Titan Machinery Inc.
Form S-1/A
May 02, 2008

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As filed with the Securities and Exchange Commission on May 2, 2008

Registration No. 333-150478

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TITAN MACHINERY INC.

(Exact name of registrant as specified in its charter)

Delaware	**5080**	**45-0357838**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

4876 Rocking Horse Circle
Fargo, ND 58104-6049
(701) 356-0130

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David J. Meyer
Chairman and Chief Executive Officer
Titan Machinery Inc.
4876 Rocking Horse Circle
Fargo, ND 58104-6049
(701) 356-0130

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Melodie R. Rose Alexander Rosenstein Fredrikson & Byron, P.A. 200 South Sixth Street Suite 4000 Minneapolis, MN 55402-1425 (612) 492-7000	W. Morgan Burns Jonathan R. Zimmerman Faegre & Benson LLP 2200 Wells Fargo Center 90 South Seventh Street Minneapolis, MN 55402-1425 (612) 766-7000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

If this Form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company) o	Smaller reporting company ý

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common stock, par value $0.00001	4,025,000 shares	$22.81	$91,810,250	$3,616

(1) Includes 525,000 shares of Common Stock issuable upon exercise of the underwriters' over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, based on the average of the high and low trading prices for the common stock as reported by the Nasdaq Global Market on April 23, 2008.

(3) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until our registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 2, 2008

3,500,000 Shares

Common Stock

Titan Machinery Inc. is offering 3,000,000 shares and selling stockholders are offering 500,000 shares. Our common stock is traded on the Nasdaq Global Market under the symbol "TITN." On April 30, 2008, the last reported sale price of our common stock was $18.21 per share.

	Per Share	Total
Price to public	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Titan Machinery Inc.	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters have a 30-day option to purchase up to 525,000 additional shares of common stock from us at the public offering price less the underwriting discount to cover over-allotments, if any. Delivery of the shares of common stock will be made on or about , 2008.

This investment involves risk. See "Risk Factors" beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Craig-Hallum Capital Group **Robert W. Baird & Co.**

The date of this prospectus is , 2008.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto accompanying this prospectus, before making an investment in our common stock.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover of this prospectus, but the information may have changed since that date.

Our Company

We own and operate what we believe is one of the largest networks of full-service agricultural and construction equipment stores in North America. Based upon information provided to us by CNH Global N.V. or its U.S. subsidiary CNH America LLC, collectively referred to in this prospectus as CNH, we are the world's largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S.

The agricultural equipment we sell and service includes machinery and attachments for uses ranging from large-scale farming to home and garden use. The construction equipment we sell and service includes heavy construction and light industrial machinery for commercial and residential construction, road and highway construction and mining applications. We offer our customers a one-stop solution for their equipment needs through:

- new and used equipment sales;
- parts sales;
- repair and maintenance services; and
- equipment rental and other activities.

The new equipment and parts we sell are supplied primarily by CNH. We acquire used equipment for resale through trade-ins from our customers and selective purchases. We sell parts and provide in-store and on-site repair and maintenance services. We rent equipment and provide other ancillary services such as equipment transportation, GPS signal subscriptions and finance and insurance products.

Throughout our 28-year operating history, we have built an extensive, geographically contiguous network of 40 full-service stores and two outlet stores located in the upper Midwest. We have a successful history of growth through acquisitions, including 18 acquisitions consisting of 35 stores operating in four states since January 1, 2003, which includes four acquisitions consisting of five stores completed since our initial public offering on December 11, 2007. We have a well-established track record of successfully integrating acquired stores, retaining acquired-store employees and maintaining acquired-store customer relationships. We expect that acquisitions will continue to be an important component of our growth.

For the fiscal year ended January 31, 2008, our revenue increased 48% to $433.0 million from $292.6 million for the fiscal year ended January 31, 2007. For the fiscal year ended January 31, 2008, our net income increased 43% to $5.2 million from $3.6 million for the fiscal year ended January 31, 2007. The improvement in our profitability resulted primarily from acquisitions, growth in same-store sales and a manufacturer leasing program.

Our Industry

Our business is driven by the demand for agricultural equipment, which is purchased primarily for the production of food, fiber, feed grain and renewable energy. Based on USDA data, farmers are currently enjoying historically strong economic fundamentals, which is driven in part by growing global demand for agricultural commodities, due in part to renewable energy and economic growth in developing countries. IBISWorld data shows that total revenue for U.S. farm and garden equipment dealers was $51.8 billion in 2006 and is projected to grow to $53.5 billion by 2012, as adjusted for inflation.

In addition, our business is impacted by the demand for construction equipment, which is purchased primarily for private and government commercial, residential and infrastructure construction, including the energy and mining markets. CNH and industry reports show that demand for construction equipment in our markets is driven by several factors, including public infrastructure spending, including roads and highways, sewer and water. The Federal Highway Administration allocations to public infrastructure spending in the states in which we operate stores will increase from $1.3 billion, or 3.9% of federal funding, in 2005 to $1.6 billion, or 4.3% of federal funding, in 2009, as adjusted for inflation. IBISWorld data shows that total revenue for U.S. construction equipment dealers was $72.4 billion in 2006 and is projected to grow to $78.3 billion by 2012, as adjusted for inflation.

Our Business Strengths

We believe our business has the following key strengths:

Titan Operating Model. Through the Titan Operating Model, we empower leadership and share best practices at the store level while realizing efficiencies at the corporate level. We believe exceptional customer service is most efficiently delivered through accountable store employees who are supported by centralized administrative, finance and marketing functions.

Leading North American Equipment Provider with Significant Scale. We believe our size and large, contiguous geographic market provide us with several competitive advantages, including efficient inventory management, a large distribution network, and our ability to capitalize on crop diversification and disparate weather conditions throughout the large geographic area in which we operate stores.

Customer Focus at the Local Level. As part of the Titan Operating Model, we centralize general, administrative, finance and marketing functions. This strategy enables our store employees to focus exclusively on their customers and eliminates redundant operating expenses.

Superior Customer Service to Attract and Retain Customers. We believe our ability to respond quickly to our customers' demands is a key to profitable growth. We spend significant time and resources training our employees to effectively service our customers in each of our local markets, which we believe will increase our revenue.

Unique Entrepreneurial Culture to Attract and Retain Superior Employees. Our unique entrepreneurial culture empowers our employees to make decisions and act within the parameters of a proven operating process and system. The balance we maintain between our entrepreneurial spirit and standardized operations enables us to attract and retain superior employees who can work independently yet consistently throughout our company based on defined objectives and frequent feedback.

Diverse and Stable Customer Base to Avoid Market Volatility. We believe our large and diverse customer base of over 28,000 customers in fiscal 2008 limits our exposure to risks associated with customer concentration and fluctuations in local market conditions.

Experienced Management Team to Implement our Growth Strategy. Our executive team is led by David Meyer, our Chairman and Chief Executive Officer, and Peter Christianson, our President and Chief Financial Officer, who have approximately 33 and 29 years, respectively, of industry experience. Our store managers and field marketers also have extensive industry knowledge and experience.

Our Growth Strategy

We believe our business strengths will enable us to grow our business as we implement the following growth strategies:

Increase Market Share and Same-Store Sales. We focus on increasing our share of the equipment sold in our markets because our market share impacts current period revenue and compounds our revenue over the life of the equipment sold through recurring parts and service business. We seek to generate same-store sales growth and increase market share through significant marketing and advertising programs, supporting evolving technologies that are difficult for single-store operators to support, maintaining state-of-the-art service facilities and mobile service trucks and maximizing parts and equipment availability for our customers.

Make Selective Acquisitions to Grow Our Business. The agricultural and construction equipment industries are fragmented and consist of many relatively small, independent businesses servicing discrete local markets. We believe a favorable climate for dealership consolidation exists due to several factors, including the competitiveness of our industry, growing dealer capitalization requirements and lack of succession alternatives. We intend to evaluate and pursue acquisitions with the objectives of entering new markets, consolidating distribution within our established network and strengthening our competitive position. We also look to add construction stores in local markets in which we sell agriculture equipment but do not have construction dealership agreements with CNH.

Integrate New Dealers into the Titan Operating Model. We have developed the Titan Operating Model to optimize the performance and profitability of each of our stores. Upon consummation of each acquisition, we integrate acquired stores into our operations by implementing the Titan Operating Model and seeking to enhance each acquired store's performance within its target market.

Recent Developments

Since our initial public offering in December 2007, we have acquired four additional dealers, totaling five stores. Effective December 1, 2007, we acquired Reiten & Young International, Inc., resulting in the addition of one store in Grand Forks, North Dakota. On January 2, 2008, we acquired Avoca Operations, Inc. and Greenfield Operations, Inc., resulting in the addition of one store in Avoca, Iowa and one store in Greenfield, Iowa. On February 1, 2008, we acquired certain assets of Ceres Equipment Inc., resulting in the addition of one store in Roseau, Minnesota. On May 1, 2008, we acquired Quad County Implement, Inc., resulting in the addition of one store in Blairstown, Iowa. We have also made significant additions to our administrative operations, including the hiring of several regional managers, and significant additions to both our information technology and accounting staff.

Risk Factors

Our business is subject to a number of risks discussed under the heading "Risk Factors" and elsewhere in this prospectus. The principal risks facing our business include, among others, our substantial dependence upon our relationship with CNH, termination and other provisions in our agreements with CNH affiliates, economic conditions in the agriculture and construction industries, the availability of financing for the equipment we sell, our ability to execute our acquisition strategy, and competition in our industry. There are also several risks relating to this offering and the ownership of our common stock. You should carefully consider these factors, as well as all of the other information set forth in this prospectus.

Corporate Information

We were incorporated as a North Dakota corporation in 1980 and reincorporated in Delaware in December 2007 prior to our initial public offering. Our executive offices are located at 4876 Rocking Horse Circle, Fargo, ND 58104-6049. Our telephone number is (701) 356-0130. We maintain a web site at *www.titanmachinery.com*. Our web site and the information contained on our web site shall not be deemed to be part of this prospectus.

The Offering

Common stock offered by us	3,000,000 shares
Common stock offered by the selling stockholders	500,000 shares
Common stock to be outstanding after this offering	16,443,810 shares
Over-allotment option	The underwriters have a 30-day option to purchase up to 525,000 additional shares of common stock from us.
Use of proceeds	We intend to use the net proceeds from this offering to fund future acquisitions of dealerships and for working capital and general corporate purposes. We will not receive any proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds" for additional information.
Nasdaq Global Market symbol	TITN

Unless otherwise indicated, the number of shares of our common stock that will be outstanding immediately after this offering is based on 13,443,810 shares of common stock outstanding as of April 10, 2008, and excludes:

- shares issuable under our 2005 Equity Incentive Plan, including 493,252 shares of common stock issuable upon the exercise of outstanding stock options (of which 49,085 are exercisable) at a weighted average exercise price of $7.61 per share and 506,748 shares of common stock reserved for future issuances;

- 85,932 shares of common stock issuable pursuant to vesting of restricted stock grants; and

- 133,638 shares of common stock issuable upon the exercise of outstanding warrants (all of which are exercisable) at a weighted average exercise price of $3.46 per share.

Except as otherwise noted, all information in this prospectus assumes:

- no exercise of the underwriters' over-allotment option; and

- an assumed offering price of $18.21 per share (the last reported sale price of our common stock on April 30, 2008).

Summary Financial Data

The following tables set forth, for the periods and dates indicated, our summary financial data. The summary financial data as of and for our fiscal years ended January 31, 2008, 2007 and 2006 have been derived from our audited financial statements included elsewhere in this prospectus. The results included here and elsewhere in this prospectus are not necessarily indicative of future performance.

	Year ended January 31,		
	2008	**2007**	**2006**
	(in thousands, except per share data)		
Statement of Operations Data:			
Revenue			
Equipment	$ 338,382	$ 220,958	$ 175,549
Parts	58,743	42,619	31,099
Service	27,344	21,965	16,572
Other	8,502	7,056	5,250
	432,971	292,598	228,470
Cost of revenue			
Equipment	$ 302,320	$ 200,558	$ 160,814
Parts	42,568	29,909	22,459
Service	10,118	8,183	6,404
Other	5,913	5,337	4,081
	360,919	243,987	193,758
Gross profit	72,052	48,611	34,712
Operating expenses	53,190	37,399	26,978
Income from operations	18,862	11,212	7,734
Other income (expense)			
Interest and other income	577	349	87
Floorplan interest expense	(3,812)	(3,294)	(2,296)
Other interest expense, including interest on subordinated debentures of $559 in 2006, $1,680 in 2007 and $1,552 in 2008	(2,480)	(2,179)	(1,072)
Debt retirement costs	(3,824)		
Income before income taxes	9,323	6,088	4,453
Provision for income taxes	(4,110)	(2,450)	(1,721)
Net income	$ 5,213	$ 3,638	$ 2,732
Adjustment to income:			
Amortization of syndication fees-preferred stock (net of tax effect)	(51)	(21)	(21)
	(88)	(102)	(102)

	Year ended January 31,		
Unpaid accumulated preferred dividends			
Income available to common stockholders	$ 5,074	$ 3,515	$ 2,609

Earnings per share			
Basic	$ 0.90	$ 0.81	$ 0.60
Diluted	$ 0.67	$ 0.57	$ 0.47
Weighted average shares outstanding			
Basic	5,607	4,345	4,341
Diluted	8,246	6,907	6,317
Non-GAAP Data:			
Adjusted EBIT (unaudited)	$ 15,627	$ 8,267	$ 5,525

Adjusted EBIT

The adjusted EBIT measure presented consists of net income before (1) other interest expense, (2) provision for income taxes and (3) debt retirement costs. We are providing adjusted EBIT, a non-GAAP financial measure, along with GAAP measures, as a measure of income from operations because we believe interest and other income and floorplan interest expense are driven by decisions related to operating our business compared to other items of interest expense, which are associated with capitalizing our business. In addition, debt retirement costs are related to the one-time costs associated with repaying outstanding indebtedness with proceeds from our initial public offering. We believe that adjusted EBIT is meaningful information about our business operations that investors should consider along with our GAAP financial information. We use adjusted EBIT, as well as income from operations and net income, for planning purposes, including the preparation of internal operating budgets.

Adjusted EBIT is a non-GAAP measure that has limitations because it does not include all items of income and expense that impact our operations. This non-GAAP financial measure is not prepared in accordance with, and should not be considered an alternative to, measurements required by GAAP, such as operating income, net income, cash flow from continuing operating activities or any other measure of performance or liquidity derived in accordance with GAAP. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures.

The following is a reconciliation of our net income to adjusted EBIT:

	Year ended January 31,		
	2008	**2007**	**2006**
		(in thousands)	
Net income	$ 5,213	$ 3,638	$ 2,732
Other interest expense	2,480	2,179	1,072
Provision for income taxes	4,110	2,450	1,721
Debt retirement costs	3,824		
Adjusted EBIT	$ 15,627	$ 8,267	$ 5,525

	January 31,		
	2008	2007	2006
		(in thousands)	
Balance Sheet Data:			
Cash	$ 42,802	$ 7,572	$ 8,671
Inventories	145,767	106,254	81,631
Goodwill and intangibles, net	8,608	3,905	1,587
Total assets	239,369	138,872	105,083
Floorplan notes payable	105,848	84,699	61,908
Long-term liabilities	17,059	24,790	18,599
Total liabilities	163,251	123,814	93,834
Redeemable securities		1,680	1,556
Total stockholders' equity	76,117	13,378	9,693

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all the other information contained in this prospectus before you decide to buy our common stock. If any of the following risks related to our business actually occurs, our business, financial condition and operating results would be adversely affected. The market price of our common stock could decline due to any of these risks and uncertainties related to our business, or related to an investment in our common stock, and you may lose part or all of your investment.

Risks Related to Our Business

We are substantially dependent upon our relationship with CNH.

We are an authorized dealer of CNH agricultural and construction equipment and parts. In fiscal 2008, CNH supplied approximately 77.9% of the new equipment we sold and represented a significant portion of our parts revenue. Our acquisition strategy contemplates the acquisition of additional CNH geographic areas of responsibility and store locations in both the agricultural and construction equipment areas. We depend on CNH Capital America LLC, or CNH Capital, for floorplan financing to purchase a substantial portion of our inventory. In addition, CNH Capital provides a significant percentage of the financing used by our customers to purchase CNH equipment from us. CNH also provides incentive programs and discount programs from time to time that enable us to price our products more competitively. In addition, CNH conducts promotional and marketing activities on national, regional and local levels. Due to our substantial dependence on CNH, our success depends, in significant part, on (i) the overall reputation and success of CNH; (ii) the availability and terms of floorplan financing and customer financing from CNH Capital; (iii) the incentive and discount programs provided by CNH and its promotional and marketing efforts for its industrial and agricultural products; (iv) the goodwill associated with CNH trademarks; (v) the introduction of new and innovative products by CNH; (vi) the manufacture and delivery of competitively-priced, high quality equipment and parts by CNH in quantities sufficient to meet our customers' requirements on a timely basis; (vii) the quality, consistency and management of the overall CNH dealership system; and (viii) the ability of CNH to manage its risks and costs, including those associated with being a multinational company. If CNH does not provide, maintain or improve any of the foregoing, or if CNH were sold or reduced or ceased operations, there could be a material adverse effect on our financial condition and results of operations.

CNH may terminate its dealership agreements with us or change the terms of those agreements, which could adversely affect our business.

Under our dealership agreements with CNH through CNH America LLC, CNH's U.S. manufacturing entity, CNH entities have the right to terminate these agreements immediately in certain circumstances, and, in some cases, for any reason 90 days following written notice. Furthermore, CNH entities may change the terms of their agreements with us, among other things, to change our sales and service areas and/or the product, pricing or delivery terms. CNH routinely conducts evaluations of dealership standards, customer satisfaction surveys and market share studies, the results of which can impact the relationships with its dealers. CNH uses the evaluation results to increase or decrease the monetary rewards to dealers, or limit or expand the availability of financing, warranty reimbursements or other marketing incentives. If CNH were to change the terms of any or all of these agreements in a manner that adversely affects us, our business may be harmed, and if CNH were to terminate all or any of its dealer agreements with us, our business would be severely harmed.

Restrictions in our CNH dealership agreements may significantly affect our operations and growth and prevent a change in control of our company.

We operate our stores pursuant to CNH's customary dealership agreements. These agreements impose a number of restrictions and obligations on us with respect to our operations, including our obligations to actively promote the sale of CNH equipment within our designated geographic areas of responsibility, fulfill the warranty obligations of CNH, provide services to our customers, maintain sufficient parts inventory to service the needs of our customers, maintain inventory in proportion to the sales potential in each sales and service geographic area of responsibility, maintain adequate working capital and maintain stores only in authorized locations. Prior consent of CNH is required for the acquisition by another party of 20% or more of our outstanding stock and for our acquisition of other CNH dealerships; otherwise, CNH may terminate our dealership agreements. There can be no assurances that CNH will give its consent. The restrictions and obligations in our CNH dealership agreements limit our flexibility in operating our current stores and acquiring new stores, which could have an adverse effect on our operations and growth. Furthermore, the requirement that CNH consent to the acquisition by any party of 20% or more of our outstanding stock may have the effect of discouraging transactions involving a change in our control, including transactions that stockholders might deem to be in their best interests.

Our agricultural equipment dealer appointments are not exclusive to the geographic areas we serve, which could adversely affect our operations and financial condition.

CNH could appoint other agricultural equipment dealers in close proximity to our existing stores. The sales and service geographic areas of responsibility assigned to our dealerships can be enlarged or reduced by CNH upon 30 days' prior written notice. CNH and other agricultural equipment dealers can also sell in our sales and service geographic areas of responsibility. To the extent CNH appoints other agricultural equipment dealers within our markets, enlarges or reduces the sales and service geographic areas of responsibility relating to our stores, amends the dealership agreements or imposes new or different terms or conditions under the dealer agreements, our operations and financial condition could be adversely affected.

Our operating results may be adversely impacted by an under-supply of new equipment or an over-supply of used equipment.

If our suppliers cannot continue to provide us a reliable supply of new equipment, we may not be able to meet the our customers' demand and our operating results could be negatively impacted. In light of the current growing global demand for agricultural commodities and the equipment needed to produce those commodities, agricultural equipment suppliers may experience difficulty providing all dealerships a reliable supply of new agricultural equipment, which could adversely impact our results of operations. Further, an under-supply of equipment may cause prices for such equipment to increase. To the extent we cannot pass on any increased costs of equipment to our customers, our operating results may suffer. Conversely, an industry over-supply of used and rental equipment may also adversely affect our operations. Short-term lease programs and commercial rental agencies for construction and agricultural equipment have expanded significantly in North America. Nationwide rental conglomerates have become sizeable purchasers of new equipment and can have a significant impact on industry sales and margins. When equipment comes off of lease or is replaced with newer equipment by rental agencies, there may be a significant increase in the availability of late-model used equipment. An over-supply of used equipment could adversely affect demand for, or the market prices of, new and used equipment. In addition, a decline in used equipment prices could have an adverse effect on residual values for leased equipment, which could adversely affect our financial performance.

If our acquisition plans are unsuccessful, we may not achieve our planned revenue growth.

We believe a significant portion of our future growth will depend on our ability to acquire additional dealerships. Our ability to continue to grow through the acquisition of additional CNH geographic areas of responsibility and store locations or other businesses will be dependent upon the availability of suitable acquisition candidates at acceptable costs, our ability to compete effectively for available acquisition candidates and the availability of capital to complete the acquisitions. We may not successfully identify suitable targets, or if we do, we may not be able to close the transactions, or if we close the transactions, they may not be profitable. In addition, CNH's consent is required for the acquisition of any CNH dealership, and the consent of Bremer Bank National Association is required for the acquisition of any dealership. CNH typically evaluates management, performance and capitalization of a prospective acquirer in determining whether to consent to the sale of a CNH dealership. There can be no assurance that CNH or Bremer will consent to any or all acquisitions of dealerships that we may propose.

Our potential inability to successfully integrate newly-acquired dealerships may adversely affect our financial results.

Once an acquisition is completed, we face many other risks commonly encountered with growth through acquisitions. These risks include incurring significantly higher than anticipated capital expenditures and operating expenses; failing to assimilate the operations and personnel of the acquired dealerships; disrupting our ongoing business; dissipating our management resources; failing to maintain uniform standards, controls and policies; and impairing relationships with employees and customers as a result of changes in management. Fully integrating an acquired dealership into our operations and realization of the full benefit of our strategies, operating model and systems may take several years. There can be no assurance that we will be successful in overcoming these risks or any other problems encountered with such acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to acquisitions, our results of operations and financial condition could be adversely affected. Future acquisitions also will have a significant impact on our financial position and capital needs, and could cause substantial fluctuations in our quarterly and yearly results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings.

We have grown significantly through acquisitions in recent years and expect to continue to grow through acquisitions. Management has expended, and expects to continue to expend, significant time and effort in evaluating, completing and integrating acquisitions and opening new stores. There can be no assurance that our systems, procedures and controls will be adequate to support our expanding operations. Any future growth will also impose significant added responsibilities on our executives, including the need to identify, recruit and integrate new senior level managers and executives. There can be no assurance we will be able to identify and retain such additional management. If we are unable to manage growth efficiently and effectively, or are unable to attract and retain additional qualified management, there could be a material adverse effect on our financial condition and results of operations.

Substantial inventory financing is required for the equipment we sell but may not be available, which could adversely affect our growth and results of operations.

The sale of agricultural and construction equipment requires substantial inventories of equipment and parts to be maintained at each store to facilitate sales to customers on a timely basis. We generally purchase our inventories of equipment with the assistance of floorplan financing programs through CNH Capital and other lenders. As we grow, whether internally or through acquisitions, our inventory requirements will increase and, as a result, our financing requirements also will increase. Certain financing has been guaranteed by David Meyer, our Chairman and Chief Executive Officer. To the extent that these guarantees were to be revoked or otherwise unavailable, we may not be able to maintain or obtain inventory financing. In the event that our available financing sources are not maintained or are insufficient to satisfy our future requirements, we would be required to obtain financing from other sources. There can be no assurance that additional or alternative financing could be obtained on commercially reasonable terms. To the extent additional financing cannot be obtained on commercially reasonable terms, our growth and results of operations could be adversely affected.

We lease most of our dealership sites from related parties, and if we are unable to obtain commercially reason