MANAGEMENT'S DISCUSSION & ANALYSIS

Years ended December 31, 2009 and 2008

Cervus' shares trade on the TSX Venture Exchange under the symbol "CVL".

The following Management's Discussion & Analysis ("MD&A") was prepared as of March 15, 2010 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the year ended December 31, 2009 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2009 and the notes contained therein. The accompanying audited 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, including the Company's Annual Information Form, 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 are identified and described under the section "Non-GAAP Financial Measures".

Conversion to a Corporation

Cervus completed a transaction with Vasogen Inc. which resulted in the conversion of Cervus from a publicly traded limited partnership to a publicly traded corporation.

On October 22, 2009, Cervus completed a transaction with Vasogen Inc. ("Vasogen") which resulted in the conversion of Cervus from a publicly traded limited partnership to a publicly traded corporation pursuant to a plan of arrangement. The transaction resulted in the unitholders of the LP becoming shareholders of Cervus (formerly Vasogen) with no substantive changes to the underlying business operations. As a result of the reorganization, the Partnership's unitholders exchanged their 9,424,181 limited partnership units for 14,136,272 common shares of Vasogen (a three-for-two exchange ratio) which resulted in the previous unitholders of the Partnership obtaining control of Vasogen (a reverse takeover). Under reverse takeover accounting, the Partnership was the accounting acquirer (legal subsidiary) and Vasogen was the accounting acquiree (legal parent) as described further in Note 3 to the audited consolidated financial statements. The comparative figures presented in the consolidated financial statements are those of the LP. Also, in conjunction with the reorganization, each of the unitholders of the LP and option plans and deferred plans received three common shares of Cervus in exchange for each two limited partnership units held. The common shares of Cervus are traded on the TSX Venture Exchange under the symbol CVL.

As a result of the conversion to a corporation, certain terms such as shareholder/unitholder, dividends/distributions and shares/units may be used interchangeably throughout this MD&A.

Overview of Cervus

The Company purchased A.R. Williams Materials Handling Ltd. for approximately $19.7 million. Also the Company purchased a 20% partnership interest in Maple Farm Equipment Partnership for approximately $3.0 million.

Cervus is a diversified corporation and has historically operated in two separate business segments, an agricultural equipment segment and a construction equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. During 2009, the agricultural equipment segment consisted primarily of 17 John Deere dealerships in Alberta, Saskatchewan and Manitoba and the construction equipment segment consisted of 5 Bobcat and JCB dealerships in Alberta. Cervus owns directly or indirectly, 100% of the LP, Cervus AG Equipment LP and Cervus Construction 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. The cash flow of Cervus is solely 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.

On January 1, 2010, the Company acquired A.R. Williams Materials Handling Ltd. ("ARW") for approximately $19.7 million. ARW sells, rents and services industrial products and equipment in nine locations in Alberta, Saskatchewan and Manitoba. This further diversifies the Company's operations and will be reported in a new business segment, the industrial equipment segment.

Also, on January 25, 2010, with an effective date of January 1, 2010, the Company purchased a 20% partnership interest in Maple Farm Equipment Partnership ("Maple") through the sale of the business and assets of its two John Deere dealerships in Moosomin, Saskatchewan and Russell, Manitoba for approximately $3.0 million.

Note Regarding 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.

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 September 30, 2009 MD&A, we discussed that Cervus expects to make quarterly dividend payments to its shareholders of $0.18 per common share. The first quarterly dividend payment was made to the shareholders of record on December 31, 2009 on January 15, 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 September 30, 2009 MD&A, we discussed that the late planting season, lack of moisture and risk of frost damage may impact farmer yields and therefore reduce new equipment sales in 2010 through a reduction in early order program sales. Though the 2009 harvest occurred later than usual, the crop yields have been better than previously expected. Our current early order program sales for 2010 are approximately the same as 2009; however, these programs are not as critical to the agricultural equipment segment's overall operations due to supplier's inventories not being sold out as they have been in previous years.

We also discussed that the low oil prices, reduction in Alberta drilling programs and Alberta Oil Sands development would have an impact on our construction equipment segment sales and this would not be expected to rebound until the global economy has strengthened. Current market data provided by the Association of Equipment Manufacturers ("AEM") continues to support the decrease in results experienced during 2009 with the overall Canadian construction sector reporting an average 34% decrease in 2009 when compared to 2008 and the categories directly related to our products having a 60% year-over-year reduction.

Due to the strengthening Canadian dollar during 2009, we also expected to see downward pressure on our margins in our part and service departments. This has not materialized due to increased revenues from our dealer parts that were higher than expected and we were able to maintain our margin percentages.

Market Outlook

Agricultural Equipment

Market conditions appear relatively stable in the agricultural equipment segment.

Market conditions appear relatively stable in the agricultural equipment segment; however, some decrease may be experienced in 2010 based on AEM's annual forecast for U.S. and Canadian agricultural machinery sales which provided an overall snapshot of manufacturers' predictions for 2010 business. Per their forecast, the overall Canadian agriculture sector is expected to see a decrease of 4.9% in agriculture equipment sales. However, due to the segment's increased machine population as a result of increased machine volume sales experienced over the past couple of years, we believe that our parts and service departments operations will remain consistent.

Global populations continue to grow and are expected to increase by an additional 23% by 2025. It is predicted food production will need to increase by 50% by 2025 and double by 2050. Also, the demand for energy continues to rise. Agricultural equipment is required to plant and harvest crops to meet both food and alternative fuel needs. Consequently, while we may see some short-term impact as a result of the overall economic slowdown and the strengthening Canadian dollar, agriculture can rely upon these sound fundamentals over the longer term.

Construction Equipment

The residential housing market was significantly impacted in 2009 by the economic downturn which affected new housing construction and development.

In North America, the residential housing market was significantly impacted in 2009 by the US economic downturn which affected new housing construction and development. We expect these adverse conditions to continue to pose challenges in 2010. The outlook for Canada has also been overshadowed by the ongoing financial crisis and the severity of the global recession. However, based on Canada Mortgage and Housing Corporation's ("CMHC") fourth quarter 2009 Housing Market Outlook, Alberta is estimated to see growth in new construction for 2010 of 22% over 2009 results and a significant turnaround from the estimated decrease of 38.5% experienced in 2009 when compared to 2008.

The Government of Alberta is predicting a 3% real gross domestic product growth for 2010 based on Alberta's Finance and Enterprise economic review. This, combined with an expected 3.9% increase in budgeted program expenses for 2010/2011 from the Alberta Government's 2010 budget, including an 83% increase in infrastructure spending for 2010, should help stabilize the construction equipment sector.

Also, based on AEM's 2010 construction equipment outlook, AEM is estimating that equipment sales for the construction sector will increase by 6.5% in Canada when compared to a decrease of 34.2% in 2009 when compared to 2008.

Overall

Our success will continue to be measured by the growth of our current business.

As described above, management expects to see continued strength in the agricultural equipment segment through 2010 based on early indications of our new equipment sales for delivery in 2010. We also expect the 2010 construction segment results to improve based on AEM's estimate of construction equipment growth and CMHC's estimate for new housing growth in 2010. It is too early to predict what effect the Government of Alberta's announcements in its 2010/2011 budget for infrastructure spending increases will have on our construction equipment segment. 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, controlling expenditures and the pursuit of acquisitions that are accretive to our shareholders.

Based on the transactions completed subsequent to December 31, 2009, including the ARW and the Maple acquisitions as well as the investment in Agriturf Limited ("Agriturf"), a New Zealand private company which has been formed to consolidate and operate John Deere dealerships on the North Island of New Zealand, we believe we will be successful in growing our business through 2010.

ARW brings to the Company, a new business segment, industrial equipment and materials handling services operating in nine locations in Alberta (6), Saskatchewan (2) and Manitoba (1). The primary focus for the new industrial equipment segment is the sales, rental, parts and service of industrial warehouse equipment including forklifts, aerial platforms, telescopic handlers and sweepers. The Company has a long history of profitability and further diversifies the Company's operations for 2010 and into the future.

Though the Company has sold two of its profitable John Deere operations in Moosomin, Saskatchewan and Russell, Manitoba, we believe that the sale and exchange of the business operations for a 20% partnership interest in Maple will be accretive to the Company's shareholders. The 20% interest in Maple is approximately equal to the net earnings previously reported for those two store locations. By selling those two store locations, Maple will increase its geographic area and overall market share potential which should increase earnings. Including the two John Deere operations sold to Maple, Maple now operates seven John Deere dealership locations in south eastern Saskatchewan. Those two store locations reported $36.3 million in gross revenue in 2009.

The Company is also looking forward to establishing an international presence in 2010. During 2009, the Company advanced $883 thousand to Agriturf, a private company located on the North Island of New Zealand. The purpose of the advance was to purchase assets of a John Deere dealership. Subsequent to the initial advance, Cervus has agreed to advance an additional $1.0 million. It is the intention of Cervus that the advances will be exchanged for an approximate 42% interest in a consolidated group of John Deere dealerships located in New Zealand. It is anticipated that the transaction will be effective during the second quarter of 2010.

Highlights of the 2009 Year

On October 22, 2009, Cervus completed the conversion from a limited partnership to a corporation by way of a plan of arrangement for a total cost of approximately $7.5 million plus transaction costs of approximately $847 thousand which were expensed in 2009.

On September 10, 2009, the Company acquired all the net assets of Ranchers Supply Inc. ("Ranchers"), a John Deere and consumer products dealership with three locations in Alberta (2) and British Columbia (1) for $4.6 million.

Gross revenues have increased 8.3% to $377.5 million for 2009 when compared to $348.7 million for 2008 with the agricultural equipment segment increasing $73.2 million or 29.9% (same store $31.7 million or 13.5%) and our construction equipment segment decreasing by $44.4 million or 42.7% when compared to 2008.

During 2009, Cervus advanced $904 thousand (NZ$1.15 million) to Agriturf Limited ("Agriturf"). Agriturf's purpose is to consolidate and operate John Deere dealerships on the North Island of New Zealand. It is the intention of Cervus to advance an additional $1 million (NZ$1.25 million) and exchange these advances for an estimated 42% equity interest in the newly formed operations which is anticipated to close in the second quarter of 2010.

Subsequent to year end, Cervus completed the acquisition of all the issued and outstanding shares of A.R. Williams for an estimated purchase price of $19.7 million.

Subsequent to year end, Cervus completed the sale of its business and net assets of two John Deere dealerships located in Russell, Manitoba and Moosomin, Saskatchewan to Maple. In exchange for $3.0 million of net assets, Cervus acquired a 20% interest in Maple.

The Company has been named by the TSX Venture Exchange as one of the TSX Venture's 50 strongest performers listed on the TSX Venture Exchange for 2010.

Cervus was the winner of 13th annual IR Magazine's "Best investor relations by a TSX Venture Exchange company" which is based on independent surveys of the investment community.

Cervus ranked 16th in Alberta Venture magazine's listing of fast growth companies over $20 million.

Overall Performance

Our successful growth depends on our ability to provide accretive cash flow and earnings growth to our shareholders on a per share basis.

During 2009 revenue grew by $28.8 million to $377.5 million compared to $348.7 million in 2008, an increase of 8.3%. Same store agricultural equipment segment sales remained strong and contributed $31.7 million of the overall increase. Total same store sales were $325.6 million for 2009 compared to $338.3 million for 2008, a reduction of $12.7 million due to the decrease in our construction equipment segment.

Net earnings decreased by $5.0 million in 2009 to $17.2 million. The agricultural equipment segment contributed $18.0 million (an increase of $2.2 million over 2008) and the construction equipment segment incurred a loss of $831 thousand (a decrease of $7.2 million from 2008). Revenues and earnings for the agricultural equipment segment have continued to outperform the construction equipment segment during 2009, which had been anticipated due to stronger global grain commodity prices and increased farm income in contrast to the decreased housing and construction sectors of the Alberta economy. The construction equipment segment operates solely in the Alberta market.

As a result of our decrease in earnings and non-cash working capital adjustments of $15.4 million, cash flows from operating activities decreased to $7.7 million ($0.55 per basic share) from $26.4 million ($2.02 per basic share) in 2008 and EBITDA decreased to $24.4 million ($1.73 per basic share) in 2009 when compared to $27.9 million ($2.13 per basic share) for 2008.

Our successful growth depends on our ability to provide accretive cash flow and earnings growth to our shareholders on a per share basis. Given the economic downturn and the global recession during 2009, we believe we were successful in achieving these goals in 2009 though our earnings were lower than 2008 as on a consolidated basis, the Company recorded revenue growth in all departments during 2009, with the exception of rentals which recorded a decrease of 29.8% in 2009 when compared to 2008 results.

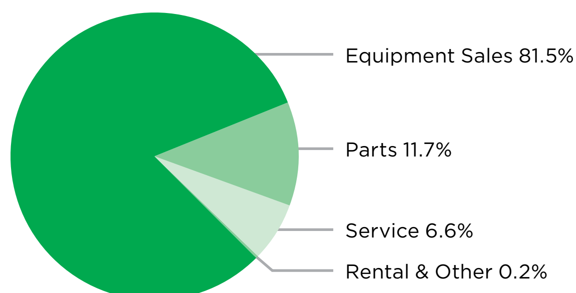
Selected Annual Information

$ thousands, except per unit amounts	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Revenues	377,475	348,675	304,984	269,134
Gross profit	71,955	67,412	53,984	44,104
Gross margin	19.1%	19.3%	17.7%	16.3%
Net earnings	17,177	22,208	11,385	8,597
Net earnings per share/unit				
Basic	1.22	1.70	1.03	0.92
Diluted	1.19	1.68	1.00	0.86
Cash provided by operating activities	7,749	26,433	18,138	3,847
Per share/unit – Basic	0.55	2.02	1.65	0.41
EBITDA[1]	24,386	27,881	17,106	13,771
EBITDA margin[1]	6.5%	8.0%	5.6%	5.1%
Per share/unit – basic	1.73	2.13	1.55	1.47
Dividends/distributions to general partner	64	199	125	32
Dividends/distributions to preferred shares/units	-	-	329	410
Dividends/distributions declared to shareholders/ limited partners	10,152	9,491	8,004	6,607
Per share/unit	0.72	0.72	0.72	0.72
Weighted average shares/units outstanding				
Basic	14,095	13,102	11,028	9,368
Diluted	14,400	13,248	11,352	9,992
Actual shares/units outstanding	14,140	14,013	11,793	10,295
Closing market price per share/unit	12.60	5.93	10.87	5.77
Price earnings ratio[1] – basic	9.92	3.49	10.52	6.27
Total assets	225,845	144,333	113,292	107,515
Long-term liabilities	59,591	4,874	8,901	9,276
Total debt	126,751	54,314	64,891	71,355
Shareholders' equity	99,094	90,019	48,401	36,160
Net book value per share/unit - diluted	6.88	6.82	4.18	3.62

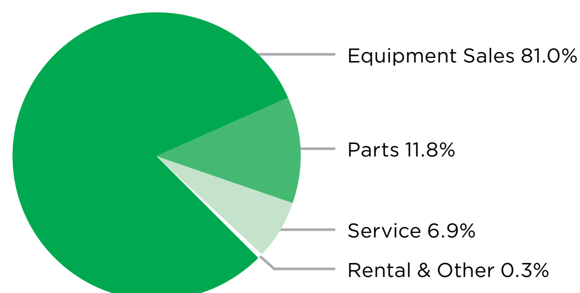
Notes: (1) These financial measures are identified and defined under the section "Non-GAAP Financial Measures".

Results of Operations

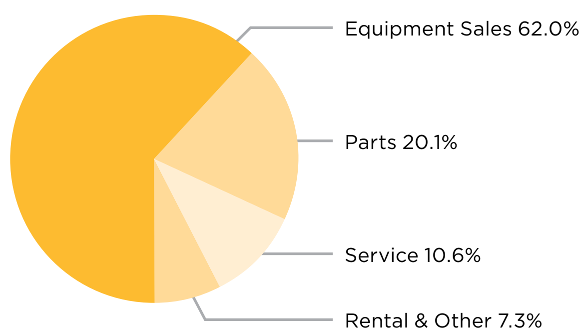
2009 Agriculture Gross Sales by Segment



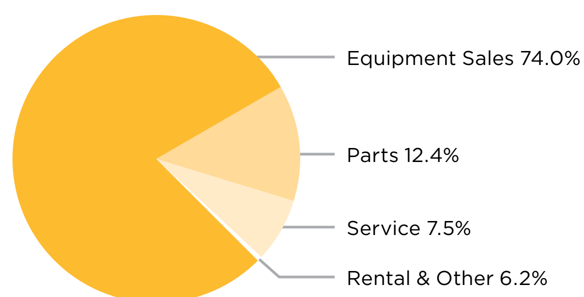
2008 Agriculture Gross Sales by Segment



2009 Construction Gross Sales by Segment



2008 Construction Gross Sales by Segment



Revenues

$ thousands	December 31, 2009	December 31, 2008	% change
Revenues by segment:			
Equipment:	258,997	198,171	30.7
New	160,904	119,770	34.3
Used	98,093	78,401	25.1
Parts	37,322	28,895	29.2
Service	20,950	16,905	23.9
Rental and other	607	710	(14.5)
Agricultural equipment	**317,876**	**244,681**	**29.9**
Equipment	36,888	76,908	(52.0)
New	29,725	69,026	(56.9)
Used	7,163	7,882	(9.1)
Parts	12,006	12,905	(7.0)
Service	6,344	7,810	(18.8)
Rental and other	4,361	6,371	(31.5)
Construction equipment	**59,599**	**103,994**	**(42.7)**
Total	**377,475**	**348,675**	**8.3**

Agricultural Equipment

Revenue for our agricultural equipment segment increased by $73.2 million for the year ended December 31, 2009 when compared to 2008. Same store sales which exclude John Deere dealership purchases in 2009 and 2008, increased by $31.7 million realizing internal growth of approximately 13.5%.

New equipment sales increased $41.1 million (same store $17.9 million) during 2009 when compared to 2008. This includes a decrease in our consumer equipment product sales (primarily consisting of lawn and garden equipment) of $2.3 million or 11.8% in 2009 when compared to 2008. The increase was primarily related to new harvest equipment sales. Used equipment sales also increased by $19.7 million (same store $10.0 million) for 2009 when compared to 2008. Used harvest equipment accounted for a significant portion of this increase as well. New and used equipment sales have increased primarily due to increased demand due to increased farm income. Used equipment sales were further supported by limited availability of new equipment in the agriculture industry in 2009.

Our parts revenue has increased by $8.4 million (same store $2.6 million or 9.7% internal growth) during 2009 when compared to 2008. Service revenue has also increased $4.0 million (same store $1.3 million or 8.1% internal growth) for 2009 when compared to 2008. The increase in parts and service revenue is primarily related to the increase in our new equipment and used equipment sales which require pre-delivery and set up work to be performed as well as work to prepare used equipment for sale. In addition the segment's machine population is growing which requires additional parts and service work to be performed.

Construction Equipment

Revenue from our construction equipment segment decreased by $44.4 million for the year ended December 31, 2009 when compared to 2008. The decrease in our revenues has been primarily caused by a reduction in our new and used equipment sales which accounted for a $40.0 million or 52.0% of the decrease in 2009 when compared to 2008. This reduction is a direct result of reduced housing starts in Alberta and a slow down being experienced in the oil & gas industry. AEM reported a 60% reduction in year over year unit sales for directly related equipment categories for 2009 when compared to 2008 and 34.2% decrease in the entire construction equipment sector during 2009 in their 2010 Construction Equipment Outlook report. CMHC, in their fourth quarter 2009 housing market outlook, estimated that the housing market in Alberta for single-detached and multiple housing starts decreased 38.5% during 2009 when compared to 2008.

Parts revenues have decreased $899 thousand and service revenue has decreased by $1.5 million during 2009 when compared to 2008. The parts and service revenue decrease has been significantly less than the reduction seen in new and used equipment sales due to high machine populations from prior year sales which have increased our aftermarket sales and support as well as the tightening economy that has seen customers extend the life of the equipment which has increased the demand for parts and service.

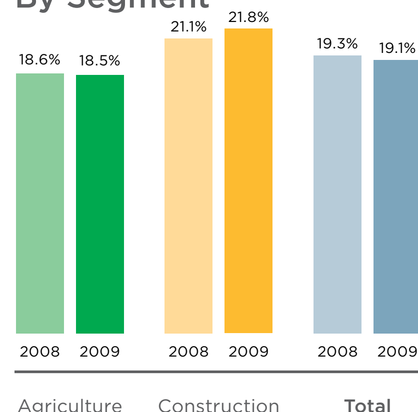
Rental income has decreased by $2.0 million during 2009 when compared to 2008. Rental equipment revenue is derived primarily from the demand for additional equipment to complete ongoing construction contracts and due to the overall reduction in construction starts during 2009 as explained above, usage has decreased.

Gross Profit

Gross Profit Margins

Percentage	December 31, 2009	December 31, 2008	% change
Gross profit margin by segment:			
Agricultural equipment	18.5	18.6	(0.5)
Construction equipment	21.8	21.1	3.3
Total	19.1	19.3	(1.0)

Gross Profit Contribution By Segment



Agricultural Equipment

Gross profit dollars increased $13.4 million (same store $5.1 million or 12%) during 2009 when compared to 2008 and gross profit margin decreased 0.1% overall. Gross profit margin decreased by 0.4% in equipment sales and increased by 3.2% in parts sales and 2.1% in service sales.

The equipment margins have slightly decreased due to strong competition being experienced for new equipment sales; however, strong demand for new equipment inventories and competitive pricing of our used equipment inventories received on trade has maintained a relatively stable margin.

Due to more dealer parts being sold in 2009 over 2008 and combined with more effort on buying parts with higher discounts as well as reducing overall freight costs, we have been able to maintain and actually increase the overall margin in our parts department.

Our service department gross profit margin has increased due to a continued effort by management to focus on labour efficiencies.

Construction Equipment

Gross profit dollars have decreased by $8.9 million or 41% during 2009 when compared to 2008 and overall gross margin has increased 0.7%. The overall increase in gross margin during 2009 is directly related to the significant change in sales mix and weighted average contribution of our products and services caused by higher gross margins reported in our parts and service departments which have not seen as dramatic a reduction in overall gross revenue as shown in our sales department. Overall contribution margins have decreased 2.3% in our equipment sales, 3.0% in our parts sales, 6.5% in our service sales and 5.0% in our rental sales.

The segment is experiencing tighter margins on new and used equipment sales from competitive market share pressures which have caused a reduction in new and used equipment margins. Used equipment write-downs recorded during 2009 were approximately $728 thousand (2.0% of equipment sales) versus $495 thousand (0.6% of equipment sales) for 2008.

Margins have decreased in our parts department due to the strengthening Canadian dollar which has put downward pressure on parts margins due to higher priced inventory purchased when the Canadian dollar was weaker as well as competitor pricing pressure due to decline in overall revenues being experienced during 2009.

The service department has also experienced a decrease in gross profit margin as slowing markets have placed pressure on efficiencies and as a result, management has been required to reduce the overall workforce in this department in an attempt to increase future gross profit margins.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include selling, general and administrative expenses and share/unit based compensation:

$ thousands	December 31, 2009	December 31, 2008	% change
Selling, general and administrative expenses by segment:			
Agricultural equipment	38,657	30,991	24.7
Construction equipment	12,854	14,844	(13.4)
Total	**51,511**	**45,835**	**12.4**
% of revenue			
Agricultural equipment	12.2	12.7	(3.9)
Construction equipment	21.6	14.3	51.0
Total % of revenue	**13.6**	**13.1**	**3.8**

Agricultural Equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $7.7 million for the year ended December 31, 2009. Same store selling, general and administrative expenses increased by $2.7 million, or 9.4%. The increase in same store selling, general and administrative expenses were primarily due to personnel costs which increased $2.3 million, marketing costs which increased $380 thousand, occupancy costs which increased $560 thousand and reduction in general administrative costs of $597 thousand. Personnel cost increased due primarily to general increases in wages and benefits of approximately 3% due to annual review increases and an increase in commissions and employee performance bonuses of $590 thousand due to increased sales volumes and net earnings and increased training costs for our technicians and sales people which increased $200 thousand. Marketing costs increased primarily to encourage the increase in gross revenue. The increase in occupancy costs was primarily due to increased leasing costs, including general increases in taxes and maintenance costs.

Construction Equipment

The construction equipment segment's selling, general and administrative expenses decreased $2.0 million for the year ended December 31, 2009 when compared to 2008. The primary reason for the decrease in selling general and administrative expenses during the year was due to a reduction in personnel costs of $1.7 million which is a combination of personnel reductions as well as a reduction in commissions which decreased $719 thousand on lower equipment sales. Other significant reductions to selling, general and administrative expenses were a decrease in marketing of $338 thousand due to reduced sales volume and bad debt expense which decreased $375 thousand.

Included in selling, general and administrative expenses which are allocated to each of our business segments are approximately $847 thousand of professional fees related to the Vasogen transaction in October 2009.

Depreciation and Amortization

$ thousands	December 31, 2009	December 31, 2008	$ change
Depreciation and amortization by segment:			
Agricultural equipment			
Depreciation on equipment	1,154	779	375
Amortization of intangible assets	791	527	264
	1,945	1,306	639
Construction equipment			
Depreciation on equipment	1,960	2,395	(435)
Amortization of intangible assets	660	660	-
	2,620	3,055	(435)
Total	**4,565**	**4,360**	**205**

Agricultural Equipment

The agricultural equipment segment depreciation and amortization increased by $639 thousand during 2009 when compared to 2008. The primary factor for the increased depreciation and amortization was the amortization of equipment and other assets from business acquisitions made in 2009 and 2008.

Construction Equipment

The construction equipment segment reported a decrease of $435 thousand in depreciation and amortization during 2009 when compared to 2008. The most significant decrease was due to a reduction in the rental equipment fleet depreciation recorded in cost of sales which accounted for $465 thousand of the overall decrease and was offset by an increase in other equipment depreciation due to additions made in 2009.

Interest

$ thousands	December 31, 2009	December 31, 2008	$ change
Interest by segment:			
Agricultural equipment	487	601	(114)
Construction equipment	465	710	(245)
Total	**952**	**1,311**	**(359)**
% of revenue	**0.2**	**0.4**	

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. Due to excess cash and cash equivalents on hand at the beginning of 2009, primarily from the $25 million equity offering in 2008, management utilized excess cash to reduce floor plan financing (45.3% of inventories at December 31, 2009 compared to 53.2% of inventories at December 31, 2008) and rental equipment financing (34.3% of rental equipment cost at December 31, 2009 compared to 44.8% at December 31, 2008) which reduced interest expense. The Company is also benefiting from the reduction in the prime lending rate that occurred in 2008.

Income Taxes

As previously discussed under "conversion to a corporation", on October 22, 2009 the LP converted from a publicly traded limited partnership to Cervus, a publicly traded corporation by way of a plan of arrangement with Vasogen, for cash consideration of $7.5 million. The transaction resulted in Cervus increasing its tax basis by approximately $79.3 million. Cervus' calculation of current and future income taxes for the year ended December 31, 2009 are based on the conversion to a corporate structure effective October 22, 2009, whereas Cervus' calculation of current and future income taxes for the year ended December 31, 2008 are based on the LP, of which Cervus is the successor entity, 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.

Future income taxes were impacted by the LP's conversion to a corporation and for the impact of recording previously unrecognized future income tax assets and liabilities. Total future income tax expense for the year ended December 31, 2009 was $1.7 million which is comprised entirely of future income tax adjustments for the differences between the tax basis of Cervus' assets and liabilities and their respective carrying values of $789 thousand and $903 thousand recorded as a result of the LP's conversion to a corporation.

In accordance with 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 a result of the transaction, Cervus recorded a future tax asset of $79.4 million and a deferred credit of $71.9 million. The net amount of $7.5 million which reflects the amount paid in connection with the Vasogen transaction, will be amortized to income tax expense in proration to the net reduction in the future income tax asset that gave rise to the deferred credit. During 2009, $8.3 million of the future tax asset and $7.5 million of the deferred credit for a net future income tax expense of $789 thousand has been recorded and included in net earnings.

During 2009, Cervus has recorded $79.4 million of future income tax assets and $71.9 million of deferred credits related primarily to its transaction with Vasogen. As at December 31, 2009, Cervus has the following tax pools available to be used in future periods:

	($ thousands)
Carrying values in excess of tax values	$ (644)
Non-capital losses carry-forward	57,998
Federal investment tax credits	12,910
Capital losses carried forward	19,353
Total estimated future tax asset	89,617
Less: valuation allowance for non-capital and capital losses carried forward	(19,549)
Balance, December 31, 2009	**$ 70,068**

Net Earnings and Comprehensive Income

The Company has no changes in net assets or equity from non-owner sources that would be considered as comprehensive income and therefore, net earnings and comprehensive income are the same results.

	December 31, 2009	December 31, 2008	% change
Net earnings ($ thousands):			
Agricultural equipment	18,008	15,846	13.6
Construction equipment	(831)	6,362	n/a
Total	**17,177**	**22,208**	(22.7)
% of revenue			
Agricultural equipment	5.7	6.5	(12.3)
Construction equipment	(1.4)	6.1	n/a
Total	**4.6**	**6.4**	**(28.1)**
Net Earnings Per Share/Unit:			
Shares/Units outstanding – basic ($ thousands)	**14,095**	**13,102**	**7.5**
Agricultural equipment	1.28	1.21	5.8
Construction equipment	(0.06)	0.49	n/a
Total	**1.22**	**1.70**	**(28.2)**

The most significant contributing factor to our $4.4 million decrease in earnings during the year ended December 31, 2009 was the reduction in earnings of our construction equipment segment which decreased $7.1 million. This was somewhat offset by an increase in earnings from our agricultural equipment sector which included earnings from our John Deere dealership acquisition in the third quarter of 2008.

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

(See Non-GAAP Financial Measures)

$ thousands	December 31, 2009	December 31, 2008	$ change
EBITDA by segment:			
Agricultural equipment			
Net earnings and comprehensive income	18,008	15,846	2,162
Add:			
Interest	487	601	(114)
Future income taxes	1,523	-	1,523
Depreciation and amortization	1,945	1,306	639
EBITDA	**21,963**	**17,753**	**4,210**
Construction equipment			
Net earnings (loss) and comprehensive income	(831)	6,363	(7,194)
Add:			
Interest	465	710	(245)
Future income taxes	169	-	169
Depreciation and amortization	2,620	3,055	(435)
EBITDA	**2,423**	**10,128**	**(7,705)**
Total EBITDA	**24,386**	**27,881**	**(3,495)**
% of revenue	**6.5**	**8.0**	

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 year ended December 31, 2009, EBITDA decreased by $3.5 million or 0.9% of 2009 gross revenue. Total same store EBITDA decreased by $7.0 million ($694 thousand increase in the agriculture equipment segment and a $7.7 million decrease in the construction equipment segment). The most contributing factor to the reduction in EBITDA during 2009 when compared to 2008 was due to the loss sustained by our construction equipment segment of $760 thousand when compared to net earnings in 2008 of $6.4 million, a net decrease of $7.1 million. The decrease experienced in our construction equipment segment was offset by an increase in EBITDA from our agricultural equipment segment of $4.2 million. The increase in the agricultural equipment segment was primarily due to the acquisition of a John Deere dealership in the third quarter of 2008.

Summary of Quarterly Results

$ thousands, except per unit amounts	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Revenues	84,239	121,195	105,701	66,340
Net earnings (loss)	(573)	8,745	7,330	1,675
Basic earnings (loss) per share/unit	(0.04)	0.61	0.52	0.12
Diluted earnings (loss) per share/unit	(0.04)	0.61	0.51	0.12
Weighted average shares/units outstanding –				
Basic	14,138	14,117	14,087	14,040
Fully diluted	14,449	14,361	14,258	14,190

$ thousands, except per unit amounts	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Revenues	69,790	107,595	112,626	58,664
Net earnings	2,635	8,888	8,444	2,241
Basic earnings per share/unit	0.19	0.64	0.70	0.20
Diluted earnings per share/unit	0.19	0.63	0.68	0.18
Weighted average shares/units outstanding –				
Basic	14,086	13,883	12,102	11,274
Fully diluted	14,147	14,003	12,335	12,135

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. The construction 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. During the two quarters commencing April through September 2009 and 2008, the Company reported 60% and 63% respectively of its revenues and recognized 90% and 78% respectively of its net earnings for the year. Excluding income taxes which were reported in the fourth quarter of 2009, the period April through September 2009 reported 85% of the 2009 net earnings

Liquidity

$ thousands, except ratio amounts	December 31, 2009	December 31, 2008
Current assets	134,249	113,553
Total assets	225,845	144,333
Current liabilities	67,160	49,440
Long-term liabilities	59,591	4,874
Shareholders' equity	99,094	90,019
Working capital (see "Non-GAAP Financial Measures")	67,089	64,113
Working capital ratio (see "Non-GAAP Financial Measures")	2.10	2.30

Working Capital

Our working capital increased by $3.0 million to $67.1 million at December 31, 2009 when compared to $64.1 million at December 31, 2008. 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 Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and controlling 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. As discussed below, the Company's percentage of floor plan to inventory has reduced during 2009 when compared to 2008 which is based on a management decision to utilize excess cash resources to reduce floor plan payables and reduce interest expense. Cash resources can normally be restored by accessing floor plan monies from unencumbered used equipment inventories. 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 December 31, 2009 are described below. At December 31, 2009, the Company had an operating bank line of credit available to a maximum amount of $15 million. The operating line of credit bears interest at rates ranging from prime plus 1.25% to prime plus 2.0% (2008 - prime plus 0.25% to prime plus 0.75%) based on certain financial covenants and is secured by a general security agreement, a priority agreement, trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries and the general partner. At December 31, 2009, the Company had not drawn on this operating line. 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, the Company issued an irrevocable letter of credit to John Deere Limited ("JDL") in the amount of $1.5 million. The letter of credit was provided to JDL in an effort to reduce personal guarantees required of our senior management.

As part of the operating bank line of credit, committed reducing term facility and uncommitted non-reducing term facility with the Company's lender, the Company is to maintain certain financial and negative covenants. As at December 31, 2009, the Company was in compliance with all its covenants. In addition, in order for the Company to maintain its facilities at prime plus 1.25%, the Company must maintain a senior debt to EBITDA ratio of less than 1.25 to 1 (see Non-GAAP Financial Measures). As at December 31, 2009, the Company's senior debt to EBITDA ratio was 0.27 to 1.

The Company had approximately $13.5 million in cash and cash equivalents on hand at December 31, 2009 which consisted of $8.0 million of cheques issued in excess of cash on deposit and $21.5 million in money market funds. The money market funds are invested through the Company's primary financial institution and the funds are available immediately upon request.

Significant challenges are still being experienced in both the domestic and international financial markets. These challenges are having an impact on the ability of certain borrowers to finance existing operations and to fund capital programs. To date, these issues in the financial markets have not had a direct impact on the operations of the Company. While the current financial situation has not directly impacted the Company's ability to fund capital projects and ongoing operations, future borrowing may be impacted by these current financial market conditions through increased carrying costs and the ability to raise debt and capital. The Company is unable to determine the outcome of these issues or how they may affect future operations.

As at December 31, 2009, inventories had increased by $27.0 million to $89.2 million (excluding new equipment inventory, $7.1 million of the increase was from the business acquisition of Ranchers in the third quarter of 2009). Used equipment represents $42.1 million (2008 - $20.1 million) of the equipment inventories. Aged used equipment over a year old totaled $12.2 million at December 31, 2009 ($3.8 million in our agriculture equipment segment and $8.4 million in our construction equipment segment). This compares to $7.4 million at December 31, 2008 ($3.4 million in our agriculture equipment segment and $4.0 million in our construction equipment segment).

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 John Deere equipment sales come with a trade-in while our Bobcat sales, and to a lesser extent our JCB and JLG sales, usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used construction equipment. 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. Our John Deere, Bobcat, JCB and JLG product lines are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

The market value of used equipment primarily in the agricultural equipment segment has been affected by the strengthening Canadian dollar throughout the 2009 year, providing for less expensive new equipment during the primary selling season of the second and third quarters of 2009, causing downward pressure on used equipment pricing. This, combined with an increase in strength of the Canadian dollar in the latter part of 2009 may impact our used equipment margins into 2010 (see "note regarding forward looking statements"). As at December 31, 2009, 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. Market risk is comprised of currency risk, interest rate risk and other price risks.

Foreign Currency Exposure

The Company is exposed to foreign currency fluctuations on its New Zealand dollar loan to 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 December 31, 2009, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $200 thousand. The Company's other financial instruments are not exposed to interest rate risk. During 2009, our average interest expense on debt related financing decreased to 4.2% from 5.5% in 2008. This decrease was primarily related to a reduction in the prime lending rate during 2008 that carried through the 2009 fiscal period.

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 12 days for the year ended December 31, 2009 (2008 - 13 days) 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 years ended December 31, 2009 and 2008, 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 $13.4 million of trade accounts receivable outstanding, $6.2 million is represented by sales contract financing receivables in transit and $7.2 million is represented by customer accounts receivable and other accounts receivable.

The Company recorded the following activity in its allowance for doubtful accounts during the year ended December 31, 2009:

	In $ thousands
Balance, December 31, 2008	$ 878
Bad debts additions	334
Amounts written-off as uncollectible	(693)
Balance, December 31, 2009	$ 519

Cash and Cash Equivalents

Cervus' primary sources and used of cash flows are as follows:

Summary of Cash Flows[1]

$ thousands	December 31, 2009	December 31, 2008
Net cash provided by operating activities	**$ 7,749**	**$ 26,433**
Financing activities:		
Issuance of shares/units from subscriptions and warrants, net of shares/units purchased	832	28,351
Repayment of term debt and notes payable	(3,277)	(3,749)
Distributions/dividends	(8,513)	(9,556)
Increase in deposits with John Deere	(110)	(284)
Cash flows from (used in) financing activities	**(11,068)**	**14,762**
Investing activities:		
Business acquisitions and deposits	(22,554)	(7,902)
Advances from short-term loans, related parties and unit/share purchase	1,304	1,608
Proceeds from (purchase) of equipment, net	2,947	(1,739)
Proceeds from (increase in) investments	(177)	290
Cash flows used in investing activities	**(18,480)**	**(7,743)**
Increase (decrease) in cash	(21,799)	33,452
Cash and cash equivalents, beginning of year	35,252	1,800
Cash and cash equivalents, end of year	**$ 13,453**	**$ 35,252**

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

Net cash provided by operating activities decreased by $18.7 million to $7.8 million for the year ended December 31, 2009 compared to $26.4 million for 2008. The primary reason for the decrease in cash flows from operating activities was due to both a reduction in net earnings of $5.0 million and the net change in non-cash working capital of $15.4 million. The change in non-cash working capital is primarily related to increased inventories with no offset to increases in floor plan payables. Inventories increased $20.9 million whereas related floor plans increased by only $4.1 million (net changes exclude increases from business acquisitions). Management is using its discretion to either pre-pay or buy down certain floor plans and thereby reduce the related interest costs associated with the debt. As noted earlier, a greater percentage of inventories have been purchased with cash to improve the return on the excess cash. As the facilities are available at any time, management is prepared to increase its floor plan payables if it is deemed necessary.

During 2009, financing activities used $11.0 million of cash flows compared to providing $14.8 million of cash flows in 2008. The primary reason for the $25.8 million change in cash flows from financing activities was due to the proceeds received from a private placement and exercise of warrants, net of shares/units purchased for cancellation in 2008.

Cash flows used in investing activities increased by $10.8 million to $18.5 million for the year ended December 31, 2009 compared to $7.7 million for the year ended December 31, 2008. The primary use of cash flows for investing activities is through the Company's business acquisitions. During 2009, Cervus completed three business acquisitions. Two of the acquisitions were related to the purchase of Ranchers which operates three equipment dealerships in Alberta and British Columbia and the other acquisition was the purchase of Vasogen as part of the October 22, 2009 plan of arrangement and conversion of Cervus from a publicly traded limited partnership to a publicly traded corporation. In addition, $6.8 million of deposits were made for the ARW transaction that was completed subsequent to December 31, 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 2010**	**Due 2011 through 2013**	**Due 2014 through 2015**	**Due thereafter**
Long-term debt	5,842	4,004	1,511	327	-
Notes payable	858	367	491	-	-
Operating leases	17,051	3,905	7,589	2,726	2,831
Total contractual obligations	23,751	8,276	9,591	3,053	2,831

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.

During 2009, the Company utilized $15.3 million of its cash and cash equivalents for the purchase of three equipment dealership stores and related real property, for the plan of arrangement with Vasogen and the conversion of Cervus from a limited partnership to a corporation.

During 2009, the Company invested $7.9 million in capital assets from both cash purchases and from the allocations of business acquisitions. The Company also disposed of $6.2 million of capital assets which included a $3.5 million disposal of real property to Proventure Income Fund ("Proventure" or the "Fund"), a related party and $2.7 million of rental equipment.

A summary of the Company's available credit facilities as at December 31, 2009 is as follows:

In $ thousands	Total Amount	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	15,000	-	1,500	13,500
Term loans	4,875	3,375	-	1,500
Floor plan facilities and rental equipment term loan financing	129,553	44,346	-	85,207
Total	149,428	47,721	1,500	100,207

We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets for 2010.

Operating and Other Bank Credit Facilities

At December 31, 2009 and 2008, the Company had a non-committed operating bank line of credit to a maximum amount of $15.0 million. The operating line of credit bears interest at rates ranging from bank prime plus 1.25% to prime plus 2.0% based on certain financial covenants and is secured by a general security agreement representing a first charge on all of the Company's assets and undertakings, a priority agreement between the bank, John Deere Limited and the Company, postponement and subordination of security interest between the bank, the Company, Cervus Corporation and Farm Credit Canada, unlimited guarantee of advances from the Company and priority agreement between the bank and CitiCapital Commercial Corporation, CIT Financial Ltd. and JCB Excavators Limited. As at December 31, 2009 and 2008, the Company had not drawn on this operating line. The bank indebtedness is also subject to certain financial and negative covenants in which we are in compliance as at December 31, 2009 and as at the date of this report.

As part of the purchase of Ranchers, the Company issued an irrevocable standby letter of credit to John Deere in the amount of $1.5 million. The letter of credit agreement allows for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations of the Company to John Deere. This letter of credit was issued under our current operating bank line of credit and therefore the amount available for borrowing under this facility is reduced to $13.5 million.

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 December 31, 2009 was $1.9 million. The uncommitted term facility amounts to $1.5 million and is provided for the purchase of capital assets. As at December 31, 2009, 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 Credit, GE Canada Equipment Financing GP and Textron Financial. At December 30, 2009, floor plan payables were $40.4 million (2008 - $33.0 million) and rental equipment term loan financing was $3.9 million. Floor plan payables at December 31, 2009 represented approximately 45% (2008 - 53%) 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 14,151,485 common shares, 33,090 share options, 300,285 deferred shares outstanding. As at December 31, 2009, the Company had the following weighted average shares outstanding:

In thousands	2009	2008
Basic weighted average number of shares/units outstanding	14,095	13,102
Dilutive impact of deferred share/unit plan	296	108
Dilutive impact of share/unit options	9	-
Dilutive effect of outstanding warrants	-	38
Diluted weighted average number of shares outstanding	14,400	13,248

Subsequent to December 31, 2009 and as part of the ARW transaction, the Company issued 425 thousand series 1 preferred shares with a 7% cumulative dividend rate, redeemable and retractable when certain conditions are met. The total value attributed to these shares is $5.4 million based on the December 31, 2009 closing market value per share of $12.60 per share.

Distributions/Dividends paid to Shareholders/Unitholders

The Company, at the discretion of the board of directors, is entitled to make cash distributions/ dividends to its shareholders/unitholders. The following table summarizes our distributions/ dividends paid and/or payable for the year ended December 31, 2009 ($ thousands, except per unit amounts):

Record Date	Dividend/ Distribution per Share/Unit	Dividend/ Distribution Payable	Dividend/ Distributions Reinvested	Net Dividend/ Distributions Paid
January 31, 2009	0.06	842	95	747
February 28, 2009	0.06	843	101	742
March 31, 2009	0.06	844	103	741
April 30, 2009	0.06	845	105	740
May 31, 2009	0.06	846	69	777
June 30, 2009	0.06	846	58	788
July 31, 2009	0.06	847	76	771
August 31, 2009	0.06	847	57	790
September 30, 2009	0.06	848	58	790
December 31, 2009	0.18	2,545	139	2,406
	0.72	10,153	861	9,292
General Partner		64	-	64
Total dividends/distributions		**10,217**	**861**	**9,356**

Cash distributions were previously made on a monthly basis to the limited partners of the LP. As a result of the LP's conversion to a corporation, Cervus is anticipating that dividends will be paid quarterly on or about the 15th day of the month following the record date.

Dividend/Distribution Reinvestment Plan ("DRIP")

The DRIP was implemented to allow shareholders to reinvest monthly dividends/distributions 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/distributions to September 30, 2009 are not taxable and are considered a return on capital. All future distributions by Cervus, including the December 31, 2009 dividend will be considered to be eligible dividends for tax purposes on the date paid. Also, all taxable income earned by the LP to the date of conversion has been allocated to Cervus as the sole partner at December 31, 2009 and therefore, there is no taxable income allocated to the limited partners for the 2009 taxation year.

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 December 31, 2009, payments in arrears by such customers aggregated $588 thousand (2008 - $188 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 December 31, 2009, the net residual value of such leases aggregated $58.7 million (2008 - $50.7 million).

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 December 31, 2009. 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 of Ranchers, the Company issued an irrevocable standby Letter of Credit to John Deere Limited ("JDL") in the amount of $1.5 million. The Letter of Credit was 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.

Transactions with Related Parties

The Chief Executive Officer ("CEO") of the Company is the CEO of the 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:

The Company had the following transactions with the Fund:

In $ thousands	2009	2008
Expenses:		
Real estate leases	$ 2,551	$ 1,896
Guarantee fees	$ 83	$ 83
Revenue:		
Management fees for administration	$ 30	$ 30
Interest on advances	$ 54	$ 79

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 December 31, 2009 and 2008, the Fund had outstanding guarantees with John Deere aggregating $2.75 million.

On December 30, 2009, the Company sold its real property acquired from 520781 Alberta Ltd. and used for the operations of Ranchers to the Fund for $3.5 million in exchange for $3.1 million in cash and an increase in its advances of $400 thousand.

During 2008, 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 year ended December 31, 2009 was $54 thousand (2008 - $79 thousand).

The Company advanced $365 thousand to a senior management employee to facilitate relocation to Calgary, AB. The advance were non-interest bearing and due on December 31, 2009. Subsequent to December 31, 2009, the employee repaid the loan in cash by selling the real property to the Fund.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6.4 million (2008 - $6.4 million). During the year ended December 31, 2009, the Company paid these individuals $192 thousand (2008 -$97 thousand) 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 JDL and the Company believes that the 3% per annum charge provided to the guarantors is a reasonable expense to providing these guarantees.

Prior to the Company's conversion to a corporation, the LP's general partner, Cervus GP Ltd. (the "GP"), was a private company owned by certain officers of the Company. As part of the conversion to a corporation, the GP is now a wholly owned subsidiary of the Company. Under the amended and restated limited partnership agreement of the LP, the GP is entitled to reimbursement of all reasonable direct and indirect costs incurred on behalf of the Company and to 1% of the net earnings. In addition, the Company had made distributions of $64 thousand (2008 - $124 thousand) to the general partner prior to the GP becoming a subsidiary of the company.

During 2009, the Company transacted in the normal course of business, $227 thousand (2008 - $322 thousand) of parts and service sales with companies in which the board of directors are directors of or control those companies.

Fourth Quarter Results

$ thousands, except per unit amounts	Three months ended December 31, 2009	Three months ended December 31, 2008	% Change
Revenues	84,239	69,790	20.7
Cost of sales, includes amortization of $353 (2008 - $537) and interest expense of $38 (2008 - $40)	68,733	54,305	26.6
Gross profit	15,506	15,485	0.1
Gross margin	18.4%	22.2%	(17.1)
Expenses (income)			
Administrative and general	13,642	13,399	1.8
Amortization	803	676	18.8
Interest expense	223	151	47.7
Interest income	(540)	(908)	(40.5)
Foreign exchange loss	31	-	100.0
Loss (gain) on disposal of property and equipment	275	(31)	n/a
Equity earnings of significantly influenced companies	(47)	(437)	(89.2)
Net earnings before income taxes	1,119	2,635	(57.5)
Future income taxes	1,692	-	100.0
Net earnings and comprehensive income	(573)	2,635	(96.1)
Net earnings (loss) per share/unit			
–Basic and diluted	(0.04)	0.19	-
Cash flow from operations	2,903	5,153	(52.4)
Per share/unit - diluted	0.20	0.39	(56.4)
Dividends/distributions declared	2,545	2,533	0.5
Per share/unit	0.18	0.18	-
EBITDA[1]	2,537	4,019	(36.9)
EBITDA margin[1]	3.0%	5.8%	(48.3)
Per share/unit - diluted	0.18	0.30	(40.0)
Weighted average shares/units outstanding			
Basic	14,138	14,086	0.4
Diluted	14,449	14, 147	2.1

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

Revenue

Revenue for the fourth quarter of 2009 was up $14.5 million compared to the fourth quarter of 2008. Revenue for the agriculture equipment segment increased $26.0 million ($19.9 million same store) while the construction equipment segment revenue decreased $11.5 million for the fourth quarter of 2009 when compared to the same period during 2008. The increase of same store sales of $19.9 million was led by equipment sales which accounted for $18.5 million and parts and service revenue for the remainder of the increase. The decrease in the construction equipment segment revenues of 43% over the fourth quarter of 2008 resulted from a decrease in equipment sales of $10.0 million, a decrease in parts and service of $869 thousand and a decrease in rental revenue of $629 thousand and is consistent with the trends being experienced during the first nine months of 2009.

Gross Margin

Gross margin for the fourth quarter of 2009 was 18.4% compared to 22.2% from the same period in 2008. The decrease in margin was primarily related to a reduction in used equipment margins from the disposal of aged equipment inventories. During the fourth quarter of 2009, our gross margins on new and used equipment decreased by 2.8% when compared to the fourth quarter of 2008. Parts and service gross margins also decreased by 3.9% during the fourth quarter of 2009 when compared to the same period of 2008. Most of the declines in our gross margin were led by the construction equipment segment and is a direct result of the strengthening Canadian dollar putting downward pressure on parts margins and efficiencies in our service department.

Selling, General, and Administrative

Selling, general, and administrative expenses were 16.2% of gross sales for the fourth quarter of 2009 versus 19.2% in the fourth quarter of 2008 and increased only slightly by $244 thousand. Same store selling, general and administrative expenses actually decreased by $488 thousand in our agricultural equipment segment and $600 thousand in our construction equipment segment.

Net Earnings

Net loss for the fourth quarter of 2009 was $573 thousand compared to net earnings of $2.6 million for the fourth quarter of 2008. The agricultural equipment segment contributed $205 thousand of the earnings ($1.5 million in 2008) and the construction equipment segment incurred a loss of $778 thousand (net earnings of $1.4 million in 2008).

Included in net earnings for the fourth quarter of 2009 is $1.7 million in future income tax expense. This future income tax expense is a combination of future tax adjustments on conversion to a corporation in the fourth quarter of 2009 as well as the recognition of a portion of the $7.5 million paid in connection with the Vasogen transaction which resulted in the availability of certain non-capital loss carry forwards.

Also, during the fourth quarter of 2009, the Company recorded a write-down on its investment in Agritronics in the amount of $330 thousand and incurred $217 thousand in professional fees, in addition to those fees incurred during the third quarter of 2009, for the completion of the Vasogen transaction.

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 unit-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/Unit-based Awards

The fair value of share/unit 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 unit 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/unit options granted.

Recent Accounting Pronouncements

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062 "Goodwill and Other Intangible Assets". Section 3064 gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, Section 3450 "Research and Development Costs" was withdrawn from the Handbook. Adoption of this pronouncement did not have a material effect on the Company's financial statements.

Effective January 1, 2009, the Company adopted the accounting provisions of Emerging Issues Committee (EIC) Abstract EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". Under EIC 173 an entity's own credit risk and the credit risk of its counterparties is taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this pronouncement did not have a material effect on the Company's financial statements.

In June 2009, the Canadian Accounting Standards Board ("AcSB") issued the amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures ("CICA 3862"). The amendments require additional disclosures about fair value measurements, including the classification of fair value inputs based on a three-level fair value hierarchy of techniques (quoted unadjusted prices (level 1), observable inputs (level 2) and unobservable inputs (level 3)), and about liquidity risk of financial instruments. At December 31, 2009, the Company's investment in money market funds was the only financial instrument carried on the balance sheet at fair value. The investment is short term in nature and is accordingly valued at cost plus accrued interest, which approximates fair value. The Company has classified the determination of fair value of these investments as level 2, as the valuation methodology used by the Company includes an assessment of assets in quoted markets with similar interest rates and terms to maturity.

Future Accounting Changes

The CICA has issued new accounting standards, "Section 1582, Business Combinations", "Section 1601 Consolidated Financial Statements" and "Section 1602, Non-Controlling Interests".

Section 1582, Business Combinations establishes how an entity is to account for business combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011, however earlier adoption is permitted. The Company is adopting changes to Section 1582, effective January 1, 2010 to more properly align accounting for business combinations with International Financial Reporting Standards ("IFRS").

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interest establishes standards for the preparation of consolidated financial statements and for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This Section applies to interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, however earlier adoption is permitted as of the beginning of a fiscal year. The Company is adopting changes to Section 1601 and 1602, effective January 1, 2010.

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.

The Company 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. The impact assessment was completed in the third quarter of 2009 and has been provided to the audit committee and board of directors for review.

Phase Two: Impact Assessment

This phase will involve a more comprehensive assessment of the differences between IFRS and the Company's current accounting policies and account balances and will be reviewed by outside consultants. This will include 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. This detailed assessment has been completed and potential changes to existing accounting policies, business process and information systems that were identified have been presented to the audit committee and board of directors for their review.

Phase Three: Impact Assessment

This implementation phase involves an analysis of the alternatives allowed under IFRS, including the current mandatory and elective exemptions that exist. During this phase, we will present to the audit committee and board of directors, management's recommendations for these exemptions and request final approval of changes in accounting policies and IFRS transition adjustments.

The Company has completed phases one and two as described above and has identified areas of potential differences between Canadian GAAP and IFRS that could impact our financial position and operating results upon conversion to IFRS. The Company currently does not expect significant differences with the exception of the accounting for the deferred credit that was recorded on the Vasogen transaction. The Company is uncertain whether the IFRS framework will permit the recognition of this balance as a liability.

While the first phases of the transition have been completed, the Company has not yet finalized its accounting policies and as such is unable to quantify the impact on the financial statements of adopting IFRS at this time. In addition, due to anticipated changes to certain International Accounting Standards prior to the Company's adoption of IFRS, the Company's plan is subject to change based on new facts and circumstances that arise after the date of the MD&A.

IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement of full retrospective application of IFRS. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings in the first comparative balance sheet. The key IFRS 1 exemptions that the Company expects to apply include:

- Business Combinations – IFRS 1 would allow the Company to use the IFRS rules for business combinations on a prospective basis rather than re-stating all business combinations.

- Share-based payments – IFRS 1 allows the Company an exemption on IFRS 2, "Share-Based Payments" to equity instruments which vested before the Company's transition date to IFRS.

The Company is continuing to assess the implications of the recent withdrawal of the exposure draft on IAS 12 Income Taxes in November 2009 and the issuance of the exposure draft on IAS 37 Provisions, Contingent Liabilities and Contingent Assets in January 2010

The transition from Canadian GAAP to IFRS is a significant undertaking that may materially affect our reported financial position and results of operations. We continue to monitor standards development as issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators (CSA), which may affect the timing, nature or disclosure of our adoption of IFRS.

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 equipment and 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 and JCB. These agreements are one year agreements; however the agreements are normally renewed on a year by year basis.

The success of our dealership 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 equipment segment sells light and medium construction equipment and is comprised of several companies manufacturing and selling various lines of equipment. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction equipment 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 fourth 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 equipment segment.

Presently the majority of the construction equipment division's revenue is derived from the sale of Bobcat equipment and products. Bobcat has established itself as an industry leader in the Alberta market for the manufacture and delivery of light construction equipment. Bobcat has the largest market share in this niche in the Alberta market. There can be no assurance however that Bobcat 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 December 31, 2009 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.

In the fourth quarter of 2008 and through 2009 we 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 2009 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 above mentioned 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. 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 quarters ending December 31, 2009 and 2008:

$ thousands, except margin and per share amounts	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Net earnings (loss)	(573)	8,745	7,330	1,675
Interest	261	219	213	259
Future income taxes	1,692	-	-	-
Depreciation and amortization	1,156	1,113	1,159	1.137
EBITDA	2,536	10,077	8,702	3,071
EBITDA margin	3.0%	8.3%	8.2%	4.6%
EBITDA per share - diluted	0.18	0.70	0.61	0.22

$ thousands, except margin and per share amounts	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Net earnings	2,635	8,888	8,444	2,241
Interest	192	176	510	434
Future income taxes	-	-	-	-
Depreciation and amortization	1,194	1,150	995	1,022
EBITDA	4,021	10,214	9,949	3,697
EBITDA margin	5.8%	9.5%	8.8%	6.3%
EBITDA per share - diluted	0.30	0.73	0.81	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.

Price earnings ratio; Price earnings ratio is calculated as market value per share/unit divided by earnings per share.

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.

Subsequent Events

On January 25, 2010, the Company completed the sale of its business and net assets of two John Deere dealerships located in Russell, Manitoba and Moosomin, Saskatchewan to Maple with an effective date of January 1, 2010. As consideration for the business and assets, Cervus acquired a 20% partnership interest in Maple which operates various John Deere dealerships in the Provinces of Saskatchewan and Manitoba. The net assets sold to Maple were approximately $3.0 million and the sale was effective January 1, 2010.

On January 1, 2010, Cervus acquired ARW, a private company that sells, rents and services industrial products and equipment in ten locations for an aggregate purchase price of approximately $19.7 million.