MANAGEMENT'S DISCUSSION AND ANALYSIS

Cervus Equipment Corporation

For the period from January 1, 2010 to September 30, 2010

The following Management's Discussion & Analysis ("MD&A") was prepared as of November 10, 2010 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or "Company") financial performance for the three and nine month periods ended September 30, 2010 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying interim unaudited consolidated financial statements for the period ended September 30, 2010 and the notes contained therein. The accompanying interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and Cervus' reporting currency is the Canadian dollar. Cervus' shares trade on the TSX Venture Exchange under the symbol "CVL".

Additional information relating to Cervus is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at www.sedar.com.

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. This MD&A also makes reference to certain non-GAAP financial measures to assist users in assessing Cervus' performance. Non-GAAP financial measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures

Overview of Cervus

Cervus is a diversified corporation and has historically operated in two separate business segments, an agricultural equipment segment and a construction and industrial segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of 22 John Deere dealerships with 15 in Alberta, Saskatchewan and British Columbia and 6 in New Zealand. The construction and industrial equipment segment consists primarily of 15 dealerships, 5 Bobcat and JCB dealerships operating in Alberta and 10 Clark, Sellick, Nissan and Doosan material handling equipment dealerships operating in Alberta, Saskatchewan and Manitoba. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP and Cervus Contractors Equipment LP, together with 100% of the outstanding and issued shares of their respective general partners, Cervus GP Ltd., Cervus AG Equipment Ltd. and Cervus Construction Equipment Ltd. and 60.3% of Agriturf Limited, a New Zealand company and its 100% interest in its subsidiary, Agriturf Rental and Leasing Limited. The investment in Agriturf has been consolidated in the results of Cervus and a minority interest has been reported for the 39.7% ownership interest of unrelated parties. In addition to the aforementioned subsidiaries, Cervus owns a 20% interest in Maple Farm Equipment Partnership in Saskatchewan and Manitoba that is comprised of 7 John Deere dealerships. The cash flow of Cervus is primarily dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of the LP's to Cervus by means of partnership allocations.

Note Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking statements". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus or a third party expects or anticipates will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Business Risks" and elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

In our 2010 second quarter MD&A we discussed that Cervus expects to make quarterly dividend payments to its shareholders of $0.18 per common share. On October 15, 2010, a dividend payment was made to the shareholders of record as of September 30, 2010. At this time, there is no reason to believe that the quarterly dividend will be changed for the remainder of 2010, however the payments of dividends is always subject to certain risk (see "cautionary note regarding dividends").

In the Market Outlook section of our December 31, 2009 MD&A, we discussed that the Association of Equipment Manufacturers ("AEM") is expecting to see a 4.9% decrease in agricultural equipment sales. Based on AEM's September 2010 Flash Report Canada Unit Retail Sales, agricultural equipment unit sales have decreased 0.7% year to date.

We also discussed that AEM was estimating that sales for the construction and industrial equipment segment in Canada would increase by 6.5% in 2010 and that Canada Mortgage and Housing Corporation ("CMHC") was estimating growth of 22% for new construction starts in Alberta for 2010. Based on AEM's year-to-date September statistics for construction equipment unit sales of our related products, the industry has experienced an increase of 17% when compared to 2009. CMHC's Housing Market Outlook for the third quarter of 2010 indicates that total housing starts will remain positive in Alberta with an expected increase of 40.1% for 2010.

Market Outlook

(see "Note Regarding Forward-Looking Statements")

Agricultural equipment

The most recent data from AEM regarding Canada Unit Retail Sales for new agricultural equipment sales for the first nine months of the year is showing total farm tractors unit sales have decreased by 1.2% and self-propelled combine sales have increased by 4.3% from the same period in 2009. This appears to be consistent with the Company's first nine months of 2010 results for harvest equipment which are only slightly behind AEM's reported results. However farm tractor sales are ahead of AEM reported results on strong demand, primarily in Saskatchewan.

As discussed in our second quarter market outlook section, significant rainfall experienced in western Canada during the spring planting season has had an overall effect on crop production and crop quality. Agriculture and Agri-Food Canada has reported in its October 2010 outlook that the production of grains and oilseeds and pulse and special crops are expected to decrease by approximately 10% to11% and average crop quality is expected to be lower than normal due to the late harvest caused by the delay in spring planting. However, the decrease in production and quality is being somewhat offset by an increase in prices in the commodities market. Based on a comparison of October 2010 and 2009 listed commodity prices, our customer's primary production crops, cattle and hog markets have increased by between 20% to 30% which may offset reduced revenues from lower production and quality.

Construction and industrial equipment

In their third quarter 2010 Housing Market Outlook, CMHC is forecasting for Alberta, a 40.1% increase in housing starts for 2010 when compared to 2009 and a further increase of 7.3% for 2011 when compared to 2010. Though the increase is positive, the housing starts still continue to be well below the 2006 and 2007 levels experienced in Alberta.

The economic indicators above suggest that the segment is rebounding from the lows experienced in 2009 and new equipment sales appear to be increasing with the pace suggested by AEM above, however this increase is slower than originally anticipated. We continue to believe that it will take more time for our customers to gain confidence in the economy and this, combined with our understanding that there are excess levels of idle construction equipment in the market may delay this segments recovery into the 4th quarter of 2010 and 2011.

Overall

As described above, though market indicators suggest that the market bottom may be behind us in the construction and industrial segment, customer confidence and cautious attitudes remain in both of our operating segments and have impacted our results for the first nine months of 2010 when compared to 2009. Improved commodities pricing, combined with improved confidence in both the agricultural and construction and industrial equipment segments will play a large part in our results in the 4th quarter of 2010 and through the 2011 fiscal period. Our success will continue to be measured by the growth of our current business through improving our overall market share, satisfying our customer's needs, managing expenditures and the pursuit of acquisitions that are accretive to our shareholders (see "Note Regarding Forward-Looking Statements").

Highlights of the Quarter

- Gross revenue increased by $43.3 million or by 36% to $164.5 million for the third quarter of 2010 over $121.2 million reported in the third quarter of 2009.
- Gross revenue increased by $32.5 million on a same store basis ($30.1 million or 33.6% for our agricultural equipment segment and $2.4 million or 16.3% for our construction and industrial equipment segment).
- Cervus completed its acquisition of a 60.3% equity interest in a foreign subsidiary, Agriturf Limited ("Agriturf"), a New Zealand corporation for an approximate purchase price of CDN$2.74 million (NZ$3.75 million).

Overall Performance

During the three month period ended September 30, 2010, revenue increased by $43.3 million ($30.5 million for our agricultural equipment segment and $12.8 million for our construction and industrial equipment segment) to $164.5 million compared to $121.2 million for the same period of 2009, an increase of 36%. The primary reason for the increase in gross revenue was due to the January 2010 acquisition of A.R. Williams Materials Handling Ltd. ("ARW"), the September 2009 purchase of Ranchers Supply Inc. ("Ranchers") and the July 2010 purchase of our foreign subsidiary, Agriturf Limited ("Agriturf") and was offset by a decrease in gross revenue from the Company's contribution of two John Deere dealerships in Russell, Manitoba and Moosomin, Saskatchewan that were exchanged for a 20% partnership interest in Maple Farm Equipment Partnership ("Maple") in January 2010. In the three month period ended September 30, 2010 when compared to the same period of 2009, same store sales in our agricultural equipment segment increased by $30.1 million or 33.6% and in our construction and industrial equipment segment, increased by$2.4 million or 16.3%.

For the three month period ended September 30, 2010, gross margin decreased by 1.8% to 17.4% when compared to 19.2% for the same period of 2009. The decrease in our overall gross margin was primarily a result of a decrease in our agricultural equipment segment which decreased to 15.1% for the three month period ended September 30, 2010 when compared to 18.7% for the same period of 2009. This was offset by an increase in our gross margin for our construction and industrial equipment segment of 6.3% to 29.1% for the three month period ended September 30, 2010, compared to 22.8% for the same period of 2009. The primary reason for the increase in the construction and industrial equipment segment's gross margin was due to a change in the sales mix as a result of the acquisition of ARW in January 2010.

Our combined selling, general and administrative expenses have decreased to 10.5% of revenue for the three month period (13.5% for the nine month period) ended September 30, 2010 when compared to 11.3% (13.0%) for the same periods of 2009. The decrease in selling, general and administrative expenses as a percentage of sales is primarily due to increased revenue, lower commission expenses on decreased margins in the agriculture equipment segment.

In addition, during the three month period ended September 30, 2010, the Company generated $7.3 million or $0.52 per basic share in cash flows from operating activities when compared to using $17.1 million or $1.21 per basic share for the same period in 2009. During the nine month period ended September 30, 2019, the Company generated $9.2 million or $0.64 per basic share in cash flows from operating activities when compared to $4.8 million or $0.34 per basic share for the same period in 2009. Cash flows from operating activities decreased in the three month period and increased in the nine month period ended September 30, 2010 when compared to the same periods of 2009 primarily as a result of changes in our non-cash working capital items which vary significantly from quarter to quarter based on accounts receivable outstanding (primarily from contracts in transit) and from the changes in inventory financing related to floor plans.

Net earnings for the three months ended September 30, 2010 increased by $1.9 million to $10.7 million or $0.75 per basic share with the agricultural equipment segment contributing $9.1 million ($0.64 per basic share), an increase of $800 thousand from 2009 and the construction and industrial segment contributing $1.6 million ($0.11 per basic share), an increase of $1.2 million from 2009. The primary reason for the increase in net earnings during the three month period ended September 30, 2010 was a result of delayed sales activity experienced in our agriculture equipment segment and from earnings reported in our construction and industrial equipment from our acquisition of ARW in January 2010. Net earnings for the nine month period ended September 30, 2010 decreased by $2.8 million to $14.9 million or $1.05 per basic share from $17.7 million or $1.26 per basic share. The primary reason for the decrease in net earnings for the first nine month of 2010 when compared to 2009 was due to the reduction in overall gross profit margin.

EBITDA (see "Non-GAAP Financial Measures") increased by $3.3 million to $13.4 million ($0.95 per basic share) for the three month period ended September 30, 2010 when compared to $10.1 million ($0.71 per basic share) for the same period of 2009. The increase is due primarily to an increase in net earnings of both operating segments and increases in depreciation and amortization and interest expense due to the ARW business acquisition. During the nine month period ended September 30, 2010, EBITDA increased by $362 thousand to $22.2 million ($1.57 per basic share) from $21.8 million ($1.55 per basic share) for the same period of 2009. The primary reason for the nominal change in EBITDA for the nine month period compared to the three month period ended September 30, 2010 was due to the reduction in year to date earnings when compared to the prior year but offset by the increases reported in depreciation and amortization and interest expenses.

Selected Quarterly Information

$ thousands, except per unit amounts	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	% change	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	% change
Revenues	164,461	121,195	35.7	359,589	293,237	22.6
Gross profit	28,687	23,264	23.3	66,149	56,449	17.2
Gross margin	17.4%	19.2%	(9.4)	18.4%	19.3%	(4.7)
Net earnings	10,679	8,744	22.1	14,915	17,749	(16.0)
Per share - Basic	0.75	0.62	21.0	1.05	1.26	(16.7)
Per share - Diluted	0.74	0.61	21.3	1.03	1.24	(16.9)
Cash provided by (used in) operating activities	7,319	17,073	(57.1)	9,165	4,846	89.1.
Per share – Basic	0.52	1.21	(57.0)	0.64	0.34	88.2
EBITDA1	13,406	10,076	33.0	22,211	21,849	1.7
EBITDA margin1	8.2%	8.3%	(28.9)	6.2%	7.5%	(17.3)
Per share – basic	0.95	0.71	33.8	1.57	1.55	1.3
Dividends declared to preferred shareholders	80	-	100.0	238	-	100.0
Dividends declared to common shareholders	2,552	2,542	0.4	7,649	7,607	0.6
Per share	0.18	0.18	-	0.54	0.54	-
Weighted average shares outstanding						
Basic	14,176	14,117	0.4	14,158	14,081	0.5
Diluted	14,517	14,361	1.1	14,505	14,339	1.2
Actual common shares outstanding				14,178	14,130	0.3
Closing market price per common share				11.60	9.27	25.1
Total assets				279,129	173,944	60.5
Long-term liabilities				68,217	2,596	2,527.8
Total liabilities				164,595	72,469	127.1
Shareholders' equity				114,534	101,475	12.9
Net book value per share - diluted				7.90	7.08	11.6

Notes:
1) These financial measures are identified and defined under the section "Non-GAAP Financial Measures".

Results of Operations

Revenues

$ thousands	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	% change	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	% change
Revenues by segment:						
Equipment	115,339	86,558	33.3	233,071	203,849	14.3
New	*68,264*	*47,087*	*45.0*	*146,846*	*124,632*	*17.8*
Used	*47,075*	*39,471*	*19.3*	*86,225*	*79,217*	*8.8*
Parts	14,118	13,853	1.9	29,360	29,103	0.9
Service	7,113	6,148	15.7	17,033	15,461	10.2
Rental and other	605	123	391.9	1,000	284	252.1
Agricultural equipment	**137,175**	**106,682**	**28.6**	**280,464**	**248,697**	**12.8**
Equipment	15,170	8,683	74.7	44,329	27,322	62.2
New	*12,753*	*7,293*	*74.9*	*37,582*	*22,084*	*70.2*
Used	*2,417*	*1,390*	*73.9*	*6,747*	*5,238*	*28.8*
Parts	5,653	2,874	96.7	16,327	8,919	83.1
Service	4,276	1,616	164.6	12,664	4,917	157.6
Rental and other	2,187	1,340	63.2	5,805	3,381	71.7
Construction and industrial equipment	**27,286**	**14,513**	**88.0**	**79,125**	**44,539**	**77.7**
Total	**164,461**	**121,195**	**35.7**	**359,589**	**293,236**	**22.6**

Agricultural equipment

Revenue for our agricultural equipment segment increased by $30.5 million ($30.1 million or 33.6% on a same store basis) for the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $31.8 million year to date (same store increased $27.6 million). Same store sales exclude the three dealerships purchased in September 2009 and the two dealerships which were contributed to Maple in exchange for a 20% partnership interest, effective January 1, 2010 and the purchase of Agriturf in July 2010.

New equipment sales increased by $21.2 million (same store increased by $20.2 million or 52.0%) during the three month period ended September 30, 2010 when compared to the same period of 2009 and increased by $22.2 million (same store increased by $17.4 million or 15.9%) year to date. Used equipment sales increased by $7.6 million (same store increased $9.5 million or 28.2%) for the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $7.0 million (same store increased $9.8 million or 14.2%) year to date. During the three month period ended September 30, 2010 when compared to 2009, new equipment sales on a same store basis were higher due to an increase in new harvest equipment when compared to 2009 and same store used equipment sales increased primarily due to higher sales activity surrounding the need for our customers to complete their late harvest activities.

Our parts revenue has increased by $265 thousand (same store decreased $259 thousand or 2.2%) during the three month period ended September 30, 2010 when compared to the same period of 2009 and increased by $257 thousand (same store decreased $664 thousand or 2.6%) year to date. Service revenue increased by $965 thousand (same store increased $352 thousand or 6.7%) for the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $1.6 million (same store $545 thousand or 4.0%) year to date. The overall increase in parts and service sales was directly related to the increase in same store sales activity that requires pre-delivery and re-conditioning work to be performed.

Construction and industrial equipment

Revenue from our construction and industrial segment increased by $12.8 million (same store increased $2.4 million or 16.3%) for the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $34.6 million (same store increased $1.8 million or 3.4%) year to date. The increase in overall revenue is related to the acquisition of ARW in January 2010.

New equipment sales increased by $5.5 million (same store increased $1.8 million or 24.8%) during the three month period ended September 30, 2010 when compared to the same period of 2009 and $15.5 million (same store increased $3.6 million or 16.4%) year to date. Used equipment sales increased by $1.0 million (same store increased $498 thousand or 35.9%) for the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $1.5 million (same store decreased $629 thousand or 12.0%) year to date. AEM reported a 17.0% increase in year over year new equipment sales for directly related equipment categories for 2010 when compared to 2009 in its September market share information statistics and it appears that our new equipment sales are following this trend.

Parts revenues have increased $2.8 million (same store increased $246 thousand or 8.6%) and service revenue has increased by $2.7 million (same store increased $72 thousand or 4.4%) during the three months ended September 30, 2010 when compared to the same period of 2009 and parts revenues have increased $7.4 million (same store decreased $276 thousand or 3.1%) and service revenue has increased $7.7 million (same store decreased $235 thousand or 4.8%) year to date. The increase in the third quarter parts and service revenue when compared to the same period of 2009 was primarily related to the increase in new and used equipment sales which require a certain amount of pre-delivery and re-conditioning work to be completed. The overall decrease in same store parts and service revenue for the nine month period ended September 30, 2010 continues to be related to our customer's hesitation in completing service and repair work until the economy shows a longer period of positive turnaround.

Rental income has increased $847 thousand (same store decreased $260 thousand or 19.4%) for the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $2.4 million (same store decreased $665 thousand or 19.7%) year to date. Same store decrease in rental income continues to be attributed to the reduced need for our customers to utilize additional resources to complete current contracts due to excess construction equipment that is currently not being utilized.

Gross Profit

$ thousands	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	% change	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	% change
Gross profit by segment:						
Agricultural equipment	15.1%	18.7%	(19.3)	15.6%	18.7%	(16.6)
Construction and industrial equipment	29.1%	22.8%	27.6	28.3%	22.4%	26.3
Total	**17.4%**	**19.2%**	**(9.4)**	**18.4%**	**19.3%**	**(4.7)**

Agricultural equipment

Gross profit dollars increased slightly by $790 thousand (same store increased $281 thousand or 1.6%) during the three month period ended September 30, 2010 when compared to the same period of 2009 and decreased $2.7 million (same store decreased $3.9 million or 9.4%) year to date. Combined gross profit margin decreased 3.6% from 18.7% for the three month period ended September 30, 2009 to 15.1% for the same period of 2010 and decreased 3.1% overall year to date.

The most significant factor affecting the combined gross profit margin has been from the segment's equipment sales which have been affected by a combination of equipment pricing fluctuations caused by foreign exchange changes which impacts new equipment margins, the liquidation of used equipment through auction in the second quarter of 2010 and management's aggressive efforts to reduce overall used equipment inventories. The Canadian dollar has appreciated with an average foreign exchange rate that has increased by approximately 11.5% when comparing January to September 2010 to the same period of 2009. This strengthening Canadian dollar has resulted in pressure on selling prices of equipment which has decreased overall margins being realized, especially from used equipment inventories that were purchased when the Canadian dollar was weaker.

Construction and industrial equipment

Gross profit dollars have increased by $4.6 million (same store increased $396 thousand or 12.0%) during the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $12.4 million (same store increased $271 thousand or 2.7%) year to date. The overall increase in gross margin dollars is directly related to the acquisition of ARW. There has also been a significant change in the sales mix and weighted average contribution of our products and services from the acquisition of ARW which has caused higher gross margins on a combined basis.

The most significant impact on same store combined gross margin has been a reduction in new equipment margins caused by competitive market share pressures as well as a decrease in gross margin of our aged new equipment caused by the fluctuation in foreign exchange, which has decreased by approximately 11.5% as explained above. Foreign exchange affects the purchase price of new equipment, which in turn, affects the gross selling price of the segment's aged equipment inventories. However, the reduction in new and used equipment margins has been somewhat offset by an increase in service margin due to increased efficiency from personnel changes made in 2009 that are being experienced throughout fiscal 2010.

Selling, General and Administrative Expenses

	Three Months Ended			Nine Months Ended		
$ thousands	**September 30, 2010**	**September 30, 2009**	**% change**	**September 30, 2010**	**September 30, 2009**	**% change**
Selling, general and administrative expenses by segment:						
Agricultural equipment	11,785	11,014	7.0	30,481	28,458	7.1
Construction and industrial equipment	5,496	2,684	104.8	17,995	9,411	91.2
Total	**17,282**	**13,698**	**26.2**	**48,476**	**37,869**	**28.0**
% of revenue						
Agricultural equipment	8.6	10.3	(16.5)	10.9	11.4	(4.4)
Construction and industrial equipment	20.1	18.5	8.6	22.7	21.1	7.6
Total	**10.5**	**11.3**	**(7.1)**	**13.5**	**13.0**	**3.8**

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $772 thousand (same store decreased by $272 thousand or 2.9%) for the three month period ended September 30, 2010 when compared to the same period of 2009 and $2.0 million (same store decreased $170 thousand or 0.7%) year to date. The increase in selling, general and administrative expenses was primarily caused by the purchase in July 2010 of Agriturf and the September 2009 purchase of Ranchers and offset by the decrease experienced from the disposal of two dealerships to Maple in January 2010.

Construction and industrial equipment

The construction and industrial equipment segment's selling, general and administrative expenses increased $2.8 million (same store increased $80 thousand or 3%) for the three month period ended September 30, 2010 when compared to the same period of 2009 and $8.6 million (same store decreased $377 thousand or 4.0%) year to date. The primary reason for the overall increase in selling, general and administrative expenses was due to the acquisition of ARW and the reduction in same store selling, general and administrative expenses year to date was primarily due to a reduction in administrative personnel costs implemented in 2009 and reduction of bad debts expense.

Depreciation and amortization

$ thousands	Three Months Ended September 30, 2010	September 30, 2009	$ change	Nine Months Ended September 30, 2010	September 30, 2009	$ change
Depreciation and amortization by segment:						
Agricultural equipment	690	500	190	1,749	1,403	346
Construction and industrial equipment	1,188	613	575	3,697	2,006	1,691
Total	**1,878**	**1,113**	**765**	**5,446**	**3,409**	**2,037**

Agricultural equipment

The agricultural equipment segment depreciation and amortization increased by $190 thousand (same store increased $8 thousand) during the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $346 thousand (same store increased $60 thousand) year to date. The primary reason for the increase in depreciation and amortization was due to the business acquisitions made in the third quarter of 2010 and 2009 and offset by a reduction in depreciation and amortization due to the contribution dealerships for a partnership interest in January 2010.

Construction and industrial equipment

The construction and industrial equipment segment reported an increase of $575 thousand (same store decreased $97 thousand) for the three month period ended September 30, 2010 when compared to the same period of 2009 and increased $1.7 million (same store decreased $283 thousand) year to date. The increase in the segment's total depreciation and amortization is due to the acquisition of ARW in January 2010. The decrease in same store depreciation is primarily related to the reduction in depreciation caused from reducing the rental equipment fleet.

Interest

$ thousands	Three Months Ended September 30, 2010	September 30, 2009	$ change	Nine Months Ended September 30, 2010	September 30, 2009	$ change
Interest by segment:						
Agricultural equipment	255	122	133	584	399	185
Construction and industrial equipment	418	97	321	909	292	617
Total	**673**	**219**	**454**	**1,493**	**691**	**802**
% of revenue	**0.4**	**0.2**		**0.4**	**0.2**	

Interest expense is comprised primarily of the Company's financing of its short-term debt for floor-plan financing arrangements and long-term debt related to certain equipment financing arrangements, primarily rental equipment. Floor plan liabilities as a percentage of inventories at September 30, 2010 were 64% and 45% at December 31, 2009 compared to 56% at September 30, 2009 and 53% of inventories at December 31, 2008. Rental equipment financing as a percentage of rental capital assets has increased to 66% at September 2010 when compared to 58% at December 31, 2009 due to the addition of rental fleet equipment from the acquisition of Agriturf in July 2010, ARW in January 2010. In addition, there is an increase in interest expense related to the note payable that financed a portion of the ARW acquisition in 2010.

Income Taxes

As discussed in our 2009 annual MD&A, on October 22, 2009, Cervus LP (the "LP") converted to Cervus Equipment Corporation which resulted in Cervus becoming a taxable publicly traded corporation. Cervus' calculation of current and future income taxes for the three month period ended September 30, 2010 are based on the corporate structure whereas the September 30, 2009 current and future income taxes for the period are based on the LP being a publicly traded limited partnership. As such, no future income tax assets or liabilities have been recognized in prior periods as previously reported taxable income was allocated to the limited partners. As a result of the purchase of ARW, future tax assets were decreased by $1.8 million being the future tax liability accounted for on the acquisition of ARW.

As at September 30, 2010, Cervus has the following tax pools available to be used in future periods:

		($ thousands)
Carrying values in excess of tax values	$	(3,434)
Non-capital losses carry-forward		54,545
Federal investment tax credits		12,910
Capital losses carried forward		19,354
Total estimated future tax asset		83,375
Less: valuation allowance for non-capital and capital losses carried forward		(19,551)
Balance, September 30, 2010	**$**	**63,824**

Net Earnings and comprehensive income

The Company has a foreign subsidiary, Agriturf which upon consolidation, results in unrealized gains (losses) on translation of financial statements of a self-sustaining foreign operation. As a result of the purchase of the 60.3% interest in Agriturf in July 2010, and the resulting consolidation of operations at September 30, 2010, $87 thousand has been recorded as other comprehensive income at September 30, 2010. This translation adjustment is the only difference between net earnings and total comprehensive earnings at September 30, 2010. Net earnings, excluding other comprehensive income for the three and nine month period ended September 30, 2010 are as follows:

	Three Months Ended			Nine Months Ended		
$ thousands	**September 30, 2010**	**September 30, 2009**	**$ change**	**September 30, 2010**	**September 30, 2009**	**$ change**
Net earnings by segment:						
Agricultural equipment	9,095	8,314	781	12,864	17,803	(4,939)
Construction and industrial equipment	1,584	430	1,154	2,051	(54)	2,105
Total	10,679	8,744	1,935	14,915	17,749	(2,834)
% of revenue						
Agricultural equipment	6.6	7.8		4.6	7.2	
Construction and industrial equipment	5.8	3.0		2.6	(0.1)	
Total	6.5	7.2		4.1	6.1	
Net Earnings per unit						
Units outstanding – basic ($ thousands except per unit amounts)	14,176	14,117		14,158	14,081	
Agricultural equipment	0.64	0.59		0.91	1.26	
Construction and industrial equipment	0.11	0.03		0.14	-	
Total	0.75	0.62		1.05	1.26	

The most significant contributing factor to our $1.9 million increase in earnings during the three month period ended September 30, 2010 when compared to the three month period ended September 30, 2009 was the increase in gross revenue which increased $43.2 million during the period. In addition, the acquisitions of Agriturf in September 2010, ARW in January 2010 and Ranchers in September 2009 have contributed to the increase in net earnings.

Net earnings for the nine month period ended September 30, 2010 decreased by $2.8 million when compared to the same period of 2010. The primary reason for the reduction in the year to date earnings was a result of a decrease in gross profit margin, primarily in our agricultural equipment segment. The decrease in gross margin included the results of auction proceeds received in the second quarter of 2009 and also have been affected by foreign exchange due to the strengthening Canadian dollar for the first nine months of 2010 when compared to the same period of 2009.

EBITDA

(See Non-GAAP Financial Measures)

$ thousands, except %	Three Months Ended September 30, 2010	September 30, 2009	$ change	Nine Months Ended September 30, 2010	September 30, 2009	$ change
EBITDA by segment:						
Agricultural equipment						
Net earnings	9,095	8,314	781	12,863	17,803	(4,940)
Add:						
Interest	256	122	134	584	399	185
Income taxes	234	-	234	331	-	331
Depreciation and amortization	691	500	191	1,749	1,403	346
Total	**10,276**	**8,936**	**1,340**	**15,527**	**19,605**	**(4,078)**
% of revenue	**7.5**	**8.3**		**5.5**	**7.9**	
Construction and industrial equipment						
Net earnings (loss)	1,584	430	1,154	2,051	(54)	2,105
Add:						
Interest	418	97	321	909	292	617
Income taxes	(59)	-	(59)	26	-	26
Depreciation and amortization	1,187	613	574	3,698	2,006	1,692
Total	**3,130**	**1,140**	**1,990**	**6,684**	**2,244**	**4,440**
% of revenue	**11.4**	**7.8**		**8.4**	**5.0**	
Total EBITDA	**13,406**	**10,076**	**3,330**	**22,211**	**21,849**	**362**
% of revenue	**8.2**	**8.3**		**6.2**	**7.5**	

EBITDA is used by management to monitor its results and compare its profitability between itself and other entities in its industries. It is primarily used to evaluate potential business acquisitions.

For the three month period ended September 30, 2010, EBITDA increased by $3.3 million but decreased by 0.1% of gross revenue reported for the period when compared to the three month period ended September 30, 2009 and increased $362 thousand but decreased by 1.3% of gross revenue reported year to date. The most significant factor contributing to the increase in EBITDA during the three month period ended September 30, 2010 when compared to the same period of 2009 was the increase in net earnings of both segments and increased interest and amortization costs related to the acquisition of ARW. The EBITDA for the nine month period ended September 30, 2010 when compared to 2009 increased slightly due primarily to the reduction in net earnings of the agricultural equipment segment being offset by an increase in the net earnings of the construction and equipment segment and an increase in the interest and depreciation and amortization costs related to the acquisition of ARW.

It should be noted that no income taxes were reported in 2009 as the previous period's results were reported under a different reporting structure, a Limited Partnership as explained above in the income taxes section.

Summary of Quarterly Results

$ thousands, except per share amounts	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Revenues	164,461	127,927	67,201	84,239
Net earnings (loss)	10,679	5,062	(827)	(573)
Basic earnings (loss) per share	0.75	0.36	(0.06)	(0.04)
Diluted earnings (loss) per share	0.74	0.35	(0.06)	(0.04)
Weighted average shares outstanding				
Basic	14,176	14,162	14,140	14,138
Fully diluted	14,517	14,504	14,473	14,449

$ thousands, except per share amounts	September 30, 2009	June 30, 2009	March 31 30, 2009	December 31, 2008
Revenues	121,195	105,701	66,340	69,790
Net earnings	8,744	7,330	1,675	2,635
Basic earnings per share	0.62	0.52	0.12	0.19
Diluted earnings per share	0.61	0.51	0.12	0.19
Weighted average shares outstanding				
Basic	14,117	14,087	14,040	14,086
Fully diluted	14,361	14,258	14,189	14,147

The financial data shown above has been prepared in accordance with Canadian Generally Accepted Accounting Principles.

Sales activity for the agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand has not materially impacted the above results as the purchase occurred in July 2010. The construction and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter.

Liquidity

$ thousands, except ratio amounts	September 30, 2010	December 31, 2009
Current assets	164,163	134,249
Total assets	279,129	225,845
Current liabilities	96,378	67,160
Long-term liabilities	68,217	59,591
Shareholders' equity	114,534	99,094
Working capital (see "Non-GAAP Financial Measures")	67,785	67,089
Working capital ratio (see "Non-GAAP Financial Measures")	1.7	2.0

Working capital

Our working capital increased slightly by $696 thousand to $67.8 million at September 30, 2010 when compared to $67.1 million at December 31, 2009. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1. The most significant contributing factor to the reduction in working capital was due to the reduction in cash and cash equivalents of $2.6 million for the nine month period ended September 30, 2010 and the net change in working capital items related to the purchase of ARW and the contribution of two John Deere dealerships to Maple in January 2010.

The Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and managing its costs. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions as well as due to the seasonal nature of our business. Cash resources can normally be increased by accessing floor plan monies from unencumbered used equipment inventories. Floor plan financing as a percentage of our inventories are 64% at September 30, 2010 when compared to 45% at December 31, 2009. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year as explained above to fund general operations caused by a reduction in sales activity.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. The Company's contractual obligations at September 30, 2010 are described below.

The Company has available for its current use, $17.0 million of operating credit facilities less $2.4 million for irrevocable letters of credit issued to John Deere and $210 thousand of financial guarantees provided for which $1.3 million of advances have been made. In addition, the Company has a committed reducing term facility in the amount of $1.5 million to finance capital asset additions of which no amounts have been advanced.

As part of the Ranchers asset purchase in the third quarter of 2009 and the Agriturf Limited purchase in July 2010, the Company issued irrevocable letters of credit to John Deere Limited ("JDL") in the amount of $1.5 million and $900 thousand respectively. The letters of credit were provided to JDL in an effort to reduce personal guarantees required of our senior management and as collateral.

The Company has approximately $10.8 million in cash and cash equivalents on hand at September 30, 2010 which consists of $4.1 million of cash on hand and in bank, $8.0 million in money market funds less $1.3 million of credit facilities drawn on by our foreign subsidiary, Agriturf. The money market funds are invested through the Company's primary financial institution and the funds are available immediately upon request.

As at September 30, 2010, inventories had increased by $11.1 million to $100.3 million (includes a net $370 thousand reduction in inventory from the purchase of ARW and the sale of the Moosomin Saskatchewan and Russell Manitoba John Deere stores). Used equipment represents $50.1 million (December 31, 2009 - $42.1 million) of the equipment inventories and is represented by $44.5 million of used agricultural equipment and $5.6 million of used construction and industrial equipment.

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our agricultural equipment sales come with a trade-in while our construction and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used construction and industrial. In addition, the majority of our new John Deere equipment is on consignment from John Deere whereas we purchase the new equipment from our other manufacturers. These factors directly impact the amount of used and new equipment carried on our books. A majority of our product lines in both segments are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

The market value of aged new and used equipment has been affected by the strengthening Canadian dollar throughout the 2009 fiscal period and for the first nine months of 2010. This provides for less expensive new equipment during the primary selling season of the second and third quarters of 2010, causing downward pressure on used equipment pricing. Combined with an increase in strength of the Canadian dollar in the latter part of 2009 and relatively stable dollar in the first nine months of 2010 may impact our aged new and used equipment margins for the balance of 2010 (see "note regarding forward looking statements"). As at September 30, 2010, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve is required.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and is comprised of currency risk, interest rate risk and other price risks.

Foreign currency exposure

Other than the Company's exposure to foreign currency fluctuations on its translation of its foreign subsidiary, Agriturf, the Company is not exposed to fluctuations in foreign currency in its sales and expenditures as they are incurred in Canadian dollars. Many of our products, including equipment and parts are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers but are settled in Canadian dollars as they are received. However, this may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases.

Interest rate risk

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate as a result of changes in market interest rates. Based on the Company's outstanding long-term debt and obligations under capital lease at September 30, 2010, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $660 thousand. The Company's other financial instruments are not exposed to interest rate risk.

Other price risks

The Company does not currently have any financial instruments directly affected by changes in commodity prices or other price risks

Credit risk

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the Company's revenue is generated from customers in the farming and construction industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable and deposits with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. The average time to collect the Company's outstanding accounts receivable was approximately 22 days for the rolling 12 month period ended September 30, 2010 (13 days for the year ended December 31, 2009 and 20 days for the rolling 12 month period ended September 30, 2009) and no single outstanding customer balance, excluding sales contract financing receivables represented more than 10% of total accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the nine month periods ended September 30, 2010 and 2009, all customer balances provided as bad debts were calculated based on 25% of accounts between 90 to 120 days outstanding and 85% on amounts over 120 days outstanding unless allowance for certain specified accounts requires a greater amount to be allowed for. Of the $40.3 million (December 31, 2009 - $13.4 million and September 30, 2009 - $27.2 million) of trade accounts receivable outstanding, $22.9 million (December 31, 2009 - $6.1 million and September 30, 2009 - $16.5 million) is represented by sales contract financing receivables in transit and $17.4 million (December 31, 2009 - $7.3 million and September 30, 2009 - $10.7 million) is represented by customer accounts receivable and other accounts receivable. The primary factor for the increase in trade accounts receivable between December 2009 and September 2010 are the purchase of ARW in January 2010 and Agriturf in July 2010 which has added $7.9 million to our trade receivable balance at September 30, 2010.

The Company recorded the following activity in its allowance for doubtful accounts during the nine month period ended September 30, 2010:

	In $ thousands	
Balance, December 31, 2009	$	519
Bad debts additions		186
Amounts written-off as uncollectible		(341)
Balance, September 30, 2010	$	364

Cash and cash equivalents

Cervus' primary sources and uses of cash flows1 for the nine month period ended September 30 are as follows:

$ thousands		2010		2009
Net cash provided by (used) in operating activities	**$**	**9,165**	**$**	**4,846**
Financing activities:				
Issuance of shares from dividend reinvestment plan and deferred share plan		448		761
Proceeds from (repayment of) term debt and notes payable		258		(2,998)
Dividends		(7,800)		(7,762)
Decrease (increase) in deposits with manufacturers		107		(100)
Increase in non-controlling interest related to Agriturf		20		
Cash flows used in financing activities		**(6,967)**		**(10,099)**
Investing activities:				
Business acquisitions and deposits recovered		1,676		(6,648)
Advances (repayment) of short-term loans and related party loans		(604)		1,671
Purchase of capital assets, net of proceeds		(5,270)		(292)
Proceeds from (increase in) investments		(625)		(29)
Cash flows provided by (used in) investing activities		**(4,823)**		**(5,298)**
Decrease in cash		(2,625)		(10,551)
Cash and cash equivalents, beginning of period		13,453		35,252
Cash and cash equivalents, end of period	**$**	**10,828**	**$**	**24,702**

(1) See the Interim Unaudited Consolidated Statements of Cash Flows for additional details.

Net cash used in operating activities increased by $4.3 million to $9.2 million for the nine month period ended September 30, 2010 when compared to the same period of 2009. The primary reason for the increase in cash flows from operating activities was due to the net change in non-cash working capital of $5.7 million. The net change in non-cash working capital related to operations primarily relates to the difference in inventories purchased and floor plan financing incurred between the two periods as well as changes in accounts receivable affected primarily from contracts in transit. Management uses its discretion to pre-pay or buy down certain floor plans and/or increase floor plans at any time which significantly affects non-cash working capital amounts.

During the nine month period ended September 30, 2010, financing activities used $6.9 million of cash flows compared to $10.1 million of cash flows for the same period in 2009. The primary difference between the two periods is related to the net difference in term debt and notes payable as term debt increased for the purposes of purchasing capital assets.

During the nine month period ended September 30, 2010, the Company used $4.8 million of cash flows for investing activities compared to $5.3 million in cash flows for the same period of 2009. During 2010, the acquisition of ARW provided $1.7 million in cash which represented the difference between the cash cost of the acquisition when completed in January and the cash on hand when the Company purchased ARW and during the same period of 2009, the Company acquired all the business assets of Ranchers Supply Inc. and 520781 Alberta Ltd. In addition, the Company made advances of $1.8 million to Agriturf (which subsequently was exchanged for equity) and received approximately $1.2 million from the disposal of investments in significantly influenced companies during the first nine months of 2010 and received $1.7 million for repayment of short-term loans and related party loans during the same period of 2009.

Contractual obligations

The Company has certain contractual obligations including payments under long-term debt agreements and operating lease commitments. A summary of the Company's obligations is as follows:

$ in thousands	Total	Due 2011	Due 2012 through 2014	Due 2015 through 2016	Due thereafter
Long-term debt	10,030	4,790	5,206	34	-
Notes payable	10,605	2,645	7,960	-	-
Operating leases	18,645	4,319	8,843	3,039	2,444
Total contractual obligations	39,280	11,754	22,009	3,073	2,444

Capital Resources

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at September 30, 2010 is as follows:

In $ thousands	Total amount	Borrowings	Letters of Credit and Guarantees	Amount Available
Operating and other bank credit facilities	16,960	1,250	2,610	13,100
Term loans	2,438	938	-	1,500
Floor plan facilities and rental equipment term loan financing	180,900	74,504	-	106,396
Total	200,298	76,692	2,610	120,996

We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets for 2010. As at September 30, 2010, consigned inventory from John Deere amounted to $31.2 million and this amount is not included in the total amount available.

Operating and other bank credit facilities

Operating and other bank credit facilities are discussed above in the liquidity risk section.

Term loans

The Company also has two term loans with the bank, a committed reducing term facility and an uncommitted term facility. The committed reducing term facility was provided to the Company in 2005 as part of a business acquisition in the original amount of $5.0 million. The facility requires principal repayments of $104 thousand per month plus interest and its balance at September 30, 2010 is $1.3 million. The uncommitted term facility amounts to $1.5 million and is provided for the purchase of capital assets. As at September 30, 2010, no amounts had been drawn on this facility.

Floor plan facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Limited, John Deere Financial, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, Textron Financial, US Bank and Royal Bank. At September 30, 2010, floor plan payables related to inventories were $64.5 million (December 31, 2009 - $40.4 million) and rental equipment term loan financing was $9.1 million (December 31, 2009 - $2.8 million). Floor plan payables at September 30, 2010 represented approximately 64% (December 31, 2009 - 45%) of our inventories. Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers.

Outstanding Share Data

As of the date of this report, there are 14,190,739 common shares, 70,510 share options and 330,142 deferred shares outstanding. As at September 30, 2010 and 2009, the Company had the following weighted average shares outstanding:

In thousands	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Basic weighted average number of shares outstanding	14,176	14,117	14,158	14,081
Dilutive impact of deferred share plan	330	235	330	235
Dilutive impact of share options	11	9	17	23
Diluted weighted average number of shares outstanding	14,517	14,361	14,505	14,339

Also, as at September 30, 2010 and as part of the ARW acquisition, the Company has 425 thousand series 1 preferred shares with a 7% cumulative dividend rate, redeemable and retractable when certain conditions are met.

Dividends paid to Shareholders

The Company, at the discretion of the board of directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid and/or payable for the three month period ended September 30, 2010 ($ thousands, except per share amounts):

Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid/Payable
April 30, 2010	0.18	2,547	162	2,385
June 30, 2010	0.18	2,550	141	2,409
September 30, 2010	0.18	2,552	136	2,416
Preferred shares		238	-	238
Total dividends		**7,887**	**439**	**7,448**

Cash dividends are paid quarterly and are paid on or about the 15th day of the month following the record date. As of the date of this report, all dividends as described above have been paid.

Dividend reinvestment plan (“DRIP”)

The DRIP was implemented to allow shareholders to reinvest dividends into additional Cervus shares. Shareholders who elect to participate will see their periodic cash dividends automatically reinvested in Cervus shares at a price equal to 95% of the volume-weighted average price of all shares traded on the TSX Venture Exchange for the ten trading days preceding the applicable record date. Eligible shareholders may participate in the DRIP by directing their broker, dealer, or investment advisor holding their shares to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Clearing and Depository Services Inc. (“CDS”), or directly where they hold the certificates personally.

Taxation

Cervus’ dividends to September 30, 2010 will be considered to be eligible dividends for tax purposes on the date paid.

Cautionary note regarding dividends

The payment of future dividends are not assured and may be reduced or suspended. Our ability to continue making cash dividend payments and the actual amount paid will depend on our financial performance, debt covenant obligations and our ability to meet our debt obligations and capital requirements. In addition, the market value of the common shares may decline if we were unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, and service agreements. We have also agreed to indemnify our general partner’s directors, officers, and employees in accordance with our limited partnership agreement and other agreements. Certain agreements do not contain any limits on our liability and, therefore, it is not possible to estimate our potential liability under these indemnities. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we also maintain insurance policies that may provide coverage against certain claims under these indemnities.

John Deere Credit Inc. (“Deere Credit”) provides financing to certain of the Company’s customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At September 30, 2010, payments in arrears by such customers aggregated $257 thousand (December 31, 2009 - $588 thousand). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit, Agrifinance and Roynat Lease Finance for the net residual value of the lease outstanding at the maturity of the contract. At September 30, 2010, the net residual value of such leases aggregated $52.8 million (December 31, 2009 - $58.7 million). The Company believes that the residual value of the leases fairly represents the Company’s estimate of market value for the equipment at the end of their respective leases.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company owes Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that may arise related to these arrangements is limited to the deposits of $1.6 million at September 30, 2010. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

As part of the business acquisition in 2009 of Ranchers and the 2010 investment in Agriturf, the Company issued irrevocable standby Letters of Credit to John Deere Limited (“JDL”) in the amount of $1.5 million and $900 thousand respectively. The Letters of Credit were issued in accordance with the dealership arrangement that would allow JDL to draw upon the letter of credit if the Company was in default of any of its obligations to JDL. Also, the Company’s foreign subsidiary, Agriturf, has $210 thousand of financial guarantees issued for the purposes of providing financial guarantees to creditors and for a bankcard facility.

Transactions with Related Parties

The Chief Executive Officer ("CEO") of the Company is the CEO of Proventure Income Fund ("Fund"). In addition, the CEO is the single largest equity holder of the Company and the Fund and the Company and the Fund share common directors. The Fund is a public income trust that was originally formed in 2003 by transferring into a separate entity, the real property interests of John Deere dealerships operating at the time. Since that date, the Fund has continued to purchase the real property interests of the Company's John Deere dealerships and two of the Company's Bobcat/JCB dealerships. The Company had the following transactions with the Fund:

	Three months ended		Nine months ended	
In $ thousands	**September 30, 2010**	**September 30, 2009**	**September 30, 2010**	**September 30, 2009**
Expenses:				
Real estate leases	$ 743	$ 645	$ 2,224	$ 1,906
Guarantee fees	21	21	62	62
Revenue:				
Management fees for administration	8	8	23	23
Interest on advances	16	12	53	43

The Company receives $2.5 thousand per month to carry out all administrative and management tasks related to Proventure's operations. The amount charged is the amount agreed to between the related parties.

The Company pays a guarantee fee to Proventure equal to 3% of the guaranteed amounts that Proventure has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of Proventure and for which John Deere has not yet released Proventure from the contractual obligation. At September 30, 2010, December 31, 2009 and September 30, 2009, the Fund had outstanding guarantees with John Deere aggregating $2.75 million.

During 2009, the Company provided a $2.75 million revolving credit facility to the Fund expiring on November 30, 2013. The facility is due on demand and bears interest at the rate of prime plus 0.25%. The facility can be used for operations, capital acquisitions, and investments and is secured by a general security agreement. Interest recorded during the three month period ended September 30, 2010 was $16 thousand (2009 - $12 thousand) and $53 thousand (2009 - $43 thousand) year to date.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6.4 million (2009 - $6.4 million). During the three and nine month periods ended September 30, 2010 and 2009, the Company paid these individuals $48 thousand and $144 thousand respectively for providing these guarantees. These transactions were recorded at the amount agreed to by the parties. These guarantees are required by the Company's most significant dealership arrangement with John Deere Limited ("JDL") and the Company believes that the 3% per annum charge provided to the guarantors is a reasonable expense to providing these guarantees.

During the three month period ended September 30, 2010, the Company transacted in the normal course of business, $386 thousand (2009 - $89 thousand) and $445 thousand (2009 - $189 thousand) year to date of parts and service sales with companies in which the board of directors are directors of or control those companies.

Critical Accounting Estimates

Preparation of audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the audited consolidated financial statements. Our significant accounting estimates include estimating bad debts on accounts receivable; amortization of intangible assets and property, plant, and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; the fair value of share-based awards; the fair value of reporting units for goodwill impairment testing purposes; and estimates of various taxation matters. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

Provision for doubtful accounts receivable

We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Our history of bad debt losses has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the agricultural business in which many of our customers operate, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Depreciation and amortization of intangible assets and property and equipment

Our intangible assets and property, plant, and equipment are depreciated and amortized based upon estimated useful lives and salvage values. We review our historical experience with similar assets to ensure that these amortization rates are appropriate. However, the actual useful life of the assets may differ from our original estimate due to factors such as technological obsolescence and maintenance activity.

Fair value of inventories

Inventories are recorded at the lower of cost and net realizable value. The most significant area of accounting estimate involves our evaluation of used equipment inventory net realizable value. We perform ongoing quarterly reviews of our used equipment inventories based upon local market conditions and the changes in the U.S. exchange to determine whether any adjustments are required to our carrying cost of inventory balances to ensure they are properly stated.

Fair value of assets and liabilities acquired in business combinations

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant, and equipment and intangible assets acquired, we rely on independent third party valuations.

Asset Impairment

We assess the carrying value of long-lived assets, which include property, plant, and equipment and intangible assets, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the reporting unit to the estimated fair value to ensure that the fair value is greater than the carrying value. We arrive at the estimated fair value of a reporting unit using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including future revenue growth, expected earnings, and earnings multiples. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

Taxation matters

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for the Company's income taxes is adequate.

Fair value of share--based awards

The fair value of share options granted is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Sholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility. Because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our share options granted.

Future Accounting Changes

International Financial Reporting Standards

Conversion to IFRS in Fiscal 2011

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt IFRS for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2011 starting January 1, 2011. The Company's transition from Canadian GAAP to IFRS will commence in the first quarter of 2011 at which time the Company will report both the current and comparative information using IFRS for interim and annual financial statements. While IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in accounting policies that must be addressed.

The Company is currently determining the impact of adopting IFRS on its consolidated financial statements and has developed and established an IFRS transition project which has taken into consideration both the internal and external resources required to implement IFRS and has completed a preliminary assessment of the impact the change to IFRS will have on the Company's financial statements. The IFRS transition project consists of three main phases:

Phase One: Impact Assessment

This phase consisted of a high-level impact assessment that identified the key areas of accounting differences between Canadian GAAP and IFRS that are likely to impact the Company as well as other areas that may not necessarily impact the Company at this time.

Phase Two: Detailed Assessment

This phase involves a more comprehensive assessment of the differences between IFRS and the Company's current accounting policies and account balances, the assessment of IFRS 1 exemptions and alternatives, the selection of IFRS 1 alternatives for first-time adoption of IFRS, and the implication on the Company's IT systems. This included a detailed assessment of the potential financial impact at the date of conversion as well as potential changes that may be required to current accounting policies, information systems and processes.

Phase Three: Implementation

The implementation phase will focus on the development of the IFRS financial statement format and the quantification of the effect on the Company's financial statements and will include changes, if deemed necessary, to internal controls over financial reporting that will result from changes in accounting policies.

Update on the Transition Project

The Company has completed the impact assessment and detailed assessment phases and is expected to have comparative financial statements under IFRS for audit committee review at the end of the third quarter of 2010. The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

Potential Impact of the Conversion

The comparison of IFRS with Canadian GAAP accounting policies has helped identify a number of differences that will impact the Company as well as IFRS 1, First-time Adoption of International Financial Reporting Standards that provides entities adopting IFRS for the first time with a number of optional and mandatory exceptions for the retrospective application of IFRS.

The significant accounting policy changes that have been identified to date are detailed below. These changes are for identified policy changes only and should not be considered to be a complete list of all IFRS accounting policy differences for the Company. At this time, the Company is assessing the quantitative impact of the opening balance sheet transitional adjustments and expects to report quantified IFRS results later in fiscal 2010.

Key Accounting Policy	Key Differences Identified Between IFRS and Canadian GAAP	Potential Impact on the Company
Property and equipment	An IFRS exemption allows the measurement of property and equipment using a cost model or a revaluation model. Canadian GAAP only allows the use of the cost model. The Company has selected to continue to use the cost model approach under IFRS.	The Company believes that there is no significant impact to the opening balance sheet and no significant impact is expected subsequent to the transition as the Company has selected the same measurement model under IFRS as it is currently utilizing under Canadian GAAP.
	IFRS requires separate amortization of major components of property and equipment which have a different useful life. Canadian GAAP is less explicit about this requirement, but it does exist.	The Company has reviewed its major components of property and equipment and based on the type of property and equipment owned and their useful lives, no componentization is considered necessary. Therefore, the Company believes that there will be no significant impact to the opening balance sheet or subsequent to the transition.

Impairment of long-lived assets	IFRS tests asset groups for impairment at the cash-generating unit ("CGU") level when impairment testing at individual level is not possible. CGUs are determined based on the ability of groups of assets to generate independent cash inflows. Canadian GAAP tests asset groups for impairment based on net cash flows.	Grouping of assets for impairment purposes is potentially at a lower level than currently used by Canadian GAAP. This may result in opening balance sheet adjustments. The Company has assessed the identification of its CGU's and has determined that they be established at a dealership level (respective group level) due to the inter-changeable inventories between stores, pricing strategies, sharing of key management personnel and macro assumptions made that affect the larger group of stores. The Company already assesses the impairment on the basis of each of its cash-generating unit where indicators of impairment exist and will conduct another assessment on the Company's transition to IFRS.
	IFRS tests for impairment using a single-step approach for long-lived assets based on discounted cash flows whereas Canadian GAAP uses a two-step approach which first compares undiscounted cash flows to the carrying amount and impairment is measured based on fair value if the undiscounted cash flow is less than the carrying value.	No significant impact is expected to the opening balance sheet on the date of transition and the Company will continue to use the discounted cash flow method to determine impairment subsequent to transition.
	Under IFRS, previously recognized impairment losses must be considered for reversal when changes in circumstances indicate that the impairment has been reduced whereas Canadian GAAP does not provide for reversal.	The Company has not previously recognized any impairment losses and therefore there will be no impact on the opening balance sheet and subsequent to transition, any impairment losses recorded will subsequently be assessed for reversal.
Provisions	IFRS provides more extensive guidance than Canadian GAAP on the recognition of provisions defined as liabilities including when provisions are recognized and how they are classified. Under IFRS, provisions are recognized when it is probable (i.e. more likely than not) that an obligation will be required to be settled while Canadian GAAP has a higher threshold. Under IFRS, provisions should be separately classified from other liabilities whether they are current or non-current and shown on the face of the balance sheet with additional disclosure requirements whereas Canadian GAAP is less explicit. Provisions are recognized whether there are constructive or legal obligations that exist under IFRS whereas Canadian GAAP only recognizes legal obligations.	The Company will assess the impact on the opening balance sheet related to provisions that exist and it is possible that at the date of transition, additional provisions may be required to be recognized under IFRS and the measurement of existing liabilities may differ. Based the Company's assessment of provisions at September 30, 2010, other than separate classification of provisions, there are no known additional provisions that would be required to be recorded under IFRS that are not recorded at September 30, 2010.
Consolidation of subsidiaries and investments in associates	IFRS requires the consistent use of accounting policies for subsidiaries and associates whereas, for Canadian GAAP, this is not explicitly stated.	No significant impact is expected on the opening balance sheet however, the Company is working with all its investments to ensure the impact of the transition to IFRS is appropriately captured.

Business Combinations	IFRS requires that if the fair value of the net assets acquired is greater than the cost of the business combination, any excess remaining is immediately recognized in profit or loss. Under Canadian GAAP, if the amount assigned to assets acquired and liabilities assumed exceeds the cost of the purchase, the excess is eliminated to the extent possible by allocating it as a pro rata reduction across all the acquired non-current and non-financial assets (with certain exceptions). Under IFRS, acquisition costs related to business combinations are expensed as incurred where as under Canadian GAAP, certain acquisition related costs can be recognized as part of the purchase equation. In addition, under Canadian GAAP and EIC 110 "Accounting for Acquired Future Tax Benefits in Certain Purchase Transactions that are not Business Combinations", the asset acquired should be recorded at fair value with any excess of the amount classified as a deferred credit.	As the Company has adopted CICA standard 1582, Business Combinations effective January 1, 2010 and the fact that Section 1582 converges with IFRS 3, Business Combinations, no restatement of previous business combinations is anticipated to the opening balance sheet on the date of transition. As the Company recorded a deferred credit for the future tax benefits acquired in the October 22, 2009 plan of arrangement with Vasogen Inc., any deferred credits that existed on the date of transition to IFRS will be recorded as an adjustment to the opening balance sheet and recorded in retained earnings.
Share-based payments	Under IFRS, Share-Based Payment awards will continue to be measured at fair value, with compensation expense under share-based plans recognized over the service period. However, IFRS does not permit the attribution of costs on a straight-line basis for stock options with graded vesting provisions whereas Canadian GAAP does.	Though the Company records the compensation expense for share-based payments on a straight-line basis over the vesting life of the original award, the effect of changing the accounting for share-based payments to conform with IFRS will not materially impact the opening balance sheet on the date of transition. Subsequent to the transition, the Company will expense share-based payment awards in accordance with IFRS.
Income taxes	IFRS requires a Company to account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside of the statement of earnings.	No significant impact is expected on the opening balance sheet as the Company currently accounts for the tax consequences of transactions and other events in the same way that it accounts for transactions and other events themselves.

First-Time Adoption of IFRS

IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", provides guidance on the Company's initial transition to IFRS. The Company must apply this standard in fiscal 2011 and will apply IFRS 1 optional exemptions retrospectively from the date of its transition to IFRS, being January 1, 2010. IFRS 1 also includes exceptions to retrospective treatment which are outlined in the standard. The most significant optional exemptions that the Company expects to apply are as follows:

Business Combinations

The Company expects to apply IFRS 3, "*Business Combinations*", prospectively from the date of transition to IFRS, being January 1, 2010. There is no expected impact to the Company's opening IFRS balance sheet as a result of this election.

Business Risks and Uncertainties

Reliance on our key manufacturers and dealership arrangements

Cervus' primary source of income is from the sale of farm and construction and industrial products and services pursuant to agreements to act as an authorized dealer. The agreement with JDL provides a framework under which JDL can terminate a John Deere dealership if such dealership fails to maintain certain performance and equity covenants. Each contract also provides a one-year remedy period whereby the Company has one year to restore any deficiencies.

The Company also has dealership agreements in place with Bobcat, JCB, Clark, Sellick, Nissan, and Doosan. These agreements are one or two year agreements and are normally renewed annually, except for unusual situations such as bankruptcy or fraud.

The success of our dealerships depends on the timely supply of equipment and parts from our manufacturers to ensure the timely delivery of products and services to our customers. We also depend on our suppliers to provide competitive prices and quality products. Currently all of our dealership contracts are in good standing with our suppliers. There can be no guarantee that circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements.

Dependence on Industry Sectors

Authorized John Deere agricultural dealerships sell John Deere agricultural and lawn and garden products and equipment. The majority of sales are derived from the agricultural sector. Consequently, grain and livestock prices, weather conditions, Canadian vs. U.S. currency exchange rates, interest rates, disease, Canadian and U.S. government trade policies and customer confidence have an impact on demand for equipment, parts and service.

The retail farm equipment industry is very competitive. The Company faces a number of competitors, including other "in-line" John Deere dealerships and other competitors including authorized Agco, Case, Kubota and New Holland dealerships that may be located in and around communities that the Company's dealerships are located. Presently, Deere & Company has a reputation for the manufacture and delivery of high quality, competitively priced products. John Deere has the largest market share of manufacturing and sales of farm equipment in North America. There can be no assurance that John Deere will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

We have mitigated these risks by geographical diversification in Western Canada within the agricultural sector and industry diversification into the construction sector in Alberta.

The construction and industrial group sells light and medium construction and industrial and is comprised of several lines of equipment from two major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction and industrial market is very much dependent upon residential construction of new housing. Over the past few years the residential construction markets in Alberta have been very strong, however we have seen reductions in this market beginning in 2008 and carrying through 2009. However based on CMHC's first quarter housing report, the 2010 market appears to be somewhat improving and we expect this to have a positive impact on our 2010 operating results for our construction and industrial segment.

The industrial equipment group sells material handling equipment from several manufacturers, Clark, Sellick, Nissan, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, and Caterpillar. The materials handling equipment is primarily sold to oilfield supply companies, building supply companies, warehousing, food processors, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments. However, this group has been impacted negatively by the general slowdown in the oil and gas and building sectors.

Presently the majority of the construction and industrial equipment division's revenue is derived from the sale of Bobcat, JCB, Doosan, Nissan, Clark and Sellick equipment and products. All these equipment manufacturers have established themselves as industry leaders in the Western Canada market for the manufacture and delivery of light construction and industrial equipment. There can be no assurance however that these suppliers will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

Other risks

Although the Company has conducted investigations of, and engaged legal counsel to review, the corporate, legal, financial and business records of Vasogen, there may be liabilities and risks that the Company did not uncover in its due diligence investigation and that these liabilities and risks could have individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of Cervus.

The steps under the plan of arrangement, pursuant to which the corporate conversion was completed, were structured to be tax-deferred to the Company and the Company's shareholders based on certain rules under the Income Tax Act (Canada). There is a risk that the tax consequences contemplated by the Company or the tax consequences of the plan of arrangement to the Company and the shareholders may be materially different from the tax consequences anticipated by the Company in undertaking the conversion. While the Company is confident in its current position, there is a risk that the Canada Revenue Agency could successfully challenge the tax consequences of the plan of arrangement or prior transactions of Vasogen. Such a challenge could potentially affect the availability or amount of the tax basis or other tax accounts of Cervus.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Disclosure Controls and Procedures

Cervus has designed disclosure controls and procedures for the Company to ensure that information to be disclosed by the Company is communicated to the Company's management on a timely basis to allow for appropriate decisions regarding required disclosures. The Company's CEO and Chief Financial Officer (CFO), under the supervision of the Disclosure Committee, have concluded, based on their evaluation as of September 30, 2010 that the Company's disclosure controls and procedures are effectively designed. The Company is relying on those disclosure controls and procedures.

Internal Controls over Financial Reporting

We have designed our control environment to achieve a balance of preventative and detective controls as well as manual and automated controls. We used a risk based approach in the design of our internal controls over financial reporting.

We have engaged an outside accounting firm to advise us on the documentation and design of our internal controls over financial reporting. Based on the results of the work performed, we have implemented certain recommendations to further enhance the design of certain preventative and detective controls, including controls over segregation of duties to achieve an efficient control environment. In 2010 we relied on the design of key controls, along with the enhancements discussed earlier, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements in accordance with GAAP.

Limitation on the Effectiveness of Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

Notwithstanding the foregoing, we do not expect our disclosure controls and procedures, and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Note that there have been no material changes in the Company's disclosure controls and procedures.

Voluntary Disclosure

It should be noted that although Cervus, as a "venture issuer" under applicable Canadian securities legislation, is not required to discuss in this MD&A the design or operating effectiveness of disclosure controls and procedures or internal controls over financial reporting, we have nevertheless chosen to comment on the abovementioned components of such controls. Notwithstanding such voluntary disclosure, we are not required to certify the design and evaluation of disclosure controls and procedures and internal controls over financial reporting and have not done so. Further, it should be noted that inherent limitations on the ability of our CEO and CFO to design and implement on a cost effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Non-GAAP Financial Measures

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP ("GAAP"). Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings or to cash flow from operating, investing, and financing activities determined in accordance with Canadian GAAP as indicators of our performance. These measures are provided to assist investors in determining our ability to generate earnings and cash flow from operations and to provide additional information on how these cash resources are used. These financial measures are identified and defined below:

EBITDA; is defined as earnings before interest, taxes, depreciation, and amortization. We believe, in addition to net earnings, EBITDA is a useful supplemental earnings measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expense.

EBITDA margin; EBITDA margin is calculated as EBITDA divided by revenue.

The following is a summary of EBITDA and EBITDA margin for each of our previous eight quarters ending September 30, 2010:

$ thousands, except margin and per share amounts	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Net earnings (loss)	10,679	5,062	(827)	(573)
Interest	674	434	386	261
Future income taxes	175	182	-	1,692
Depreciation and amortization	1,878	1,861	1,707	1,156
EBITDA	13,406	7,539	1,266	2,536
EBITDA margin	8.2%	5.9%	1.9%	3.0%
EBITDA per share - diluted	0.92	0.55	0.09	0.18

$ thousands, except margin and per share amounts	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Net earnings	8,745	7,330	1,675	2,635
Interest	219	213	259	192
Future income taxes	-	-	-	-
Depreciation and amortization	1,113	1,159	1.137	1,194
EBITDA	10,077	8,702	3,071	4,021
EBITDA margin	8.3%	8.2%	4.6%	5.8%
EBITDA per share - diluted	0.70	0.61	0.22	0.30

Working capital; working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities.

Senior debt to EBITDA; senior debt to EBITDA ratio is defined as all interest bearing indebtedness for borrowed money, interest bearing liabilities, capital lease obligations, vendor take back agreements but excluding accounts payable, floor plan financing arrangements, subordinated related debt and other short-term non-interest bearing liabilities and future income taxes divided by EBITDA.