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EQUIPMENTdealer magazine

RESOURCES FOR SUCCESSFUL DEALERS

EDM SPOTLIGHT

DRIVING SUCCESS: The Power of Culture

PAGE 2

FEATURES

BUCKLE UP: p 8

The used equipment market might be changing

EMPLOYEE OWNERSHIP TRUSTS: p 16

Business succession alternative for private businesses in Canada

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ON OUR COVER Organizational culture is a critical element that profoundly impacts the environment and dynamics within any company.

EDMspotlight

IN THIS ISSUE

EDM features

industry insights

EDM legal notes

columns

NAEDA events

NAEDA notables

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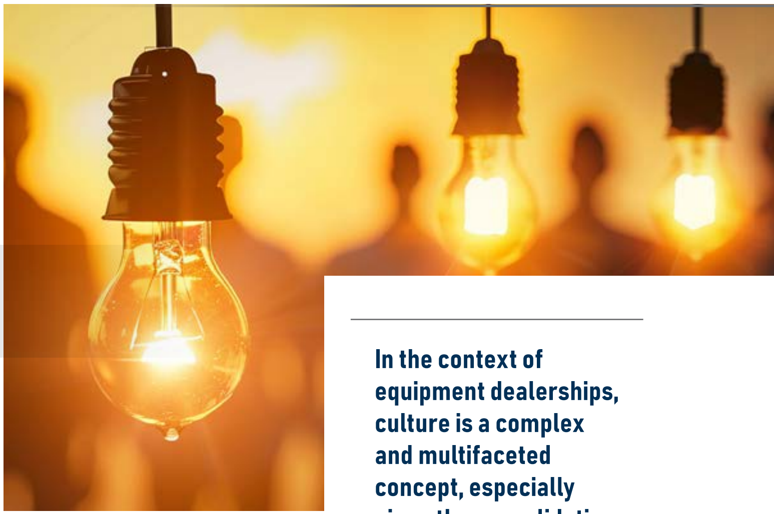


DRIVING SUCCESS: The Power of Culture

by MICHAEL PIERCY

Organizational culture is a critical element that profoundly impacts the environment and dynamics within any company.

It consists of shared values, beliefs, attitudes, and behaviors that collectively define the character and identity of an organization.

This cultural framework not only reflects how an organization views itself but also shapes how it is perceived by others, both internally and externally. Understanding and nurturing this culture is paramount for leaders and managers, as it influences various facets of organizational life, including employee morale, engagement, productivity, and overall success. By fostering a positive culture, companies can create a nurturing and empowering environment that promotes innovation, collaboration, and high performance.

Culture in Equipment Dealerships

In the context of equipment dealerships, culture is a complex and multifaceted concept, especially given the consolidation the industry has experienced in recent years. This consolidation often brings together diverse practices and philosophies, making it crucial to develop a unified cultural framework. The values and beliefs that guide behavior and decision-making should be firmly rooted in the dealership's mission and vision statements and deeply embedded in its organizational ethos. Unfortunately, in many dealerships, mission and vision statements are often just that—statements—rather than guiding principles driving the organization forward.

Fostering a Strong Dealership Culture

By fostering a strong and positive culture, equipment dealerships can create an environment where all team members are aligned with the organization's goals and values. This alignment not only facilitates smoother operations but also enhances employee morale, engagement, and productivity. Additionally, a well-defined culture promotes innovation and collaboration, driving the dealership toward greater success if the dealership puts its mission and vision to work. Emphasizing the importance of shared values and a unified vision can help navigate the complexities of consolidation, ensuring that the organization thrives in a competitive industry landscape.

The Role of Leadership

Leaders play a crucial role in establishing and maintaining organizational culture. They set the tone by demonstrating desired values and behaviors, thus influencing the entire organization. Effective leaders clearly communicate the organization's vision, mission, and values, ensuring everyone understands the shared goals and objectives. This alignment fosters a cohesive culture. Inclusive leaders who encourage participation and feedback from all levels of the organization help create a sense of ownership and commitment among employees. By recognizing and rewarding behaviors that align with the desired culture, leaders reinforce the importance of these behaviors and motivate others to follow suit.

Impact on Employees

A positive dealership culture has a profound impact on employees. When employees feel valued and part of a supportive culture, their job satisfaction and morale increase, leading to higher retention rates and reduced turnover. Engaged employees, who are emotionally invested in their work and the dealership, are more productive, perform better, and improve their quality of work. A culture that encourages creativity and risk-taking can lead to significant innovations. When employees feel safe to express their ideas without fear of ridicule or punishment, they are more likely to contribute innovative solutions. A collaborative culture encourages teamwork and open communication, leading to better problem-solving and more effective project execution.

In the context of equipment dealerships, culture is a complex and multifaceted concept, especially given the consolidation the industry has experienced in recent years. This consolidation often brings together diverse practices and philosophies, making it crucial to develop a unified cultural framework.

Overall Success of the Dealership

Culture within a dealership is a key determinant of its overall success. A strong culture aligns the dealership's goals with those of its employees, ensuring everyone is working toward the same objectives. This alignment is crucial for achieving long-term success. A positive organizational culture often translates to better customer service, as happy and engaged employees are more likely to go above and beyond to meet customer needs. Dealerships with a strong and positive culture are more attractive

MICHAEL PIERCY is the vice president of dealer development for NAEDA.

MICHAEL PIERCY is the vice president of dealer development for NAEDA. He has over 20 years' experience in organizational leadership training and development and succession planning. Piercy joined the association in 2015 to help build the Dealer Institute as a complete solution for industry training and consulting needs. Along with DI Trainers, Piercy was instrumental in developing the library of training and consulting opportunities DI offers dealer organizations today. His current role, leading NAEDA's Dealer Institute, allows him and his team to guide dealer organizations through training and consultative initiatives, as well as merger, acquisition, and succession planning.

to potential employees. In a competitive job market, a reputation for a great workplace culture can be a significant advantage in attracting top talent. Dealerships with a robust culture are better equipped to handle changes and challenges. Their employees are more adaptable and resilient, which is essential in today's rapidly changing business environment. Unfortunately, many dealer organizations do not take the time to establish and harness the power of a strong culture. By neglecting this vital element, they miss out on the numerous benefits a positive and cohesive culture can bring to the organization.

STEPS TO CULTIVATE A POSITIVE DEALERSHIP CULTURE

To cultivate a positive dealership culture, leaders and managers should take several key steps:

- **Establish and Communicate Mission and Vision Statements**
  Clearly establish and articulate the dealership's mission and vision statements, ensuring they serve as the foundation for all business activities. Integrate these statements into every aspect of the dealership, from strategic planning and decision-making to daily operations and employee engagement. This alignment ensures that everyone within the organization understands and is committed to the dealership's overarching goals and long-term vision.
- **Define and Communicate Core Values**
  Clearly define and communicate the core values that will guide the dealership, ensuring these values are integrated into all business aspects, from hiring practices to daily operations.
- **Lead by Example**
  Leaders at all levels should embody the values and behaviors that define the dealership's culture, as their actions set the tone for the entire organization.
- **Promote Inclusivity and Diversity**
  Promoting inclusivity and diversity is crucial for a more dynamic and innovative workforce. Encouraging diverse perspectives and creating an environment where everyone feels valued and included is essential.
- **Invest in Employee Development**
  Providing opportunities for professional growth enhances employees' skills and demonstrates the dealership's commitment to their well-being and success. It shows the dealership cares about their employee's personal and professional development.
- **Foster Open Communication**
  Creating an environment that encourages open and honest communication builds trust and ensures that issues are addressed promptly and effectively.
- **Recognize and Reward Positive Behaviors**
  Implementing a system for recognizing and rewarding employees who exemplify the desired culture reinforces positive behaviors and motivates others to follow suit.

DEALER INSTITUTE

Dealership culture is more than just a mission, vision and a set of values and beliefs; it is the lifeblood of an organization. It shapes the work environment, influences employee behavior, and ultimately determines the organization's success. By understanding and actively cultivating a positive culture, leaders can create an empowering and nurturing environment that drives innovation, collaboration, and high performance. In today's competitive business landscape, a strong organizational culture is not just an asset but a necessity for long-term success. Do all you can to ensure your dealership is cultivating a culture poised to sustain your future and elevate the success of your employees and, in turn, your dealer organization. **Use the Power of Culture to Drive Your Success.** EDM

UNDERSTANDING THE BASICS:

What you need to know about commercial insurance

by CHRIS LEAHEY, Regional Association Manager, Federated Insurance

Unforeseen events and their aftermath can be devastating; commercial insurance provides a safety net that can help a company recover from a wide range of challenges.

Running a business means balancing opportunities with their associated risks. Commercial insurance is one of the most valuable tools businesses can have to help protect against threats.

In this article, we review the key risks that businesses face and how commercial insurance can help businesses defend themselves.

What is commercial insurance?

Commercial insurance, also called business insurance, is designed to protect businesses against various types of financial risk. Unforeseen events and their aftermath can be devastating; commercial insurance provides a safety net that can help a company recover from a wide range of challenges.

What are the risks commercial insurance helps cover?

The main risks that commercial insurance can help mitigate are:

- **PROPERTY DAMAGE AND LOSS**
  Property damage can run from minor water damage all the way to complete loss of the company's assets, including buildings, inventory, furniture, equipment and technology, and vehicles.
- **BUSINESS INTERRUPTIONS**
  Business interruptions occur when a company needs to shut down or scale back operations. These shutdowns could be due to natural disasters, fire, or other causes.
- **LIABILITY CLAIMS**
  There are numerous reasons why a company could face a liability claim, including physical injuries, product defects, property damage, and environmental damage.
- **PROFESSIONAL NEGLIGENCE**
  Professionals in various fields run the risk of making a mistake or overlooking something they should have noticed.
- **WORKPLACE INJURIES AND ILLNESSES**
  Workers may be injured on the job or may contract work-related illnesses. Many jurisdictions require businesses to be insured against these risks.
- **AUTOMOBILE ACCIDENTS AND RELATED DAMAGE**
  Vehicles that are owned by a company and are being used for company purposes can pose risks, ranging from damage to the vehicle itself to serious physical injuries.
- **ENVIRONMENTAL DAMAGE**
  The possibility of environmental damage is not limited to companies that deal with toxic substances. For example, construction companies may inadvertently damage wildlife habitats, improper waste disposal can result in contamination of soil and groundwater, and transportation companies can have very high emissions if their vehicles are not properly maintained. Careful attention to regulations is the best way to mitigate these risks, but commercial insurance offers excellent protection against oversights and errors.
- **CYBER-ATTACKS**
  Cyber criminals regularly attempt to gain access to company computer systems and digital records with the intention of manipulating or stealing them. Cyber-attacks can altogether disable a company and can be very costly to recover from.

What are the different types of commercial insurance?

There are several key types of commercial insurance that most businesses should have, as well as policies that cover very specific risks. Note that many policies can be tailored to meet a specific company's needs via riders and add-ons. Businesses can benefit by seeking the advice of an insurance advisor or risk management expert when they are reviewing their insurance needs.

CHRIS LEAHEY is the Regional Association Manager at Federated Insurance.

CHRIS LEAHEY is the Regional Association Manager at Federated Insurance. Originally from Florenceville, a small farming community in New Brunswick (home of McCain Foods) Chris came out west right after high school, making Alberta his home. He has a background in Law Enforcement, Security Management, Government and the Insurance Industry. Chris has been working with Federated Insurance since 2006.

- **COMMERCIAL GENERAL LIABILITY INSURANCE**
  General liability insurance for businesses helps protect the company against a wide range of third-party liability claims, including physical injuries, damage to the third party's property, defective products, slander and libel, false advertising, intellectual property theft, and copyright infringement.
- **COMMERCIAL PROPERTY INSURANCE**
  Property insurance helps protect a business against damage to buildings, inventory, equipment, and machinery belonging to the business.
- **BUSINESS INTERRUPTION INSURANCE**
  Business interruption insurance helps the company recover when it needs to close or scale back its operations due to a physical loss to your property. The purpose of this insurance is to protect the revenues that the company has missed out on, as well as help with expenses like fixed costs, employee salaries, and the lease of temporary facilities.
- **COMMERCIAL AUTO INSURANCE**
  Vehicles owned by your business and used for company purposes, including personal vehicles, should be covered by a commercial insurance policy. Commercial auto insurance can help protect the company from damage to their vehicles, injuries to the occupants of the vehicle, and liability claims. Individuals who work from home, gig workers, and contractors should all consider commercial vehicle insurance if they use their personal vehicle for work reasons.

Keep your business safe with commercial insurance

Unfortunately, you can't always control what happens to your business. You can, however, control how prepared you are. Having the right protection in place can make a huge difference. To learn more, visit our business insurance page today. EDM

Federated Insurance

Buckle Up:
The Used Equipment Market Might Be Changing

by IRON SOLUTIONS

Lot rot is costing dealers money every day, and farmers just aren't prioritizing new equipment purchases. **Is there any light at the end of the tunnel?**

Many ag dealers are currently feeling the hurt as skyrocketing prices, low demand, and a flooded market of equipment are making it harder-and-harder to find buyers. But this could be the beginning of the end.

According to some, we might be heading towards a new normal for the ag used equipment market. But when is it coming and will it be reminiscent of a market we once knew?

The Current State of the Market

The current state of the ag used equipment market leaves much to be desired as lots are as full now as they were pre-COVID, but nobody's buying. One of the main reasons for that is the current price hike that the equipment market is experiencing, along with the general economy.

According to an article he wrote for *Successful Farming*, Casey Seymour, owner of Moving Iron, LLC, says that "equipment has seen a 40% to 60% price increase over the last six years, and in the same period, interest rates have increased a staggering 188%." But that doesn't even include the cost that dealers are facing to hold that equipment on their lot. For dealers, the average cost per year, per machine is $28,000 to $35,000.

For us here at Iron Solutions, none of that is surprising. Based on the trends we've seen in our Used-Equipment Trends data, there doesn't seem to be a single equipment type that's not in trouble at this point. Dealers have, and are continuing to wholesale and auction equipment at a higher rate than they have in years because no one is ready to buy.

But why is that?

Jon Wommack, Iron Solutions' Managing Guide Editor, had this to say, "In my opinion, a farmer is probably going to spend money on increasing their volume or being able to reduce their risk in the market. Both of these currently matter more to a farmer than new equipment, unless they have a problem child in the fleet."

Are We Heading for a New Normal?

So, lot rot is costing dealers money every day, and farmers just aren't prioritizing new equipment purchases. Is there any light at the end of the tunnel?

Well, Casey Seymour predicts that a new normal is right around the corner and will hopefully present itself some time in 2025. He's also predicting the market might look something like what we saw from 2017 to 2020.

Here are the four things he says to be on the lookout for to determine what the new normal will be like:

- Auction prices remain relatively stable, with fluctuations staying below 2% over a span of four months. It's crucial to closely monitor auctions during the peak period from August to December.
- Retail prices and auction values hover around 15% to 20% of each other.

Casey Seymour predicts that a new normal is right around the corner and will hopefully present itself some time in 2025. He's also predicting the market might look something like what we saw from 2017 to 2020.

Iron Guides
BY FUSABLE

With Iron Guides, you have access to precise equipment valuations at all times. That means you can stay up-to-date on exactly how much the equipment on your lot is worth and know when it's time to push for a sale, or send it to auction.

EDA
BY FUSABLE

With Fusable's data product EDA, you can see what pieces of equipment the farmers or buyers in your AOR currently own or lease. From there, you can see what pieces in your inventory might interest them.

- The quantity of machines in each hour band varies and avoids overcrowding at either extreme.
- Yearly inventories experience slight fluctuations, typically within the range of 2% to 3%.

Casey also says that "What interest rates do over the next 18 to 24 months also will impact how soon the new normal shows its face".

He notes that once the new normal comes, used-equipment buyers will have two choices: buy late-model, low-hour equipment that have the same build codes from when machines were new, or upgrade their fleets through performance upgrade kits (PUKs) or retrofit.

If that's the case, it's important for dealers to know how they can better prepare for this new normal and, more importantly, steps they can take now to profit off of their full lots before taking a loss at an auction house.

How Can Dealers Prepare?

Here are some ways dealers can better prepare for the new normal the used equipment market might be facing:

1. Lean on Iron Guides

With Iron Guides, you have access to precise equipment valuations at all times. That means you can stay up-to-date on exactly how much the equipment on your lot is worth and know when it's time to push for a sale, or send it to auction.

That way, if the lot rot is setting in, you won't lose a penny more than you have to. And when a sale does come in, you can avoid selling your used equipment for less than its worth.

Don't have a subscription to Iron Guides? Take a look at everything it can do for you, so you're ready to face whatever happens with the used equipment market.

2. Uncover Buyer Insights

If you're not ready to give up and send your equipment to auction, don't worry! There are still ways you can find the right buyers before your tractors, combines, or machinery lose too much of their value.

There are data products you can use to learn everything about your current prospects, and help you find new buyers you might not have known about previously. For example, with Fusable's data product EDA, you can see what pieces of equipment the farmers or buyers in your AOR currently own or lease. From there, you can see what pieces in your inventory might interest them.

But data tools can be way more powerful than that.

You can take your search and analysis even further by seeing which prospects tend to buy used and the likelihood of them making a purchase on a new piece of equipment within the year.

If you're hoping to get that used equipment off your lot before it goes to auction, data is the perfect first step to finding the right buyer.

3. Communicate with Buyers Early

Did you know that **42% of ag equipment buyers** tend to plan their purchases **6-12 months in advance?**

Well, now you do. ***So, it's time to get proactive!***

At the end of his article, Casey Seymour advises farmers to wait until fall before they make any of their significant purchases. If that's what buyers are planning to do, then now's the time to start communicating with them.

Take a look at your past customers and see which ones might be in the market to replace some of their old equipment. Call them up and see what their plans are. Let them know that your dealership is still able and ready to help them find the perfect replacement for whatever they need.

But why stop there?

It's good to communicate with your buyers on as many channels as possible. Don't just call them, but create marketing campaigns that are sure to reach your audience and inform them of the equipment you have available. That can include email marketing campaigns, social media messaging, and paid advertising campaigns. But when you run a paid campaign,you need to ensure that all your marketing efforts are reaching the right people.

Fusable not only offers helpful valuation products, like Iron Guides, we also offer data that creates targeted advertising campaigns. You tell us who you want to target, and we use our data to create an audience list that's sure to get your advertisements in front of the right buyers.

Fall is less than 6 months away. Now is the time to talk with buyers, tell them about what equipment you have to offer, and plan for a new normal that's coming to the used equipment market. With Fusable, you can ensure you have the right data to get in some last minute sales, value your equipment accordingly, and communicate with your buyers effectively before the lot rot sets in. EDM

TOP**metrics** TO WATCH

Developing a Parts Product Specialist

by SCOTT BRIGDEN

Your shop is full of training opportunities for both new and experienced parts staff. Creating a plan that encourages parts people to feel comfortable asking questions in the shop is a key step.

I still remember my first week as a front counter parts person.

I grew up on a family farm, and when the job posting for a parts person came up in our local newspaper, I thought this would be a very easy job with my background. As the questions started coming at me from customers, the realization set in very fast that, wow, I had a lot to learn.

The challenges of becoming a product specialist in parts are quite daunting when we step back and look at how much knowledge is needed to find all the solutions they are asked for. There are so many different models and types of equipment, and as the season changes, so does the equipment being used. Technology is changing at a rapid pace, and the expectation of our customers, when they come to the counter, is that your parts counter person is a product specialist. Keeping up with these changes can be very intimidating for a new employee or even a seasoned veteran of the parts counter. Having a strategic plan to build the necessary product knowledge will make your parts staff truly specialists and let them deliver an exceptional customer experience.

Technology is changing at a rapid pace, and the expectation of our customers, when they come to the counter, is that your parts counter person is a product specialist.

Building confidence in the first few days of employment for a new parts counter person can set the stage for their learning path - the key is to utilize your product experts to give them the knowledge they will need. Going out into the equipment lot with a staff member who knows the key components of the equipment for some basic ag equipment knowledge sharing can go a long way. This doesn't need to be a deep dive into the equipment but to teach them the main components and terminology that customers will be talking about. I have watched new employees become fascinated when you show them the basic principles of how a planter or air seeder works, or all the different sections on a combine that the crop goes through to produce the final product. This equipment is fascinating, and sparking their interest early on will encourage them to ask more questions.

Your shop is full of training opportunities for both new and experienced parts staff. Creating a plan that encourages parts people to feel comfortable asking questions in the shop is a key step. A picture on a computer screen can only convey so much, but when someone can physically see where a part is located on a machine, how it is installed or what that part does, the information becomes more tangible and memorable. The next time they look at a parts breakdown on a computer screen or in a book, they see more than just a picture. Observing equipment setups or inspections being done in the shop provides a comprehensive overview of the machinery, boosting their confidence and helping them become product specialists.

A simple one-hour walk around a piece of equipment before that season starts can be a great refresher for staff. Take advantage of your technicians who are out in the fields, keeping your customer's equipment running every season to help build a good walk-around. These technicians are hearing and seeing firsthand the issues your customers will call about when a new season starts, making them excellent teachers for your front-line staff. The first time you plan a pre-season walk around, it takes some time, but once the template is in place, it can be a very easy and incredibly impactful partnership between parts and service.

Your customers expect product specialists when they walk through the door or when someone takes their call. Building a parts product specialist takes planning and a commitment to continuous, hands-on training. Engage your managers to develop and implement a training plan that will encourage your parts staff to always learn from the experts in your dealership. Your customers and your staff will thank you. EDM

SCOTT BRIGDEN, Aftermarket Specialist and Trainer with NAEDA's Dealer Institute.

SCOTT BRIGDEN is a trainer with NAEDA's Dealer Institute. Prior to joining DI as an aftermarket specialist and trainer, Scott held various training and leadership positions across several dealerships in Canada, and he currently manages a truck repair shop. He looks forward to helping dealers succeed by improving their parts and service operations.

TOP METRICS TO WATCH is an ongoing feature brought to you by the association's Dealer Institute to help dealers better understand key performance indicators and industry metrics to effectively manage their businesses.

EMPLOYEE OWNERSHIP TRUSTS:

Business succession alternative for private businesses in Canada

by PAMELA CROSS, GRACE PEREIRA and FRANCIS JACOB, BLG

Over the next decade, 76 per cent of Canadian business owners plan to exit their business which represents a potential transition of more than $2 trillion worth of business assets. However, only 9 per cent of business owners have a business succession plan.

If the business will not be transitioned to the next generation of the family, finding a suitable buyer may be difficult. Many business owners consider factors that go beyond maximizing the purchase price to protecting their employees and ensuring the business remains in the community. Canada's Employee Ownership Trust (EOT) regime may provide another exit option for business owners that may address these concerns.

The initial EOT proposals, announced in the 2023 Federal Budget, generated little interest; however, additional tax incentives have been introduced to encourage business owners to consider an EOT as a viable business succession option. EOTs are to be available as of Jan. 1, 2024. [1]

Overview

The goal of an EOT is to encourage the purchase of a business by its employees (through a trust arrangement) without requiring the employees to provide up-front funding. The underlying business provides the funding to the EOT, which then acquires a controlling interest in the qualifying business. Similar arrangements can be found in both the United States and the United Kingdom.

Tax incentives

There are a number of tax measures aimed at facilitating the use of EOTs.

Incentives for the business owner and family

First, in recognition that the businesses earnings will be used to fund the purchase price, the normal 5-year capital gains reserve is increased to 10 years. This will be available to all selling individuals.

Second, the government announced a temporary capital gains exemption on the first $10 million of capital gains realized on the sale of a business to an EOT. This incentive will be in effect for the 2024, 2025 and 2026 tax years. The legislation relating to this temporary capital gains exemption was included as in Bill C-69 which received Royal Assent on June 20, 2024. It is in force as of January 1, 2024.

The $10 million capital gain exemption will be available to individuals over 18 years old, where the following conditions are met:

1. Throughout the 24-month period immediately preceding the disposition of the shares (i) the shares were not owned by anyone other than the individual or a person or partnership that is related to the individual and (ii) more than 50% of the fair market value of the shares was derived from assets which were used principally in an active business;
2. Throughout any 24-month period ending before the disposition of the shares, the seller (or a spouse or common-law partner of the seller), was actively engaged on a regular and continuous basis in the business;
3. The EOT or a purchaser corporation owned by the EOT, the seller and any other individual entitled to the capital gain exemption jointly elect, in a prescribed form, for the deduction to apply in respect of the disposition of the shares[2] ; and
4. At least 75 % of the beneficiaries of the EOT are residents of Canada.

> Many business owners consider factors that go beyond maximizing the purchase price to protecting their employees and ensuring the business remains in the community. **Canada's Employee Ownership Trust (EOT) regime may provide another exit option for business owners that may address these concerns.**

In addition, the capital gain exemption will only be available on disposition of shares that occurs between January 1, 2024, and December 31, 2026, under a "qualifying business transfer".

A "qualifying business transfer" is a disposition by a taxpayer of shares of a corporation to an EOT or a Canadian-controlled private corporation ("CCPC") that is wholly owned by an EOT and which meets all of the following conditions:

1. Immediately before the disposition, all or substantially all the fair market value of the assets of the corporation is attributable to assets that are used principally in an active business carried on by the corporation;
2. At the time of the disposition (i) the taxpayer deals at arm's length with the EOT and any purchaser corporation (ii) the EOT acquires control of the corporation and (iii) the trust is an EOT, the benefi-

[1] The EOT proposals are contained in Bill C-59 - *Fall Economic Statement Implementation Act, 2023,* which received Royal Asset on June 20, 2024.

[2] The election form will need to be filed on or before the trust's filing due date for the taxation years that includes the disposition.

ciaries or which are employed in the business; and

3. At all times ***after*** the disposition:
   a. The taxpayer deals at arm's length with the corporation, the EOT and any purchaser corporation; and
   b. the taxpayer does not retain any rights or influence that, if exercised would allow the taxpayer to control, directly or indirectly in any manner whatever, the corporation, the EOT or a purchaser corporation.

Disqualifying event

A disqualifying event with respect to the $10 million capital gain exemption will occur if upon the earliest occurrence of

1. The trust that participated in the qualifying business transfer ceases to be an EOT; and
2. less than 50% of the fair market value of the shares of the qualifying business is attributable to assets used principally in the active business carried on by the business that is controlled by the trust.

The consequences resulting from a disqualifying event will depend on the when the disqualifying event occurs:

1. If the disqualifying event occurs within 24 months of the "qualifying business transfer" transaction, the capital gain exemption will be deemed to have never been claimed by the individual(s), subjecting the individuals to tax on the capital gain.
2. If the disqualifying event occurs 24 months after the day of the "qualifying business transfer", <u>the trust</u> will be deemed to have realized a capital gain equal to the elected amount included in the prescribed form in the year of the disqualifying amount, subjecting the trust to tax on the capital gain.

Incentives for the EOT and the employees

The EOT will benefit from an exemption from the shareholder loan repayment period and deemed interest benefit rules, which will extend the repayment period from 1 year to 15 years on funds borrowed from the qualifying business to purchase shares in a qualifying business transfer. The deemed interest benefit rule will also not apply to the shareholder loan for this 15-year period.

The EOT will also be exempt from the deemed disposition rules which require certain trusts to pay tax on a deemed disposition of their capital property every 21 years. This will enable EOTs to hold qualifying businesses indefinitely.

Although EOTs, like other personal trusts, will pay tax at the highest personal marginal tax rate on income retained in the trust, trust income that is distributed from the EOT to its employee beneficiaries will be subject to tax in the hands of the beneficiaries. In addition, dividends will retain their character permitting employees to access the dividend tax credit. Unlike earlier proposals, there is no prohibition on an EOT from distributing shares of a qualifying business to its beneficiaries.

An EOT will not be considered to be an employee benefit plan or an employee trust for income tax purposes.

Requirements

1. **EOT residency:** An EOT must be a Canadian resident trust for tax purposes. This requires that the central management and control be in Canada. See "EOT Trustees" below for further information on the requirements imposed on the trustees of an EOT.
2. **EOT beneficiaries:** The EOT must benefit all active employees of the business (and, if desired, may also benefit former employees) other than:
   a. Employees who own (outside of their interest in the EOT) directly or indirectly shares in the qualifying business having a value which is equal to or greater than 10 per cent of the fair market value of all of the shares of that class (i.e. employees with significant ownership outside the EOT).
   b. Employees who, alone or together with related or affiliated persons or partnerships, own directly or indirectly shares in the qualifying business having a value which is equal to or greater than 50 per cent of the fair market value of all of the shares of that class (i.e. employees related to or affiliated with significant owners).
   c. Employees who, immediately before the acquisition of the qualifying business by the EOT, alone or together with related or affiliated persons or partnerships, did not own directly or indirectly shares in or indebtedness of the qualifying business having a value which is equal to or greater than 50 per cent of the fair market value of all of the shares of the capital stock and indebtedness of the qualifying business (i.e. employees who were part of, or are related to or affiliated with, the vendor ownership group).
   d. Employees who have not completed a reasonable probationary period (not exceeding 12 months), who may be (but are not required to be) excluded.
3. **Limits on EOT distributions:** In making distributions, the EOT must treat all employee beneficiaries in the same manner utilizing a formula based solely on any combination of an employee's length of service, renumeration (which for this purpose is capped at twice the highest marginal income tax bracket), and hours

CONT. ON PG 14

CONT. FROM PG 13

worked. Although there is some flexibility to apply different combinations of the criteria in different circumstances (i.e. applying a different formula for active employees and former employees, or for income distributions and capital distributions) the trustees have no discretion to favour the interests of one beneficiary over another.

4. **EOT trustees:** Each trustee of an EOT must be a Canadian licensed trust company or an individual (natural person) and are to be elected at least every 5 years by the active employee beneficiaries of the EOT. At least one-third of the trustees must be active employee beneficiaries. Unless elected by the EOT active employee beneficiaries, at least 60 per cent of the trustees must deal at arm's length with each member of a vendor ownership group. Each trustee has an equal vote.
5. **Employee beneficiary special approvals:** More than 50 per cent of the active employee beneficiaries must approve the following:
   a. Any transaction or event or series of transactions or events that causes at least 25 per cent of the active employee beneficiaries to lose their employment and cease to be active employee beneficiaries (unless in connection with a termination for cause) and
   b. Any winding up, amalgamation or merger of a qualifying business (other than with affiliates)
6. **EOT property:** all or substantially all (i.e. 90 per cent or more) of the fair market value of the EOT's property is attributable to shares in qualifying businesses controlled by the EOT. A qualifying business is a CCPC that meets certain board representation and control requirements, aimed at ensuring the EOT will operate with a level of independence from the prior controlling shareholder(s), related persons, or affiliates.
7. **Control over business:** An EOT must hold a controlling interest in one or more qualifying businesses. Further, 60 per cent or more of the directors must not be individuals who (together with related persons of affiliates) controlled the business prior to the trust acquiring the shares. Directors must deal at arm's length with the prior controlling shareholder(s), related persons or affiliates.

Takeaways

The temporary exemption of the first $10 million of capital gains may make EOTs an attractive succession alternative for business owners. However, the significant adverse tax consequences to the selling individual(s) or the EOT in the event of a disqualifying event may make accessing the exemption difficult or impractical.

Although the original EOT proposals imposed significant restraints on the operation of the business after control was acquired by an EOT, including a requirement that all or substantially all of the fair market value of the corporation's assets is attributable to assets used in an active business carried on primarily in Canada, these have largely been removed, significantly increasing the flexibility of operating a business controlled by an EOT.

However, it is not clear if these incentives will be sufficient to counter the fact, unless third party financing is available, that the selling business owners will likely receive the proceeds over a period of many years. Given the limitations on the ability to control, or regain control of, the business after sale, business owners may be reluctant to place their trust in the EOT and its trustees to operate the business so as not to jeopardize its ability to fund the purchase price. Given that the funding the purchase price (or repaying third party purchase financing) will require sustainable and predictable cash flow, not all businesses may be suitable candidates for an EOT.

For additional questions about employee ownership trusts, please reach out to any of the authors or key contacts listed below.

BLG's Tax Team

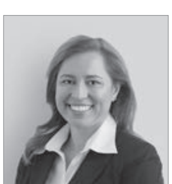
Our clients rely on us to provide effective tax advice, innovative planning, efficient tax structures and comprehensive risk assessments in all areas of tax. EDM

PAMELA CROSS,
Partner, National Business Leader – Tax, BLG

PAMELA CROSS is a tax partner who focuses her practice on taxation, estate and trust planning, tax dispute resolution and voluntary disclosures of unpaid taxes.

She regularly advises individuals and family enterprises on estate planning, including complex situations involving multi-jurisdictional assets or beneficiaries, philanthropy and gift planning. Pamela also advises both Canadian and international clients on taxation issues relating to establishing and operating business and investment structures in Canada.

Pamela provides advice to businesses on employee compensation matters and has a subspecialty in the taxation of pensions and tax exempt registered plans (RRSPs,/RRIFs TFSAs, RESPs and RDSPs).

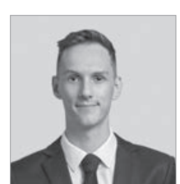


GRACE PEREIRA,
Partner, Tax, BLG

GRACE PEREIRA has a taxation of investment funds practice, where she advises funds, their managers and sub-advisers.

Grace's experience includes: structuring new products; restructurings; acquisitions; Investment fund mergers, wind-ups and qualifying dispositions; transfer pricing; registered plans; and FATCA & CRS due diligence and reporting.

Grace is an active member of the Taxation Working Groups of the Investment Funds Institute of Canada, the Canadian ETF Association and the Portfolio Management Association of Canada and has assisted them with submissions on investment funds industry issues to the Department of Finance and the Ontario Ministry of Finance. She also advises taxpayers in disputes with the Canada Revenue Agency.



FRANCIS JACOB,
Associate, Tax, BLG

FRANCIS JACOB specializes in tax. He advises clients on all matters related to taxation, corporate tax, tax audits and tax disputes. Prior to joining the Firm as an associate in the Tax Group, he worked as a student and articled at BLG.

Strategic Recruitment for Agricultural Equipment Dealers: Integrating Compensation Practices

by SYDNEY MOHR, Talent Solutions Team: AgCareers.com, De Lacy Executive Recruitment & FoodGrads

By integrating recruitment strategies into the larger organizational goals, agricultural employers can attract and hire the best candidates to drive growth and achieve long-term success.

Recruiting top talent is an essential component of any agriculture and food employer's success in North America.

As employers prepare for next year, it's crucial to align recruitment efforts with the overall business plan. By integrating recruitment strategies into the larger organizational goals, agricultural employers can attract and hire the best candidates to drive growth and achieve long-term success. This article will explore the importance of incorporating recruitment into next year's business plan, leveraging insights from the latest Compensation Practices Surveys for both Canada and the USA, and provide actionable steps for employers to follow.

Evaluate Current and Future Talent Needs

Before embarking on the recruitment journey, employers should assess their current and future talent needs. Identify any areas of the business that require succession planning. Consider factors such as anticipated business growth, changes in organizational structure, and emerging skill gaps. According to the Compensation Practices Survey 2024, 66.7% of Canadian agriculture and food companies and over 50% of their US counterparts identified using compensation to address retention strategies as a top concern for 2024, highlighting the importance of planning for future talent needs.

Define Clear Job Requirements and Descriptions

To attract the best candidates, it is essential to have clear and compelling job requirements and descriptions. Work closely with your recruitment partner to develop accurate and comprehensive job descriptions that outline the skills, qualifications, and experience necessary for success in each role. Furthermore, incorporating the company's core values and emphasizing a positive and inclusive work environment in the job descriptions can help attract candidates who align with the organization's culture. Clear communication ensures that both employers and candidates have a shared understanding of the expectations, leading to more targeted and successful recruitment outcomes.

Allocate a Recruitment Budget

Incorporating recruitment into your business plan requires allocating a budget specifically for hiring purposes. Consider the costs associated with recruitment, including agency fees, advertising expenses, background checks, and onboarding processes. Nearly 96% of North American companies anticipate that employees will receive salary increases in 2024, either as merit increases for performance or market adjustments to remain competitive, indicating the importance of budget planning for both hiring and salary adjustments.

Establish a Recruitment Timeline

To ensure a smooth and efficient hiring process, create a recruitment timeline with specific deadlines for each stage, including initiating recruitment efforts, interviewing (especially if the position requires multiple interviews), reference checks, offer extension and response, successful candidate start date, and onboarding. By adhering to a timeline, employers can maintain momentum, minimize delays, and secure talented candidates in a timely manner.

Measure and Optimize Recruitment Outcomes

Regularly check in on your pre-established timeline to optimize recruitment efforts. Provide prompt and detailed feedback to your recruiter on candidates to keep timing and candidate profiles on track. This helps ensure the recruitment process remains efficient and effective. Companies across North America are focusing on using competitive pay rates and benefits as key retention strategies, making it crucial to continuously measure and adjust recruitment practices.

SYDNEY MOHR works as the Digital Communications and Events Coordinator for the Talent Solutions Brands: FoodGrads, AgCareers.com, and De Lacy Executive Recruitment North America.

SYDNEY MOHR works as the Digital Communications and Events Coordinator for the Talent Solutions Brands: FoodGrads, AgCareers.com, and De Lacy Executive Recruitment North America. She graduated from the Bachelor of Public Relations program at Conestoga College. Sydney is passionate about creating meaningful connections through digital media and event management. Her dedication to fostering growth within the agricultural and food industries drives her to continually innovate and inspire others in the field.

Develop an Employee Onboarding Plan

Once the ideal candidates are selected and hired, it's important to have a robust onboarding plan. An effective onboarding process sets the foundation for employee success, engagement, and retention, ensuring new hires are well-integrated and productive from the start. The survey indicates that companies using various strategies to retain staff, such as competitive pay rates and benefits, will benefit from robust onboarding processes that enhance retention.

Incorporating Compensation Insights into Recruitment Strategies

The Compensation Practices Surveys reveal several key trends that agricultural equipment dealers can leverage to enhance their recruitment strategies:

Pay Equity:

Ensuring equal pay for equal work can increase employee trust and retention. Both Canadian and US companies are focusing on pay equity to mitigate legal risks and enhance organizational culture.

Geographical Pay Differential:

Slightly less than half of Canadian companies and a significant portion of US companies utilize varied geographical pay differentials. This can help attract talent from diverse locations by offering competitive and fair compensation.

Retention and Spot Bonuses:

Utilizing bonuses for retention and rewarding exceptional performance can be effective tools for maintaining a motivated workforce. About 30.43% of North American companies use retention bonuses, while nearly 48% offer spot bonuses for exceptional performance.

AGCareers.com

Incorporating recruitment into next year's business plan is an essential step for employers seeking to attract and hire top talent. By evaluating talent needs, collaborating with recruitment experts, defining clear job requirements, allocating a budget, establishing a timeline, providing prompt feedback on candidates, and developing an employee onboarding plan, employers can enhance their chances of finding the right candidates to drive their business forward. Aligning recruitment with compensation strategies will ensure that employers can meet their talent needs effectively, setting the stage for a successful year ahead. **For industry-specific compensation strategies, visit https://www.agcareers.com/compensation-benchmark-review/** EDM

Are You Consciously or Unconsciously Incompetent?

by DR. LARRY COLE

Converting unconscious incompetence to conscious incompetence requires considerable effort, and that is just the first step.

Self-awareness is a critical topic for employees who strive to be the best performers.

We have two self-awareness sets of nerves. One is our physical nerves designed to keep us healthy. A case in point is trying to grab a hot frying pan! The other set is psychological nerves designed to keep us emotionally healthy, but the need to protect ourselves can become an Achilles Heel, leading to demise in our performance. A case in point is our defensive nature when someone criticizes us. Our body automatically becomes "defensive," and we may act inappropriately to protect ourselves.

We are acutely aware of what our physical nerves tell us, which is the reason we don't pick up the hot pan. Unfortunately, the psychological awareness system is less acute than the physical feedback. Leadership gurus tell us that becoming psychologically self-aware is our greatest challenge. (The authors of ***The 100X Leader*** remind us of this fact.)

Examine the following table:

	COMPETENCE	INCOMPETENCE
AWARE	A/C	A/IC
NOT AWARE	NA/C	NA/IC

Obviously, we want to be acutely aware of both our competence and incompetence. Not being aware of our incompetence can derail our careers.

Our psychological defenses can blind us. Whenever we receive information about ourselves, our psychological system will engage in one of three options:

1. **Deny.**
2. **Accept but do nothing.**
3. **Use information received through psychological messaging as a gift.**

The need to protect us from psychological "harm" through denial is precisely why leadership gurus tell us that psychological self-awareness is our greatest challenge. Denial, though, jeopardizes our careers and, ultimately, personal happiness. I'm reminded of the three monkeys displaying the "I see no evil, hear no evil, or speak no evil." Receiving constructive feedback is not evil, it is a gift.

My 35+ years of consulting tell me that "deniers" are everywhere. How many times have we heard that it is part's fault or the service department's fault? I'm sure you've heard these stories.

Look at the picture. Do you see at least three fingers pointing back at the hand? Mother Nature is telling us that 60% of the time, it's our fault when we point our fingers. Finger pointers may lack the necessary self-awareness to know what they are really saying — *I don't have the emotional maturity to accept responsibility for my actions.* Or, perhaps they just don't care.

Can I convert unconscious incompetence to conscious incompetence?

The short answer is yes. The long answer is with hard work. The behavioral sequence I'm sharing with you is true for any behavior.

Our very first step is "wanting" to know. A sidebar: The best performers seek feedback from every source. These performers want to know when their behavior negatively impacts working relationships so they can respond more appropriately.

It is essential to ***become aware*** when we're getting ready to use inappropriate behaviors. We can't change any behavior that we're not aware of. Whenever our body tells us that we're getting defensive, we can say to ourselves, *I'm guilty until proven innocent* as that will help quieten our defensive self-talk designed to protect ourselves. Then, we open our minds to listen to what is being said for several reasons. One, the information we are about to hear could be true, and it is our fault. The second is to listen to understand and learn. Third, we can ask what we could have done better so we're turning this uncomfortable moment into a learning opportunity.

What I'm about to suggest requires considerable maturity and confidence to be vulnerable. We can ask those with whom we work to be our accountability buddies and offer real-time feedback when they see us about to or acting inappropriately. Yes, that is asking our colleagues to take a psychological risk, particularly if we have the reputation of striking out like a snake. Hopefully, we will have one or two colleagues who will provide honest, real-time feedback. Feedback is a gift; we really need it when trying to change behavior.

Let's be optimistic and assume that we want to always use more appropriate behavior, which requires extreme vigilance on our part whenever we enter a conversation that even hints at the possibility of us becoming defensive. At that precise moment, we can exert the necessary self-discipline to open our minds to fully listen to understand while telling ourselves to look for the learning opportunities. Just remember, we find that which we look for!

Converting **unconscious** incompetence to **conscious** incompetence requires considerable effort, and that is just the first step. The next step is the effort needed for us to use the alternate, more appropriate behavior and create habit strength through focused practice. The work required to change behavior may be the reason many choose to take the path of least resistance — and not walk down the path of change. What we decide to do is guided by the answer to this question — do we want to be the person our colleagues want to work with or to avoid like the plague? EDM

LARRY COLE, PH.D., is a lead trainer for and consultant to the North American Equipment Dealers Association's Dealer Institute. He provides onsite training and public courses to improve business leadership effectiveness and internal and external customer service. Please send questions and / or comments to Larry at teammax100@gmail.com

DR. LARRY COLE
is a lead trainer for the North American Equipment Dealers Association's Dealer Institute.

INTERNATIONAL RECRUITMENT PROGRAM

Arch Staffing – Canada

Our program is designed to recruit experienced Service Technicians to Canada and the U.S. from South Africa and other countries as the program evolves. This is a full-service program that offers a variety of services to support end-to-end recruiting solutions for dealers. The program is supported by an experienced team of professionals, including on-the-ground recruiters who understand the South African market. Arch Staffing & Consulting also has global experience with on-the-ground recruiters in several geographies across the world.

PROGRAM PHASES:

- **PHASE 1**
  Pre-Recruitment
  Government Applications: Obtaining government approvals to recruit internationally.

  Marketing Materials: Developing materials to profile your Dealer and job opportunities effectively.

- **PHASE 2**
  Recruitment
  Partner with Dealers: Develop candidate requirements, interview process, and assessment tools to manage expectations.

- **PHASE 3**
  Immigration
  Fulfilling Requirements: Getting work visas and determining fixed costs associated with bringing new hire and their families to Canada or U.S.

- **PHASE 4**
  Post Hire
  Employee Settlement: Design settlement package for relocation.

  Cultural Awareness Training: Mandatory training for new hires and optional training for Dealers.

CONTACT US:

Dale Hindmarsh
403.519.0669
dale.hindmarsh@archstaffing.ca

2024 NAEDA GOLF TOURNAMENTS

Raising over $30,000 for the Canada Equipment Dealers Foundation

by NAEDA STAFF

The CEDF recently concluded an impressive series of golf tournaments across Alberta, Manitoba and Saskatchewan – bringing together over 150 participants.

The tournaments not only offered sunny days and an enjoyable day networking with fellow dealers, staff and suppliers, but also raised a commendable $30,000 for the CEDF.

From seasoned golfers to enthusiastic beginners, everyone enjoyed a great day of networking and making new connections and contributing to a worthy cause.

The first tournament was held on June 13th at the beautiful Bridges Golf Course in Starbuck, Manitoba. The golfers had a great time out on the links while engaging in friendly competition.

Next, we moved to Alberta, where the rolling landscapes and warm weather created the perfect setting for a day on the greens. Held at the Alberta Springs Golf Club in Red Deer, we couldn't have asked for a better day.

The final tournament was hosted in Saskatchewan at Harbor Golf Club in Elbow. This tournament capped off the events with spirited play, ensuring a great time for all.

We are thrilled with the positive outcomes and grateful for the support from our dealers and sponsors. The funds raised will significantly benefit our foundation, which in turn helps dealers. This year, the CEDF awarded 144 dealership employees in matching scholarships. It is through our fundraising events that we are able to provide this valuable scholarship program for dealer's employees.

CONT. ON PAGE 22

Great Sponsors - The value of our sponsors can't be overstated.

The Association is extremely grateful to our sponsors who support NAEDA and the CEDF in making these events possible. It is good business to do business with those who join us in making this occasion memorable. Thank you!

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CANADA EQUIPMENT DEALERS FOUNDATION

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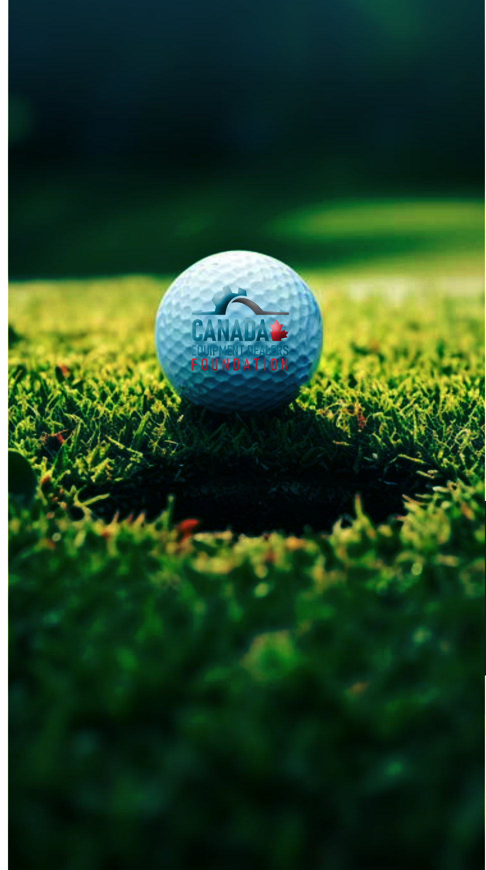
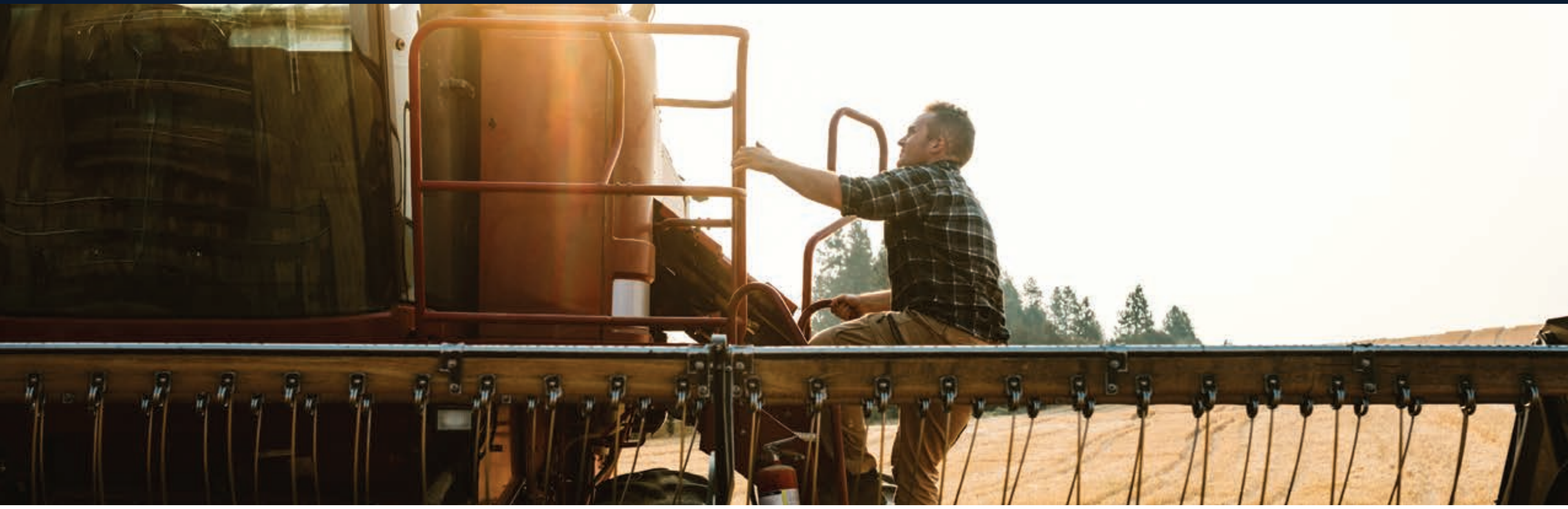
STARBUCK, MB

ALBERTA SPRINGS GOLF RESORT
RED DEER, AB

HARBOR GOLF CLUB
ELBOW, SK





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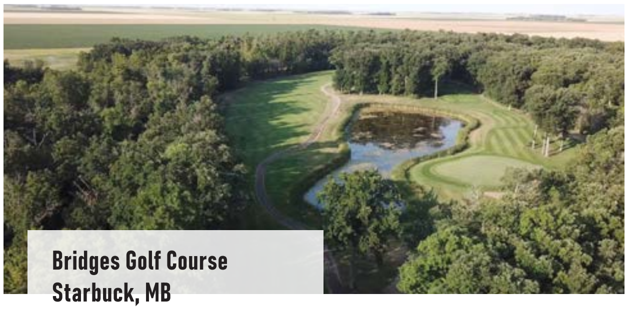
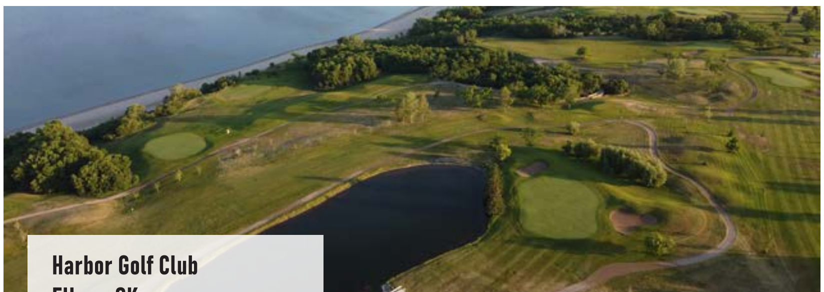


Bridges Golf Course
Starbuck, MB

"A Toast to the Foundation" from left to right Corey Curtis - FCC, Kirk Peterson - Fusable, Larry Hertz - NAEDA, Bonnie Bain - FCC and Marie-France Magnin - FCC

Alberta Springs Golf Resort
Red Deer, AB

Chris Leahey, Federated Insurance with Angela Mosco, NAEDA



Harbor Golf Club
Elbow, SK

NAEDA NOTABLES

NAEDA Welcomes New Staff

by NAEDA STAFF

Lindsey Cook
COMMUNICATIONS MANAGER & ASSOCIATE MAGAZINE EDITOR

Lindsey joined NAEDA on June 17, 2024, taking on the roles of Communications Manager and Associate Magazine Editor. Her focus will be keeping members in the loop with the latest NAEDA and industry updates across all of the Association's communication platforms.

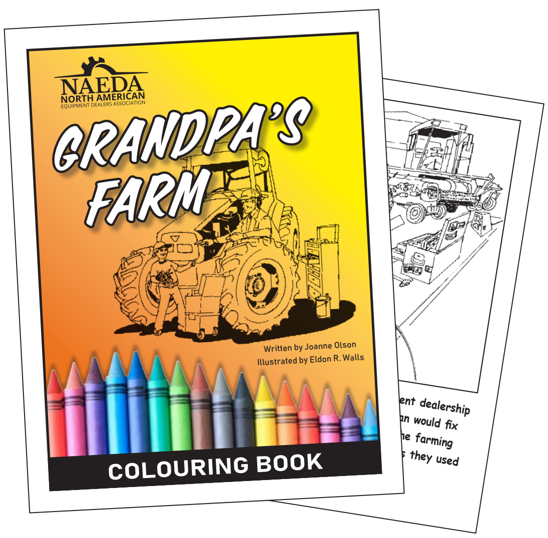
"I'm thrilled to take part in a mission to educate, elevate and advocate for members by sharing stories that matter and keeping them in the know," Lindsey says. "I look forward to learning more about our members, sharing their stories and engaging with the issues that matter most to them."

BIO | Lindsey started her career in journalism in 2010, and later earned her master's degree from Northwestern University in 2014 and spent time working at a newspaper in Phnom Penh, Cambodia. She's since had various roles in nonprofit organizations like the University of Nebraska Foundation and the National WWI Museum and Memorial. Settling in Kansas City in 2017, Lindsey has loved volunteering at local museums and exploring the city's historical sites in her spare time. EDM

HERE'S WHAT YOU SOLD
Equipment Retail Sales In Units

DATA PROVIDED BY THE ASSOCIATION OF EQUIPMENT MANUFACTURERS

Canada - MAY 2024 Ag Tractor and Combine Report	MAY			Y-T-D MAY			MAY 2024
	2024	2023	%CHG	2024	2023	%CHG	BEGINNING INVENTORY
2WD < 40 HP	1,735	1,824	-4.9	5,332	6,111	-12.7	11,596
2WD < 100 HP	341	468	-27.1	1,630	2,234	-27.0	4,276
2WD 100+ HP	291	362	-19.6	1,352	1,475	-8.3	2,355
TOTAL 2WD FARM TRACTORS	**2,367**	**2,654**	**-10.8**	**8,314**	**9,820**	**-15.3**	**18,227**
TOTAL 4WD FARM TRACTORS	**74**	**80**	**-7.5**	**406**	**384**	**5.7**	**135**
TOTAL FARM TRACTORS	**2,441**	**2,734**	**-10.7**	**8,720**	**10,204**	**-14.5**	**18,362**
SELF-PROPELLED COMBINES	**160**	**101**	**58.4**	**832**	**672**	**23.8**	**401**



Grandpa's Farm Colouring Book

To date, NAEDA dealer members have received over 300,000 "Grandpa's Farm" Colouring Books to distribute to their farmer customers to promote the value of a technician to a farmer's operations. The colouring books are free, all you pay is shipping – contact our office to place your order.

EQUIPMENTdealer magazine
RESOURCES FOR SUCCESSFUL DEALERS

We hope you have found this issue of *Equipment Dealer Magazine* both informative and educational. We welcome your feedback and invite you to submit any ideas you have for upcoming issues. Feel free to contact us at info@naeda.com.

NAEDA NORTH AMERICAN EQUIPMENT DEALERS ASSOCIATION

Managing Editor: Joanne Olson
www.naeda.com
www.equipmentdealermagazine.com

Equipment Dealer Magazine is the official publication of the North American Equipment Dealers Association.

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