



FIRST QUARTER TOP PICKS 2011

Q410 Top Picks

PI Top Picks	15%
TSX Index	8.7%
TSX Small Cap Index	17%

Pricing as of December 31, 2010



Changes to Q1 2011 Top Picks

Added:

Arsenal Energy Inc. (T-AEI)
Bombardier Inc. (T-BBD.B)
Rocky Mountain Dealerships Inc. (T-RME)
Tio Networks Corp. (V-TNC)

Removed:

Air Canada (T-AC.B, T-AC.A)
Sonde Resources Corp. (T-SOQ)
Viterra Inc. (T-VT)
Peer1 Network Enterprises (T-PIX)

Arsenal Energy Inc.
(T-AEI)

Bombardier Inc.
(T-BBD.B)

Rocky Mountain Dealerships Inc.
(T-RME)

SunOpta Inc.
(T-SOY; Q-STKL)

Tio Networks Corp.
(V-TNC)



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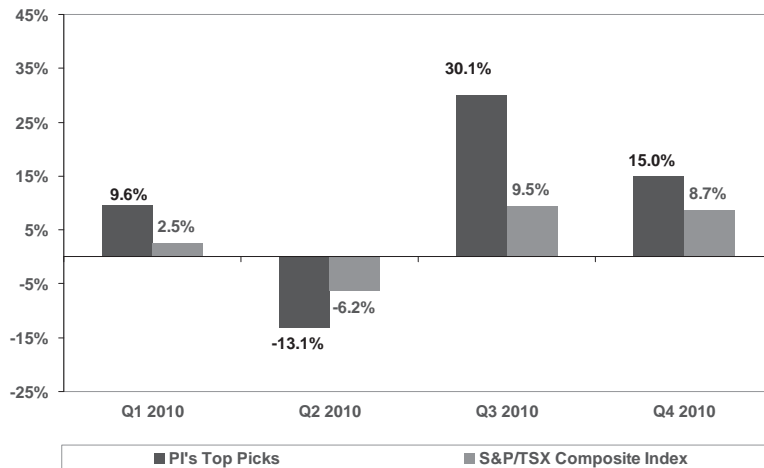
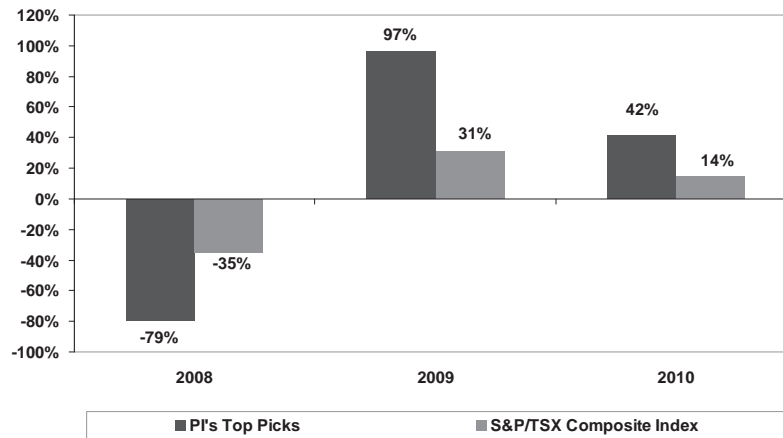
2010: ANOTHER GOOD YEAR

In 2010 our Top Picks outperformed the S&P/TSX Composite, returning 42% for the year versus the TSX Composite's 14% gain. We are pleased to announce that PI Financial's Top Picks have outperformed the TSX Composite for seven out of the last eight years.

With a recovering US economy, solid emerging markets growth, robust commodity prices, and strengthened corporate earnings we expect Canadian equity markets will continue to do well in 2011.

However, a number of economic risks remain which we expect will keep equity markets volatile.

Some of the factors which could impact share prices include; further deterioration in the US housing market, rising long term interest rates, sharply higher energy prices, additional measures to slow the Chinese economy, downward pressure on commodity prices due to a firming US dollar, and surging food price inflation.



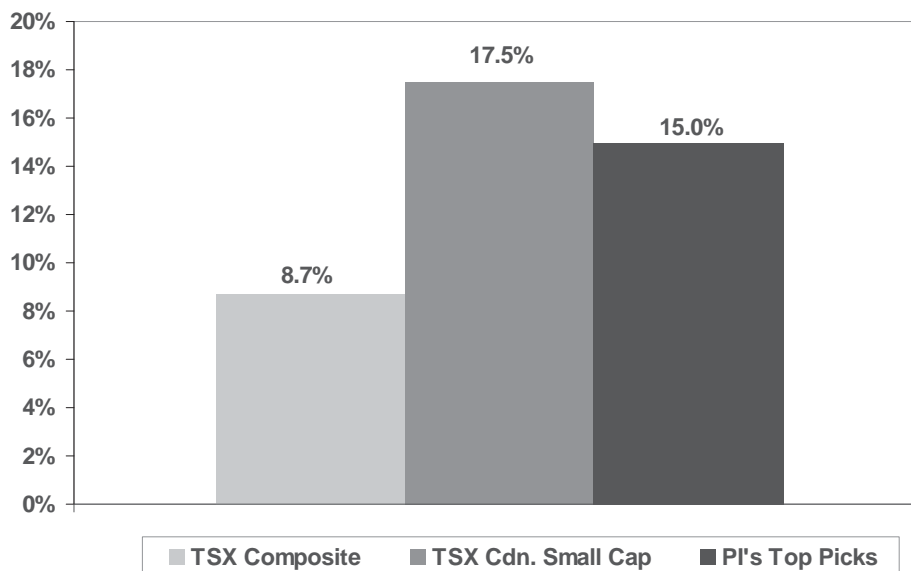
Source: PI Financial Corp.

Note: Performance measurement of our Top Picks is done on a quarterly basis with equal weighting across all picks. We calculated our total 2010 return using a summation of quarterly returns.



Q4 TOP PICKS OUTPERFORM

Our Top Picks outperformed the S&P/TSX Composite but lagged the S&P/TSX Canadian Small Cap Index in the fourth quarter. PI's picks, in aggregate, recorded an average gain of 15% in the Q4 period (Sept. 30, 2010 to Dec. 31, 2010) versus a gain of 8.7% for the S&P/TSX and 17% for the Canadian Small Cap Index.



Source: PI Financial Corp.

Our best performer in the fourth quarter was our Consumer Products Top Pick, **SunOpta Inc. (T-SOY; Q-STKL)**. SunOpta generated a 25% return in the fourth quarter, outperforming the S&P/TSX Consumer Staples Index which was up 4.5% in the quarter.

SunOpta has refocused its business on its core specialty foods operations through recent divestitures and acquisitions. SunOpta divested its BioProcess business for \$51M in an all stock transaction and its Canadian food distribution assets in Q2 to UNFI for \$68M in cash. In December, SOY announced two acquisitions expanding their sunflower and seeds operations and fruit snack operations. Reflecting these changes, we increased our 12-month target on STKL to US\$9.25/share.

Air Canada (T-AC.B; T-AC.A), our Industrials & Transportation Top Pick for Q410, was the second best performer of all the Top Pick selections for the quarter. Air Canada finished the fourth quarter with a gain of 20%, outperforming the S&P/TSX Transportation index which was only up 2.7%. During the quarter, the Company announced record Q310 results consistent with our outlook for a recovery in demand, was added to a number of key share indexes including the S&P/TSX Composite and saw an increase in its float with the well-received sale of 44M shares to public markets by former parent ACE Aviation Holdings (T-ACE.B). In 2010, Air Canada share prices have risen 161% driven by an improved balance sheet, the economic recovery and also improvements in earnings supported by the Company's Cost Transformation Program.

Sonde Resources Corp. (T-SOQ), our Oil & Gas Top Pick, was up 17% during the fourth quarter, ahead of the S&P/TSX Capped Energy Index which was up 13%. Sonde's share price reacted favourably to the sale of their interest in Block 5(c), located off the east coast of Trinidad and Tobago, to Niko Resources for \$87.5 MM. The sale shows that Sonde's new management is in fact committed to transitioning the company into a domestically focused oil producer –from a gas-weighted producer with international aspirations. We expect Sonde's upward share price momentum to continue in 2011 as domestic oil drilling moves to the forefront of the corporate agenda.

Our Technology Top Pick **Peer1 Networks Enterprises Inc. (T-PIX)** generated a return of 9.9%, in line with the S&P/TSX Capped Info Tech index which increased 9.1% during the quarter. Peer1’s strong stock performance was largely driven by robust demand for its new Toronto datacenter. Peer1 reported solid results for Q1FY11 (Sept.) and announced it was accelerating the build-out of the remaining sections of the Toronto datacenter.

Viterra Inc. (T-VT), our Special Situations Top Pick for Q4, increased 3.3% during the quarter compared to the S&P/TSX Industrials index which increased 5.0% over the same period. Viterra’s stock price was negatively affected by weather concerns in Australia. VT has significant grain storage and handling business in South Australia which encountered flooding issues late into its seasonal harvest. This excess moisture could potentially lower the total amount of grain entering its storage facilities as well as lowering the value of the crop due to quality downgrades that typically accompany excessive rainfall during harvest.

PERFORMANCE OF THE Q410 TOP PICKS

Q410 Top Picks	Value	Value	Return	Comparable	
	Sept 30/10	Dec 31 /10		Return	Sub-index
S&P/TSX Composite Index	12,369	13,443	8.7%	n/a	
S&P/TSX Cdn. Small Cap Index	642	754	17.5%	n/a	
SunOpta Inc.	\$6.26	\$7.82	24.9%	4.5%	Consumer Staples
Air Canada	\$2.88	\$3.45	19.8%	2.7%	Transportation
Sonde Resources Corp.	\$3.11	\$3.64	17.0%	13.5%	Energy
Peer1 Network Enterprises Inc.	\$1.42	\$1.56	9.9%	9.1%	Info Tech
Viterra Inc.	\$8.98	\$9.28	3.3%	5.0%	Industrials
		Average	15.0%	6.9%	

Source: PI Financial Corp.



SECTOR OVERVIEW

The market recovery continued in Q410 in the North American markets. On a quarterly basis, the S&P/TSX index increased 2.5% in Q1, declined 6.2% in Q2, increased 9.5% in Q3 and increased 8.7% in Q4. For the full year the S&P/TSX has increased 14% continuing the recovery, though at a more moderate pace than the 31% growth in 2009. In the US, the DJIA increased 11.0% in 2010 after a 19% increase in 2009.

The Consumer Discretionary Index outperformed the general market with a 5.4% increase in Q1, a 1.0% increase in Q2, a 7.9% increase in Q3 and a 6.2% increase in Q4 for a full year increase of 22%. While the Consumer Staples Index underperformed the general market index, declining 0.2% in Q1, and a further 9.0% in Q2 it rallied in the back half of the year increasing 15% in Q3 and 4.5% in Q4 for a full year return of 8.9%.

As a group, our Consumer Products covered companies outperformed the market generating a 13% return in Q4 and a 45% return for the year. This follows a 77% return for our covered companies in 2009.

West 49 Inc. (T-WXX) up 189% in 2010 and was acquired by Billabong International. Strong 2010 returns were generated by SunOpta (T-SOY; Q-STKL up 120%), FirstService (T-FSV; Q-FSRV up 48%) and The Forzani Group (T-FGL) up 31%.

2011 OUTLOOK

With improving consumer confidence and stronger signs of the economic recovery, including a stronger than expected December jobs report in the US, we have raised our growth expectations for 2011. We expect the economic recovery to continue with the support of effective stimulus policy decisions in both Canada and the US. Canadian consumer confidence increased 3.9 points to 83.6 in November, the second consecutive monthly increase. US Q3 GDP increased 2.5% while Canadian Q3 GDP growth was tempered at 1.0% in part reflecting the strength of the Canadian dollar.

In the retail space, US holiday sales forecast were raised to a 3.3% increase following a solid start to the season, up from the original 2.3% forecast increase. (Source: NRF survey, Dec. 17, 2010) Online holiday sales are forecasted to increase 14% from 2009 levels outpacing total retail growth.

COVERAGE LIST OVERVIEW

SunOpta Inc. (T-SOY; Q-STKL) our Q410 Consumer Products Top Pick was a solid performer in the fourth quarter and our best performer over the full year. SunOpta generated a 25% return on the TSE and a 28% return on the NASDAQ in Q410. **For the year, SOY generated a 120% return on the TSE and a 133% return on the NASDAQ, materially outperforming all major North American indices.**

SunOpta has clearly refocused its business on its core specialty foods operations. In the third quarter, SunOpta divested its BioProcess business for \$51M in an all stock transaction following the sale of SOY's Canadian food distribution assets in Q2 to UNFI for \$68M in cash. In December, SOY announced two acquisitions to grow their core food operations, expanding their sunflower and seeds operations and fruit snack operations.

Management remains focused on improving their operating margins and return on assets employed toward their three year target levels of 8% and 15% respectively. We maintain our **BUY** recommendation, **12-month target of US\$9.25** and **AVERAGE** risk rating.

Coastal Contacts Inc. (T-COA) is a rapidly growing direct-to-consumer retailer of vision care products in North America, Europe and Asia Pacific. COA shares increased 28% in Q4 and were up 18% over the year. Coastal Contacts recently reported FY10 results including 7.3% revenue growth to \$40.5M. Eyeglasses sales increased 113% to \$20M meeting management's target. Q410 was COA's tenth consecutive profitable quarter.

We expect FY11 growth to be driven by eyeglasses growth of over 100% supported by contact lenses growth of approximately 5%. We are maintaining our **BUY** recommendation, **12-month target of \$1.85** and **AVERAGE** risk rating.

Liquor Stores N.A. Ltd (T-LIQ) (previously Liquor Stores Income Fund) completed its conversion into a corporation effective January 1st, 2011. Liquor Stores is a liquor retailer based in Alberta with operations in Canada and the US. LIQ.UN units generated a (0.7%) return in the quarter and a 7.3% return in 2010 including distributions.

As a corporation LIQ has adopted an initial \$0.09/share monthly dividend resulting in a \$1.08/share dividend compared to the previous annual distribution of \$1.62/unit. We continue to recommend Liquor Stores as a **BUY** with a **12-month target of \$18.50** and an **AVERAGE** risk rating.

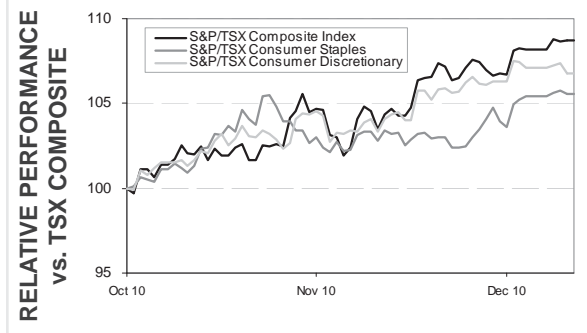
The Forzani Group (T-FGL), Canada's largest sporting goods retailer generated a 12% return in the quarter and a 31% return in 2010 including dividends. During the quarter, FGL reported strong Q311 results and a solid start to holiday sales. For the first 5 weeks of Q411, same store sales have increased 16% with a 21 basis point increase in gross margin compared against the same period last year.

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Solid same store sales growth, driven by increased sales per square foot, combined with FGL's more efficient operations are expected to be key near-term growth drivers. We are maintaining our **BUY** recommendation, **AVERAGE** risk rating and **12-month target of \$20.00**.

FirstService Corporation (T-FSV; Q-FSRV) is a diversified property services company providing commercial real estate services, residential property management services and property improvement services. FirstService shares continued to perform very strongly, up 22% in Q4 and 48% in 2010 on the TSE (58% increase on the NASDAQ in 2010).

In the last month, FSV has acquired majority interests in three US commercial real estate companies further expanding their Colliers International presence. In the last 12 months, 11 of the leading US CRE firms joined Colliers International, the third largest real estate services firm globally. Colliers International advises on approximately \$52B in transactions annually, manages over 1.5B square feet of commercial and residential properties and generates annual revenue of nearly \$2B through 480 offices in 61 countries.

Also in December, FSV announced the acquisition of 80% of the largest residential property management company in Houston, adding 70,000 homes to FSV's managed property base and announced the acquisition of its second Canadian property management company adding 26,000 homes and 2.2M square feet of commercial properties primarily in Metro Vancouver. FSV manages over 4,400 properties with over 1.1M residences in North America. We retain our **BUY** recommendation and recently increased our **12-month target to US\$33.00 from US\$29.50**. We retain our **AVERAGE** risk rating for long-term investors.

Great Canadian Gaming Corp. (T-GC) operates and develops casinos and racetracks with associated hospitality and entertainment facilities in British Columbia, Ontario, Nova Scotia and Washington state. During the quarter GC shares increased 2.5%, while declining 7.5% during the full year.

Great Canadian Gaming continues to focus on improving the efficiency of its operations and increasing revenue and profitability of its existing entertainment facilities. During the quarter, GC reported Q310 results with revenue and EBITDA matching our expectations. GC also announced it will recommence the construction of their third hotel tower planned to be completed by Q411. We continue to view GC as a **BUY** for long-term investors, with a **12-month target \$9.60** and an **AVERAGE** risk rating.

Premium Brands Holdings Corp. (T-PBH) is a manufacturer, marketer and distributor of high quality, branded food products primarily in western Canada. PBH shares generated a 2.0% return in the quarter and an 11% return in 2010 including dividends.

PBH announced the acquisition of SK Foods, an artisan breakfast sandwich and wraps manufacturer that generated annual sales and EBITDA of \$90M and \$8.1M respectively. PBH completed four acquisitions in 2010 as they focus on building their brand and product portfolio. We are currently **RESTRICTED** on PBH.

Sun-Rype Products Ltd. (T-SRF) is a manufacturer and marketer of fruit-based beverage and snacks. SRF shares declined 6.0% in the quarter and 3.0% in 2010. Sun-Rype management has focused on reinvesting in their brands and expanding their sales in central and eastern Canada and the northwest US. At the end of September, SRF acquired Yakama Juice, LLC, an apple processor and juice producer for \$7.1M. Yakama generates annual sales of approximately \$17M and has been a co-packer for SRF for almost 3 years.

We believe Sun-Rype is generally well positioned for long-term growth, however 2010 sales year-to-date have been lower than we had expected reflecting increased competition. We continue to recommend SRF as a **BUY** with a **12-month target of \$11.75**. We retain an **AVERAGE** risk rating.

We initiated coverage of **MEGA Brands Inc. (T-MB)**, in December 2010. MEGA Brands Inc. is a leading, global designer, manufacturer and marketer of quality toys, stationery and activities products. Brands include MEGA BLOKS, MEGA PUZZLES, MEGA GAMES, ROSE ART and BOARD DUDES.

MEGA Brands has recovered from a challenging period and has effectively recapitalized its balance sheet to support long-term growth. We believe MB is undervalued. MEGA Brands has executed a material turnaround and recapitalization that we do not believe is fully reflected in MB's current share price.

We initiated coverage of MEGA Brands with a **BUY** recommendation, **12-month target of C\$1.00** and an **ABOVE AVERAGE** risk rating. Our target reflects an 8.3x EV/EBITDA multiple based on our 2011 forecast.

TOP PICK: SUNOPTA INC. (T-SOY; Q-STKL)

Company Name	Stock Symbol	Recent Price	Market Cap. (Million)	Revenue (Million)			Earnings Per Share (FD)			12-Mos Target Price	Total Return	Stock Rating	Volatility/Risk
				FY09A	FY10E	FY11E	FY09A	FY10E	FY11E				
Coastal Contacts Inc.	T-COA	\$1.67	\$93	\$140	\$153	\$170	\$0.05	\$0.05	\$0.06	\$1.85	11%	BUY	AVG
FirstService Corp.*	Q-FSRV	US\$30.18	US\$908	US\$1,703	US\$1,939	US\$2,027	US\$1.42	US\$1.73	US\$2.00	US\$33.00	9%	BUY	AVG
The Forzani Group Ltd.	T-FGL	\$18.25	\$507	\$1,347	\$1,358A	\$1,429	\$0.94	\$0.94A	\$1.29	\$20.00	15%	BUY	AVG
Great Canadian Gaming Corp.	T-GC	\$7.35	\$664	\$382	\$386	\$402	\$0.28	\$0.35	\$0.46	\$9.60	31%	BUY	AVG
Liquor Stores Income Fund	T-LIQ.UN	\$15.18	\$343	\$541	\$587	\$646	\$1.27	\$0.98	\$1.04	\$18.50	33%	BUY	AVG
MEGA Brands Inc.	T-MB	\$0.65	\$213	\$339	\$373	\$410	\$0.29	\$0.47	\$0.05	\$1.00	54%	BUY	ABV
Premium Brands Holdings Co.†	T-PBH	\$13.98	\$249	\$463	N/A	N/A	\$1.07	N/A	N/A			RESTRICTED	
SunOpta Inc.*	Q-STKL	US\$7.82	US\$522	US\$989	US\$895	US\$1,029	(US\$0.10)	US\$0.26	US\$0.46	US\$9.25	18%	BUY	AVG
Sun-Rype Products Ltd.	T-SRF	\$8.45	\$91	\$148	\$138	\$146	\$0.62	\$0.35	\$0.41	\$11.75	39%	BUY	AVG

Note: Total Return includes 12 months of indicated distributions if applicable

*Adj. EPS

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period

Analyst or a member of the Analyst's household owns shares of the following stocks on the Coverage List: none

SUNOPTA INC. (T-SOY; Q-STKL)

Rating: BUY, Target: US\$9.25

VALUE ADD FOCUS

We have again selected SunOpta Inc. (T-SOY; Q-STKL) as our Q111 Consumer Products Top Pick. SunOpta Inc. (T-SOY; Q-STKL) is a leading, global natural and organic food and healthcare products company.

Through 2010, SunOpta continued to improve its operations across its food platforms.

The Company's long-term strategy is to leverage their integrated food platforms with an increased focus on the value-added components of their businesses.

SunOpta Foods revenue increased 6% to \$609M, while operating income has increased 141% to \$33.9M in the first three quarters of 2009.

Management remains focused on improving their operating margins and return on assets employed toward their three year target levels of 8% and 15% respectively.

SunOpta has clearly refocused its business on its core specialty foods operations. In the third quarter, SunOpta divested its BioProcess business for \$51M in an all stock transaction and SOY now holds an 18% interest in Mascoma Corporation, a private US company. This followed the sale of SOY's Canadian food distribution assets in Q2 to UNFI for \$68M in cash

In December, SOY announced two acquisitions to grow their core food operations adding Dahlgren & Company to expand their sunflower and seeds operations and Edner of Nevada Inc. to expand their fruit snack operations. Dahlgren, acquired for \$44M generates annual sales of approximately \$80M, while Edner acquired for \$4M generates annual sales of approximately \$10M.

We continue to expect SOY to grow its core foods business, improve its fruit operations and to add capacity through new production lines and new or acquired operations where required to support demand.

Our 2010 forecast includes revenue of \$895M, EBITDA of \$58.4M, an EBITDA margin of 6.5% and net income from continuing operations and excluding impairment charges of \$23.4M or \$0.36/share. Our 2011 forecast includes revenue of \$1,029M, EBITDA of \$70.9M, a 6.9% EBITDA margin and net income of \$29.3M or \$0.46/share.

Strong demand for fibre, aseptic products including soymilk, alternative beverages and soups, sunflower seeds, ingredients products, healthy fruit snacks and processed fruit products are expected to drive near-term growth.

We continue to recommend SunOpta Inc. (Q-STKL; T-SOY) as a **BUY** and recently raised our **12-month target to US\$9.25 from US\$7.75**. We maintain our **AVERAGE** risk rating. Our target valuation is driven off a 9.0x EV/EBITDA multiple on our 2011 forecast.

OPINION AND SHARE INFORMATION

Recommendation:	BUY
Current Price:	US\$7.82
Potential Return	20%
Risk Rating:	AVERAGE
52-week High/Low:	US\$8.83/US\$2.65
Shares O/S:	Basic: 65.3M Fully Diluted: 66.8M Float: 63.7M
Market Capitalization (fd):	US\$522M
Net Debt:	US\$73.6M
Enterprise Value:	US\$596M
30-Day Avg. Daily Volume:	475,000
Insider Ownership:	2.3%

(note all amounts are in US\$ unless otherwise noted)

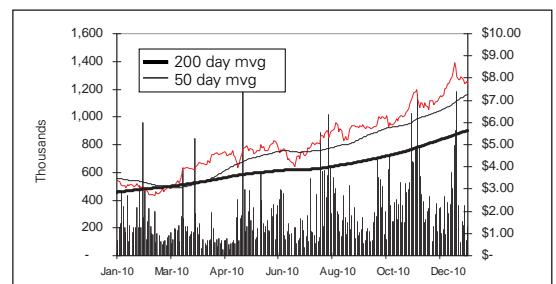
FINANCIAL SUMMARY

(YE Dec. 31st)

\$000s	2008	2009	2010e	2011e
Sales	1,055,173	989,132	894,776	1,029,136
EBITDA	35,567	33,274	58,429	70,888
EBITDA %	3.4%	3.4%	6.5%	6.9%
Net income*	(10,936)	(6,763)	23,372	29,349
EPS (fd)*	(\$0.17)	(\$0.10)	\$0.26	\$0.46
EV/EBITDA	18x	23x	9.6x	7.7x

QTRLY EPS	Q1	Q2	Q3	Q4
2010*	\$0.07a	\$0.11a	\$0.08a	\$0.10e
2009*	(\$0.03a)	\$0.03a	\$0.03a	\$0.06a

* EPS continuing operations excluding impairment charges



COMPANY DESCRIPTION

SunOpta Inc. (T-SOY; Q-STKL) based in Brampton, Ontario, is a global company focused on the natural, organic and specialty foods and natural health products sectors.

SECTOR OVERVIEW

The fourth quarter saw the S&P/TSX Capped Energy Index increase by 13% and thus it outperformed the S&P/TSX Composite –which was up 9%. The energy space was helped by a steady rise in crude prices and a seasonal increase in gas prices.

2011 OUTLOOK

Is \$90 dollar WTI price sustainable for 2011? Much of North America and Europe are forecast to experience a cooler than normal winter. This, together with concerns over a weakening US dollar, have driven WTI back up to US\$90/bbl range. This compares to a 2010 average price of \$79.50/bbl. US crude and refined products inventories have experienced a downward trend in Q4, however, this has yet to trigger any widespread resurgence in concerns over global crude supply. In fact, OPEC has yet to adjust its official quota (24.8mmb/d) since making its record quota cut (4.2mmb/d) back in 2008. While we acknowledge OPEC cheating (production in excess of quotas) is currently 1.9mmb/d this level pales relative to OPEC’s estimated spare capacity of 10 mmb/d. Simply put, the sustainability of recent crude pricing gains hinges on OPEC actions.

The longer term outlook for oil remains robust. Anticipated non-OECD oil demand growth is difficult to reconcile with the production declines being experienced in Mexico and Venezuela. More importantly, we continue to see state-owned entities take a more active role in resource development –effectively shifting control of the world’s largest oil resources away from the super-majors. This transition is serving to ration capital and generally slows the pace of exploitation.

PI’s WTI crude oil forecast of flat US\$75.00/bbl appears ultra conservative relative to both strip and consensus street estimates as we head into 2011. As reported by Bloomberg, these are US\$92.26/bbl and US\$87.00/bbl for 2011. Within this context we concede that all of our targets appear conservative. Given that we are hard pressed to find oil producers who are not generating attractive returns under our US\$75/bbl price assumption, 2011 promises to be an excellent year for oil weighted investors.

There is no disputing the fact that North America’s gas markets appear over supplied over the near term. We attribute the recent strength in gas to seasonal patterns. Unsurprisingly, prices were weak up to the end of the injection period with inventories burgeoning, then prices partially recovered amid improved weather related demand. A relatively weak economy and a weak US dollar gives us little hope that we will see strong pricing in 2011. Longer term, we remain concerned with the abundance of low cost gas that has already been identified.

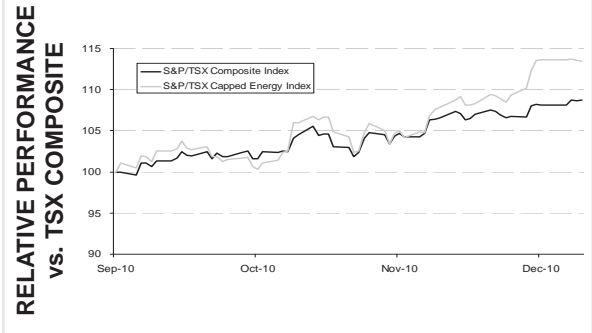
PI’s gas price forecast (US\$4.40/mmbtu for 2011) allows only a small subset of the industry to prosper. Specifically, those who are seeing revenues bolstered by oil & liquids contribution. Our gas forecast aligns with strip pricing and is at or slightly below consensus pricing –currently US\$4.40/mmbtu in 2010 and US\$5.00/mmbtu in 2011.

Alistair Toward

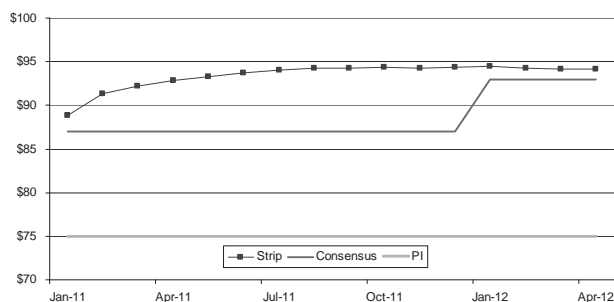
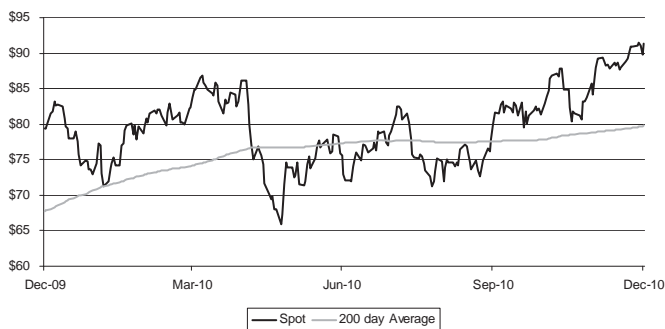
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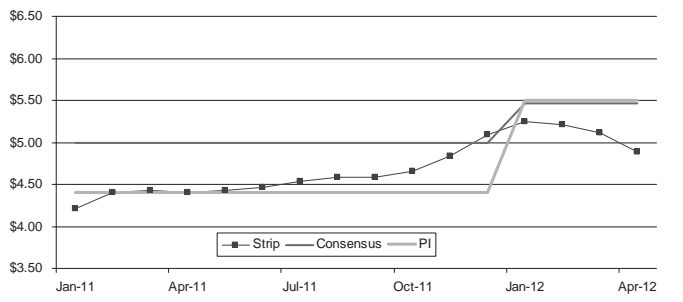
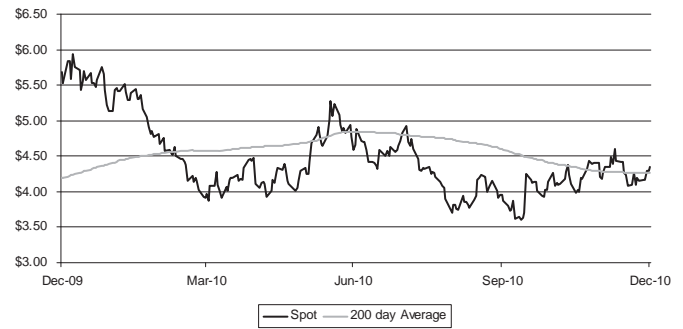
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Light Sweet Crude Oil (WTI) Future Strip



Henry Hub Gas Futures Strip



COVERAGE LIST OVERVIEW

Last Quarter Top Pick **Sonde Resources Corp. (T-SOQ)** achieved a 17 % return for the quarter. Our investment thesis on Sonde has been (and remains) that the company is well positioned to stage a successful transition from being a domestic gas producer with international aspirations to a focused domestic oil producer. Sonde demonstrated its resolve to make this happen in Q4 with the sale of its Trinidad assets for \$87.5mm. Sonde’s share price reacted favourably to this news and we expect this upward momentum to continue in 2011 as domestic oil drilling moves to the forefront of the corporate agenda. That said, Sonde’s Q1 performance will likely be heavily influenced by the results pending from its offshore well in Tunisia --particularly as the default of its partner forced the company to take on a 100% working interest in this \$30mm well. Regardless of what happens in Tunisia, Sonde is exceptionally well positioned as it heads into 2011 given a large oil drilling inventory and a year-end net cash position of ~\$50 mm. We retain our **BUY** recommendation for SOQ and a **12-month target of \$5.00 (ABOVE AVERAGE risk rating)**.

Arsenal Energy Inc (T-AEI) was up ~30% return for the quarter. Arsenal was added to our coverage list in Q4 and is our Top Pick for Q1. Arsenal is an oil weighted value opportunity with an operational focus on Bakken light oil in North Dakota, light oil in Evi (Alberta) and medium gravity crude at Edgerton, Princess and Chauvin/Provost (Alberta). Currently producing 2,250 boe/d (75% oil), we are forecasting a 2011 exit rate of ~3,300 boe/d. Trading at ~75% of its historic NAV (relative to a peer group average of ~165%), we believe Arsenal is a value play opportunity for investors. Similarly, the company is trading at ~\$82,500 per flowing boe (based on Q3 annualized) as compared to a peer group average of \$175,000. Meanwhile, Arsenal is positioned to deliver notable increases to both NAV and production in Q111. Our investment thesis is that Arsenal’s current discount is unwarranted given its strong track record of growth (three year CAGR in NAVPS of 21%, vs peer group average of ~9%) and an expanding opportunity base. We have a **BUY** rating (**SPECULATIVE risk**) and a **12-month target price of \$1.45** per share.

Anglo Canadian Oil Corp (V-ACG) – down 1.3% return for the quarter. Anglo stands apart from its peers in that it is a pure play on the Nordegg formation – an oil rich source rock, which to date, has a limited production history. Having tied up 267 sections of Nordegg rights in Alberta, Anglo’s exposure to this play is unparalleled. Anglo’s share price came under pressure early in the quarter when the Shane 7-11 horizontal well was not a commercial success. This, together with a need for new equity, took the stock to a quarter low of \$0.22 in late October. Share performance improved substantially later in the quarter as the company addressed its funding requirements and with the release of the vertical Sturgeon Lake South 5-10 well results. This well averaged ~10bpd over a four day period from a single perforation. This is an encouraging result as it could potentially be scaled up with multiple completions –providing this well performs well on an extended test. Notwithstanding a ~70% move off of its Q4 low, Anglo’s share price has the potential to go much higher in 2011 with favorable Nordegg results. We retain our **BUY** recommendation (**SPECULATIVE risk rating**). We do not have a target price at this time.

Arcan Resources Ltd (V-ARN) – up 21% return for the quarter. Arcan acquired an enviable inventory of light oil Swan Hills reef complex back in the days of the NRF –when producers and investors alike were pulling out of Alberta. Our current estimate of 210 locations for this land base will expand if competitors in the area are successful on land located off the main platform. Recent horizontal results underperformed expectations established by the first two horizontal wells, nevertheless, we are comforted by the fact that lower initial rates have also been coupled by shallower declines. After making adjustments to our type curve for these wells, we can confirm they offer excellent returns under our US\$75/bbl WTI pricing assumption. With current strip pricing being much stronger, Arcan’s outlook for 2011 looks very bright. Of the companies under coverage, Arcan’s target offers the greatest leverage to a change in our commodity price forecast – given the size of its respective inventory. We retain our **BUY** recommendation for ARN and **12-month target \$6.50 (ABOVE AVERAGE risk rating)**

Strategic Oil & Gas Ltd (V-SOG) –up 34% return for the quarter. Strategic’s primary appeal comes from a 38.5% working interest in a very promising oil exploitation initiative in Maxhamish, BC. Drilling is currently underway which should help to further validate this play. That said, investors will need to wait until Q3 to get an extended production tests from these wells. While Q4 saw relatively limited field activity, the company was exceptionally active on the corporate front including the raising of \$53.3 million in equity. (This includes \$27mm of common and flow-through, \$20mm from warrants, and \$6.3MM as partial payment on a \$14MM acquisition.) Although this generated a ~90% quarter-over-quarter increase in share count, Strategic is looking good as it heads into 2011. Not only has the company diversified its operations, it has accumulated a war chest enabling it to pursue new initiatives. We retain our **BUY** recommendation and **12-month target \$1.70 (SPECULATIVE risk rating)**

TOP PICK: ARSENAL ENERGY INC. (T-AEI)

Company Name	Stock Symbol	Recent Price	Market Cap. (Million)	Cash Flow Per Share (FD)			Earnings Per Share (FD)			12-Mos Target Price	Target Return	Stock Rating	Volatility/ Risk
				FY09A	FY10E	FY11E	FY09A	FY10E	FY11E				
Anglo Canadian Oil Corp.	V-ACG	\$0.37	\$81	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	BUY	SPEC
Arcan Resources Ltd. †	V-ARN	\$5.68	\$534	\$0	\$0	\$1	(\$0.15)	(\$0.03)	\$0.14	\$6.50	14%	BUY	ABV
Arsenal Energy Inc. †	T-AEI	\$1.08	\$166	\$0	\$0	\$0	(\$0.11)	(\$0.08)	\$0.02	\$1.45	34%	BUY	SPEC
Sonde Resources Corp	T-SOQ	\$3.64	\$235	(\$1)	\$0	\$0	(\$1.51)	(\$0.63)	(\$0.26)	\$5.00	37%	BUY	ABV
Strategic Oil & Gas Ltd.†	V-SOG	\$1.18	\$153	(\$0)	(\$0)	\$0	(\$0.10)	(\$0.04)	(\$0.01)	\$1.70	44%	BUY	SPEC

Analyst or a member of the Analyst’s household owns shares of the following stocks on the Coverage List: none

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period

ARSENAL ENERGY INC. (T-AEI)

Rating: BUY, Target: \$1.45

RAMPED-UP LIGHT OIL DRILLING EXPECTED TO NARROW AEI'S VALUATION GAP

Arsenal is an oil-weighted value opportunity with favorable pending catalysts. The Company's operational focus includes: Bakken light oil in Stanley/Parshall (North Dakota), light oil production in Evi (Alberta) and medium gravity crudes at Edgerton, Princess and Chauvin/Provost (Alberta).

Currently producing 2,250 boe/d (75% oil), we are anticipating a step-change increase in volumes with forecast 2011 volumes 33% above those of 2010. This comes in the wake of a Q4 capital program that was larger than the previous three quarters combined and has enjoyed some better than expected early results.

We are forecasting a doubling of cash flow in 2011. This reflects the combined effect of higher volumes, increased weighting to light oil and anticipated operating cost reductions. Arsenal's balance sheet is healthy with an anticipated year end debt to forward cash flow of 0.6x.

Arsenal trades at just ~75% of its historic NAV relative to a peer group average of ~165%. And yet, the Company's NAVPS growth has dramatically outperformed the peer group --with a three-year compounded annual growth of 21% relative to a peer group average of roughly 9%.

Similarly, the company is trading at ~\$82,500 per flowing boe (based on Q3 annualized) as compared to a peer group average of ~\$175,000. Meanwhile, Arsenal is positioned to deliver notable increases to both NAV and production in Q1'11.

Our investment thesis is that Arsenal's current discount is unwarranted given its strong track record of growth and an expanding opportunity base. We see this as particularly evident given very little of Arsenal's opportunity base is reflected in its current production or reserve bookings.

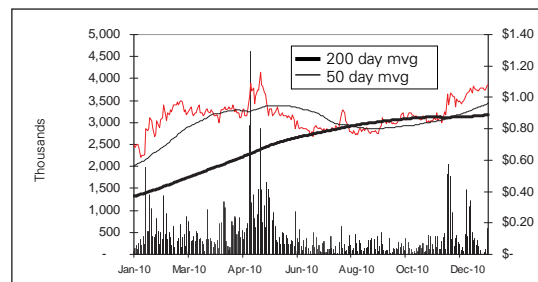
We reiterate our recommendation with a **BUY** rating and a **\$1.45** target representing a ~35% return from the current share price. Our target is based on the historic NAV adjusted for the latest share structure. We rate Arsenal as a **SPECULATIVE** risk.

OPINION AND SHARE INFORMATION

Recommendation:	BUY
Current Price:	\$1.08
Potential Return:	34%
Risk:	SPECULATIVE
Basic Shares O/S:	141.0MM
F.D. Shares O/S:	154.0MM
Market Capitalization:	\$152MM
52-week Range:	\$1.16 / \$0.60
30 Day Ave Trading Volume:	554,204
Enterprise Value:	\$172MM

FINANCIAL SUMMARY

Assumptions	2009A	2010E	2011E
Oil (US\$/bbl)	\$62.09	\$79.50	\$75.00
Gas (US\$/mmbtu)	\$4.16	\$4.27	\$4.40
Exchange Rate (US\$/C\$)	\$0.88	\$0.95	\$0.95
Liquids (bbl/d)	849	1,000	1,800
Heavy Oil	754	610	650
Gas (mmcf/d)	3,235	3,200	2,400
Boe/d (6:1)	2,142	2,143	2,850
Cash Flow (MM)	\$18.1	\$16.5	\$32.8
CFPS (FD)	\$0.17	\$0.12	\$0.22
Net Debt Year-End (MM)	\$28.6	\$19.8	\$37.0
NAVPS (Engineering)		\$1.52	
Price/NAVPS		71%	
EV/P+P Reserves (boe)		\$19.88	
EV/Production (boe/d)	\$84,478	\$80,312	\$66,432
EV/DACF	9.2x	9.9x	5.6x
Target implied EV/DACF	10.5x	13.0x	7.0x
Price/CFPS	6.2x	8.7x	4.8x
Debt/CF (trailing)	1.6x	1.2x	1.1x
Debt/CF (1yr fwd)	1.7x	0.6x	n/a



COMPANY DESCRIPTION

Arsenal Energy Inc. is an oil weighted producer (~75% oil) with a 2011 exit guidance of 3,300 boe/d. Arsenal's core oil properties are located in North Dakota and Alberta.



SECTOR OVERVIEW

The last 18 months have been very strong for the small cap investors as during the last six quarters, the TSX S&P small cap index has outperformed the major composite index. During the last quarter of 2010, the trend continues as the small cap index gained 17% while the major composite index gained just 8.7%. We feel there are still good opportunities among smaller cap stocks as investors feel more comfortable with higher beta stocks.

Small cap stocks had a great year in 2010 primarily due to strengthening commodity prices – energy, precious metals, grains, etc. In addition, the economy expanded and after the previous two years of numerous high-profile bankruptcies, 2010 was generally quiet with investors focusing on growth and upside rather than high risk and the associated downside. Most small cap stocks have focused on cleaning up balance sheets by paying down debt and this discipline needs to be maintained even as we witness the economy improving.

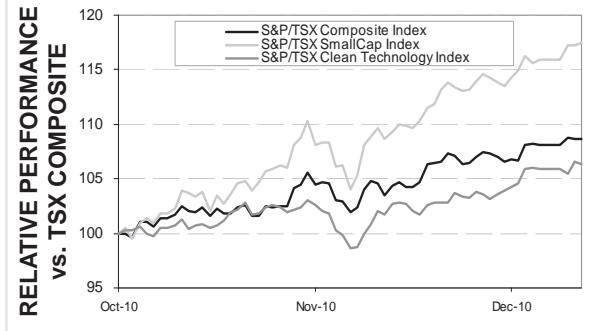
The agricultural markets woke up mid way through 2010 as wheat, corn, barley, canola, and most of the other soft commodities rose by as much as 60%. The rally was the result of both supplies issues (devastated crops in Russia) as well as demand strength as the threat of a double dip recession in the US waned.

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2011 OUTLOOK

Heading into 2011 we cannot expect similar weather issues that crop back production this last year but with export restrictions still in effect for some Eastern European countries (including Russia) we would expect prices to remain near current levels. World-wide demand for grains continues to be strong so we feel that grain prices are unlikely to approach pre-June 2010 prices.

Strong grain prices should translate into strong demand for machinery and equipment as well as other farm inputs like seed and fertilizer. This environment should translate into strong earnings for Rocky Mountain Dealership (Case IH dealer), Cervus Equipment (John Deere dealer), Ag Growth (grain handling equipment) and Viterra (sales for seed, fertilizer and other crop inputs as well as grain handling).

Finally, we feel that the major engine for growth moving forward will be foreign markets and not the US. The BRIC countries (Brazil, Russia, India and China) taken together are expected to be bigger than the US and Western Europe within 35 years. Companies that have an export focus or can benefit from this foreign growth should capitalize and provide above average stock returns.

COVERAGE LIST OVERVIEW

Our Q111 Special Situations Top Pick is **Rocky Mountain Dealerships Inc. (T-RME)**, a company which should benefit from high grain prices as it sells Case IH agricultural equipment. In addition to the strong ag markets we feel its construction equipment business (Case CE) in Alberta should continue to grow. We feel the construction equipment market bottomed in Q2 FY10 and we expect to see year over year increases in Q4 FY10 and into FY11.

RME ended Q410 up 12% and down 0.8% for the year. In early November, the Company reported Q310 results that were below ours and consensus expectations but strong used inventory sales during the quarter reversed the declining inventory turn trend. In addition, Matt Campbell transitioned from his role as CEO to Executive Chairman of the Board and Brian Taschuk, previously COO, has taken on the new CEO role. RME also recently announced its second largest acquisition to date of Agritrac Equipment Ltd., a Case IH agriculture dealership with locations in Westlock, Vegreville and Barrhead, AB. We continue to recommend RME with a **BUY** rating (risk: **ABOVE AVERAGE**) and a **12-month target of \$11.50**.

Ag Growth International Inc.'s (T-AFN) shares finished the quarter up 26% and the year up 50%. During the quarter, the Company acquired Tramco Inc., a manufacturer of heavy duty chain conveyors and related handling products, for US\$21.3M in cash, reported strong Q310 financial results and announced an 18% increase to its dividend from \$2.04 to \$2.40 per share annually. We feel this increase reflects management's confidence in the Company's ability to continue to generate strong free cash flow. We have a **NEUTRAL** rating on Ag Growth with a **12-month target price of \$51.00** and an **ABOVE AVERAGE** risk rating.

Cervus Equipment Corp. (V-CVL) generated a return of 32% in Q410 and 26% in 2010. During the quarter, the Company reported stronger than expected Q310 results with revenues up 36% to \$164M, EBITDA up 33% to \$13.4M and EPS up from \$0.61 in Q309 to \$0.74 in Q310. Grain prices have been strong and we continue to expect prices to be steady. With that said, we feel that farmers will be spending money on ag equipment next year. In the construction and industrial equipment segment, we remain cautiously optimistic. Construction activity is picking up in Alberta but we would like to see more quarters similar to this one of stronger year over year organic growth. We recommend Cervus Equipment as a **BUY (ABOVE AVERAGE risk rating)** with a **12-month target of \$15.00**.

Marsulex Inc.'s (T-MLX) shares were up 20% in Q410 and 18% in 2010. During the quarter, Marsulex reported Q310 revenue of \$76.1M, up 12.1% year over year, EBITDA of \$21.8M, up 19%, and EPS of \$0.28 compared to \$0.23 last year. These results beat our expectations due almost exclusively to the

large revenue recognized in the MET division. We feel that there is an increased likelihood of Marsulex selling assets similar to the Stablex deal due to a number of reasons. Strong equity markets over the last four months may lead to increase M&A activity as acquirers' stock becomes more valuable lending itself to fund transactions. We feel that the current strategic review could result in a sale of some or all of Marsulex. We feel a potential acquirer would pay up to 7% free cash flow yield for Marsulex's stock. We continue to recommend MLX with a **BUY** and a **12-month target price of \$13.50** (risk: **AVERAGE**).

Parkland Income Fund's (T-PKI.UN) shares increased 2.8% in the quarter and decreased 4.9% over 2010. During the quarter, in addition to reporting Q310 financial results that were below our and consensus expectations, the Fund made several announcements. It announced a \$45M bought deal convertible debenture offering with proceeds to be used to repay outstanding indebtedness, to finance current and future growth opportunities and for general corporate purposes. Mike Chorlton, current President and CEO, will be retiring and Bob Espey, current COO, will succeed Mr. Chorlton as President and CEO in May 2011. Also, beginning in 2011 after the Fund's conversion to a corporation, its monthly dividend will be reduced from its current distribution of \$1.26 annually to \$1.02. We recommend PKI.UN with a **NEUTRAL**, **12-month target price of \$11.30** and an **ABOVE AVERAGE** risk rating.

Pure Technology Inc.'s (T-PUR) shares finished the quarter up 14% and the year up 9.7%. In addition to releasing strong Q310 results, the Company announced several contracts worth approximately \$8.5M in aggregate. These projects include a US\$2M contract with International Water Services (Interagua) in Ecuador, a US\$2.4M contract with Organismo de Cuenca Aguas del Valle de Mexico, Cutzamela and various contracts in Canada, the US and Australia for a combined value of approximately C\$4M. The first two contracts are Pure's first major contracts in Latin America. In addition, earlier in the quarter, the Company announced the acquisition of Aqua Environmental Pty. Ltd. for up to C\$5.9M in cash and common stock of Pure. This acquisition will broaden the Company's geographic reach to establish a presence in the Australian region. We feel that follow-up business from the recently announced contracts could be larger than the original contract values. Pure is proving itself in new markets and we feel that the initial contracts could be just the beginning of a larger pipeline of business. We continue to recommend Pure with a **BUY** rating (risk: **ABOVE AVERAGE**) and a **12-month target price of \$6.00**.

Viterra Inc. (T-VT) was our Q410 Special Situations Top Pick and its shares were up 3.3% in Q410 and up 32% since we initiated coverage in early July. During the quarter, the Company announced the initiation of a \$0.10 per share annual dividend to be paid semi-annually which equates to an approximately 1.0% yield at the current price. In addition, the Company continued to expand their international marketing network by opening offices in Kiev, Ukraine in early October and in Hamburg, Germany in early November. The Ukraine office allows the Company to originate its core commodities from the Black Sea region and the Germany office from France and Germany. In our initiating report we cited five catalysts for Viterra: 1) strengthening grain prices, 2) improvement in the malting operation in Australia, 3) improving fertilizer pricing, 4) removal of the CWB in Canada and 5) elimination of the canola import restriction in China. Since then we have seen a material change in grain prices which, in our opinion, provided a boost to Viterra's share price. We feel a further gain in prices along with an improvement in the Southeast Asia beer market which benefits its malting business are the two biggest factors which could lead to a further increase in Viterra's share price. We have a **BUY** rating on Viterra Inc. (risk: **AVERAGE**) with a **12-month target of \$10.50**.

Westport Innovations Inc.'s (T-WPT) share price increased 1.2% during the quarter and 50% during 2010. In early November, the Company reported Q211 revenue of \$45M, up 55% quarter over quarter, EBITDA loss was down 53% to negative \$3.1M and net loss decreased from \$0.25 per share to \$0.16 per share. Overall, revenue exceeded our expectations while the loss essentially as expected. The Company also completed a US\$121.8M rights offering of common shares (including over-allotment). We view Westport's current cash balance as excessive and feel that the huge cash buffer may dis-incentivize management on generating positive cash flow in future quarters. Westport announced in late October that it had secured a contract to deliver 180 HD engines to Robert Transport. We expect to see more contracts like these in the future. Any developments on the US legislative front regarding the Nat Gas Act would go a long way to propelling customer activity. However, we continue to feel that Westport is priced beyond perfection at this point. We recommend WPT as a **SELL** with a **12-month target price of \$12.50** and **SPECULATIVE** risk rating.

Winpak Ltd. (T-WPK) shares were up 15% in Q410 and 53% in 2010. The Company reported Q310 sales increased 16.6% to \$146.1M, EBITDA increased 14.6% to \$25.2M and EPS increased to \$0.18 from \$0.15. Gross margins were below our expectations as a result of higher raw material costs and a shift in product mix. Although these results beat our top line revenue estimates, they were below our EPS forecast. Winpak's balance sheet continues to be strong with no long-term debt and a cash balance of \$75M at the end of Q310. Although the Company has been talking more about organic growth through Greenfield investments we still think that an acquisition could happen in the short-term. We retain our **12-month target price to \$14.00**, our **BUY** recommendation and **AVERAGE** risk rating.

TOP PICK: ROCKY MOUNTAIN DEALERSHIPS INC. (T-RME)

Company Name	Stock Symbol	Recent Price	Market Cap. (Million)	Revenue (Million)			Earnings Per Share (FD)			12-Mos Target Price	Total Return	Stock Rating	Volatility/ Risk
				FY09A	FY10E	FY11E	FY09A	FY10E	FY11E				
Ag Growth International Inc.	T-AFN	\$50.07	\$619	\$237	\$268	\$332	\$3.45	\$3.20	\$3.41	\$51.00	7%	NEUTRAL	ABV
Cervus Equipment Corp.	V-CVL	\$15.10	\$214	\$377	\$453	\$466	\$1.19	\$1.01	\$1.49	\$15.00	4%	BUY	ABV
Marsulex Inc	T-MLX	\$13.00	\$430	\$300	\$279	\$293	\$1.01	\$0.73	\$0.89	\$13.50	10%	BUY	AVG
Parkland Income Fund †	T-PKI.UN	\$11.49	\$596	\$2,020	\$2,823	\$3,185	\$0.97	\$0.67	\$0.57	\$11.30	9%	NEUTRAL	ABV
Pure Technologies Ltd.	V-PUR	\$4.75	\$202	\$32	\$44	\$72	\$0.04	\$0.03	\$0.24	\$6.00	26%	BUY	ABV
Rocky Mountain Dealerships	T-RME	\$8.90	\$163	\$556	\$611	\$742	\$1.02	\$0.71	\$1.15	\$11.50	31%	BUY	ABV
Viterra Inc.	T-VT	\$9.28	\$3,452	\$6,636	\$8,066	\$8,996	\$0.45	\$0.27	\$0.63	\$10.50	14%	BUY	AVG
Westport Innovations Inc.	T-WPT	\$18.35	\$728	\$122	\$131A	\$173	(\$0.81)	(\$1.10)A	\$0.66	\$12.50	-32%	SELL	SPEC
Winpak Ltd.	T-WPK	\$12.45	\$809	US\$506	US\$571	US\$628	US\$0.66	US\$0.78	US\$0.88	\$14.00	12%	BUY	AVG

Note: Total Return includes 12 months of indicated distributions if applicable

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period

Analyst or a member of the Analyst's household owns shares of the following stocks on the Coverage List: Jason Zandberg owns units of Cervus LP.

ROCKY MOUNTAIN DEALERSHIPS INC. (T-RME)

Rating: BUY, Target: \$11.50

BOTH AG AND CONSTRUCTION SHOULD DRIVE GROWTH IN FY11

Rocky Mountain Dealerships is the largest Case dealer in Canada with 37 dealerships in Alberta, Saskatchewan and Manitoba. The Company sells both agricultural products (31 of the 37 dealerships favour ag equipment) and construction related products (6 of the 37 dealerships favour construction equipment). Its large dealer groups and Case brand name give Rocky Mountain a strong competitive position within its trade areas.

Rocky Mountain reported relatively good results in Q3 FY10 as revenues increased 17% year over year. One of the highlights of this last quarter was that used equipment sales were up 49% year over year as the Company targeted used sales due to excessive used inventory levels heading into the quarter. Used inventory decreased to \$100M from \$118M entering the quarter. This broke three consecutive quarterly increases in used inventories.

We are forecasting revenue growth of 21% in FY11, EBITDA growth of 59% and EPS growth of 62%. We feel that strong grain prices will create strong demand for farm equipment, especially used equipment. The Company's construction equipment sales should also benefit from an improving construction market in Alberta.

Rocky Mountain shares are trading well below the multiples of its comparable equipment-related peers despite its strong financial performance. The Company's enterprise value is just 5.0x our FY11 EBITDA forecasts compared to Cervus Equipment (V-CVL) which trades at 6.9x and Titan Machinery (Q-TITN) which trades at 16x based on FY11 consensus forecasts.

Management is developing a strong track record of acquisitions. We feel that the Company's acquisition strategy will provide shareholders value as new dealerships are purchased at accretive prices and operating metrics are improved post-integration.

We recommend Rocky Mountain Dealerships (T-RME) with a **BUY** rating, a **12-month target of \$11.50** and an **ABOVE AVERAGE** risk rating. We feel that the agriculture market will remain strong in the near future while we feel the construction sector is past its low point and is poised to rebound in 2011.

OPINION AND SHARE INFORMATION

Recommendation:	BUY
Current Price:	\$8.90
Potential Return:	31%
Risk Rating:	ABOVE AVERAGE
Indicated Yield:	2.0%
52-week High/Low	\$10.83/\$7.50
Shares O/S	
Basic & Fully Diluted:	18.3M
Float:	16.4M
Market Capitalization (fd):	\$183M
30-Day Avg. Daily Volume:	26,863
Cash:	\$21.6M
Debt:	\$47.8M
Incoming CEO:	Brian Taschuk
Chairman:	Matt Campbell
CFO:	Garrett Ganden
Shareholders:	Mgmt/Insider: 30%
	Institutional: 40%

FINANCIAL SUMMARY

(YE Dec. 31st)

(000's)	FY08a	FY09a	FY10e	FY11e
Revenue	404,113	555,755	611,021	741,756
EBITDA	26,222	27,682	26,518	42,163
EBITDA (%)	6.5%	5.0%	4.3%	5.7%
Net Income	(87,694)	15,222	13,828	24,008
EPS	(6.88)	1.02	0.71	1.15
EV/EBITDA	8.1x	7.6x	7.9x	5.0x
P/E	n/a	8.7x	13 x	7.8x

Quarterly EPS	Q1	Q2	Q3	Q4
FY10	0.10a	0.17a	0.20a	0.25e



COMPANY DESCRIPTION

Rocky Mountain Dealerships is the largest Case dealer in Canada with dealerships in Alberta, Saskatchewan and Manitoba. The Company sells both agricultural and construction related equipment and services.

SECTOR OVERVIEW

The technology sector outperformed in the fourth quarter with both the S&P/TSX InfoTech index and Nasdaq Tech 100 index outperforming the general indices. The S&P/TSX InfoTech index finished the quarter up 9.1%, outperforming the general S&P/TSX Composite Index which increased 8.7% during the quarter. The top performer in the TSX InfoTech sub-index during the quarter was Research in Motion (T-RIM) with a gain of 16%. In the United States, the Nasdaq Tech 100 Index increased by 14% compared to a 7.3% increase of the Dow Jones Industrial Average and a 10% increase of the S&P500 index in the fourth quarter.

From our coverage list of companies, Hemisphere GPS (T-HEM) and TransGaming (V-TNG) were our best performers, finishing the quarter with gains of 36% and 32% respectively. iWeb Group (V-IWB) ranked the third with an increase of 25% during the quarter.

2011 OUTLOOK

IT spending recovery continues in 2011. Despite the sluggish economies in the US and Europe, IT spending is expected to continue to recover in 2011. IT industry research firm Gartner Inc. is projecting a 3.1% increase in worldwide IT spending from \$2.38 trillion in 2010 to \$2.44 trillion in 2011. This compares to 2.9% growth in 2010 and a significant improvement from the decline of 5.9% in 2009. We believe IT spending will continue to increase over the next few years as companies that have postponed upgrades since 2008, will need to start spending again or risk the danger of having massive IT failures. We believe there is real pent-up corporate demand that will start to unravel in 2011, especially in the areas of cloud computing, mobility and collaboration tools. Meanwhile, on the consumer side, we continue to see strength in the mobile smartphone market and tablet computing devices.

The fundamentals continue to improve for our coverage list. All of our technology coverage list companies are expected to have revenue and EBITDA growth in FY11. The fastest growing companies in our coverage list for FY11 are TransGaming (V-TNG) at 72% revenue growth, followed by Tio Networks (V-TNC) at 41%, and Descartes (Q-DSGX; T-DSG) at 34%.

COVERAGE LIST OVERVIEW

Absolute Software Corp. (T-ABT) – Absolute Software finished the quarter down 6.3%. In November, Absolute Software reported record sales results for Q1FY11 (ending September 30th, 2010), signaling a great start for FY11. Management continues to remain cautiously optimistic and reiterated their previous guidance that FY11 Sales contracts and Cashflow from operations will exceed FY10 results. We believe Absolute will benefit from the PC refresh cycle as overall economic conditions improving. The large upcoming renewal base for FY11 will also drive sales growth.

We currently have a **BUY** recommendation on Absolute with a **12-month target price of \$6.75** and **SPECULATIVE** risk rating. Our target price represents an EV/Sales multiple of 3.2x FY12 Sales Contracts and an EV/CF multiple of 11x FY12 Cash flow.

Descartes Systems Group Inc. (Q-DSGX, T-DSG) – Descartes’ share price increased 9.5% during the quarter. Descartes reported another record quarter for Q3FY11 in early December and management provided strong outlook for Q4 despite seasonality. The Company has made considerable progress on the integration of its acquisitions and EBITDA margins have returned back to pre-acquisition levels.

Due to upward adjusted FY12 EBITDA estimates, we recently increased our **12-month target price from US\$7.65 to US\$8.00**, with a **BUY** recommendation and an **ABOVE AVERAGE** risk rating. Our US\$8.00 price target is based on a 4.0x EV/Sales multiple and 14x EV/EBITDA multiple of our FY12 estimates.

Hemisphere GPS Inc. (T-HEM) – Hemisphere was the top performer in our coverage list during Q4 with a share price increase of 36%, driven by the surge of commodity prices and the Company reporting its best ever Q3 results. We have increased our FY10 and FY11 estimates based on an improvement in farmer spending on precision agriculture products, introduction of new products and improving sales in North America and internationally.

As a result of improving Ag market conditions, we have recently increased our **12-month target price from \$1.00 to \$1.35**. We currently have a **BUY** rating for Hemisphere GPS with a **SPECULATIVE** risk rating.

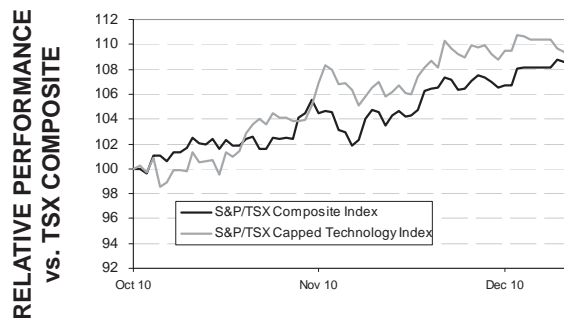
iWeb (V-IWB) – During the past quarter, iWeb’s share price increased 25% driven by the Smart Server launch. According to Management, the initial sales have gone well with more than 700 servers in operation after only a couple of months. iWeb also recently reported record revenues for FY10. We are expecting iWeb’s revenues to increase 24% to \$36M in FY11 with Net Income of \$1.0M or \$0.04 per share.

iWeb is undervalued currently trading at an EV/Sales multiple of 1.3x FY11 revenues and EV/EBITDA of 4.5x. We rate iWeb with a **BUY** recommendation (**SPECULATIVE** risk rating) and a **12-month target price of \$1.25**.

Pardeep S. Sangha

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Peer1 Network Enterprises Inc. (T-PIX) – Peer1 finished the quarter up 9.9% driven by strong demand for its new Toronto datacenter and the Company reporting solid results for Q1FY11 (Sept.). Peer1 announced that it was accelerating the build-out of the remaining sections of the Toronto datacenter. Now that the Company has access to \$100M credit facility, we are expecting the Company will announce a major expansion of its UK datacenter in the coming months. We believe the current strong demand for the Company’s services justifies the additional capital spend in its Toronto datacenter and in UK.

We have increased our **12-month target price to \$2.10 from \$2.00** as a result of higher revenue and EBITDA estimates for FY12 based on the completion of the Toronto datacenter POD’s and accelerating growth in UK. We rate Peer1 with a **BUY** recommendation and an **ABOVE AVERAGE** risk rating.

PNI Digital Media Inc. (V-PN, U-PNWIF) – PNI achieved its first profitable year in FY10 ending September 30, 2010 as a result of margin improvements and cost reductions. However, revenue growth for the year was slightly lower than we expected. We have reduced our FY11 estimates to revenues of \$29M with \$9.3M EBITDA and \$0.14 EPS. As the Company continues to generate strong margins and positive cash flows, we are forecasting impressive EBITDA margins of 32% in FY11 and 36% in FY12.

We currently have a **BUY** recommendation on PNI Digital Media with a **12-month target price of \$3.00**, and a **SPECULATIVE** risk rating. Our target price represents an EV/Sales ratio of 2.9x and an EV/EBITDA ratio of 8.1x our FY12 estimates.

Radiant Communications (V-RCN) – Radiant reported breakeven Q3FY10 ending September 30, 2010. Revenue growth was lower than expected, but we are pleased with the Company’s progress with its SureLink Ethernet service. The Company last reported that it has signed up 95 customers generating over \$600K annual recurring revenue. Radiant has deployed SureLink to 30 central offices in Vancouver and Toronto.

We recommend Radiant Communications as a **BUY** with a **12-month target price of \$2.00** and **SPECULATIVE** risk rating. Our target price represents a 0.7x EV/Sales multiple, 7.2x EV/EBITDA multiple and 23x PE multiple of our FY11 estimates.

Tio Networks Corp. (V-TNC) – We believe there is a large network expansion deal pending in early 2011 for Tio. Management is expecting to double Tio’s network to over 60,000 activated locations and its transaction location base to over 20,000 locations in the next six months. We are projecting strong revenue growth of 41% for FY11, and we believe Tio will achieve positive net income in FY11.

We currently have a **12-month target price of \$0.95** for Tio Networks, with a **BUY** recommendation and a **SPECULATIVE** risk rating. Our \$0.95 price target represents an EV/Sales multiple of 0.9x and an EV/EBITDA multiple of 9.2x our FY12 estimates.

TransGaming Inc. (V-TNG) – TransGaming’s share price increased 32% during the quarter due to the expectation that the Company is going to do a commercial launch of GameTreeTV with the first Managed Service Operator (MSO). TransGaming’s management confirmed working with a large European MSO and an official launch will be pending in early 2011.

We currently have a **12-month target price of \$1.40** for Transgaming with a **BUY** recommendation and a **SPECULATIVE** risk rating. We note that TransGaming is a very early stage opportunity with significant growth potential that also faces execution and customer adoption risk.

WebTech Wireless Inc. (T-WEW) – WebTech continues to focus on cutting costs and growing recurring revenues. Cost reduction measures have resulted in \$3.5M savings in annual expenses year to date. We expect the Company will be EBITDAS and Cashflow positive in Q4.

We continue to retain a **BUY** recommendation for WebTech Wireless with a **SPECULATIVE** risk rating, but we have recently reduced our **12-month target price to \$0.70 from \$1.00** due to lower profitability estimates for FY11. Our \$0.70 target price represents a 1.2x EV/Sales multiple of our FY11 forecasts.

TOP PICK: TIO NETWORKS CORP. (V-TNC)

Company Name	Stock Symbol	Recent Price	Market Cap. (Million)	Revenue (Million)			Earnings Per Share (FD)			12-Mos Target Price	Target Return	Stock Rating	Volatility/Risk
				FY09A	FY10E	FY11E	FY09A	FY10E	FY11E				
Absolute Software Corp	T-ABT	\$3.70	\$188	\$53.2	\$64.1A	\$81	(\$0.05)	(\$0.18)A	(\$0.08)	\$6.75	82%	BUY	SPEC
Descartes Systems Group Inc*	Q-DSGX	\$7.04	\$466	US\$66.0	US\$73.8A	US\$99.1	US\$0.32	\$0.36	\$0.42	\$8.00	14%	BUY	ABV
Hemisphere GPS Inc	T-HEM	\$1.05	\$58	US\$53.6	\$59	\$71	(\$0.11)	(\$0.10)	\$0.07	\$1.35	29%	BUY	SPEC
iWeb Group Inc.	V-IWB	\$1.00	\$31	\$23	\$29	\$35	(\$0.00)	\$0.00	\$0.04	\$1.25	25%	BUY	SPEC
Peer 1 Network Enterprises, Inc.	T-PIX	\$1.56	\$217	US\$92.3	US\$97.9A	\$113	US\$0.05	US\$0.02A	\$0.04	\$2.10	35%	BUY	ABV
PNI Digital Media Inc	V-PN	\$1.56	\$53	\$24.4	\$25.4A	\$29	(\$0.05)	\$0.06A	\$0.14	\$3.00	92%	BUY	SPEC
Radiant Communications Corp †	V-RCN	\$0.67	\$11	\$30	\$31	\$37	\$0.01	\$0.00	\$0.11	\$2.00	199%	BUY	SPEC
Tio Networks Corp	V-TNC	\$0.54	\$27	\$21.5	\$27.8A	\$39	(\$0.05)	(\$0.04)A	\$0.01	\$0.95	76%	BUY	SPEC
Transgaming Inc.	V-TNG	\$0.82	\$59	\$3.4	\$3.9A	\$7	(\$0.02)	(\$0.05)A	(\$0.06)	\$1.40	71%	BUY	SPEC
WebTech Wireless Inc.	T-WEW	\$0.42	\$41	\$27	\$43	\$54	(\$0.17)	(\$0.06)	\$0.01	\$0.70	67%	BUY	SPEC

*Adjusted EBITDA per share in place of EPS

† PI Financial Corp. has received compensation for acting as fiscal agent or advisor for the subject company over the preceding 12-month period

Analyst or a member of the Analyst’s household owns shares of the following stocks on the Coverage List: Pardeep Sangha owns shares in Absolute Software Corp.

TIO NETWORKS CORP. (V-TNC)

Rating: BUY; Target: \$0.95

PENDING LARGE DEAL WILL DRIVE GROWTH

Tio Networks is an on-demand processor of financial transactions. The Company provides bill payment, pre-paid debit card and money transfer services from its multi-channel network of over 20,000 endpoint locations. Tio has over 3,000 billers connected to its back-office host. Tio recently reported that it processed 3.6M transactions in the quarter and is approaching 10,000 locations transacting.

We have chosen Tio as our first quarter top pick because we believe there is a large network expansion deal pending in early 2011 that will double the size of the Company's network and drive revenue growth. Management has indicated that they are expecting to grow Tio's overall activated location base to over 60,000 locations and its transacting location base to over 20,000 locations in the next six months. As a result of this deal we are expecting revenues to ramp up in fiscal Q3 (Apr.) and fiscal Q4 (Jul.) leading to an impressive 41% revenue growth for FY11.

Tio Networks recently reported record number of transactions and posted 67% revenue growth for Q1FY11 (ending October 31, 2010). Tio reported revenues of \$8.6M for Q1FY11 compared to \$5.2M in Q1FY10 and Net Loss of \$214K or (\$0.00) per share for the quarter compared to Net Loss of \$674K or (0.01) per share in Q1 last year. Tio processed a record of 3.62 million transactions for Q1FY11 compared to 1.83 million transactions in the same quarter last year, representing an increase of 98% year over year.

We believe Tio Networks is well positioned to achieve 41% revenue growth in FY11 and be profitable. Our estimates for FY11 are for revenues of \$39.1M, EBITDA of \$2.6M and \$0.01 positive EPS. We are anticipating a ramp in revenue in Tio's fiscal Q3 (April) and Q4 (July) quarters due to the additional locations from the new network partner. Our FY12 forecasts are for revenue of \$48.0M, EBITDA of \$4.8M, and \$0.06 EPS.

We like Tio Networks because the Company continues to expand its network footprint and has been executing on its growth strategy with strong revenue growth. Tio Networks has a scalable business model as the Company successfully held its operating expenses flat while increasing its revenues during the year. We believe Tio's share price has not performed over the past 6 months because of investors' concerns over the Company's profitability. However, Tio's growth profile will lead to profitability in FY11, which will raise investor confidence in the Company.

We believe Tio Networks could get acquired in the next 12 to 18 months. Given that the Company will have over 20,000 transacting locations and is generating positive cash flows, we believe Tio Networks will either get acquired or it will become a consolidator in the industry.

We are maintaining our **12-month target price of \$0.95**, with a **BUY** recommendation and a **SPECULATIVE** risk rating. Our \$0.95 price target represents an EV/Sales multiple of 0.9x and an EV/EBITDA multiple of 9.2x our FY12 estimates.

OPINION AND SHARE INFORMATION

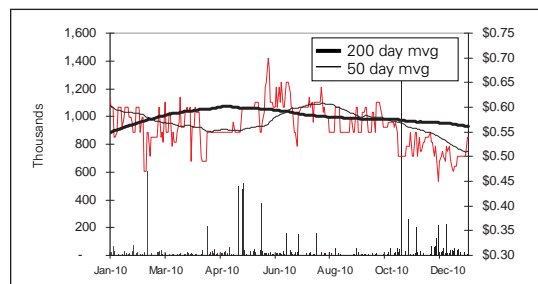
Recommendation:	BUY
Current Price:	\$0.54
Potential Return:	76%
Risk:	SPECULATIVE
52-week High / Low	0.7 / 0.45
Shares Outstanding:	46.4 M (basic) 49.8 M (fd)
Market Capitalization:	26.9 M (fd)
30-Day Avg. Daily Volume:	39,313
Cash & Equivalents:	3.2 M
Long Term Debt:	Nil
Insider Ownership:	19%
CEO:	Hamed Shahbazi

FINANCIAL SUMMARY

(FYE Jul 31st)

	FY09	FY10	FY11e	FY12e
Revenue (\$M)	21.5	27.8	39.1	48.0
EBITDA (\$M)	0.8	0.6	2.6	4.8
Net Income (\$M)	(2.2)	(2.0)	0.6	3.0
EPS	(0.05)	(0.04)	0.01	0.06
Price/Sales	1.3x	1.0x	0.7x	0.6x
EV/Sales	1.1x	0.9x	0.6x	0.5x
EV/EBITDA	29.9x	39.8x	9.2x	4.9x

Quarterly (FY11):	Q1	Q2e	Q3e	Q4e
Revenue (\$M)	8.6	8.8	10.6	11.1
EPS	(\$0.00)	(\$0.00)	\$0.01	\$0.01



COMPANY DESCRIPTION

Tio Networks Corp. is an on-demand processor of financial transactions. The Company provides bill payment, pre-paid debit card and money transfer services from its multi-channel network of over 20,000 endpoint locations.

SECTOR OVERVIEW

The S&P/TSX Capped Industrials Index rose by 5.0% in Q410 trailing the broader S&P/TSX Composite Index which returned 8.7%. In 2010 the Capped Industrials Index rose 14.1%, generally in line with the Composite Index which rose 14.4%. While much of the strength in the broader Composite including in Q410 was driven by increases in commodity prices, many of the Industrials and particularly Transportation related names benefited from improvement in sentiment driven by expectations among investors of a cyclical recovery being underway. Top movers in Q410 included Transforce Inc. (T-TFI), up 20.7% followed by our top pick for the quarter Air Canada (T-AC.B) which was up 19.8%. Air Canada was added to the S&P/TSX Composite as well as Capped Industrials and Transportation indices in December of 2010.

2011 OUTLOOK

With economic sentiment continuing to slowly improve we expect to see more moderate appreciation in some of the more cyclical names in the Transportation sector as we believe expectations for a recovery and higher future earnings are reflected more in current earnings estimates and share prices than they had been previously. Nevertheless, we still expect to see further appreciation in share prices driven by ongoing demand data and the reporting of financial results. To date, industry fundamentals have continued to behave as expected exhibiting strong growth, a trend we believe will continue through 2011, although year over year comparables will be tougher to lap.

One trend that has been developing since Q409 has been the resurgence in merger and acquisition activity that had stopped with the collapse of credit markets in 2008. Current corporate balance sheets among US and Canadian companies continue to be cash-rich reaching historical levels of available funds that can be used to fund acquisition growth as well as to support further capital investments. In response, a number of capital equipment manufacturers including in aerospace have announced significant production rate increases as they become more confident in their order backlogs and outlooks. We expect demand for goods in the public sector including defense and infrastructure will continue to be impacted by pressures on budgets, although demand remains strong particularly in transportation. While we are mindful of the condition of US local state and municipal funding we believe requirements for replacement demand and specific military programs will remain fully funded.

COVERAGE LIST OVERVIEW

Air Canada (T-AC.A; T-AC), our Industrials & Transportation Top Pick for Q410, was the second best performer of all the Top Pick selections for the quarter. Air Canada finished the fourth quarter with a gain of 19.8%, outperforming the S&P/TSX Transportation index which was only up 2.7%. During the quarter, the Company announced record Q310 results consistent with our outlook for a recovery in demand, was added to a number of key share indexes including the S&P/TSX Composite and saw an increase in its float with the well-received sale of 44M shares to public markets by former parent ACE Aviation Holdings (T-ACE.B). In 2010, Air Canada share prices have risen 161.4% driven by an improved balance sheet, the economic recovery and also improvements in earnings supported by the Company's Cost Transformation Program. We believe long-term prospects for Air Canada are tied to the Company's ability to reduce operating costs, providing for sustainability through demand cycles. To date, the Company has delivered results slightly ahead of guidance and we expect they will be able to meet their goal of \$530M in savings and revenue enhancements on a run rate basis by the end of 2011.

We maintain a **BUY** recommendation on Air Canada with a **12-month target price of \$5.50** and a **SPECULATIVE** risk rating. Our target price represents an EV/EBITDAR multiple of 4.75x our 2011e EBITDAR estimate.

Bombardier (T-BBD.B) – During the quarter we initiated coverage of Bombardier Inc., a global leader in the manufacture of transportation equipment. Since its founding in the 1940's, the Company has continued to evolve into the world's largest provider of passenger rail equipment and services and the third largest aerospace civil original equipment manufacturer. Our outlook for Bombardier is predicated on our belief that we are at an inflection point in the Company's aerospace division supported by the much more stable and backlog driven transportation segment. We also believe the Company's decision to launch the CSeries family of aircraft has the potential to transform Bombardier's aerospace division. We believe a number of catalysts including future CSeries orders and an improvement in sentiment regarding demand for business and regional aircraft will lead to higher shares prices. We also are more bullish than current consensus estimates for the Company's ability to deliver higher cash flows and earnings in Q4F11, expected to be reported March 31. We are making Bombardier our Top Pick for Q111.

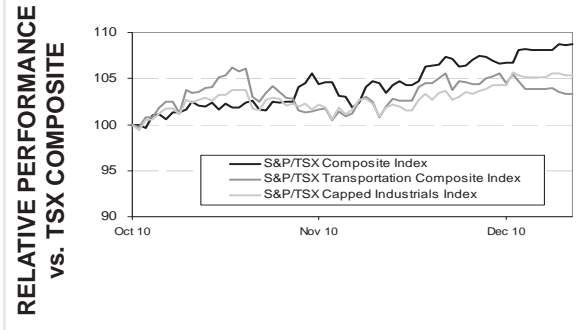
We have a **BUY** rating and **12-month target price of C\$7.00** with an **ABOVE AVERAGE** risk rating for Bombardier shares. Our target price is based on the average of a 6.5x EV/EBITDA multiple and a 14.0x multiple of our 2011e FD adjusted earnings. Our price target is based on our forward valuation period of the four quarters ending October 2012 as well as a C\$/US\$ exchange rate of par.

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WestJet Airlines Inc. (T-WJA) – WestJet represents an attractive investment opportunity for investors seeking growth as it remains in our opinion one of the best airlines in the world from both an operational and financial perspective. During the quarter the Company announced its inaugural dividend of \$0.05 paid quarterly as well as a normal course bid to acquire shares in the market. We believe concerns about excess cash at the Company, which reached 49% of trailing revenues as of Q310, had been weighing on share prices, which we believe had been overshadowing the Company’s operating performance. With these announcements, share prices increased by 17.4% in the quarter and are up 13.6% during the year. While WestJet’s performance trailed a number of comparable airlines through 2010 we believe the Company’s demonstration of growth initiatives this past year including the creation of a loyalty program and the signing of a number of interlining agreements as well as the expansion of WestJet Vacations bodes well for the upcoming year. We believe the Company is open to further reviewing distribution policies and further share buybacks in order to bring cash to a target of 35% of trailing revenues while continuing to remain strongly free cash flow positive.

We maintain a **BUY** rating and a **12-month target price of \$17.00** for WestJet with an **ABOVE AVERAGE** risk rating. Our target price is based on a 5.75x EV/EBITDAR multiple of our 2011e EBITDAR and a 15x multiple of our 2011e FD EPS as well as a comparison to our DCF analysis.

New Flyer Industries (T-NFI.UN) – New Flyer Industries is one of the lower volatility names in our coverage list offering investors a sustainable C\$1.17 per year distribution unit at least mid 2012. The Company’s units are structured as an income deposit security (IDS) consisting of one common share stapled to C\$5.53 face of 14% debentures. The unique structure of the IDS is not subject to the implementation of 2011 SIFT rules offering yield oriented investors a stable longer-term income stream than other comparable trusts. The Company’s Q310 results were in-line with our expectations however management remains conservative in their outlook for line entry rates leading to a reduction in our estimates for 2011 and 2012. The Company’s backlog continues to strengthen to \$3.8B at Q310. During the quarter the Company captured 59% of available orders in the market, well above its historical market share of approximately 40%, driven mainly by being able to offer more advanced products, including articulated models and its new Xcelsior design. We believe the outlook for New Flyer share prices will be tied to concerns surrounding the state of local US state and municipal finances. While we believe caution is warranted, we still continue to see pent-up demand and building demand for the Company’s products leading to book to bill ratios above 1.0x this year.

We maintain a **BUY** rating with an **AVERAGE** risk rating and a **12-month price target of C\$13.50**. Our price target is based on our sum-of-parts valuation methodology which values the equity component of the IDS at 6.0x our valuation period ending September 2012 and the debt component at a yield to call in August 2012 of 4.2%.

Vector Aerospace (RNO-T) – While Vector Aerospace reported Q310 results ahead of our estimates leading to slight increases in our earnings estimates and price target, the most important news was the announcement of a strategic review by the Company, which includes a potential sale as the Company indicated it has received interest from “a number of parties”. The disclosure of interest in purchasing Vector comes as little surprise to us as we have long maintained the Company’s share price did not adequately reflect the Company’s earnings power and future growth opportunities, with the primary reason for the discount in our opinion related to a deadlocked and at times dysfunctional board. With the disclosure Vector shares had a very strong Q410 up 36.8% and 54.3% for 2010. We believe our current price target reflects the minimum value on a going concern basis although should a transaction take place we expect to see tender prices in excess of our target price based on comparable acquisition metrics.

We have a **BUY** rating for Vector shares with a **12-month target price of \$10.25** and an **AVERAGE** risk rating. Our target price is based on the average of a 6.0x EV/EBITDA multiple of our 2011e EBITDA and a 12.0x multiple of our 2011e FD adjusted earnings.

Northstar Aerospace (T-NAS) – During the quarter Northstar also announced a strategic review which could take a number of forms. Northstar also represents an interesting acquisition candidate in our mind given its participation on a number of key US defense platforms including CH47 Chinook and Apache AH64 programs. With a substantial backlog and proprietary technology related to face-gear technology, we would expect Northstar to be of interest to a number of manufacturing or financial firms that could leverage this exposure. With the announcement share prices increased by 15% during Q410, and were up 100% in 2010, supported by a revitalized balance sheet and improved shipping performance.

We maintain a **BUY** rating and a **12-month target price of C\$3.50** with an **ABOVE AVERAGE** risk rating. Our target price is based on the average of a 5.75x EV/EBITDA multiple of our 2011e EBITDA, a 12.0x multiple of our 2011e FD adjusted earnings.

TOP PICK: BOMBARDIER (T-BBD.B)

Company Name	Stock Symbol	Recent Price	Market Cap. (Million)	Revenue (Million)			EBITDA* (Million)			12-Mos Target Price	Target Return	Stock Rating	Volatility/Risk
				FY09A	FY10E	FY11E	FY09A	FY10E	FY11E				
Air Canada	T-AC.B	\$3.45	\$1,273	\$9,739	\$10,737	\$11,231	\$679.00	\$1,356.00	\$1,458.00	\$5.50	59%	BUY	SPEC
Bombardier Inc.	T-BBD.B	\$5.01	\$8,790	\$19,721	US\$19,366A	\$17,386	\$1,943.00	US\$1,702A	\$1,505.00	\$7.00	40%	BUY	ABV
New Flyer Industries	T-NFI.UN	\$11.32	\$560	\$1,100	\$1,013	\$1,003	\$100.10	\$104.50	\$108.00	\$13.50	30%	BUY	AVG
Northstar Aerospace Inc.	T-NAS	\$2.30	\$72	\$194	\$200	\$214	\$26.30	\$26.00	\$29.10	\$3.50	52%	BUY	ABV
Vector Aerospace Corp.	T-RNO	\$9.41	\$459	\$566	\$538	\$575	\$62.40	\$67.00	\$76.30	\$10.25	9%	BUY	AVG
WestJet Airlines Ltd.	T-WJA	\$14.07	\$2,154	\$2,281	\$2,594	\$2,912	\$455.80	\$510.30	\$583.40	\$17.00	22%	BUY	ABV

* Adj. EBITDA for New Flyer Industries and EBITDAR for WestJet Airlines and Air Canada.
Analyst or a member of the Analyst's household owns shares of the following stocks on the Coverage List: none

BOMBARDIER INC. (T-BBD.B)

Rating: BUY; Target: \$7.00

Switching Gears to the Capital Equipment Space

Bombardier Inc. (T-BBD.B) is a global leader in the manufacture of transportation equipment. Since its founding in the 1940's, the Company has continued to evolve into the world's largest provider of passenger rail equipment and services and the third largest aerospace civil original equipment manufacturer. Bombardier divides its operation into two main businesses, aerospace (BA) and rail transportation (BT).

Between F2006 and F2009, Bombardier grew revenues and earnings before the downturn in F2010 saw revenues flatten and earnings tumble as a result of a significant downturn in the BA segment. Despite the downturn, F2010 and F2011 earnings are still well above earlier levels. We expect earnings to trough this year as BA works through the bottom of the aerospace order cycle. We expect earnings growth will occur in both segments, although the drivers are unique.

BA offers investors exposure to a cyclical recovery while BT provides a stable base for the Company to grow. BT gives Bombardier a stable, transparent source of earnings and cash flow, which provides a needed offset to BA. While BA has the potential to deliver substantially higher revenue growth and earnings expansion than BT, we expect it will remain a heavy user of cash through at least F2014 and presents more uncertainty due to timing of a recovery in commercial and business aircraft sales. Conversely, BT provides excellent transparency into future earnings due to its large backlog which stood at \$32.7B at Q3F11 and we expect will continue to grow. We expect the markets served by Bombardier will continue to remain healthy at least until the end of the decade. BT is very well positioned to take advantage of demand for public transportation equipment and infrastructure taking place in the BRIC countries. The Company has recently won, or is actively bidding substantial projects in China, Brazil and India and has established a solid footprint to date in these countries.

We are making Bombardier our top pick for the quarter as we believe we are at an inflection point in the Company's aerospace division supported by the much more stable and backlog driven transportation segment. We expect that a number of catalysts including future CSeries orders and an improvement in sentiment regarding demand for business and regional aircraft may materialize in short order. We also are more bullish than current consensus on expectations for the Company's ability to deliver higher cash flows and earnings in Q4F11, expected to be reported March 31. We also believe a shift to the capital equipment space may be warranted as we believe expectations for a potential recovery have transformed to being in a recovery where the manufacturing and capital equipment space stands to outperform other industrials.

We recommend Bombardier shares with a **BUY** rating and **12-month target price of C\$7.00** with an **ABOVE AVERAGE** risk rating. Our target price is based on the average of a 6.5x EV/EBITDA multiple and a 14.0x multiple of our 2011e FD adjusted earnings. Our price target is based on our forward valuation period of the four quarters ending October 2012 as well as a C\$/US\$ exchange rate of par.

OPINION AND SHARE INFORMATION

Recommendation:	BUY
Current Price:	\$5.01
Potential Return:	40%
Risk:	ABOVE AVERAGE
52-week High/ Low:	6.24 / 4.25
Cash Yield:	2.0%
Shares Outstanding:	1,752.7M (basic) 1,754.5M (fd)
Market Capitalization:	C\$8,781M
Market Float:	1,487M
3-Month Avg. Daily Volume:	5,311,090
Net Debt (MRQ):	\$1,415M
Enterprise Value:	C\$10,631M

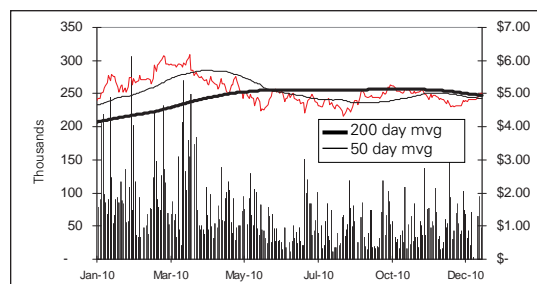
FINANCIAL SUMMARY

(FYE Jan 31)

	F2010	F2011e	F2012e	2013e
Revenue (\$M)	19,366	17,386	19,669	21,881
EBITDA (\$M)	1,702	1,505	1,668	1,995
Adjusted FD EPS	\$0.39	\$0.39	\$0.41	\$0.55

EBITDA (\$M)	Q1	Q2	Q3	Q4
F2010	406	473	398	425
F2011	334	311	348	512
F2012	430	387	382	469

Adjusted FD EPS	Q1	Q2	Q3	Q4
F2010	\$0.09	\$0.11	\$0.09	\$0.10
F2011	\$0.08	\$0.08	\$0.08	\$0.15
F2012	\$0.11	\$0.09	\$0.09	\$0.12



COMPANY DESCRIPTION

Bombardier Inc. is a global manufacturer of aerospace and rail transportation equipment and services.

Disclosure Fact Sheet

Ratings

BUY : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.

NEUTRAL : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

SELL : recommendation: stock is expected to decline from its current price level at least 10-20% in the next 12 months.

U/R : Under Review

N/R : No Rating

Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance stocks that are rated Speculative must be expected to appreciate at the high end of the range of 10-20% over a 12-month period.

Price Volatility / Risk

SPECULATIVE : The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.

ABOVE AVERAGE : Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.

AVERAGE : Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility/Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

Analyst Certification

I, Sheila Broughton, Chris Murray, Pardeep Sangha, Alistair Toward and Jason Zandberg, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this report. I am the research analyst primarily responsible for preparing this report.

Research Disclosures

Company	Disclosure	Particulars
Arsenal Energy Inc.	3	
Bombardier Inc.	None	
Rocky Mountain Dealerships Inc.	None	
SunOpta Inc.	None	
Tio Networks Corp.	None	

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- 4) PI Financial Corp. and/or its affiliates expect to receive or intend to seek compensation for investment banking services from all companies under research coverage within the next 3 months.
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- 7) A member of the research analyst's household serves as an officer, director or advisory board member of the subject company.
- 8) PI Financial Corp. and/or its affiliates makes a market in the securities of the subject company.
- 9) Company has partially funded previous analyst visits to its projects.
- 10) Additional disclosure:

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The attached summarizes PI's analysts review of the material operations of the attached company(s).

Analyst	Company	Type of Review	Operations / Project	Date
Alistair Toward	Arsenal Energy Inc.	Management Mtg	Calgary AB	12/10
Chris Murray	Bombardier Inc.	Site Visit / Management Mtg	Henningsdorf Germany	10/10
Jason Zandberg	Rocky Mountain Dealerships	Management Mtg	Vancouver BC	10/09
Sheila Broughton	SunOpta Inc.	Management Mtgs	Vancouver BC	09/10
Pardeep S. Sangha	Tio Networks Corp.	Management Mtg	Vancouver BC	12/10

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Global Stock Distribution

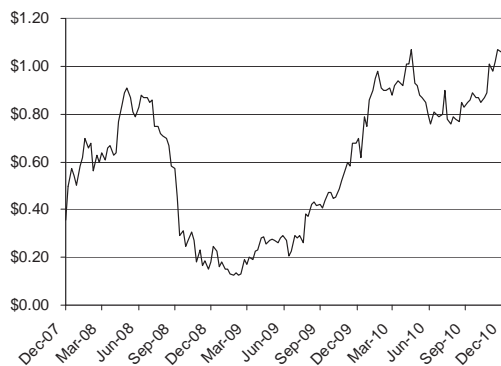
Recommendations	Number of Recommendations	Percentage
BUY	36	92.11%
NEUTRAL	2	5.13%
SELL	1	2.56%
U/R	0	0.00%
N/R	0	0.00%
TOTAL	39	

Stock Rating and Target Changes

For reports that cover more than six subject companies, the reader is referred to our corporate web site for information regarding stock ratings and target changes. www.pifinancialcorp.com (Research: Research and Conflict Disclosure)

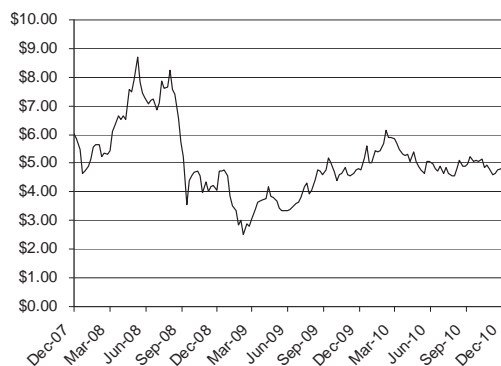
*** To calculate Top Pick performance we assume an equal weighted purchase of each of our recommendations. Top Picks are sold at the end of each quarter and the total proceeds are reinvested equally in each of our new Top Picks for the next quarter. Transaction fees are not included. The S&P/TSX Composite index is calculated based on a market capitalization weighting versus our Top Picks performance which uses an equal weighted percentage change.**

Stock Rating and Target Changes (cont'd)



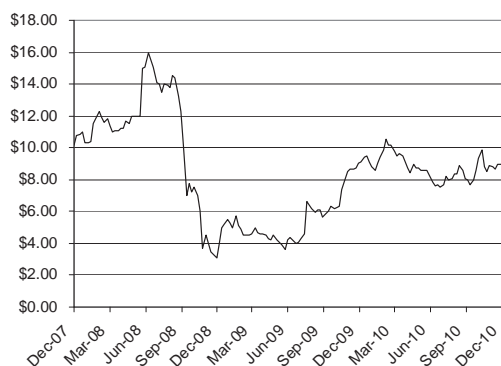
Arsenal Energy Inc. (Initiated Coverage Dec 14/10)

Date	Rating Change	Target Change	Share Price
Dec 14/10	Buy	\$1.45	\$1.03



Bombardier Inc. (Initiated Coverage: Nov 4/10)

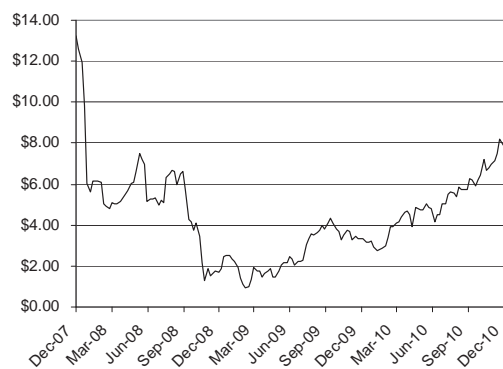
Date	Rating Change	Target Change	Share Price
Nov 4/10	Buy	C\$7.00	C\$5.03



Rocky Mountain Dealerships (Initiated coverage: Oct 14/09)

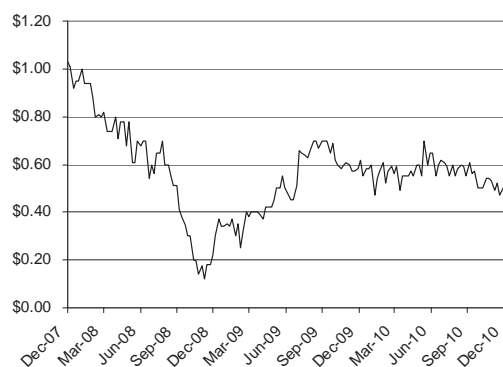
Date	Rating Change	Target Change	Share Price
Dec 10/10	Buy	\$11.00 to \$11.50	\$8.42
Nov 10/10	Buy	\$11.50 to \$11.00	\$9.31
Aug 11/10	Buy	\$12.00 to \$11.50	\$8.24
Jun 8/10	Buy	\$11.50 to \$12.00	\$8.60
Jun 3/10	Buy	\$11.00 to \$11.50	\$8.69
Feb 16/10	Buy	\$10.00 to \$11.00	\$9.05
Nov 10/09	Buy	\$9.00 to \$10.00	\$6.44
Oct 27/09	Buy	\$8.50 to \$9.00	\$6.20
Oct 14/09	Buy	\$8.50	\$6.16

Stock Rating and Target Changes (cont'd)



SunOpta Inc. (T-SOY; Q-STKL) (Initiated Coverage Mar 30/10)

Date	Rating Change	Target Change	Share Price
Dec 14/10	Buy	US\$7.75 to US\$9.25	US\$7.74
Nov 8/10	Buy	US\$7.00 to US\$7.75	US\$7.19
May 14/10	Buy	US\$6.00 to US\$7.00	US\$4.81
Mar 30/10	Buy	US\$6.00	US\$4.17



Tio Networks Corp. (Initiated Coverage Sep 11/07)

Date	Rating Change	Target Change	Share Price
May 17/10	Buy	\$0.85 to \$0.95	\$0.55
Jul 21/09	Buy	\$0.65 to \$0.85	\$0.46
Mar 20/09	Buy	\$0.45 to \$0.65	\$0.45
Nov 17/08	Buy	\$1.10 to \$0.45	\$0.195
Sep 19/08	Buy	\$1.50 to \$1.10	\$0.55

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