs.

RECONCILIATION OF NET EARNINGS TO EBITDA

IN THOUSANDS

	3 Months ended Sept 30, 2009 (unaudited) \$	3 Months ended Sept 30, 2008 (unaudited) \$	9 Months ended Sept 30, 2009 (unaudited) \$	9 Months ended Sept 30, 2008 (unaudited) \$
EBITDA				
Net Earnings	4,941	2,491	9,498	5,762
Long-term interest	237	339	784	1,045
Depreciation	810	579	2,170	1,365
Amortization of intangibles	-	758	-	2,274
Income taxes	2,302	1,338	4,806	2,843
Rental depreciation	241	816	776	1,881
Lease depreciation	53	423	360	1,674
EBITDA	<u>8,584</u>	<u>6,744</u>	<u>18,394</u>	<u>16,844</u>
Overhead Absorption	114%	87%	92%	78%

RESULTS OF OPERATIONS (UNAUDITED)

IN THOUSANDS (other than per share amounts)

	2009			2008	
	September 30	June 30	March 31	December 31	Total
	\$	\$	\$	\$	
Revenue	\$ 145,805	\$ 155,127	\$ 107,150	\$ 146,906	\$ 554,988
Net earnings before impairment	\$ 4,941	\$ 3,829	\$ 728	\$ 9,330	\$ 18,828
Impairment	\$ -	\$ -	\$ -	\$ 102,786	\$ 102,786
Net earnings (loss)	<u>\$ 4,941</u>	<u>\$ 3,829</u>	<u>\$ 728</u>	<u>(93,456)</u>	<u>(83,958)</u>
EPS - Basic	<u>\$ 0.34</u>	<u>\$ 0.28</u>	<u>\$ 0.06</u>	<u>(7.34)</u>	<u>(6.66)</u>
EPS - Diluted	<u>\$ 0.34</u>	<u>\$ 0.28</u>	<u>\$ 0.05</u>	<u>(7.33)</u>	<u>(6.66)</u>
EBITDA	\$ 8,584	\$ 7,169	\$ 2,641	\$ 9,378	\$ 27,772
Overhead Absorption	114%	89%	74%	81%	89%

	2008			2007		Total
	September 30	June 30	March 31	December 31		
	\$	\$	\$	\$		
Revenue	\$ 93,241	\$ 94,251	\$ 69,714	\$ 11,947	\$	269,153
Net earnings before impairment	\$ 2,491	\$ 2,684	\$ 586	\$ 312	\$	6,073
Impairment	\$ -	\$ -	\$ -	\$ -		
Net earnings (loss)	\$ 2,491	\$ 2,684	\$ 586	\$ 312	\$	6,073
EPS - Basic	\$ 0.19	\$ 0.22	\$ 0.05	\$ 0.03	\$	0.49
EPS - Diluted	\$ 0.19	\$ 0.21	\$ 0.05	\$ 0.03	\$	0.48
EBITDA	\$ 6,744	\$ 6,590	\$ 3,510	\$ 868	\$	17,712
Overhead Absorption	87%	78%	65%	67%		77%

The results of operations discussed below are for the three and nine months ended September 30, 2009 and are compared to the three and nine months ended September 30, 2008. 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.

The global reduction in the construction equipment market has affected the results of the Company primarily in reduced new construction equipment sales, used construction equipment sales, rental income, depreciation, and lower finance and insurance income. Financial stimulus packages in Canada and the USA will help the recovery of the construction equipment market. We expect these funds will flow through to the construction equipment customers of the Company in 2010, which would then influence the Company's sales of construction equipment.

During the first three quarters of 2009, the agricultural market continued to show strength particularly in the 4WD and combine markets. The majority of the Company's trade areas have completed a successful harvest and we expect at current commodity prices the farm community to prosper.

In 2008, the Company completed the Roydale Acquisition, the Miller Acquisition, and the Lakeland Acquisition which included 8 locations. These acquisitions provided a positive impact in the third quarter as well as the year to date results for 2009. In addition, on April 1, 2009 the Company completed the acquisition of Heartland Equipment Limited, with operations in Drumheller that are contiguous to the Company's Balzac Alberta store.

During the quarter the Company converted the majority of its US denominated floor plan into Canadian dollars which resulted in an approximate \$1.0 million foreign exchange gain reducing selling, general and administrative ("SG&A") expenses, or 0.7% of sales. In addition the Company took a charge against inventory of approximately \$1.0 million or 0.7% of sales to ensure valuation of the inventory is consistent with market conditions.

New and used equipment sales increased from approximately \$67.6 million to \$115.5 million and from \$197.0 million to \$331.6 million, in the three and nine month periods ended September 30, 2009 compared to the same period in 2008. This growth is primarily due to the acquisitions made in late 2008 and early 2009 which accounted for a 40% increase in sales volume for the first nine months of fiscal 2009 versus the same period in 2008.

The mix of new construction equipment sales, for the last twelve months, (“LTM”) ended December 31, 2008 versus the LTM ended September 30, 2009, has decreased from approximately 31% to 21% of total sales. This percentage reduction results from the weakening of the construction equipment market, and the acquisitions made in the second half of 2008 and early 2009, which were focused on agriculture equipment sales.

Over the past 12 months the Company has focused efforts on the reduction of existing construction inventory. In the most recent quarter there has been increased activity in the light side of the construction business, particularly skid steers and loader backhoes, resulting in increased sales in those products. The Company has ordered additional inventory from the manufacturer to meet the demand. The heavy side of the construction equipment market has continued to struggle and meaningful increases in sales volumes in this sector have not materialized.

Product support revenues increased from approximately \$23.2 million to \$29.1 million and from \$53.7 million to \$72.5 million, in the three and nine month periods ended September 30, 2009 compared to the same period in 2008. This increase is due to the larger installed equipment base resulting in demand for RMDI’s trained technicians and OEM parts, as well as the additional revenues generated from the four acquisitions made, in 2008 and 2009. As a percentage of total sales the product support revenue has decreased from 20.9% to 17.8% from the third quarter of 2008 to the same period of 2009 because of the large increase in new and used agricultural equipment sales.

Finance and insurance revenues decreased from \$0.8 million to \$0.5 million and \$2.0 million to \$1.4 million, in the three and nine month periods ended September 30, 2009 compared to the same periods in 2008. This is due to the reduction in construction equipment sales which provide more opportunity for finance and insurance revenue. Agricultural equipment sales do not require the same level of finance and insurance sales as the majority of the financing of these transactions are done through the manufacturer using subsidized rates.

Rental and leasing decreased from \$1.6 million to \$0.7 million and from \$4.5 million to \$2.6 million, in the three and nine month periods ended September 30, 2008 compared to the same periods in 2009, as a result of management’s commitment to reducing this portion of the business in favour of using third party vendors to facilitate this business. This reduction in rental and lease revenue has also impacted EBITDA for the same periods by reducing amortization by approximately \$0.9 and \$2.4 million, respectively.

During the third quarter the Company recognized an increase in the gross margin percentage from 14.0% in Q2 to 15.3% in Q3, notwithstanding the \$1.0 million charge realized during the quarter, to reduce the book value of construction equipment inventory, as discussed above. This increase in gross margin percentage demonstrates the strength of the Company’s model as the acquired stores are transitioned to a common business system as well as sharing in the expertise and best practices of the Company. The \$4.1

million and \$13.2 million increase in gross profit for the three and nine month periods ended September 30, 2009, resulted from improved new and used equipment sales. The margin of gross profit to total revenue, expressed as a percentage, has decreased from 18.3% in the first nine months of 2008 to 14.7% in the first nine months of 2009. The acquired agricultural stores initially have lower gross profit than the existing locations and now that the transition to a common business system is complete management expects to see a continued positive impact on margins in the following quarters.

The Company was able to bring the SG&A down as a percentage of sales from 12.4% to 8.6% and 11.9%, to 9.4% in the three and nine months ended September 30, 2009. These reductions in the SG&A expenses are attributable to synergies obtained through systems integration and cost cutting measures management deemed necessary in the construction equipment locations due to the current market conditions.

The increase in SG&A from approximately \$11.7 million to \$12.5 million and \$30.5 million to \$38.3 million in the three and nine month periods ended September 30, 2009, resulted primarily from increased sales of new and used equipment, which increased commission expense, and additional expenses due to the acquisition of nine new branch locations over the same period in the previous year. In addition, during the first half of 2009 all of the previously noted acquisitions were integrated into the same business system with items relating to this integration being expensed.

The increase in short-term interest expense from approximately \$1.0 million to \$1.5 million and from \$3.2 million to \$4.6 million, in the three and nine month periods ended September 30, 2009, is mainly attributable to the acquisitions made in 2008 and 2009, as well as increased spreads being charged by the various financial institutions. This increase in the interest rate spreads has been partially offset by the decreasing prime rates. The Company expects this trend to continue throughout the year as a result of the challenging financial market conditions. As a result the Company continues to pay for certain inventory with cash to avoid higher interest expense.

The decrease in long-term interest expense from approximately \$1.0 million to \$0.8 million for the nine month period ended September 30, 2009 and approximately \$0.1 million is attributable to the reduced size of the rental and lease fleets for the three month period ending September 30, 2009.

The Overhead Absorption for the nine month period ended September 30, 2009 was 92.3% (September 30, 2008 – 77.8%), 89.8% excluding the foreign exchange gain, as noted above. This would suggest that approximately 89.8% of the Company's expenses would be covered if there were no new or used equipment sales. The Overhead Absorption for the year is exceeding management's expectations as the target for the annual Overhead Absorption is between 80% and 84%. The increase in product support sales combined with the Company's expense control through the integration of the business system and cost cutting measures has improved the Absorption Rate.

CASH FLOW

During the three and nine months ended September 30, 2009, the Company's operating activities utilized \$5.9 million and \$0.5 million of cash, respectively. RMDI's operating cash inflows were generated by net earnings of \$4.9 million and \$9.5 million, respectively with the addition of non-cash items adding \$1.0 million and \$ 3.5 million. Cash was utilized through working capital in the amounts of \$11.9 million and \$13.5 million for the three and nine months ended September 30, 2009.

The \$5.9 million and \$0.5 million utilized in operating activities were offset by repayment of the related party payable, as related to acquisitions of \$Nil and \$3.7 million respectively, a net decrease in long-term debt of \$1.6 million and \$1.2 million, and dividends of \$0.6 million and \$1.8 million, respectively. The Company generated cash from an equity issuance of \$22.9 million in September 2009 with 3.9 million shares being issued at \$6.20 per share. The shares were issued on a “bought deal basis” through a consortium of dealers led by RBC Capital Markets.

The investing activities consist of a net decrease of fixed assets totaling \$0.6 million and \$1.2 million respectively in the three and nine month period ended September 30, 2009. \$1.2 million and \$3.0 million was invested to purchase Heartland Equipment for the three and nine month periods ended September 30, 2009.

The net effect of the activities from operations, financing and investing was an increase to cash in the amount of \$14.5 million for both the three and nine month periods.

BALANCE SHEET

IN THOUSANDS

	September 30, 2009 (unaudited)	December 31, 2008 (unaudited)	September 30, 2008 (unaudited)
Current assets	248,835	248,966	228,314
Property, plant and equipment	18,260	21,458	22,931
Intangible assets	-	-	18,708
Goodwill	3,902	-	84,025
Total assets	<u>270,997</u>	<u>270,424</u>	<u>353,978</u>
Current liabilities	174,230	204,983	188,683
Long-term debt	14,424	17,803	19,670
Obligations under capital lease	720	343	230
Future income taxes	1,017	1,126	6,087
Total liabilities	<u>190,391</u>	<u>224,255</u>	<u>214,670</u>
Shareholders' equity	<u>80,606</u>	<u>46,169</u>	<u>139,308</u>
Total liabilities and shareholders' equity	<u>270,997</u>	<u>270,424</u>	<u>353,978</u>

Current assets consisted primarily of new and used inventory totaling approximately \$186 million, \$185 million and \$162 million, as of September 30, 2009, December 31, 2008 and September 30, 2008, respectively. The increase year over year is primarily related to the agricultural inventory as acquisitions completed in the second half of 2008 and early in 2009 were agricultural based.

In the fourth quarter of 2008 the Company realized an impairment on goodwill and intangible assets, as explained in the section under “Goodwill and Intangible Assets”, and therefore required an appropriate write off. 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 \$89,116,405 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.

CORPORATE GROWTH HISTORY

The Company was formed on September 17, 2007 but did not carry on any business until it acquired all of the shares of each of Hammer Equipment Sales Limited and the Hi-Way Service Group on December 20, 2007 (the “**Initial Acquisitions**”). Subsequent to those purchases, Hammer Equipment was renamed Rocky Mountain Equipment Ltd. and the Hi-Way Service Group was amalgamated and renamed Hi-Way Service Ltd.

During 2008, the Company purchased all the shares of Roydale International Ltd. (the “**Roydale Acquisition**”), Miller Farm Equipment (2005) Inc. (“**Miller**”) which included three holding companies, (the “**Miller Acquisition**”), and Lakeland Implements Ltd. (the “**Lakeland Acquisition**”).

On April 1, 2009, the Company acquired all of the issued and outstanding shares of Heartland Equipment Limited and its subsidiaries (“**Heartland**” or the “**Heartland Acquisition**”). There were 636,943 shares issued, at a price of \$4.30 per share, pursuant to the Heartland Acquisition. In the most recent fiscal year ended October 31, 2008, Heartland reported revenues of approximately \$28.1 million. Heartland’s dealership location is contiguous to the Company’s Balzac store in Alberta.

Subsequent to quarter end the Company announced two acquisitions for specified assets of dealerships in Manitoba, firstly Enns Agri in Winkler, Manitoba, followed by Mayor Equipment in Neepawa, Manitoba. These two acquisitions were completed as of November 1, 2009 and are contiguous to existing locations in Manitoba. These acquisitions increase the Company’s total dealerships to 24, which is an additional 12 branches since the Company’s initial public offering in December 2007.

SHARE CAPITAL – OUTSTANDING SHARES

	September 30, 2009	December 31, 2008
Opening Balance	13,220,359	11,585,000
Over-Allotment	-	975,000
Roydale Acquisition	-	54,439
Miller Acquisition	-	549,020
Lakeland Acquisition	-	5,000
Matching Shares	-	51,900
Heartland Acquisition	636,943	-
Bought deal financing	3,900,000	-
Closing balance	<u>17,757,302</u>	<u>13,220,359</u>

There were 17,757,302 and 13,220,359 shares outstanding as at September 30, 2009 and December 31, 2008 respectively.

There were 150,250 shares under a restricted shares unit plan outstanding as at September 30, 2009 (151,250 – December 31, 2008). 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, 2009 are as follows (in thousands):

Date Issued	Number of Options Outstanding	Weighted Average Exercise Price \$	Expiry Date	Weighted Average Contractual Life
December 20, 2007	83	10.00	December 20, 2012	3.2
December 20, 2007	130	0.01	May 31, 2011	1.7
February 29, 2008	581	12.40	February 28, 2013	3.4
May 16, 2008	12	11.50	May 16, 2013	3.6
March 12, 2009	86	4.15	March 12, 2014	4.4
	<u>892</u>	<u>9.56</u>		<u>3.2</u>

DESCRIPTION OF BUSINESS

The majority of revenues from combined sales of new equipment have been with respect to Case IH Agriculture Equipment and Case Construction Equipment both of which are divisions of CNH Global N.V. (“CNH”). CNH is one of the largest manufacturers of construction and agriculture equipment in the world and ranks as the second largest manufacturer of agriculture equipment and sixth largest manufacturer of construction equipment on a global basis. As such, the CNH brand has a loyal following and brand recognition which draws repeat customer for both equipment and customer support sales. 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, Takeuchi, Leeboy, Bourgault, Claas and Kuhn-Knight.

The Company operates through 22 dealership branches, 24 with the newly acquired branches, located across the Canadian Prairies through which the Company sells and rents new and used construction and agriculture equipment. The Company’s branches are located throughout the west with 16 branches in Alberta, one in Saskatchewan and five in Manitoba. Effective November 1, 2009 we have added two additional branches in Manitoba per the recently announced acquisitions. The Company also offers full product support to its customers by selling parts and providing in-branch and on-site repair and maintenance services. The Company 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. The Company’s right to sell, rent and support the various brands carried extend, depending on the particular brand, throughout Alberta and Eastern British Columbia, Saskatchewan, Manitoba, Northwest Territories and Nunavut.

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 2009.

RMDI has access to \$30.0 million at its bank (the “**Bank**”) and had drawn down \$10.9 million as at September 30, 2009. In addition, RMDI has access to \$5.0 million at its credit union lender of which \$3.7 million was drawn as at September 30, 2009.

RMDI has two credit facilities, (the “**Credit Facility**”), with the Bank, one of which consists of a revolving facility providing up to \$15.0 million for working capital (the “**Working Capital Facility**”) and another facility of up to \$15.0 million for acquisitions of additional equipment dealerships (the “**Acquisition facility**”). The interest rate on the Acquisition Facility and the Working Capital Facility is 3.75% and 2.75%, per annum respectively based on the current prime rate of 2.25%. This positions the Company positively to continue with its growth strategy.

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, 2009, the amount outstanding on the working capital facility was \$Nil, the Company had positive cash of \$15.0 million, and \$10.9 million was outstanding on the acquisition facility. RMDI pays a standby fee of 0.25% per annum on any undrawn portion of the acquisition facility. 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. In addition to these items, as part of the Miller Acquisition, an additional working capital line of \$5.0 million has become available through a Manitoba credit union, (the “**Credit Union Facility**”). The indebtedness under this Credit Union Facility is secured in favour of the credit union by the Miller receivables and the Miller non-CNH parts inventory. Amounts drawn under the Credit Union Facility bear interest at the credit union’s prime rate plus 0.75% and as at September 30, 2009 \$3.7 million, including cheques written in excess of cash, was drawn on this facility.

The Company has existing floor plan facilities of approximately \$250 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 \$100 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 6.0%.

The Company announced on November 10, 2009 that 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, 2009, to shareholders of record at close of business on November 30, 2009. The Company is in compliance with all externally imposed capital requirements on all of its lending facilities.

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 liquidity 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, 2008 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 exceeded fair value and as a result the Company proceeded to step two to assess the impact of the impairment.

The second step required the fair value determined in step one to be 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 \$84,836,364 was recorded as an impairment loss to the income statement as non-operating expenses.

The circumstances that led to the impairment of goodwill relate to the change in the global economic condition and uncertainty in the Company's industry, in the fourth quarter of 2008. The tightening of capital markets related to the global changes negatively impacted the industry as its cost of borrowing increased, as well as created difficulty for certain customers to acquire financing to purchase the Company's products.

At December 31, 2008, the Company performed an impairment test of intangible assets to compare their carrying value to their fair value. This is performed by analyzing identifiable undiscounted future cash flows related to the intangible assets, (the "**Intangibles**"). The Company had identified the following as potential Intangibles: customer relationships, trade names and dealership agreements. Based on the Company's assessment related to the decline in the global economy, in the fourth quarter of 2008, the Company was not able to identify cash flows related to these Intangibles. As a result, all of the Intangibles were considered significantly impaired and a write down of \$17,950,292 was required as of December 31, 2008.

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.

OUTLOOK

In western Canada, due to ongoing demand for oil seeds and cereal crop products, sales of high horsepower tractors and harvesting equipment has continued to increase throughout 2009. Prices for those commodities have stabilized which should result in both strong farm cash receipts for the year and good demand for agriculture equipment. An underlying risk that is prevalent every year is the potential loss of crop due to early frost, drought, and other weather related events, but, with the majority of the crop in the bins for this harvest year that risk has diminished from earlier in the year.

The construction equipment side of the business has benefitted from various levels of government in Alberta coping with the infrastructure shortage throughout the province. The current level of infrastructure development is expected to increase in 2010, however, the residential and commercial building as well as oil field activities, need to improve in the province to provide a marked improvement in construction equipment spending. The Company has focused efforts in 2009 on reducing construction inventory, and inventory levels are at the point whereby in the quarter we have ordered new light construction equipment inventory to meet demand for such equipment.

With the exception of the recently acquisitions of Enns Agri and Mayor Equipment the Company has completed the integration of its acquired companies, with all of the acquisitions now transitioned to the same business system. With all branches on the same business system we are able to rationalize inventory and streamline the business practices throughout the entire Company in order to drive performance into the future.

In September of 2009 the Company completed an equity offering of 3,900,000 shares at a price per share of \$6.20, the Company's net proceeds were approximately \$23 million, decreasing net debt to approximately \$12.5 million (excluding floor plan financing) for the September 30 period end. This has positioned the Company well to continue to execute the Company's expansion strategy.

OUTLOOK - MARKET CONDITIONS

The global markets have shown uncertainty over the past year and various governments throughout the world have enacted plans to assist liquidity and growth. The Canadian and US governments have announced and implemented various stimulus plans, components of which have focused on infrastructure which should positively impact the Company. With that being said, there are a number of factors that will affect the Company in the coming months and years.

Inventory financing is an item that has been negatively affected over the past year as the credit markets continue to search for certainty. In general, the Company's floor plan lines have not been reduced or changed in a material way except for interest rate changes. There have been numerous changes to the Company's major floor plan providers as they changed their rate structures, and consequently, increased the effective interest rates. As a result, the Company feels that at this time sufficient floor plan lines exist but will continue to explore other opportunities to help mitigate the exposure to any one provider.

Another potential impact from the credit market tightening could arise from the ability of the Company's customers to get units financed. There is some insulation on this issue as a result of the manufacturers' ability to provide financing on new purchases. Also, on the agricultural side of the business, there are a number of government agencies that exist to help farmers' access credit.

The Company is in a good position with net debt of approximately \$12.5 million (excluding floor plan financing) to continue their expansion strategy although market uncertainty may have an impact on the growth strategy of the Company as there is reliance on debt financing for its acquisitions.

The majority of the Company's inventory is financed with various floor plan providers and their ability to fund the inventory may become strained as a result of current market conditions. The Company has begun to see a shift by these lenders away from prime based lending and moving towards Bankers Acceptance or LIBOR based lending. This will increase the interest expense on the inventory, but has been somewhat mitigated with both prime and Bankers Acceptance rates declining over the past year.

The agriculture industry has continued to improve as input costs have declined and prices for small grains and oil seeds are at historically high levels resulting in strong farm balance sheets. Management believes the Company is well positioned to capitalize on the strength of the agriculture industry going forward with a growing proportion of the Company's total business focused on this sector.

CONTRACTUAL OBLIGATIONS

The following table provides an overview of the contractual obligations of RMDI as of September 30, 2009.

IN THOUSANDS

	Total	2009	2010-2011	2012-2013	Thereafter
Long-term Debt	\$ 22,622	\$ 3,197	\$ 11,480	\$ 7,459	\$ 486
Capital Lease Obligations	\$ 1,216	\$ 157	\$ 839	\$ 220	\$ -
Operating Lease Obligations	\$ 19,566	\$ 1,324	\$ 9,666	\$ 6,287	\$ 2,289
Total Contractual Obligations	<u>\$ 43,404</u>	<u>\$ 4,678</u>	<u>\$ 21,985</u>	<u>\$ 13,966</u>	<u>\$ 2,775</u>

RELATED PARTY TRANSACTIONS

During the period ended September 30, 2009, RMDI and its subsidiaries entered into the following transactions or arrangements with or involving related parties, which are accounted for at their exchange amount, (which approximates fair value):

The premises and facilities for four of RMDI's branches are leased from companies in which Mr. Campbell, Mr. Taschuk and/or Mr. Ganden or their associates are shareholders. The Company paid a total of \$238,220 and \$714,660 in lease payments to these companies during the three and nine month periods ended September 30, 2009 (September 30, 2008 - \$238,220 and \$714,660). It is anticipated that the Company will continue to operate from these branch premises and facilities. At September 30, 2009, \$72,148 was payable (December 31, 2008 - \$139,895) to a company owned by related parties and \$53,375 was receivable (December 31, 2008 - \$160,318) from companies owned by related parties.

The premises and facilities for six of RMDI's branches are leased from a Company beneficially owned or controlled, indirectly by Mr. Derek Stimson, President and Director of RMDI. The Company paid a total of \$600,000 and \$1,800,000 in lease payments during the three and nine month periods ended September 30, 2009 (September 30, 2008 - \$600,000 and \$1,800,000). It is anticipated that the Company will continue to operate from these branch premises and facilities.

During the three and nine month period ended September 30, 2009, the Company paid management fees, performance bonuses and airplane rental fees to a company controlled by a related party totaling \$65,000 and \$195,000, \$Nil and \$150,000, and \$54,403 and \$203,228, respectively (September 30, 2008 - \$50,000 and \$150,000, \$Nil and \$Nil, and \$Nil and \$198,263). For the same period equipment sales of \$774,576 and \$2,091,607 and purchases of \$1,142,845 and \$2,069,520 were transacted between the Company and a company controlled by an officer and director (September 30, 2008 - \$1,805,812 and \$3,125,327 and \$477,200 and \$640,835).

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

The following transactions were not in the normal course of operations although the change in ownership was substantive and are measured at the exchange amount, which approximates fair value:

As at September 30, 2009, \$225,798 was payable to the former shareholders of Heartland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(a) of the Company's financial statements.

As at December 31, 2008, \$55,457 was payable to the former shareholders of Lakeland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(b), of the Company's financial statements, and \$50 in transaction costs. The final working capital adjustment was paid on January 26, 2009.

As at December 31, 2008, \$3,410,612 was payable to the former shareholders of Miller Holdings and Heritage Holdings, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(c), of the Company's financial statements. The final working capital adjustment was paid on February 25, 2009.

As at December 31, 2008, \$245,092 was payable to the former shareholders of Roydale, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5(d), of the Company's financial statements. The final working capital adjustment was paid on January 26, 2009.

The amounts owing to related parties are non-interest bearing, unsecured and the carrying amount approximates the fair value due to the short-term nature. As at September 30, 2009 and December 31, 2008, there are no other outstanding accounts receivable or accounts payable with related parties.

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 \$356 to \$1,519. The current operating leases have terms of five years or less expiring between October 31, 2009 and March 1, 2013. 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 cyclicalities, currency fluctuations, inflation, and interest rate fluctuations.

Seasonality and Cyclicalities

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 economy but has been able to increase selling prices to offset such increases. Items that are susceptible to localized inflation in Alberta, 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.

Changes in Accounting Policies

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued section 3064, Goodwill and intangible assets, replacing section 3062, Goodwill and other intangible assets and section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentations and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous section 3062. The Company has evaluated the impact of the adoption of this new section and the adoption did not have a significant impact on its consolidated financial statements.

Future Changes in Accounting Policies

Convergence with International Financial Reporting Standards

The CICA has issued an exposure draft for the full adoption of International Financial Reporting Standards (“IFRS”) for all Canadian publicly accountable enterprises on January 1, 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 over the next few years. This committee has met and reviewed a number of the key areas where the Company may be impacted including, but not limited to, Accounts Receivables, Inventory, Property Plant and Equipment, Provisional Accounting, and Revenue Recognition. At this point in time the Company is still determining the impact that IFRS will have on its consolidated financial statements. This process will continue throughout 2009, but at this point in time the differences identified are related to changes in disclosure requirements. Further disclosures as to the nature of the financial and operational impacts will be made as available during the transition process.

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 cyclical nature 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; limited ability of investors to recover from the Existing Shareholders for breaches of the Acquisition Agreements; unpredictability and volatility of Common Share price; new requirements and additional costs as a public issuer; and risks associated with having directors and officers with significant control of the Company.

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, 2009, 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, 2009, the Company has sufficiently documented and tested the effectiveness of the internal controls over financial reporting on all the acquired stores 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 "Reconciliation of Net Earnings to EBITDA" the statement that:

"Financial stimulus packages in Canada and the USA will help the recovery of the construction equipment market. We expect these funds will flow through to the construction equipment customers of the Company in 2010 which would then influence the Company's sale of construction equipment" and

Under the heading "Outlook", the statement that:

"The construction equipment side of the business has been strong over the past few years as we benefited from various levels of government in Alberta trying to deal with the infrastructure shortage throughout the province. This level of infrastructure development is expected to continue through the 2009 fiscal year and increase in 2010 which, if carried out, should benefit our group."

The foregoing statements are based on the assumption that various levels of government will continue to provide stimulus funding for infrastructure upgrades in the Province of Alberta which will result in additional sales of construction equipment.

The foregoing assumption is subject to the risk that the stimulus packages will not either be forthcoming or will not be in sufficient amounts that will make any difference in the sales of the Company's construction equipment.

- b) Under the heading "Reconciliation of Net Earnings to EBITDA" the statement that:

"The acquired agricultural stores initially have lower gross profit than the existing locations and now that the transition to a common business system is complete, management expects to see a continued positive impact on margins."

The foregoing statement is based on the assumption that the integration of the acquired businesses with the existing dealership stores under a common business system will improve margins of gross profit to total revenues.

The foregoing statement is subject to the risk that the integration under a common business system will not have a positive impact on gross profit margins.

- c) Under the heading "Adequacy of Capital Resources" the statement that:

"RMDI" anticipates that it will be able to finance its current fleet needs through 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 liquidity needs in the next 12 months."

Both of 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.

d) Under the heading “Outlook”, the statement that:

“In western Canada, due to ongoing demand for oil seeds and cereal crop products, sales of high horsepower tractors and harvesting equipment has continued to increase throughout 2009. Prices for those commodities have stabilized which should result in both strong farm cash receipts for the year and good demand for agricultural equipment.”

The foregoing statement is based on the assumption that although demand for Western Canadian produced cereal crops will normalize, prices should remain stable and as a result demand for the Company's agriculture equipment should not decrease. There are a number of risks that could affect those assumptions including but not limited to ongoing credit restrictions, a decrease in demand for Western Canadian cereal crops due to worsening economic conditions, weather conditions that may affect Western Canadian agriculture production, increased supply in other growing areas of the world that could affect prices for agriculture products, and tariffs imposed by foreign governments which may affect the ability to sell Canadian agricultural products. All of the above noted items could affect the farm cash receipts in Western Canada and, as a result the ability of our customers to purchase the Company's products.

Consolidated Financial Statements of

ROCKY MOUNTAIN DEALERSHIPS INC.

Three and Nine Month Periods Ended September 30, 2009

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Balance Sheets In thousands of dollars (Unaudited)

	September 30, 2009 \$	December 31, 2008 \$
ASSETS		
CURRENT		
Cash	14,952	493
Accounts receivable and other (Notes 6 and 19)	23,369	40,614
Inventory (Note 7)	209,955	207,467
Prepaid expenses	559	392
	<u>248,835</u>	<u>248,966</u>
Property, plant and equipment (Note 10)	18,260	21,458
Intangible assets (Note 9)	-	-
Goodwill and other (Notes 5 and 8)	3,902	-
	<u>270,997</u>	<u>270,424</u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 11)	3,667	5,223
Accounts payable and accrued liabilities (Note 12)	25,347	29,973
Floor plan payable (Note 13)	133,927	150,449
Deferred revenue	2,369	9,437
Due to related parties (Note 19)	226	3,691
Current portion of long-term debt (Note 14)	8,198	5,910
Current portion of obligations under capital lease	496	300
	<u>174,230</u>	<u>204,983</u>
Long-term debt (Note 14)	14,424	17,803
Obligations under capital lease	720	343
Future income taxes	1,017	1,126
	<u>190,391</u>	<u>224,255</u>
CONTINGENCY AND GUARANTEE (Note 15)		
COMMITMENTS (Note 18)		
SHAREHOLDERS' EQUITY		
Common shares (Note 16a)	70,410	133,879
Contributed surplus (Note 16d)	2,540	1,406
Retained earnings (deficit) (Note 16a)	7,656	(89,116)
	<u>80,606</u>	<u>46,169</u>
	<u>270,997</u>	<u>270,424</u>

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

ROCKY MOUNTAIN DEALERSHIPS INC.

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

Three and Nine Month Periods Ended September 30, 2009

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

	Three Months Ended September 30, 2009 \$	Three Months Ended September 30, 2008 \$	Nine Months Ended September 30, 2009 \$	Nine Months Ended September 30, 2008 \$
SALES				
New units	69,353	46,535	207,461	149,851
Used units	46,144	21,110	124,122	47,150
Product support	29,068	23,213	72,545	53,713
Finance and insurance	527	786	1,403	1,972
Rental and leases	713	1,598	2,551	4,521
	145,805	93,242	408,082	257,207
COST OF SALES (including amortization of \$294 and \$1,136 for the three and nine months ended) (2008 - \$1,239 and \$3,555) (Note 10)	123,537	75,053	347,917	210,243
GROSS PROFIT	22,268	18,189	60,165	46,964
EXPENSES				
Selling and administrative	12,497	11,650	38,321	30,493
Interest on short-term debt	1,481	1,034	4,586	3,182
Interest on long-term debt	237	339	784	1,045
Amortization of intangible assets (Note 9)	-	758	-	2,274
Amortization of property, plant and equipment	810	579	2,170	1,365
	15,025	14,360	45,861	38,359
EARNINGS BEFORE INCOME TAXES	7,243	3,829	14,304	8,605
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	2,484	1,634	5,038	3,799
Future	(182)	(296)	(232)	(956)
	2,302	1,338	4,806	2,843
NET EARNINGS AND COMPREHENSIVE INCOME	4,941	2,491	9,498	5,762
(DEFICIT) RETAINED EARNINGS, BEGINNING OF PERIOD	3,339	3,033	(89,116)	328
REDUCTION OF STATED CAPITAL (Note 16a)	-	-	89,116	-
DIVIDENDS	(624)	(592)	(1,842)	(1,158)
RETAINED EARNINGS, END OF PERIOD	7,656	4,932	7,656	4,932
EARNINGS PER SHARE (Note 17)				
Basic	\$0.34	\$0.19	\$0.69	\$0.46
Diluted	\$0.34	\$0.19	\$0.69	\$0.45

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 September 30, 2009 In thousands of dollars (Unaudited)

	Three Months Ended September 30, 2009 \$	Three Months Ended September 30, 2008 \$	Nine Months Ended September 30, 2009 \$	Nine Months Ended September 30, 2008 \$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings	4,941	2,491	9,498	5,762
Adjustments for:				
Amortization (Note 10)	1,104	1,818	3,306	4,920
Amortization of intangibles	-	758	-	2,274
Future income taxes (recovery)	(182)	(296)	(232)	(956)
Stock-based compensation (Note 16(d))	381	378	1,134	1,013
Gain on sale of property, plant and equipment	(280)	(1,183)	(665)	(610)
	<u>5,964</u>	<u>3,966</u>	<u>13,041</u>	<u>12,403</u>
Changes in non-cash working capital, net of the effect of acquisitions	<u>(11,850)</u>	<u>(10,143)</u>	<u>(13,519)</u>	<u>(17,195)</u>
	<u>(5,886)</u>	<u>(6,177)</u>	<u>(478)</u>	<u>(4,792)</u>
FINANCING				
Payments to related parties regarding the acquisition (Note 5 and 19)	-	(1,902)	(3,691)	(19,070)
Repayment of long-term debt	(2,872)	(758)	(9,415)	(4,228)
Proceeds from long-term debt	1,200	5,878	8,242	6,528
Repayment of obligations under capital lease	(128)	(103)	(240)	(248)
Proceeds from obligations under capital lease	582	132	813	609
Dividends paid	(623)	(592)	(1,842)	(1,157)
Proceeds from issuance of share capital	22,909	-	22,909	9,750
	<u>21,068</u>	<u>2,655</u>	<u>16,776</u>	<u>(7,816)</u>
INVESTING				
Purchase of property, plant and equipment	(951)	(1,955)	(1,893)	(3,091)
Proceeds on disposal of property, plant and equipment	1,528	3,911	3,050	5,216
Purchase of equipment dealerships, net of cash acquired	(1,220)	(6,174)	(2,996)	(6,972)
	<u>(643)</u>	<u>(4,218)</u>	<u>(1,839)</u>	<u>(4,847)</u>
NET INCREASE (DECREASE) IN CASH	<u>14,539</u>	<u>(7,740)</u>	<u>14,459</u>	<u>(17,455)</u>
CASH, BEGINNING OF PERIOD	<u>413</u>	<u>7,241</u>	<u>493</u>	<u>16,956</u>
CASH (BANK INDEBTEDNESS), END OF PERIOD	<u>14,952</u>	<u>(499)</u>	<u>14,952</u>	<u>(499)</u>
SUPPLEMENTARY INFORMATION				
Interest paid	1,718	1,373	5,370	4,227
Income taxes paid	1,278	16	5,326	2,221

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, 2009
In thousands except per share and per option amounts (Unaudited)

1. NATURE OF BUSINESS

Rocky Mountain Dealerships Inc. (the “Company”) was incorporated September 17, 2007 and through its subsidiaries, Hammer Equipment Sales Limited (“Hammer”) and Hi-Way Service (Medicine Hat) Ltd. (“Hi-Way”), which were acquired on December 20, 2007, sells and leases a wide variety of agriculture and construction equipment in Western Canada. The Company effectively commenced operations on December 20, 2007, and accordingly, its financial results are presented from that date forward. During 2008, Hi-Way Service (Medicine Hat) Inc. and Hammer Equipment Sales Limited underwent legal name changes to Hi-Way Service Ltd., and Rocky Mountain Equipment Ltd., respectively. During 2008, the Company acquired 100% of the common shares of Roydale International Ltd., Kevin G. Miller Holdings Ltd., Heritage Holdings Ltd., and Lakeland Implements Ltd. During 2009, the Company acquired 100% of the common shares of the holding companies that collectively owned 100% of the common shares of Heartland Equipment Limited. Inter-company transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements for the period ended September 30, 2009 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, 2008, except as stated in Note 3, and include all adjustments necessary to present fairly the results of the interim period. These financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008 and the unaudited interim consolidated financial statements for the period ended September 30, 2008. 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 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 these consolidated financial statements.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued section 3064, Goodwill and intangible assets, replacing section 3062, Goodwill and other intangible assets and section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous section 3062. The Company has evaluated the impact of the adoption of this new section and the adoption did not have a significant impact on its consolidated financial statements.

4. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Convergence with International Financial Reporting Standards

The CICA has issued an exposure draft for the full adoption of International Financial Reporting Standards (“IFRS”) for all Canadian publicly accountable enterprises on January 1, 2011. The Company has assigned a committee from various levels of the organization to consider the impact that the conversion to IFRS will have on the Company. This committee has met and reviewed a number of the key areas where the Company may be impacted including, but not limited to Accounts Receivable, Inventory, Property, Plant and Equipment, Accounting for Provisions and Revenue Recognition. At this point in time, the Company continues to evaluate the impact of IFRS on its consolidated financial statements. This process will continue throughout the remainder 2009 and 2010. Further disclosures as to the nature of the financial and operational impacts will be made as completed during the transition process.

Disclosures about Financial Instruments

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures, to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concern that the nature and extent of liquidity risk were unclear and difficult to apply. These disclosures are effective for the Company’s December 31, 2009 annual consolidated financial statements. Management does not expect these amendments to have a significant impact on the Company’s results of operations or financial position.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES

- a) 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 \$6,255, which was comprised of cash consideration of \$3,516, inclusive of transaction costs in the amount of \$90, of which \$2,996 has been paid (net of cash acquired of \$294) including transaction costs of \$90, 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 \$1,929.

The purchase price is anticipated to be finalized and the remaining cash paid out upon completion of the working capital adjustment. At September 30, 2009, \$226 was payable to the former shareholders of Heartland pending the finalization of the purchase price.

	Preliminary
	\$
Cash consideration	3,426
Transaction costs	90
Shares issued	2,739
Purchase consideration	<u>6,255</u>

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

	Preliminary
	\$
Net working capital	1,929
Property, plant and equipment	600
Goodwill	3,902
Future income tax liability	(122)
Long-term debt	(54)
Net assets acquired	<u>6,255</u>

Goodwill is not deductible for tax purposes.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES, CONTINUED

- b) On October 9, 2008, the Company acquired 100% of the outstanding common shares of Lakeland Implements Ltd (“Lakeland”), a Case IH dealer. The operating results of the business acquired are consolidated from October 9, 2008, the acquisition’s effective date. The risks and rewards of ownership of the business were transferred on October 9, 2008.

The preliminary purchase price was \$1,946, which was comprised of cash consideration of \$1,904, inclusive of transaction costs in the amount of \$50, of which \$1,399 has been paid (net of cash acquired), and the issuance of 5 shares at \$8.34 per share (valued based on the average share price of two days around October 9, 2008, date of acquisition), for aggregate share consideration of \$42. The net working capital related to the acquisition was \$1,243.

	<u>\$</u>
Cash consideration	1,854
Transaction costs	50
Shares issued	42
Purchase consideration	<u>1,946</u>

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

	<u>\$</u>
Net working capital	1,243
Property, plant and equipment	542
Goodwill	329
Future income tax liability	(129)
Long-term debt	(39)
Net assets acquired	<u>1,946</u>

Goodwill is not deductible for tax purposes.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES, CONTINUED

- c) On August 27, 2008, the Company acquired 100% of the outstanding common shares of Kevin G. Miller Holdings Ltd. (“Miller Holdings”) and Heritage Holdings Ltd. (“Heritage Holdings”) which in turn collectively owned 100% of Miller Farm Equipment (2005) Inc. (“Miller”), a Case IH dealer. The operating results of the businesses acquired are consolidated from August 27, 2008, the acquisitions’ effective date. The risks and rewards of ownership of these businesses were transferred on August 27, 2008.

The aggregate purchase price for each of Miller Holdings and Heritage Holdings was \$8,810, which was comprised of cash consideration of \$4,942, inclusive of transaction costs in the amount of \$237, of which \$2,937 has been paid (net of cash acquired) including transaction costs of \$237, and the issuance of 275 shares at \$14.09 per share (valued based on the average share price of two days around June 19, 2008, date of announcement), for share consideration of \$3,868. The net working capital related to each acquisition was \$1,736.

	Miller Holdings	Heritage Holdings	Total
	\$	\$	\$
Cash consideration	4,705	4,705	9,410
Transaction costs	237	237	474
Shares issued	3,868	3,868	7,736
Purchase consideration	<u>8,810</u>	<u>8,810</u>	<u>17,620</u>

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

	Miller Holdings	Heritage Holdings	Total
	\$	\$	\$
Net working capital	1,736	1,736	3,472
Property, plant and equipment	1,055	1,055	2,110
Goodwill and unallocated surplus	6,300	6,300	12,600
Future income tax liability	(31)	(31)	(62)
Debt assumed	(250)	(250)	(500)
Net assets acquired	<u>8,810</u>	<u>8,810</u>	<u>17,620</u>

Goodwill is not deductible for tax purposes.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

5. ACQUISITIONS OF BUSINESSES, CONTINUED

- d) On June 11, 2008, the Company acquired 100% of the outstanding common shares of Roydale International Ltd (“Roydale”), a Case IH dealer. The operating results of the business acquired are consolidated from June 1, 2008, the acquisition’s effective date. The risks and rewards of ownership on these acquisitions were transferred on June 1, 2008.

The aggregate purchase price was \$1,795, which was comprised of cash consideration of \$1,145, inclusive of transaction costs in the amount of \$50 (net of cash acquired), and the issuance of 54 shares at \$11.94 per share (valued based on the average share price a few days around May 14, 2008, date of announcement), for aggregate share consideration of \$650. The net working capital related to the acquisition was \$1,245.

	<u>\$</u>
Cash consideration	1,095
Transaction costs	50
Shares issued	650
Purchase consideration	<u>1,795</u>

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

	<u>\$</u>
Net working capital	1,245
Property, plant and equipment	500
Goodwill	171
Future income tax liability	(121)
Net assets acquired	<u>1,795</u>

Goodwill is not deductible for tax purposes.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

6. ACCOUNTS RECEIVABLE AND OTHER

	September 30, 2009	December 31, 2008
	\$	\$
Trade receivables	21,034	37,407
Warranty receivables	3,232	4,352
	24,266	41,759
Less allowance for doubtful accounts	(897)	(1,145)
	23,369	40,614

7. INVENTORY

	September 30, 2009	December 31, 2008
	\$	\$
Equipment - new	127,619	134,598
Equipment - used	57,956	50,181
Parts	22,984	22,018
Work-in-progress	1,396	670
	209,955	207,467

For the three and nine months ended September 30, 2009, new and used equipment, parts and work-in-progress recognized as an expense amounted to \$123,243 and \$346,781 (2008 - \$73,814 and \$206,688) respectively and is included in cost of sales on the Consolidated Statements of Earnings and Comprehensive Income. For the three and nine months ended September 30, 2009, there were inventory write downs to estimated net realizable value of \$1,302 and \$1,537 included in the Consolidated Statements of Earnings and Comprehensive Income (2008 - \$Nil and \$Nil). There have been \$Nil reversals of previously recorded inventory write downs for the three and nine months ended September 30, 2009 (2008 - \$Nil and \$Nil). All inventory has been pledged as security for liabilities as disclosed in Notes 11, 13 and 14.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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, 2008, the Company performed an impairment test of goodwill. The impairment test was based on a two step process. In step one, a fair value was determined using a market based approach. The market based approach derived a fair value based on the market capitalization of the Company at December 31, 2008. Step one showed a carrying value that exceeded fair value and, as a result, the Company proceeded to step two to assess the amount of the impairment.

The second step required the fair value determined in step one to be allocated to each individual asset and liability as it would be in a business acquisition. After performing this allocation, it was determined there was no fair value left to assign to goodwill. As a result, an impairment of goodwill in the amount of \$84,836 was recorded to the Consolidated Statements of Earnings and Comprehensive Income for the year ended December 31, 2008.

The circumstances that led to the impairment of goodwill related to the change in global economic conditions and uncertainty in the Company's industry in the fourth quarter of 2008. The tightening of credit markets negatively impacted the industry as its cost of borrowing was expected to increase, as well, customers were experiencing difficulty acquiring financing to purchase the Company's products.

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. INTANGIBLE ASSET IMPAIRMENT

At December 31, 2008, the Company performed an impairment test of its intangible assets to compare their carrying value to their fair value. Based on the Company's assessment of intangible assets in the fourth quarter of 2008, all of the intangible assets were considered impaired at December 31, 2008. As a result, a write down of \$17,950 was recorded in the Consolidated Statements of Earnings and Comprehensive Income in the fourth quarter of the year ended December 31, 2008. Accordingly, comparative balances in these quarterly financial statements depict amortization of intangible assets prior to their write down.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

10. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	2,252	-	2,252
Rental assets	7,633	127	7,506
Lease equipment	1,495	125	1,370
Buildings	367	77	290
Computer equipment	989	438	551
Furniture and fixtures	863	293	570
Land improvements	10	1	9
Leasehold improvements	787	156	631
Shop tools and equipment	2,871	1,012	1,859
Vehicles	5,313	2,091	3,222
	22,580	4,320	18,260
	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	2,242	-	2,242
Rental assets	9,327	304	9,023
Lease equipment	4,679	1,587	3,092
Buildings	321	37	284
Computer equipment	721	288	433
Furniture and fixtures	738	150	588
Land improvements	17	3	14
Leasehold improvements	602	67	535
Shop tools and equipment	2,350	513	1,837
Vehicles	4,400	990	3,410
	25,397	3,939	21,458

Included in cost of sales is amortization expense aggregating \$241 and \$776 (2008 - \$816 and \$1,881) for rental assets and \$53 and \$360 (2008 - \$423 and \$1,674) for leased equipment for the three and nine month period ended September 30, 2009, respectively.

Assets under capital lease, included in computer equipment and vehicles, have a cost of \$258 and \$1,383 (2008 - \$105 and \$731), respectively, and accumulated amortization of \$29 and \$366 (2008 - \$57 and \$88).

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

11. BANK INDEBTEDNESS

The Company has an operating revolving credit facility to a maximum of \$15,000 with HSBC and bears interest ranging from the HSBC's prime interest rate plus 0.5% to the HSBC's prime interest rate plus 1.25%. The balance drawn at September 30, 2009 was \$Nil (December 31, 2008 - \$Nil). The outstanding balance at September 30, 2009 included cheques written in excess of cash of \$Nil (December 31, 2008 - \$Nil). The effective interest rate at September 30, 2009 was 2.75% (December 31, 2008 - 3.5%). This indebtedness 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.

As part of the acquisition of Miller Holdings and Heritage Holdings, an additional working capital line of \$5,000 is available through Vanguard Credit Union Ltd. and bears interest at prime plus 0.8%. The balance drawn at September 30, 2009 was \$2,843 (December 31, 2008 - \$1,380). The outstanding balance at September 30, 2009 included cheques written in excess of cash of \$824 (December 31, 2008 - \$3,843). The effective interest rate at September 30, 2009 was 3.1% (December 31, 2008 - 3.8%). This indebtedness is secured by the receivables and non-CNH parts inventory of Miller.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2009	December 31, 2008
	\$	\$
Trade accounts payable	19,064	23,041
Income taxes payable	4,852	5,510
Employee and management bonus accrual	1,431	1,422
	25,347	29,973

Notes to the Consolidated Financial Statements
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13. FLOOR PLAN PAYABLE

The floor plan payable is due to various creditors who have extended wholesale credit, and is due on various dates with fixed or variable interest rates ranging from 0% to the bank's prime interest rate plus 6.0%. At September 30, 2009, the Company had in excess of \$100 million 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, 2009, the Company had \$127 of floor plan outstanding in US currency (December 31, 2008 - \$8,594). 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, 2009.

14. LONG-TERM DEBT

	September 30, 2009	December 31, 2008
	\$	\$
Bankers acceptance rate plus 5.0% to prime plus 6.0% 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, 2009 ranged from 5.5% to 8.3% (December 31, 2008 - 3.5% to 6.5%)	5,068	7,484
Case Credit promissory note payable in monthly principal instalments ranging from \$10 to \$225 plus interest ranging from 0% to prime plus 1.5%, and secured by a general security agreement and specific assets. The effective interest rate at September 30, 2009 ranged from 0% to 3.8% (December 31, 2008 - 5.0%)	2,312	545
Case Credit promissory note principal and interest payable only if predetermined sales targets are not been met by the Company. The effective interest rate at September 30, 2009 was 0% (2008 - 0%). All of the predetermined sales target have been met at September 30, 2009	157	157

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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14. LONG-TERM DEBT, CONTINUED

	September 30, 2009	December 31, 2008
	\$	\$
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, 2009 was 5.7% (December 31, 2008 - 6.1%)	3,040	7,223
Acquisition Loan payable in equal monthly principal instalments over a 60 month period, plus interest ranging from the Bank's prime rate plus 1.5% to plus 2.3%, and secured by all real property owned and subsequently acquired. The available limit is \$15,000. The effective interest rate at September 30, 2009 was 3.75% (December 31, 2008 - 3.9%)	10,907	7,905
Demand Loans payable in monthly principal instalments ranging from \$2 to \$7, plus interest at prime plus 0.8%, secured by related equipment. The effective interest rate at September 30, 2009 was 3.1% (December 31, 2008 - 4.3%)	106	181
Mortgage Payable interest only payments due monthly at prime plus 1.75%, and secured the specific property. The effective interest rate at September 30, 2009 was 4.0%	875	-
Various contracts with GMAC Financial Services, HSBC and Ford Credit Canada Limited loans repayable in monthly instalments ranging from \$1 to \$2, plus interest ranging from 0.0% to 5.5%, secured by various motor vehicles, due between July 2009 and December 2010	157	218
	22,622	23,713
Less current portion	(8,198)	(5,910)
	14,424	17,803

Notes to the Consolidated Financial Statements
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14. LONG-TERM DEBT, CONTINUED

Principal payments due are as follows:

	<u>\$</u>
Remainder of 2009	3,197
2010	6,383
2011	5,097
2012	5,087
2013	2,372
Thereafter	486
	<u>22,622</u>

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.

Notes to the Consolidated Financial Statements
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16. SHARE CAPITAL

a) Shares

The share capital of the Company consists of following:

	September 30, 2009		December 31, 2008	
	Shares	Total \$	Shares	Total \$
Authorized				
Unlimited number of common shares				
Issued				
Opening balance	13,220	133,879	11,585	115,199
Shares issued pursuant to over-allotment	-	-	975	9,750
Share issued in matching plan	-	-	52	519
Shares issued in consideration for acquisitions (Note 5)				
Miller	-	-	549	7,736
Roydale	-	-	54	650
Lakeland	-	-	5	42
Heartland	637	2,739	-	-
Reduction of stated capital	-	(89,116)	-	-
Shares issued for cash	3,900	22,909	-	-
	17,757	70,411	13,220	133,896
Shares issue cost, net of tax effect	-	(1)	-	(17)
Closing balance	17,757	70,410	13,220	133,879

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 \$1,271.

On May 12, 2009 at the Company's 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 intangible assets to a \$Nil amount as at December 31, 2008.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

16. SHARE CAPITAL, CONTINUED

a) Shares, continued

Pursuant to the closing of the initial public offering, there were 52 and 975 shares that were reserved in treasury for the share matching plan and the over-allotment option, respectively, as disclosed in the Company's initial public offering prospectus. These share issuances were considered to be part of the business acquisition consideration related to the acquisition in 2007, and were liabilities of the Company at December 31, 2007 to fully satisfy the purchase of the business acquired. The value of these two transactions were shown as a liability aggregating \$10,269 at December 31, 2007 with the issuance of shares under the share matching plan on December 19, 2008 (\$519 and 52 shares) and the issuance of shares on the over-allotment (\$9,750 and 975 shares) on January 11, 2008.

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 the three month periods ended September 30, 2009 and 2008, the Company issued no options (2008 - Nil). During the nine month period ended September 30, 2009, the Company issued 86 (2008 - 615) options with a weighted-average exercise price of \$4.15 (2008 - \$12.38), 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 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.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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:

	2009	2008
Opening balance, January 1	821	213
Issued	86	615
Exercised	-	-
Cancelled	-	-
Forfeited	(15)	-
	892	828
Closing balance, September 30		

Options in the amount of 225 were exercisable at September 30, 2009 (2008 - Nil). For the three and nine month periods ended September 30, 2009 and 2008, no options were exercised and no options were cancelled. For the three months ended September 30, 2009, no options were forfeited (2008 - Nil) and for the nine months ended September 30, 2009, 15 options were forfeited (2008 - Nil).

The options outstanding at September 30, 2009 are as follows:

Date Issued	Number of Options Outstanding	Weighted Average Exercise Price \$	Expiry Date	Weighted Average Contractual Life
December 20, 2007	83	10.00	December 20, 2012	3.2
December 20, 2007	130	0.01	May 31, 2011	1.7
February 29, 2008	581	12.40	February 28, 2013	3.4
May 16, 2008	12	11.50	May 16, 2013	3.6
March 12, 2009	86	4.15	March 12, 2014	4.4
	892	9.56		3.2

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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 month periods ended September 30, 2009 and 2008 none of these units were forfeited and one of these units was forfeited for the nine month period ended September 30, 2009 (2008 - 4). The aggregated fair value of the remaining 150 shares at September 30, 2009 is \$1,503 (December 31, 2008 - \$1,513). 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, 2009, the Company recorded compensation expense in the Consolidated Statements of Earnings and Comprehensive Income totaling \$381 and \$1,134 (2008 - \$378 and \$1,013) 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.

	<u>2009</u>	<u>2008</u>
	\$	\$
Contributed surplus, opening balance, January 1	1,406	28
Stock-based compensation expense	1,134	1,013
Contributed surplus, closing balance, September 30	<u>2,540</u>	<u>1,041</u>

There were no options granted in the three month periods ended September 30, 2009 and 2008 and therefore no fair value measurement of options were required. The estimated weighted average fair value of the options granted in the nine month period ended September 30, 2009 was \$1.98 (2008 - \$3.34) on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	<u>September 30,</u>	<u>September 30,</u>
	<u>2009</u>	<u>2008</u>
Discount rate - risk free interest rate	1.6%	3.92%
Expected lives (years)	5	5
Expected volatility	54%	23%
Expected dividends	\$Nil	\$Nil

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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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 by applying the treasury stock method.

At September 30, 2009, 676 options were anti-dilutive (2008 - 615 options).

	Three Months Ended September 30, 2009			Three Months Ended September 30, 2008		
	Earnings \$	Weighted average shares outstanding	Per share \$	Earnings \$	Weighted average shares outstanding	Per share \$
Basic	4,941	14,493	0.34	2,491	12,817	0.19
Shares assumed issued		366			982	
Shares assumed purchased		(351)			(719)	
Diluted	4,941	14,508	0.34	2,491	13,080	0.19

	Nine Months Ended September 30, 2009			Nine Months Ended September 30, 2008		
	Earnings \$	Weighted average shares outstanding	Per share \$	Earnings \$	Weighted average shares outstanding	Per share \$
Basic	9,498	13,859	0.69	5,762	12,611	0.46
Shares assumed issued		344			373	
Shares assumed purchased		(344)			(198)	
Diluted	9,498	13,859	0.69	5,762	12,786	0.45

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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18. COMMITMENTS

Annual rents payable under long-term operating leases as at September 30, 2009 are as follows:

	<u>\$</u>
Remainder of 2009	1,324
2010	4,990
2011	4,676
2012	4,570
2013	1,717
Thereafter	2,289

19. RELATED PARTY TRANSACTIONS

For the three and nine months ended September 30, 2009, the Company paid management fees of \$65 and \$195 (2008 - \$50 and \$150), performance bonuses of \$Nil and \$150 (2008 - \$Nil and \$Nil), and flight costs \$54 and \$203 (2008 - \$Nil and \$198) to a company controlled by a related party, respectively. In addition, rental payments on the Company's facilities of \$838 and \$2,515 (2008 - \$838 and \$2,515) were paid to companies controlled by certain members of senior management. Equipment sales of \$775 and \$2,092 (2008 - \$1,806 and \$3,125) and purchases of \$1,143 and \$2,070 (2008 - \$477 and \$641) were transacted between the Company and a company controlled by a significant shareholder and member of senior management. At September 30, 2009, \$53 (December 31, 2008 - \$160) was in accounts receivable and other and due from related companies and \$72 (December 31, 2008 - \$140) was due to related companies included in accounts payable.

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

The following transactions were not in the normal course of operations, although the change in ownership was substantive, and are measured at the exchange amount, which approximates fair value:

As at September 30, 2009, \$226 was payable to the former shareholders of Heartland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5a, and \$Nil in transaction costs.

As at December 31, 2008, \$55 was payable to the former shareholders of Lakeland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5b, and \$50 in transaction costs. The final working capital adjustment was paid on January 26, 2009.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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19. RELATED PARTY TRANSACTIONS, CONTINUED

As at December 31, 2008, \$3,411 was payable to the former shareholders of Miller Holdings and Heritage Holdings, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5c. The final working capital adjustment was paid on February 25, 2009.

As at December 31, 2008, \$245 was payable to the former shareholders of Roydale, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 5d. The final working capital adjustment was paid on January 26, 2009.

The amounts owing to related parties are non-interest bearing, unsecured and the carrying amount approximates the fair value due to the short-term nature. As at September 30, 2009 and December 31, 2008, there are no other outstanding accounts receivable or accounts payable with related parties.

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, and liquidity risk. The following analysis provides a measurement risk as at the Consolidated Balance Sheet date of September 30, 2009.

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 primarily attributable to its trade 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 Canadian chartered banks with high credit-ratings assigned by national credit-rating agencies.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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:

	<u>\$</u>
Cash	14,952
Accounts receivable	23,369
	<u>38,321</u>

The aging of accounts receivable at the reporting date was:

	<u>\$</u>
Trade receivables	
Current	17,386
Aged between 61 - 119 days	1,660
Aged greater than 120 days	1,988
Total receivables	21,034
Allowance for doubtful accounts	<u>(897)</u>
Net trade receivables	20,137
Warranty receivables	3,232
	<u>23,369</u>

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

**20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT,
CONTINUED**

Credit risk, continued

Reconciliation of allowance for doubtful accounts:

	\$
Balance, December 31, 2007	552
Increase in period	592
Balance, December 31, 2008	1,144
Increase in period	(247)
Balance, September 30, 2009	897

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.

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. As of the reporting date there were no contracts outstanding.

Included in selling and administration expenses are gains recognized due to foreign currency translation gain (loss) for transactions and balances aggregating \$761 and \$946 for the three and nine months ended September 30, 2009 (2008 - \$75 and \$176).

Certain of the Company's financial instruments are exposed to fluctuations in the USD. The following table will detail the Company's exposure to currency risk at September 30, 2009 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.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT,
CONTINUED

Foreign currency exchange risk and sensitivity analysis, continued

	Denominated USD \$	Change in Currency %	Effect on Earnings and Comprehensive Income (net of tax) 9 Months Ended September 30, 2009 \$
Cash	256	5.0	9
Accounts payable and accrued liabilities	(484)	5.0	(17)
Floor plan payable	(127)	10.0	(9)
	(355)		(17)

Interest rate risk

The Company's financial liabilities are exposed to fluctuations in interest rates with respect to certain of its long-term liabilities, line of credit and floor plan payable. The Company is exposed to the following interest rate risks at September 30, 2009:

	\$
Floor plan payable	93,749
Rental loan	5,068
HSBC dealer lease	3,040
Bank indebtedness	3,667
Acquisition loan	10,907
Case Credit note	2,312
Mortgage payable	875
	119,618

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
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**20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT,
CONTINUED**

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, 2009 \$
Floor plan payable	333
Rental loan	18
HSBC dealer lease	11
Bank indebtedness	13
Acquisition loan	39
Case Credit note	8
Mortgage payable	3
	425

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 \$	2009 \$	2010-2011 \$	2012-2013 \$
Bank indebtedness	3,667	3,667	-	-
Accounts payable and accrued liabilities	25,347	25,347	-	-
Floor plan payable	133,927	133,927	-	-
Long-term debt	22,622	3,197	11,480	7,945
Capital leases	1,216	157	839	220
	186,779	166,295	12,319	8,165

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

**20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT,
CONTINUED**

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, due to related parties, long-term debt and obligations under capital lease. The carrying amounts of cash, accounts receivable and other, bank indebtedness, accounts payable and accrued liabilities approximate their fair values because of the short-term maturities of these items. The carrying amount of floor plan payable, long-term debt and obligations under capital lease approximates 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 \$46.

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 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, 2009.

Notes to the Consolidated Financial Statements
Three and Nine Month Periods Ended September 30, 2009
In thousands except per share and per option amounts (Unaudited)

21. MANAGEMENT OF CAPITAL, CONTINUED

Debt to equity capitalization is calculated as total long-term debt including capital leases, (both long-term and short-term portions), divided by total equity, (share capital, contributed surplus, and retained earnings).

The debt to equity target for the Company is to have 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, 2009	September 30, 2008
	\$	\$
Current portion of long-term debt	8,198	7,582
Current portion of obligations under capital leases	496	265
Long-term debt	14,424	19,670
Obligations under capital leases	720	230
Total debt	23,838	27,747
Shareholders' equity	80,606	139,308
Debt to equity	29.6%	19.9%

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 EVENTS

Acquisitions

On November 1, 2009, the Company completed the acquisition of specified business assets of Enns Agri for cash and 50,000 common shares of the Company at \$6.22.

On November 1, 2009, the Company completed the acquisition of specified business assets of Mayor Equipment for cash and 5,000 common shares of the Company at \$6.19.