AVATAR HOLDINGS INC
Form 10-K
March 17, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2007
OR

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

Commission File Number 0-7616
AVATAR HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	**23-1739078**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
201 Alhambra Circle, Coral Gables, Florida	**33134**
(Address of principal executive offices)	*(Zip code)*

Registrant s telephone number, including area code (305) 442-7000
Securities registered pursuant to section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $1.00 Par Value	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. þ

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 definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $468,330,241 as of June 29, 2007.

As of March 13, 2008, there were 8,535,412 shares of common stock, $1.00 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement for its 2008 Annual Meeting of Stockholders are incorporated by reference into Part III.

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FORWARD-LOOKING STATEMENTS

Certain statements discussed in Item 1 (Business), Item 3 (Legal Proceedings), Item 7 (Management s Discussion and Analysis of Financial Condition and Results of Operations), and elsewhere in this Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: international, national and local market conditions and events such as the oversupply of existing homes caused by the number of investor and speculator resale homes for sale in our communities and in the geographic areas in which we develop and sell homes; tightening of the credit market and the reduced availability and more stringent financing requirements of residential mortgage financing in general and sub prime financing in particular; interest rates; mortgage rates; employment levels; income levels; consumer confidence; the successful implementation of Avatar s business strategy; shifts in demographic trends affecting demand for active adult and primary housing; the level of immigration and in-migration into the areas in which we conduct real estate activities; the level of competition in geographic areas in which we do business; Avatar s access to financing; geopolitical risks; changes in, or the failure or inability to comply with, government regulations; and other factors as are described in Item 1A (Risk Factors) of this Form 10-K. Active adult homes are intended for occupancy by at least one person 55 years or older.

Dollar amounts specified herein are in thousands, except for per share amounts or as otherwise indicated.

PART I

Item 1 . Business

General

Avatar Holdings Inc. was incorporated in the state of Delaware in 1970. Our principal executive offices are located at 201 Alhambra Circle, Coral Gables, Florida 33134 (telephone (305) 442-7000).

We are engaged in the business of real estate operations in Florida and Arizona. Our residential community development activities include the development of active adult and primary residential communities. We also engage in a variety of other real estate related activities, such as the operation of amenities, the sale for third-party development of commercial and industrial land and the operation of a title insurance agency.

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Item 1. Business   continued

Business Strategy

Our primary business strategy continues to be the development of lifestyle communities, including active adult and primary residential communities, as well as development and construction of housing on scattered lots. From time to time we dispose of non-core assets.

We are actively pursuing other business opportunities. Future opportunities may be in those real estate businesses in which we are presently engaged or may extend to other real estate activities or unrelated businesses.

Real Estate Operations

We are primarily engaged in real estate operations as summarized below. For further information please see   Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Active Adult Community Development

Within the Central Florida master-planned community of Poinciana we are developing the highly-amenitized active adult communities of Solivita and Solivita West. Solivita and Solivita West incorporate the natural topography of the land, including more than 1,200 acres of wetlands and an oak hammock. These communities currently include approximately 126,000 square feet of recreation facilities including a recently-completed 19,000 square foot clubhouse, as well as two 18-hole golf courses and an active park housing a variety of sporting and games facilities.

Information relating to our backlog is incorporated herein by reference to Item 7 of Part II of this Report under the heading   Results of Operations.

Primary Residential Community Development

Our primary residential community development business includes construction of homes, both on scattered lots and on contiguous parcels as part of planned communities, in Florida and Rio Rico, Arizona.

In addition to ongoing development at our various communities within Florida, during the fourth quarter of 2007, we commenced closings at Terralargo, our single-family community in Lakeland, Florida.

Information relating to our backlog is incorporated herein by reference to Item 7 of Part II of this Report under the heading   Results of Operations.

Item 1. Business continued

Real Estate Operations continued

Poinciana Parkway and Toll Road

In December 2006, we entered into agreements (the County Agreements) with Osceola and Polk Counties in Florida for us to develop and construct a 9.66 mile four-lane road in Osceola and Polk Counties, to be known as the Poinciana Parkway (the Parkway). It will include a 4.15 mile segment to be operated as a private toll road. We will pay the costs associated with the right-of-way acquisition, development and construction of the Parkway. Except for the toll road, the Parkway will be owned, maintained and operated by the Counties upon completion. We will own the private toll road, and under the County Agreements we have the right to sell it to a third party together with our rights to operate the toll road. We have retained an investment banking firm to identify potential investors in the toll road.

Under the County Agreements, we were to complete the Parkway by October 31, 2008, subject to delays beyond our control, including permitting delays. While we have acquired most of the rights-of-way and all of the primary permits necessary to construct the Parkway, we have notified the Counties that the completion of construction will be delayed at least until February 28, 2010, pending further required governmental action. It is our understanding that the delays that we have encountered are contemplated by the County Agreements and entitle us to the extension.

In order to address environmental concerns of various governmental agencies and environmental organizations, we changed the plans for the Parkway to include 4,200 linear feet of trestles, which will result in increased construction costs. Our current estimate of the right-of-way acquisition, development and construction costs for the Parkway approximate $170,000 to $200,000. However, no assurance of the ultimate amount can be given at this stage. As of December 31, 2007, approximately $32,000 has been expended.

Commercial and Industrial and Other Operations

We also generate revenues through the sale of commercial and industrial land for third-party development, primarily in Poinciana, as well as other operations, including title insurance agency operations.

Real Estate Assets

Our assets consist primarily of real estate in the states of Florida and Arizona. During December 2006, we closed on the sale of our approximately 4,400-acre property known as Ocala Springs in Marion County, Florida (the Ocala Property). As of December 31, 2007, we owned more than 17,000 acres of developed, partially developed or developable residential, commercial and industrial property. Some portion of these acres may be developed as roads, retention ponds, parks, school sites, community amenities and for other similar uses.

Within Florida and Arizona we also own more than 15,000 acres of preserves, wetlands, open space and other areas that at this time are not developable, permitable and/or economically feasible to develop, but may at some future date have an economic value for preservation or conservation purposes.

For further description of the various communities and the operations conducted therein, please see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

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Item 1. Business continued

Title Insurance Agency

Prominent Title Insurance Agency, Inc., a subsidiary of Avatar Properties Inc., maintains operations at our headquarters in Coral Gables, Florida, as well as in Poinciana, Florida. Services are offered to purchasers of homes from Avatar as well as unrelated parties.

Business Segment Information

Our business segment information regarding revenues, results of operations and assets is incorporated herein by reference to Note P to the Consolidated Financial Statements included in Item 8 of Part II of this Report.

Employees

As of December 31, 2007, we employed approximately 321 individuals on a full-time or part-time basis, compared to 483 individuals as of December 31, 2006 and 585 as of December 31, 2005. We also utilize on a daily basis such additional personnel as may be required in connection with various activities. Relations with our employees are satisfactory and there have been no work stoppages.

Investor Information

We are subject to the informational requirements of the Securities Exchange Act of 1934 (the Exchange Act). Accordingly, we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). You may read and copy materials that we have filed with the SEC at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

You can access financial and other information on our website, at www.avatarholdings.com. We make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise with the SEC. You may download this information from our website or may request us to mail specific information to you. Information regarding equity transactions by our directors, officers and 10% holders may also be obtained on our website.

Regulation

Our business is subject to extensive federal, state and local statutes, ordinances and regulations that affect every aspect of our business such as environmental, hazardous waste and land use requirements and can result in substantial expense to the company. By way of example, should hazardous waste be discovered on land that we own, we could incur the expense of removal and remediation.

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Item 1. Business continued

Competition

Our residential homebuilding, planned community development and other real estate operations, particularly in the state of Florida, are subject to significant competition. In the sales of housing units, we compete, as to price and product, with several national and regional homebuilding companies. In recent years, there has been extensive residential development by other developers in the geographic areas in which we operate; and we currently compete with resales by investors, speculators and residents in our communities. It has also become necessary to reduce prices and offer additional sales incentives in order to maintain a competitive position within our markets.

Item 1A. Risk Factors

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to our industry and our company could materially impact our future performance and results. We have provided below a list of these risk factors. These are not all the risks we face, and other factors, including those currently considered immaterial or unknown to us, may impact our future operations.

Our access to financing may be limited

Our business is capital intensive and requires expenditures for land and infrastructure development, housing construction, working capital and new development opportunities. Accordingly, we anticipate incurring indebtedness to fund real estate development activities. As of December 31, 2007, total consolidated indebtedness was $130,766, including $114,800 principal amount of our 4.50% Convertible Senior Notes due 2024 (the 4.50% Notes). We also had $103,181 in availability under our Unsecured Credit Facility (defined below). We may not sustain profitability or positive cash flows from operating activities. We anticipate, but cannot assure, that the amounts available from internally generated funds, cash on hand, the sale of non-core assets, and existing and future financing will be sufficient to fund the anticipated operations, meet debt service and working capital requirements, and provide sufficient liquidity to develop and build the Poinciana Parkway. We may seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financing and sales of debt or equity securities. However, as the capital markets have become more problematic, we cannot assure that such financing will be available or, if available, will be on favorable terms. In addition, from time to time we have obtained amendments to our Unsecured Credit Facility. There can be no assurance that we will be able to obtain future amendments at favorable terms and costs. If we are not successful in obtaining sufficient capital to fund our business strategy and other expenditures, development projects may be delayed or abandoned. Any such delay or abandonment could result in a reduction in sales and would adversely affect future results of operations.

Further decline in the capital markets or fluctuations in interest rates could have an adverse effect on our business

A significant majority of the purchasers of our homes finance their purchases through third-party lenders providing mortgage financing or, to some extent, rely upon investment income. In general, housing demand is dependent on home equity, consumer savings and third-party financing and could be adversely affected by less favorable mortgage terms, including requirements for higher deposits and higher credit scores, the tightening of underwriting standards for mortgage loans, decreases in investment income, unavailability of mortgage financing, increasing housing costs and declining employment and income levels. The amount or value of discretionary income and savings, including retirement assets, available to home purchasers can be affected by a decline in the capital markets. Lenders, particularly subprime lenders, are imposing more stringent credit requirements. If lending restrictions continue to be tightened or the capital markets continue to decline, the ability of prospective buyers to finance home purchases may be further adversely affected, resulting in further adverse effects on our business.

Item 1A. Risk Factors continued

Our success significantly depends on our key personnel and our ability to attract and retain personnel

Our real estate business strategy requires, among other things, the retention of experienced management personnel and employees. The loss of the services of certain members of the senior and middle management team, or the inability to attract new personnel, could have a material adverse effect on the success of our real estate business strategy and on our ability to expand our operations.

We may not succeed in obtaining new development, investment and business opportunities

We have under development or in the planning process a substantial portion of Avatar s historical landholdings that we believe can be profitably developed over time. Although we are actively pursuing other development and business opportunities, we cannot assure that we will succeed in our efforts to obtain additional development and business opportunities.

Our industry is highly cyclical and is affected by general economic conditions and other factors beyond our control

The real estate industry is highly cyclical and is affected by changes in national, global and local economic conditions and events, such as employment and income levels, availability of financing, interest rates, consumer confidence and the demand for housing and other types of construction. As a real estate developer we are subject to various risks, many of which are outside our control, including real estate market conditions (both where communities and homebuilding operations are located and in areas where potential customers reside), changing demographic conditions, adverse weather conditions and natural disasters, such as hurricanes, tornadoes and wildfires, delays in construction schedules, cost overruns, changes in government regulations or requirements, increases in real estate taxes and other local government fees, and availability and cost of land, materials and labor. The occurrence of any of the foregoing has resulted and could result in a further reduction in or cancellation of sales and/or lower gross margins for sales. Lower than expected sales as a result of these occurrences could have a material adverse effect on the level of our profits and the timing and amounts of our cash flows. We are in the midst of a severe downturn in the real estate market. The market for new single-family and multi-family residences began to weaken in the third quarter of 2005, continued to weaken through February 2008 and may not improve during fiscal 2008.

Further decline of the residential real estate market could result in future impairment (as defined by Statement of Financial Accounting Standards No. 144) to certain of our land assets acquired in recent years. A substantial portion of our landholdings has been owned for many years and is carried at book values which we believe are below current market values and, therefore, in our opinion less likely to be adversely affected. However, certain of our recent acquisitions of land and our standing inventory of unsold homes, both completed and under construction, could be subject to impairment charges if the residential real estate market continues to decline.

We are concentrated geographically, which could adversely affect our business

Our land and development activities are located in Florida and Arizona, which are among the states most adversely affected by the downturn in the residential real estate market. Development activities depend to a significant degree on the levels of immigration to Florida from outside the United States, migration to Florida from within the United States and purchases in Florida of second and/or vacation homes, in addition to other local market conditions. Our geographic concentration may create increased vulnerability during regional economic downturns or other Florida-related events which may result in reduced levels of profitability or reduced cash flows and adversely affect our financial condition. Commencing in the second half of 2005 and continuing through February 2008, our ability to sell new homes in Florida and Arizona and the level of cancellations of executed contracts were negatively impacted by the condition of the markets in which we are located.

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Item 1A. Risk Factors continued

If we are unable to develop and market our communities, our cash flow could decline

Our communities will be developed over time. Therefore, our medium- and long-term future is dependent on our ability to develop and market existing and future communities successfully. Committing the financial and managerial resources to develop a community involves significant risks. Before a community generates any revenues, material expenditures are required, among other things, to obtain development approvals to construct project infrastructure, model homes and sales facilities. It generally requires several years for a community development to achieve cumulative positive cash flow. No assurance can be given that we will successfully develop and market communities in the future. In addition, appropriate roadway routes and levels of vehicular traffic contribute to the success of our marketing of existing and future communities, and accordingly, inadequate road capacity could adversely affect sales. For example, if vehicular traffic congestion in and around Poinciana, Florida, were to reach unacceptable levels, our revenues could be materially adversely affected. Our inability to develop and market our communities successfully and to generate positive cash flows from such operations in a timely manner would have an adverse effect on the ability to meet debt and working capital requirements.

Our joint ventures and partnerships may not achieve anticipated results

In connection with our business strategy, we may seek additional joint venture or partnership arrangements. A joint venture or other partnership may involve special risks associated with the possibility that a partner or partnership at any time (i) may have economic or business interests or goals that are inconsistent with ours, (ii) may take actions contrary to our instructions or requests or contrary to our policies or objectives with respect to our real estate investments or (iii) could experience financial difficulties. Actions by a partner may have the result of subjecting property owned by the joint venture or partnership to liabilities in excess of those contemplated by the terms of the joint venture or partnership agreement or have other adverse consequences. We cannot assure that any joint venture or partnership arrangements will achieve the results anticipated or otherwise prove successful.

The results of our operations are subject to fluctuations, which could hinder our ability to service debt and meet working capital requirements

Our real estate projects are long-term in nature. Sales activity at active adult and other community and real estate developments varies from period to period, and the ultimate success of any community cannot be determined from results in any particular period or periods. A community may generate significantly higher sales levels at inception (whether because of local pent-up demand or other reasons) than it does during later periods. Revenues and earnings will also be affected by period-to-period fluctuations in the mix of product, subdivisions and home closings among our homebuilding operations. Thus, the timing and amount of revenues are subject to considerable uncertainty. The inability to manage effectively the cash flows from operations could have an adverse effect on our ability to service debt and to meet working capital requirements.

Our business is subject to substantial competition

Our homebuilding, planned community development and other real estate operations are subject to substantial existing and potential competition (including competition from a number of national homebuilders). Some current and potential competitors have longer operating histories and greater financial, sales, marketing, technical and other resources than we have and offer significant discounts and incentives due to the current weak market conditions. Competition within the geographic locations of our developments extends from price and design of products, to the ability to acquire diminishing supplies of land, to retain and employ experienced real estate development, management and sales personnel and to contract with development and construction firms. We cannot assure that we will have sufficient resources to compete successfully in our market or against our competitors. Accordingly, we may lose market share to existing and new competitors. In addition, we currently compete with resales by real estate investors and speculators.

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Item 1A. Risk Factors continued

We are subject to extensive governmental regulation and environmental considerations

Our business is subject to extensive federal, state and local statutes, ordinances and regulations that affect every aspect of our business such as environmental, hazardous waste and land use requirements and can result in substantial expense to the company. By way of example, should hazardous waste be discovered on land that we own, we could incur the expense of removal and remediation.

Certain events could trigger the acceleration of payment of the 4.50% Notes

Certain events, including cessation of trading of our common stock, failure to pay interest when due on our 4.50% Notes, final judgment(s) for the payment of money in excess of $20,000 rendered against us or any of our subsidiaries if not discharged for any periods of 30 consecutive days during which a stay of enforcement is not in effect, could result in a default under our 4.50% Notes. Such default would result in the requirement for payment of the 4.50% Notes prior to the due date thereof. Our inability to make such accelerated payment could have a material adverse effect upon our business.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Avatar s real estate operations are summarized in Item 1. Business above and described in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations. Land developed and in the process of being developed, or held for investment and/or future development, is set forth in Note C of the Notes to Consolidated Financial Statements in Item 8.

Our corporate headquarters are located at 201 Alhambra Circle, Coral Gables, Florida, in 26,300 square feet of leased office space. For additional information concerning properties leased by Avatar, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations and Item 8. Notes to Consolidated Financial Statements.

Item 3 . Legal Proceedings

The information set forth in Note N (Commitments and Contingencies) of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report is incorporated herein by reference.

We are involved in various pending litigation matters primarily arising in the normal course of business. Although the outcome of these matters cannot be determined, management believes that the resolution of these matters will not have a material effect on our business or financial statements.

We have no tax-related penalties required to be disclosed in this Item 3 pursuant to Section 6707A(e) of the Internal Revenue Code.

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

None.

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Executive Officers of the Registrant

Pursuant to General Instruction G(3) to Form 10-K, the following list is included as an unnumbered item in Part I of this report in lieu of being included in the Proxy Statement for the Annual Meeting of Stockholders to be held on May 29, 2008.

The following is a list of names and ages of all of the executive officers of Avatar, indicating principal positions and offices with Avatar or a subsidiary held by each such person and each such person s principal occupation(s) or employment during the past five years unless otherwise indicated. Officers of Avatar have been elected to serve until the next annual election of officers (which is expected to occur on May 29, 2008), when they are re-appointed or their successors are elected or until their earlier resignation or removal.

Name	Age	Office and Business Experience
Gerald D. Kelfer	62	President since February 1997, Chief Executive Officer since July 1997, Chairman of the Executive Committee since May 1999, Vice Chairman of the Board since December 1996, and a member of the Board of Directors since October 1996; and holds various positions with subsidiaries.
Jonathan Fels	55	President, Avatar Properties Inc., since December 1997; and holds various positions with other subsidiaries.
Michael Levy	49	Executive Vice President and Chief Operating Officer, Avatar Properties Inc., since December 1997; and holds various positions with other subsidiaries.
Patricia Kimball Fletcher	50	Executive Vice President and General Counsel since January 2007; formerly Partner and Chair of Florida Real Estate and Finance Department, Duane Morris LLP, from January 2002 to December 2006; and holds various positions with subsidiaries.
Randy L. Kotler	42	Executive Vice President and Chief Financial Officer since July 2007 and Treasurer since August 2007; formerly Chief Accounting Officer of TOUSA, Inc., from May 2002 to June 2007; Senior Vice President from May 2006 to June 2007; Interim Chief Financial Officer, from May 2006 to January 2007; and Vice President from May 2002 to May 2006; and holds various positions with subsidiaries.
Juanita I. Kerrigan	61	Vice President and Secretary since September 1980; and holds various positions with subsidiaries.

The above executive officers have held their present positions with Avatar for more than five years, except as otherwise noted. No executive officer of Avatar has any family relationship with any other executive officer or director of Avatar.

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PART II

Item 5 . Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Common Stock of Avatar Holdings Inc. is traded through The Nasdaq Stock Market LLC under the symbol AVTR. There were 4,551 record holders of Common Stock at February 29, 2008.

High and low quotations, as reported, for the last two years were:

	Quotations			
Quarter Ended	2007		2006	
	High	Low	High	Low
March 31	$85.43	$61.00	$61.00	$54.35
June 30	$83.81	$68.82	$63.37	$50.64
September 30	$79.30	$49.30	$60.48	$50.02
December 31	$55.95	$38.06	$84.54	$58.34

Avatar has not declared any cash dividends on Common Stock since its issuance and has no present intention to pay cash dividends.

For the three months ended December 31, 2007, Avatar did not repurchase shares under the stock repurchase authorization as reflected in the following table:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program (1)	Maximum Amount That May Yet Be Purchased Under the Plan or Program (1)
October 1, 2007 to October 31, 2007				$ 14,864
November 1, 2007 to November 30, 2007				$ 9,864
December 1, 2007 to December 31, 2007				$ 9,864
Total				

(1) On March 20, 2003, Avatar s Board of Directors authorized the expenditure of up to $30,000 to purchase, from time to time, shares of its

common stock and/or 7% Convertible Subordinated Notes due April 2005 (the 7% Notes), which were subsequently called for redemption, in the open market, through privately negotiated transactions or otherwise, depending on market and business conditions and other factors. On June 29, 2005, Avatar s Board of Directors amended the March 20, 2003 repurchase authorization to include the 4.50% Notes in addition to shares of its common stock. During the three months ended December 31, 2007, Avatar repurchased $5,000 principal amount of the 4.50% Notes. As of December 31, 2007, the remaining authorization for purchase of shares of Avatar s

common stock
and/or 4.50%
Notes was
$9,864.

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Item 6 . Selected Financial Data

FIVE YEAR COMPARISON OF SELECTED FINANCIAL DATA

Dollars in thousands (except share and per share data)

	At or for the Years ended December 31				
	2007	2006	2005	2004(1)	2003(1)
Statement of Income Data					
Revenues	$ 291,416	$ 835,079	$ 516,848	$ 334,205	$ 248,966
Income from continuing operations before income taxes and discontinued operations	$ 34,680	$ 258,752	$ 87,189	$ 37,956	$ 10,013
Income tax (expense) benefit	(13,297)	(84,026)	(29,990)	(12,678)	8,515
Income from continuing operations	21,383	174,726	57,199	25,278	18,528
Discontinued operations:					
Income (loss) from discontinued operations (including gain on disposal of $8,322 and $6,465 for 2005 and 2004, respectively)			9,562	6,905	(104)
Income tax (expense) benefit			(3,634)	(2,624)	39
Income (loss) on discontinued operations			5,928	4,281	(65)
Net income	$ 21,383	$ 174,726	$ 63,127	$ 29,559	$ 18,463
Basic Per Share Data					
Income from continuing operations	$ 2.57	$ 21.33	$ 7.10	$ 2.98	$ 2.14
Income (loss) on discontinued operations			0.73	0.51	(0.01)
Net income	$ 2.57	$ 21.33	$ 7.83	$ 3.49	$ 2.13
Diluted Per Share Data					
Income from continuing operations	$ 2.22	$ 16.59	$ 5.72	$ 2.69	$ 2.12
Income (loss) on discontinued operations			0.56	0.41	(0.01)
Net income	$ 2.22	$ 16.59	$ 6.28	$ 3.10	$ 2.11

Balance Sheet Data					
Total assets	$ 706,541	$ 751,072	$ 626,410	$ 508,264	$ 365,551
Notes, mortgage notes and other debt	$ 130,766	$ 136,925	$ 144,107	$ 139,384	$ 19,771
Stockholders equity	$ 527,703	$ 505,356	$ 312,892	$ 246,235	$ 265,899
Shares outstanding	8,525,412	8,193,736	8,179,463	8,058,129	9,389,772
Stockholders equity per share	$ 61.90	$ 61.68	$ 38.25	$ 30.56	$ 28.32

(1) During the fourth quarter of 2005, we sold our utility operations in Arizona, our shopping center in Poinciana and our mini storage facility in Poinciana. As a result of these sales, the results of operations have been reclassified as discontinued operations to conform to the 2005 presentation.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except per share data)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Financial Data and our audited consolidated financial statements and accompanying notes included elsewhere in this document.

FORWARD-LOOKING STATEMENTS

Certain statements discussed under the captions Business, Risk Factors, Legal Proceedings, Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others, those contained under the caption Risk Factors in Item 1A.

OVERVIEW

We are engaged in the business of real estate operations in Florida and Arizona. Our residential community development activities include the development of active adult and primary residential communities. We also engage in a variety of other real estate related activities, such as the operation of amenities, the sale for third-party development of commercial and industrial land and the operation of a title insurance agency.

Our real estate business strategy is designed to emphasize higher profit margin businesses by concentrating on the development and management of active adult communities, production homes and communities, and utilizing third-party commercial and industrial development to maximize the value of our residential community developments. We also seek to identify additional sites that are suitable for development consistent with our business strategy and anticipate that we will acquire or develop them directly or through joint venture, partnership or management arrangements. Our primary business activities are capital intensive in nature. Significant capital resources are required to finance planned primary residential and active adult communities, homebuilding construction in process, community infrastructure, selling expenses, new projects and working capital needs, including funding of debt service requirements, operating deficits and the carrying cost of land.

Our assets consist primarily of real estate in the states of Florida and Arizona. During December 2006, we closed on the sale of our approximately 4,400-acre property known as Ocala Springs in Marion County, Florida (the Ocala Property). As of December 31, 2007, we owned more than 17,000 acres of developed, partially developed or developable residential, commercial and industrial property. Some portion of these acres may be developed as roads, retention ponds, parks, school sites, community amenities and for other similar uses.

Within Florida and Arizona we also own more than 15,000 acres of preserves, wetlands, open space and other areas that at this time are not developable, permitable and/or economically feasible to develop, but may at some future date have an economic value for preservation or conservation purposes.

Residential Real Estate

Revenues and sales data derived from primary and active adult homebuilding operations for the years ended December 31, 2007, 2006 and 2005 are summarized under Results of Operations.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except per share data) continued

Residential Community Development

Active Adult Communities

Our active adult communities of Solivita and Solivita West are located in Poinciana, Florida, approximately 21 miles south of Orlando and 20 miles from Walt Disney World. At Solivita and Solivita West, we have developed approximately 126,000 square feet of recreation facilities including a recently-completed 19,000 square foot clubhouse. These communities contain a fitness center, a golf clubhouse, restaurants, arts and crafts rooms, a café, other meeting and ballroom facilities, and two 18-hole golf courses. The community s active park houses a variety of sporting and games facilities, including an official softball field, half-court basketball court, five pickleball courts and five tennis courts. There are four more tennis courts and four more pickleball courts located throughout the communities.

Solivita opened during the second quarter of 2000. During December 2004, we commenced the development of an expansion of Solivita, Solivita West, on 907 acres of land in Poinciana acquired in 2003. Sales of single-family units commenced during the first quarter of 2005 and closings commenced during 2006.

From inception, we have closed 3,191 homes in Solivita and Solivita West, and approximately 5,500 individuals resided in the communities as of December 31, 2007.

During 2007, we signed 103 contracts, net of cancellations, at Solivita and Solivita West, with net sales value of approximately $31,707 (see Results of Operations).

Primary Residential Development

Our primary residential development includes construction of homes, both on scattered lots and in planned communities primarily at Poinciana and Bellalago in central Florida near Orlando; Terralargo in Lakeland, Florida; and at Rio Rico, south of Tucson, Arizona. During the fourth quarter of 2007, we commenced closings at Terralargo, where we commenced sales in 2006 and development in 2005.

During January 2006, we closed for a cash purchase price of approximately $18,300 on 1,288 acres, the remaining phases of land for community development in Poinciana which we contracted to acquire in October 2003. We have not contracted to option or purchase land for community development since January 2005.

Additionally, we have other residential communities which are in various stages of planning and development. We also have several communities nearing close-out.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except per share data) continued

Poinciana Parkway and Toll Road

In December 2006, we entered into agreements (the County Agreements) with Osceola and Polk Counties in Florida for us to develop and construct a 9.66 mile four-lane road in Osceola and Polk Counties, to be known as the Poinciana Parkway (the Parkway). It will include a 4.15 mile segment to be operated as a private toll road. We will pay the costs associated with the right-of-way acquisition, development and construction of the Parkway. Except for the toll road, the Parkway will be owned, maintained and operated by the Counties upon completion. We will own the private toll road, and under the County Agreements we have the right to sell it to a third party together with our rights to operate the toll road. We have retained an investment banking firm to identify potential investors in the toll road.

Under the County Agreements, we were to complete the Parkway by October 31, 2008, subject to delays beyond our control, including permitting delays. While we have acquired most of the rights-of-way and all of the primary permits necessary to construct the Parkway, we have notified the Counties that the completion of construction will be delayed at least until February 28, 2010, pending further required governmental action. It is our understanding that the delays that we have encountered are contemplated by the County Agreements and entitle us to the extension.

In order to address environmental concerns of various governmental agencies and environmental organizations, we changed the plans for the Parkway to include 4,200 linear feet of trestles, which will result in increased construction costs. Our current estimate of the right-of-way acquisition, development and construction costs for the Parkway approximate $170,000 to $200,000. However, no assurance of the ultimate amount can be given at this stage. As of December 31, 2007, approximately $32,000 has been expended.

Commercial and Industrial and Other Land Sales

We also generate revenues through the sale of commercial and industrial land for third-party development, primarily in Poinciana.

For the year ended December 31, 2007, pre-tax profits from sales of commercial, industrial and other land were $21,870 on revenues of $27,476. For the year ended December 31, 2007, pre-tax profits from commercial and industrial land were $19,939 on aggregate revenues of $23,577. Pre-tax profits on sales of other land during the year ended December 31, 2007 were $1,931 on aggregate revenues of $3,899.

For the year ended December 31, 2006, pre-tax profits on sales of commercial and industrial land were $39,927 on aggregate sales of $44,110. Also during 2006, pre-tax profits on sales of other land were $64,051 on aggregate sales of $76,171. Included in other land sales is the sale of our approximately 4,400-acre property known as Ocala Springs in Marion County, Florida (the Ocala Property). The aggregate sales price for the Ocala Property was $75,122 which resulted in pre-tax profit of approximately $62,800. We also realized, during 2006, pre-tax profits of $4,327 from the collection of a promissory note and accrued interest totaling $13,185 from the sale of our equity interest in the Regalia Joint Venture which was sold on June 30, 2005.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands except per share data) continued

During the year ended December 31, 2005, pre-tax profits on sales of commercial and industrial land were $9,469 on aggregate sales of $13,145. Also during 2005, pre-tax profits on sales of other land were $12,170 on aggregate sales of $21,423. Included in other land sales for 2005 is the sale of our 50% equity interest in the Blueview Joint Venture (defined later under the heading Liquidity and Capital Resources) for a sales price of $13,887 which resulted in a pre-tax gain of approximately $4,100. Also included in other land sales is our 50% equity interest in an unconsolidated joint venture, the sole asset of which is land, for a sales price of $11,000 which resulted in a pre-tax gain of approximately $4,258.

Revenues from commercial and industrial and other land sales, which vary from year to year depending upon demand, ensuing negotiations and timing of closings, were $27,476, $133,466 and $48,455 in 2007, 2006 and 2005, respectively.

Other Operations

We also generate revenues through rental and other operations, including a small community shopping center in Rio Rico, recreational facilities and title insurance agency operations. Revenues from these operations were $3,215, $7,405 and $6,668 in 2007, 2006 and 2005, respectively. The decrease in revenues in 2007 compared to 2006 resulted primarily from decreased title insurance agency operations. The increase in revenues in 2006 compared to 2005 resulted primarily from increased title insurance agency operations.

Discontinued Operations

(Restated)

REVENUE

Equipment

$

120,913,483

$

61,102,629

Parts	21,504,016	12,324,957
Service	8,944,228	5,393,335
Other, including trucking and rental	1,220,185	1,005,789
TOTAL REVENUE	152,581,912	79,826,710

COST OF REVENUE		
Equipment	107,917,916	54,889,589
Parts	15,793,709	9,149,679
Service	3,417,730	2,217,923
Other, including trucking and rental		

	853,207
	750,750
TOTAL COST OF REVENUE	
	127,982,562
	67,007,941
GROSS PROFIT	
	24,599,350
	12,818,769

OPERATING EXPENSES

18,181,942

10,046,741

INCOME FROM OPERATIONS

6,417,408

2,772,028

OTHER INCOME (EXPENSE)

Interest and other income	310,374	13,658
Floorplan interest expense	(721,589)	(879,331)
Subordinated debt interest expense	(20,917)	(409,118)
Interest expense other	(292,149)	(246,280)

INCOME BEFORE INCOME TAXES	5,693,127	1,250,957
PROVISION FOR INCOME TAXES	(2,306,000)	(478,663)

NET INCOME

$

3,387,127

$

772,294

ADJUSTMENTS TO INCOME:

Amortization of syndication fees

(5,296

)

Unpaid accumulated preferred dividends

(25,594

)

INCOME AVAILABLE TO COMMON STOCKHOLDERS

$

3,387,127

$

741,404

EARNINGS PER SHARE - BASIC

$

0.25

$

0.17

EARNINGS PER SHARE - DILUTED

$

0.24

$

0.12

WEIGHTED AVERAGE SHARES - BASIC

13,449,179

4,344,753

WEIGHTED AVERAGE SHARES - DILUTED

13,854,738

6,967,837

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007 (Restated)
OPERATING ACTIVITIES		
Net income	$ 3,387,127	$ 772,294
Adjustments to reconcile net income to net cash from operations		
Depreciation	833,881	523,304
Amortization	19,672	26,133
Gain on sale of equipment	(15,825)	
Deferred income taxes	(9,000)	
Net change in other assets	(19,368)	3,920
Stock based compensation expense	136,800	
Changes in assets and liabilities, net of purchase of agricultural dealerships assets and assumption of liabilities		
Receivables	(6,109,027)	1,864,399
Inventories	(1,532,498)	530,474
Prepaid expenses	(125,959)	(110,166)
Floorplan notes payable	783,007	(500,101)
Accounts payable	4,545,080	2,126,946
Other long-term liabilities	702,254	
Customer deposits	6,252,490	(2,086,882)
Accrued expenses	(699,738)	(778,391)
Income taxes	2,314,749	(77,225)
NET CASH FROM OPERATING ACTIVITIES	10,463,645	2,294,705
INVESTING ACTIVITIES		
Property and equipment purchases	(1,384,174)	(851,586)
Net proceeds from sale of equipment	157,485	
Purchase of equipment dealerships, net of cash purchased	(3,940,380)	(5,126,577)
NET CASH USED FOR INVESTING ACTIVITIES	(5,167,069)	(5,978,163)
FINANCING ACTIVITIES		
Net change in non-manufacturer floorplan payable	(79,461)	(2,151,506)
Proceeds from long-term debt borrowings and subordinated debentures	58,013	1,869,491
Principal payments on long-term debt and subordinated debentures	(6,108,700)	(831,967)
Net change in subordinated debt interest accrual		(84,161)
NET CASH USED FOR FINANCING ACTIVITIES	(6,130,148)	(1,198,143)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(833,572)	(4,881,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	42,802,505	7,572,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 41,968,933	$ 2,690,399

See Notes to Consolidated Financial Statements

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	Three Months Ended April 30, 2008	2007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Income taxes, net of refunds	$	$ 551,000
Interest	1,054,398	1,601,319
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends on preferred redeemable stock charged to retained earnings	$	$ 25,594
Acquisition of equipment dealership assets in exchange for cash and assumption of liabilities including purchase accounting adjustments on prior acquisitions		
Accounts receivable	$	$ (112,788)
Inventories	(3,433,379)	(8,107,415)
Property and equipment	(472,600)	(772,685)
Goodwill	(207,421)	(2,500,000)
Floorplan notes payable		3,148,704
Accounts payable		1,255,932
Customer deposits	173,020	130,000
Long term debt		1,000,000
Accrued expenses		831,675
Cash paid for dealerships	$ (3,940,380)	$ (5,126,577)

See Notes to Consolidated Financial Statements

TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 - BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended April 30, 2008 are not necessarily indicative of the results that may be expected for the year ended January 31, 2009. The information contained in the balance sheet as of January 31, 2008 was derived from the Company s audited financial statements for the year then ended.

Nature of Business

Titan Machinery Inc. (the Company) is engaged in the retail sale, service and rental of agricultural and industrial machinery through stores in North Dakota, South Dakota, Minnesota, Nebraska and Iowa.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Transportation Solutions, LLC. All significant accounts, transactions and profits between the consolidated companies have been eliminated in consolidation.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157). This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard applies under other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which is the year beginning February 1, 2008 for the Company. The Company adopted SFAS 157 effective February 1, 2008. The adoption of SFAS 157 for financial assets and liabilities held by the Company did not have a material effect on the Company s financial statements or notes thereto.

In February 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 (FAS 157-2), which permits a one year deferral of the application of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company will adopt SFAS 157-2 for non-financial assets and non-financial liabilities on February 1, 2009 and does not expect the provisions to have a material effect on its results of operations, financial position or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has elected not to apply the fair value option to the specified financial assets and liabilities, and accordingly, the adoption of SFAS 159 had no financial statement impact.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations (SFAS 141R). SFAS 141R provides additional guidance on improving the relevance, representational faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is in the process of evaluating the effect that the adoption of this standard will have on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 applies to all entities that prepare consolidated financial statements and have an outstanding noncontrolling interest in one or more subsidiaries. SFAS 160 amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is in the process of evaluating the effect that the adoption of this standard will have on the Company s financial statements.

On December 21, 2007 the SEC staff issued Staff Accounting Bulletin No. 110 (SAB 110), which, effective January 1, 2008, amends and replaces SAB 107, Share-Based Payment. SAB 110 expresses the views of the SEC staff regarding the use of a simplified method in developing the expected life assumption in accordance with FASB Statement No. 123(R), Share-Based Payment. The use of the simplified method, was scheduled to expire on December 31, 2007. SAB 110 extends the use of the simplified method in certain situations. The SEC staff does not expect the simplified method to be used when sufficient information regarding exercise behavior, such as historical exercise data or exercise information from external sources, becomes available. The Company plans to track and capture employee exercise behavior in the future as a basis for our valuation assumptions. The Company currently uses simplified estimates as no options have yet been exercised.

Earnings Per Share

Basic earnings per share were computed by dividing income available to common stockholders by the weighted average number of shares of common stock outstanding during the year. Accumulated preferred dividends and amortization of syndication fees were subtracted from net income to arrive at income available to common stockholders.

Diluted earnings per share were computed by dividing income available to common stockholders plus assumed conversions by the weighted-average common shares outstanding after adjusting for potential dilution related to the conversion of all dilutive securities into common stock. All potentially dilutive securities were included in the computation of diluted earnings per share.

The components of basic earnings per share are as follows:

	Three Months Ended April 30,	
Basic - Earnings Per Share	**2008**	**2007**

Net Income	$	3,387,127	$	772,294
Less: Amortization of syndication fees				(5,296)
Less: Preferred stock dividends - unpaid				(25,594)
Income available to common stockholders	$	3,387,127	$	741,404
Basic weighted-average shares outstanding		13,449,179		4,344,753
Basic - Earnings Per Share	$	0.25	$	0.17

The components of diluted earnings per share are as follows:

Diluted - Earnings Per Share	Three Months Ended April 30, 2008		2007	
Income available to common stockholders	$	3,387,127	$	741,404
Plus: Income impact of assumed conversions				
Preferred stock dividends - unpaid				25,594
Preferred stock - amortization of syndication fees				5,296
Interest on convertible debentures net of tax effect				80,581
Income available to common stockholders plus assumed conversions	$	3,387,127	$	852,875
Diluted weighted-average shares outstanding:				
Basic weighted-average shares outstanding		13,449,179		4,344,753
Plus: Incremental shares from assumed conversions				
Convertible debentures				2,006,667
Convertible preferred shares				466,673
Warrants		109,394		116,910
Options		296,165		32,834
Diluted weighted-average shares outstanding		13,854,738		6,967,837
Diluted - EPS	$	0.24	$	0.12

NOTE 2 - INVENTORIES

	April 30, 2008		January 31, 2008	
New equipment	$	76,514,001	$	78,409,999
Used equipment		37,637,323		44,478,010
Parts, tires and attachments		23,612,910		20,462,680
Work in process		2,890,800		2,416,177
	$	140,655,034	$	145,766,866

In addition to the above amounts, the Company has estimated that a portion of its parts inventory will not be sold in the next operating cycle. Accordingly, these balances have been classified as noncurrent assets.

NOTE 3 - LINE OF CREDIT

The Company had no amount outstanding on the line of credit with Bremer Bank National Association at April 30, 2008 and January 31, 2008. The agreement provides for available borrowings of $12,000,000 and carries a variable interest rate of prime minus .25% (4.75% at April 30, 2008) with monthly interest payments due, and has a maturity date of August 1, 2008. The line is secured by substantially all assets of the Company and a personal guarantee by our Chief Executive Officer.

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NOTE 4 - LONG TERM DEBT

		April 30, 2008		January 31, 2008
Fixed rate note payable to Bremer Bank, 8.0% interest rate, Monthly payments of $162,000 including interest, to August 2012. Secured by substantially all assets and a personal guarantee by the Company s Chief Executive Officer	$	7,113,458	$	7,450,998
Fixed rate note payable to Bremer Bank, 8.0% interest rate. Monthly payments of $40,000 to December 2012. Secured by substantially all assets and a personal guarantee by the Company s Chief Executive Officer		1,883,401		1,925,326
Variable rate notes payable to CNH Capital America LLC (CNH), variable rates at prime plus 0.3% (5.3% at April 30, 2008).Total monthly installment payments of $28,310, maturing August 2012. Secured by rental fleet equipment.		1,259,788		1,952,440
Non-interest bearing note payable under non-compete agreement, due in monthly installments which are capped at $3,333 per month, actual payment calculated from related store profits		196,771		210,152
Non-interest bearing notes to CNH, in varying monthly installments, various maturity dates through February 2010, secured by parts		865,674		1,162,146
Non-interest bearing notes to CNH, monthly payments of $22,624 maturing June 2010, secured by parts. Variable interest rate at prime + 1.6% rate beginning July 2008		588,232		656,104
Non-interest bearing note to CNH, monthly payments of $27,147 maturing October 2009, secured by parts. Variable interest rate at prime + 1.6% rate beginning November 2008		488,640		570,080
Fixed rate notes payable to Ford Motor Credit and GMAC, (5.99% to 9.85%), due in monthly installments including interest and various maturity dates through December 2012, secured by vehicles		324,668		291,428
Fixed rate note to Avoca Implement and Greenfield Implement 10.0%, monthly payments of $18,920. Matures January 2011, secured by equipment		720,954		759,080
Fixed rate note to Textron Financial, 7.09%, monthly payments of $4,969 Matures January 2018, secured by company asset		544,361		549,583
Notes paid in full during three month period ended April 30, 2008				3,209,298
		13,985,947		18,736,635
Less current maturities		(3,465,961)		(5,653,840)
	$	10,519,986	$	13,082,795

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Under covenants of the above Bremer Bank note payable and a Bremer Bank floorplan agreement, the Company has agreed, among other things, to (1) comply with equipment and parts inventory turn ratios; and (2) maintain various financial ratio levels.

Additionally, under covenants of the above notes payable with CNH Capital America LLC and a CNH Capital America LLC floorplan agreement, the Company has agreed, among other things, to maintain various financial ratio levels and to submit certain financial information.

As of April 30, 2008, the Company was in compliance with all of the above covenants.

Long-term debt maturities are as follows:

12 Months Ending April 30,		**Amount**
2009	$	3,465,961
2010		3,204,185
2011		2,853,445
2012		2,579,280
2013		1,464,345
Thereafter		418,731
	$	13,985,947

NOTE 5 - FLOORPLAN NOTES PAYABLE

Floorplan notes payable with a bank and manufacturers carry various interest rates ranging from 4.75 percent to 9.0 percent and are secured by substantially all assets of the Company. The Bremer Bank floorplan note payable, with a balance of $315,080 at April 30, 2008, is secured by the personal guarantee of the Company s Chief Executive Officer. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories.

NOTE 6 - SUBORDINATED DEBENTURES

		April 30, 2008		**January 31, 2008**
10% debentures to former owners of H.C. Clark Implement Co., interest payments due annually, balance due May 2010, unsecured, subordinated to bank and manufacturer debt	$		$	550,000
9% debentures to Vern Anderson, former owner of Vern Anderson Inc., interest payments due quarterly, balance due December 2010, unsecured, subordinated to bank and manufacturer debt				450,000
10% debentures to Bernard Smith, former owner of Smith International, interest payments due annually, balance due March 2010, unsecured, subordinated to bank and manufacturer debt				300,000

$	$	1,300,000

NOTE 7 - COMMON STOCK OPTIONS AND WARRANTS

Common Stock Warrants

In April 2003, the Company issued stock warrants to Cherry Tree Securities, LLC, whose chairman is a director of the Company, for 11,917 shares of common stock at an exercise price of $3.00 per share. The warrants terminate on April 7, 2013. In August 2004 the Company issued an additional 6,071 stock warrants to Cherry Tree Securities at an exercise price of $3.50 per share. These warrants terminate on July 1, 2014.

In addition, the Company issued stock warrants in April 2005 to an outside party for 115,650 shares of common stock at an exercise price of $3.50 per share. These warrants expire on April 7, 2013.

The following is a summary of outstanding stock purchase warrants as of April 30, 2008:

Issue Date	Number		Exercise Price		Fair Value Assigned	Purpose of Issuance
April 2003	11,917	$	3.00	$	11,200	Facilitate preferred stock issuance
August 2004	6,071	$	3.50	$	6,600	Facilitate preferred stock issuance
April 2005	115,650	$	3.50	$	126,000	Subordinated debt financing transaction

Outstanding stock warrants are valued using the Black-Scholes option pricing model. Assumptions used to value the warrants are similar to those used in valuing the stock options as described below. Warrants issued in conjunction with a debt offering are valued and classified as Additional Paid-In Capital per APB 14 *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*.

Stock Award Plans

The Company implemented the 2005 Equity Incentive Plan, a stock-based compensation plan, during the year ended January 31, 2006. In August 2007, the Plan was amended to increase the number of shares available under the plan from 500,000 to 1,000,000 shares. The purpose of the Plan is to provide incentive compensation to participants for services that have been or will be performed for continuing as employees or members of the Board of Directors of the Company. Under the Plan, the Company may grant options/restricted stock for up to 1,000,000 shares of common stock under all forms of awards. The Company has elected to account for stock options and restricted stock using the fair value method under SFAS 123(R). Shares issued for option exercises may be either authorized but unissued shares, or shares of treasury stock acquired in the open market.

The following table summarizes stock option activity for the three months ended April 30, 2008:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding at January 31, 2008	483,252	$	7.43			
Granted	10,000		16.40			
Exercised						
Outstanding at April 30, 2008	493,252	$	7.61	8.92	$	5,228,210
Options exercisable at April 30, 2008	59,086	$	4.42	7.82	$	814,694

The following table summarizes restricted stock activity for the three months ended April 30, 2008:

	Shares	Weighted Average Remaining Contractual Term
Outstanding at January 31, 2008	76,506	3.22
Granted	9,426	
Forfeited	(200)	
Issued	0	
Outstanding at April 30, 2008	85,732	2.62

The fair value of each stock-based award granted is estimated using the Black-Scholes pricing model. The following assumptions were made in estimating fair value:

Assumption	Fixed Plan
Dividend Yield	0%
Risk-free interest rate	3.2 - 4.9%
Expected life of options	5 - 10 years
Expected volatility	14 - 37%

Prior to the Company s initial public offering the expected volatility was based upon management s best estimate of the value of the shares based upon the Company s internal market. The Company currently estimates its volatility using our quoted market price. The expected life of options represents the period of time that options granted are expected to be outstanding. The following is a summary of the status of options outstanding and exercisable at April 30, 2008 under the fixed share-based payment plan:

Exercise Price	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable Options Number
$ 4.00	9,250	6.8 years	$ 4.00	9,250
4.50	119,002	7.9 years	4.50	49,836
7.50	80,000	9.2 years	7.50	
8.50	181,000	9.6 years	8.50	
9.35	94,000	9.6 years	9.35	
16.40	10,000	9.8 years	16.40	

The weighted average grant date fair value of options granted during the three months ended April 30, 2008 was $7.86. The weighted average grant date fair value of restricted stock granted during the three months ended April 30, 2008 was $17.48. Compensation cost charged to operations under the equity incentive plan was $136,800 for the three months ended April 30, 2008 and $0 for the three months ended April 30, 2007. The income tax benefit recognized from all stock based compensation arrangements was $36,500 for the three months ended April 30, 2008 and $0 for the three months ended April 30, 2007. For the three months ended April 30, 2008 and 2007, no options were exercised. As of April 30, 2008, there was $1,126,280 of unrecognized compensation cost on non-vested stock options. That cost is expected to be recognized over a weighted-average period of 4.5 years. As of April 30, 2008, there was $549,280 of unrecognized compensation cost on non-vested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.1 years.

NOTE 8 - BUSINESS COMBINATIONS

The Company continued to implement its strategy of consolidating dealerships in desired market areas. Below is a summary of the acquisitions completed for the three months ended April 30, 2008. In certain of its business combination transactions the Company recognizes goodwill. Factors contributing to the recognition of goodwill include an evaluation of enterprise value, historical financial performance, estimated industry potential within the market and the market territory relationship to other existing and future planned Company locations. Pro forma results are not presented as the acquisitions are not considered material, individually or in aggregate, to the Company.

Ceres Equipment

On February 1, 2008, the Company acquired certain assets of Ceres Equipment, Inc. The Dealership is located in Roseau, Minnesota and is contiguous to existing markets. The acquisition increases the Company s market share in the northwest area of Minnesota. The total cash purchase price for the dealership was $3,940,380. The Company expects the allocation of the purchase price will be finalized during the fiscal year ending January 31, 2009. The allocation of the purchase price is presented in the following table:

	Ceres Equipment	Prior Acquisition Purchase Adjustments	Totals
Inventories	$ 3,499,901	$ (66,522)	$ 3,433,379
Property and equipment	472,600		472,600
Goodwill	140,899	66,522	207,421
	$ 4,113,400	$	$ 4,113,400
Other liabilities assumed	$ 173,020		$ 173,020
	$ 173,020	$	$ 173,020
Consideration given	$ 3,940,380	$	$ 3,940,380

Of the total goodwill of $140,899 recorded in the acquisition transactions during the three months ended April 30, 2008, $140,899 is expected to be deductible for tax purposes.

NOTE 9 - FAIR VALUE OF FINANCIAL STATEMENTS

The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Quoted market prices are generally not available for the Company s financial instruments. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. As explained in Note 1, actual results could differ from the estimates.

The carrying amount of cash, receivables, payables, short-term debt and other current liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments. Based upon current borrowing rates with similar maturities, the fair value of the long-term debt approximates the carrying value as of April 30, 2008 and January 31, 2008.

NOTE 10 - SUBSEQUENT EVENTS

On May 1, 2008, the Company acquired an agricultural equipment dealership in Blairstown, Iowa for approximately $2.0 million in cash. Under the agreement, the Company acquired 100% of the outstanding stock of Quad County Implement, Inc. The acquisition expands the Company s presence in market areas contiguous to existing dealerships.

On May 21, 2008, the Company received approximately $78.7 million (net of underwriter fees of $4.4 million and estimated offering expenses of approximately $0.5 million) as a result of its public offering of 4.83 million shares of common stock, including 650,000 shares offered by selling stockholders, priced at $20.00 per share.

On May 28, 2008, the Company acquired the assets of Mid-Land Equipment Company, L.C., with six construction equipment dealerships, for approximately $14.4 million. The dealerships are located in Des Moines, Davenport, Clear Lake and Cedar Rapids, Iowa, and Omaha and Lincoln, Nebraska. The construction equipment stores are contiguous to existing construction equipment stores in South Dakota and overlay the existing nine agricultural locations in Iowa.

NOTE 11 - RESTATEMENT OF FINANCIAL STATEMENTS

The Company restated its financial statements for the years ended January 31, 2007, January 31, 2006, and January 31, 2005 to correct various accounting errors and/or disclosure omissions that were identified during the SEC s review of the Company s registration statement for its initial public offering. As a result, the financial statements included in this Quarterly Report are presented as restated solely for the period ended April 30, 2007, as the Company has not previously presented restated information for that period.

The Company made adjustments to reclassify syndication costs (previously a component within stockholders equity), netting the syndication costs against the offering proceeds to which they relate (preferred stock or long-term debt), and recorded amortization of the syndication costs over the life of the underlying security. The Company also recorded a liability for unpaid and undeclared accumulated preferred dividends upon the determination that they were probable of being incurred.

Corrections also resulted in restatements involving changes to the Statement of Cash Flows to correctly report the inventory floor planned, with non-manufacturers as financing cash inflow, and the repayment of non-manufacturer floorplanning as financing cash outflow.

Lastly, the restated financial statements were revised to include earnings per share amounts and related disclosures.

Below are summaries of the financial statement line items that were affected by the restatements described above:

Statement Of Operations

	Three months ended April 30,		
	2007 (As originally reported and unaudited)	**2007 (As restated and unaudited)**	**2007 (Effect of change)**
Revenue	$ 79,826,710	$ 79,826,710	$
Cost of revenue	67,007,941	67,007,941	
Gross profit	12,818,769	12,818,769	
Operating expenses	10,046,741	10,046,741	
Income from operations	2,772,028	2,772,028	
Other income (expense)	(1,500,651)	(1,521,071)	(20,420)
Income before income taxes	1,271,377	1,250,957	(20,420)
Provision for income taxes	(478,663)	(478,663)	
Net income	792,714	772,294	(20,420)
Adjustments to income			
Amortization of syndication fees		(5,296)	(5,296)
Unpaid accumulated preferred dividends		(25,594)	(25,594)
Income available to common stockholders	$ 792,714	$ 741,404	$ (51,310)
Earnings per share - basic	$	$ 0.17	$ 0.17
Earnings per share - diluted	$	$ 0.12	$ 0.12

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Statement of Cash Flows

	Three months ended April 30,		
	2007 (As originally reported and unaudited)	2007 (As restated) and unaudited)	2007 (Effect of change)
OPERATING ACTIVITIES			
Net income	$ 792,714	$ 772,294	$ (20,420)
Adjustments to reconcile net income to net cash from operations			
Depreciation	523,304	523,304	
Amortization	9,633	26,133	16,500
Net change in other assets		3,920	3,920
Changes in assets and liabilities, net of purchase of agricultural dealerships assets and assumption of liabilities			
Receivables	1,864,399	1,864,399	
Inventories	2,703,431	530,474	2,172,957
Prepaid expenses	(110,166)	(110,166)	
Floorplan notes payable	(4,824,564)	(500,101)	(4,324,463)
Accounts payable	2,126,946	2,126,946	
Customer deposits	(2,086,882)	(2,086,882)	
Accrued expenses	(778,391)	(778,391)	
Income taxes	(77,225)	(77,225)	
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	143,199	2,294,705	(2,151,506)
INVESTING ACTIVITIES			
Property and equipment purchases	(851,586)	(851,586)	
Purchase of equipment dealerships net of cash purchased	(5,126,577)	(5,126,577)	
NET CASH USED FOR INVESTING ACTIVITIES	(5,978,163)	(5,978,163)	
FINANCING ACTIVITIES			
Net change in non-manufacturer floorplan payable		(2,151,506)	2,151,506
Proceeds from long-term debt borrowings and subordinated debentures	1,869,491	1,869,491	
Principal payments on long-term debt	(831,967)	(831,967)	
Net change in subordinated debt interest accrual	(84,161)	(84,161)	
NET CASH FROM FINANCING ACTIVITIES	953,363	(1,198,143)	2,151,506
NET CHANGE IN CASH	(4,881,601)	(4,881,601)	
CASH AT BEGINNING OF PERIOD	7,572,000	7,572,000	
CASH AT END OF PERIOD	$ 2,690,399	$ 2,690,399	$

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim consolidated financial statements and related notes included in Item 1 of Part 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 31, 2008.

Critical Accounting Policies

There have been no material changes in the Company s Critical Accounting Policies, as disclosed in its Annual Report on Form 10-K for the year ended January 31, 2008.

Overview

We own and operate one of the largest networks of full service agricultural and construction equipment stores in North America. 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. We sell and rent agricultural and construction equipment, sell parts, and service the equipment operating in the areas surrounding our stores.

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The Company s net income was $3.4 million, or $0.24 per diluted share, in the quarter ended April 30, 2008, compared to $0.8 million, or $0.12 per diluted share, in the quarter ended April 30, 2007. Significant factors impacting the quarter were:

- Strong revenue growth due to acquisitions and same-store sales;
- Increase in gross profits due to increased revenues; and
- Increase in operating expenses due to increased revenues but lower as a percentage of sales.

Results of Operations

Comparative financial data for each of the Company s four sources of revenue are expressed below. The results for these periods include the operating results of the acquisitions made during these periods. The period-to-period comparisons included below are not necessarily indicative of future results (dollars in thousands):

	Three Months Ended April 30,				
		2008		2007	% Change
Equipment					
Revenue	$	120,914	$	61,103	97.9
Cost of revenue		107,918		54,890	96.6
Gross profit	$	12,996	$	6,213	109.2
Parts					
Revenue	$	21,504	$	12,325	74.5
Cost of revenue		15,794		9,150	72.6
Gross profit	$	5,710	$	3,175	79.8
Service					
Revenue	$	8,944	$	5,393	65.8
Cost of revenue		3,418		2,218	54.1
Gross profit	$	5,526	$	3,175	74.0
Other, including trucking and rental					
Revenue	$	1,220	$	1,006	21.3
Cost of revenue		853		751	13.6
Gross profit	$	367	$	255	43.9

The following table sets forth our statements of operations data expressed as a percentage of net revenue for the periods indicated:

	Three Months Ended April 30, 2008	2007
Revenue		
Equipment	79.2%	76.5%
Parts	14.1%	15.4%
Service	5.9%	6.8%
Other, including trucking and rental	0.8%	1.3%
Total revenue	100%	100%
Cost of Revenue		
Equipment	70.7%	68.8%
Parts	10.4%	11.4%
Service	2.2%	2.8%
Other, including trucking and rental	0.6%	0.9%
Total cost of revenue	83.9%	83.9%
Gross profit	16.1%	16.1%
Operating expenses	11.9%	12.6%
Income from operations	4.2%	3.5%

Three Months Ended April 30, 2008 Compared to Three Months Ended April 30, 2007

Revenue

	Three months ended April 30, 2008	Three months ended April 30, 2007 (dollars in thousands)	Increase	Percent change
Total revenue	$ 152,582	$ 79,827	$ 72,755	91.1%
Equipment	$ 120,914	$ 61,103	$ 59,811	97.9%
Parts	$ 21,504	$ 12,325	$ 9,179	74.5%
Service	$ 8,944	$ 5,393	$ 3,551	65.8%
Other, including trucking and rental	$ 1,220	$ 1,006	$ 214	21.3%

The increase in revenue for the three months ended April 30, 2008 was due to acquisitions contributing to current period revenue and same-store sales growth. Acquisitions contributed $43.4 million in total revenue, or 59.6% of the increase while same-store sales growth contributed $29.4 million, or 40.4% of the increase. Same-store sales increased 37.4% over the prior year, which is indicative of the strong market for our products, particularly in the area of equipment sales. We believe equipment sales were strong in the three months ended April 30, 2008 due to the growth in global demand for agricultural commodities and the positive impact this commodity demand has had on farm income. We anticipate favorable market conditions will continue for fiscal 2009, assuming normal weather conditions.

Cost of Revenue

	Three months ended April 30, 2008	Three months ended April 30, 2007 (dollars in thousands)	Increase	Percent change
Total cost of revenue	$ 127,983	$ 67,008	$ 60,975	91.0%
Equipment	$ 107,918	$ 54,889	$ 53,029	96.6%
Parts	$ 15,794	$ 9,150	$ 6,644	72.6%
Service	$ 3,418	$ 2,218	$ 1,200	54.1%
Other, including trucking and rental	$ 853	$ 751	$ 102	13.6%

The increase in cost of revenue for the three months ended April 30, 2008 was primarily due to increased revenue. Acquisitions contributed $36.0 million in total cost of revenue, or 59.0% of the increase, while same-store sales growth contributed $25.0 million, or 41.0% of the increase. As a percentage of revenue, cost of revenue was 83.9%, matching the prior fiscal year s three month results.

Gross Profit

	Three months ended April 30, 2008	Three months ended April 30, 2007 (dollars in thousands)	Increase	Percent change
Total gross profit	$ 24,599	$ 12,819	$ 11,780	91.9%
Equipment	$ 12,996	$ 6,214	$ 6,782	109.1%
Parts	$ 5,710	$ 3,175	$ 2,535	79.8%
Service	$ 5,526	$ 3,175	$ 2,351	74.0%
Other, including trucking and rental	$ 367	$ 255	$ 112	43.9%

The $11.8 million increase in gross profit for the three months ended April 30, 2008 was primarily due to increased revenue. Acquisitions contributed $7.4 million to the gross profit comparison for the three months ending April 30, 2008, which was 62.7% of the total increase in gross profit, while increases in same-store sale gross profits provided the remaining $4.4 million, or 37.3%, of the gross profit improvement. Gross profit margins were 16.1% for both the current and previous year quarters.

Operating Expenses

	Three months ended April 30, 2008	Three months ended April 30, 2007 (dollars in thousands)	Increase	Percent change
Operating expenses	$ 18,182	$ 10,047	$ 8,135	81.0%

The increase in operating expenses was primarily due to the additional costs associated with acquisitions. As a percentage of total revenue, operating expenses decreased to 11.9% for the first quarter of fiscal 2009 from 12.6% for the first quarter of fiscal 2008. This decrease was primarily driven by the strong sales in the current quarter resulting in improved fixed operating expense utilization as a percentage of sales.

Other Income (Expense)

	Three months ended April 30, 2008	Three months ended April 30, 2007 (dollars in thousands)	Increase/ (Decrease)	Percent change
Interest and other income	$ 310	$ 14	$ 296	2114.3%
Floorplan interest	$ (722)	$ (879)	$ (157)	(17.9)%
Interest expense	$ (313)	$ (655)	$ (342)	(52.2)%

Interest and other income increased in the current quarter due to the higher level of cash and cash equivalents in the current three month period compared to the prior year three month period. The decrease in interest expense was primarily due to lower debt levels resulting from the retirement of all subordinated debentures as well as the early extinguishment of a portion of our long-term debt. This debt reduction will continue to result in lower interest expense throughout fiscal 2009 compared to that of fiscal year 2008.

Provision for Income Taxes

	Three months ended April 30, 2008	Three months ended April 30, 2007 (dollars in thousands)	Increase	Percent change
Provision for income taxes	$ 2,306	$ 479	$ 1,827	381.4%

The effective tax rate increased to 40.5% for the three months ended April 30, 2008 from 37.6% for the three months ended April 30, 2007. The increase in the effective tax rate from the prior year primarily reflects the changing mix of sales originating in states with higher tax rates. The mix change is significantly impacted by current and prior year acquisitions.

Liquidity and Capital Resources

Cash Flow from Operating Activities

For the three months ended April 30, 2008, our cash flow provided by operating activities was $10.5 million. Our cash flows from operations were primarily the result of our reported net income of $3.4 million, an increase in floorplan notes of $0.8 million, an increase in customer deposits of $6.3 million, an increase in our current income tax payable of $2.3 million, an increase in accounts payable of $4.5 million and an add back of non-cash depreciation and amortization of $0.9 million. This amount was principally offset by an increase in receivables of $6.1 million and an increase in inventories of $1.5 million. The large increase in customer deposits and receivables is representative of our growth through acquisitions and strong fiscal 2009 first quarter sales activity.

For the three months ended April 30, 2007, our cash flow provided by operating activities was $2.3 million. Our cash flows from operations were primarily the result of our reported net income of $0.8 million, a receivables decrease of $1.9 million, an inventory decrease of $0.5 million and an increase in accounts payable of $2.1 million. This amount was principally offset by a decrease in floorplan notes payable of $0.5 million, a decrease in accrued expenses of $0.8 million and a decrease in customer deposits of $2.1 million.

Cash Flow from Investing Activities

For the three months ended April 30, 2008, cash used for investing activities was $5.2 million. Our cash used for investing activities primarily consisted of equipment dealership purchases of $3.9 million and purchases of property and equipment for $1.4 million.

For the three months ended April 30, 2007, cash used for investing activities was $6.0 million. Our cash used for investing activities related to purchases of equipment dealerships of $5.1 million and purchases of property and equipment of $0.9 million.

Cash Flow from Financing Activities

For the three months ended April 30, 2008, cash used for financing activities was $6.1 million. Cash used for financing activities was primarily the result of principal payments on long-term debt and subordinated debentures of $6.1 million.

For the three months ended April 30, 2007, cash used for financing activities was $1.2 million. Cash used for financing activities was primarily the result of the net reduction in non-manufacturer floorplan payable of $2.2 million and principal payments on long-term debt of $0.8 million. Partially offsetting the cash used from financing activities were proceeds from long-term debt and subordinated debentures of $1.9 million.

Sources of Liquidity

Our primary sources of liquidity are cash reserves, cash flow from operations, proceeds from our public offerings, proceeds from the issuance of debt and borrowings under our credit facilities. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

Adequacy of Capital Resources

Our primary uses of cash have been to fund our strategic acquisitions, finance the purchase of inventory, meet debt service requirements and fund operating activities, working capital, payments due under building space operating leases and manufacturer floorplan payable.

Based on our current operational performance, we believe our cash flow from operations, the proceeds from our public offerings, available cash and available borrowings under the existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months.

Certain Information Concerning Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. In the normal course of our business activities, we lease rental equipment under operating leases.

PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Such forward-looking information is included in this Form 10-Q, including the MD&A section, as well as in our Form 10-K for the year ended January 31, 2008 that was filed with the Securities and Exchange Commission, and in other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company).

Forward-looking statements include all statements based on future expectations and specifically include, among other things, all statements relating to (i) our beliefs that our market share is growing, (ii) our beliefs with respect to market conditions, and (iii) our expectations and beliefs with respect to the uses and adequacy of our capital resources. Any statements that are not based upon historical facts, including the outcome of events that have not yet occurred and our expectations for future performance, are forward-looking statements. The words potential, believe, estimate, expect, intend, may, could, will, plan, anticipate, and similar words and expressions are intended to identify forward-look statements. Such statements are based upon the current beliefs and expectations of our management. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to those matters identified and discussed in our Annual Report on Form 10-K under the section titled Risk Factors .

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices such as interest rates. For fixed rate debt, interest rate changes affect the fair value of financial instruments but do not impact earnings or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant. During fiscal 2007, we renegotiated and/or signed several new credit facilities. Many of these credit agreements are floating rate facilities now containing minimum rates of interest to be charged. We have also entered into fixed rate financing. Based upon balances and interest rates as of April 30, 2008, holding other variables constant, a one percentage point increase in interest rates for the next 12-month period would decrease pre-tax earnings and cash flow by approximately $306,000. Conversely, a one percentage point decrease in interest rates for the next 12-month period would result in an increase to pre-tax earnings and cash flow of approximately $306,000. At April 30, 2008, we had variable rate floorplan notes payable of $96.8 million, of which approximately $29.3 million was interest-bearing, variable notes payable and long-term debt of $1.3 million, and fixed rate notes payable and long-term debt of $12.7 million.

Our policy is not to enter into derivatives or other financial instruments for trading or speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures*. After evaluating the effectiveness of the Company s disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the Exchange Act) as of the end of the period covered by this quarterly report, our chief executive officer and chief financial officer with the participation of the Company s management, have concluded that the Company s disclosure controls and procedures are effective to ensure that information that is required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules of the Securities Exchange Commission. Our chief executive officer and chief financial officer with the participation of the Company s management,

have also concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

Based on evaluations occurring prior to the end of the period covered by this quarterly report, our chief executive officer and chief financial officer concluded that certain internal control deficiencies existed. In light of these deficiencies, management took the actions, as discussed below, prior to and during the first quarter to address such deficiencies.

(b) *Changes in internal controls*. There has not been any change in the Company s internal control over financial reporting (as defined in Rules 13a-15(f) as promulgated by the Securities and Exchange Commission under the Act) during its most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting. During the first quarter of fiscal 2009, the Company continued to implement the actions identified in its Form 10-Q for the Company s third quarter of fiscal 2008 relating to remediating past control deficiencies.

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not a party to any material pending legal proceedings.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, including the important information in Private Securities Litigation Reform Act, you should carefully consider the Risk Factors discussed in our Form 10-K for the year ended January 31, 2008 as filed with the United States Securities and Exchange Commission. Those factors, if they were to occur, could cause our actual results to differ materially from those expressed in our forward-looking statements in this report, and materially adversely affect our financial condition or future results. Although we are not aware of any other factors that we currently anticipate will cause our forward-looking statements to differ materially from our future actual results, or materially affect the Company s financial condition or future results, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial might materially adversely affect our actual business, financial condition and/or operating results.

There have been no material changes to the risk factors described in our Form 10-K for the year ended January 31, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On December 11, 2007, we closed the initial public offering of our common stock, pursuant to which we sold 5,442,395 shares of our common stock and selling stockholders sold 1,457,605 shares. We filed a Registration Statement on Form S-1 in connection with the IPO (SEC File No. 333-145526) that was declared effective on December 6, 2007, as well as a Registration Statement on Form S-1 relating to an increase in the proposed maximum aggregate offering price (SEC File No. 333-147859). We received net proceeds, after expenses, from the IPO of approximately $41.8 million. Offering expenses related to the IPO included an underwriting discount of approximately $3.2 million and other offering expenses of approximately $1.2 million. During the three-month period ended April 30, 2008, we used $1.3 million of the net proceeds from the IPO to repay subordinated debt held by former owners of acquired dealerships, $4.8 million to repay term debt held primarily by CNH Capital and former owners of acquired dealerships, and approximately $3.9 million to acquire certain assets of Ceres Equipment, Inc. We intend to use the remaining proceeds from the IPO to fund potential acquisitions of CNH agricultural and construction equipment dealerships and for general corporate purposes, including working capital needs.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits - See Exhibit Index on page following signatures

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 16, 2008

TITAN MACHINERY INC.

By /s/ Peter J. Christianson
Peter J. Christianson
President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

TITAN MACHINERY INCORPORATED

FORM 10-Q

Exhibit No.	Description
**31.1	Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification of President and Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**Filed herewith