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

ROCKY MOUNTAIN DEALERSHIPS INC.

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

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("**MD&A**") of the financial results of the Company is prepared as of August 10, 2010 and should be read in conjunction with the consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**") and are presented in Canadian dollars. This discussion focuses on key information from the audited consolidated financial statements for the year ended December 31, 2009. Additional information related to the Company is available at www.sedar.com and pertains to known risks and uncertainties in the construction and agriculture equipment dealership industry.

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

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EXECUTIVE SUMMARY

Business Overview

The Company operates through 29 locations across the Canadian prairie provinces with 18 branches in Alberta, 4 in Saskatchewan, and 7 in Manitoba. The Company distributes agriculture and construction equipment as well as provides product support by selling parts and providing in-branch and on-site repair and maintenance services. Each branch supports its sales and leasing departments by providing third party financing and insurance services. In addition, the Company provides other ancillary services such as equipment transportation and global positioning satellite (GPS) signal subscriptions.

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

Highlights from the Quarter

- Acquisition of certain assets of Wardale Equipment (1998) Ltd. with three locations in Saskatchewan and prior year revenues of approximately $39.0 million.
- Secured new distribution agreement with Metso Minerals Canada Inc.(“Metso”) to distribute Metso crushing and screening products in Alberta, Saskatchewan, and the Northwest Territories.
- Secured new distribution agreement with Doosan Infrastructure Construction Equipment America (“Doosan”) for exclusive distribution in the Edmonton area.
- Three and six month periods ended June 30, 2010 revenues of $146.2 million and $266.6 million, net earnings of $3.1 million and $4.9 million, and earnings per share of $0.17 and $0.27, respectively.

General Overview

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

The North American new agricultural equipment deliveries were up 3% as reported by CNH through the first six months of 2010. In our region, sales were mixed for the same period with market deliveries down in Alberta and up in Manitoba. Increased demand for tractors over 100HP and 4WD tractors were offset by reductions in the under 100HP tractor and combine segments. The market was running above 2009 up to the end of May, however in June, sales were impacted by significant levels of moisture that delayed seeding and in some areas left farmers unable to access their fields. This unusual amount of rainfall negatively impacted the quarter as farmers deferred equipment or other expenditures until viability of the years’ crops became available. Subsequent to June 30, 2010, the majority of our customers have had an opportunity to return to their fields and in some cases reseed the current year’s crop. With reductions in seeded acreage in Canada, as well as drought conditions in Eastern Europe, farm commodity prices have improved subsequent to the end of the second quarter. As well, the additional moisture has increased prospective yields in many areas of our market. The farm incomes generated from this year’s yield and pricing should improve western farmer’s balance sheets and ultimately our annual results.

CNH has reported that 2010 North American new construction equipment deliveries are up 15% in the first half. Construction equipment sales in our region continued to contract through the first half of 2010, however, in the second quarter we saw year over year increases in some sectors particularly light equipment such as skid steer loaders and loader backhoes. Case expects North American construction equipment sales will increase 5% to 10% in 2010 as the impact of government stimulus funds and private investment improve throughout the year. Our construction equipment sales are balanced through residential construction, roadwork (including paving and aggregate production), and commercial, industrial, and municipal construction. Although the Company is not directly involved in resource development, an increase in oil prices and an improvement in the United States economy is expected to increase growth in our market and ultimately increase sales.

The Company showed strength through the financial crisis by securing new lending and credit facilities in addition to maintaining growth and earnings. The additional financing is seen by management as confidence in the Company from its lenders, in what has been an exceptionally rare credit crisis.

The Company continued to execute on its growth strategy through the acquisition of Roydale New Holland's agriculture equipment dealership in Red Deer, Alberta in the first quarter, and Wardale Equipment's three Saskatchewan stores in the second quarter of 2010. These dealerships provide new avenues of expansion for the Company with Roydale being our entry in the New Holland organization, and Wardale being our first significant expansion into Saskatchewan .

Acquisitions

Effective June 1, 2010, the Company acquired certain dealership assets of Wardale Equipment (1998) Ltd. ("**Wardale**" or the "**Wardale Acquisition**"). The purchase consideration was $6.5 million, which was comprised of 292,643 shares issued, at a price of $8.71 per share for an aggregate of $2.5 million and cash of $4.0 million. In the most recent fiscal year ended November 30, 2009, Wardale reported revenues of approximately $39.0 million. The Wardale Acquisition added three Case IH Agriculture branches to our dealer network located in Yorkton, Langenburg, and Preeceville, Saskatchewan. The integration of the business system has been completed for these locations.

On March 1, 2010, the Company acquired all of the issued and outstanding shares of Roydale New Holland Inc. ("**Roydale NH**" or the "**Roydale NH Acquisition**"). The purchase consideration was $2.7 million, which was comprised of 148,572 shares issued, at a price of $8.99 per share for an aggregate of $1.3 million and cash of $1.4 million. In the most recent fiscal year ended November 30, 2009, Roydale NH reported revenues of approximately $22.0 million. Roydale NH is located in Red Deer, Alberta and represents the first New Holland agriculture dealership for RMDI. The Roydale NH Acquisition will be the cornerstone for New Holland expansion with the existing management of Roydale NH continuing on with RMDI. The integration of the business system has been completed for this location.

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

STRATEGY

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

The Company's strategy for expansion is the heavy equipment market on the east side of the rocky mountain corridor. Essentially, our long term growth area includes Alberta, Saskatchewan and Manitoba, and those U.S States south of the Canadian prairie provinces through to the Gulf of Mexico. Our growth to date has been in Canada. There are numerous opportunities in the Canadian market and with our recent partnership with New Holland, we are able to focus on the abundant opportunities available within Western Canada. In addition to our 29 locations there are approximately 22 Case IH dealer locations and 38 New Holland dealer locations in Western Canada. When the right opportunity presents itself, the Company may decide to make further acquisitions in the United States.

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

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

KEY PERFORMACE DRIVERS

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

The Overhead Absorption, which is regularly monitored by management, is a commonly used metric in the equipment dealership industry, at the branch and organization level. The Overhead Absorption is calculated by dividing the gross margin from product support revenue, by total overhead expenses, including interest, less variable equipment selling expenses, intangible amortization or impairment, 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. Management's target for Overhead Absorption for the 2010 fiscal year is between 82% and 86% compared to the 2009 fiscal year result of 84%. This metric suggests that the Company could cover 82% to 86% 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 by removing changes in tax rates, long-term assets and financing costs.

SELECTED FINANCIAL INFORMATION

IN THOUSANDS (other than per share amounts)

	3 months ended June 30, 2010 (unaudited) $		3 months ended June 30, 2009 (unaudited) $	
Revenue:				
New equipment sales	82,065	56.1%	90,624	58.4%
Used equipment sales	36,981	25.3%	38,756	25.0%
Product support	25,948	17.8%	24,424	15.7%
Finance and insurance (F&I)	896	0.6%	580	0.4%
Rental and leasing	279	0.2%	743	0.5%
Total Revenue	146,169	100.0%	155,127	100.0%
Cost of Sales	123,213	84.3%	133,352	86.0%
Gross Profit	22,956	15.7%	21,775	14.0%
Expenses:				
SG&A	15,856	10.8%	13,303	8.6%
Interest on short-term debt	1,506	1.0%	1,669	1.0%
Interest on long-term debt	231	0.2%	270	0.2%
Amortization of PPE	1,059	0.7%	707	0.5%
Earnings from Operations	4,304	3.0%	5,826	3.8%
Income taxes	1,196	1.0%	1,997	1.3%
Net Earnings	3,108	2.0%	3,829	2.5%
Net Earnings Per Share				
Basic	$0.17		$0.28	
Diluted	$0.17		$0.28	

	6 months ended June 30, 2010 (unaudited) $		6 months ended June 30, 2009 (unaudited) $	
Revenue:				
New equipment sales	144,003	54.0%	138,108	52.7%
Used equipment sales	75,068	28.1%	77,978	29.7%
Product support	45,815	17.2%	43,477	16.6%
Finance and insurance (F&I)	1,307	0.5%	876	0.3%
Rental and leasing	451	0.2%	1,838	0.7%
Total Revenue	266,644	100.0%	262,277	100.0%
Cost of Sales	224,456	84.2%	224,380	85.6%
Gross Profit	42,188	15.8%	37,897	14.4%
Expenses:				
SG&A	29,887	11.2%	25,824	9.8%
Interest on short-term debt	2,869	1.1%	3,105	1.2%
Interest on long-term debt	459	0.2%	547	0.2%
Amortization of PPE	2,035	0.8%	1,360	0.5%
Earnings from Operations	6,938	2.5%	7,061	2.7%
Income taxes	2,018	0.8%	2,504	1.0%
Net Earnings	4,920	1.7%	4,557	1.7%
Net Earnings Per Share				
Basic	$0.27		$0.34	
Diluted	$0.27		$0.34	

RECONCILIATION OF NET EARNINGS TO EBITDA

IN THOUSANDS

	3 months ended June 30, 2010 (unaudited)	3 months ended June 30, 2009 (unaudited)	6 months ended June 30, 2010 (unaudited)	6 months ended June 30, 2009 (unaudited)
	$	$	$	$
Net earnings	3,108	3,829	4,920	4,577
Long-term interest	231	270	459	547
Depreciation	1,059	707	2,035	1,360
Income taxes	1,196	1,997	2,018	2,504
Rental depreciation	166	206	234	307
Lease depreciation	9	160	26	535
EBITDA	5,769	7,169	9,692	9,830
Overhead Absorption	78%	89%	74%	82%

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

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
	$	$	$	$	$	$	$	$
Revenue	146,169	120,475	147,673	145,805	155,127	107,150	146,906	93,242
Net earnings before impairment	3,108	1,811	5,724	4,941	3,829	728	9,332	2,491
Impairment	-	-	-	-	-	-	(102,787)	-
Net earnings	3,108	1,811	5,724	4,941	3,829	728	(93,455)	2,491
EPS - Basic	0.17	0.10	0.35	0.34	0.28	0.06	(7.34)	0.19
EPS - Diluted	0.17	0.10	0.35	0.34	0.28	0.05	(7.34)	0.19
EBITDA	5,769	3,922	9,288	8,584	7,169	2,641	9,379	6,744
Overhead Absorption	78%	70%	67%	114%	89%	74%	81%	87%

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

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

New and used equipment sales decreased from approximately $129.4 million to $119.0 million in the three months ended and increased from $216.1 million to $219.1 million in the six months ended June 30, 2010, compared to the same periods in 2009. The decrease in the second quarter of 2010 from the same period in 2009 is mainly due to significant moisture experienced throughout the Canadian prairie provinces in May and June of 2010. Some agricultural customers had to delay or put off seeding or in some instances, had crops completely washed out. This impacted both new and used equipment sales as a number of our customers deferred purchases until they could determine viability on their respective crops. The weather also had a negative impact on the construction side of the business as our customers were forced to delay projects. The slight increase in sales over the six month comparative periods is due mainly to acquisition growth over the first six months of the year.

Product support revenues slightly increased from approximately $24.4 million to $25.9 million and $43.5 to $45.8 for the three and six month periods ended June 30, 2010, compared to the same periods in 2009. As a percentage of total sales, product support has increased from 15.7% to 17.8% over the three months ended and from 16.6% to 17.2% over the six months ended June 30, 2010. These increases can be attributed to a larger customer base as well as a lower percentage of new and used equipment sales in the second quarter of 2010 compared with the same period in 2009. Increased new and used sales in the short term affect the mix of whole goods to product support sales but as the installed base increases product support sales will increase as the unit's age and start to require significant maintenance.

Finance and insurance revenues increased from $0.6 million to $0.9 million and from $0.9 million to $1.3 million for the three and six month periods ended June 30, 2010, compared to the same periods in 2009. The slight increase is due to adding finance and insurance managers to the previously noted acquisitions, which provided additional opportunities for finance and insurance revenue.

Rental and leasing decreased from $0.7 million to $0.3 million and from $1.8 million to $0.5 million in the three and six month periods ended June 30, 2010, compared to the same periods in 2009. This is a result of management's continued commitment to reducing this portion of the business in favor of using third party vendors to free up capital resources. This reduction in rental and lease revenue has also impacted EBITDA for the same respective periods by reducing amortization by approximately $0.1 million and $0.5 million.

During the second quarter of 2010, the Company realized an increase in the gross margin percentage from 14.0% in the second quarter of 2009 to 15.7% in the second quarter of 2010. Over the six month period ended June 30, 2010, gross profit margin also increased from 14.4% to 15.8% compared with the same period in 2009. The increase has partially improved year over year because of the efficiencies generated through the integration of the acquired locations. The Company's gross margin has been lower than over the past 12-18 months due to the large amount of growth arising from acquired locations. The trend of increasing gross margin demonstrates the strength of the Company's model once it can be applied to the acquired stores through the use of a common business system as well as sharing the expertise and best practices of the Company.

In addition, the $1.2 million and $4.3 million increases in gross profits in the three and six months ended June 30, 2010, respectively, from the same periods in 2009, resulted from higher product support sales as a percentage of revenues and sales recognized through acquisitions and organic growth. The Company took charges against inventory of approximately $0.1 million and $0.7 million in the three and six months ended June 30, 2010, respectively, to ensure valuation of the inventory remains consistent with market conditions.

SG&A expenses increased from $13.3 million to $15.9 million and from $25.8 million to $29.9 million in the three and six month periods ended June 30, 2010 compared with 2009. The increase is mainly attributable to the additional expenses incurred in connection with the acquisitions completed in the latter part of 2009 and the first six months of 2010 as well as the reduction in total revenues for the second quarter compared with the prior year due to excess flooding and rainfall. As a percentage of total sales, SG&A was at 8.6% and 9.8% for the three and six months ended June 30, 2009 compared with 10.8% and 11.2% for 2010. The Company maintains the target of sub 10% SG&A expenses as a percentage of total sales for the year.

Compared with the three and six month periods ended June 30, 2009, long-term interest expense remained consistent at 0.2% of sales over the same periods in 2010. Over the first six months of 2010 compared with the same period in 2009, short-term interest decreased by 0.1% of revenues or $0.2 million. This decrease is the result of management's efforts to maximize financing incentives and opportunities presented by lenders to the Company. Over the three month period ended June 30, 2010, short-term interest expense remained consistent at 1.0% compared with the same period in 2009.

The Overhead Absorption for the three months ended June 30, 2010 was 78%. This would suggest that approximately 78% of the Company's expenses would be covered if there were no new or used equipment sales. This is a decrease from the second quarter of 2009 of approximately 11%, 89% to 78%, resulting from the significant rainfall that kept many of our customers' activities idle waiting for improved weather versus the additional expenses incurred from acquisitions in the fourth quarter of 2009 and the first quarter of 2010.

CASH FLOW

The Company's operating activities utilized $1.5 million in cash and generated $1.0 million in cash for the three and six month periods ended June 30, 2010, respectively. RMDI's operating cash inflows and outlays were generated or utilized by net earnings of $3.1 million and $4.9 million with non-cash items adding $3.9 million and $5.0 million for the three and six month periods ended June 30, 2010, respectively. Cash was utilized through working capital in the amounts of $8.5 million and $8.9 million in the three and six month periods ended June 30, 2010. The Company utilized available cash and financing with favorable rates to settle outstanding floor plan items near the end of the second quarter of 2010, which in turn, helped to lower interest expenses and utilize manufacturer incentives.

Over the same periods, cash generated in operating activities was enhanced by a net increase to the obligations under capital lease of approximately $0.3 million and $0.8 million. The Company had net proceeds of long-term debt in the three month period of $0.9 million primarily due to funds drawn for acquisitions. Over the six month period ended June 30, 2010, there was a net repayment of long-term debt of $0.2 million. For the three and six month periods ended June 30, 2010, the Company made dividend payments of $0.8 million and $1.6 million, respectively.

The investing activities consist of a net decrease of fixed assets totaling $0.1 million and $1.0 in the three and six month periods ended June 30, 2010. Additionally, the Company utilized $1.8 million and $2.6 million to partially complete the acquisitions of Roydale NH and Wardale over the three and six month periods ended June 30, 2010, respectively.

The net effect of the activities from operations, financing and investing was a decrease to cash in the amounts of $3.0 million and $3.7 million for the three and six months periods ended June 30, 2010.

BALANCE SHEET

IN THOUSANDS

	June 30, 2010 (unaudited) $	December 31, 2009 (unaudited) $	June 30, 2009 (unaudited) $
Current assets	319,227	281,234	245,452
Property, plant and equipment	20,389	19,343	19,661
Goodwill	6,795	4,086	3,886
Total assets	346,411	304,663	268,999
Current liabilities	233,678	203,653	198,539
Long-term debt	13,629	12,968	15,833
Obligations under capital lease	1,677	896	430
Future income taxes	3,224	1,051	1,199
Total liabilities	252,208	218,568	216,001
Shareholders' equity	94,203	86,095	52,998
Total liabilities and equity	346,411	304,663	268,999

Current assets consisted primarily of new and used inventory of approximately $263.5 million at June 30, 2010, $225 million at December 31, 2009 and $188 million at June 30, 2009, respectively. The increase over the year and periods ended June 30, 2010 are primarily related to the acquisitions completed in the second half of 2009 and first six months of 2010. In addition where the second quarter of 2009 used equipment sales were strong in light of good planting weather, which resulted in major reductions in used inventory, the spring of 2010 was challenging for our customers, who were deferring used equipment purchases with the expectations of improved weather conditions, and ultimately more favorable crops. The goodwill on the balance sheet at June 30, 2010 and December 31, 2009 is mainly attributable to the Heartland, Roydale NH, and Wardale acquisitions.

The current liabilities consisted primarily of floor plan payable for inventory financed of approximately $179.4 million, $158.8 million and $137.3 million, as of June 30, 2010, December 31, 2009, and June 30, 2009, respectively. The increases over the comparative periods are consistent with the above noted increases in new and used inventories.

SHARE CAPITAL – OUTSTANDING SHARES

	June 30, 2010	**December 31, 2009**
Opening balance, January 1	17,807,302	13,220,359
Heartland Acquisition	-	636,943
Enns Acquisition	-	50,000
Bought Deal Financing	-	3,900,000
Roydale NH Acquisition	148,572	-
Wardale Acquisition	292,643	
Share issuance	9,332	-
Closing balance	18,257,849	17,807,302

There were 18,257,849 and 17,807,302 shares outstanding as at June 30, 2010 and December 31, 2009, respectively.

There were 133,250 shares under a restricted shares unit plan outstanding as at June 30, 2010 (144,500– December 31, 2009). Under this plan, certain key employees will receive treasury shares of the Company on December 20, 2012, should they remain with the Company at that time.

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

Date Issued	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life (Years)
December 20, 2007	83,450	55,633	10.00	December 20, 2012	2.5
December 20, 2007	130,000	-	0.01	May 31, 2011	0.9
February 29, 2008	539,550	359,700	12.40	February 28, 2013	2.7
May 16, 2008	11,500	7,667	11.50	May 16, 2013	2.9
March 12, 2009	76,668	19,335	4.15	March 12, 2014	3.7
December 29, 2009	279,500	-	9.22	December 29, 2014	4.5
	1,120,668	442,335	9.42		3.0

LIQUIDITY AND CAPITAL RESOURCES

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

Facility	Amount available (million $)	Drawn at June 30, 2010 (million $)
Working Capital Facility	22.0	5.9
Acquisition Facility	20.0	15.1
Credit Union Facility	7.0	5.1
Various Floor plan facilities	250.0	179.4
	299.0	205.5

RMDI has access to two credit facilities (the **"Credit Facility"**) at its bank (the **"Bank"**), one of which consists of a revolving facility providing up to $22.0 million for working capital (the **"Working Capital Facility"**) and another facility of up to $20.0 million for acquisitions of additional equipment dealerships (the **"Acquisition Facility"**). The interest rate on the Acquisition Facility and the Working Capital Facility is 2.9% and 3.0% (December 31, 2009 - 3.8% and 2.8%), per annum respectively based on the prime rate at June 30, 2010 of 2.50% (December 31, 2009 - 2.25%). In addition, RMDI has access to $7.0 million through a Manitoba credit union (the **"Credit Union Facility"**). Amounts drawn under the Credit Union Facility bear interest currently at 3.50% (December 31, 2009 - 3.25%), the credit union's prime rate plus 1.0% and as at June 30, 2010 $5.1 million, including outstanding deposits, was drawn on this facility.

The indebtedness under the Credit Facility is secured in favour of the Bank by the Company's receivables and the non-CNH parts inventory. At June 30, 2010, the amount drawn on the Working Capital Facility was $5.9 million, the Company had positive cash of $5.3 million, and $15.1 million was drawn on the Acquisition Facility. RMDI pays a standby fee of 0.25% per annum on any undrawn portion of the Working Capital 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. The indebtedness under the Credit Union Facility is secured in favour of the credit union by the Miller receivables and the Miller non-CNH parts inventory.

The Company has existing floor plan facilities of approximately $250.0 million from various lending institutions for the purpose of financing inventory in sufficient approved limits to meet its needs for the foreseeable future. The Company currently has approximately $70.6 million available on such facilities. The new equipment inventory (and, in some cases, a portion of the used equipment inventory) is financed by way of floor plan financing, which is made available to RMDI by the equipment manufacturer's captive finance companies or divisions (such as CNH Capital), as well as banks and specialty lenders. As an extension to the CNH floor plan facility described above, the Company also has financing provided by GE Capital, terms which are substantially the same but qualify as long-term debt and are used to finance the rental fleet. The interest rates on these facilities are based on prime rate plus a percentage currently ranging from 0% to prime plus 4.9%.

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

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

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

The Debentures will not be redeemable prior to September 14, 2014. On or after September 30, 2014 and prior to September 15, 2015, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the market price of the Company's shares traded on the Toronto Stock Exchange on the date on which the notice of redemption is given is not less than 125.0% of the conversion price. On or after September 30, 2015 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

The Company announced on August 10, 2010 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 September 30, 2010, to shareholders of record at close of business on August 31, 2010. The Company is in compliance with all externally imposed capital requirements on all of its lending facilities.

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

ADEQUACY OF CAPITAL RESOURCES

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

GOODWILL AND INTANGIBLE ASSETS

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

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

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

CONTRACTUAL OBLIGATIONS

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

IN THOUSANDS

	Total	Remainder of 2010	2011-2012	2013-2014	Thereafter
	$	$	$	$	$
Long-term debt	21,282	4,715	11,253	4,914	400
Capital lease obligations	2,333	441	1,300	560	32
Operating lease obligations	25,184	3,026	11,342	5,891	4,925
Total contractual obligations	48,799	8,182	23,895	11,365	5,357

RELATED PARTY TRANSACTIONS

IN THOUSANDS

During the three and six month periods ended June 30, 2010, RMDI and its subsidiaries had arrangements with or involving related parties, which are accounted for at their exchange amount (which approximates fair value):

The premises and facilities for five of RMDI's branches are leased from companies in which the Chief Executive Office, who is also a Director; the Chief Operating Officer; the President, who is also a Director; and/or the Chief Financial Officer or their associates are shareholders. The Company paid a total of $313 and $626 in rent payments during the three and six months ended June 30, 2010 (June 30, 2009 - $238 and $476). It is anticipated that the Company will continue to operate from these branch premises and facilities. At June 30, 2010, $Nil was payable (December 31, 2009 – $185) to a company owned by related parties and $Nil was receivable (December 31, 2009 - $53) 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 the President, who is also a Director, of RMDI. The Company paid a total of $549 and $1,098 in lease payments during the three and six month periods ended June 30, 2010 (June 30, 2009 - $600 and $1,200). It is anticipated that the Company will continue to operate from these branch premises and facilities.

During the three and six month periods ended June 30, 2010, the Company paid management fees, performance bonuses and airplane rental fees to a company controlled by a related party totaling $88 and $175, $Nil and $142, $74 and $110, respectively (June 30, 2009 – $65 and $130, $Nil and $150, and $100 and $149). For the same three and six month periods, equipment sales of $234 and $327; and purchases of $42 and $47 were transacted between the Company and a company controlled by an officer and director (June 30, 2009 - $780 and $1,317; and $132 and $927).

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 June 30, 2010, $2,208 was payable to the former shareholders of Wardale, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition in Note 4a of the Company's financial statements.

As at June 30, 2010, $492 was payable to the former shareholders of Roydale NH, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 4b of the Company's financial statements.

As at June 30, 2010, $117 (December 31, 2009 - $18) was receivable from the former shareholder of Enns, who is also a shareholder of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 4c of the Company's financial statements.

As at December 31, 2009 $125 was receivable from 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 4e of the Company's financial statements. This amount was received during the first quarter of 2010 and there was no outstanding balance as at June 30, 2010.

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 June 30, 2010 and December 31, 2009, 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 $0.1 thousand to $2 thousand. The current operating leases have terms of five years or less expiring between August 31, 2010 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 cyclicality, currency fluctuations, inflation, and interest rate fluctuations.

Seasonality and Cyclicality

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

Currency Fluctuations and Foreign Exchange

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

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

Inflation

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

Interest Rate Fluctuations

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Allowance for Doubtful Accounts

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

Inventory

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

Capital Assets

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

Deferred Revenue

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

Future Taxes

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

FUTURE CHANGES RELATED TO INTERNATIONAL FINANCIAL REPORTING

Convergence with International Financial Reporting Standards

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

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

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

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

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

The Company has completed the Diagnostic and Scoping phase and is working on the Impact Assessment and Design phase. The Impact Assessment and Design Phase is expected to be completed in the second half of 2010, with implementation commencing at the end of the fourth quarter of 2010.

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

Impact of First-Time Adoption of IFRS

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

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

Share-based payment transactions

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

Fair value or revaluation as deemed cost

IFRS 1 permits first-time adopters to measure certain items of property, plant and equipment (PP&E) at fair value as at the date of transition. This would provide relief to the Company from retrospectively having to recognize and measure previously recorded items of PP&E according to IAS 16 “Property, Plant and Equipment.” The Company does not intend to make this election as it has determined through Phase 1 and Phase 2 that its measurement and recognition of PP&E items on the balance sheet at transition through GAAP were acceptable methods for measurement and recognition through IFRS, specifically IAS 16. However, if the Company were to make this election, there could be material increases or decreases to the carrying values of items in PP&E.

Business combinations

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

Impact on Balance Sheet and Earnings

Impairment of Assets

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

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

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

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

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

Property, Plant and Equipment ("PP&E")

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

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

Share-based payment transactions

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

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

Provisions

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

Other Considerations

Presentation and disclosure

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

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

Information technology

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

Expertise and training

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

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

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

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

Cautionary Note

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

KEY FINANCIAL STATEMENT COMPONENTS

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

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

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

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

FORWARD-LOOKING INFORMATION

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

Consolidated Financial Statements of

ROCKY MOUNTAIN DEALERSHIPS INC.

Three and Six Month Periods Ended June 30, 2010
(unaudited)

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Balance Sheets

In thousands of dollars (Unaudited)

	June 30, 2010 $	December 31, 2009 $
ASSETS		
CURRENT		
Cash	**5,259**	8,912
Accounts receivable and other (Notes 5 and 17)	**23,523**	24,186
Inventory (Note 6)	**289,779**	247,627
Prepaid expenses	**666**	509
	319,227	281,234
Property, plant and equipment (Note 8)	**20,389**	19,343
Goodwill (Notes 4 and 7)	**6,795**	4,086
	346,411	304,663
LIABILITIES		
CURRENT		
Bank indebtedness (Note 9)	**12,567**	1,947
Accounts payable and accrued liabilities (Notes 10 and 17)	**29,300**	30,595
Floor plan payable (Note 11)	**179,363**	158,793
Deferred revenue	**4,139**	3,154
Current portion of long-term debt (Note 12)	**7,653**	8,545
Current portion of obligations under capital lease	**656**	619
	233,678	203,653
Long-term debt (Note 12)	**13,629**	12,968
Obligations under capital lease	**1,677**	896
Future income taxes	**3,224**	1,051
	252,208	218,568
CONTINGENCY AND GUARANTEE (Note 13)		
COMMITMENTS (Note 16)		
SHAREHOLDERS' EQUITY		
Common shares (Note 14a)	**74,538**	70,601
Contributed surplus (Note 14d)	**3,783**	2,915
Retained earnings	**15,882**	12,579
Accumulated and other comprehensive income	**-**	-
	94,203	86,095
	346,411	304,663

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

ROCKY MOUNTAIN DEALERSHIPS INC.

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

Three and Six Month Periods Ended

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

	Three Months Ended June 30, 2010 $	Three Months Ended June 30, 2009 $	**Six Months Ended June 30, 2010 $**	Six Months Ended June 30, 2009 $
SALES				
New units	**82,065**	90,624	**144,003**	138,108
Used units	**36,981**	38,756	**75,068**	77,978
Product support	**25,948**	24,424	**45,815**	43,477
Finance and insurance	**896**	580	**1,307**	876
Rental and leases	**279**	743	**451**	1,838
	146,169	155,127	**266,644**	262,277
COST OF SALES (including amortization of $175 and $260 for the three and six months ended) (2009 - $366 and $842) (Note 8)	**123,213**	133,352	**224,456**	224,380
GROSS PROFIT	**22,956**	21,775	**42,188**	37,897
EXPENSES				
Selling and administrative	**15,856**	13,303	**29,887**	25,824
Interest on short-term debt	**1,506**	1,669	**2,869**	3,105
Interest on long-term debt	**231**	270	**459**	547
Amortization of property, plant and equipment	**1,059**	707	**2,035**	1,360
	18,652	15,949	**35,250**	30,836
EARNINGS BEFORE INCOME TAXES	**4,304**	5,826	**6,938**	7,061
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	**(990)**	2,048	**(25)**	2,554
Future	**2,186**	(51)	**2,043**	(50)
	1,196	1,997	**2,018**	2,504
NET EARNINGS AND COMPREHENSIVE INCOME	**3,108**	3,829	**4,920**	4,557
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	**13,582**	(88,983)	**12,579**	(89,116)
REDUCTION OF STATED CAPITAL (Note 14a)	**-**	89,116	**-**	89,116
DIVIDENDS	**(808)**	(624)	**(1,617)**	(1,219)
RETAINED EARNINGS, END OF PERIOD	**15,882**	3,338	**15,882**	3,338
EARNINGS PER SHARE (Note 15)				
Basic	**$0.17**	$0.28	**$0.27**	$0.34
Diluted	**$0.17**	$0.28	**$0.27**	$0.34

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

ROCKY MOUNTAIN DEALERSHIPS INC.

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

	Three Months Ended June 30, 2010 $	Three Months Ended June 30, 2009 $	**Six Months Ended June 30, 2010 $**	Six Months Ended June 30, 2009 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings and comprehensive income	**3,108**	3,829	**4,920**	4,557
Adjustments for:				
Amortization property, plant and equipment	**1,234**	1,073	**2,295**	2,202
Future income tax expense (recovery)	**2,186**	(51)	**2,043**	(50)
Stock-based compensation (Note 14d)	**448**	382	**887**	753
Gain on sale of property, plant and equipment	**(2)**	(159)	**(195)**	(385)
Changes in non-cash working capital, net of the effect of acquisitions	**(8,447)**	(4,583)	**(8,978)**	(1,669)
	(1,473)	491	**972**	5,408
FINANCING				
Payments to related parties regarding acquisitions (Notes 4 and 17)	**-**	-	**-**	(3,691)
Repayment of long-term debt	**(2,133)**	(4,236)	**(5,193)**	(6,543)
Proceeds from long-term debt	**3,000**	2,756	**4,962**	7,042
Repayment of obligations under capital lease	**(56)**	(71)	**(241)**	(112)
Proceeds from obligations under capital lease	**349**	231	**1,059**	231
Dividends paid	**(808)**	(624)	**(1,617)**	(1,219)
Proceeds from issuance of share capital	**11**	-	**39**	-
	363	(1,944)	**(991)**	(4,292)
INVESTING				
Purchase of property, plant and equipment	**(996)**	(553)	**(2,831)**	(942)
Proceeds on disposal of property, plant and equipment	**900**	1,125	**1,785**	1,522
Purchase of equipment dealerships, net of cash acquired	**(1,778)**	(1,776)	**(2,588)**	(1,776)
	(1,874)	(1,204)	**(3,634)**	(1,196)
NET DECREASE IN CASH	**(2,984)**	(2,657)	**(3,653)**	(80)
CASH, BEGINNING OF PERIOD	**8,243**	3,070	**8,912**	493
CASH, END OF PERIOD	**5,259**	413	**5,259**	413
SUPPLEMENTARY INFORMATION				
Interest paid	**1,737**	1,939	**3,328**	3,652
Income taxes paid	**3,266**	3,056	**4,041**	4,048

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

1. NATURE OF BUSINESS

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

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 and certain assets of Enns Agri and Mayor Equipment. During the six month period ended June 30, 2010, the Company acquired 100% of the common shares of Roydale New Holland Inc. (Note 4b) and certain assets of Wardale Equipment (1998) Ltd (Note 4a), respectively.

Inter-company transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Business combinations

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

Consolidation

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

Convergence with International Financial Reporting Standards

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

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

4. ACQUISITIONS OF BUSINESSES

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

The aggregate purchase price for Wardale was $6,536, which was comprised of cash consideration of $3,987, inclusive of transaction costs in the amount of $1, of which $1,778 has been paid, and the issuance of 293 shares at $8.71 per share (valued based on the average share price of two days around June 3, 2010, date of announcement), for share consideration of $2,549. The net working capital related to the acquisition was $3,714.

The purchase price is anticipated to be finalized and the remaining cash paid out upon completion of the working capital adjustment. At June 30, 2010, $2,208 was payable to the former shareholders of Wardale pending the finalization of the purchase price. This amount has been included in accounts payable and accrued liabilities.

	Preliminary $
Cash consideration	3,986
Transaction costs	1
Shares issued	2,549
Purchase consideration	6,536

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

	Preliminary $
Net working capital	3,714
Property, plant and equipment	1,500
Goodwill	1,322
Net assets acquired	6,536

Goodwill is not deductible for tax purposes.

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

4. ACQUISITIONS OF BUSINESSES (Continued)

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

The aggregate purchase price for Roydale NH was $2,664, which was comprised of cash consideration of $1,328, inclusive of transaction costs in the amount of $36, of which $810 has been paid (net of cash acquired of $26), and the issuance of 149 shares at $8.99 per share (valued based on the average share price of two days around February 12, 2010, date of announcement), for share consideration of $1,336. The net working capital related to the acquisition was $992.

The purchase price is anticipated to be finalized and the remaining cash paid upon completion of the net working capital adjustment. At June 30, 2010, $492 was payable to the former shareholder of Roydale NH pending the finalization of the purchase price. This amount has been included in accounts payable and accrued liabilities.

	Preliminary
	$
Cash consideration	1,292
Transaction costs	36
Shares issued	1,336
Purchase consideration	2,664

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

	Preliminary
	$
Net working capital	992
Property, plant and equipment	600
Goodwill	1,201
Future income tax liability	(129)
Net assets acquired	2,664

Goodwill is not deductible for tax purposes.

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

4. ACQUISITIONS OF BUSINESSES (Continued)

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

The aggregate purchase price for Enns was $2,148, which was comprised of cash consideration of $1,957 inclusive of transaction costs in the amount of $68, of which $1,957 has been paid (net of cash acquired of $Nil), and the issuance of 50 shares at $6.15 per share (valued based on the average share price of two days around November 2, 2009, date of announcement), for share consideration of $308. The net working capital related to the acquisition was $1,545.

The purchase price is anticipated to be finalized and the remaining cash received upon completion of the net working capital adjustment. At June 30, 2010, $117 (December 31, 2009 - $18) was receivable from the former shareholder of Enns pending the finalization of the purchase price. This amount has been included in accounts receivable and other.

	Preliminary
	$
Cash consideration	1,772
Transaction costs	68
Shares issued	308
Purchase consideration	2,148

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

	Preliminary
	$
Net working capital	1,545
Property, plant and equipment	500
Goodwill	103
Net assets acquired	2,148

Goodwill is not deductible for tax purposes.

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

4. ACQUISITIONS OF BUSINESSES (Continued)

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

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

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

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

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

Goodwill is not deductible for tax purposes.

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

4. ACQUISITIONS OF BUSINESSES (Continued)

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

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

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

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

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

Goodwill is not deductible for tax purposes.

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

5. ACCOUNTS RECEIVABLE AND OTHER

	June 30, 2010 $	December 31, 2009 $
Trade receivables and other	**22,137**	22,740
Warranty receivables	**2,161**	2,480
	24,298	25,220
Less allowance for doubtful accounts	**(775)**	(1,034)
	23,523	24,186

6. INVENTORY

	June 30, 2010 $	December 31, 2009 $
Equipment – new	**145,625**	121,830
Equipment – used	**117,863**	102,684
Parts	**25,176**	22,469
Work-in-progress	**1,115**	644
	289,779	247,627

For the three and six months ended June 30, 2010, new and used equipment, parts and work-in-progress recognized as an expense amounted to $123,038 and $224,196 (2009 - $132,986 and $223,538), respectively, and is included in cost of sales on the Consolidated Statements of Earnings and Comprehensive Income and Retained Earnings (Deficit). For the three and six months ended June 30, 2010, there were inventory write downs to estimated net realizable value of $134 and $661 on the Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings (Deficit) (2009 - $131 and $235). There have been no reversals of previously recorded inventory write downs for the three and six months ended June 30, 2010 (2009 - $Nil and $Nil). All inventory has been pledged as security for liabilities as disclosed in Notes 9, 11 and 12.

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

7. GOODWILL IMPAIRMENT

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

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

8. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2010		
	Cost $	Accumulated Amortization $	Net Book Value $
Land	**2,252**	**-**	**2,252**
Rental assets	**8,339**	**2,009**	**6,330**
Lease equipment	**859**	**348**	**511**
Buildings	**373**	**112**	**261**
Computer equipment	**2,287**	**849**	**1,438**
Furniture and fixtures	**1,672**	**523**	**1,149**
Leasehold improvements	**932**	**257**	**675**
Shop tools and equipment	**5,063**	**1,653**	**3,410**
Vehicles	**8,365**	**4,002**	**4,363**
	30,142	**9,753**	**20,389**

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Included in cost of sales is amortization expense aggregating $166 and $234 (2009 - $160 and $307) for rental assets and $9 and $26 (2009 - $206 and $535) for leased equipment for the three and six month period ended June 30, 2010, respectively.

Assets under capital lease, included in computer equipment and vehicles, have a cost of $808 and $2,314 (2009 - $258 and $864), respectively, and accumulated amortization of $133 and $823 (2009 - $7 and $280), respectively.

9. BANK INDEBTEDNESS

The Company has an operating revolving credit facility to a maximum of $22,000 with HSBC and bears interest ranging from the HSBC's prime interest rate plus 0.5% to the HSBC's prime interest rate plus 1.3%. The balance drawn at June 30, 2010 was $6,645 (December 31, 2009 - $Nil). The outstanding balance at June 30, 2010 included outstanding cheques of $773 (December 31, 2009 - $Nil). The effective interest rate at June 30, 2010 was 3.0% (December 31, 2009 – 2.8%). 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 in 2008, an additional working capital line of $7,000 became available through Vanguard Credit Union Ltd. and bears interest at prime plus 1.0%. The balance drawn at June 30, 2010 was $4,156 (December 31, 2009 - $2,507). The outstanding balance at June 30, 2010 included outstanding cheques of $993 (December 31, 2009 - $560 outstanding deposits). The effective interest rate at June 30, 2010 was 3.5% (December 31, 2009 - 3.3%). This indebtedness is secured by the receivables and non-CNH parts inventory of Miller.

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2010 $	December 31, 2009 $
Trade accounts payable	**29,300**	26,579
Income taxes payable	**-**	4,016
	29,300	30,595

11. FLOOR PLAN PAYABLE

The floor plan payable is due to various creditors who have extended wholesale credit, and is due on various dates, and at fixed or variable interest rates ranging from 0.0% to the bank's prime interest rate plus 4.9%. At June 30, 2010, the Company had in excess of approximately $70,600 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 June 30, 2010, the Company had $692 of floor plan outstanding in US currency (December 31, 2009 - $1,510). The entire amount has been classified as current as the corresponding inventory to which it relates has also been classified as current.

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

12. LONG-TERM DEBT

	June 30, 2010 $	December 31, 2009 $
Bankers acceptance rate plus 5.7% to prime plus 4.9% payable on rental assets to various vendors, payable in monthly principal instalments based on rents earned and secured by related equipment. The interest rates at June 30, 2010 ranged from 6.3% to 7.4% (December 31, 2009 – 6.0% to 8.3%)	**2,821**	4,254
Mortgage payable interest only payments due monthly at prime plus 1.75% and secured by the specific property. The effective interest rate at June 30, 2010 was 4.3% (December 31, 2009 – 4.0%)	**875**	875

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

12. LONG-TERM DEBT (Continued)

	June 30, 2010 $	December 31, 2009 $
Case Credit promissory note settled during the six month period ended June 30, 2010.	**-**	157
Case Credit promissory note payable in monthly principal instalments of $90, interest rates ranging from 0.0% to prime plus 4.9%, secured by a general security agreement and specific assets. The effective interest rate at June 30, 2010 was 7.4% (December 31, 2009 - 0.0%)	**636**	1,182
Acquisition Loan payable in equal monthly principal instalments over a 60 month period, plus interest ranging from the Bank's prime rate plus 1.5% to plus 2.3%, and secured by all real property owned and subsequently acquired. The available limit is $20,000. The effective interest rate at June 30, 2010 was 2.9% (December 31, 2009 - 3.8%)	**15,125**	12,193
HSBC Dealer Leasing loans comprised of individual contracts with individual interest rates that are either floating at prime plus 0.4% or fixed based on the bank's daily fixed rate for the particular length of the individual contract. Contracts are secured by all real property owned and subsequently acquired and individual payment terms are up to five years from the time each contract is initiated. The effective interest rate at June 30, 2010 was 5.9% (December 31, 2009 – 5.6%)	**1,255**	2,575
Contracts with various financial institutions repayable in monthly instalments ranging from $1 to $13, plus interest ranging from 0.0% to 5.5%, secured by various motor vehicles and computer equipment, due between July 2010 and March 2013.	**570**	277
	21,282	21,513
Less current portion	**(7,653)**	(8,545)
	13,629	12,968

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

12. LONG-TERM DEBT (Continued)

Principal payments due are as follows:

	$
Remainder of 2010	**4,715**
2011	**5,892**
2012	**5,361**
2013	**3,418**
2014	**1,496**
Thereafter	**400**
	21,282

13. CONTINGENCY AND GUARANTEE

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

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

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

14. SHARE CAPITAL

a) Shares

The share capital of the Company consists of following:

	June 30, 2010		December 31, 2009	
	Shares	**Total $**	Shares	Total $
Authorized				
Unlimited number of common shares				
Issued				
Opening balance	**17,807**	**70,601**	13,220	133,879
Shares issued in consideration for acquisitions				
Heartland (note 4e)	**-**	**-**	637	2,739
Enns (Note 4c)	**-**	**-**	50	308
Roydale NH (Note 4b)	**149**	**1,336**	-	-
Wardale (Note 4a)	**293**	**2,549**	-	-
Reduction of stated capital	**-**	**-**	-	(89,116)
Shares issued for cash, net of share issue costs	**-**	**-**	3,900	22,909
Shares issued on exercise of stock options (Note 14b)	**9**	**58**	-	-
	18,258	**74,544**	17,708	70,719
Transaction costs	**-**	**(6)**	-	(118)
Closing balance	**18,258**	**74,538**	17,807	70,601

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

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

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

14. SHARE CAPITAL (Continued)

b) Stock options

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

In 2007, the Company issued an option to a shareholder to purchase 130 shares at an aggregate exercise price of $0.25. This option vests on April 1, 2011 and expires May 31, 2011. The weighted average exercise price of this option is $0.01. This option grant is a continuation of a private share option plan to a member of executive management. The option was fair value in accordance with the Company's accounting policy and compensation expense is recognized over the vesting period (See Note 14d). The weighted average fair value of this option, as calculated using the Black-Scholes model, was $10.

The outstanding options for the six months ended June 30 are as follows:

	2010		2009	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Opening balance, January 1	**1,153**	**9.43**	821	10.18
Issued	**-**	**-**	86	4.15
Exercised	**(9)**	**4.15**	-	-
Cancelled	**-**	**-**	-	-
Forfeited	**(23)**	**12.40**	(15)	12.40
Closing balance, June 30	**1,121**	**9.42**	892	9.56

Options in the amount of 442 were exercisable at June 30, 2010 (2009 - 225). For the three and six month periods ended June 30, 2010, 1 and 9 options were exercised (2009 – Nil and Nil) and Nil and 23 options were forfeited (2009 – 10 and 5), respectively.

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

14. SHARE CAPITAL (Continued)

b) Stock options, continued

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

Date Issued	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life
December 20, 2007	83	56	10.00	December 20, 2012	2.5
December 20, 2007	130	-	0.01	May 31, 2011	0.9
February 29, 2008	539	359	12.40	February 28, 2013	2.7
May 16, 2008	12	8	11.50	May 16, 2013	2.9
March 12, 2009	77	19	4.15	March 12, 2014	3.7
December 29, 2009	280	-	9.22	December 29, 2014	4.5
	1,121	442	9.42		3.0

c) Restricted share unit plan

In 2007, the Company reserved 158 shares under a restricted shares unit plan. Under this plan, certain key employees will receive treasury shares in the Company on December 20, 2012 should they remain with the Company at that time. During the three and six months ended June 30, 2010, 1 and 11 of these units were forfeited, respectively (2009 – Nil and 1). The aggregated fair value of the remaining 133 shares at June 30, 2010 is $1,333 (December 31, 2009 - $1,445). These shares were valued upon issuance, using the Black-Scholes option pricing model, at a fair value of $10, and the compensation expense is allocated over the vesting term of five years.

d) Stock-based compensation

During the three and six months ended June 30, 2010, the Company recorded compensation expense in the Consolidated Statements of Net Earnings, Comprehensive Income and Retained Earnings (Deficit) totaling $448 and $887 (2009 - $382 and $753) 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.

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

14. SHARE CAPITAL (Continued)

d) Stock-based compensation, continued

	2010 **$**	2009 $
Contributed surplus, opening balance, January 1	**2,915**	1,406
Stock-based compensation expense	**887**	753
Exercise of options	**(19)**	-
Contributed surplus, closing balance, June 30	**3,783**	2,159

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

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

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

15. 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.

For the three and six months ended June 30, 2010, 914 options were anti-dilutive (2009 – 676).

	Three Months Ended June 30, 2010			Three Months Ended June 30, 2009		
	Earnings $	**Weighted average shares outstanding**	**Per share $**	Earnings $	Weighted average shares outstanding	Per share $
Basic	**3,108**	**18,057**	**0.17**	3,829	13,850	0.28
Shares assumed issued		**341**			366	
Shares assumed purchased		**(166)**			(366)	
Diluted	**3,108**	**18,232**	**0.17**	3,829	13,850	0.28

	Six Months Ended June 30, 2010			Six Months Ended June 30, 2009		
	Earnings $	**Weighted average shares outstanding**	**Per share $**	Earnings $	Weighted average shares outstanding	Per share $
Basic	**4,920**	**17,958**	**0.27**	4,557	13,537	0.34
Shares assumed issued		**344**			333	
Shares assumed purchased		**(171)**			(333)	
Diluted	**4,920**	**18,131**	**0.27**	4,557	13,537	0.34

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

16. COMMITMENTS

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

	$
Remainder of 2010	**3,026**
2011	**5,767**
2012	**5,575**
2013	**3,252**
2014	**2,639**
Thereafter	**4,925**

17. RELATED PARTY TRANSACTIONS

For the three and six months ended June 30, 2010, the Company paid management fees of $88 and $175 (2009 - $65 and $130), performance bonuses of $Nil and $142 (2009 $Nil and $150), and flight costs $74 and $110 (2009 - $100 and $149) to a company controlled by a related party, respectively. In addition, rental payments on the Company's facilities of $862 and $1,724 (2009 - $838 and $1,676) were paid to companies controlled by certain members of senior management. Equipment sales of $234 and $327 (2009 - $780 and $1,317) and purchases of $42 and $47 (2009 - $132 and $927) were transacted between the Company and a company controlled by a significant shareholder and member of senior management. At June 30, 2010, $Nil (December 31, 2009 - $53) was in accounts receivable and other and due from related companies and $Nil (December 31, 2009 - $185) 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 June 30, 2010, $2,208 was payable to the former shareholders of Wardale, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition in Note 4a. This amount is included in accounts payable and accrued liabilities.

As at June 30, 2010, $492 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 4b. This amount is included in accounts payable and accrued liabilities.

17. RELATED PARTY TRANSACTIONS (Continued)

As at June 30, 2010, $117 was receivable from the former shareholder of Enns, who is also a shareholder of the Company, in relation to working capital adjustments resulting from the acquisition in Note 4c. This amount is included in accounts receivable and other.

As at December 31, 2009 $125 was receivable from 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 4e. This amount was received during the first quarter of 2010 and there was no outstanding balance as at June 30, 2010.

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 June 30, 2010 and December 31, 2009, there are no other outstanding accounts receivable or accounts payable with related parties.

18. 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 June 30, 2010.

Credit risk

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

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

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk, continued

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

	$
Cash	5,259
Accounts receivable	23,523
	28,782

The aging of accounts receivable at the reporting date was:

	$
Trade receivables	
Current	20,358
Aged between 61 - 119 days	623
Aged greater than 120 days	1,156
Total receivables	22,137
Allowance for doubtful accounts	(775)
Net trade receivables	21,362
Warranty receivables	2,161
	23,523

Reconciliation of allowance for doubtful accounts:

	$
Balance, December 31, 2009	1,034
Decrease in period	(259)
Balance, June 30, 2010	775

Market risk

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

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency exchange risk and sensitivity analysis

The Company's financial instruments are exposed to currency fluctuations as it purchases a significant portion of its inventory in foreign currencies. A significant weakening of the U.S. dollar ("USD") against the Canadian dollar could result in a write-down of inventory as a large portion of the inventory is purchased in USD. In order to mitigate this risk, the Company uses forward contracts when appropriate. At June 30, 2010 and December 31, 2009 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 $125 and $226 for the three and six months ended June 30, 2010 (2009 - $181 and $185), respectively.

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

	Denominated USD $	Change in Currency %	Effect on Earnings and Comprehensive Income (net of tax) Six Months Ended June 30, 2010 $
Cash	1,317	5.0	47
Accounts payable and accrued liabilities	(714)	5.0	(25)
Floor plan payable	(692)	10.0	(49)
	(89)		(27)

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

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

	$
Floor plan payable	125,554
Rental loan	2,821
HSBC dealer lease	1,255
Bank indebtedness	12,567
Acquisition loan	15,125
Case Credit note	636
CWB Mortgage	875
	158,833

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) 6 Months Ended June 30, 2010 $
Floor plan payable	446
Rental loan	10
HSBC dealer lease	4
Bank indebtedness	45
Acquisition loan	54
Case Credit note	2
CWB Mortgage	3
	564

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

	Carrying Value $	Remainder of 2010 $	2011-2012 $	2013-2014 $	Thereafter $
Bank indebtedness	12,567	12,567	-	-	-
Accounts payable and accrued liabilities	29,300	29,300	-	-	-
Floor plan payable	179,363	179,363	-	-	-
Long-term debt	21,282	4,715	11,253	4,914	400
Capital leases	2,333	441	1,300	560	32
	244,845	226,386	12,553	5,474	432

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, and 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 $48 at June 30, 2010 (December 31, 2009 - $80).

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

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

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments, continued

- Level 2 financial instruments are those which can be derived from inputs, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). At June 30, 2010 and December 31, 2009, the Company did not have any Level 2 financial instruments.

- Level 3 financial instruments are those derived from valuation techniques that include inputs for the financial asset or liability which are not based on observable market data (unobservable inputs). At June 30, 2010, Level 3 financial instruments for the Company included the valuation of interest-free loans. The Company used an imputed interest rate of 5.0% (December 31, 2009 – 5.0%) to assess the fair value of the loans. This rate is obtained internally based on the Company's risk for similar financial liabilities. The fair value of the financial liabilities at June 30, 2010 is $48 (December 31, 2009 - $80).

	Level 3 Financial Instruments June 30, 2010 $
Balance, December 31, 2009	80
Realized and unrealized gains (losses)	-
Settlements	(32)
Transfers in and/or out of Level 3	-
Balance, June 30, 2010	48

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 June 30, 2010 and December 31, 2009.

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

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

21. MANAGEMENT OF CAPITAL (Continued)

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

The components of debt and coverage ratios are as follows:

	June 30, 2010 $	December 31, 2009 $
Current portion of long-term debt	**7,653**	8,545
Current portion of obligations under capital leases	**656**	619
Long-term debt	**13,629**	12,968
Obligations under capital leases	**1,677**	896
Total debt	**23,615**	23,028
Shareholder's equity	**94,203**	86,095
Debt to equity	**25.1%**	26.8%

22. ECONOMIC DEPENDENCE

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

23. SUBSEQUENT EVENT

On July 6, 2010, the Company announced a $30,000 bought deal financing arrangement where a syndicate of underwriters agreed to buy 30 convertible unsecured subordinated debentures (“Debentures”) of the Company at a price of $1 per Debenture (the “Offering”). The Company has also granted the underwriters an over-allotment option to purchase up to $1,500 additional debentures, which may be exercised up to thirty days after the closing of the Offering. The Offering was closed on July 27, 2010.

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

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

The debentures will not be redeemable prior to September 14, 2014. On or after September 30, 2014 and prior to September 15, 2015, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the market price of the Company’s shares traded on the Toronto Stock Exchange on the date on which the notice of redemption is given is not less than 125.0% of the conversion price. On or after September 30, 2015 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest.