

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

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**FORM 10-Q**

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

For the quarterly period ended July 31, 2014

Commission File No. 001-33866

**TITAN MACHINERY INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**No. 45-0357838**

(IRS Employer  
Identification No.)

**644 East Beaton Drive  
West Fargo, ND 58078-2648**  
(Address of Principal Executive Offices)

Registrant's telephone number (701) 356-0130

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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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The number of shares outstanding of the registrant's common stock as of August 31, 2014 was: Common Stock, \$0.00001 par value, 21,413,205 shares.

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**TITAN MACHINERY INC.**  
**QUARTERLY REPORT ON FORM 10-Q**

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**PART I. — FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**
**TITAN MACHINERY INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except per share data)**

	July 31, 2014 (Unaudited)	January 31, 2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 89,713	\$ 74,242
Receivables, net	86,305	97,894
Inventories	1,137,700	1,075,978
Prepaid expenses and other	12,461	24,740
Income taxes receivable	3,755	851
Deferred income taxes	13,274	13,678
Total current assets	1,343,208	1,287,383
<b>Intangibles and Other Assets</b>		
Noncurrent parts inventories	4,903	5,098
Goodwill	24,751	24,751
Intangible assets, net of accumulated amortization	11,422	11,750
Other	7,617	7,666
Total intangibles and other assets	48,693	49,265
Property and Equipment, net of accumulated depreciation	233,055	228,000
<b>Total Assets</b>	<b>\$ 1,624,956</b>	<b>\$ 1,564,648</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 23,182	\$ 23,714
Floorplan payable	850,347	750,533
Current maturities of long-term debt	35,731	2,192
Customer deposits	21,055	61,286
Accrued expenses	42,648	36,968
Income taxes payable	—	344
Total current liabilities	972,963	875,037
<b>Long-Term Liabilities</b>		
Senior convertible notes	130,592	128,893
Long-term debt, less current maturities	66,609	95,532
Deferred income taxes	47,357	47,329
Other long-term liabilities	2,824	6,515
Total long-term liabilities	247,382	278,269
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common stock, par value \$.00001 per share, 45,000 shares authorized; 21,413 shares issued and outstanding at July 31, 2014; 21,261 shares issued and outstanding at January 31, 2014	—	—
Additional paid-in-capital	239,383	238,857
Retained earnings	162,412	169,575
Accumulated other comprehensive income	262	339
Total Titan Machinery Inc. stockholders' equity	402,057	408,771
Noncontrolling interest	2,554	2,571
Total stockholders' equity	404,611	411,342
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,624,956</b>	<b>\$ 1,564,648</b>

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(in thousands, except per share data)

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenue				
Equipment	\$ 320,087	\$ 358,388	\$ 665,132	\$ 693,133
Parts	70,526	70,633	138,905	133,470
Service	38,447	39,872	75,531	71,870
Rental and other	21,930	19,287	36,885	31,381
Total Revenue	450,990	488,180	916,453	929,854
Cost of Revenue				
Equipment	292,879	329,083	609,161	632,906
Parts	49,730	48,022	97,744	92,733
Service	13,529	14,383	27,932	25,746
Rental and other	15,199	13,150	26,024	20,979
Total Cost of Revenue	371,337	404,638	760,861	772,364
Gross Profit	79,653	83,542	155,592	157,490
Operating Expenses	67,795	70,145	138,947	139,078
Realignment Costs	151	—	2,952	—
Income from Operations	11,707	13,397	13,693	18,412
Other Income (Expense)				
Interest income and other income (expense)	(1,028)	337	(3,606)	934
Floorplan interest expense	(5,308)	(3,723)	(9,901)	(7,165)
Other interest expense	(3,559)	(3,455)	(7,000)	(6,622)
Income (Loss) Before Income Taxes	1,812	6,556	(6,814)	5,559
Provision for Income Taxes	(2,587)	(2,589)	(854)	(2,195)
Net Income (Loss) Including Noncontrolling Interest	\$ (775)	\$ 3,967	\$ (7,668)	\$ 3,364
Less: Net Income (Loss) Attributable to Noncontrolling Interest	(161)	134	(505)	(55)
Net Income (Loss) Attributable to Titan Machinery Inc.	\$ (614)	\$ 3,833	\$ (7,163)	\$ 3,419
Earnings (Loss) per Share - Note 1				
Earnings (Loss) per Share - Basic	\$ (0.03)	\$ 0.18	\$ (0.34)	\$ 0.16
Earnings (Loss) per Share - Diluted	\$ (0.03)	\$ 0.18	\$ (0.34)	\$ 0.16
Weighted Average Common Shares - Basic	20,986	20,882	20,969	20,868
Weighted Average Common Shares - Diluted	20,986	21,029	20,969	21,027

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
(in thousands)

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net Income (Loss) Including Noncontrolling Interest	\$ (775)	\$ 3,967	\$ (7,668)	\$ 3,364
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	1,066	(30)	(154)	(827)
Unrealized gain (loss) on net investment hedge derivative instruments, net of tax expense (benefit) of \$528 and (\$122) for the three months ended July 31, 2014 and 2013, respectively, and \$30 and \$192 for the six months ended July 31, 2014 and 2013, respectively	793	(182)	46	289
Unrealized loss on interest rate swap cash flow hedge derivative instruments, net of tax benefit of (\$34) for the three months ended July 31, 2014 and (\$32) for the six months ended July 31, 2014	(49)	—	(46)	—
Unrealized gain on foreign currency contract cash flow hedge derivative instruments, net of tax expense of \$8 for the three months ended July 31, 2014 and \$29 for the six months ended July 31, 2014	12	—	44	—
Reclassification of gain on foreign currency contract cash flow hedge derivative instruments included in net loss, net of tax expense of \$8 for the three months ended July 31, 2014 and \$14 for the six months ended July 31, 2014	11	—	20	—
Total Other Comprehensive Income (Loss)	1,833	(212)	(90)	(538)
Comprehensive Income (Loss)	1,058	3,755	(7,758)	2,826
Comprehensive Income (Loss) Attributable to Noncontrolling Interest	132	71	(518)	(253)
Comprehensive Income (Loss) Attributable To Titan Machinery Inc.	\$ 926	\$ 3,684	\$ (7,240)	\$ 3,079

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**  
(in thousands)

	Common Stock			Accumulated Other Comprehensive Income (Loss)									
	Shares Outstanding	Amount	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Net Investment Hedges	Unrealized Gains (Losses) on Interest Rate Swap Cash Flow Hedges	Unrealized Gains (Losses) on Foreign Currency Contract Cash Flow Hedges	Total	Total Titan Machinery Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity	
Balance, January 31, 2013	21,092	\$ —	\$236,521	\$160,724	\$ (226)	\$ (509)	\$ —	\$ —	\$ (735)	\$ 396,510	\$ 3,409	\$ 399,919	
Common stock issued on grant of restricted stock (net of forfeitures), exercise of stock options and warrants, and tax benefits of equity awards	147	—	259	—	—	—	—	—	—	259	—	259	
Other	—	—	—	—	—	—	—	—	—	—	(339)	(339)	
Stock-based compensation expense	—	—	992	—	—	—	—	—	—	992	—	992	
Comprehensive income (loss):													
Net income (loss)	—	—	—	3,419	—	—	—	—	—	3,419	(55)	3,364	
Other comprehensive income (loss)	—	—	—	—	(629)	289	—	—	(340)	(340)	(198)	(538)	
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	—	3,079	(253)	2,826	
Balance, July 31, 2013	21,239	\$ —	\$237,772	\$164,143	\$ (855)	\$ (220)	\$ —	\$ —	\$ (1,075)	\$ 400,840	\$ 2,817	\$ 403,657	
Balance, January 31, 2014	21,261	\$ —	\$238,857	\$169,575	\$ 1,541	\$ (339)	\$ (737)	\$ (126)	\$ 339	\$ 408,771	\$ 2,571	\$ 411,342	
Common stock issued on grant of restricted stock (net of forfeitures), exercise of stock options and warrants, and tax benefits of equity awards	152	—	(50)	—	—	—	—	—	—	(50)	—	(50)	
Stock-based compensation expense	—	—	1,078	—	—	—	—	—	—	1,078	—	1,078	
Other	—	—	(502)	—	—	—	—	—	—	(502)	501	(1)	
Comprehensive income (loss):													
Net loss	—	—	—	(7,163)	—	—	—	—	—	(7,163)	(505)	(7,668)	
Other comprehensive income (loss)	—	—	—	—	(141)	46	(46)	64	(77)	(77)	(13)	(90)	
Total comprehensive loss	—	—	—	—	—	—	—	—	—	(7,240)	(518)	(7,758)	
Balance, July 31, 2014	21,413	\$ —	\$239,383	\$162,412	\$ 1,400	\$ (293)	\$ (783)	\$ (62)	\$ 262	\$ 402,057	\$ 2,554	\$ 404,611	

See Notes to Consolidated Financial Statements

**TITAN MACHINERY INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	Six Months Ended July 31,	
	2014	2013
<b>Operating Activities</b>		
Net income (loss) including noncontrolling interest	\$ (7,668)	\$ 3,364
Adjustments to reconcile net income including noncontrolling interest to net cash used for operating activities		
Depreciation and amortization	14,746	13,342
Deferred income taxes	385	(64)
Stock-based compensation expense	1,078	992
Noncash interest expense	2,326	2,245
Other, net	(68)	404
Changes in assets and liabilities, net of purchase of equipment dealerships assets and assumption of liabilities		
Receivables, prepaid expenses and other assets	20,350	25,305
Inventories	(68,312)	(218,580)
Manufacturer floorplan payable	(643)	140,858
Accounts payable, customer deposits, accrued expenses and other long-term liabilities	(38,352)	(10,807)
Income taxes	(3,249)	(5,540)
<b>Net Cash Used for Operating Activities</b>	<b>(79,407)</b>	<b>(48,481)</b>
<b>Investing Activities</b>		
Rental fleet purchases	(502)	(432)
Property and equipment purchases (excluding rental fleet)	(8,249)	(12,523)
Net proceeds from sale of property and equipment	2,444	415
Purchase of equipment dealerships, net of cash purchased	—	(4,848)
Other, net	328	695
<b>Net Cash Used for Investing Activities</b>	<b>(5,979)</b>	<b>(16,693)</b>
<b>Financing Activities</b>		
Net change in non-manufacturer floorplan payable	100,790	21,517
Proceeds from long-term debt borrowings	5,832	31,113
Principal payments on long-term debt	(5,558)	(9,105)
Other, net	(264)	(196)
<b>Net Cash Provided by Financing Activities</b>	<b>100,800</b>	<b>43,329</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>57</b>	<b>(108)</b>
<b>Net Change in Cash</b>	<b>15,471</b>	<b>(21,953)</b>
<b>Cash at Beginning of Period</b>	<b>74,242</b>	<b>124,360</b>
<b>Cash at End of Period</b>	<b>\$ 89,713</b>	<b>\$ 102,407</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the period		
Income taxes, net of refunds	\$ 3,734	\$ 7,676
Interest	\$ 13,830	\$ 11,618
<b>Supplemental Disclosures of Noncash Investing and Financing Activities</b>		
Net property and equipment financed with long-term debt, accounts payable and accrued liabilities	\$ 3,968	\$ 13,527
Net transfer of assets to property and equipment from inventories	\$ 7,218	\$ 42,113

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 consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) 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 (“GAAP”) 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. The quarterly operating results for Titan Machinery Inc. (the “Company”) are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment purchases, rentals, and after-sales parts and service purchases by the Company’s Agriculture, Construction and International customers. Therefore, operating results for the six-month period ended July 31, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2015. The information contained in the balance sheet as of January 31, 2014 was derived from the audited financial statements for the Company for the year then ended. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Form 10-K for the fiscal year ended January 31, 2014 as filed with the SEC.

Subsequent to the issuance of the Company’s interim consolidated financial statements as of and for the period ended April 30, 2014, the Company concluded that the treatment of its prepaid value added tax (“VAT”) asset in Ukraine as a non-monetary asset was incorrect and that the asset should be classified and accounted for as a monetary asset and therefore should be remeasured from Ukrainian Hryvnia (“UAH”) to U.S. Dollars (“USD”) using the current rate as opposed to the historical rate used for non-monetary assets. In addition, in February of 2014, the National Bank of Ukraine terminated the currency peg of the UAH to the USD; subsequent to the decoupling and as a result of the economic and political conditions present in the country, the UAH experienced significant devaluation from the date the currency peg was terminated through the end of the Company’s second fiscal quarter.

The incorrect classification of the VAT asset as a non-monetary asset coupled with the significant devaluation of the UAH resulted in an overstatement of the Company’s assets (Prepaid expenses and other) as of April 30, 2014 and an understatement of the Company’s loss (Interest income and other income (expense)) for the three months ended April 30, 2014. This correction increased the Company’s Net Loss Attributable to Titan Machinery Inc. by \$2.3 million (from the previously reported \$4.2 million to \$6.5 million) and increased the diluted loss per share by \$0.11 (from the previously reported \$0.20 loss per share to a \$0.31 loss per share). This correction is reflected in the accompanying unaudited Consolidated Statements of Operations for the six-month period ended July 31, 2014.

Based on an evaluation of all relevant factors, the Company concluded that this correction was immaterial to the Company’s results for the three months ended April 30, 2014; therefore, the Company determined that an amendment of its previously filed Form 10-Q for the quarterly period ended April 30, 2014 was not necessary, and the correction will be reflected in future 10-K and 10-Q filings.

*Nature of Business*

The Company is engaged in the retail sale, service and rental of agricultural and construction machinery through its stores in the United States and Europe. The Company’s North American stores are located in Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wisconsin and Wyoming, and its European stores are located in Bulgaria, Romania, Serbia and Ukraine.

*Estimates*

The preparation of financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, particularly related to realization of inventory, initial valuation and impairment analyses of intangible assets, collectability of receivables, and income taxes.



## Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All material accounts, transactions and profits between the consolidated companies have been eliminated in consolidation.

## Earnings (Loss) Per Share ("EPS")

The Company uses the two-class method to calculate basic and diluted EPS. Unvested restricted stock awards are considered participating securities because they entitle holders to non-forfeitable rights to dividends during the vesting term. Under the two-class method, basic EPS were computed by dividing net income attributable to Titan Machinery Inc. after allocation of income to participating securities by the weighted-average number of shares of common stock outstanding during the year.

Diluted EPS were computed by dividing net income attributable to Titan Machinery Inc. after allocation of income to participating securities by the weighted-average shares of common stock 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 EPS. There were approximately 125,000 and 99,000 stock options outstanding that were excluded from the computation of diluted EPS for the three months ended July 31, 2014 and 2013, respectively, because they were anti-dilutive. There were approximately 126,000 and 66,000 stock options outstanding that were excluded from the computation of diluted EPS for the six months ended July 31, 2014 and 2013, respectively, because they were anti-dilutive. None of the approximately 3,474,000 shares underlying the Company's senior convertible notes were included in the computation of diluted EPS because the Company's average stock price was less than the conversion price of \$43.17.

The following table sets forth the calculation of basic and diluted EPS:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
	(in thousands, except per share data)		(in thousands, except per share data)	
Numerator				
Net Income (Loss) Attributable to Titan Machinery Inc.	\$ (614)	\$ 3,833	\$ (7,163)	\$ 3,419
Net (Income) Loss Allocated to Participating Securities	11	(56)	114	(45)
Net Income (Loss) Attributable to Titan Machinery Inc. Common Stockholders	\$ (603)	\$ 3,777	\$ (7,049)	\$ 3,374
Denominator				
Basic Weighted-Average Common Shares Outstanding	20,986	20,882	20,969	20,868
Plus: Incremental Shares From Assumed Conversions of Stock Options	—	147	—	159
Diluted Weighted-Average Common Shares Outstanding	20,986	21,029	20,969	21,027
Earnings (Loss) per Share - Basic	\$ (0.03)	\$ 0.18	\$ (0.34)	\$ 0.16
Earnings (Loss) per Share - Diluted	\$ (0.03)	\$ 0.18	\$ (0.34)	\$ 0.16

## Recent Accounting Guidance

In April 2014, the Financial Accounting Standards Board ("FASB") amended authoritative guidance on reporting discontinued operations and disclosures of disposals of components of an entity, codified in Accounting Standard Codification ("ASC") 205-20, *Discontinued Operations* and 360, *Property, Plant, and Equipment*. The amended guidance changed the criteria for reporting discontinued operations, to only include disposals that represent a strategic shift and have a major effect on the entity's operations and financial results. The amended guidance also requires entities to provide additional disclosure of disposals reported as discontinued operations, and for disposals that do not qualify for discontinued operations presentation. The guidance is effective for disposals of components of an entity occurring in fiscal years beginning after December 15, 2014, with early adoption permitted. The Company will adopt this guidance on February 1, 2015. Its adoption is not expected to have a material effect on the Company's consolidated financial statements.

In May 2014, the FASB issued authoritative guidance on accounting for revenue recognition, codified in ASC 606, *Revenue from Contracts with Customers*. This guidance supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. This guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to

customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Company will adopt this guidance on February 1, 2017, using one of two retrospective application methods. The Company has not determined the potential effects on the consolidated financial statements.

## NOTE 2—INVENTORIES

	July 31, 2014	January 31, 2014
	(in thousands)	
New equipment	\$ 666,430	\$ 575,518
Used equipment	329,897	363,755
Parts and attachments	122,521	126,666
Work in process	18,852	10,039
	<u>\$ 1,137,700</u>	<u>\$ 1,075,978</u>

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

## NOTE 3—PROPERTY AND EQUIPMENT

	July 31, 2014	January 31, 2014
	(in thousands)	
Rental fleet equipment	\$ 150,807	\$ 145,007
Machinery and equipment	24,473	23,382
Vehicles	43,685	44,200
Furniture and fixtures	38,101	35,860
Land, buildings, and leasehold improvements	69,600	60,470
	<u>326,666</u>	<u>308,919</u>
Less accumulated depreciation	<u>(93,611)</u>	<u>(80,919)</u>
	<u>\$ 233,055</u>	<u>\$ 228,000</u>

## NOTE 4—LINES OF CREDIT / FLOORPLAN PAYABLE

### *Floorplan Lines of Credit*

Floorplan payable balances reflect the amount owed for new equipment inventory purchased from a manufacturer and for used equipment inventory, which is primarily purchased through trade-in on equipment sales. Certain of the manufacturers from which the Company purchases new equipment inventory offer financing on these purchases, either offered directly from the manufacturer or through the manufacturers' captive finance subsidiaries. CNH Industrial America LLC's captive finance subsidiary, CNH Industrial Capital America LLC ("CNH Industrial Capital"), also provides financing of used equipment inventory. The Company also has floorplan payable balances with non-manufacturer lenders for new and used equipment inventory. Changes in manufacturer floorplan payable are reported as operating cash flows and changes in non-manufacturer floorplan payable are reported as financing cash flows in the Company's consolidated statements of cash flows.

As of July 31, 2014, the Company had discretionary floorplan lines of credit for equipment inventory purchases totaling approximately \$1.18 billion, which includes a \$350.0 million Floorplan Payable Line with a group of banks led by Wells Fargo Bank, National Association ("Wells Fargo"), a \$450.0 million credit facility with CNH Industrial Capital, a \$225.0 million credit facility with Agricredit Acceptance LLC and the U.S. dollar equivalent of \$152.1 million in credit facilities related to our foreign subsidiaries. Floorplan payables relating to these credit facilities totaled approximately \$773.4 million of the total floorplan payable balance of \$850.3 million outstanding as of July 31, 2014 and \$692.8 million of the total floorplan payable balance of \$750.5 million outstanding as of January 31, 2014. As of July 31, 2014, the Company had approximately \$319.3 million in available borrowings remaining under these lines of credit (net of adjustments based on borrowing base

calculations and standby letters of credit under the Wells Fargo credit agreement, and rental fleet financing and other acquisition-related financing arrangements under the CNH Industrial Capital credit agreement). These U.S. floorplan payables carried various interest rates primarily ranging from 2.78% to 4.98%, and the foreign floorplan payables carried various interest rates primarily ranging from 2.21% to 10.50%, as of July 31, 2014.

### *Working Capital Line of Credit*

As of July 31, 2014, the Company had a \$112.5 million working capital line of credit under the credit facility with Wells Fargo. The Company had \$49.0 million and \$47.8 million outstanding on its working capital line of credit as of July 31, 2014 and January 31, 2014, respectively. Amounts outstanding are recorded as long-term debt, within long-term liabilities on the consolidated balance sheets, as the Company does not have an obligation to repay amounts borrowed within one year.

## **NOTE 5—SENIOR CONVERTIBLE NOTES**

The Company's 3.75% Senior Convertible Notes issued on April 24, 2012 ("Convertible Notes") consisted of the following:

	<b>July 31, 2014</b>	<b>January 31, 2014</b>
	<b>(in thousands except conversion rate and conversion price)</b>	
Principal value	\$ 150,000	\$ 150,000
Unamortized debt discount	(19,408)	(21,107)
Carrying value of senior convertible notes	\$ 130,592	\$ 128,893
Carrying value of equity component, net of deferred taxes	\$ 15,546	\$ 15,546
Conversion rate (shares of common stock per \$1,000 principal amount of notes)	23.1626	23.1626
Conversion price (per share of common stock)	\$ 43.17	\$ 43.17

The Company recognized interest expense associated with its Senior Convertible Notes as follows:

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Cash Interest Expense				
Coupon interest expense	\$ 1,407	\$ 1,407	\$ 2,813	\$ 2,813
Noncash Interest Expense				
Amortization of debt discount	864	807	1,699	1,586
Amortization of transaction costs	134	131	267	260
	<u>\$ 2,405</u>	<u>\$ 2,345</u>	<u>\$ 4,779</u>	<u>\$ 4,659</u>

As of July 31, 2014, the unamortized debt discount will be amortized over a remaining period of approximately 4.75 years. As of July 31, 2014 and January 31, 2014, the if-converted value of the Senior Convertible Notes does not exceed the principal balance. The effective interest rate of the liability component was equal to 7.00% for the period ended July 31, 2014.

## NOTE 6—DERIVATIVE INSTRUMENTS

The Company holds derivative instruments for the purpose of minimizing exposure to fluctuations in foreign currency exchange rates to which the Company is exposed in the normal course of its operations.

### *Net Investment Hedges*

To protect the value of the Company's investments in its foreign operations against adverse changes in foreign currency exchange rates, the Company may, from time to time, hedge a portion of its net investment in one or more of its foreign subsidiaries. Gains and losses on derivative instruments that are designated and effective as a net investment hedge are included in other comprehensive income and only reclassified into earnings in the period during which the hedged net investment is sold or liquidated. Any hedge ineffectiveness is recognized in earnings immediately.

### *Cash Flow Hedges*

On October 9, 2013, the Company entered into a forward-starting interest rate swap instrument which has a notional amount of \$100.0 million dollars, an effective date of September 30, 2014 and a maturity date of September 30, 2018. The objective of the instrument is to, beginning on September 30, 2014, protect the Company from changes in benchmark interest rates to which the Company is exposed through certain of its variable interest rate credit facilities. The instrument provides for a fixed interest rate of 1.901% up to the maturity date.

The Company may, from time to time, hedge foreign currency exchange rate risk arising from inventory purchases denominated in Canadian dollars through the use of foreign currency forward contracts. The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows associated with the Canadian dollar purchasing is less than 12 months.

The interest rate swap instrument and foreign currency contracts have been designated as cash flow hedging instruments and accordingly changes in the effective portion of the fair value of the instruments are recorded in other comprehensive income and only reclassified into earnings in the period(s) in which the related hedged item affects earnings or the anticipated underlying hedged transactions are no longer probable of occurring. Any hedge ineffectiveness is recognized in earnings immediately.

### *Derivative Instruments Not Designated as Hedging Instruments*

The Company uses foreign currency forward contracts to hedge the effects of fluctuations in exchange rates on outstanding intercompany loans. The Company does not formally designate and document such derivative instruments as hedging instruments; however, the instruments are an effective economic hedge of the underlying foreign currency exposure. Both the gain or loss on the derivative instrument and the offsetting gain or loss on the underlying intercompany loan are recognized in earnings immediately, thereby eliminating or reducing the impact of foreign currency exchange rate fluctuations on net income.

The following table sets forth the notional value of the Company's outstanding derivative instruments.

	Notional Amount as of:	
	July 31, 2014	January 31, 2014
	(in thousands)	
Net investment hedge:		
Foreign currency contracts	\$ 37,837	\$ 43,742
Cash flow hedges:		
Interest rate swap	100,000	100,000
Foreign currency contracts	—	4,754
Derivatives not designated as hedging instruments:		
Foreign currency contracts	40,511	44,775

The following table sets forth the fair value of the Company's outstanding derivative instruments.

	Fair Value as of:		Balance Sheet Location
	July 31, 2014	January 31, 2014	
	(in thousands)		
Asset Derivatives:			
Derivatives designated as hedging instruments:			
Net investment hedges:			
Foreign currency contracts	\$ —	\$ 157	Prepaid expenses and other
Derivatives not designated as hedging instruments:			
Foreign currency contracts	—	279	Prepaid expenses and other
Total Asset Derivatives	<u>\$ —</u>	<u>\$ 436</u>	
Liability Derivatives:			
Derivatives designated as hedging instruments:			
Net investment hedges:			
Foreign currency contracts	\$ 72	\$ —	Accrued expenses
Cash flow hedges:			
Interest rate swap	1,305	1,227	Accrued expenses
Foreign currency contracts	—	211	Accrued expenses
Derivatives not designated as hedging instruments:			
Foreign currency contracts	70	—	Accrued expenses
Total Liability Derivatives	<u>\$ 1,447</u>	<u>\$ 1,438</u>	

The following table sets forth the gains and losses recognized in other comprehensive income (loss) ("OCI") and income (loss) related to the Company's derivative instruments for the three and six months ended July 31, 2014 and 2013, respectively.

	Three Months Ended July 31,				Six Months Ended July 31,				Statements of Operations Classification
	2014		2013		2014		2013		
	OCI	Income (Loss)	OCI	Income (Loss)	OCI	Income (Loss)	OCI	Income (Loss)	
	(in thousands)				(in thousands)				
Derivatives Designated as Hedging Instruments:									
Net investment hedges:									
Foreign currency contracts	\$ 1,321	\$ —	\$ (304)	\$ —	\$ 76	\$ —	\$ 481	\$ —	N/A
Cash flow hedges:									
Interest rate swap	(83)	—	—	—	(78)	—	—	—	N/A
Foreign currency contracts	20	—	—	—	73	—	—	—	N/A
Derivatives Not Designated as Hedging Instruments:									
Foreign currency contracts	—	1,449	—	(650)	—	146	—	70	Interest and other income
Total Derivatives	\$ 1,258	\$ 1,449	\$ (304)	\$ (650)	\$ 71	\$ 146	\$ 481	\$ 70	

No components of the Company's net investment or cash flow hedging instruments were excluded from the assessment of hedge ineffectiveness.

As of July 31, 2014, the Company had \$1.3 million and \$0.1 million in pre-tax net unrealized losses associated with its interest rate swap and foreign currency contract cash flow hedging instruments recorded in accumulated other

comprehensive income, respectively. The Company expects that \$1.4 million and \$0.1 million of pre-tax unrealized losses associated with its interest rate swap and foreign currency contracts, respectively, will be reclassified into net income over the next 12 months.

#### NOTE 7—FAIR VALUE OF FINANCIAL INSTRUMENTS

The assets and liabilities which are measured at fair value on a recurring basis as of July 31, 2014 and January 31, 2014 are as follows:

	July 31, 2014				January 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in thousands)				(in thousands)			
Financial Assets								
Foreign currency contracts	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 436	\$ —	\$ 436
Total Financial Assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 436	\$ —	\$ 436
Financial Liabilities								
Interest rate swap	\$ —	\$ 1,305	\$ —	\$ 1,305	\$ —	\$ 1,227	\$ —	\$ 1,227
Foreign currency contracts	—	142	—	142	—	211	—	211
Total Financial Liabilities	\$ —	\$ 1,447	\$ —	\$ 1,447	\$ —	\$ 1,438	\$ —	\$ 1,438

The valuation for the Company's foreign currency contracts and interest rate swap derivative instruments were valued using discounted cash flow analyses, an income approach, utilizing readily observable market data as inputs.

The Company also valued certain long-lived assets at fair value on a non-recurring basis during the six months ended July 31, 2014, related to fixed assets at stores closed. The estimated fair value of these assets approximated zero, thus requiring a full impairment charge equal to the carrying values of such assets. The valuation methodologies utilized Level 3 fair value inputs.

The Company also has financial instruments that are not recorded at fair value in its consolidated financial statements. 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, which are Level 2 fair value inputs. Based upon current borrowing rates with similar maturities, which are Level 2 fair value inputs, the carrying value of long-term debt approximates the fair value as of July 31, 2014 and January 31, 2014, respectively. The following table provides details on the Senior Convertible Notes as of July 31, 2014 and January 31, 2014. The difference between the face value and the carrying value of these notes is the result of the allocation between the debt and equity components. Fair value of the Senior Convertible Notes was estimated based on Level 2 fair value inputs.

	July 31, 2014			January 31, 2014		
	Estimated Fair Value	Carrying Value	Face Value	Estimated Fair Value	Carrying Value	Face Value
	(in thousands)			(in thousands)		
Senior convertible notes	\$ 130,673	\$ 130,592	\$ 150,000	\$ 128,522	\$ 128,893	\$ 150,000

#### NOTE 8—SEGMENT INFORMATION AND OPERATING RESULTS

The Company owns and operates a network of full service agricultural and construction equipment stores in the United States and Europe. The Company has three reportable segments: Agriculture, Construction and International. The Company's segments are organized based on types of products sold and geographic areas, as described in the following paragraphs. The operating results for each segment are reported separately to the Company's Chief Executive Officer and President to make decisions regarding the allocation of resources, to assess the Company's operating performance and to make strategic decisions.

The Company's Agriculture segment sells, services, and rents machinery, and related parts and attachments, for uses ranging from large-scale farming to home and garden use for customers in North America. This segment also includes ancillary sales and services related to agricultural activities and products such as equipment transportation, Global Positioning System ("GPS") signal subscriptions and finance and insurance products.

The Company's Construction segment sells, services, and rents machinery, and related parts and attachments, for uses ranging from heavy construction to light industrial machinery use to customers in North America. This segment also includes ancillary sales and services related to construction activities such as equipment transportation, GPS signal subscriptions and finance and insurance products.

The Company's International segment sells, services, and rents machinery, and related parts and attachments, for uses ranging from large-scale farming and construction to home and garden use to customers in Eastern Europe. It also includes export sales of equipment and parts to customers outside of the United States.

Revenue, income (loss) before income taxes and total assets at the segment level are reported before eliminations. The Company retains various unallocated income/(expense) items and assets at the general corporate level, which the Company refers to as "Shared Resources" in the table below. Shared Resources assets primarily consist of cash and property and equipment. Revenue between segments is immaterial. Revenue amounts included in Eliminations primarily relate to transactions within a segment.

Certain financial information for each of the Company's business segments is set forth below.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Revenue				
Agriculture	\$ 314,354	\$ 367,544	\$ 667,002	\$ 727,888
Construction	113,508	97,946	215,387	180,787
International	43,560	39,870	73,901	67,600
Segment revenue	471,422	505,360	956,290	976,275
Eliminations	(20,432)	(17,180)	(39,837)	(46,421)
Total	\$ 450,990	\$ 488,180	\$ 916,453	\$ 929,854
Income (Loss) Before Income Taxes				
Agriculture	\$ 5,279	\$ 9,775	\$ 8,597	\$ 17,774
Construction	51	(1,697)	(5,724)	(8,235)
International	(5,000)	107	(10,419)	(419)
Segment income (loss) before income taxes	330	8,185	(7,546)	9,120
Shared Resources	702	(1,113)	(171)	(2,351)
Eliminations	780	(516)	903	(1,210)
Income (Loss) Before Income Taxes	\$ 1,812	\$ 6,556	\$ (6,814)	\$ 5,559

	July 31, 2014	January 31, 2014
	(in thousands)	
<b>Total Assets</b>		
Agriculture	\$ 885,350	\$ 943,212
Construction	406,997	308,525
International	216,400	195,534
Segment assets	1,508,747	1,447,271
Shared Resources	118,402	120,335
Eliminations	(2,193)	(2,958)
Total	\$ 1,624,956	\$ 1,564,648

**NOTE 9—STORE CLOSINGS AND REALIGNMENT COSTS**

To better align its Construction business in certain markets, in April 2014, the Company reduced its Construction-related headcount by approximately 12% primarily through the closing of seven underperforming Construction stores, staff reductions at other dealerships and reductions in support staff at its Shared Resource Center. The closed stores were located in Bozeman, Big Sky and Helena, Montana; Cheyenne, Wyoming; Clear Lake, Iowa; Flagstaff, Arizona; and Rosemount, Minnesota. The Company also closed its Agriculture store in Oskaloosa, Iowa and merged it with the nearby Agriculture store in Pella, Iowa. The Company's remaining stores in each of the respective areas assumed the majority of the distribution rights for the CNH Industrial brand previously held by the stores which have closed. The majority of the assets of the closed stores have been redeployed to other store locations. Certain inventory items which are not sold by any of our remaining stores were sold at auction. The inventory markdown attributable to such items are included in the exit cost summary below. The majority of the exit costs were recognized during the three months ended April 30, 2014; however the remaining costs, which primarily relate to asset relocation and other closing costs, were incurred during the three months ended July 31, 2014.

The following summarizes the exit costs associated with the store closings and realignment that occurred in April 2014. The amounts incurred during the six months ended July 31, 2014 reflect the total amounts expected to be incurred related to the closing of these stores.

	Amount Incurred During the Three Months Ended July 31, 2014	Amount Incurred During the Six Months Ended July 31, 2014	Income Statement Classification
	(in thousands)		
Construction Segment			
Lease termination costs	\$ (7)	\$ 1,511	Realignment Costs
Employee severance costs	—	451	Realignment Costs
Impairment of fixed assets, net of gains on asset disposition	(212)	(60)	Realignment Costs
Asset relocation and other closing costs	197	362	Realignment Costs
	<u>\$ (22)</u>	<u>\$ 2,264</u>	
Agriculture Segment			
Lease termination costs	\$ 34	\$ 148	Realignment Costs
Employee severance costs	—	71	Realignment Costs
Impairment of fixed assets, net of gains on asset disposition	—	85	Realignment Costs
Asset relocation and other closing costs	52	84	Realignment Costs
Inventory cost adjustments	67	471	Equipment Cost of Sales
	<u>\$ 153</u>	<u>\$ 859</u>	
Shared Resource Center			
Employee severance costs	\$ 87	\$ 300	Realignment Costs
	<u>\$ 87</u>	<u>\$ 300</u>	
Total			
Lease termination costs	\$ 27	\$ 1,659	Realignment Costs
Employee severance costs	87	822	Realignment Costs
Impairment of fixed assets, net of gains on asset disposition	(212)	25	Realignment Costs
Asset relocation and other closing costs	249	446	Realignment Costs
Inventory cost adjustments	67	471	Equipment Cost of Sales
	<u>\$ 218</u>	<u>\$ 3,423</u>	



The Company accrued for lease termination and employee severance costs in April 2014, but exit costs related to impairment, asset relocation and other closing costs and inventory cost adjustments were not accrued but recognized as incurred. A reconciliation of the beginning and ending exit cost liability balance, which is included in accrued expenses in the consolidated balance sheets, follows:

	Amount (in thousands)
Balance, January 31, 2014	\$ 548
Exit costs incurred and charged to expense	
Lease termination costs	1,659
Employee severance costs	822
Exit costs paid	
Lease termination costs	(248)
Employee severance costs	(722)
Adjustments	
Lease termination costs	(109)
Balance, July 31, 2014	\$ 1,950

#### NOTE 10—INCOME TAXES

The Company incurs a provision for income taxes in jurisdictions in which it has taxable income. Generally the Company receives a benefit for income taxes in jurisdictions in which it has taxable losses unless it has recorded a valuation allowance for that jurisdiction. The fluctuations in our effective income tax rate are primarily due to losses in our international subsidiaries in which we record a valuation allowance against our net operating losses. These losses are available to reduce future taxable income, if earned within the allowable net operating loss carryforward period, in these jurisdictions. The foreign jurisdictions in which the Company operates have net operating loss carryforward periods ranging from five to seven years, with certain jurisdictions having indefinite carryforward periods.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
	(dollars in thousands)		(dollars in thousands)	
Income (Loss) Before Income Taxes	\$ 1,812	\$ 6,556	\$ (6,814)	\$ 5,559
Provision for Income Taxes	(2,587)	(2,589)	(854)	(2,195)
Effective Income Tax Rate	142.8%	39.5%	(12.5)%	39.5%

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate is as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
U.S. statutory rate	35.0%	35.0 %	35.0 %	35.0 %
Foreign statutory rates	1.7%	(1.3)%	1.7 %	(1.1)%
State taxes on income net of federal tax benefit	4.6%	4.4 %	4.6 %	4.4 %
Tax effect of not recording a benefit on losses in jurisdictions with a valuation allowance	100.6%	— %	(54.9)%	(0.3)%
All other, net	0.9%	1.4 %	1.1 %	1.5 %
	142.8%	39.5 %	(12.5)%	39.5 %

#### NOTE 11—SUBSEQUENT EVENTS

On August 29, 2014, the Company acquired certain assets of Midland Equipment, Inc. The acquired entity consisted of one agriculture equipment store in Wayne, Nebraska, which expands the Company's agricultural presence in Nebraska. The acquisition-date fair value of the total consideration transferred for the store was \$0.8 million.

## 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 unaudited consolidated financial statements and related notes included in Item 1 of Part I 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, 2014.

### Realignment Costs

To better align its Construction business in certain markets, in April 2014, the Company reduced its Construction-related headcount by approximately 12% primarily through the closing of seven underperforming Construction stores, staff reductions at other dealerships and reductions in support staff at its Shared Resource Center. The closed stores were located in Bozeman, Big Sky and Helena, Montana; Cheyenne, Wyoming; Clear Lake, Iowa; Flagstaff, Arizona; and Rosemount, Minnesota. The Company also closed its Agriculture store in Oskaloosa, Iowa and merged it with the nearby Agriculture store in Pella, Iowa. The Company's remaining stores in each of the respective areas assumed the majority of the distribution rights for the CNH Industrial brand previously held by the stores which have closed. We recognized \$0.2 million and \$3.4 million in exit costs during the three and six months ended July 31, 2014, respectively.

### Critical Accounting Policies and Estimates

There have been no material changes in our Critical Accounting Policies and Estimates, as disclosed in our Annual Report on Form 10-K for the year ended January 31, 2014.

### Overview

We own and operate a network of full service agricultural and construction equipment stores in the United States and Europe. Based upon information provided to us by CNH Industrial N.V. or its U.S. subsidiary CNH Industrial America, LLC, we are the largest retail dealer of Case IH Agriculture equipment in the world, the largest retail dealer of Case Construction equipment in North America and a major retail dealer of New Holland Agriculture and New Holland Construction equipment in the U.S. We operate our business through three reportable segments, Agriculture, Construction and International. Within each segment, we have four principal sources of revenue: new and used equipment sales, parts sales, service, and equipment rental and other activities.

Our net income (loss) attributable to Titan Machinery Inc. common stockholders was \$(0.6) million, or \$(0.03) per diluted share, for the three months ended July 31, 2014, compared to \$3.8 million, or \$0.18 per diluted share, for the three months ended July 31, 2013. Our non-GAAP Diluted EPS was \$0.04 and \$0.18 for the three months ended July 31, 2014 and 2013, respectively. See the Non-GAAP Financial Measures section below for a reconciliation between the GAAP and non-GAAP measures. Significant factors impacting the quarterly comparisons were:

- Revenue decreased 7.6% for the second quarter of fiscal 2015, as compared to the second quarter last year, primarily due to a decrease in Agriculture same-store sales, and partially offset by an increase in Construction same-store sales;
- Total gross profit margin increased to 17.7% for the second quarter of fiscal 2015, as compared to 17.1% for the second quarter of fiscal 2014, primarily caused by a change in gross profit mix to our higher-margin service and rental and other businesses;
- Floorplan interest expense increased in the second quarter of fiscal 2015, as compared to the same period last year, due to higher floorplan payable balances resulting from growth in our equipment inventory, primarily in our International segment; and
- Interest income and other income (expense) decreased primarily due to foreign currency remeasurement losses in Ukraine, resulting from a devaluation of the Ukrainian Hryvnia in the second quarter of fiscal 2015.

## Results of Operations

Comparative financial data for each of our 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. Segment information is provided later in this discussion and analysis of our results of operations.

Same-store sales for any period represent sales by stores that were part of the Company for the entire comparable periods in the current and preceding fiscal years. We do not distinguish relocated or newly-expanded stores in this same-store analysis. Closed stores are excluded from the same-store analysis. Stores that do not meet the criteria for same-store classification are described as acquisition stores throughout the Results of Operations section in this Quarterly Report on Form 10-Q.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
	(dollars in thousands)		(dollars in thousands)	
Equipment				
Revenue	\$ 320,087	\$ 358,388	\$ 665,132	\$ 693,133
Cost of revenue	292,879	329,083	609,161	632,906
Gross profit	\$ 27,208	\$ 29,305	\$ 55,971	\$ 60,227
Gross profit margin	8.5%	8.2%	8.4%	8.7%
Parts				
Revenue	\$ 70,526	\$ 70,633	\$ 138,905	\$ 133,470
Cost of revenue	49,730	48,022	97,744	92,733
Gross profit	\$ 20,796	\$ 22,611	\$ 41,161	\$ 40,737
Gross profit margin	29.5%	32.0%	29.6%	30.5%
Service				
Revenue	\$ 38,447	\$ 39,872	\$ 75,531	\$ 71,870
Cost of revenue	13,529	14,383	27,932	25,746
Gross profit	\$ 24,918	\$ 25,489	\$ 47,599	\$ 46,124
Gross profit margin	64.8%	63.9%	63.0%	64.2%
Rental and other				
Revenue	\$ 21,930	\$ 19,287	\$ 36,885	\$ 31,381
Cost of revenue	15,199	13,150	26,024	20,979
Gross profit	\$ 6,731	\$ 6,137	\$ 10,861	\$ 10,402
Gross profit margin	30.7%	31.8%	29.4%	33.1%

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
Revenue				
Equipment	71.0 %	73.4 %	72.6 %	74.5 %
Parts	15.6 %	14.5 %	15.2 %	14.4 %
Service	8.5 %	8.2 %	8.2 %	7.7 %
Rental and other	4.9 %	3.9 %	4.0 %	3.4 %
Total Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Total Cost of Revenue	82.3 %	82.9 %	83.0 %	83.1 %
Gross Profit	17.7 %	17.1 %	17.0 %	16.9 %
Operating Expenses	15.1 %	14.4 %	15.2 %	14.9 %
Realignment Costs	— %	— %	0.3 %	— %
Income from Operations	2.6 %	2.7 %	1.5 %	2.0 %
Other Income (Expense)	(2.2)%	(1.4)%	(2.2)%	(1.4)%
Income (Loss) Before Income Taxes	0.4 %	1.3 %	(0.7)%	0.6 %
Provision for Income Taxes	(0.6)%	(0.5)%	(0.1)%	(0.2)%
Net Income (Loss) Including Noncontrolling Interest	(0.2)%	0.8 %	(0.8)%	0.4 %
Less: Net Income (Loss) Attributable to Noncontrolling Interest	(0.1)%	— %	0.0 %	0.0 %
Net Income (Loss) Attributable to Titan Machinery Inc.	(0.1)%	0.8 %	(0.8)%	0.4 %

### *Three Months Ended July 31, 2014 Compared to Three Months Ended July 31, 2013*

#### **Consolidated Results**

##### *Revenue*

	Three Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
	(dollars in thousands)			
Equipment	\$ 320,087	\$ 358,388	\$ (38,301)	(10.7)%
Parts	70,526	70,633	(107)	(0.2)%
Service	38,447	39,872	(1,425)	(3.6)%
Rental and other	21,930	19,287	2,643	13.7 %
Total Revenue	\$ 450,990	\$ 488,180	\$ (37,190)	(7.6)%

The decrease in revenue for the second quarter of fiscal 2015 was primarily due to a decrease in same-store sales of 5.6% over the comparable prior year period, mainly driven by a decrease in Agriculture same-store sales of 15.1% and offset by an increase in Construction segment same-store sales of 26.5%. The Agriculture same-store sales decrease was primarily due to a decrease in equipment revenue and were negatively impacted by challenging industry conditions such as decreases in agricultural commodity prices and projected net farm income, which have a negative effect on customer sentiment. Changes in actual or anticipated net farm income, or in any of the significant components of net farm income, generally have a direct correlation with equipment revenue. The commodity price of corn and soybeans, which are the predominant crops in our Agriculture store footprint, decreased significantly from the price during the second quarter of fiscal 2014, mainly as a result of a projected increase in U.S. corn and soybean supply compared to the prior year. In February 2014, the U.S. Department of Agriculture published its projection of a decrease in net farm income from calendar year 2013 to 2014. The increase in Construction segment revenue, which included increases in all lines of the Construction segment's business, resulted from improved industry conditions and the positive impact of operational initiatives.

### Gross Profit

	Three Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
	(dollars in thousands)			
<b>Gross Profit</b>				
Equipment	\$ 27,208	\$ 29,305	\$ (2,097)	(7.2)%
Parts	20,796	22,611	(1,815)	(8.0)%
Service	24,918	25,489	(571)	(2.2)%
Rental and other	6,731	6,137	594	9.7 %
Total Gross Profit	<u>\$ 79,653</u>	<u>\$ 83,542</u>	<u>\$ (3,889)</u>	(4.7)%
<b>Gross Profit Margin</b>				
Equipment	8.5%	8.2%	0.3 %	3.7 %
Parts	29.5%	32.0%	(2.5)%	(7.8)%
Service	64.8%	63.9%	0.9 %	1.4 %
Rental and other	30.7%	31.8%	(1.1)%	(3.5)%
Total Gross Profit Margin	17.7%	17.1%	0.6 %	3.5 %
<b>Gross Profit Mix</b>				
Equipment	34.2%	35.1%	(0.9)%	(2.6)%
Parts	26.1%	27.1%	(1.0)%	(3.7)%
Service	31.3%	30.5%	0.8 %	2.6 %
Rental and other	8.4%	7.3%	1.1 %	15.1 %
Total Gross Profit Mix	<u>100.0%</u>	<u>100.0%</u>	— %	— %

The \$3.9 million decrease in gross profit for the second quarter of fiscal 2015, as compared to the same period last year, was primarily due to a decrease in revenue. The increase in total gross profit margin from 17.1% for the second quarter of fiscal 2014 to 17.7% for the second quarter of fiscal 2015 was mainly due to a change in gross profit mix to our higher-margin service and rental and other businesses, primarily resulting from decreased equipment revenue causing a change in sales mix.

### Operating Expenses

	Three Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
	(dollars in thousands)			
Operating Expenses	\$ 67,795	\$ 70,145	\$ (2,350)	(3.4)%
Operating Expenses as a Percentage of Revenue	15.1%	14.4%	0.7%	4.9 %

The \$2.4 million decrease in operating expenses, as compared to the same period last year, was primarily due to decreased commissions expense resulting from the decrease in equipment gross profit, and cost savings associated with the closing of eight stores in the first quarter of fiscal 2015. These decreases in operating expenses were offset by additional costs associated with expanding our International distribution network. The increase in operating expenses as a percentage of total revenue was primarily due to the decrease in total revenue in the second quarter of fiscal 2015, as compared to the second quarter of fiscal 2014, which negatively affected our ability to leverage our fixed operating costs.

### Realignment Costs

	Three Months Ended July 31,			Percent
	2014	2013	Increase	Change
	(dollars in thousands)			
Realignment Costs	\$ 151	\$ —	\$ 151	100.0%

The realignment costs recognized in the second quarter of fiscal 2015 relate to the the closing of seven underperforming Construction stores, staff reductions at other dealerships and reductions in support staff at the Company's Shared Resource Center that took place in April 2014. The closed stores were located in Bozeman, Big Sky and Helena, Montana; Cheyenne, Wyoming; Clear Lake, Iowa; Flagstaff, Arizona; and Rosemount, Minnesota. The Company also closed its Agriculture store in Oskaloosa, Iowa and merged it with the nearby Agriculture store in Pella, Iowa. There were no additional store closings in the second quarter of fiscal 2014. See the Non-GAAP Financial Measures section below for impact of these costs on non-GAAP Diluted EPS.

### Other Income (Expense)

	Three Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
	(dollars in thousands)			
Interest income and other income (expense)	\$ (1,028)	\$ 337	\$ (1,365)	(405.0)%
Floorplan interest expense	(5,308)	(3,723)	1,585	42.6 %
Other interest expense	(3,559)	(3,455)	104	3.0 %

The decrease in interest income and other income (expense) was primarily due to foreign currency remeasurement losses in Ukraine, resulting from a devaluation of the Ukrainian Hryvnia in the second quarter of fiscal 2015. See the Non-GAAP Financial Measures section below for impact of these costs on non-GAAP Diluted EPS. The increase in floorplan interest expense of \$1.6 million for the second quarter of fiscal 2015, as compared to the same period in the prior year, was primarily due to higher floorplan payable balances resulting from growth in our equipment inventory, primarily in our International segment, and higher floorplan payable interest rates in our International segment.

### Provision for Income Taxes

	Three Months Ended July 31,			Percent
	2014	2013	Decrease	Change
	(dollars in thousands)			
Provision for Income Taxes	\$ 2,587	\$ 2,589	\$ (2)	(0.1)%

Our effective tax rate increased to 142.8% for the second quarter of fiscal 2015 compared to 39.5% for the same period last year, primarily due to losses in our international subsidiaries, where we record a valuation allowance against our net operating losses. The impact on our effective tax rate for the first six months of fiscal 2015 of not recording an income tax benefit on losses in jurisdictions with a valuation allowance was an increase of 100.6%, as shown in Note 10 of the notes to our consolidated financial statements.

### Segment Results

Certain financial information for our Agriculture, Construction and International business segments is set forth below. Revenue and income (loss) before income taxes at the segment level are reported before eliminations. "Shared Resources" in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Revenue between segments is immaterial. Revenue amounts included in Eliminations primarily relate to transactions within a segment.

	Three Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
	(dollars in thousands)			
<b>Revenue</b>				
Agriculture	\$ 314,354	\$ 367,544	\$ (53,190)	(14.5)%
Construction	113,508	97,946	15,562	15.9 %
International	43,560	39,870	3,690	9.3 %
Segment revenue	471,422	505,360	(33,938)	(6.7)%
Eliminations	(20,432)	(17,180)	(3,252)	(18.9)%
Total	\$ 450,990	\$ 488,180	\$ (37,190)	(7.6)%
<b>Income (Loss) Before Income Taxes</b>				
Agriculture	\$ 5,279	\$ 9,775	\$ (4,496)	(46.0)%
Construction	51	(1,697)	1,748	103.0 %
International	(5,000)	107	(5,107)	(4,772.9)%
Segment income (loss) before income taxes	330	8,185	(7,855)	(96.0)%
Shared Resources	702	(1,113)	1,815	163.1 %
Eliminations	780	(516)	1,296	251.2 %
Income (Loss) Before Income Taxes	\$ 1,812	\$ 6,556	\$ (4,744)	(72.4)%

### *Agriculture*

Agriculture segment revenue for the second quarter of fiscal 2015 decreased 14.5% compared to the same period last year. The revenue decrease was due to an Agriculture same-store sales decrease of 15.1% over the second quarter of fiscal 2014, which was primarily due to a decrease in equipment revenue, and were negatively impacted by challenging industry conditions, such as decreases in agricultural commodity prices and projected net farm income, which negatively affected customer sentiment in the second quarter of fiscal 2015 as compared to the same period in the prior year. Changes in actual or anticipated net farm income, or in any of the significant components of net farm income, generally have a direct correlation with equipment revenue. The commodity price of corn and soybeans, which are the predominant crops in our Agriculture store footprint, decreased significantly from the price during the second quarter of fiscal 2014, mainly as a result of a projected increase in U.S. corn and soybean supply compared to the prior year. In February 2014, the U.S. Department of Agriculture published its projection of a decrease in net farm income from calendar year 2013 to 2014.

Agriculture segment income before income taxes for the second quarter of fiscal 2015 decreased 46.0% compared to the same period last year, primarily due to the aforementioned decrease in revenue.

### *Construction*

Construction segment revenue for the second quarter of fiscal 2015 increased 15.9% compared to the same period last year. The revenue increase was due to a same-store sales increase of 26.5% over the second quarter of fiscal 2014, which was partially offset by the impact of our store closings. The increase in Construction segment revenue, which included increases in all lines of business, resulted from improved industry conditions and the positive impact of operational initiatives.

Our Construction segment income before income taxes was \$0.1 million for the second quarter of fiscal 2015 compared to segment loss before income taxes of \$1.7 million for the second quarter of fiscal 2014. This improvement was primarily due to the aforementioned increase in revenue, a decrease in operating expenses, and partially offset by an increase in floorplan interest expense. The decrease in operating expense mainly reflects cost savings associated with the closing of seven stores in the first quarter of fiscal 2015. The increase in floorplan interest expense reflects higher equipment inventory balances during the second quarter of fiscal 2015, as compared to the second quarter of fiscal 2014. The dollar utilization of our rental fleet increased slightly, from 29.2% in the second quarter of fiscal 2014 to 29.6% in the second quarter of fiscal 2015.

## International

International segment revenue for the second quarter of fiscal 2015 increased \$3.7 million compared to the same period last year, primarily due to new store openings, and a same-store sales increase of 9.6%.

Our International segment loss before income taxes was \$5.0 million for the second quarter of fiscal 2015 compared to segment income before income taxes of \$0.1 million for the same period last year. This decrease was primarily due to a decrease in equipment gross profit margin, increases in operating expenses and floorplan interest expense, and a decrease in interest income and other income (expense), as compared to the comparable period of the prior year. The decrease in equipment gross profit margin was caused by decreases in agricultural commodity prices in the second quarter of fiscal 2015 as compared to the same period in the prior year, and the political and economic instability in Ukraine in the second quarter of fiscal 2015, which negatively affected customer sentiment. Operating expenses increased due to expanding our distribution network in Eastern Europe, including opening a new store in Ukraine and establishing a European operations center to support our European stores. We believe the political and economic instability in Ukraine has had a negative affect on our revenue, which reduces our ability to leverage these fixed operating costs. The increase in floorplan interest expense for the second quarter of fiscal 2015, as compared to the same period in the prior year, was primarily due to the increase in floorplan payable and the related equipment inventory balances in our International segment, and higher interest rates in Ukraine associated with the political and economic instability that is present in the current fiscal year. The decrease in interest income and other income (expense) was primarily due to foreign currency remeasurement losses in Ukraine, resulting from a devaluation of the Ukrainian hryvnia in the second quarter of fiscal 2015.

## Shared Resources/Eliminations

We incur centralized expenses/income at our general corporate level, which we refer to as “Shared Resources,” and then allocate these net expenses to our segments. Since these allocations are set early in the year, unallocated balances may occur.

Eliminations remove any inter-company revenue or income (loss) before income taxes residing in our segment results.

## Six Months Ended July 31, 2014 Compared to Six Months Ended July 31, 2013

### Consolidated Results

#### Revenue

	Six Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
	(dollars in thousands)			
Equipment	\$ 665,132	\$ 693,133	\$ (28,001)	(4.0)%
Parts	138,905	133,470	5,435	4.1 %
Service	75,531	71,870	3,661	5.1 %
Rental and other	36,885	31,381	5,504	17.5 %
Total Revenue	\$ 916,453	\$ 929,854	\$ (13,401)	(1.4)%

The decrease in revenue for the first six months of fiscal 2015 was primarily due to a decrease in same-store sales of 1.4% over the comparable prior year period, mainly driven by a decrease in Agriculture same-store sales of 8.3% and offset by an increase in Construction segment same-store sales of 26.0%. The Agriculture same-store sales decrease was primarily due to a decrease in equipment revenue and were negatively impacted by challenging industry conditions such as decreases in agricultural commodity prices and projected net farm income, which have a negative effect on customer sentiment. Changes in actual or anticipated net farm income, or in any of the significant components of net farm income, generally have a direct correlation with equipment revenue. The commodity price of corn and soybeans, which are the predominant crops in our Agriculture store footprint, was significantly lower in the first six months of fiscal 2015 than the price during the first six months of fiscal 2014, mainly as a result of a projected increase in U.S. corn and soybean supply compared to the prior year. In February 2014, the U.S. Department of Agriculture published its projection of a decrease in net farm income from calendar year 2013 to 2014. The increase in Construction segment revenue, which included increases in all lines of the Construction segment's business, resulted from improved industry conditions and the positive impact of operational initiatives.



## Gross Profit

	Six Months Ended July 31,		Increase/ (Decrease)	Percent Change
	2014	2013		
(dollars in thousands)				
<b>Gross Profit</b>				
Equipment	\$ 55,971	\$ 60,227	\$ (4,256)	(7.1)%
Parts	41,161	40,737	424	1.0 %
Service	47,599	46,124	1,475	3.2 %
Rental and other	10,861	10,402	459	4.4 %
Total Gross Profit	<u>\$ 155,592</u>	<u>\$ 157,490</u>	<u>\$ (1,898)</u>	(1.2)%
<b>Gross Profit Margin</b>				
Equipment	8.4%	8.7%	(0.3)%	(3.4)%
Parts	29.6%	30.5%	(0.9)%	(3.0)%
Service	63.0%	64.2%	(1.2)%	(1.9)%
Rental and other	29.4%	33.1%	(3.7)%	(11.2)%
Total Gross Profit Margin	17.0%	16.9%	0.1 %	0.6 %
<b>Gross Profit Mix</b>				
Equipment	36.0%	38.2%	(2.2)%	(5.8)%
Parts	26.4%	25.9%	0.5 %	1.9 %
Service	30.6%	29.3%	1.3 %	4.4 %
Rental and other	7.0%	6.6%	0.4 %	6.1 %
Total Gross Profit Mix	<u>100.0%</u>	<u>100.0%</u>	— %	— %

The \$1.9 million decrease in gross profit for the first six months of fiscal 2015, as compared to the same period last year, was primarily due lower equipment revenue and gross profit margin. Total gross profit margin of 17.0% for the first six months of fiscal 2015 increased slightly from the first six months of fiscal 2014, mainly due to a change in gross profit mix to our higher-margin parts, service and rental and other businesses, and offset by the decreases in gross profit margin on each of our lines of business. The change in gross profit mix primarily resulted from decreased equipment revenue causing a change in sales mix. The decrease in rental and other gross profit margin resulted from a slight decrease in the dollar utilization of our rental fleet, from 27.0% in the first six months of fiscal 2014 to 26.2% in the first six months of fiscal 2015.

## Operating Expenses

	Six Months Ended July 31,		Increase/ (Decrease)	Percent Change
	2014	2013		
(dollars in thousands)				
Operating Expenses	\$ 138,947	\$ 139,078	\$ (131)	(0.1)%
Operating Expenses as a Percentage of Revenue	15.2%	14.9%	0.3%	2.0 %

The \$0.1 million decrease in operating expenses, as compared to the same period last year, was primarily due to decreased commissions expense resulting from the decrease in equipment gross profit, and cost savings associated with the closing of eight stores in the first quarter of fiscal 2015. These decreases in operating expenses were offset by additional costs associated with expanding our International distribution network and higher occupancy costs associated with store building improvements. The increase in operating expenses as a percentage of total revenue was primarily due to the decrease in total revenue in the second quarter of fiscal 2015, as compared to the second quarter of fiscal 2014, which negatively affected our ability to leverage our fixed operating costs.

### Realignment Costs

	Six Months Ended July 31,			Percent
	2014	2013	Increase	Change
	(dollars in thousands)			
Realignment Costs	\$ 2,952	\$ —	\$ 2,952	100.0%

The realignment costs recognized in the first six months of fiscal 2015 relate to the the closing of seven underperforming Construction stores, staff reductions at other dealerships and reductions in support staff at the Company's Shared Resource Center that took place in April 2014.. The closed stores were located in Bozeman, Big Sky and Helena, Montana; Cheyenne, Wyoming; Clear Lake, Iowa; Flagstaff, Arizona; and Rosemount, Minnesota. The Company also closed its Agriculture store in Oskaloosa, Iowa and merged it with the nearby Agriculture store in Pella, Iowa. See the Non-GAAP Financial Measures section below for impact of these costs on non-GAAP Diluted EPS.

### Other Income (Expense)

	Six Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
	(dollars in thousands)			
Interest income and other income (expense)	\$ (3,606)	\$ 934	\$ (4,540)	(486.1)%
Floorplan interest expense	(9,901)	(7,165)	2,736	38.2 %
Other interest expense	(7,000)	(6,622)	378	5.7 %

The decrease in interest income and other income (expense) was primarily due to foreign currency remeasurement losses in Ukraine, resulting from a devaluation of the Ukrainian Hryvnia in the first six months of fiscal 2015. See the Non-GAAP Financial Measures section below for impact of these costs on non-GAAP Diluted EPS. The increase in floorplan interest expense of \$2.7 million for the first six months of fiscal 2015, as compared to the same period in the prior year, was primarily due to higher floorplan payable balances resulting from growth in our equipment inventory, primarily in our International segment, and higher floorplan payable interest rates in our International segment.

### Provision for Income Taxes

	Six Months Ended July 31,			Percent
	2014	2013	Decrease	Change
	(dollars in thousands)			
Provision for Income Taxes	\$ 854	\$ 2,195	\$ (1,341)	(61.1)%

Our effective tax rate was (12.5)% for the first six months of fiscal 2015, compared to 39.5% for the same period last year. The impact on our effective tax rate for the first six months of fiscal 2015 of not recording an income tax benefit on losses in jurisdictions with a valuation allowance was (54.9)%, as shown in Note 10 of the notes to our consolidated financial statements.

### Segment Results

Certain financial information for our Agriculture, Construction and International business segments is set forth below. Revenue and income (loss) before income taxes at the segment level are reported before eliminations. "Shared Resources" in the table below refers to the various unallocated income/(expense) items that we have retained at the general corporate level. Revenue between segments is immaterial. Revenue amounts included in Eliminations primarily relate to transactions within a segment.

	Six Months Ended July 31,		Increase/	Percent
	2014	2013	(Decrease)	Change
(dollars in thousands)				
<b>Revenue</b>				
Agriculture	\$ 667,002	\$ 727,888	\$ (60,886)	(8.4)%
Construction	215,387	180,787	34,600	19.1 %
International	73,901	67,600	6,301	9.3 %
Segment revenue	956,290	976,275	(19,985)	(2.0)%
Eliminations	(39,837)	(46,421)	6,584	14.2 %
Total	\$ 916,453	\$ 929,854	\$ (13,401)	(1.4)%
<b>Income (Loss) Before Income Taxes</b>				
Agriculture	\$ 8,597	\$ 17,774	\$ (9,177)	(51.6)%
Construction	(5,724)	(8,235)	2,511	30.5 %
International	(10,419)	(419)	(10,000)	(2,386.6)%
Segment income (loss) before income taxes	(7,546)	9,120	(16,666)	(182.7)%
Shared Resources	(171)	(2,351)	2,180	92.7 %
Eliminations	903	(1,210)	2,113	174.6 %
Income (Loss) Before Income Taxes	\$ (6,814)	\$ 5,559	\$ (12,373)	(222.6)%

### *Agriculture*

Agriculture segment revenue for the first six months of fiscal 2015 decreased 8.4% compared to the same period last year. The revenue decrease was due to an Agriculture same-store sales a decrease of 8.3% compared to the same period last year, which was primarily due to a decrease in equipment revenue, and were negatively impacted by challenging industry conditions, such as decreases in agricultural commodity prices and projected net farm income, which negatively affected customer sentiment in the first six months of fiscal 2015 as compared to the same period in the prior year. Changes in actual or anticipated net farm income, or in any of the significant components of net farm income, generally have a direct correlation with equipment revenue. The commodity price of corn and soybeans, which are the predominant crops in our Agriculture store footprint, was significantly lower in the first six months of fiscal 2015 than the price during the first six months of fiscal 2014, mainly as a result of a projected increase in U.S. corn and soybean supply compared to the prior year. In February 2014, the U.S. Department of Agriculture published its projection of a decrease in net farm income from calendar year 2013 to 2014.

Agriculture segment income before income taxes for the first six months of fiscal 2015 decreased 51.6% compared to the same period last year, primarily due to the aforementioned decrease in revenue, a decrease in equipment gross profit margin and offset by a decrease in operating expenses. The compression in equipment gross profit margin was primarily caused by the previously discussed Agriculture industry challenges as well as an oversupply of used equipment in the Agriculture industry. The decrease in operating expenses was primarily due to lower commissions expense resulting from the decrease in equipment gross profit.

### *Construction*

Construction segment revenue for the first six months of fiscal 2015 increased 19.1% compared to the same period last year. The revenue increase was due to a same-store sales increase of 26.0% over the first six months of fiscal 2014. The increase in Construction segment revenue, which included increases in all lines of business, resulted from improved industry conditions and the positive impact of operational initiatives.

Our Construction segment loss before income taxes was \$5.7 million for the first six months of fiscal 2015 compared to segment loss before income taxes of \$8.2 million for the first six months of fiscal 2014. This improvement was primarily due to the increase in revenue and partially offset by realignment costs. Realignment costs totaling \$2.3 million were recognized during the first quarter of fiscal 2015 related to the headcount reductions and closing of seven Construction stores, which was discussed above. The dollar utilization of our rental fleet decreased slightly, from 27.0% in the first six months of fiscal 2014 to 26.2% in the first six months of fiscal 2015.

## International

International segment revenue for the first six months of fiscal 2015 increased \$6.3 million compared to the same period last year, primarily due to new store openings, and a same-store sales increase of 11.7%.

Our International segment loss before income taxes was \$10.4 million for the first six months of fiscal 2015 compared to segment loss before income taxes of \$0.4 million for the same period last year. This decrease was primarily due to increases in operating expenses and floorplan interest expense, and a decrease in interest income and other income (expense), as compared to the comparable period of the prior year. Operating expenses increased due to expanding our distribution network in Eastern Europe, including opening a new store in Ukraine and establishing a European operations center to support our European stores. We believe the political and economic instability in Ukraine has had a negative affect on our revenue, which reduces our ability to leverage these fixed operating costs. The increase in floorplan interest expense for the first six months of fiscal 2015, as compared to the same period in the prior year, was primarily due to the increase in floorplan payable and the related equipment inventory balances in our International segment, and higher interest rates in Ukraine associated with the political and economic instability that is present in the current fiscal year. The decrease in interest income and other income (expense) was primarily due to foreign currency remeasurement losses in Ukraine, resulting from a devaluation of the Ukrainian hryvnia in the first six months of fiscal 2015.

## Shared Resources/Eliminations

We incur centralized expenses/income at our general corporate level, which we refer to as “Shared Resources,” and then allocate these net expenses to our segments. Since these allocations are set early in the year, unallocated balances may occur.

Eliminations remove any inter-company revenue or income (loss) before income taxes residing in our segment results.

## Non-GAAP Financial Measures

To supplement our earnings (loss) per share - diluted (“Diluted EPS”) presented on a GAAP basis, we use non-GAAP Diluted EPS, which excludes the impact of our store closing costs and foreign currency remeasurement losses in Ukraine, resulting from a devaluation of the Ukrainian Hryvnia. We believe that the presentation of non-GAAP Diluted EPS is relevant and useful to our investors because it provides a measurement of earnings on activities we consider to occur in the ordinary course of our business. Non-GAAP Diluted EPS should be evaluated in addition to, and not considered a substitute for, or superior to, the GAAP measure of Diluted EPS. The following table reconciles Diluted EPS, a GAAP measure, to non-GAAP Diluted EPS:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2014	2013	2014	2013
(dollars in thousands, except per share data)				
<b>Net Income (Loss) Attributable to Titan Machinery Inc. Common Stockholders</b>				
Income (Loss) Before Income Taxes	\$ (603)	\$ 3,777	\$ (7,049)	\$ 3,374
Non-GAAP Adjustments				
Store Closing Costs (1)	130	—	2,038	—
Ukraine Remeasurement (2)	1,262	—	4,336	—
Adjusted Income (Loss) Before Income Taxes	\$ 789	\$ 3,777	\$ (675)	\$ 3,374
<b>Diluted EPS</b>				
Diluted EPS	\$ (0.03)	\$ 0.18	\$ (0.34)	\$ 0.16
Non-GAAP Adjustments				
Impact of Store Closing Costs (1)	0.01	—	0.10	—
Impact of Ukraine Remeasurement (2)	0.06	—	0.21	—
Adjusted Diluted EPS	\$ 0.04	\$ 0.18	\$ (0.03)	\$ 0.16

(1) See Note 9 of the notes to our consolidated financial statements for details of this matter.

(2) See Note 1 of the notes to our consolidated financial statements for details of this matter.

## **Liquidity and Capital Resources**

### **Sources of Liquidity**

Our primary sources of liquidity are cash reserves, cash from operations, and borrowings under our floorplan payable and other credit facilities. We expect these sources of liquidity to be sufficient to fund our working capital requirements, acquisitions, capital expenditures and other investments in our business, service our debt, pay our tax obligations and commitments and contingencies, and meet any seasonal operating requirements for the foreseeable future, provided, however, that our borrowing capacity under our credit agreements is dependent on compliance with various financial covenants as further described in the "Risk Factors" section of our Annual Report on Form 10-K. We have worked in the past, and will continue to work in the future, with our lenders to implement satisfactory modifications to certain financial covenants as appropriate for the business conditions confronted by us.

### **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, available cash and available borrowings under our existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months. Our main financing arrangements, in which we had discretionary floorplan lines of credit totaling approximately \$1.18 billion as of July 31, 2014, are described in Note 4 of the notes to our consolidated financial statements. As of July 31, 2014, we are in compliance with the financial covenants under these agreements. If anticipated operating results create the likelihood of a future covenant violation, we would work with our lenders on an appropriate modification or amendment to our financing arrangements.

### **Cash Flow**

#### *Cash Flow Used For Operating Activities*

Net cash used for operating activities was \$79.4 million for the six months ended July 31, 2014, compared to \$48.5 million for the six months ended July 31, 2013. Net cash used for operating activities for the six months ended July 31, 2014 was primarily attributable to an increase in our inventories. Net cash used for operating activities for the six months ended July 31, 2013 was primarily attributable to an increase in our inventories, partially offset by an increase in manufacturer floorplan payable financing of such inventories. The increase in net cash used for operating activities for the six months ended July 31, 2014, compared to the same period in the prior year, was primarily due to a decrease in our reported net income (loss) including noncontrolling interest, including non-cash adjustments to such net income, changes in working capital and an increase in our inventories, net of manufacturer floorplan financing of such inventories. We evaluate our cash flow from operating activities net of all floorplan activity. Taking this adjustment into account, our non-GAAP cash flow provided by operating activities was \$21.4 million and cash flow used for operating activities was \$27.0 million for the six months ended July 31, 2014 and 2013, respectively. For reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation below.

#### *Cash Flow Used For Investing Activities*

Net cash used for investing activities was \$6.0 million for the six months ended July 31, 2014, compared to \$16.7 million for the six months ended July 31, 2013. For the six months ended July 31, 2014, net cash used for investing activities was primarily comprised of property and equipment purchases. For the six months ended July 31, 2013, net cash used for investing activities was primarily comprised of property and equipment purchases and business combinations consisting of two stores.

#### *Cash Flow Provided By Financing Activities*

Net cash provided by financing activities was \$100.8 million for the six months ended July 31, 2014 and \$43.3 million for the six months ended July 31, 2013. For the six months ended July 31, 2014, net cash provided by financing activities primarily consisted of an increase in non-manufacturer floorplan payables, which increased as a result of higher equipment inventory balances. For the six months ended July 31, 2013, net cash provided by financing activities primarily consisted of proceeds from long-term debt for rental fleet financing, and an increase in non-manufacturer floorplan payables, which increased as a result of higher equipment inventory balances.

### Non-GAAP Cash Flow Reconciliation

We consider our cash flow from operating activities to include all equipment inventory financing activity regardless of whether we obtain the financing from a manufacturer or other source. We consider equipment inventory financing with both manufacturers and other sources to be part of the normal operations of our business and use the adjusted cash flow analysis in the evaluation of our equipment inventory and inventory flooring needs. Non-GAAP cash flow used for operating activities is a non-GAAP financial measure which is adjusted for non-manufacturer floorplan payable. The adjustment is equal to the net change in non-manufacturer floorplan payable, as shown on the consolidated statements of cash flows. GAAP categorizes non-manufacturer floorplan payable as financing activities in the consolidated statements of cash flows.

We believe that the presentation of non-GAAP cash flow used for operating activities is relevant and useful to our investors because it provides information on activities we consider normal operations of our business, regardless of financing source. The following table reconciles net cash used for operating activities, a GAAP measure, to non-GAAP cash flow provided for operating activities, and net cash provided by financing activities, a GAAP measure, to non-GAAP cash flow provided by (used for) financing activities.

	As Reported	Adjustment	Non-GAAP Measures
	(in thousands)		
Six Months Ended July 31, 2014			
Net cash provided by (used for) operating activities	\$ (79,407)	\$ 100,790	\$ 21,383
Net cash provided by (used for) financing activities	100,800	(100,790)	10
Six Months Ended July 31, 2013			
Net cash provided by (used for) operating activities	\$ (48,481)	\$ 21,517	\$ (26,964)
Net cash provided by (used for) financing activities	43,329	(21,517)	21,812

Non-GAAP cash flow provided by (used for) operating activities should be evaluated in addition to, and not considered a substitute for, or superior to, other GAAP measures such as net cash provided by (used for) operating activities.

### Certain Information Concerning Off-Balance Sheet Arrangements

As of July 31, 2014, we did 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 real estate, vehicles and 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 Quarterly Report on Form 10-Q, including in “Management’s Discussion And Analysis Of Financial Condition And Results Of Operations,” as well as in our Annual Report on Form 10-K for the year ended January 31, 2014, 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 our expectations regarding exchange rate and interest rate impact, farm income levels and performance of the agricultural and construction industries, equipment inventory levels, and our primary liquidity sources 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-looking 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, adverse market

conditions in the agricultural and construction equipment industries, the continuation of unfavorable conditions in the credit markets and 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 various market risks, including changes in interest rates and foreign currency exchange rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates.

*Interest Rate Risk:* Exposure to changes in interest rates results from borrowing activities used to fund operations. 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. We have both fixed and floating rate financing. Some of our floating rate credit facilities contain minimum rates of interest to be charged. Based upon balances and interest rates as of July 31, 2014, 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 \$5.1 million. 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 \$5.1 million. At July 31, 2014, we had variable rate floorplan payable of \$850.3 million, of which approximately \$543.8 million was interest-bearing, variable notes payable and long-term debt of \$49.0 million, and fixed rate notes payable and long-term debt of \$53.4 million.

*Foreign Currency Exchange Rate Risk:* Foreign currency exposures arise as the result of our foreign operations. The Company is exposed to foreign currency exchange rate risk, as our net investment in our foreign operations is exposed to changes in foreign currency exchange rates. In addition, the Company is exposed to the translation of foreign currency earnings to the U.S. dollar, whereby the results of our operations and cash flows may be adversely impacted by fluctuating foreign currency exchange rates. The Company is also exposed to foreign currency transaction risk from purchasing inventory in currencies other than the U.S. dollar and as the result of certain intercompany financing transactions. The Company attempts to manage its foreign currency exchange rate risk through the use of derivative financial instruments, primarily foreign exchange forward contracts. Based upon balances and exchange rates as of July 31, 2014, holding other variables constant, we believe that a hypothetical 10% increase or decrease in foreign exchange rates would not have a material impact on our results of operations or cash flows.

### 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, the Company’s 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 (as defined in Exchange Act Rule 13a-15(e)) are effective.

(b) *Changes in internal controls.* There has not been any change in the Company’s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) 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.



## **PART II. - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Such claims have, in the past, generally been covered by insurance. There can be no assurance that our insurance will be adequate to cover all liabilities that may arise out of claims brought against us, or that our insurance will cover all claims. We are not currently a party to any material litigation.

### **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, 2014 as filed with the 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, aside from those discussed in our Form 10-K, 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.

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

We did not have any unregistered sales of equity securities during the fiscal quarter ended July 31, 2014.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

On September 5, 2014, the Company entered into an employment agreement with Mark Kalvoda, its Chief Financial Officer. The employment agreement has an initial term commencing on February 1, 2014, and expiring on January 31, 2017, with automatic one-year extensions thereof unless either party provides the other with written notice prior to August 1st of any year that the term will not automatically renew. Under the employment agreement, Mr. Kalvoda will be paid an annual base salary as determined by the Compensation Committee of the Board of Directors (which is currently \$310,000). Mr. Kalvoda is also eligible for an annual incentive bonus on terms and conditions established by the Compensation Committee. The employment agreement also provides that Mr. Kalvoda is entitled to receive an annual equity award as determined by the Compensation Committee, and is eligible to participate in any employee benefit plans and programs generally available to the Company’s other executive officers.

The employment agreement with Mr. Kalvoda contains a non-competition covenant prohibiting him from competing with the Company during his employment and for 24 months following termination of employment. If Mr. Kalvoda is terminated by the Company without cause or if he resigns for good reason (each a “Qualified Termination”), the Company is obligated to pay him severance in an amount equal to the sum of (i) the annual base salary then in effect, plus (ii) the amount of the annual performance bonus last paid prior to the termination or resignation, in 12 equal monthly installments. In the event of a Qualified Termination, Mr. Kalvoda would also be entitled to continue to participate in the Company’s group medical and dental plans at Company expense for a period of 12 months and his unvested equity awards and options will continue to vest in accordance with their terms. In order to receive these severance benefits, Mr. Kalvoda would be required to sign a release of claims, fulfill his non-competition and non-solicitation obligations, cooperate with transitioning his duties and execute a non-disparagement agreement with the Company.

### **ITEM 6. EXHIBITS**

Exhibits - See “Exhibit Index” on page following signatures.



## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: September 9, 2014

**TITAN MACHINERY INC.**

By /s/ Mark Kalvoda  
Mark Kalvoda  
Chief Financial Officer  
(Principal Financial Officer)

EXHIBIT INDEX  
TITAN MACHINERY INC.  
FORM 10-Q

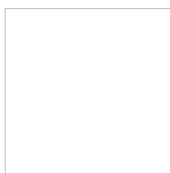
Exhibit No.	Description
*10.1	Fourth Amendment, dated as of July 31, 2014, to Amended and Restated Credit Agreement by and among the registrant, Wells Fargo Bank, National Association, and the Financial Institutions Party Thereto
*10.2	Form of Restricted Stock Unit Agreement under the Titan Machinery Inc. 2014 Equity Incentive Plan+
*10.3	Employment Agreement, dated September 5, 2014, between Mark Kalvoda and the Registrant+
*31.1	Certification of 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 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
**101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended July 31, 2014, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.

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\*Filed herewith

\*\* Furnished herewith

+ Management compensatory plan or arrangement



**FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT**

dated as of July 31, 2014

among

**TITAN MACHINERY INC.**

a Delaware corporation,  
as Borrower,

**THE FINANCIAL INSTITUTIONS PARTY HERETO,**

as Lenders,

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**

as Administrative Agent,  
Swing Line Lender and L/C Issuer

**BANK OF AMERICA, N.A.**

as Syndication Agent

**COBANK, ACB**

as Documentation Agent

**WELLS FARGO SECURITIES, LLC**

Sole Lead Arranger and Sole Book Runner

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## FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This **FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT** ("*Fourth Amendment*"), dated as of July 31, 2014 ("*Fourth Amendment Effective Date*"), is among **TITAN MACHINERY INC.**, a Delaware corporation ("*Borrower*"), the several financial institutions party to this Fourth Amendment as Lenders, and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Administrative Agent, Swing Line Lender and L/C Issuer. Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Credit Agreement (as hereinafter defined).

### RECITALS

WHEREAS Borrower, Administrative Agent, Lenders, Swing Line Lender, and L/C Issuer are parties to that certain Amended and Restated Credit Agreement dated March 30, 2012, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated as of December 4, 2012, that certain Second Amendment to Amended and Restated Credit Agreement dated as of November 14, 2013, and that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 3, 2014 (as further amended from time to time, the "*Credit Agreement*") and, as applicable, the other Loan Documents, pursuant to which Lenders have made available to Borrower certain extensions of credit referenced therein on the terms and conditions contained therein; and

WHEREAS Borrower has requested that Administrative Agent and Lenders (a) modify the Working Capital Borrowing Base and the Borrowing Base Certificate, and (b) further modify the Credit Agreement on the terms and conditions contained herein; and

WHEREAS the Administrative Agent and Lenders have agreed to modify the Credit Agreement on the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

### AGREEMENT

#### ARTICLE I – MODIFICATIONS & CONSENTS

##### SECTION 1.1 MODIFICATIONS TO CREDIT AGREEMENT

As of the Fourth Amendment Effective Date, the Credit Agreement is modified as follows:

**1.1.1** The definition of “CNH Intercreditor Agreement” in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

“**CNH Intercreditor Agreement**” means an Amended and Restated Intercreditor Agreement among CNH Industrial Capital America LLC, CNHI International S.A., and Wells Fargo Bank, National Association.

**1.1.2** The following definition of “CNH Finance Reserve” is hereby inserted in Section 1.01 of the Credit Agreement in alphabetical order:

“**CNH Finance Reserve**” means the amount of \$25,000,000 representing the maximum liability of Borrower under that certain Amended and Restated Guaranty in favor of CNHI International S.A.

**1.1.3** The definition of “CNH Parts Reserve” in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and the following substituted therefor:

“**CNH Parts Reserve**” means an amount established by the Administrative Agent to reflect the amount of proceeds of Case New Holland parts which, in accordance with the terms of the CNH Intercreditor Agreement, CNH Industrial Capital America LLC is entitled to receive after deduction for the CNH Parts Debt (as defined in the CNH Intercreditor Agreement).

**1.1.4** The following definition of “CNH Payables” is hereby inserted in Section 1.01 of the Credit Agreement in alphabetical order:

“**CNH Payables**” means payables owed by Borrower to CNH Industrial Capital America LLC or CNHI International S.A. in respect of Case New Holland Parts.

**1.1.5** The definition of “Working Capital Borrowing Base” in Section 1.01 of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

“**Working Capital Borrowing Base**” means as of any date of calculation, an amount, as set forth on the most current Borrowing Base Certificate delivered to the Administrative Agent, equal to the sum of:

- (a) 80% of Eligible Accounts; *plus*
- (b) 85% of the net book value of Eligible Rental Equipment; *plus*
- (c) 75% of the sum of (i) Eligible Parts and Attachments Inventory, *minus* (ii) CNH Payables, *minus* (iii) the CNH Finance Reserve, *minus* (iv) the CNH Parts Reserve; *plus*
- (d) 50% of Eligible Work in Process Inventory; *minus*
- (e) the Working Capital Borrowing Base Reserve.

The Borrower, Administrative Agent and the Lenders acknowledge and agree that (i) the advance rates set forth in this definition are solely to establish the parameters for Availability, and (ii) this definition does not constitute nor shall it be deemed to constitute an express or implied representation or determination by Lenders that the recovery in a forced liquidation scenario would be equal to the advance rates established herein.

**1.1.6** Exhibit H (Form of Borrowing Base Certificate) to the Credit Agreement is deleted and replaced with the Borrowing Base Certificate for attached to this Fourth Amendment as Exhibit A.

## **SECTION 1.2 APPROVAL OF INTERCREDITOR AGREEMENT.**

The Lenders acknowledge receipt of a copy of the draft Amended and Restated Intercreditor Agreement among CNH Industrial Capital America LLC, CNHI International S.A., and Wells Fargo Bank, National Association (the *Amended Intercreditor Agreement*). Lenders hereby authorize the Administrative Agent to enter into the Amended Intercreditor Agreement in substantially the form previously provided to the Lenders.

## **ARTICLE II – COVENANTS**

### **SECTION 2.1 EXPENSES**

Borrower shall pay all reasonable expenses and costs of Administrative Agent (including, without limitation, the reasonable attorney fees and expenses of counsel for Administrative Agent) in connection with the preparation, negotiation, execution and approval of this Fourth Amendment and any and all other documents, instruments and things contemplated hereby, whether or not such transactions are consummated, together with all other reasonable expenses and costs incurred by Administrative Agent chargeable to Borrower pursuant to the terms of the Credit Agreement which are unpaid at such time.

## **ARTICLE III – CONDITIONS TO FOURTH AMENDMENT; GENERAL PROVISIONS**

### **SECTION 3.1 CONDITIONS PRECEDENT**

**3.1.1** This Fourth Amendment and the transactions contemplated herein are expressly conditioned upon the satisfaction by Borrower of the following conditions, all in the sole but reasonable discretion of the Administrative Agent:

(a) Borrower shall have delivered to Administrative Agent such certificates of resolutions or other action, incumbency certificates or other certificates of Responsible Officers of Borrower as Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with the Loan Documents to which Borrower is a party, each in form and substance reasonably acceptable to Administrative Agent;

(b) No Material Adverse Effect shall have occurred since Closing;

(c) No Default or Event of Default shall have occurred and be continuing; and

(d) Borrower shall have paid all amounts owed to Administrative Agent and Lenders in connection with this Fourth Amendment.

**3.1.2** Without limiting the foregoing, the effectiveness of this Fourth Amendment shall be conditioned on receipt by Administrative Agent of the consent of Required Lenders.

### **SECTION 3.2 RATIFICATION; ESTOPPEL; REAFFIRMATION**

**3.2.1** Borrower hereby reaffirms and ratifies the Credit Agreement and other Loan Documents, as amended, modified and supplemented hereby.

**3.2.2** Borrower hereby reaffirms to Administrative Agent and to each Lending Party that each of the representations, warranties, covenants and agreements set forth in the Credit Agreement and the other Loan Documents with the same force and effect as if each were separately stated herein and made as of the date hereof except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date.

**3.2.3** Borrower further represents and warrants that, as of the date hereof, it has no counterclaims, defenses or offsets of any nature whatsoever to the Obligations or any of the Loan Documents and that as of the date hereof no unwaived Default or Event of Default by Borrower, Administrative Agent or any Lending Party has occurred or exists under any of the Loan Documents.

**3.2.4** Borrower hereby ratifies, affirms, reaffirms, acknowledges, confirms and agrees that the Credit Agreement and other Loan Documents, as amended, modified and supplemented hereby by this Fourth Amendment, represent the valid, binding, enforceable and collectible obligations of Borrower except to the extent enforceability may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally and by equitable principles.

**3.2.5** Borrower hereby affirms, acknowledges and confirms that the provisions of this Fourth Amendment shall be a part of the Credit Agreement and Loan Documents for all purposes.

**3.2.6** Borrower affirms and acknowledges that the recitals to this Fourth Amendment are true and accurate and are hereby incorporated into this Fourth Amendment.

### **SECTION 3.3 RELEASE**

Borrower does hereby release, remise, acquit and forever discharge Administrative Agent and Lenders and Administrative Agent and Lenders' employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporation, and related corporate divisions (all of the foregoing hereinafter called the

***“Released Parties”***), from any and all action and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of or in any way connected to this Fourth Amendment, the Credit Agreement and the other Loan Documents, except, in each case, to the extent of the gross negligence or willful misconduct of the Released Parties (all of the foregoing hereinafter called the ***“Released Matters”***). Borrower acknowledges that the agreements in this paragraph are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters. Borrower represents and warrants to Administrative Agent and the Lenders that it has not purported to transfer, assign or otherwise convey any right, title or interest of Borrower in any Released Matter to any other Person and that the foregoing constitutes a full and complete release of all Released Matters.

#### **SECTION 3.4 TIME OF THE ESSENCE**

Time is of the essence of the Fourth Amendment, the Credit Agreement and Loan Documents.

#### **SECTION 3.5 GOVERNING LAW; JURISDICTION; ETC.**

**3.5.1 GOVERNING LAW.** THIS FOURTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORD WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

**3.5.2 SUBMISSION TO JURISDICTION.** EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY IN THE BOROUGH OF MANHATTAN AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS FOURTH AMENDMENT OR ANY OTHER LOAN DOCUMENT IN WHICH EACH IS A PARTY, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE COURTS OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURTS. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUCH JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS FOURTH AMENDMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT ANY PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS FOURTH AMENDMENT.



OR ANY OTHER LOAN DOCUMENT AGAINST ANY OTHER PARTY OR ANY OF ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

**3.5.3 WAIVER OF VENUE** EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS FOURTH AMENDMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN SECTION 3.5. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM AND THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

**3.5.4 SERVICE OF PROCESS** EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02 OF THE CREDIT AGREEMENT. NOTHING IN THIS FOURTH AMENDMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

### **SECTION 3.6 COUNTERPARTS; SEVERABILITY**

**3.6.1** This Fourth Amendment may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument.

**3.6.2** If any term or provision of this Fourth Amendment, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Fourth Amendment, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Fourth Amendment shall be valid and shall be enforced to the fullest extent permitted by law.

### **SECTION 3.7 WAIVER OF RIGHT TO JURY TRIAL**

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM. EACH OF THE PARTIES HERETO REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER OF RIGHT TO A JURY TRIAL AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH COUNSEL ON SUCH MATTER. IN THE EVENT OF LITIGATION, A COPY OF THIS FOURTH AMENDMENT MAY BE FILED WITH THE COURT IN WRITTEN CONSENT TO A TRIAL BY THE COURT.

### **SECTION 3.8 FINAL EXPRESSION**

**THIS WRITTEN AGREEMENT IS THE FINAL EXPRESSION OF THE FOURTH AMENDMENT TO THE CREDIT AGREEMENT AMONG THE PARTIES HERETO AS THE**

**SAME EXISTS TODAY AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR OR CONTEMPORANEOUS WRITTEN ORAL AGREEMENT BETWEEN THE PARTIES HERETO.**

**BY SIGNING BELOW, THE PARTIES HERETO HEREBY AFFIRM THAT THERE IS NO UNWRITTEN ORAL OR WRITTEN AGREEMENT BETWEEN THEMSELVES WITH RESPECT TO THE SUBJECT MATTER OF THIS FOURTH AMENDMENT TO THE CREDIT AGREEMENT GENERALLY.**

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to be duly executed as of the date first written above.

**BORROWER:**

TITAN MACHINERY INC.,  
a Delaware corporation

By:	<u>/s/ Ted O. Christianson, Treasurer</u>
Name:	<u>Ted O. Christianson</u>
Title:	<u>Treasurer</u>

Signature Page to Fourth Amendment to Amended and Restated Credit Agreement

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**ADMINISTRATIVE AGENT, L/C ISSUER AND SWING LINE LENDER:**

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
a national banking association, as Administrative Agent, L/C Issuer and Swing  
Line Lender

By: /s/ Mark T. Lundquist  
Name: Mark T. Lundquist  
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
a national banking association, as a Lender

By: /s/ Mark T. Lundquist  
Name: Mark T. Lundquist  
Title: Vice President

Signature Page to Fourth Amendment to Amended and Restated Credit Agreement

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**LENDER:**

**COBANK, ACB**

By: /s/ Kathleen M. Roberts  
Name: Kathleen M. Roberts  
Title: VP

Signature Page to Fourth Amendment to Amended and Restated Credit Agreement

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**LENDER:**

**BANK OF AMERICA, N.A.**

By: /s/ Don Stafford  
Name: Don Stafford  
Title: SVP

Signature Page to Fourth Amendment to Amended and Restated Credit Agreement

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**LENDER:**

**BANK OF THE WEST**

a California banking corporation

By: /s/ Ryan J. Mauser

Name: Ryan Mauser

Title: Vice President

Signature Page to Fourth Amendment to Amended and Restated Credit Agreement

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**LENDER:**

**BREMER BANK, N.A.**

By: /s/ Wesley Well  
Name: Wesley Well  
Title: Branch Mgr / SVP

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**LENDER:**

**COMERICA BANK**

By:	<u>/s/ Darren Grahsl</u>
Name:	<u>Darren Grahsl</u>
Title:	<u>Vice President</u>

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**EXHIBIT A**

**FORM OF BORROWING BASE CERTIFICATE**

(attached)

Exhibit A to Fourth Amendment to Amended and Restated Credit Agreement

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## BORROWING BASE CERTIFICATE

Pursuant to the AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 30, 2012, among Titan Machinery Inc., a Delaware corporation ("Borrower"), the Subsidiary Guarantors party thereto, the several financial institutions thereto as Lenders, and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as Administrative Agent, Swing Line Lender and L/C Issuer (as amended from time to time, the "Credit Agreement"), the undersigned certifies that as of the close of business on the date set forth below, the Floorplan Availability and Working Capital Availability are computed as set forth below.

The undersigned represents and warrants that this Borrowing Base Certificate is a true and correct statement of, and that the information contained herein is true and correct in all material respects regarding, the status of Eligible Accounts, Eligible New Equipment Inventory, Eligible Used Equipment Inventory, Eligible Rental Equipment, and Eligible Parts and Attachments Inventory and that the amounts reflected herein are in compliance with the provisions of the Credit Agreement and the Exhibits thereto. The undersigned further represents and warrants that there is no continuing Event of Default and all representations and warranties continued in the Credit Agreement and other Loan Documents are true and correct in all material respects. The undersigned understands that Wells Fargo Bank, National Association, and the other Lenders will extend loans in reliance upon the information contained herein. In the event of a conflict between the following summary of eligibility criteria and the criteria set forth in the definition of Eligible Accounts, Eligible New Equipment Inventory, Eligible Used Equipment Inventory, Eligible Rental Equipment, and Eligible Parts and Attachments Inventory indicated in the Credit Agreement, the Credit Agreement shall govern. Capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Credit Agreement.

Calculation of Floorplan Borrowing Base as of \_\_\_\_\_:

New Equipment Inventory - NBV	\$ _____	[a]
Less: Ineligible New Equipment Inventory		
Encumbered/Other U.S. New Equipment Inventory	\$ _____	
New Equipment Inventory located outside the U.S.	\$ _____	
New Equipment on Hand > 3 years	\$ _____	
Total Ineligible New Equipment Inventory	\$ _____	[b]
Total Eligible New Equipment Inventory ([a]-[b])	\$ _____	[c]
Eligible New Equipment Inventory held one year or less	\$ _____	[d]
Available at 90% of net book value ([d]*0.90)	\$ _____	[e]
Eligible New Equipment Inventory held more than one year but less than or equal to two years	\$ _____	[f]
Available at 80% of net book value ([f]*0.80)	\$ _____	[g]
Eligible New Equipment Inventory held more than two years but less than or equal to three years	\$ _____	[h]
Available at 70% of net book value ([h]*0.70)	\$ _____	[i]
Used Equipment Inventory - NBV	\$ _____	[j]
Less: Ineligible Used Equipment Inventory		
Encumbered/Other U.S. Used Equipment Inventory	\$ _____	
Used Equipment on Hand > 3 years	\$ _____	

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Used Equipment Inventory located outside the U.S. \$ \_\_\_\_\_  
Total Ineligible Used Equipment Inventory \$ \_\_\_\_\_ [k]  
Total Eligible Used Equipment Inventory ([e]-[f]) \$ \_\_\_\_\_ [l]  
  
Eligible Used Equipment Inventory held one year or less \$ \_\_\_\_\_ [m]  
Available at 85% of net book value ([m]\*0.85) \$ \_\_\_\_\_ [n]  
  
Eligible Used Equipment Inventory held more than one year but less  
than or equal to two years \$ \_\_\_\_\_ [o]  
Available at 75% of net book value ([o]\*0.75) \$ \_\_\_\_\_ [p]  
  
Eligible Used Equipment Inventory held more than two years but  
less than or equal to three years \$ \_\_\_\_\_ [q]  
Available at 65% of net book value ([q]\*0.65) \$ \_\_\_\_\_ [r]

Floor Plan Borrowing Base ([e] + [g] + [i] + [n] + [p] + [r]) \$ \_\_\_\_\_ [s]

Total Floorplan Loans \$ \_\_\_\_\_ [t]  
Total Swing Line Loans \$ \_\_\_\_\_ [u]  
L/C Credit Extension \$ \_\_\_\_\_ [v]  
Total Floorplan Outstandings ([t]+[u]+[v]) \$ \_\_\_\_\_ [w]

Aggregate Floorplan Commitment \$ \_\_\_\_\_ [x]

Floorplan Availability (lesser of [s] minus [w] or; [x] minus [w]) \$ \_\_\_\_\_

Calculation of WORKING CAPITAL Borrowing Base as of \_\_\_\_\_ :

Gross Accounts Receivable \$ \_\_\_\_\_ [a]  
Less: Ineligible Accounts Receivable  
A/R Greater than 90 days Past Due \$ \_\_\_\_\_  
Cross Agings > 20% \$ \_\_\_\_\_  
Warranty Receivables \$ \_\_\_\_\_  
Supplier Receivables \$ \_\_\_\_\_  
Discount Receivables \$ \_\_\_\_\_  
Other A/R Due From Suppliers \$ \_\_\_\_\_  
Employee Receivables \$ \_\_\_\_\_  
Encumbered A/R or Contracts in Transit \$ \_\_\_\_\_  
Foreign Receivables \$ \_\_\_\_\_  
Related Party/Intercompany Receivables \$ \_\_\_\_\_  
Other Ineligible Receivables \$ \_\_\_\_\_  
Total Ineligible Accounts Receivable \$ \_\_\_\_\_ [b]  
Total Eligible Accounts Receivable ([a]-[b]) \$ \_\_\_\_\_ [c]  
Available at 80% Advance Rate ([c]\*0.80) \$ \_\_\_\_\_ [d]

Rental Equipment Inventory - NBV \$ \_\_\_\_\_ [e]  
Less: Ineligible Rental Equipment Inventory \$ \_\_\_\_\_ [f]

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Total Eligible Used Rental Equipment Inventory ([e]-[f]) \$ \_\_\_\_\_ [g]  
Available at 85% of net book value ([g]\*0.85) \$ \_\_\_\_\_ [h]

Gross Parts and Attachments Inventory \$ \_\_\_\_\_ [i]

Less: Ineligible Parts and Attachments Inventory

Trade/Notes Payables due to CNH \$ \_\_\_\_\_

CNH Finance Reserve \$ 25,000

CNH Parts Reserve 1 \$ \_\_\_\_\_

Parts on Hand > 3 years in excess of \$1MM \$ \_\_\_\_\_

Parts Subject to First Lien of Others (Non CNH) \$ \_\_\_\_\_

Foreign Parts \$ \_\_\_\_\_

Total Ineligible Parts and Attachments \$ \_\_\_\_\_ [j]

Total Eligible Parts and Attachments Inventory ([i]-[j]) \$ \_\_\_\_\_ [k]

Available at 75% Advance Rate ([k]\*0.75) \$ \_\_\_\_\_ [l]

Work in Process Inventory \$ \_\_\_\_\_ [m]

Available at 50% Advance Rate ([m]\*.50) \$ \_\_\_\_\_ [n]

Total Parts and Attachments Inventory ([l] + [n]) \$ \_\_\_\_\_ [o]

Working Capital Borrowing Base ([d] + [h] + [o]) \$ \_\_\_\_\_ [p]

Working Capital Loans \$ \_\_\_\_\_ [q]

L/C Credit Extension \$ \_\_\_\_\_ [r]

Total Working Capital Outstandings ([q]+[r]) \$ \_\_\_\_\_ [s]

Aggregate Working Capital Commitment \$ \_\_\_\_\_ [t]

Working Capital Availability (lesser of [p] minus [s] or; [t] minus [s]) \$ \_\_\_\_\_

IN WITNESS WHEREOF, this Borrowing Base Certificate has been duly executed as of the date first written above.

TITAN MACHINERY INC.  
a Delaware corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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<sup>1</sup> CNH Parts Reserve = 50% of the sum of CNH Parts & Attachments less Trade/Notes Payable due to CNH less CNH Finance Reserve of \$25,000,000.

**RESTRICTED STOCK UNIT AGREEMENT  
TITAN MACHINERY INC.  
2014 EQUITY INCENTIVE PLAN**

THIS AGREEMENT, made effective as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Titan Machinery Inc., Delaware corporation (the “Company”), and \_\_\_\_\_ (“Participant”).

W I T N E S S E T H:

WHEREAS, the Participant on the date hereof is an employee of the Company or one of its Affiliates; and

WHEREAS, the Company wishes to grant a restricted stock unit award to Participant for settlement in shares of the Company’s common stock pursuant to the Company’s 2014 Equity Incentive Plan (the “Plan”); and

WHEREAS, the Administrator of the Plan has authorized the grant of a restricted stock unit award to the Participant.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties heret agree as follows:

1. **Grant of Restricted Stock Unit Award.** Pursuant to Section 11 of the Plan, the Company hereby grants to Participant on the date set forth above (the “Grant Date”) a restricted stock unit award (the “Restricted Stock Units”) enabling the Participant to receive up to \_\_\_\_\_ (\_\_\_\_\_) shares of the Company’s common stock subject to the terms, conditions, and restrictions set forth in this Agreement and the Plan. Capitalized terms that are used but not defined herein have the meaning ascribed to them in the Plan.

2. **Vesting of Restricted Stock Units.**

- a. The Restricted Stock Units will vest in accordance with the following schedule:

<b><u>Vesting Date</u></b>	<b><u>Units</u></b>
April 1, 20__	
April 1, 20__	
April 1, 20__	
April 1, 20__	
April 1, 20__	

If the Participant's employment is terminated for any reason other than employee's death, or the Participant's employment status changes from full-time to part-time, then Participant shall immediately forfeit all unvested Restricted Stock Units. The foregoing vesting schedule notwithstanding, in the event of the Participant's death, 100% of the unvested Restricted Stock Units shall vest as of the date of death.

b. Solely for purposes of this Agreement, "full-time" means regularly scheduled to work at least 40 hours per week, and "part-time" means regularly scheduled to work less than 40 hours per week.

c. Upon vesting of any portion of the Restricted Stock Units, pursuant to the schedule above, the Company will cause to be issued to Participant either a share certificate or uncertificated book-entry shares bearing such legend as the Company deems advisable pursuant to the exercise of its discretion under Section 4(b) below.

3. **Rights as Shareholder; Dividends** Until the Restricted Stock Units vest and shares of common stock are issued to Participant, the Participant shall not be entitled to any of the rights of a shareholder of the Company including, without limitation, the right to vote such units and receive all dividends or other distributions paid with respect to such units.

4. **Miscellaneous.**

a. **Employment Status** This Agreement shall not confer on Participant any right with respect to continuance of employment by the Company or any of its Affiliates, nor will it interfere in any way with the right of the Company to terminate such employment. Except to the extent otherwise set forth in any written employment agreement, Participant's employment relationship with the Company and its Affiliates shall be employment-at-will, and nothing in this Agreement shall be construed as creating an employment contract for any specified term between Participant and the Company or any Affiliate.

b. **Transfers; Securities Law Compliance.** Prior to vesting, Participant shall not transfer, other than by will or the laws of descent and distribution, or otherwise dispose of the Restricted Stock Units received pursuant to this Agreement. The Participant may be required by the Company, as a condition of the effectiveness of this restricted stock unit award, to agree in writing that all shares to be issued upon vesting of the Restricted Stock Units subject to this Agreement shall be held, until such time that such shares are registered and freely tradable under applicable state and federal securities laws, for Participant's own account without a view to any further distribution thereof, that the certificates for such shares shall bear an appropriate legend to that effect, and that such shares will be not transferred or disposed of except in compliance with applicable state and federal securities laws. A legend may be placed on any certificate(s) or other document(s) delivered to the Participant indicating restrictions on transferability of the shares pursuant to this Agreement or any other restrictions that the Company may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable federal or

state securities laws or any stock exchange on which the shares of the Company's common stock are then listed or quoted.

c. **Withholding Taxes.** In order to permit the Company to comply with all applicable income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable payroll, income or other taxes are withheld from any amounts payable by the Company to the Participant. If the Company is unable to withhold such federal and state taxes, for whatever reason, the Participant hereby agrees to pay to the Company an amount equal to the amount the Company would otherwise be required to withhold under applicable law.

d. **Restricted Stock Units Subject to Plan** This Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

e. **Binding Agreement.** This Agreement shall bind and inure to the benefit of the Company, its Affiliates and its successors and assigns and Participant and any successor or successors of Participant permitted by this Agreement.

f. **Acceptance.** The Participant hereby acknowledges access to the Plan and receipt of this Agreement. The Participant has read and understands the terms and provisions thereof, and accepts the Restricted Stock Units subject to all of the terms and conditions of the Plan and this Agreement. The Participant acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Restricted Stock Units or disposition of the underlying shares and that the Participant has been advised to consult a tax advisor prior to such vesting, settlement or disposition of the Restricted Stock Units or shares issued upon vesting.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

TITAN MACHINERY INC.

By: \_\_\_\_\_  
[Name of Authorized Officer]  
[Title]

\_\_\_\_\_  
(Signature of Participant)



Mark Kalvoda  
c/o Titan Machinery Inc.  
644 East Beaton Drive  
West Fargo, ND 58078-2648

Dear Mark:

This letter agreement confirms our discussions regarding your continuing as the Chief Financial Officer of Titan Machinery Inc. (the "Company"), and sets out the terms and conditions of your employment with the Company, as follows:

Title: You will serve as the Company's Chief Financial Officer ("CFO").

Term: Unless terminated by either party as provided in this letter agreement, the term of your employment as CFO of the Company under this letter agreement shall be for a rolling three-year period (the "Term") as follows: the initial term shall commence on **February 1, 2014** ("Effective Date") and end on **January 31, 2017**, which end date shall be automatically extended by one year on each anniversary of the Effective Date. Thus, for example, on February 1, 2014, the end date shall be extended to January 31, 2017, and on February 1, 2015, the end date shall be extended to January 31, 2018. Such automatic extensions shall continue unless either party provides the other with written notice terminating the automatic extensions prior to August 1 of any year.

Responsibilities: During your employment with the Company as CFO, you will report to the Chief Executive Office of the Company (the "CEO") and will be responsible for the overall operations and direction and financial matters of the Company. You agree to serve the Company faithfully and to the best of your ability, and to devote your full working time, attention and efforts to the business of the Company. You further agree to make yourself available as needed, in a timely manner, to address business issues that may arise. You may, to a reasonable extent, participate in charitable activities, personal investment activities and outside businesses that are not competitive with the business of the Company and serve on boards of directors, so long as such activities and directorships do not interfere with the performance of your duties and responsibilities to the Company; provided, that you shall report on all such activities and directorships to the CEO at least annually.

Representations:	By signing below, you represent and confirm that you are under no contractual or legal commitments that would prevent you from fulfilling your duties and responsibilities to the Company as CFO.
Initial Base Salary:	You will be paid a base salary as established by the Compensation Committee for services performed, in accordance with the regular payroll practices of the Company with annual review by the Compensation Committee of the Board (the “ <u>Committee</u> ”). Your performance and base salary will be reviewed by the Committee annually and may be adjusted upward from time to time in the discretion of the Committee, but will not be reduced during the Term.
Incentive Bonus:	For each full fiscal year of the Company that you are employed during the Term, you will be eligible for an annual cash incentive award payable pursuant to the terms and conditions established by the Committee on an annual basis. Any annual incentive bonus earned for a fiscal year will be paid to you within two and one-half (2½) months after the end of such fiscal year.
Long-Term Equity Incentive:	On June 1, 2015 and on June 1 of each year thereafter, or such other date as determined by the Committee, that this letter agreement is in effect, you will be entitled to receive an equity award, as determined by the Committee. Each award shall be granted in accordance with the terms of the Company’s Equity Grant Policy. The award will be subject to such terms (including, without limitation, vesting, risk of forfeiture, or similar terms) as shall be determined by the Committee.
Benefits:	During your employment with the Company, you will be eligible to participate in the employee benefit plans and programs generally available to other executive officers of the Company, and in such other employee benefit plans and programs to the extent that you meet the eligibility requirements for each individual plan or program and subject to the provisions, rules and regulations applicable to each such plan or program as in effect from time to time. The plans and programs of the Company may be modified or terminated by the Company in its discretion.
Vacation:	During your employment with the Company, you will receive vacation time off in accordance with the policies and practices of the Company. Vacation time shall be taken at such times so as not to unduly disrupt the operations of the Company. While away from the office during vacation time or otherwise, you agree that business issues may arise that require your attention, whether remotely or in person.
Office Location:	Your employment will be based at the Company’s headquarters in West Fargo, North Dakota. Of course, regular travel will be required in the course of performing your duties and responsibilities as CFO.

Confidential Information: You have had and will continue to have access to and familiarity with the confidential and proprietary information of the Company. You agree that all Confidential Information, whether or not in writing, concerning the Company is and shall be the exclusive property of the Company. For purposes of this paragraph, the term “Confidential Information” means information that is not generally known and that is proprietary to the Company or that has been made available to the Company in a manner reasonably understood to require confidential treatment, including, without limitation, trade secret information about the Company and its products; information relating to the business of the Company or anticipated to be conducted by the Company; any of the Company’s past, current or anticipated products; information about the Company’s research, development, manufacturing, purchasing, accounting, engineering, marketing, selling, leasing, servicing, discoveries, improvements, inventions, designs, graphs, drawings, methods, techniques, plans, strategies, customer lists, licensee lists, marketing plans, pricing and other policies, forecasts, budgets, customer information, financial data, personnel data; and any other material relating to Confidential Information, however documented. All information that you have a reasonable basis to consider Confidential Information or that is treated by the Company as being Confidential Information shall be presumed to be Confidential Information, without regard to the manner in which you obtain access to such information.

During the time you are employed with the Company and for a period of ten (10) years following the date your employment with the Company ends for any reason (except with respect to trade secrets, which you agree to keep confidential for so long as such information remains a trade secret), and except (i) in the ordinary course of performing your employment duties for the Company, (ii) as expressly authorized in writing by the Board, or (iii) as compelled to disclose Confidential Information by judicial or governmental authority, you agree not to disclose any Confidential Information to persons or entities outside the Company, or to use any Confidential Information for any other purpose, either during or after your employment, unless and until such Confidential Information has become public knowledge without fault by you. You also agree to deliver all written, electronic, magnetic, computer or other recorded or tangible material and copies thereof containing Confidential Information to the Company upon the earlier of a request by the Company or the date your employment with the Company ends. You further agree to treat all confidential information and know-how of any affiliate, employee, customer, contractor, vendor, or supplier of the Company, as applicable, in the same manner as the Confidential Information.

Noncompetition:	<p>In consideration of you and the Company entering into this letter agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to protect the reasonable business interests of the Company, you agree that while you are an employee of the Company, and for a period of 24 months after termination of your employment for any reason, you will not directly or indirectly, whether on your own behalf or that of a third party (other than the Company), engage in the business (whether as an owner of, or as employee, director or officer of or consultant to any business, other than the Company, that is engaged in the business), of owning or operating agricultural or construction equipment stores in any state or Canadian province in which the Company or its subsidiaries owns or operates any agricultural or construction equipment stores during the term of your employment. You agree that the Company will be entitled to equitable relief without the requirement of posting a bond to enforce the terms of such noncompetition restriction, in addition to any other rights or remedies that the Company may have. In the event that any provision of this noncompetition clause (or any other provision contained in this letter agreement) shall be determined by any court of competent jurisdiction to be unenforceable, such provision shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which they may be enforceable, all as determined by such court in such action so as to be enforceable to the extent consistent with then applicable law. This noncompetition clause shall survive the termination of your employment, and shall apply whether the termination of your employment is voluntary or involuntary and regardless of the reason for such termination.</p>
Non-Solicitation of Employees:	<p>You agree that for a period of three (3) years following your employment with the Company, you will, not directly or indirectly, either for yourself or any other person or entity solicit, induce, or attempt to induce any employee of the Company to leave the employ of the Company.</p>
Termination:	<p>You may terminate the employment relationship during the Term with at least 60 days' written notice. The Company may terminate the employment relationship during the Term for Cause at any time with written notice or without Cause with at least 60 days' written notice. Upon termination of your employment by either party for any reason, you will promptly resign any and all positions you then hold as officer or director of the Company or any of its affiliates.</p>

Severance:

In case of involuntary termination of your employment by the Company without Cause prior to the expiration of the Term or in the case of voluntary resignation of your employment for Good Reason prior to the expiration of the Term (each a “Qualifying Termination”), the Company will pay you as severance pay an amount equal to the sum of (a) your annual base salary at the rate in effect on your last day of employment plus (b) the annual incentive bonus last paid to you preceding the Qualifying Termination. In addition, upon a Qualifying Termination the Company will, for a period of 12 months following the effective date of termination of your employment, allow you to continue to participate in the Company’s group medical and dental plans at the Company’s expense (with premiums payable on a monthly basis), to the extent you were a participant as of your last day of employment; however, if your participation in any such plan is barred or not permitted under the terms thereof, the Company will arrange to provide you with substantially similar coverage at its expense up to the expense. Benefits provided by the Company may be reduced if you become eligible for comparable benefits from another employer or third party.

Payment by the Company of any severance pay or premium reimbursements under this paragraph will be conditioned upon you (1) signing and not revoking a full release of all claims against the Company, its affiliates, officers, directors, employees, agents and assigns, substantially in the form attached to this letter agreement as Exhibit A, within 30 days of the Qualifying Termination, (2) complying with your obligations under this letter agreement, including the noncompetition covenant herein, or any other agreement continuing between you and the Company then in effect, (3) cooperating with the Company in the transition of your duties, and (4) agreeing not to disparage or defame the Company, its affiliates, officers, directors, employees, agents, assigns, products or services.

Any severance pay will be paid to you over 12 months in accordance with the Company’s normal payroll practices commencing on the first day of the month coincident with or following the 40<sup>th</sup> day after the Qualifying Termination,. All payments under this severance clause are subject to applicable withholding for income and FICA taxes and any other proper deductions. Notwithstanding the foregoing, if any of the amounts described in this severance clause are treated as deferred compensation subject to the requirements of Section 409A of the Internal Revenue Code, as amended (the “*Code*”), and the Company determines that you are a “specified employee” as defined in Section 409A of the Code, then such amounts which are payable within the first six months following your “separation from service” as determined under Section 409A of the Code will be accumulated and will be paid on the first day of the seventh month following your separation from service.

For purposes of this letter agreement, “Cause” and “Good Reason” have the following definitions:

“Cause” means a determination in good faith by the Company of the existence of one or more of the following: (i) commission by you of any act constituting a felony; (ii) any intentional and/or willful act of fraud or material dishonesty by you related to, connected with or otherwise affecting your employment with the Company, or otherwise likely to cause material harm to the Company or its reputation; (iii) the willful and/or continued failure, neglect, or refusal by you to perform in all material respects your duties with the Company as an employee, officer or director, or to fulfill your fiduciary responsibilities to the Company, which failure, neglect or refusal has not been cured within fifteen (15) days after written notice thereof to you from the Company; or (iv) a material breach by you of the Company’s policies or codes of conduct or of your material obligations under this letter agreement or any other agreement between you and the Company.

“Good Reason” means any one or more of the following occur without your consent: (i) the assignment to you of material duties inconsistent with your status or position as CFO, or other action that results in a substantial diminution in your status or position, which has not been cured by the Company within fifteen (15) days after written notice thereof to the Company from you; (ii) the relocation of your principal office for Company business to a location more than forty (40) miles from the Company’s current headquarters; (iii) a material reduction in the sum of your base salary and your target cash incentive compensation, other than a general reduction in base salary and/or the target cash incentive compensation that affects all similarly situated executives in substantially the same proportions; or (iv) a material breach by the Company of any terms or conditions of this letter agreement. A condition will not be considered “Good Reason” unless you give the Company written notice of the condition within 30 days after the condition comes into existence and the Company fails to substantially remedy the condition within 30 days after receiving your written notice.

In the event of termination of your employment by the Company for Cause, resignation by you other than for Good Reason, or termination due to your death or any disability for which you are qualified for benefits under the Company’s group long-term disability program, the Company’s only obligation hereunder shall be to pay such compensation and provide such benefits as are earned by you through the date of termination of employment.

Non-Vested Stock  
Options and Restricted  
Stock:

In the event of a Qualifying Termination, the Company agrees that, your non-vested stock options and restricted equity awards that vest with the passage of time will not be forfeited due to your separation of employment and will be earned by you under the normal vesting schedule, conditioned upon you:

- (a) signing and not revoking a full release of all claims against the Company, its affiliates, officers, directors, employees, agents and assigns, substantially in the form attached to this letter agreement as Exhibit A, within 30 days of the Qualifying Termination,
- (b) cooperating with the Company in the transition of your duties,
- (c) agreeing not to disparage or defame the Company, its affiliates, officers, directors, employees, agents, assigns, products or services,
- (d) not directly or indirectly, whether on your own behalf or that of a third party (other than the Company), engaging in the business (whether as an owner of, or as employee, director or officer of or consultant to any business, other than the Company, that is engaged in the business), of owning or operating agricultural or construction equipment stores in any state in which the Company or its subsidiaries owns or operates any agricultural or construction equipment stores during the term of your employment; and
- (e) not directly or indirectly, either for yourself or any other person or entity solicit, inducing, or attempting to induce any employee of the Company to leave the employ of the Company.

In the event of any non-compliance with the obligations set forth above, your then non-vested restricted equity awards will immediately be forfeited.

Indemnification:

The Company will indemnify you in connection with your duties and responsibilities for the Company in accordance with the Company's bylaws and as set forth in any indemnification agreement between you and the Company from time to time.

Taxes:

The Company may withhold from any compensation payable to you in connection with your employment such federal, state and local income and employment taxes as the Company shall determine are required to be withheld pursuant to any applicable law or regulation.

Remedies: You acknowledge that your covenants and obligations hereunder are of special, unique, and intellectual character, which gives them a peculiar value, the actual or threatened breach of which may result in substantial injuries and damages, for which monetary relief may fail to provide an adequate remedy at law. Accordingly, if the Company institutes any action or proceeding to enforce the provisions hereof, seeking injunctive relief or specific performance, you hereby waive the claim or defense that the Company has an adequate remedy at law, and you will not urge in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. Nothing in this provision limits the parties' rights to seek any and all remedies available under applicable law, including equitable and legal relief, either separately or cumulatively, for breach or threatened breach of contract.

Section 409A: Notwithstanding anything to the contrary in this letter agreement, and to the maximum extent permitted by law, this letter agreement shall be interpreted in such a manner that all payments to you are either exempt from, or comply with, Section 409A of the Code and the regulations and other interpretive guidance issued thereunder (collectively, "Section 409A"), including without limitation any such regulations or other guidance that may be issued in the future. It is intended that payments under this Agreement will be exempt from Section 409A, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, so as not to subject you to payment of interest or any additional tax under Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv) (or any similar or successor provisions). In furtherance thereof, if the provision of any reimbursement or in-kind benefit payment hereunder that is subject to Section 409A at the time specified herein would subject such amount to any additional tax under Section 409A, the provision of such reimbursement or in-kind benefit payment shall be postponed to the earliest commencement date on which the provision of such amount could be made without incurring such additional tax. In addition, to the extent that any regulations or other guidance issued under Section 409A (after application of the previous provisions of this paragraph) would result in you being subject to the payment of interest or any additional tax under Section 409A, the parties agree, to the extent reasonably possible, to amend this letter agreement to the extent necessary (including retroactively) in order to avoid the imposition of any such interest or additional tax under Section 409A, which amendment shall have the minimum economic effect necessary and be reasonably determined in good faith by the Company and you. You acknowledge and agree that the Company has made no representation to you as to the tax treatment of the compensation and benefits provided pursuant to this letter agreement and that you are solely responsible for all taxes due with respect to such compensation and benefits.



Applicable Law: This letter agreement shall be interpreted and construed in accordance with the laws of the State of Delaware.

Construction: Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Entire Agreement: This letter agreement and the documents referenced herein constitute the entire agreement between the parties, and supersedes all prior discussions, agreements, and negotiations between us. No amendment or modification of this letter agreement will be effective unless made in writing and signed by you and an authorized officer or director of the Company.

*[signature page follows]*

Sincerely,

TITAN MACHINERY INC.

By: /s/ Stanley Dardis  
Stanley Dardis  
Chair of the Compensation Committee

I accept and agree to the terms and conditions of employment with Titan Machinery Inc. as set forth above.

/s/ Mark Kalvoda  
Mark Kalvoda

September 5, 2014  
Dated

**Exhibit A**  
**FORM OF RELEASE BY MARK KALVODA**

**Definitions.** I intend all words used in this Release to have their plain meanings in ordinary English. Specific terms that I use in this Release have the following meanings:

- A. I, me, and my include both me (Mark Kalvoda) and anyone who has or obtains any legal rights or claims through me.
- B. Titan means Titan Machinery Inc., any company related to Titan Machinery Inc. in the present or past (including without limitation, its predecessors, parents, subsidiaries, affiliates, joint venture partners, and divisions), and any successors of Titan Machinery Inc.
- C. Company means Titan; the present and past officers, directors, committees, shareholders, and employees of Titan; any company providing insurance to Titan in the present or past; the present and past fiduciaries of any employee benefit plan sponsored or maintained by Titan (other than multiemployer plans); the attorneys for Titan; and anyone who acted on behalf of Titan or on instructions from Titan.
- D. Agreement means the letter agreement between me and Titan with an Effective Date of February 1, 2014, including all of the documents attached to such agreement.
- E. My Claims mean all of my rights that I now have to any relief of any kind from the Company, whether I now know about such rights or not, including without limitation:
  - 1. all claims arising out of or relating to my employment with Titan or the termination of that employment;
  - 2. all claims arising out of or relating to the statements, actions, or omissions of the Company;
  - 3. all claims for any alleged unlawful discrimination, harassment, retaliation or reprisal, or other alleged unlawful practices arising under any federal, state, or local statute, ordinance, or regulation, including without limitation, claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, 42 U.S.C. § 1981, the Employee Retirement Income Security Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act, the Family and Medical Leave Act, the Fair Credit Reporting Act, the North Dakota Human Rights Act, N.D. Stat. § 14.02-4-01 et seq., the North Dakota Equal Pay Act, N.D. Stat. § 34-06.1-01 et seq., the North Dakota Age Discrimination Act, N.D. Stat. § 34-01-17, and workers' compensation non-interference or non-retaliation statutes;
  - 4. all claims for alleged wrongful discharge; breach of contract; breach of implied contract; failure to keep any promise; breach of a covenant of good faith and fair dealing; breach of fiduciary duty; estoppel; my activities, if any, as a "whistleblower"; defamation; infliction of emotional distress; fraud; misrepresentation; negligence; harassment; retaliation or reprisal; constructive discharge; assault; battery; false imprisonment; invasion of privacy; interference with contractual or business relationships; any other wrongful employment practices; and violation of any other principle of common law;

5. all claims for compensation of any kind, including without limitation, bonuses, commissions, stock-based compensation or stock options, vacation pay and paid time off, perquisites, and expense reimbursements;
6. all claims for back pay, front pay, reinstatement, other equitable relief, compensatory damages, damages for alleged personal injury, liquidated damages, and punitive damages; and
7. all claims for attorneys' fees, costs, and interest.

However, My Claims do not include any claims that the law does not allow to be waived; any claims that may arise after the date on which I sign this Release; any rights I may have to indemnification from Titan as a current or former officer, director or employee of Titan; any claims for payment of severance benefits under the Agreement; any rights I have to severance pay or benefits under the Agreement; or any claims I may have for earned and accrued benefits under any employee benefit plan sponsored by the Company in which I am a participant as of the date of termination of my employment with Titan.

**Consideration.** I am entering into this Release in consideration of Titan's obligations to provide me certain severance benefits as specified in the Agreement. I will receive consideration from Titan as set forth in the Agreement if I sign and do not rescind this Release as provided below. I understand and acknowledge that I would not be entitled to the consideration under the Agreement if I did not sign this Release. The consideration is in addition to anything of value that I would be entitled to receive from Titan if I did not sign this Release or if I rescinded this Release. I acknowledge and represent that I have received all payments and benefits that I am entitled to receive (as of the date of this Release) by virtue of any employment by the Company.

**Agreement to Release My Claims** In exchange for the consideration described in the Agreement, I give up and release all of My Claims. I will not make any demands or claims against the Company for compensation or damages relating to My Claims. The consideration that I am receiving is a fair compromise for the release of My Claims.

**Cooperation.** Upon the reasonable request of the Company, I agree that I will (i) timely execute and deliver such acknowledgements, instruments, certificates, and other ministerial documents (including without limitation, certification as to specific actions performed by me in my capacity as an officer of the Company) as may be necessary or appropriate to formalize and complete the applicable corporate records; (ii) reasonably consult with the Company regarding business matters that I was involved with while employed by the Company; and (iii) be reasonably available, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other reasonable activities in connection with any litigation or investigation, with respect to matters that I may have knowledge of by virtue of my employment by or service to the Company. In performing my obligations under this paragraph to testify or otherwise provide information, I will honestly, truthfully, forthrightly, and completely provide the information requested, volunteer pertinent information and turn over to the Company all relevant documents which are or may come into my possession.

**My Continuing Obligations** I understand and acknowledge that I must comply with all of my post-employment obligations under the Agreement. I will not defame or disparage the reputation, character, image, products, or services of Titan, or the reputation or character of Titan's directors, officers, employees and agents, and I will refrain from making public comment about the Company except upon the express written consent of an officer of Titan.

**Additional Agreements and Understandings** Even though Titan will provide consideration for me to settle and release My Claims, the Company does not admit that it is responsible or legally obligated to me. In fact, the Company denies that it is responsible or legally obligated to me for My Claims, denies that it engaged in any unlawful or improper conduct toward me, and denies that it treated me unfairly.

**Advice to Consult with an Attorney.** I understand and acknowledge that I am hereby being advised by the Company to consult with an attorney prior to signing this Release and I have done so. My decision whether to sign this Release is my own voluntary decision made with full knowledge that the Company has advised me to consult with an attorney.

**Period to Consider the Release.** I understand that I have 21 days from the date I received this Release (or 21 days after the last day of my employment with Titan, if later) to consider whether I wish to sign this Release. If I sign this Release before the end of the 21-day period, it will be my voluntary decision to do so because I have decided that I do not need any additional time to decide whether to sign this Release. I understand and agree that if I sign this Release prior to my last day of employment with Titan it will not be valid and Titan will not be obligated to provide the consideration described in the Release.

**My Right to Rescind this Release** I understand that I may rescind this Release at any time within 7 days after I sign it, not counting the day upon which I sign it. This Release will not become effective or enforceable unless and until the 7-day rescission period has expired without my rescinding it. I understand that if I rescind this Release Titan will not be obligated to provide the consideration described in the Release.

**Procedure for Accepting or Rescinding the Release** To accept the terms of this Release, I must deliver the Release, after I have signed and dated it, to Titan by hand or by mail within the 21-day period that I have to consider this Release. To rescind my acceptance, I must deliver a written, signed statement that I rescind my acceptance to Titan by hand or by mail within the 7-day rescission period. All deliveries must be made to Titan at the following address:

Chief Executive Officer

\_\_\_\_\_  
\_\_\_\_\_

If I choose to deliver my acceptance or the rescission by mail, it must be postmarked within the period stated above and properly addressed to Titan at the address stated above.

**Interpretation of the Release.** This Release should be interpreted as broadly as possible to achieve my intention to resolve all of My Claims against the Company. If this Release is held by a court to be inadequate to release a particular claim encompassed within My Claims, this Release will remain in full force and effect with respect to all the rest of My Claims. I agree that the provisions of this Release may not be amended, waived, changed or modified except by an instrument in writing signed by an authorized representative of Titan and by me.

**My Representations** I am legally able and entitled to receive the consideration being provided to me in settlement of My Claims. I have not been involved in any personal bankruptcy or other insolvency proceedings at any time since I began my employment with Titan. No child support orders, garnishment orders, or other orders requiring that money owed to me by Titan be paid to any other person are now in effect.

I have read this Release carefully. I understand all of its terms. In signing this Release, I have not relied on any statements or explanations made by the Company except as specifically set forth in the Agreement. I am voluntarily releasing My Claims against the Company. I intend this Release and the Agreement to be legally binding.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Mark Kalvoda

**CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, David J. Meyer, certify that:

1. I have reviewed this report on Form 10-Q of Titan Machinery Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2014

/s/ David J. Meyer

David J. Meyer

*Board Chair and Chief Executive Officer*

**CERTIFICATION  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Mark Kalvoda, certify that:

1. I have reviewed this report on Form 10-Q of Titan Machinery Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2014

/s/ Mark Kalvoda

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Mark Kalvoda

*Chief Financial Officer*



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Titan Machinery Inc. (the “Company”) on Form 10-Q for the quarter ended July 31, 2014 as filed with the Securities and Exchange Commission (the “Report”), I, David J. Meyer, Board Chair and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2014

/s/ David J. Meyer

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David J. Meyer

*Board Chair and Chief Executive Officer*

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Titan Machinery Inc. (the “Company”) on Form 10-Q for the quarter ended July 31, 2014 as filed with the Securities and Exchange Commission (the “Report”), I, Mark Kalvoda, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2014

/s/ Mark Kalvoda

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Mark Kalvoda

*Chief Financial Officer*