CERVUS LP

Management's Discussion and Analysis
For the period from January 1, 2009 to June 30, 2009

The following Management's Discussion & Analysis ("MD&A") was prepared as of August 6, 2009 and is provided to assist readers in understanding Cervus LP's (the "LP") financial performance for the three and six month periods ended June 30, 2009 and significant trends that may affect future performance of the LP. This MD&A should be read in conjunction with the accompanying interim unaudited consolidated financial statements for the three and six month periods ended June 30, 2009 and the notes contained therein. The accompanying interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the LP's reporting currency is the Canadian dollar. Cervus LP is a reporting issuer in the provinces of Alberta and British Columbia, Canada and its limited partnership units are traded 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 the Fund 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. A majority of the forward-looking statements are contained in the "Market Outlook" section of this MD&A and include statements regarding the affect on segment results of the late spring planting season and lack of moisture throughout parts of Western Canada and how this may affect crop yields as well as the reduction in North American unit sales and the volatility of the economy and its related impact on the construction equipment segment. 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 Uncertainties" 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, the 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.

In the Outlook section of the MD&A we discuss that the current economic outlook and financial markets have had a material impact on the construction equipment gross revenues. The current market data provided by AEM supports the decrease in results seen to June 30, 2009 and this, combined with lower oil prices and reduced capital investment in Alberta may cause the construction equipment segment's results to be materially impacted on a comparative basis into the near future.

We also discuss the impact of the changing U.S. dollar in our gross profit section where we discuss that as inventories purchased at lower exchange rates are replaced with higher cost items, there may be downward pressure put on our gross profit margins in the 3rd and 4th quarter of 2009.

In the working capital section of the MD&A we discuss that we are not aware of any factors that will inhibit the LP's ability to generate sufficient cash resources to meet its short and long-term obligations. Though the LP has generated negative operating cash flows for the three and six month periods ended June 30, 2009, this has been caused by a strategic decision by us to reduce our overall floor plan financing as it relates to our inventories. This was primarily done to receive a better return on our excess cash resources by paying off higher interest related floor plan debt than what the LP would receive had it invested these monies. The LP is confident that the cash and cash equivalents could be replaced if need be by re-financing current paid for inventories under our current floor plan arrangements or by selling the paid for whole-goods inventories.

Also, in the liquidity risk section of the MD&A we discuss the challenges of borrowing money to finance existing operations and fund capital programs in the current capital market environment. Based on the LP's current debt agreements with its floor plan providers, our current aggregate facilities total approximately $123 million and our current floor plans and term debt outstanding at June 30, 2009 with the providers of these facilities total $46.1 million. This combined with the LP's cash and cash equivalents has led us to believe that our operations will not be materially impacted by these challenges.

In the Distributable Cash Calculated section of the MD&A and the capital resources section we discuss the LP's estimated un-funded maintenance capital expenditures and capital budget program. As at June 30, 2009, the LP estimates its un-funded maintenance capital expenditures to be $475 thousand for the balance of the 2009 fiscal year. This may change in the future if, and when, certain requests are made by the segments and the LP expects it will fund those requests through net cash flows provided from operations.

Market Outlook

Agricultural equipment

As discussed in the 2008 annual MD&A, the Association of Equipment Manufacturers ("AEM") forecasted machinery sales and component sales to remain strong on higher commodity prices relative to the last 5 year average. This combined with the reduction in input costs for 2009 and increasing demand for alternative energy supplies such as ethanol production, should result in stronger farm income. However, the most recent data from AEM regarding Canada Unit Retail Sales for new equipment is showing the following year to date results to June 2009; all categories of tractors are showing between 15% to 25% reductions from the same period of 2008 and combines are showing an increase of almost 30% from the same period of 2008. This appears to be consistent with the LP's first six months results for the period ended June 30, 2009, however, the reduction in new tractor sales is offset by the increase in new combine sales and therefore, the agricultural equipment segment has maintained its 2009 gross revenues in comparison to 2008 on a same store basis. The late spring planting season and lack of moisture throughout parts of Western Canada may impact farm crop quality and yields and therefore may impact the segment's results in the 3rd and 4th quarter of 2009 (see "Note Regarding Forward-Looking Statements").

Construction equipment

As discussed in our 2008 annual MD&A, Canada Housing and Mortgage Corporation ("CMHC"), for the second year in succession, predicted housing starts across the Prairie Provinces were expected to fall by nearly one-third. According to their "Housing Market Outlook" released for the second quarter of 2009, provincial home builders need to adjust to the rise in completed unabsorbed units and weaker demand by reducing new house starts. Based on CMHC's forecast for Alberta, total housing starts are forecast to drop to 53% from the 2008 levels and have a moderate increase of 18.2% in 2010. Also, based on market information received from AEM to May 2009, North American unit sales within the construction segment are down approximately 64% compared to 2008 total unit sales. In addition, with lower than expected oil prices, lower capital investment in drilling programs and the reduction in Alberta Oil Sands investment expected during 2009, it is not expected that the construction segment will rebound until the global economy begins to strengthen (see "Note Regarding Forward-Looking Statements".

As these forecasts indicate, the uncertain and volatile conditions affecting global financial markets makes it quite difficult to forecast market conditions for the construction equipment market and the corresponding impact this will have on our business in 2009. We are therefore focusing our energies in this sector on cost containment, inventory control and efficiencies.

Highlights

- Cervus LP achieved the second highest percentage of annual stock market gains in the country for the five year period ending in 2008, according to latest Report on Business Top 1000 findings. Shareholders saw a 60.8 per cent increase in annual gain between 2003 and 2008. Founded in 2003, 2009 was the first year Cervus LP was eligible for analysis based on their five year numbers.
- Cervus LP also took the 275th spot on the Report on Business Top 1000 Publicly Traded Companies list, up from the 361st position in 2008. Each of the qualifying corporations was measured by its assets and ranked according to its after-tax profits.
- Revenues have decreased by 6.1% to $105.7 million for the three month period ended June 30, 2009 but have increased $700 thousand to $172.0 million for the six month period ended June 30, 2009 when compared to the first six months of 2008. The agricultural equipment segment revenue was up $24.2 million and the construction equipment segment was down $23.5 million year to date.
- Overall gross margin has increased to a record 19.0% for the three month period ended June 30, 2009. This is an increase of 1.3% over the gross margin of 17.7% reported in the same period of 2008. Though the construction segment revenue has declined, the segment has been able to increase its overall gross margin to 22.4%, up 2.4% from the 20% gross margin reported in the second quarter of 2008.
- Cash and cash equivalents have decreased $3.7 million for the second quarter of 2009 and $16.7 million year to date to $18.6 million at June 30, 2009 when compared to $35.3 million at December 31, 2008. This reduction is primarily due to a decision by management to purchase inventories with excess cash rather than financing this inventory. This resulted in a net increase in the return on our cash and cash equivalents as the cost of financing was significantly higher than the short-term cash investment opportunities.

Overall Performance

During the three month period ended June 30, 2009, revenue decreased by $6.9 million to $105.7 million compared to $112.6 million for the same period of 2008, a decrease of 6.1%. The primary reason for the decrease was due to a decline in our construction equipment segment revenues which reported a decline in sales of $13.5 million or 45.6%. Our agricultural equipment segment remained strong and reported an increase in gross revenue of $6.6 million in the three month period ended June 30, 2009 when compared to 2008. This increase was a result of the business acquisition made in the 3rd quarter of 2008 which contributed $14.3 million (same store decreased by $7.7 million). We believe that based on our early order sales program with John Deere, the decrease in same store sales of our agricultural equipment segment is primarily related to new equipment inventories that have not yet been delivered to our customers.

For the three month period ended June 30, 2009, gross margin has increased to 19.0% from 17.7% for the same period of 2008, an increase of 1.3%. The increase in margin is primarily a result of positive results seen in our parts and service departments and is also a result of a change in the sales revenue mix experienced in 2009 when compared to 2008. Though our gross profit margin has increased, our selling, general and administrative expenses have also increased to 14.2% of revenue for the three month period ended June 30, 2009 when compared to 10.6% for the same period of 2008. The increase in selling, general and administrative expense as a percentage of revenue has primarily been caused by the significant decrease in gross revenues reported in our construction equipment segment which the group continues to deal with, as well as increased expenditures being made in our sales and technician training programs and marketing programs.

In addition, during the three month period ended June 30, 2009, the LP used $1.7 million of cash flows in operating activities ($0.18 per basic unit) when compared to $11.6 million ($1.10 per basic unit) being provided by operations for the three month period ended June 30, 2008. Cash flows from operating activities decreased primarily due to the decision to utilize excess cash and cash equivalents to reduce interest expense by purchasing equipment inventories, thereby reducing overall floor plan payables in comparison to inventory balances, and increased accounts receivable with our manufacturers which were caused primarily by contracts in transit relating to sold machinery.

Net earnings for the three months ended June 30, 2009 decreased by $1.1 million to $7.3 million with the agricultural equipment segment contributing $7.2 million (an increase of 10.1% over 2008) and the construction equipment segment contributing $108 thousand (compared to earnings of $1.9 million in 2008). Revenues and earnings for the agriculture equipment segment are continuing to outperform the construction equipment segment, which had been anticipated due to stronger global grain commodity prices and farm income in contrast to the decreased housing and construction sectors of the Alberta economy.

EBITDA (see "Non-GAAP Financial Measures") decreased by $1.3 million to $8.7 million for the three month period ended June 30, 2009 when compared to $10.0 million for the same period of 2008. The decrease is due primarily to a reduction in earnings of $1.1 million.

Selected Quarterly Information

$ thousands, except per unit amounts	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	% change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	% change
Revenues	105,701	112,626	(6.1)	172,040	171,290	0.4
Gross profit	20,055	19,941	0.6	33,185	31,087	6.7
Gross margin	19.0%	17.7%	7.3	19.3%	18.1%	6.6
Net earnings	7,330	8,444	(13.2)	9,005	10,685	(15.7)
Per unit - Basic	0.78	1.03	(24.3)	0.96	1.31	(26.7)
Per unit - Diluted	0.77	1.02	(24.5)	0.95	1.30	(26.9)
Cash provided by (used in) operating activities	(1,656)	11,610	n/a	(12,227)	10,339	n/a
Per unit – Basic	(0.18)	1.10	n/a	(1.30)	1.45	n/a
EBITDA[1]	8,702	9,949	(12.5)	11,773	13,646	(13.7)
EBITDA margin[1]	8.2%	8.8%	(6.8)	6.8%	8.0%	(15.0)
Per Unit – basic	0.93	1.21	(23.1)	1.26	1.68	(25.0)
Distributions to general partner	-	-	-	64	41	56.1
Distributions declared to limited partners	2,537	2,225	14.0	5,066	4,417	14.7
Per unit	0.27	0.27	-	0.54	0.54	-
Weighted average units outstanding						
Basic	9,391	8,211	14.4	9,376	8,139	15.2
Diluted	9,505	8,333	14.1	9,487	8,247	15.0
Actual units outstanding				9,403	8,254	13.9
Closing market price per unit				12.23	24.90	(50.9)
Total assets				160,024	149,627	6.9
Long-term liabilities				2,438	7,593	(67.9)
Total liabilities				65,195	91,910	(29.1)
Unitholders' equity				94,830	57,717	64.3
Net book value per unit - diluted				10.00	7.01	57.0

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

Results of Operations

Revenues

$ thousands	Three Months Ended June 30, 2009	June 30, 2008	% change	Six Months Ended June 30, 2009	June 30, 2008	% change
Revenues by segment:						
Equipment	74,278	71,439	4.0	117,290	99,249	18.2
New	*48,826*	*50,920*	*(4.1)*	*77,544*	*70,541*	*9.9*
Used	*25,452*	*20,519*	*24.0*	*39,746*	*28,708*	*38.4*
Parts	9,513	6,938	37.1	15,250	10,942	39.4
Service	5,614	4,457	26.0	9,313	7,490	24.3
Rental and other	146	98	49.0	162	115	40.9
Agricultural equipment	**89,551**	**82,932**	**8.0**	**142,015**	**117,796**	**20.6**
Equipment	10,424	22,871	(54.4)	18,640	40,636	(54.1)
New	*8,272*	*20,132*	*(58.9)*	*14,791*	*36,349*	*(59.3)*
Used	*2,152*	*2,739*	*(21.4)*	*3,849*	*4,287*	*(10.2)*
Parts	2,984	3,241	(7.9)	6,046	6,255	(3.3)
Service	1,618	1,919	(15.7)	3,301	3,726	(11.4)
Rental and other	1,124	1,663	(32.4)	2,039	2,878	(29.2)
Construction equipment	**16,150**	**29,694**	**(45.6)**	**30,026**	**53,495**	**(43.9)**
Total	**105,701**	**112,626**	**(6.1)**	**172,041**	**171,291**	**0.4**

Agricultural equipment

Revenue for our agricultural equipment segment increased by $6.6 million for the three month period ended June 30, 2009 and $24.2 million year to date when compared to the same period of 2008. Same store sales, which excludes the John Deere dealership purchased in 2008, decreased by $7.7 million for the three months ended June 30, 2009 and $1.7 million year to date when compared to the same period of 2008. Sales continue to remain strong in the agriculture equipment segment due to strong balance sheet liquidity and revenue growth being experienced by our customers due to relatively strong commodity prices and reduced input costs.

New and other equipment sales decreased $2.1million (same store decreased $8.7 million) during the three month period ended June 30, 2009 and increased $7.0 million (same store decreased $8.3 million) for the first six months of 2009 when compared to the same period of 2008. Used equipment sales have increased $4.9 million (same store decreased $414 thousand) for the three month period ended June 30, 2009 and $11.0 million year to date (same store $4.3 million). Contributing to the reduction in same store sales has been a reduction in our consumer products sales which have decreased $1.5 million and $2.0 million for the three and six month period ended June 30, 2009. Another factor for the decrease in our same store new equipment sales compared to 2008 is due in part to the timing of our new equipment delivery to our John Deere stores from our 2008 early order program and the eventual delivery to the customers.. Used equipment sales have increased primarily due to demand caused by increased farmer cash flow and the increased availability of equipment for sale when compared to the first six months of 2008 and a continued effort to re-sell trade-ins relating to the John Deere early order program.

Our parts and service revenue has increased by $3.7 million (same store $1.4 million) and $6.1 million (same store $2.3 million) respectively during the three and six month period ended June 30, 2009 when compared to the same periods of 2008. The increase in parts and service revenue is primarily related to the increased customer demand for parts, an increase in our used equipment sales which requires work to prepare used equipment for sale. We have also increased our marketing efforts in our parts department to attract more customer business.

Construction equipment

Revenue from our construction equipment segment decreased by $13.5 million (46%) and $23.5 million (44%) for the three and six month period ended June 30, 2009 when compared to the same periods of 2008. The decrease in our revenues has been primarily caused by a reduction in our new equipment sales which accounted for an $11.9 million and $21.6 million respectively of the decrease and this represented a 59% reduction from the same periods of 2008. This reduction is a direct result of reduced housing starts in Alberta and a slow down being experienced in the oil & gas industry. As discussed above in the market outlook section, equipment unit sales for the construction segment overall market is down 64% based on year to date industry indicators to May 2009.

Parts and service revenues have decreased $558 thousand (10.8%) and $634 thousand (6.4%) for the three and six month period ended June 30, 2009 when compared to the same period of 2008. The relatively low decline of parts and service revenue compared to the decrease of 59% in equipment sales as mentioned above, is a continued 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 proportionately increased the demand for parts and service.

Rental income has decreased by $539 thousand and $839 thousand during the three and six month period ended June 30, 2009 when compared to the same period of 2008. The decrease in rental equipment revenue is due primarily to the reduction in overall construction starts during 2009 whereas customers have required less additional equipment to complete ongoing construction contracts.

Gross Profit

	Three Months Ended			Six Months Ended		
$ thousands	**June 30, 2009**	**June 30, 2008**	**% change**	**June 30, 2009**	**June 30, 2008**	**% change**
Gross profit by segment:						
Agricultural equipment	18.3%	16.9%	8.3	18.7%	17.2%	8.7
Construction equipment	22.4%	20.0%	12.0	22.2%	20.3%	9.3
Total	**19.0%**	**17.7%**	**7.3**	**19.3%**	**18.1%**	**6.6**

Agricultural equipment

Gross profit dollars increased $2.4 million and $6.3 million (same store reduction of $508 thousand and increase of $1.4 million) during the three and six month periods ended June 30, 2009 respectively when compared to the same periods of 2008. Gross profit margin also increased overall by 1.4% to 18.3% for the three month period ended June 30, 2009 and 1.5% to 18.7% overall for the six month period ended June 30, 2009 when compared to 2008.

Gross profit margin in the second quarter of 2009 has remained consistent with 2008 in our agriculture equipment sales departments with a minor decrease in our consumer products equipment department. The increase of 1.3% has primarily been a result of increased gross profit margins being experienced in our parts and service departments. The increase in our parts department continues to be caused primarily from higher selling prices being experienced as a result of the strengthening U.S. dollar. As explained in our 1st quarter MD&A, it is still possible that we will see a reduction in this margin in the 3rd and 4th quarters as our current inventories are sold and replaced with higher priced items resulting at some point in downward pressure from the market (see "Note Regarding Forward-Looking Statements"). This was seen in the second quarter of 2009 as our margins were less than those being experienced in the first quarter of 2009. Our service department gross profit margin has increased due to a greater management focus being placed on efficiencies.

Construction equipment

Gross profit margins have increased by 2.4% and 1.9% for the three and six month period ended June 30, 2009, respectively, when compared to the same periods in 2008, however gross profit dollars have decreased by $2.3 million and $4.2 million respectively for the same periods. Though our gross profit percentage has increased, this increase is primarily related to the change in our overall 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 gross revenue as shown in our sales department.

The segment is experiencing tighter margins on new and used equipment sales from competitive market share pressures however, we have been able to respond by actually increasing the gross profit margin in our new and used equipment sales by effectively managing our inventories, ensuring properly priced used equipment taken on trade and by providing more value, not just pricing, to our customers which is a component of our new sales people training programs put in place during 2009. Margins have increased in our parts department due to the factors described above under the agricultural equipment and this segment is also experiencing a reduction in the 2009 second quarter gross profit margin from those experienced in the first quarter of 2009. The service department has also experienced an increase in gross profit margin as slowing markets has placed pressure on efficiencies, and as a result, management has been required to reduce the overall workforce in this department.

Selling, General and Administrative Expenses

	Three Months Ended			Six Months Ended		
$ thousands	**June 30, 2009**	**June 30, 2008**	**% change**	**June 30, 2009**	**June 30, 2008**	**% change**
Selling, general and administrative expenses by segment:						
Agricultural equipment	9,590	8,058	19.0	17,444	13,691	27.4
Construction equipment	3,185	3,833	(16.9)	6,727	7,277	(7.6)
Total	**12,775**	**11,891**	**7.4**	**24,171**	**20,968**	**15.3**
% of revenue						
Agricultural equipment	10.7	9.7	10.3	12.2	11.6	5.2
Construction equipment	19.7	12.9	52.7	22.4	13.6	64.7
Total	**14.2**	**10.6**	**34.0**	**14.0**	**12.2**	**14.8**

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $1.5 million for the second quarter of 2009 when compared to the second quarter of 2008 and $3.7 million for the six month period ended June 30, 2009 when compared to the same period of 2008. Contributing to the increase in selling, general and administrative expenses are the expenses associated with the new dealership purchased in September 2008.

Same store selling, general and administrative expenses increased by $48 thousand or 0.6% and $1.1 million or 7.2% for the three and six month periods ended June 30, 2009 when compared to the same periods of 2008. The primary reason for same store selling, general and administrative expense increase of $48 thousand for the second quarter of 2009 was primarily a result of increased efforts in marketing expense to increase our after-market revenue potential and occupancy costs due primarily to both an increase in lease rates as well as repair and maintenance expense. This was offset by a reduction in general operating expenses experienced during the second quarter of 2009.

These factors are consistent with the same store increase in selling, general and administrative expenses for the first six months of 2009. Personnel costs which increased 10% over 2008 year to date amounts are a combination of increased full-time equivalents, general increases in payroll costs for existing employees, increased training costs for our technicians and sales people and an increase in commissions as a percentage to sales due to the change in sales mix between new and used equipment revenues. Also contributing to the increase is marketing expenses which have increased by 18% over 2008 year to date amounts and this was primarily caused by the group's effort to continue maximizing revenues from after-market customers. Occupancy costs have also increased 27% over those expenses reported in 2008 and this has been a combination of increased lease rates on properties and increased repair and maintenance costs. Partially offsetting these increases is the reduction in general operating expenses which have decreased 55% and 15% for the three and six month period ended June 30, 2009 when compared to the same periods of 2008.

Construction equipment
The construction equipment segment's selling, general and administrative expenses have decreased $648 thousand (17%) and $550 thousand (8%) for the three and six month period ended June 30, 2009 when compared to the same periods of 2008. The primary reason for the second quarter's increased reduction as a comparison to the prior year is that certain cost containment measures that were required due to the reduction in our overall sales volumes came into effect in the latter part of the first quarter and into the second quarter. These reductions included personnel costs caused primarily from a reduction in administrative personnel, a reduction in commission expense due to the reduction in equipment sales and a reduction in general operating expenses due to the group's focus on reducing discretionary expenses. The reductions have been offset in part by the continued investment by the group in training, including sales people and technicians which we believe is essential to continue to effectively operate in this new environment.

Depreciation and amortization

	Three Months Ended			Six Months Ended		
$ thousands	**June 30, 2009**	**June 30, 2008**	**$ change**	**June 30, 2009**	**June 30, 2008**	**$ change**
Depreciation and amortization by segment:						
Agricultural equipment	472	267	205	903	552	351
Construction equipment	687	728	(41)	1,393	1,465	(72)
Total	**1,159**	**995**	**164**	**2,296**	**2,017**	**279**

Agricultural equipment
The agricultural equipment segment depreciation and amortization increased by $205 thousand (same store $96 thousand) during the second quarter of 2008 and $351 thousand (same store $133 thousand) for the six month period ended June 30, 2009 when compared to the same periods of 2008. The primary factor for the increased depreciation and amortization was the amortization of other assets from the business acquisition made in 2008 which accounted for $96 thousand of the $191 thousand of the overall increase. Same store depreciation and amortization increased due to capital asset replacements and additions made over the past 12 months of 2008 and 2009.

Construction equipment
The construction equipment segment reported a decrease of $41 thousand for the three month period ended June 30, 2009 and $72 thousand year to date when compared to the same periods of 2008. The reduction in depreciation and amortization expense is a direct result of the group's efforts to reduce the rental equipment inventories over the past number of months, thereby reducing the depreciation and amortization charges recorded in cost of sales by $56 thousand and $90 thousand for the three and six month period ended June 30, 2009 when compared to the same periods of 2008.

Interest

$ thousands	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Three Months Ended $ change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Six Months Ended $ change
Interest by segment:						
Agricultural equipment	96	331	(235)	237	526	(289)
Construction equipment	117	179	(62)	235	418	(183)
Total	**213**	**510**	**(297)**	**472**	**944**	**(472)**
% of revenue	**0.2**	**0.5**		**0.3**	**0.6**	

Interest expense is comprised primarily of the LP's financing of its short-term debt for floor-plan financing arrangements for equipment inventories and long-term debt related, primarily to short-term rental equipment. The LP has determined that excess cash resources should be used to reduce overall interest expense on the aforementioned financing and has primarily used the excess cash for the purchasing of certain equipment inventories because the floor plan interest percentage cost is greater than the short-term investments opportunities available. Floor plan financing as a percentage of total inventories has decreased to approximately 47% of inventories at June 30, 2009 when compared to 53% at December 31, 2008 and 69% at June 30, 2008. In addition, the LP has further reduced the overall rental equipment financed to 35% of rental equipment cost at June 30, 2009 from 45% at December 31, 2008 and 53% at June 30, 2008. Also, the LP is benefiting from a further reduction in the prime lending rate during the past 12 months where the prime lending rate has reduced from 4.75% at June 30, 2008 to 2.25% at June 30, 2009.

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.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFT's in 2011 and thereafter and any limited partnership taxable income will be taxed at an approximate rate of 28.0 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. It is the intention of the LP to manage the difference between its book value of its assets and liabilities so that the tax basis of the assets and liabilities are substantially the same at December 31, 2010.

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 consistent.

	Three Months Ended			Six Months Ended		
$ thousands	**June 30, 2009**	**June 30, 2008**	**$ change**	**June 30, 2009**	**June 30, 2008**	**$ change**
Net earnings by segment:						
Agricultural equipment	7,222	6,556	666	9,489	7,394	2,095
Construction equipment	108	1,888	(1780)	(484)	3,291	(3,775)
Total	7,330	8,444	(1,114)	9,005	10,685	(1,680)
% of revenue						
Agriculture segment	8.1	7.9		6.7	6.3	
Construction segment	0.7	6.4		(1.6)	6.2	
Total	6.9	7.5		5.2	6.2	
Net Earnings per unit						
Units outstanding – basic ($ thousands except per unit amounts)	9,391	8,211		9,376	8,139	
Agricultural equipment	0.77	0.79		1.01	0.91	
Construction equipment	0.01	0.24		(.05)	0.40	
Total	0.78	1.03		0.96	1.31	

The most significant contributing factor to our $1.1 million decrease in earnings during the three month period ended June 30, 2009 was the reduction in earnings of our construction equipment segment which decreased $1.8 million. This was somewhat offset by an increase in earnings from our third quarter acquisition in 2008 by our agriculture equipment segment.

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

	Three Months Ended			Six Months Ended		
$ thousands	**June 30, 2009**	**June 30, 2008**	**$ change**	**June 30, 2009**	**June 30, 2008**	**$ change**
EBITDA by segment:						
Agricultural equipment	7,790	7,172	618	10,629	8,472	2,157
Construction equipment	912	2,803	(1,891)	1,144	5,174	(4,030)
Total	8,702	9,975	(1,273)	11,773	13,646	(1,873)
% of revenue	8.2	8.9		6.8	8.0	

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 three and six month periods ended June 30, 2009, our EBITDA decreased by $1.3 million or 1.2% of gross revenue and $1.9 million or 0.7% of gross revenue respectively when compared to the same periods of 2008. The decrease in EBITDA can primarily be attributed to the reduction in net earnings that have primarily been caused by our construction segment results for the three and six month periods ended June 30, 2009 when compared to the same periods of 2008.

Summary of Quarterly Results

$ thousands, except per unit amounts	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Revenues	105,701	66,340	69,790	107,595
Net earnings	7,330	1,675	2,635	8,888
Basic earnings per unit	0.78	0.18	0.28	0.96
Diluted earnings per unit	0.77	0.18	0.28	0.95
Weighted average units				
outstanding - Basic	9,391	9,360	9,390	9,255
Fully diluted	9,505	9,460	9,431	9,335

$ thousands, except per unit amounts	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Revenues	112,626	58,664	59,790	98,002
Net earnings	8,444	2,241	755	5,641
Basic earnings per unit	1.03	0.28	0.10	0.74
Diluted earnings per unit	1.02	0.27	0.09	0.71
Weighted average units				
outstanding - Basic	8,211	8,068	7,516	7,652
Fully diluted	8,305	8,223	8,090	7,940

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

Sales activity for the agriculture segment is normally highest between April and September during growing seasons in Canada. The construction 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 period. This compares to 61% of its revenues and 92% of its net earnings in the period October 2007 through March 2008. 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 periods 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 periods October through March and the need for snow removal equipment and services are required.

Liquidity

$ thousands, except ratio amounts	June 30, 2009	December 31, 2008	June 30, 2008
Current assets	131,014	113,918	121,983
Total assets	160,024	144,333	149,627
Current liabilities	62,757	49,440	84,318
Long-term liabilities	2,438	4,874	7,593
Unitholders' equity	94,830	90,019	57,717
Working capital	68,257	64,478	37,665
Working capital ratio (see "Non-GAAP Financial Measures")	2.09	2.31	1.45

Working capital

Our working capital (see "Non-GAAP Financial Measures") increased to $68.3 million at June 30, 2009 when compared to $64.5 million at December 31, 2008, an increase of $3.8 million. In accordance with outstanding debt agreements, the LP is required to maintain a working capital ratio of no less than 1.25 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 (see "Note Regarding Forward-Looking Statements). 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 continued to reduce as well as the LP's percentage of rental equipment to long-term financing during the six month period ended June 30, 2009 when compared to December 31, 2008. As discussed in our 2008 annual MD&A, management decided 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. At June 30, 2009, the LP's contractual obligations are described below. At June 30, 2009, the LP has an operating bank line of credit available to a maximum amount of $15 million. The operating line of credit is an uncommitted facility that 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. At June 30, 2009 and 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 $18.6 million in cash and cash equivalents on hand at June 30, 2009 which consists of $3.7 million of cash on hand and in bank and $14.9 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 market conditions have 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 June 30, 2009, inventories have increased by $29.0 million to $91.1 million when compared to $62.1 at December 31, 2008. However, inventory has actually remained consistent with June 30, 2008 inventories balance of $91.1 million. The most significant increases from the December 31, 2008 balances were in new equipment inventories (increased $13.7 million) and used equipment inventories (increased $11.6 million). Inventories generally increase to our highest levels at the end of the second quarter of each year. This is primarily due to the receiving of new and used equipment inventories for delivery in the third quarter and early fourth quarter to meet our customers harvesting requirements. New inventories are being delivered to our dealerships by our key manufacturers prior to the sales revenue being generated to our customers. Aged new and used equipment over a year old totals $7.7 million ($2.5 million in our agricultural equipment segment and $5.2 million in our construction equipment segment) at June 30, 2009 compared to $6.2 million ($2.5 million in our agricultural equipment segment and $3.7 million in our construction equipment segment) at December 31, 2008.

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 U.S. with pricing based in U.S. dollars but invoiced in Canadian dollars.

The market value of used equipment in the agricultural equipment segment has been affected by the strength of the Canadian dollar throughout the primary selling season of the 2nd and 3rd quarters of 2008 which averaged approximately 1.02 Canadian dollar per U.S. dollar. This provided for less expensive new equipment during the primary selling season causing downward pressure on used equipment pricing. This, combined with the strengthening U.S. dollar in the latter part of 2008 through the first quarter of 2009 (average U.S. exchange to the Canadian dollar has increased to 1.21 for the period January to June 2009 from 1.05 in September 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 $17.5 and $34.9 million on a rolling 12 month basis. Based on the return on sales experienced for the rolling 12 months ended June 30, 2009, this would result in an increase or decrease in net earnings of between $1.0 and $2.1 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. The average time to collect LP's outstanding accounts receivable was approximately 16 days for the period ended June 30, 2009 (December 31, 2008 - 13 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 six month period ended June 30, 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 require a greater amount to be allowed for.

Of the $18.8 million of trade accounts receivable outstanding, $9.3 million is represented by John Deere sales contract financing receivables in transit and $9.5 million is represented by customer accounts receivable and other accounts receivable. The following is a summary of our aged accounts receivable and activity in our allowance for doubtful accounts as at June 30, 2009 and for the six months then ended:

$ thousands		
Accounts receivable		
Current	$	16,625
30 – 60		1,918
Over 90 days		1,048
Balance, June 30, 2009	$	19,591
Allowance for doubtful accounts		
Balance, December 31, 2008	$	878
Bad debts additions		267
Amounts written-off as uncollectible or recovered		(350)
Balance, June 30, 2009	$	796

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 LP's outstanding long-term debt and floor plan obligations at June 30, 2009, a one percent increase or decrease in market interest rates would impact LP's annual interest expense by approximately $500 thousand. LP's other financial instruments are not exposed to interest rate risk.

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 U.S. dollar price structure as they are supplied primarily by U.S. 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 and cash equivalents

Net cash used in operating activities was $12.2 million for the six month period ended June 30, 2009 versus net cash provided by operating activities of $10.3 million for the same period of 2008, a net increase of cash used in operating activities of $22.5 million.

The primary cause for the increase in the use of operating cash flow was due to the purchase of inventories without increasing our floor plan financing which used $20.1 million. This was offset by earnings and non-cash adjustments for depreciation and amortization as well as net changes in other working capital balances. We use our 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, we are prepared to increase its floor plan payables if it is deemed necessary. This is evidenced by the reduction in overall interest expense for the six month period ended June 30, 2009 of $472 thousand compared to $944 thousand for the same period of 2008.

During the six month period ended June 30, 2009, financing activities used $6.5 million of net cash flow compared to $3.5 million for the same period of 2008. The primary uses of cash were for the $4.6 million of distributions made, net of DRIP, to limited partners (2008 – $3.4 million) and $1.8 million repayment of term-debt (2008 - $1.3 million). The other primary difference between 2009 and 2008 was the proceeds received in 2008 from the issuance of limited partnership units from the exercise of warrants of $1.8 million and the repayment of the note payable from the acquisition of John Deere dealership in 2007 of $400 thousand.

Investing activities provided $2.0 million of cash flows for the six month period ended June 30, 2009 when compared to $2.7 million for the same six months of 2008. The primary source of cash from investing activities arose from the $662 thousand received from a short-term loan outstanding at December 31, 2008 (2008 - $4.8 million received), $1.0 million from the repayment of advances made to a related party, Proventure Income Fund ($1.9 million provided to Proventure Income Fund in 2008) and $696 thousand (2008 - $609 thousand) received from the LP's investment in significantly influenced companies as a return of capital.

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 2010	Due 2011 through 2013	Due 2014 through 2015	Due thereafter
Long-term debt	6,747	4,884	1,863	-	-
Notes payable	1,025	600	425	-	-
Operating leases	15,286	3,570	6,731	2,541	2,444
Total contractual obligations	23,058	9,054	9,019	2,541	2,444

Capital Resources

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our Unitholder value is to use a combination of equity and debt financing to leverage our operations.

We invested $1.7 million in capital expenditures and have recovered $1.4 million from disposals for a net investment in capital assets of $339 thousand for the six month period ended June 30, 2009. We originally 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. However, due to the reduction in our construction equipment segment revenues, we have put on hold, certain of our capital expenditure programs including the further expansion of our rental equipment fleet and have actually reduced the fleet during the six months ended June 30, 2009. We have revised our budget for capital expenditures for the balance of 2009 to be approximately $475 thousand for all other capital expenditures, excluding the rental equipment fleet.

Bank Indebtedness

At June 30, 2009 and December 31, 2008 the LP has a non-committed operating bank line of credit to a maximum amount of $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 June 30, 2009 and December 31, 2008, the LP 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 with at June 30, 2009 and to the date of this report.

Floor plan payables

Floor plan payables consist of financing arrangements for the LP's inventories. At June 30, 2009, floor plan payables are $42.6 million, an increase of $9.6 million from the December 31, 2008 balance of $33.0 million and a decrease of $20.1 million from the June 30, 2008 balance of $62.7 million. Floor plan payables represent approximately 47% of our inventories at June 30, 2009 compared to 53% at December 31, 2008 and 69% at June 30, 2008. 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 with John Deere Credit, GE Canada Equipment Financing G.P. and CIT Financial Ltd ("CIT") of approximately $123 million available for equipment inventory financing, which we believe is sufficient to meet our market share targets for 2009. We have been advised that CIT, which primarily finances our JCB product line, will be suspending their partner arrangement with JCB and that JCB is currently seeking an alternative arrangement with another financer. At June 30, 2009, CIT floor plan liabilities total approximately $10.9 million. Management believes that an alternative financer will be arranged and does not believe that this will have a material effect on the business operations of our construction segment.

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 $1.8 million during the six month period ended June 30, 2009 when compared to December 31, 2008 as a result of normal principal repayments and the reduction of rental equipment financing. As discussed above, rental equipment financing as a % of cost of the rental equipment has decreased to 35% at June 30, 2009 compared to 45% at December 31, 2008.

Outstanding Share Data

As of the date of this report, there are 9,408,208 limited partnership units, 34,479 unit options, 108,599 deferred units and 500,000 unit purchase warrants outstanding.

As at June 30, 2009 and 2008, the LP had the following weighted average shares outstanding:

In thousands	**Three months ended June 30, 2009**	**Three months ended June 30, 2008**	**Six months ended June 30, 2009**	**Six months ended June 30, 2008**
Basic weighted average number of units outstanding	9,391	8,211	9,376	8,139
Dilutive impact of deferred unit plan	109	21	109	21
Dilutive impact of unit options	5	-	2	-
Dilutive effect of outstanding warrants	-	101	-	87
Diluted weighted average number of units outstanding	9,505	8,333	9,487	8,247

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 the first three months of 2009 ($ thousands, except per unit amounts):

Record Date	Distribution per Unit	Distribution Payable	Distributions Reinvested	Net Distributions Paid
January 31, 2009	0.09	842	95	747
February 28, 2009	0.09	843	101	742
March 31, 2009	0.09	844	103	741
April 30, 2009	0.09	845	105	740
May 31, 2009	0.09	846	69	777
June 30, 2009	0.09	846	58	788
	0.54	5,066	531	4,535
General Partner		64	-	64
Total Distributions		5,130	531	4,599

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.

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 August 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	June 30, 2009	December 31, 2008
Cash flow from operating activities	(12,227)	26,433
Add (deduct):		
Maintenance capital expenditures[1]	(1,235)	(1,345)
Cash available for distribution and growth (a)	(13,462)	25,088
Per unit – diluted	(1.42)	2.85
Gross distributions declared to all equity holders (b)	5,130	9,690
Payout ratio (b)/(a)	-	39%
Net distributions declared, net of DRIP (c)	4,599	7,301
Payout ratio (c)/(a)	-	29%

Notes: 1. these terms are identified and defined under the section "Non-GAAP Financial Measures and are discussed in Capital Resources section above.

Our decision to prepay floor plan financing with excess cash flow has created a negative cash flow from operating activities. Though cash is in a negative position, the LP considers its monthly distribution to be a share of annual amounts and distributes the cash evenly throughout the year.

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 period ended June 30, 2009 and the year ended December 31, 2008 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 remainder of 2009 to be approximately $475 thousand (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 dealership depends on the timely supply of equipment and parts from our manufacturers to ensure the timely delivery of products and series 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. 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 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 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 which appears to be occurring based on the LP's reduction in construction equipment segment revenues.

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.

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 June 30, 2009, payments in arrears by such customers aggregated $156 thousand (December 31, 2008 - $188 thousand). In addition, the LP 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 June 30, 2009, the net residual value of such leases aggregated $47 million (December 31, 2008 - $50 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 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 $1.4 million at June 30, 2009. 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 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. The LP had the following transactions with the Fund:

In thousands	Three month period ended June 30, 2009	Three month period ended June 30, 2008	Six month period ended June 30, 2009	Six month period ended June 30, 2008
Expenses:				
Real estate leases	$ 631	$ 430	$ 1,260	$805
Guarantee fees	21	21	41	41
Revenue:				
Management fees for administration	8	8	15	15
Interest on advances	12	8	31	8

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 June 30, 2009 and 2008, 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. During the six month period ended June 30, 2009, the Fund repaid $1.0 million of the amount outstanding and as at June 30, 2009, the balance outstanding is $1.75 million.

Certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating $6.4 million (June 30, 2008 - $7.15 million). During the three and six month period ended June 30, 2009, the LP paid these individuals $48 thousand and $96 thousand (June 30, 2008 -$54 thousand and $108 thousand) respectively 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. ("GP"), a private company in which the CEO of the LP is President. Under the amended and restated limited partnership agreement, the GP 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 six month period ended June 30, 2009, this amounted to $90 thousand (December 31, 2008 - $222 thousand) and has been recorded as a distribution of earnings on the statement of accumulated earnings. In addition, distributions of $64 thousand (December 31, 2008 - $200 thousand) have been made to the general partner. Also, a portion of the CEO's salary is paid by the GP from the allocation of earnings made.

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 the first six months of 2009, the LP transacted, in the normal course of business, $83 thousand (2008 - $131 thousand) of equipment, parts and service sales with companies in which the Board of Directors are Directors of or Control those companies.

Recent Pronouncements

Effective January 1, 2009, the LP 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. Adopting this accounting change did not have a material effect on the LP's financial statements.

Effective January 1, 2009, the Partnership 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. Adopting this accounting change did not have a material effect on the LP's financial statements.

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 clarifies 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.

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 LP has not yet adopted these new accounting standards. These standards will be applied prospectively and will impact how the LP accounts for business combinations entered into after the date of adoption.

Conversion to International Financial Reporting Standards in Fiscal 2011

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The LP will adopt IFRS for the fiscal year 2011 starting January 1, 2011. The LP's transition from Canadian GAAP to IFRS will commence in the first quarter of 2011 at which time the LP will report both the current and comparative information using IFRS.

The LP 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 LP's financial statements. A detailed assessment will be completed by the third quarter of 2009 for presentation to the audit committee and board of directors for approval.

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 LP as well as other areas that may not necessarily impact the LP at this time. The impact assessment was completed in the second quarter of 2009 and has been provided to the audit committee and board of directors for review.

Phase Two: Detailed Assessment

This phase will involve a more comprehensive assessment of the differences between IFRS and the LP'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 will be completed by September 2009 at which time the potential changes to existing accounting policies, business process and information systems that were identified will be presented to the audit committee and board of directors.

Phase Three: Implementation

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 International Accounting Standards Board ("IASB") work plan anticipates the completion of several projects during 2010 and 2011 that could affect the differences between Canadian GAAP and IFRS and the impact on the LP's financial statements in future years. At this time, the Company cannot quantify the impact that the future adoption of IFRS will have on the LP's financial statements.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

There has been no material change in internal controls over financial reporting and disclosure controls and procedures during the six month period ended June 30, 2009.

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.

The following is a reconciliation of EBITDA to net earnings for each of the three years ended December 31:

$ thousands, except per unit amounts	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2009
Net earnings	7,330	8,444	9,005	10,685
Add:				
Interest	213	510	472	944
Depreciation and amortization	1,159	995	2,296	2,017
EBITDA	8,702	9,949	11,773	13,646
Per Unit - diluted	0.92	1.20	1.24	1.65

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.

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. Please refer to Capital Resources discussion above.

$ thousands	June 30, 2009	December 31, 2008
Purchase of property and equipment during the year, net of disposals	1,730	4,437
Purchases funded by term debt	(495)	(3,091)
Maintenance capital expenditures	1,235	1,346

Subsequent events

We have been advised that the joint venture partners of Greenway Sprayers are dissolving the joint venture and that the operations will be continued by the individual partners. As a result of the dissolution of the joint venture, the joint venturers have agreed to separate the net assets of the joint venture and it is anticipated that the LP will receive its proportionate share at least equal to the net book value of its equity interest. Future operations of the joint venture will be continued by the LP through its agricultural equipment segment.