MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMEBER 31, 2008

The following Management's Discussion & Analysis (the "MD&A") was prepared as of March 20, 2009 and is provided to assist readers in understanding Cervus LP's financial performance for the year ended December 31, 2008 and significant trends that may affect future performance of Cervus LP. This MD&A should be read in conjunction with the accompanying consolidated financial statements for the year ended December 31, 2008 and the notes contained therein. The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and Cervus LP's reporting currency is the Canadian dollar. Cervus LP is a reporting issuer in the provinces of Alberta and British Columbia, Canada. Cervus LP's units trade on the TSX Venture Exchange under the symbol "CVL.UN"

Additional information relating to Cervus LP 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 LP's 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".

NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, including statements of information that contain terminology such as "anticipate", "believe", "intend", "expect", "may", "could", "will" and similar expressions constitute "forward-looking statements". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus LP 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. The majority of these forward looking statements is contained in the "market outlook" section of this MD&A and includes statements regarding the anticipated demand for products and services in each of the agricultural equipment and construction equipment segments. In addition, in the "income taxes" section of this MD&A, the LP discusses its intention to manage its taxable timing differences to reduce potential future income tax liabilities that may exist at December 31, 2010. 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 LP. 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.

At this time there is no reason to believe that our distributions will change from the current $0.09 per unit due to the LP's cash and cash equivalents on hand. The Dividend Reinvestment Plan ("DRIP") participation has been reducing which requires an increase in cash resources to fund the monthly distribution and we expect this trend to continue based on the trend being experienced through March 2009. In the MD&A for the period ended September 30, 2008, we discussed the taxation of our distributions. These estimates were based on internal financial statements, property and equipment additions and disposals experienced in the first nine months of 2008 and based on the actual number of units that were outstanding at September 30, 2008. As a result, we estimated the LP's taxable income to be $2.81 per unit. Actual taxable income for the year ended December 31, 2008 was $3.19 per unit, which included net earnings of $0.28 per unit for the 4th quarter of 2008. The estimate was less than the actual taxable amount per unit due to better than anticipated results for the 4th quarter of 2008, the increase in deferred unit plan participation which is not taxable until exercised, and the reduction in tax deductions related to property and equipment that the LP is managing in order to reduce future income tax liability, as discussed below in income taxes.

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Market Outlook

Agricultural equipment

Market conditions appear relatively stable in the agriculture segment. The Association of Equipment Manufacturers ("AEM") has released its annual forecast for US and Canadian agricultural machinery sales, providing an overall snapshot of manufacturers' predictions for 2009 business. Per their forecast, the market appears to have remained strong, especially for 4-wheel-drive and the larger 2-wheel-drive tractors, as well as combines which seems to have been fueled by increased energy demands (in part being met by ethanol production), increased commodity prices and increased net farm income. Machinery component sales, except for engines, are anticipated to increase during 2009 for Canada. AEM is the North American-based international trade group for the off-road equipment manufacturing industry, and it annually polls its agricultural machinery manufacturers on sales predictions for a variety of farm field and farmstead type equipment. These companies account for a majority of agricultural equipment sold in the United States and Canada. Each forecast in the AEM survey is the average of responses from companies in each product line, predicting industry wide expectations rather than individual company performance, and unit sales rather than company profitability (see "Note Regarding Forward Looking Statements").

According to data collected by Farm Credit Canada from Statistics Canada, market receipts for Canadian agriculture producers increased 14.2% during 2008 when compared to 2007 (25.6% for crop producers). The data is based on farm cash receipts which measure gross revenues, but does not take into account expenses, loans and depreciation.

Recent economic conditions are testing the market's confidence, however, people need food. Global populations are growing and are expected to grow by an additional 23 percent by 2025. It is predicted food production will need to increase by 50 percent by 2025 and double by 2050. Also, the demand for energy continues to rise. Equipment is required to plant and harvest crops to meet both food and fuel needs. Consequently, while we will certainly see some short-term impact as a result of the overall economic slowdown, agriculture can rely upon these sound fundamentals for business longer term (see "Note Regarding Forward Looking Statements").

Construction equipment

In North America, the residential housing market has been significantly impacted in 2008 by the worldwide economic downturn, which has affected new housing construction and development. We expect these adverse conditions to continue to pose challenges in 2009. The outlook for Canada has also been overshadowed by the ongoing financial crisis and the severity of the global recession. Also, as described by the Alberta government, Alberta is forecasting the province's economy to contract in 2009 as a result of low commodity prices and the continued global economic volatility. After years of robust economic growth, the provincial economy is forecast to contract by two per cent this year, resulting in the loss of 15,000 jobs and a rise in Alberta's unemployment rate to 5.8 per cent (see "Note Regarding Forward Looking Statements").

According to Canada Housing and Mortgage Corporation, for the second year in succession, housing starts across the Prairie Provinces are expected to fall by nearly one-third in 2009. This year's decline will be attributed to a strong reduction in multi-family construction, particularly in Alberta. Single-detached construction will also weaken this year, though not to the extent of multiples. Single-detached builders in Alberta will face the strongest decline this year, following the 29-year high in 2008. Also, housing starts are forecasted to drop in the single-detached and multiple by 34.2% in 2009 with a moderate increase in 2010 of 14.6% (see "Note Regarding Forward Looking Statements").

These forecasts indicate that in these uncertain and volatile conditions affecting global financial markets, it is quite difficult to forecast market conditions for the construction equipment market in 2009 as well as the corresponding impact on our business, with any degree of confidence. We are therefore focusing our energies in this sector on cost containment and efficiencies.

Overall

As described above, management expects to see continued strength in the agricultural equipment segment through 2009 based on early indications of our new equipment sales for delivery in 2009. We also expect the 2009 construction equipment segment results to decrease somewhat due to a combination of the weak housing market and the delay of substantial infrastructure projects by oil and gas companies and the Alberta government. It is too early to predict what effect the Government of Canada's announcements in its 2009 Budget for stimulus packages of $7.8 billion to stimulate housing construction and $12 billion to stimulate new infrastructure funding 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 unitholders (see "Note Regarding Forward Looking Statements").

Highlights of the 2008 Year

Revenues have increased 14.3% to $349 million for 2008 when compared to $305 million for 2007, including a $32 million increase in same store sales.

Overall gross revenues for 2008 when compared to 2007 in the agricultural equipment segment increased $52.3 million or 27.2% and the construction equipment segment decreased by $8.6 million or 7.7%.

Overall gross margin has increased to a record 19.3%, up 1.6% over the gross margin reported in 2007 and 3% over the 2006 gross margin.

Basic earnings per unit for 2008 increased to $2.54 per unit, an increase of $0.99 per unit or 63.9% over $1.55 per unit in 2007.

Cash and cash equivalents have increased by $33.4 million to $35.3 million at December 31, 2008 compared to $1.8 million at December 31, 2007.

Working capital (see "Non-GAAP Financial Measures") has increased by $35.0 million to $64.1 million at December 31, 2008 compared to $29.1 million at December 31, 2007.

In July 2008, the LP completed a private placement issuing 1 million units for net proceeds of $23.5 million.

In September 2008, the LP purchased a John Deere dealership with operations in Melfort and Prince Albert, Saskatchewan for a total purchase price of $8.3 million.

In November 2008, the LP filed a Normal Course Issuer Bid to purchase for cancellation up to a maximum of 471 thousand units of which 117 thousand units were purchased and cancelled by December 31, 2008 at a gross cost $1.1 million.

Overall Performance

During 2008 revenue grew by $43.7 million to $348.7 million compared to $305.0 million in 2007, an increase of 14.3%. Same store sales remained strong and contributed $32.1 million of the overall increase. In addition, cash flows from operating activities increased to $26.4 million ($3.03 per basic unit) from $18.1 million ($2.47 per basic unit in 2007) and EBITDA (see "Non-GAAP Financial Measures") increased to $27.9 million ($3.20 per basic unit) for 2008 when compared to $17.1 million ($2.33 per basic unit) for 2007. Our successful growth depends on our ability to provide accretive cash flow and earnings growth to our unitholders on a per unit basis. We were successful in achieving these goals in 2008. On a consolidated basis, the LP recorded revenue growth in all departments during 2008, with the exception of equipment rentals which recorded a decrease of 6.9% in 2008 when compared to 2007 results.

Net earnings increased by $10.8 million in 2008 to $22.2 million with the agricultural equipment segment contributing $15.8 million (an increase of 416% over $3.1 million in 2007) and the construction equipment segment contributed $6.4 million (a decrease of 24% over $8.3 million in 2007). Revenues and earnings for the agricultural equipment segment have continued to outperform the construction equipment segment during 2008, which had been anticipated due to stronger global grain commodity prices and farm income in contrast to the decreased growth in the housing and construction sectors of the Alberta economy.

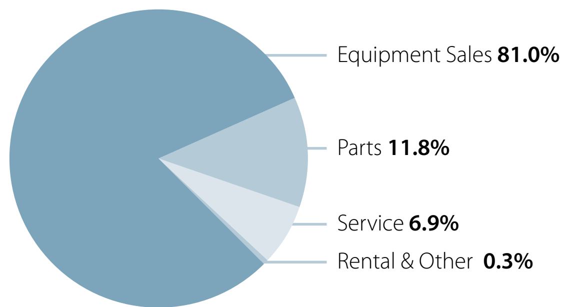
Selected Annual Information

$ thousands, except per unit amounts	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Revenues	**348,675**	304,984	269,134	182,450
Gross profit	**67,412**	53,984	44,104	27,869
Gross margin	**19.3%**	17.7%	16.3%	15.3%
Net earnings	**22,208**	11,385	8,597	4,850
Per unit - Basic	**2.54**	1.55	1.38	1.15
Per unit - Diluted	**2.52**	1.50	1.29	1.05
Cash provided by operating activities	**26,433**	18,138	3,847	4,639
Per unit – Basic	**3.03**	2.47	0.62	1.10
EBITDA[1]	**27,879**	17,106	13,771	6,617
EBITDA margin[1]	**8.0%**	5.6%	5.1%	3.6%
Per Unit – basic	**3.20**	2.33	2.21	1.58
Distributions to general partner	**199**	125	32	105
Distributions to preferred partnership units	**-**	329	410	107
Distributions declared to limited partners	**9,491**	8,004	6,607	4,070
Per unit	**1.08**	1.08	1.04	0.96
Weighted average units outstanding				
Basic	**8,734**	7,352	6,245	4,204
Diluted	**8,800**	7,568	6,661	4,614
Actual units outstanding	**9,342**	7,862	6,863	4,411
Closing market price per unit	**8.90**	16.30	8.65	12.00
Price earnings ratio[1]	**3.49**	10.52	6.27	10.43
Total assets	**144,333**	113,292	107,515	89,212
Long-term liabilities	**4,874**	8,901	9,276	7,653
Total debt	**54,314**	64,891	71,355	64,176
Unitholders' equity	**90,019**	48,401	36,160	25,036
Net book value per unit - diluted	**10.23**	6.27	5.43	5.42

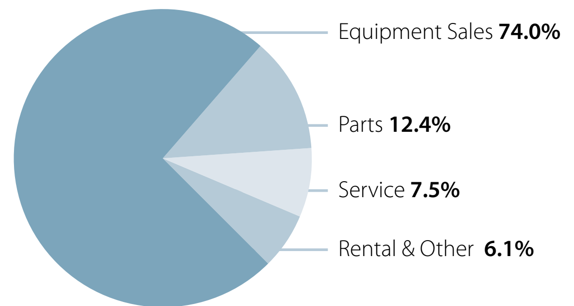
Notes: (1) These financial measures are identified and defined under the section "Non-GAAP Financial Measures".

Results of Operations

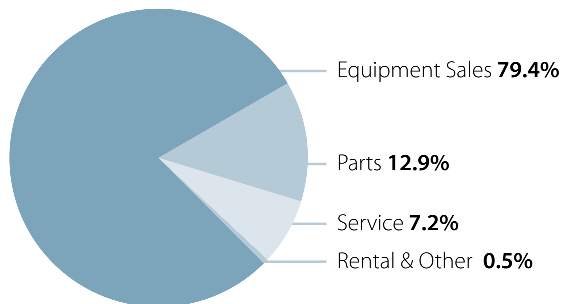
2008 Gross Sales by Segment – Agriculture



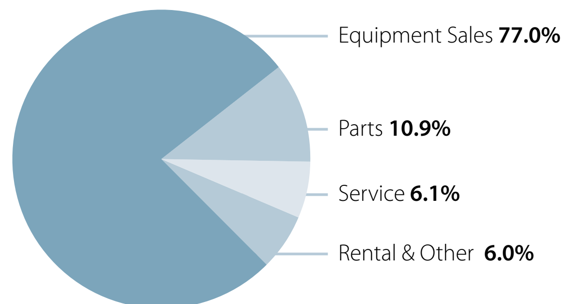
2008 Gross Sales by Segment – Construction



2007 Gross Sales by Segment – Agriculture



2007 Gross Sales by Segment – Construction



Revenues

$ thousands	December 31, 2008	December 31, 2007	% change
Revenues by segment:			
Equipment:	198,171	152,765	29.7
New	119,770	88,325	35.6
Used	78,401	64,440	21.7
Parts	28,895	24,824	16.3
Service	16,905	13,876	21.8
Rental and other	710	888	(20.0)
Agricultural equipment	**244,681**	**192,353**	**27.2**
Equipment:	76,908	86,713	(11.3)
New	69,026	77,832	(11.3)
Used	7,882	8,881	(11.2)
Parts	12,905	12,259	5.3
Service	7,810	6,941	12.5
Rental and other	6,371	6,718	(5.1)
Construction equipment	**103,994**	**112,631**	**(7.7)**
Total	**348,675**	**304,984**	**14.3**

Agricultural equipment

Revenue for our agricultural equipment segment increased by $52.3 million for the year ended December 31, 2008 when compared to 2007. Same store sales which exclude John Deere dealership purchases in 2007 and 2008, increased by $32.1 million realizing internal growth of approximately 18%.

New and other equipment sales increased $31.4 million (same store $29.7 million) during 2008 when compared to 2007. This includes a decrease in our consumer equipment product sales (primarily consisting of lawn and garden equipment) of $2.1 million or 9.7% from 2007. The increase was primarily related to new combine orders through John Deere's early order program from 2007 that were delivered in 2008. Used equipment sales also increased by $14.0 million (same store $2.3 million) for 2008 when compared to 2007. Used equipment sales have increased primarily due to increased demand due to increased farm income as with new equipment sales, and the limited availability of new equipment in the agriculture industry.

Our parts and service revenue has increased by $4.1 million (same store $1.2 million) during 2008 when compared to 2007. Service revenue has also increased $3.0 million (same store $1.3 million) for 2008 when compared to 2007. 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.

Construction equipment

Revenue from our construction equipment segment decreased by $8.6 million for the year ended December 31, 2008 when compared to 2007. The decrease in our revenues has been primarily caused by a reduction in our new and used equipment sales which accounted for a $9.8 million of the decrease in 2008 when compared to 2007. This reduction is a direct result of reduced housing starts in Alberta and a slow down being experienced in the oil & gas industry. Canada Housing and Mortgage Corporation, in their fourth quarter housing market outlook, estimated that the housing market in Alberta for single-detached and multiple housing starts decreased 38.5% during 2008 when compared to 2007.

Parts and service revenues have increased $1.5 million during 2008 when compared to 2007. The parts and service revenues are a direct result of strong unit sales in prior years which have increased the machine population for 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 slightly by $347 thousand during 2008 when compared to 2007. The decrease in rental equipment revenue is due primarily to the reduction in overall construction starts during 2008 whereas customers have required less additional equipment to complete ongoing construction contracts.

Gross Profit Margins

	December 31, 2008	December 31, 2007	% change
Gross profit margin by segment:			
Agricultural equipment	18.6%	15.8%	17.7
Construction equipment	21.1%	20.9%	1.0
Total	**19.3%**	**17.7%**	**9.0**

Gross Profit Contribution By Segment

Agricultural equipment

Gross profit dollars increased $15.1 million (same store $10.8 million) during 2008 when compared to 2007. Gross profit margin also increased 2.8% overall from 15.8% in 2007 to 18.6% in 2008. Gross profit margin increased in all departments with an increase of 2.7% in equipment sales, 7.6% in parts sales and 4.5% in service sales.

The equipment margins have improved because of strong demand for new equipment inventories and competitive pricing of our used equipment inventories received on trade. Used equipment write-downs recorded during 2008 were approximately $1.4 million (0.7% of equipment sales) versus $2.3 million (1.5% of equipment sales) for 2007.

We continued to pre-sell early order program trades in the current year so as to better match the trades with the selling season and therefore not leave valuations of our inventories to later periods that may be affected by foreign exchange market fluctuations. As the valuation of the used equipment is performed using the US dollar as a benchmark we have tried to reduce our risk of changes in the market value of our used equipment by selling used equipment inventories quicker than in the past. Historically, used equipment sales accepted on early order program trades would not normally materialize until the new equipment was received and delivered which may have had a negative impact on our gross margin when the US dollar is weakening. This is not as significant factor when the US dollar is strengthening.

Gross profit margins in our parts and service departments have improved for 2008 when compared to 2007 due to reduced purchase costs due to a stronger Canadian dollar through the first three quarters of 2008 while maintaining consistent selling prices and improved efficiencies in our service department.

Construction equipment

Gross profit margins have increased only slightly in 2008 by 0.2% when compared to 2007. The segment is experiencing tighter margins on new and used equipment sales which have resulted in a decrease in gross margins of approximately 1.0% in 2008 when compared to 2007 due to increased competitive pressure. Parts margins have increased by 3.7% in 2008 when compared to 2007 as a result of lower purchasing costs in the first three quarters of 2008 while maintaining current sales pricing. The service department has experienced a decrease in gross profit margin of 6.7% when compared to 2007 as slowing markets has placed pressure on the efficiencies of the service department.

Selling, General and Administrative Expenses

$ thousands	December 31, 2008	December 31, 2007	% change
Selling, general and administrative expenses by segment:			
Agricultural equipment	30,991	26,256	18.0
Construction equipment	14,844	14,441	2.8
Total	**45,835**	**40,697**	**12.6**
% of revenue			
Agricultural equipment	12.7	13.6	(6.6)
Construction equipment	14.3	12.8	11.7
Total	**13.1**	**13.3**	**(1.5)**

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $4.8 million for the year ended December 31, 2008. Same store selling, general and administrative expenses increased by $1.8 million, or 7.4% which was primarily a result of personnel costs which increased 14.2% (8.9% of total selling, general and administrative expenses) in 2008 when compared to 2007. Contributing to the increase in personnel costs was an increase in commission expense which increased 20.7% in 2008 when compared to 2007, directly related to the 29.7% increase in equipment sales as noted above. The balance of personnel cost increased due to general increases in wages and benefits of approximately 5%, an increase in overall full time equivalents during the year and a general increase in performance bonuses due to the increase in overall net earnings results for 2008 when compared to 2007. Offsetting the increase in personnel costs during the year ended December 31, 2008 was a reduction in bad debt expenses which decreased $913 thousand due to a significant loss experienced in 2007, a reduction in marketing expenses of $336 thousand due primarily to a reduction in after-sales expenses, and offset by an increase in general and administration expenses of $625 thousand, and an increase in occupancy costs of $266 thousand 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 increased $403 thousand for the year ended December 31, 2008 when compared to 2007. The primary reason for the increase in selling general and administrative expenses during the year was due to an increase in general operating expenses of $459 thousand, an increase in bad debts of $168 thousand, an increase in marketing of $134 thousand, and a reduction in personnel costs of $434 thousand. General and operating expenses increased primarily due to the general increase in most operating expenses, bad debts increased due to an increase in our general reserve for doubtful accounts, marketing increased due to an increased effort in advertising and promotion to combat declining sales as noted above and personnel costs decreased due to a reduction in commission expense as a result of decreased sales as noted above.

Depreciation and amortization

$ thousands	December 31, 2008	December 31, 2007	$ change
Depreciation and amortization by segment:			
Agricultural equipment	1,305	975	330
Construction equipment	3,055	2,973	82
Total	**4,360**	**3,948**	**412**

Agricultural equipment

The agricultural equipment segment depreciation and amortization increased by $330 thousand during 2008 when compared to 2007. The primary factor for the increased depreciation and amortization was the amortization of other assets from business acquisitions made in 2007 and 2008.

Construction equipment

The construction equipment segment reported an increase of $82 thousand during 2008 when compared to 2007. A portion of this increase is related to a $25 thousand increase in rental equipment depreciation recorded in cost of sales and the balance of $57 thousand from capital additions during the year.

Interest

$ thousands	December 31, 2008	December 31, 2007	% change
Interest by segment:			
Agricultural equipment	601	711	(15.5)
Construction equipment	710	759	(6.5)
Total	**1,311**	**1,470**	**(10.8)**
% of revenue	0.4	0.5	

Interest expense is comprised primarily of the LP'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. The LP experienced increased cash flows from operations which has resulted in a decrease to overall interest expense as some of the cash flow has been utilized to reduce floor plan financing (53.2% of inventories at December 31, 2008 compared to 60.6% of inventories at December 31, 2007) and rental equipment financing (44.8% of rental equipment cost at December 31, 2008 compared to 52.8% at December 31, 2007). The LP is also benefiting from the reduction in the prime lending rate during 2008.

Income Taxes

On June 22, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "Specified Investment Flow-Through Entities" or SIFT" tax) received Royal Assent.

SIFTs are certain publicly traded income and royalty trusts and limited partnerships including Cervus LP. For SIFTs in existence on October 31, 2007, the SIFT tax will be effective in 2011 unless certain rules related to "undue expansion" are not adhered to. Under the guidance provided, we can increase our equity by approximately $50 million per year between now and 2011 without prematurely triggering the SIFT tax.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any limited partnership taxable income will be taxed at an approximate rate of 29.0 percent, being the estimated corporate income tax rate. The resultant distributions will be considered taxable to the unitholders. Distributions representing return of capital for income tax purposes will continue to be an adjustment to a unitholders adjusted cost base of the partnership units.

For accounting purposes, the LP assessed its temporary differences between book and tax basis of assets and liabilities and determined that no additional future income tax liability or future income tax expense was required at this time. As at December 31, 2008, there are approximately $4.8 million of differences ($0.52 per issued partnership unit) between book and tax basis of assets which are primarily a result of intangible assets being amortized for accounting purposes with no offsetting tax deductible amount recorded. It is the LP's intention to reduce these timing differences to a nominal amount by December 31, 2010 which results in an increase in taxable income to the unitholders of record at December 31 of each year. However, there can be no guarantee that the LP will be successful in reducing these timing differences to a nominal amount by December 31, 2010 (see "Note Regarding Forward Looking Statements").

The LP is currently reviewing organizational structures and alternatives to minimize the impact of the SIFT tax on our unitholders. While there can be no assurance that the negative effect of the tax can be minimized or eliminated, we continue to work diligently on these issues.

Net Earnings and comprehensive income

The LP 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 reportedly the same results.

	December 31, 2008	December 31, 2007	% change
Net earnings ($ thousands):			
Agricultural equipment	15,846	3,071	416.0
Construction equipment	6,362	8,314	(23.4)
Total	**22,208**	**11,385**	**95.1**
% of revenue			
Agricultural equipment	6.5	1.6	306.3
Construction equipment	6.1	7.4	(17.6)
Total	**6.4**	**3.7**	**73.0**
Net Earnings Per Unit:			
Units outstanding – basic ($ thousands except per unit amounts)	8,734	7,352	18.8
Agricultural equipment	1.81	0.42	331.0
Construction equipment	0.73	1.13	(35.4)
Total	**2.54**	**1.55**	**63.9**

The most significant contributing factor to our $10.8 million increase in earnings during the period was our overall increase in gross revenue in our agriculture segment. Gross revenue increased $43.7 million in 2008 when compared to 2007. This increase, combined with an overall increase in our gross margin from 17.7% in 2007 to 19.3% in 2008, contributed to most of our increase in earnings. In addition, equity earnings of significantly influenced companies increased $785 thousand and interest and other revenue increased $1.6 million primarily from interest earned on cash deposits made during the year to money market funds.

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

$ thousands	December 31, 2008	December 31, 2007	$ change
EBITDA by segment:			
Agricultural equipment	17,751	5,060	250.8
Construction equipment	10,128	12,046	(15.9)
Total	**27,879**	**17,106**	**63.0**
% of revenue	8.0	5.6	

EBITDA (see "Non-GAAP Financial Measures) 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, 2008, our EBITDA grew by $10.7 million or 2.4% of gross revenue when compared to the same period during 2007. The increase in EBITDA can primarily be attributed to the $10.8 million increase in earnings.

Summary of Quarterly Results

$ 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 unit	0.28	0.96	1.03	0.28
Diluted earnings per unit	0.28	0.95	1.02	0.27
Weighted average units outstanding				
Basic	9,390	9,255	8,211	8,068
Fully diluted	9,431	9,335	8,305	8,223

$ thousands, except per unit amounts	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Revenues	59,790	98,002	86,953	60,239
Net earnings	755	5,641	4,833	156
Basic earnings (loss) per unit	0.10	0.74	0.68	.02
Diluted earnings (loss) per unit	0.09	0.71	0.64	.02
Weighted average units outstanding				
Basic	7,516	7,652	7,117	6,937
Fully diluted	8,090	7,940	7,507	7,335

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

Sales activity for the agricultural equipment 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 2008, the LP reported 63% of its revenues and recognized 78% of its net earnings for the year. This compares to 61% of its revenues and 92% of its net earnings for the same periods of 2007. These trends are supported by the seasonality of our business operations which consists of our agriculture and construction segments. Most of the activity surrounding agriculture in Western Canada is performed during the April to September period and a majority of our construction business is also performed during the same period. Changes in our construction revenues can fluctuate based on the amount of snowfall that is received during the period October through March and as snow removal equipment and services are required.

Liquidity

$ thousands, except ratio amounts	December 31, 2008	December 31, 2007
Current assets	113,553	85,138
Total assets	144,333	113,292
Current liabilities	49,440	55,990
Long-term liabilities	4,874	8,901
Unitholders' equity	90,019	48,401
Working capital (see "Non-GAAP Financial Measures")	64,113	29,148
Working capital ratio (see "Non-GAAP Financial Measures")	2.30	1.52

Working capital

Our working capital (see "Non-GAAP Financial Measures") improved to $64.1 million at December 31, 2008 when compared to $29.1 million at December 31, 2007, an increase of $35.0 million. In accordance with outstanding debt agreements, the LP is required to maintain a working capital ratio (see "Non-GAAP Financial Measures") of no less than 1.25 to 1 and as at December 31, 2008, the working capital ratio is 2.30 to 1.

The LP'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 LP'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 LP's percentage of floor plan to inventory has been reducing during 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 available for 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 during these quarters.

Liquidity risk

The LP'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 LP controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. As at December 31, 2008, the LP's contractual obligations are described below. At December 31, 2008, the LP has 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 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 LP's subsidiaries and the general partner. As at December 31, 2008, the LP had not drawn on this operating line. In addition, the LP 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.

The LP has approximately $35 million in cash and cash equivalents on hand at December 31, 2008 which consists of $4.8 million of cash on hand and in bank and $30.5 million in money market funds. The money market funds are invested through the LP's primary financial institution and the funds are available immediately upon request.

Significant challenges are currently 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 LP. While the current financial

situation has not directly impacted the LP's ability to fund capital projects and ongoing operations, future borrowing may be impacted by these financial markets through increased carrying costs and the ability to raise debt and capital. The LP is unable to determine the outcome of these issues or how they may affect future operations (see "Note Regarding Forward Looking Statements").

At December 31, 2008, inventories have decreased by $2.2 million to $62.1 million (including $2.5 million increase from a business acquisition during 2008) from $64.3 million at December 31, 2007. The most significant decreases were in new and used equipment which accounted for $4.2 million (including $1.4 million increase from a business acquisition in 2008) of the decrease. Used equipment represents $20.2 million (2007 - $21.7 million) of the equipment inventories. Aged used equipment over a year old totals $3.4 million at December 31, 2008 compared to $9.0 at December 31, 2007, a reduction of $5.6 million primarily due to the increased equipment sales experienced in the agricultural 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.

The market value of used equipment in the agricultural equipment segment has been affected by the strengthening Canadian dollar throughout the year, providing for less expensive new equipment during the primary selling season of the 2nd and 3rd quarters, causing downward pressure on used equipment pricing. This, combined with an increase in strength of the US dollar in the latter part of 2008 has left current used inventories with recoverable carrying amounts and little indication of impairment issues.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and adverse economic conditions which may impact the timing of collection and ultimate realization of equipment sales, parts, service and rental revenue. The LP derives substantially all of its operating revenue from agricultural and construction based clients. The agriculture segment is primarily impacted by commodity prices and the construction segment is primarily impacted by both housing and infrastructure starts. A 5% to 10% change in the market conditions affecting these segments would result in an increase or decrease to revenue of between $17.4 and $34.9 million. Based on the return on sales experienced for the year ended December 31, 2008, this would result in an increase or decrease in net earnings of between $1.1 and $2.2 million.

Credit risk

By granting credit sales to customers, it is possible these entities, to which the LP provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the LP'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 LP. The LP's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable. The LP's revenues are normally invoiced with payment terms of net, 30 days. At December 31, 2008, $3,716,675 (December 31, 2007 - $4,077,076) of LP's gross receivables were over 30 days. In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect LP's outstanding accounts receivable was approximately 13 days for the year ended December 31, 2008 (2007 - 14 days) and no single outstanding customer balance represented more than 10% of total accounts receivable. The LP mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The LP 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 year ended December 31, 2008 and December 31, 2007, 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 $11,732,104 of trade accounts outstanding, $8,015,429 is outstanding greater than 30 days for which the LP has recorded $878,297 of allowance for uncollectible amounts. The LP recorded the following activity in its allowance for doubtful accounts during the year ended December 31, 2008:

Balance, December 31, 2007	$	799,861
Bad debts additions		567,964
Amounts written-off as uncollectible		(489,528)
Balance, December 31, 2008	$	**878,297**

Interest rate risk

The LP'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 LP's outstanding long-term debt and obligations under capital lease at December 31, 2008, a one percent increase or decrease in market interest rates would impact the LP's annual interest expense by approximately $200,000. The LP's other financial instruments are not exposed to interest rate risk. During 2008, our average interest expense on debt related financing decreased to 5.5% from 6.0% in 2007. This decrease was primarily related to a reduction in the prime lending rate during 2008.

Foreign currency exposure

The LP is not exposed to fluctuations in foreign currency in that all sales and expenditures are incurred in Canadian dollars. However, many of our products, including equipment and parts are based on a US dollar price structure as they are supplied primarily by US manufacturers. This may cause fluctuations in future sale amounts primarily related to equipment and parts sales as it is the intent of the LP to maintain a consistent gross margin return where possible. Certain of the LP's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases.

Cash

Net cash provided by operating activities was $26.4 million for the year ended December 30, 2008 versus $18.1 million for 2007, an increase of $8.3 million or 45.7%.

The primary cause for the increase in operating cash flow was due to the $10.8 million of increased earnings which was reduced by fluctuations in the LP's net change in working capital related primarily to fluctuations in the LP's inventory levels and their related floor plan payable amounts. Management uses its discretion to utilize operating cash flow to either pre-pay or buy down certain floor plans and 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 2008, financing activities provided $14.8 million of net cash flow compared to providing $1.5 million during 2007. The primary sources of cash during 2008 came from a private placement on July 10, 2008 of 1 million units that provided $23.5 million, net of unit issue costs and from the exercise of unitholders warrants that provided $3.5 million in cash. The LP repaid $3.1 million in term debt and distributed $9.6 million.

In 2008, the LP used $7.7 million of cash flow for investing activities when compared to $12.9 million in 2007. The primary use of cash for investing activities during 2008 was for the business acquisition of Northeast AG Partnership, purchased on September 5, 2008 for cash of $7.9 million. The LP also received $4.3 million on repayment of a short-term advance made to an unrelated party, advanced $2.7 million to Proventure Income Fund, a related party, advanced $650 thousand to the LP's CEO, and used $1.7 million, net of proceeds from sale to purchase capital assets for ongoing operations.

Contractual obligations

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

$ in thousands	Total	Due 2009	Due 2010 through 2012	Due 2013 through 2014	Due thereafter
Long-term debt	8,519	4,319	4,080	-	120
Notes payable	1,125	600	525	-	-
Operating leases	14,614	3,397	6,544	2,598	2,075
Total contractual obligations	**24,258**	**8,316**	**11,149**	**2,598**	**2,195**

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 unitholder value is to use a combination of equity and debt financing to leverage our operations.

We invested $4.1 million, net of capital disposals in operational capital expenditures in 2008. The primary capital expenditure was $3.2 million in rental equipment. We have budgeted 2009 capital needs to be approximately $4.6 million (see "Note Regarding Forward Looking Statements), $2.2 million of which is for the further expansion of our construction equipment rental fleet through floor plan financing of terms up to 4 years and $2.4 million for equipment and leasehold improvements primarily funded by cash flows from operating activities.

Bank Indebtedness

At December 31, 2008 the LP has a non-committed operating bank line of credit to a maximum amount of $15 million (2007 - $15 million). The operating line of credit bears interest at rates ranging from bank prime to prime plus 0.5% based on certain financial covenants and is secured by a general security agreement representing a first charge on all of the LP's assets and undertakings, a priority agreement between the bank, John Deere Limited and the LP, postponement and subordination of security interest between the bank, the LP, Cervus Corporation and Farm Credit Canada, unlimited guarantee of advances from the LP and priority agreement between the bank and GE Canada Equipment Financing G.P., CIT Financial Ltd. and JCB Excavators Limited. As at December 31, 2008 and 2007, the LP had not drawn on this operating line. The bank indebtedness is also subject to certain financial and negative covenants with which we are in compliance with at December 31, 2008 and as at the date of this report.

Floor plan payables

Floor plan payables consist of financing arrangements for the LP's inventories. At December 30, 2008, floor plan payables are $33.0 million, a decrease of $5.9 million from the December 31, 2007 balance of $38.9 million. Floor plan payables represent approximately 53% of our inventories at December 30, 2008 compared to 61% at December 31, 2007. 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 LP may take advantage of any programs made available to the LP by its key suppliers.

Our floor plan facilities are provided by our equipment manufacturers directly or through partnering arrangements that they have with third party lenders. We currently have an aggregate facility of approximately $80 million available for equipment inventory financing, which we believe is sufficient to meet our market share targets for 2009.

Term debt and Note Payable

Term debt consists primarily of financing arrangements for our short term rental equipment fleet, financing of our automotive and truck purchases, and a term loan from business acquisitions. The term debt carries interest at rates ranging from prime plus 0.25% to prime plus 0.75% and also fixed rate facilities with interest ranging from 0% to 7.25%. Term debt decreased by $3.3 million during 2008 as a result of normal principal repayments and the reduction of rental equipment financing.

Outstanding Share Data

As of the date of this report, there are 9,363,615 limited partnership units, 34,479 unit options, 63,596 deferred units and 612,480 unit purchase warrants outstanding.

As at December 31, 2008, the LP had the following weighted average shares outstanding:

In thousands	2008	2007
Basic weighted average number of units outstanding	8,734	7,352
Dilutive effect of convertible preferred units	-	200
Dilutive impact of deferred unit plan	41	11
Dilutive impact of unit options	-	3
Dilutive effect of outstanding warrants	25	2
Diluted weighted average number of units outstanding	**8,800**	**7,568**

Distribution policy

Cervus LP, in accordance with its Limited Partnership Agreement, is entitled, at the discretion of the Board of Directors, to make cash distributions to its Limited Partnership Unit Holders. The following table summarizes our distributions during 2008 ($ thousands, except per unit amounts):

Record Date	Distribution per Unit	Distribution Payable	Distributions Reinvested	Net Distributions Paid
January 31, 2008	0.09	728	88	640
February 28, 2008	0.09	731	87	644
March 31, 2008	0.09	733	89	644
April 30, 2008	0.09	740	305	435
May 31, 2008	0.09	742	303	439
June 30, 2008	0.09	743	304	439
July 31, 2008	0.09	846	305	541
August 31, 2008	0.09	847	311	536
December 30, 2008	0.09	849	313	536
October 31, 2008	0.09	850	95	755
November 30, 2008	0.09	841	99	742
December 31, 2008	0.09	841	90	751
	1.08	9,491	2,389	7,102
General Partner		199	-	199
Total Distributions		**9,690**	**2,389**	**7,301**

Cash distributions are normally paid by Cervus LP on a monthly basis to unitholders of record on the last business day of each month. Distributions are payable on or about the 15th day of the month following the record date.

Distribution reinvestment plan ("DRIP")

The DRIP was implemented in 2004 and allows unitholders to reinvest monthly distributions into additional Cervus LP units. Unitholders who elect to participate will see their periodic cash distributions automatically reinvested in Cervus LP units at a price equal to 95% of the volume-weighted average price of all units traded on the TSX Venture Exchange for the ten trading days preceding the applicable record date. Eligible unitholders may participate in the DRIP by directing their broker, dealer, or investment advisor holding their Fund units 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

Our distributions are not taxable and are considered a return on capital. The LP's taxable income is calculated and allocated to the unitholders of record on December 31 of each calendar year. For the year ended December 31, 2008, the taxable income amounted to approximately $3.19 per unit. The difference between the taxable income per unit and the cash distribution was caused by the timing of recording certain amounts for accounting purposes versus deducting them for tax purposes, which includes the additional partnership income for the calendar year from our business acquisition in September 2008 and the reduction of capital cost allowance claimed in order to reduce taxable timing differences that may exist at the end of 2010 when the limited partnership is required to convert to a taxable corporation.

Cautionary note regarding distributions

Although we intend to continue making monthly distributions to our unitholders, cash distributions are not assured and may be reduced or suspended. Our ability to continue making cash distributions and the actual amount distributed 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 units may decline if we were unable to meet our cash distribution targets in the future, and that decline may be significant. We have continued to distribute $0.09 per unit through March 2009 (see "Note Regarding Forward Looking Statements").

As terms under our credit facilities, we are restricted from declaring distributions or distributing cash if the LP is in breach of its debt covenants. As at the date of this report, the LP is not in violation of any of its covenants.

Distributable cash calculated:

$ thousands, except per unit amounts	December 31, 2008	December 31, 2007
Cash flow from operating activities	26,433	18,138
Add (deduct):		
Maintenance capital expenditures[1]	(1,345)	(2,000)
Cash available for distribution and growth (a)	25,088	16,138
Per unit – diluted	2.85	1.86
Gross distributions declared to all equity holders (b)	9,690	8,458
Payout ratio (b)/(a)	39%	60%
Net distributions declared, net of DRIP (c)	7,301	5,545
Payout ratio (c)/(a)	29%	39%

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

Cash available for distribution and growth in excess of distributions declared reflects reserves we believe are necessary for such things as future working capital requirements, future capital expenditures and acquisitions. In addition, cash retained through the participation of unitholders in our DRIP is also used to fund future capital expenditures.

Cash available for distribution and growth reported for the years ended December 31, 2008 and 2007 are net of maintenance capital expenditures. Maintenance capital expenditures are the capital expenditures incurred during the period to maintain our existing levels of service. This includes capital expenditures used to replace buildings and equipment and enhance the operational life of existing equipment. These capital expenditures can fluctuate significantly, year-to-year depending on our identified needs. If maintenance capital expenditures increase in future periods, our cash available for distribution and growth would be negatively impacted.

We estimate our unfunded maintenance capital expenditures for the year ended December 31, 2009 to be approximately $2.4 million (see "Note Regarding Forward-Looking Statements). We based this estimate on our preliminary replacement expectations for equipment, net of funding resources received. The actual timing of the replacements is subject to a number of variables that cannot necessarily be predicted and though we believe these estimates to be appropriate, our actual maintenance capital expenditures may differ materially from our original estimates.

Business Risks and Uncertainties

Reliance on our key manufacturers and dealership arrangements

Cervus LP's 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 John Deere Limited provides a framework under which John Deere Limited 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 Cervus LP has one year to restore any deficiencies.

Cervus 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 business 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 the equipment manufacturers will renew their dealership agreements with us on the expiry of any given term or that circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements with us. Further, there can be no guarantee that the equipment manufacturers will continue to provide us with the timely delivery of quality products and services at competitive prices.

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 that effect crop production, Canadian vs. U.S. currency exchange rates that impact equipment pricing, interest rates, grain disease, and customer confidence have an impact on demand for equipment, parts and service.

The retail farm equipment industry is very competitive. Cervus LP 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 LP'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 sale 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 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 believe that there will be a significant decline in 2009 (see "Note Regarding Forward Looking Statements").

Presently the majority of the construction equipment segment'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.

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 LP's customers. A portion of this financing is with recourse to the LP if the amounts are uncollectible. At December 31, 2008, payments in arrears by such customers aggregated $188,424 (2007 - $551,639). In addition, the LP is responsible for assuming all lease obligations held by its customers with Deere Credit, Agrifinance and Irwin Commercial Finance Canada Corporation for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2008, the net residual value of such leases aggregated $50 million (2007 - $40 million).

The LP is liable for a portion of the deficiency in the event that the customer defaults on their lease obligation. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the LP owes Deere Credit under this obligation. The deposits are capped at 3% of the total dollar amount of the lease finance contracts outstanding. The maximum liability that may arise related to these arrangements is limited to the deposits of $1,376,978 (2007 - $835,823). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the LP.

Transactions with Related Parties

The CEO of the LP is also the CEO of Proventure Income Fund ("Proventure" or "Fund"). In addition, the CEO is the single largest equity holder of the LP and the Fund and the LP 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 LP's John Deere dealerships and two of the LP's Bobcat/JCB dealerships. Other than disclosed above, the LP had the following transactions with the Fund:

$ thousands		2008		2007
Expenses:				
Real estate leases	$	1,900	$	1,341
Guarantee fees	$	83	$	114
Revenue:				
Management fees for administration	$	30	$	30
Interest on advances	$	79	$	-

The LP 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 LP 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, 2008 and 2007, the Fund has outstanding guarantees with John Deere aggregating $2.75 million.

During 2008, the LP 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, 2008 was $79 thousand (2007 - $nil). Subsequent to year end, the Fund repaid $515 thousand of the amount outstanding at December 31, 2008. Certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating $6.4 million (2007 - $7.15 million). During the year ended December 31, 2008, the LP paid these individuals $97 thousand (2007 -$77 thousand) for providing these guarantees. These transactions were recorded at the amount agreed to by the parties. These guarantees are required by the LP's most significant dealership arrangement with John Deere Limited and the LP believes that the 3% per annum charge provided to the guarantors is a reasonable expense to providing these guarantees.

The general partner of the LP is Cervus GP Ltd., a private company. Under the amended and restated limited partnership agreement, Cervus GP Ltd. is entitled to reimbursement of all reasonable direct and indirect costs incurred on behalf of the LP and to 1% of the net earnings. For the year ended December 31, 2008, this amounted to $222 thousand (2007 - $114 thousand) and has been recorded as a distribution of earnings on the statement of accumulated earnings. In addition, distributions of $199 thousand (2007 - $125 thousand) have been made to the general partner.

The LP has advanced $365 thousand to a senior management employee to facilitate relocation to Calgary, AB. The advance is non-interest bearing and is due on December 31, 2009 with no terms of repayment and is secured by the real property associated with the housing loan.

During 2008, the LP advanced $650 thousand to the CEO and subsequent to year end, the advance plus accrued interest at prime plus 0.25% has been repaid. The advance was made for the purposes of the CEO exercising 50,000 unit purchase warrants that were due as the CEO was restricted from trading the LP's securities due to the private placement and the business acquisition that was being consummated. The advance was also made from excess cash resources available to the LP for which the interest charged to the CEO was greater than the interest being earned by the LP on its money market investments. As at December 31, 2008, interest has been accrued and recorded in the amount of $12 thousand and the advance, plus accrued interest has been subsequently repaid.

During 2008, the LP transacted in the normal course of business, $322 thousand (2007 - $3.7 million) of equipment, 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, 2008	Three months ended December 31, 2007	% Change
Revenues	69,790	59,790	16.7
Cost of sales, includes amortization of $537 (2007 - $512) and interest expense of $40 (2007 - $112)	54,305	47,883	13.4
Gross profit	15,485	11,907	30.0
Gross margin	22.2%	19.9%	11.6
Administrative and general	13,399	10,783	24.3
Amortization	676	498	35.7
Interest expense	151	300	(49.7)
Interest income	(908)	(303)	199.7
Loss (gain) on disposal of property and equipment	(31)	(85)	(63.5)
Equity earnings of significantly influenced companies	(437)	(41)	965.9
Net earnings	2,635	755	249.0
Net earnings			
Per unit - Basic	0.28	0.10	180.0
Per unit - Diluted	0.28	0.10	180.0
Cash flow from operations	5,153	1,829	181.7
Per unit - diluted	0.55	0.24	129.2
Distributions declared	2,584	2,172	16.6
Per unit	0.27	0.27	-
EBITDA[1]	4,019	1,762	128.1
EBITDA margin[1]	5.8%	2.9%	100.0
Per Unit - diluted	0.43	0.23	87.0
Weighted average units outstanding			
Basic	9,391	7,516	24.9
Diluted	9,431	8,090	16.6

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

Revenue

Revenue for the fourth quarter of 2008 was up $10 million compared to the fourth quarter of 2007. Revenue for the agricultural equipment segment increased $9.5 million ($2.6 million same store sales) while the construction equipment segment revenue increased $549 thousand for the fourth quarter of 2008 when compared to the same period during 2007. The increase of same store sales of $2.6 million was led by equipment sales which accounted for $1.5 million and parts and service revenue for the remainder of the increase. The increase in the construction segment resulted from an increase in equipment sales of $1.05 million, a decrease in parts and service of $168 thousand and a decrease in rental revenue of $338 thousand.

Gross margin

Gross margin for the fourth quarter of 2008 was up to 22.2% from 19.9% from the same period in 2007. The increase in margin was due to higher margins experienced in both our agricultural equipment and construction equipment segments. Equipment margins increased 1.6%, parts and service increased 4.3% and 2.6% respectively and the only decrease was seen by rentals which decreased 6% due to lower gross revenue.

Selling, general, and administrative

Selling, general, and administrative expenses were 19.2% of gross sales for the fourth quarter of 2008 versus 18.1% for the fourth quarter of 2007 and increased by $2.6 million ($1.3 million on a same store basis) in the fourth quarter of 2008 when compared to the same period of 2007. On a same store basis, the increase was primarily due to an increase in general expenses of $1.0 million, and an increase in personnel and occupancy costs of $200 thousand each. General expenditures increased primarily due to an increase in professional fees, data processing and office expenses due to higher sales volumes, personnel increased primarily due to higher commission expenses on higher sales volumes and occupancy increased primarily due to changes in lease rates on properties.

Net earnings

Net earnings for the fourth quarter of 2008 were $2.6 million compared to $755 thousand for the fourth quarter of 2007. The agricultural equipment segment contributed $1.5 million of the earnings ($162 thousand loss in 2007) and the construction equipment segment contributed $1.4 million ($917 thousand in 2007). The fourth and first quarter of the year, between harvest and spring planting, are traditionally the slowest sales quarters of the year for the agriculture segment.

Critical Accounting Estimates

Preparation of consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the 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; asset retirement obligations; 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 help 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 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 income taxes is adequate. (Refer to the earlier discussion on SIFT taxation changes.)

Fair value of unit-based awards

The fair value of 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 unit options granted.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Disclosure Controls and Procedures

Cervus LP has designed disclosure controls and procedures to help ensure that information to be disclosed by the LP is communicated to the LP's management on a timely basis to allow for appropriate decisions regarding required disclosures. Disclosure controls and procedures have been designed to provide reasonable assurance that material, or potentially material, information related to the LP is made known to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) by others within the organization. The LP 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 2007 we engaged an outside accounting firm to advise us on the documentation and design of our internal controls over financial reporting. During 2008, we used the recommendations from their work to further enhance the design of certain preventative and detective controls, including controls over segregation of duties to achieve an efficient control environment. In 2008 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 Partnership's disclosure controls and procedures.

Voluntary Disclosure

It should be noted that although Cervus LP, 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 Partnership 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 generally accepted accounting principles ("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.

$ thousands, except per unit amounts	December 31, 2008	December 31, 2007	December 31, 2006
Net earnings	22,208	11,385	8,597
Add:			
Interest	1,311	1,773	1,922
Amortization	4,360	3,948	3,252
EBITDA margin	27,879	17,106	13,771
Per Unit - diluted	$3.17	2.26	2.07

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

Working capital: working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities. We believe working capital is a useful supplemental measure as it provides an indication of our ability to settle our debt obligations as they come due.

Maintenance capital expenditures: maintenance capital expenditures are the capital expenditures incurred during the period to maintain our existing levels of service. This includes capital expenditures used to replace buildings and equipment and enhance the operational life of existing equipment.

$ thousands	December 31, 2008	December 31, 2007
Purchase of property and equipment during the year, net of disposals	4,437	4,098
Purchases funded by term debt	(3,091)	(2,098)
Maintenance capital expenditures	1,346	2,000

Price earnings ratio: Price earnings ratio is calculated as market value per unit divided by earnings per unit.

Subsequent events

We are not aware of any significant subsequent events as of the date of this report.