AUTOCANADA INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2008

As of March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MARCH 23, 2009

The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada Income Fund (the "Fund" or "AutoCanada") for the year ended December 31, 2008. These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Results are reported in Canadian dollars unless otherwise stated. Unless otherwise indicated, certain dollar amounts have been rounded to the nearest thousand dollars. References to notes are to the notes of the Consolidated Financial Statements of the Fund unless otherwise stated.

To provide more meaningful information, this MD&A refers to the operating results for the three-month period and year ended December 31, 2008 of the Fund, and compares these to the operating results of the Fund for the three-month period and year ended December 31, 2007 (See "Non-GAAP Measures" below) . We have also included in the MD&A certain historical information with respect to Canada One Auto Group ("CAG" or the "Vendors") from other periods. Readers should be cautioned that the results of operations of CAG for the period from January 1, 2006 to May 11, 2006 include certain expenses and contractual obligations that are not incurred by the Fund subsequent to May 11, 2006.

FORWARD LOOKING STATEMENTS

Certain statements contained in management's discussion and analysis are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation. We hereby provide cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "projection", "vision", "goals", "objective", "target", "schedules", "outlook", "anticipate", "expect", "estimate", "could", "should", "expect", "plan", "seek", "may", "intend", "likely", "will", "believe" and similar expressions are not historical facts and are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond our control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Therefore, any such forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document.

In particular, material forward-looking statements in management's discussion and analysis include:

- our plans for future growth and effects of future growth on financial performance;
- expectations of future capital spending and its effect on future financial performance and growth;
- our assumption on the amount of time it make take for an acquisition or open point to achieve normal operating results;
- our determination of the possible effects of future impairment charges on the Fund's assets;
- the possible plans for or terms of any future credit agreement;
- our determination of the effects of the current and/or future credit agreements on the Fund's financial performance;
- managements' goals for maintaining optimal levels of liquidity;
- expectations of sufficiency of future cash flows;
- plans for future ADP conversions;
- assumptions and expectations for dealership relocations;
- plans for management of income taxes and possible changes in organizational structure;
- plans for convergence with IFRS;
- predictions for future economic data such as vehicle unit sales, vehicle prices, and margins on vehicle sales.

Although we believe that the expectations reflected by the forward-looking statements presented in this release are reasonable, our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about ourselves and the businesses in which we operate. Information used in developing forward-looking statements has been acquired from various sources including third-party consultants, suppliers, regulators, and other sources. In some instances, material assumptions are disclosed elsewhere in this release in respect of forward-looking statements. We caution the reader that the following list of assumptions is not exhaustive. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- no significant adverse changes to the automotive market, competitive conditions, the supply and demand of vehicles, parts

and service, and finance and insurance products or the political, economic and social stability of the jurisdictions in which we operate;

- no significant construction delays that may adversely affect the timing of dealership relocations and open points;
- no significant disruption of our operations such as may result from harsh weather, natural disaster, accident, civil unrest, or other calamitous event;
- no significant unexpected technological event or commercial difficulties that adversely affect our operations;
- continuing availability of economical capital resources; demand for our products and our cost of operations;
- no significant adverse legislative and regulatory changes; and
- stability of general domestic economic, market, and business conditions

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our access to capital due to uncertainty in the capital markets;
- rapid appreciation or depreciation of the Canadian dollar relative to the U.S. dollar;
- a sustained downturn in consumer demand and economic conditions in key geographic markets;
- adverse conditions affecting one or more of our automobile manufacturers;
- the ability of consumers to access automotive loans and leases;
- competitive actions of other companies and generally within the automotive industry;
- our dependence on sales of new vehicles to achieve sustained profitability;
- our suppliers ability to provide a desirable mix of popular new vehicles;
- the ability to continue financing inventory under similar interest rates;
- our suppliers ability to continue to provide manufacturer incentive programs;
- the loss of key personnel and limited management and personnel resources;
- the ability to refinance credit agreements in the future;
- changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations
- the ability to obtain automotive manufacturers' approval for acquisitions;

The foregoing factors are not exhaustive and are further discussed in the Fund's Annual Information Form dated March 23, 2009 which is filed on SEDAR at www.sedar.com.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Non-GAAP Measures

References to "EBITDA" are to earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and goodwill impairment charges. Management believes that, in addition to earnings or loss, EBITDA is a useful supplemental measure of both performance and cash available for distribution before debt service, changes in working capital, capital expenditures and income taxes.

References to "standardized distributable cash" and ''adjusted distributable cash" are to cash flow provided by operating activities available for distribution to unitholders of the Fund (the "Unitholders") in accordance with the distribution policies of the Fund. Standardized distributable cash and adjusted distributable cash of the Fund are measures generally used by Canadian open-ended trusts as an indicator of financial performance. As two of the factors that may be considered relevant by prospective investors is the cash distributed by the Fund relative to the price of the units, management believes that standardized distributable cash and adjusted distributable cash of the Fund are useful supplemental measures that may assist prospective investors in assessing an investment in the Fund. Standardized distributable cash is calculated as cash flows from operating activities, including the effects

of changes in non-cash working capital, less total capital expenditures. Adjusted distributable cash is calculated as cash flows provided by operating activities before changes in non-cash working capital, less purchases of non-growth property and equipment.

References to "standardized payout ratio" represent a comparison of distributions declared to standardized distributable cash. References to "adjusted payout ratio" represent a comparison of distributions declared to adjusted distributable cash. Management believes that both standardized payout ratio and adjusted payout ratio are indicators of the Fund's conservatism and its ability to continue to make distributions to Unitholders at current rates.

EBITDA, standardized distributable cash, adjusted distributable cash, standardized payout ratio and adjusted payout ratio are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that EBITDA, standardized distributable cash, adjusted distributable cash, standardized payout ratio and adjusted payout ratio should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's methods of calculating EBITDA, adjusted distributable cash, and adjusted payout ratio may differ from the methods used by other issuers. Therefore, the Fund's EBITDA, adjusted distributable cash, and adjusted payout ratio may not be comparable to similar measures presented by other issuers. For a reconciliation of adjusted distributable cash to standardized distributable cash, please see "Adjusted Distributable Cash" below.

References to ''absorption rate'' are to the extent to which the gross profits of a franchised automobile dealership from parts, service and collision repair cover the costs of these departments plus the fixed costs of operating the dealership, but does not include expenses pertaining to our head office. For this purpose, fixed operating costs include fixed salaries and benefits, administration costs, occupancy costs, insurance expense, utilities expense and interest expense (other than interest expense relating to floor plan financing) of the dealerships only. Absorption rate is an operating measure commonly used in the retail automotive industry as an indicator of the performance of the parts, service and collision repair operations of a franchised automobile dealership. Absorption rate is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption rate may not be comparable to similar measures presented by other issuers that operate in the retail automotive industry.

OVERVIEW OF THE FUND

Issuance of Fund Units and Acquisition

The Fund is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and a Declaration of Trust dated January 4, 2006 and amended May 10, 2006. The Fund has been created to invest in the franchised automobile dealership industry.

The Fund commenced business operations on May 11, 2006, when it completed an initial public offering (the "IPO") of 10,209,500 trust units ("Fund Units"), at a price of $10 per unit, for aggregate gross proceeds of $102.095 million. The costs of issuance of the units were $8.523 million. Concurrent with the closing of the IPO, the Fund used the net cash proceeds from the IPO to acquire a 50.4% indirect interest in AutoCanada LP which used such net proceeds to acquire, through various limited partnerships, the net assets (the "Acquired Business") of Canada One Auto Group ("CAG" or the "Vendors"). In connection with this transaction, 10,047,500 Exchangeable Units were issued to the Vendors in the amount of $10 per unit for a total of $100.475 million. On May 31, 2006, the underwriters exercised their over-allotment option for 740,000 additional units for $7.400 million thereby increasing the interest of the Fund to 54.05%.

In August of 2008, the Fund announced it had received regulatory approval from the Toronto Stock Exchange to purchase for cancellation, from time to time, the Funds issued and outstanding units subject to limits discussed later in this report.

Prior to December 31, 2010, income tax obligations relating to distributions from the Fund are expected to be obligations of unitholders. As a result of new tax legislation, substantively enacted on June 12, 2007, the Fund recognized non-cash future income tax expense each quarter commencing in quarters ended after June 30, 2007. It would be inappropriate for the Fund to recognize current income tax expense until the new tax becomes effective on January 1, 2011 at which point the distributions made by the Fund will be subject to the then applicable tax rate which at current activity levels would be 27.6% for 2011 and 26.1% for 2012 and beyond. The new tax rate will apply to the taxable income of the Fund which allows the Fund claim deductions from net income for tax purposes related to balances that have accumulated in various tax pools. Until such time as the new legislated tax becomes effective in 2011 the new tax does not impact the cash earnings of the business provided that distributions will continue to exceed the taxable income of the Fund, the Fund continues to operate within the rules outlined with the Specified Investment Flow-Through (SIFT) legislation and the Fund does not convert into a taxable corporation prior to December 31, 2010.

Additional information concerning the Fund is contained in the Fund's Annual Information Form dated March 23, 2009 which is filed on SEDAR (www.sedar.com) and on the Fund's website (www.autocan.ca).

The Business of the Fund

The Fund is one of Canada's largest multi-location automobile dealership groups, currently operating or managing 22 franchised dealerships in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2008, the 22 franchised automobile dealerships owned or managed by the Fund, sold approximately 23,700 vehicles and processed approximately 277,300 service and collision repair orders in our 284 service bays. We have grown, and intend to continue to grow, our business through the acquisition of franchised automobile dealerships in key markets, the organic growth of our existing dealerships, the opening of new franchised automobile dealerships, or "Open Points" and the management of franchised automobile dealerships.

Our owned and managed dealerships derive their revenue from the following four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. While new vehicle sales are the most important source of revenue, they generally result in lower gross profits than used vehicle sales, parts, service and collision repair operations and finance and insurance sales. Overall gross profit margins increase as revenues from higher margin operations increase relative to revenues from lower margin operations. We earn fees for arranging financing on new and used vehicle purchases on behalf of third parties and as a result we do not have an in-house lease program and as a result we do not have exposure to residual value risk of returned lease vehicles.

The Fund's geographical profile is illustrated below by number of dealerships owned or managed and revenues by province for the year ended December 31, 2008 and December 31, 2007.

	December 31, 2008			**December 31, 2007**		
(In thousands of dollars except % of total and number of dealerships)	**Number of Dealerships**	**Revenue**	**% of Total**	**Number of Dealerships**	**Revenue**	**% of Total**
British Columbia	7	268,636	32%	6	292,691	35%
Alberta	9	379,227	46%	9	397,173	48%
All other	6	178,631	22%	4	144,951	17%
Total	22	826,494	100%	19	834,815	100%

The following table sets forth the dealerships that we currently own or operate and the date opened or acquired by the Fund or CAG, organized by location.

Location of Dealerships	**Operating Name**	**Franchise**	**Year Opened or Acquired**
Dealerships as of December 31, 2008			
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge	Chrysler	2005
Maple Ridge, British Columbia	Maple Ridge Volkswagen	Volkswagen	2008
Prince George, British Columbia	Northland Chrysler Jeep Dodge	Chrysler	2002
Prince George, British Columbia	Northland Hyundai	Hyundai	2005
Prince George, British Columbia	Northland Nissan (managed)	Nissan	2007
Kelowna, British Columbia	Okanagan Chrysler Jeep Dodge	Chrysler	2003
Grande Prairie, Alberta	Grande Prairie Chrysler Jeep Dodge	Chrysler	1998
Grande Prairie, Alberta	Grande Prairie Hyundai	Hyundai	2005
Grande Prairie, Alberta	Grande Prairie Subaru	Subaru	1998
Grande Prairie, Alberta	Grande Prairie Mitsubishi	Mitsubishi	2007
Grande Prairie, Alberta	Grande Prairie Nissan (managed)	Nissan	2007
Edmonton, Alberta	Crosstown Chrysler Jeep Dodge	Chrysler	1994
Edmonton, Alberta	Capital Chrysler Jeep Dodge	Chrysler	2003

Sherwood Park, Alberta	Sherwood Park Hyundai	Hyundai	2006
Ponoka, Alberta	Ponoka Chrysler Jeep Dodge	Chrysler	1998
Thompson, Manitoba	Thompson Chrysler Jeep Dodge	Chrysler	2003
Woodbridge, Ontario	Colombo Chrysler Jeep Dodge	Chrysler	2005
Newmarket, Ontario	Doner Infiniti Nissan (1)	Nissan / Infiniti	2008
Cambridge, Ontario	Cambridge Hyundai	Hyundai	2008
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge (2)	Chrysler	2006

[1] Both the Infiniti and Nissan brands are sold out of the Doner Infiniti Nissan dealership facility, therefore we consider these two brands to be one dealership for MD&A reporting purposes.
[2] We have owned 50% of Dartmouth Chrysler Jeep Dodge since 2002 and we purchased the remaining 50% in February, 2006.

Seasonality

We have leveled the Fund's monthly distributions to provide a steady stream of cash to Unitholders, although revenues are subject to seasonal fluctuations. The following table illustrates the quarterly variation per year in the sales of new and used vehicles, based on the results of the Fund for 2008 and 2007, the combined results of the Fund and CAG for 2006 and the 2005 and 2004 results of CAG.

	New Vehicle Sales					**Used Vehicle Sales**					**Total Vehicles Sold**				
	2004	**2005**	**2006**	**2007**	**2008**	**2004**	**2005**	**2006**	**2007**	**2008**	**2004**	**2005**	**2006**	**2007**	**2008**
Q1	20%	19%	20%	23%	24%	25%	23%	24%	23%	25%	23%	22%	22%	23%	24%
Q2	28%	27%	26%	25%	28%	27%	26%	26%	28%	28%	28%	27%	26%	26%	28%
Q3	30%	32%	29%	29%	26%	26%	25%	27%	26%	26%	27%	28%	28%	28%	26%
Q4	22%	22%	25%	23%	22%	22%	26%	23%	23%	21%	22%	23%	24%	23%	22%

The results from operations historically have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our operating results are generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused substantial fluctuations in operating results from quarter to quarter.

During 2008, sales of new vehicles in Canada were down 1.1% when compared to 2007. Sales of new vehicles for 2008 in Alberta and British Columbia were down by 7.4% and 9.6% respectively. The Fund's same store sales of new vehicles have decreased by 10.3% in 2008 primarily as a result of economic conditions in the specific markets in which those stores operate. Specifically, the markets of Prince George, British Columbia and Grande Prairie, Alberta experienced significantly higher declines in new vehicle sales than the relevant British Columbia and Alberta provincial sales declines. Since the Fund operates two dealership platforms in these locations, the Fund is pleased with the market share in these two platforms despite local economic conditions.

The following table summarizes Canadian new vehicle sales for the year end of 2008 by Province:

December Year to Date Canadian New Vehicle Sales by Province [1]

	December Year to Date		Percentage Change	Units Change
	2008	2007		
Province				
British Columbia	177,040	195,906	(9.6)%	(18,866)
Alberta	231,810	250,240	(7.4)%	(18,430)
Saskatchewan	47,619	44,117	7.9%	3,502
Manitoba	46,188	45,176	2.2%	1,012
Ontario	578,750	593,139	(2.4)%	(14,389)
Quebec	428,016	406,974	5.2%	21,042
New Brunswick	38,228	36,147	5.8%	2,081
PEI	5,484	5,254	4.4%	230
Nova Scotia	51,602	48,428	6.6%	3,174

[1] Canadian Vehicle Manufacturers' Association \ Association of International Automobile Manufacturer Companies

Newfoundland	31,249	27,981	11.7%	3,268
Total	**1,635,986**	**1,653,362**	**(1.1)%**	**(17,376)**

DISTRIBUTIONS

Distributions to Unitholders

The Fund's policy is to distribute to Unitholders available cash provided by operations after cash required for capital expenditures, working capital reserves, growth of capital reserves and other reserves considered advisable by the Trustees of the Fund. The Board of Trustees reviews the distributions on a monthly basis.

On February 13, 2009, in view of the continued market unpredictability, general economic deterioration both within the auto industry and generally, rising unemployment, and tight credit markets, the Board of Trustees had concluded that it was prudent to reduce monthly distribution from $0.0833 per unit ($1.00 per unit annually) to $0.0417 per unit ($0.50 per unit annually), commencing February 2009, in order to provide additional financial flexibility.

On March 14, 2009, in response to the continued deteriorating retail credit markets and continued economic decline, the Board of Trustees determined it would be prudent to temporarily suspend distributions until such times as market conditions stabilize.

The following table summarizes the distributions declared by the Fund for the period from January 1, 2008 to December 31, 2008.

(In thousands of dollars)

		Fund Units		**Exchangeable Units**		**Total**	
Record date	**Payment date**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
		$	**$**	**$**	**$**	**$**	**$**
January 31, 2008	February 15, 2008	912	912	775	775	1,687	1,687
February 28, 2008	March 17, 2008	912	912	775	775	1,687	1,687
March 31, 2008	April 15, 2008	912	912	775	775	1,687	1,687
April 30, 2008	May 15, 2008	912	912	775	775	1,687	1,687
May 30, 2008	June 16, 2008	912	912	775	775	1,687	1,687
June 30, 2008	July 15, 2008	912	912	776	776	1,688	1,688
July 31, 2008	August 15, 2008	912	912	776	776	1,688	1,688
August 29, 2008	September 15, 2008	912	912	776	776	1,688	1,688
September 30, 2008	October 15, 2008	907	907	776	776	1,683	1,683
October 31, 2008	November 17, 2008	906	906	776	776	1,682	1,682
November 28, 2008	December 15, 2008	884	884	776	776	1,660	1,660
December 31, 2008	January 15, 2009[1]	881	-	775	-	1,656	-
		10,874	9,993	9,306	8,531	20,180	18,524

[1] Distributions payable to all Unitholders in the amount of $1,656 as at December 31, 2008 were paid in January, 2009.

Distributions are paid on Fund Units and Exchangeable Units. As of December 31, 2008 the following numbers of units were outstanding:

Fund Units	10,573,430
Exchangeable Units	9,307,500
	19,880,930

During the year ended December 31, 2008, the Fund declared distributions of $1.00 per Fund Unit and Exchangeable Unit to Unitholders. The distributions in the period ended December 31, 2008 were funded from cash flow generated from operations. The Fund reviews its distribution policy on a periodic basis.

Unit Option Plan

Under the terms of the Fund's Incentive Unit Option Plan, a maximum of 1,519,275 options can be outstanding at anytime. As of December 31, 2008, there are 798,424 options outstanding of which 467,599 are exercisable for certain employees, officers,

directors and trustees. Options issued under the Plan vest at a rate of one third on the three subsequent award date anniversaries. All the options must be exercised over specified periods not to exceed five years from the dates granted.

Adjusted Distributable Cash

Historically, the Fund has defined distributable cash to be cash flows provided by operating activities before changes in non-cash working capital; fewer purchases of non-growth property and equipment (see "Non-GAAP Measures" above).

(In thousands of dollars except unit and per unit amounts)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Net earnings (loss) for the period	4,483	(4,582)	6,372	5,466	3,358	6,906	(38,318)	(67,121)
Items not affecting cash:								
Future income taxes	-	10,327	239	(1,182)	330	148	(1,869)	(8,579)
Unit-based compensation	185	135	120	62	59	43	19	48
Amortization	790	770	794	856	771	758	885	905
Loss (gain) on disposal of property & equipment	5	5	(13)	(6)	(6)	20	(21)	6
Goodwill impairment	-	-	-	-	-	-	47,000	78,382
Cash provided by operating activities – before changes in non-cash working capital	5,463	6,655	7,512	5,196	4,512	7,875	7,696	3,641
Less: Purchase of non-growth property and equipment[1]	(521)	(762)	(126)	(298)	(177)	(250)	(80)	(197)
Adjusted distributable cash	4,942	5,893	7,386	4,898	4,335	7,625	7,616	3,444
Adjusted distributable cash per unit	0.244	0.291	0.365	0.242	0.214	0.376	0.376	0.172
Distributions declared to unitholders	5,062	5,062	5,062	5,062	5,062	5,062	5,057	4,999
Distributions declared per unit	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Adjusted distributable cash less distributions declared	(120)	831	2,324	(164)	(727)	2,563	2,559	(1,555)
Adjusted distributable cash less distributions declared per unit	(0.006)	0.041	0.115	(0.008)	(0.036)	0.127	0.126	(0.078)
Adjusted payout ratio	102.4%	85.9%	68.5%	103.3%	116.8%	66.4%	66.4%	145.2%
12 month trailing								
Adjusted distributable cash		21,899	22,985	23,119	22,512	24,244	24,474	23,020
Distributions declared to unitholders		20,249	20,249	20,249	20,249	20,249	20,243	20,180
Adjusted payout ratio		92.5%	88.1%	87.6%	89.9%	83.5%	82.7%	87.7%
Year-to-date								
Adjusted distributable cash								23,020
Distributions declared								20,180
Adjusted payout ratio								87.7%
From inception since January 4, 2006 to September 30, 2008 (incl. operations from May 11, 2006 to September 30, 2008)								
Adjusted distributable cash								61,454
Distributions declared to unitholders								53,382
Adjusted payout ratio								86.9%

[1] Purchase of non-growth property and equipment is necessary to maintain and sustain the current productive capacity of the Fund's operations and distributable cash (see "Capital Expenditures" in the table below for details). Management believes that maintenance capital expenditures should be funded by cash flow provided by operating activities. Capital spending for the expansion of sales and service capacity is expected to improve future distributable cash and as such is not deducted from cash flow provided by operating activities in arriving at adjusted distributable cash.

The Fund’s adjusted payout ratio varies throughout the year due to the seasonality of the Fund’s business as discussed above. Distributions to Unitholders have been leveled to provide a regular stream of income to Unitholders. The historically less profitable first and fourth quarters have generally been offset by higher earnings in the second and third quarters.

For the year end of December 31, 2008, the Fund generated adjusted distributable cash of $1.14 per unit and declared distributions of $1.00 per unit, for an adjusted payout ratio of 87.7%

From the Fund’s inception at January 4, 2006 (including operations from May 11, 2006 to December 31, 2008), our adjusted payout ratio is 86.9%.

Standardized Distributable Cash

On July 18, 2007, the Canadian Institute of Chartered Accountants [CICA] issued a revised interpretive release regarding the standardized preparation and disclosure of distributable cash for income trusts and other flow-through entities. The CICA calculation of standardized distributable cash is based on cash flows from operating activities, including the effects of changes in non-cash working capital, less total capital expenditures. The table below uses this calculation method to present standardized distributable cash for the last eight quarters of the Fund’s operations.

(In thousands of $ except unit and per unit amounts)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Cash provided by operating activities	8,529	2,368	6,486	3,637	2,739	13,806	10,456	7,313
Less: Amounts related to expansion of sales and service capacity	(596)	(225)	(399)	(180)	(237)	(1,058)	(893)	(1,046)
Less: Purchase of non-growth property and equipment	(521)	(762)	(126)	(298)	(177)	(250)	(80)	(197)
Standardized distributable cash	7,412	1,381	5,961	3,159	2,325	12,498	9,483	6,070
Weighted average units outstanding at end of period[1]	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,249,732	20,047,787
Standardized distributable cash per unit	0.366	0.068	0.294	0.156	0.115	0.617	0.468	0.303
Distributions declared	5,062	5,062	5,062	5,062	5,062	5,062	5,057	4,999
Distributions declared per unit	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Standardized distributable cash less distributions declared	2,351	(3,680)	900	(1,903)	(2,737)	7,436	4,426	1,071
Standardized distributable cash less distributions declared per unit	0.116	(0.182)	0.044	(0.094)	(0.135)	0.367	0.219	0.053
Standardized payout ratio	68.3%	366.5%	84.9%	160.2%	217.7%	40.5%	53.3%	82.4%
Basic earnings (loss) per unit	0.221	(0.660)	0.305	0.086	0.152	0.335	(1.892)	(3.348)
Diluted earnings (loss) per unit	0.221	(0.660)	0.303	0.085	0.152	0.335	(1.892)	(3.348)
12 month trailing								
Standardized distributable cash		20,039	22,183	17,913	12,826	23,943	27,465	30,376
Distributions declared		20,249	20,249	20,249	20,249	20,249	20,243	20,180
Standardized payout ratio		101.0%	91.3%	113.0%	157.9%	84.6%	73.7%	66.4%
Year-to-date								
Standardized distributable cash								30,376
Distributions declared								20,180
Standardized payout ratio								66.4%
From inception since January 4, 2006 to September 30, 2008 (incl. operations from May 11, 2006 to September 30, 2008)								
Standardized distributable cash								76,366
Distributions declared								53,382
Standardized payout ratio								69.9%

[1] Includes Fund Units and Exchangeable Units.

Management believes that the standardized distributable cash calculation distorts the Fund's quarter-to-quarter distributable cash and payout ratios, as our non-cash working capital can fluctuate significantly as a result of historical fluctuations in our business operations that occur on a quarterly basis as well as the resulting fluctuations in our accounts receivable and inventory levels and the timing of the payments of accounts payable and revolving floorplan facilities.

On a year-to-date basis, using the standardized distributable cash calculation, our standardized payout ratio of 66.4% at December 31, 2008 is lower than when calculated using the method we have historically used, as described below which results in a year-to-date payout ratio of 87.7%. The main difference between the two methods is that the standardized distributable cash calculation adjusts for changes in non-cash working capital and reduces the amount of cash available for distribution by growth related capital expenditures.

The following table reconciles standardized distributable cash to our adjusted distributable cash.

(In thousands of dollars except unit and per unit amounts)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Standardized distributable cash	7,412	1,381	5,961	3,159	2,325	12,498	9,483	6,070
Change in non-cash working capital	(3,066)	4,287	1,026	1,559	1,773	(5,931)	(2,760)	(3,672)
Amounts related to expansion of sales and service capacity	596	225	399	180	237	1,058	893	1,046
Adjusted distributable cash	4,942	5,893	7,386	4,898	4,335	7,625	7,616	3,444

Changes in non-cash working capital consist of fluctuations in the balances of accounts receivable, inventories, prepaid expenses, accounts payable and accrued liabilities, revolving floorplan facility, and amounts due to/from related parties. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

The following table summarizes changes in non-cash working capital as of December 31, 2008 and December 31, 2007.

(In thousands of dollars)	January 1, 2007 to December 31, 2007 $	January 1, 2008 to December 31, 2008 $
Accounts receivable	6,532	(3,174)
Inventories	25,431	(14,180)
Prepaid expenses	139	(49)
Change in goodwill from fair value adjustments	379	-
Accounts payable and accrued liabilities	1,069	669
Revolving floorplan facility	(27,132)	6,202
Due to related parties	(2,612)	(58)
	3,806	(10,590)

Capital Expenditures

The following table provides a reconciliation of the purchase of property and equipment as reported on the Statement of Cash Flows to the purchase of property and equipment as calculated in the standardized distributable cash table on page 10:

(In thousands of dollars)	October 1, 2008 to December 31, 2008 $	January 1, 2008 to December 31, 2008
Purchase of property and equipment from the Statement of Cash Flows	1,243	3,938
Less: Amounts related to the expansion of sales and service capacity	(1,046)	(3,234)
Purchase of non-growth property and equipment	197	704

Amounts relating to the expansion of sales and service capacity are considered growth expenditures. Growth expenditures are discretionary, represent cash outlays intended to provide additional future cash flows and are expected to provide benefit in future periods and thus they have been excluded from the calculation of adjusted distributable cash. Additional details on the components of non-growth property and equipment purchases are as follows:

(In thousands of dollars)	October 1, 2008 to December 31, 2008 $	January 1, 2008 to December 31, 2008 $
Leasehold improvements	73	110

Machinery and equipment	83	311
Furniture and fixtures	13	40
Computer equipment	28	173
Company & lease vehicles	-	70
	197	704

During the three-month period and year ended December 31, 2008 growth capital expenditures of $1.046 million and $3.234 million respectively were incurred. These expenditures related primarily to purchases of equipment for our Grande Prairie Subaru, Grande Prairie Mitsubishi, and Grande Prairie Nissan dealerships which relocated to new dealership facilities in May, 2008, July, 2008 and October, 2008 respectively, service equipment for our Capital Chrysler Jeep Dodge location, and computer equipment upgrades at selected dealerships designed to improve productivity and efficiency. Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three-month period and year ended December 31, 2008, were $0.443 million and $1.732 million respectively.

SELECTED ANNUAL FINANCIAL INFORMATION AND RESULTS FROM OPERATIONS

The following table shows: the audited results of the Fund from May 11, 2006 to December 31, 2006, the combined unaudited results of CAG and the Fund for the year ended December 31, 2006 and the audited results of the Fund for the years ended December 31, 2007 and December 31, 2008. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(In thousands of dollars except Operating Data and gross profit %)	**The Fund**	**The Fund & CAG Combined**	**The Fund**	**The Fund**
	(Audited)	**(Unaudited)**	**(Audited)**	**(Audited)**
	May 11, 2006 to December 31, 2006	**January 1 to December 31, 2006**	**2007**	**2008**
Income Statement Data				
Revenue	471,932	693,712	834,815	826,494
New vehicles	264,438	378,124	472,602	451,501
Used vehicles	130,809	201,639	224,991	222,329
Parts, service & collision repair	51,776	77,861	92,140	103,743
Finance, insurance & other	24,909	36,088	45,082	48,921
Gross profit	77,523	113,113	138,892	147,052
New vehicles	17,980	25,964	32,512	32,706
Used vehicles	12,471	18,101	19,685	18,400
Parts, service & collision repair	23,249	34,875	44,289	50,358
Finance, insurance & other	23,823	34,173	42,406	45,588
Gross profit %	16.4%	16.3%	16.6%	17.8%
Sales, general & admin expenses	56,408	84,125	103,715	114,881
Floorplan interest expense	5,195	7,745	9,594	7,065
Other interest & bank charges	546	949	1,250	1,551
Future income taxes	-	-	9,385	(9,970)
Net earnings [1,5]	12,474	16,700	11,738	(95,175)
EBITDA [2,5]	15,521	20,979	25,077	24,486
Basic earnings (loss) per unit	0.616	n/a	0.579	(4,711)
Diluted earnings (loss) per unit	0.616	n/a	0.578	(4,711)
Operating Data				
Vehicles (new and used) sold	13,082	19,350	23,296	23,714
New retail vehicles sold	6,455	9,141	11,135	11,554
New fleet vehicles sold	1,107	1,708	2,521	2,244
Used retail vehicles sold	5,520	8,501	9,640	9,916
Number of service & collision repair orders completed	142,303	215,232	231,723	277,256
Absorption rate [3]	94%	92%	98%	96%
# of dealerships	16	16	19	22
# of same store dealerships [4]	9	9	11	14
# of service bays at period end	245	245	260	284
Same store revenue growth [4]	n/a	4.4%	11.3%	(9.9)%
Same store gross profit growth [4]	n/a	10.6%	12.1%	(2.6)%

1. Net earnings for CAG from January 1, 2006 to May 10, 2006 are net earnings as defined by GAAP plus income taxes, stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) to be consistent with the results of the Fund from May 11, 2006 to December 31, 2006.
2. EBITDA has been calculated as described under "Non-GAAP Measures" above. EBITDA for CAG is defined under "Non-GAAP Measures" with the exception that to facilitate comparison to the Fund we have added stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) expensed by CAG.
3. Absorption has been calculated as described under "Non-GAAP Measures" above.
4. Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years.
5. The results from operations have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused substantial fluctuations in operating results from quarter to quarter.

SELECTED QUARTERLY FINANCIAL INFORMATION AND RESULTS FROM OPERATIONS

The following table shows the unaudited results of the Fund for each of the eight most recently completed quarters. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(In thousands of dollars except Operating Data and gross profit %)

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Income Statement Data								
New vehicles	109,862	117,204	133,853	111,683	107,688	128,371	118,807	96,634
Used vehicles	53,020	62,389	59,114	50,468	55,712	61,223	57,790	47,605
Parts, service & collision repair	21,908	23,228	23,142	23,863	23,536	26,610	26,492	27,105
Finance, insurance & other	9,590	11,890	12,905	10,697	11,180	13,121	13,597	11,023
Revenue	194,379	214,711	229,014	196,711	198,116	229,325	216,686	182,367
New vehicles	7,000	8,312	9,024	8,176	7,012	9,699	9,266	6,729
Used vehicles	4,914	6,082	4,943	3,746	4,393	5,180	5,156	3,671
Parts, service & collision repair	10,223	11,305	11,267	11,494	11,082	12,896	13,290	13,090
Finance, insurance & other	9,155	11,078	12,067	10,106	10,579	12,244	12,629	10,137
Gross profit	31,292	36,777	37,301	33,522	33,066	40,019	40,341	33,627
Gross profit %	16.1%	17.1%	16.3%	17.0%	16.7%	17.5%	18.6%	18.4%
Sales, general & admin expenses	23,634	27,522	26,905	25,654	26,317	29,916	30,491	28,157
SG&A exp. as % of gross profit	75.5%	74.8%	72.1%	76.5%	79.6%	74.8%	75.5%	83.7%
Floorplan interest expense	2,069	2,414	2,679	2,432	2,034	1,895	1,693	1,443
Other interest & bank charges	316	326	312	296	256	396	458	441
Future income taxes	-	10,137	239	(1,182)	330	148	(1,869)	(8,579)
Net earnings [4]	4,483	(4,582)	6,372	5,466	3,358	6,906	(38,318)	(67,121)
EBITDA [1 4]	5,424	6,743	7,600	5,310	4,621	8,022	7,975	3,868
Operating Data								
Vehicles (new and used) sold	5,440	6,089	6,404	5,363	5,552	6,576	6,462	5,124
New retail vehicles sold	2,295	2,866	3,344	2,618	2,462	3,471	3,245	2,376
New fleet vehicles sold	886	535	543	569	716	470	532	526
Used retail vehicles sold	2,259	2,688	2,517	2,176	2,374	2,635	2,685	2,222
Number of service & collision repair orders completed	57,876	58,157	58,138	57,552	61,169	72,227	74,300	69,560
Absorption rate [2]	92%	94%	104%	93%	90%	100%	99%	94%
# of dealerships	17	18	19	19	19	20	21	22
# of same store dealerships [3]	9	9	11	11	13	14	14	14
# of service bays at period end	250	256	260	260	260	279	284	284
Same store revenue growth [3]	24.1%	6.6%	8.2%	5.3%	(0.6)%	(3.8)%	(17.1)%	(16.7)%
Same store gross profit growth [3]	20.1%	13.4%	7.2%	6.5%	0.7%	0.2%	(3.3)%	(8.0)%
Balance Sheet Data								
Cash and cash equivalents	24,268	21,077	20,179	18,014	15,298	18,459	19,194	19,592
Accounts receivable	31,200	35,980	39,940	34,274	36,411	35,374	39,390	31,195
Inventories	117,034	132,814	147,419	142,128	132,549	135,447	134,565	139,948
Revolving floorplan facilities	118,974	133,731	152,390	143,655	134,023	131,505	135,562	137,453

[1] EBITDA has been calculated as described under "Non-GAAP Measures" above.

[2] Absorption has been calculated as described under "Non-GAAP Measures" above.

[3] Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years.

[4] The results from operations have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused substantial fluctuations in operating results from quarter to quarter.

RESULTS OF OPERATIONS

Annual Operating Results

The year ended December 31, 2008 showed a decrease over 2007 in terms of EBITDA and in net earnings. EBITDA for the year ended December 31, 2008 decreased by 2.4% to $24.486 million, from $25.077 million when compared to the results of the Fund for the prior year. The general economic decline in Canada during the fourth quarter of 2008 contributed to an overall decrease in vehicle sales across Canada in November and December of 2008. Due in part by the decrease in new vehicle sales in the fourth quarter of 2008, our annual operating results were lower than expected.

The following table illustrates EBITDA for the year ended December 31, for the last three years of operations.

Period from January 1 to December 31st	EBITDA (In thousands of dollars)
2006[1]	20,979
2007	25,077
2008	24,486

[1] 2006 EBITDA represents the combined results for CAG and the Fund. EBITDA for CAG is defined under "Non-GAAP Measures" with the exception that to facilitate comparison to the Fund we have added stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) expensed by CAG.

Net earnings decreased by $106.9 million to a loss of $95.2 million from $11.7 million of profit when compared to the prior year. The majority of this decrease was due to significant impairment charges recorded in 2008. We recorded impairment charges on goodwill and intangible assets totaling $125.4 million. Net earnings before future income taxes and asset impairment charges decreased by 4.3% to $20.2 million in 2008 from $21.1 million in 2007.

The last few months have seen a rapid and significant decline in our unit values not unlike many other trusts, shares of public companies, and our peer counterparts in the United States. This is one of the reasons for the Fund revaluing the goodwill and intangible assets that were primarily recorded at the time of the Fund's initial public offering, when the units were valued at $10.00 and the Fund had distributable cash of $20.3 million. As a result of a $10.00 unit price at the time of the initial public offering, the Fund recorded $77.8 million of intangibles and $74.4 million of goodwill for a total of $152.2 million of goodwill and intangible assets on its opening balance sheet. At December 31, 2008 the Fund's units were trading at $2.19 and adjusted distributable cash was $23.1 million. The $2.19 unit price represents a price decline of $7.81 or 78.1% from the time of the initial public offering. As a result of revaluing goodwill and intangible assets, for the year ended December 31, 2008 the Fund has recorded asset impairment charges of $86.3 relating to goodwill and $39.1 million relating to intangible assets for an ending balance of $nil goodwill and $43.7 million of intangible assets. This represents a 74.2% decline in the value of goodwill and intangibles on a combined basis. See the "Goodwill and Intangible Assets" section of the Annual Operating Results for additional information.

The tables in the sections below summarize the results for the year ended December 31, 2008 on a same store basis by revenue source and compare these results to the same period in 2007. An acquired or open point dealership may take as long as two years in order to reach normalized operating results. As a result, in order for an acquired or open point dealership to be included in our same store analysis, the dealership must be owned and operated by us for eight complete quarters. For example, if a dealership was acquired on December 1, 2006, the results of the acquired entity would be included in quarterly same store comparisons beginning with the quarter ended March 31, 2009 and in annual same store comparisons beginning with the year ended December 31, 2009. As a result, only dealerships opened or acquired prior to October 1, 2006 are included in the same store analysis.

Revenues

Revenues for the year ended December 31, 2008 decreased to $826.5 million from $834.8 million in the prior year. This 1.0% year-over-year decrease in revenue for the period was as a result of a decline in the average transaction price of new and used vehicles, which was partially offset by an increase in parts and service revenue, finance and insurance revenue and incremental revenue from the addition of three dealerships. Revenue from new vehicle sales decreased by $21.1 million or 4.5% from $472.6 million to $451.5 million as a result of a decline in the average transaction value per new vehicle retailed of $1,886 or 5.4% during the year ended December 31, 2008. This was partially offset by an increase in the number of vehicles retailed of 142 units. Used vehicle revenue also decreased despite an increase of 276 additional used vehicles being retailed during the year. The decrease in used vehicle revenue was largely the result of a decline in the average transaction price per used vehicle retailed of $918. During the year ended December 31, 2008 finance and insurance revenue increased by $3.8 million or 8.4% from $45.1 million to $48.9

million and parts and service revenue increased by $11.6 million or 12.6% from $92.1 million to $103.7 million.

Revenues - Same Store Analysis

Fund management considers same store gross profit and sales information to be an important operating metric when comparing the results of the Fund to other industry participants.

Same Store Revenue and Vehicles Sold

	For the Year Ended		
(In thousands of dollars except % change and vehicle data)	**December 31, 2008**	**December 31, 2007**	**% Change**
Revenue Source			
New vehicles	363,736	425,147	(14.4)%
Used vehicles	194,501	211,290	(7.9)%
Finance, insurance and other	41,040	41,407	(0.9)%
Subtotal	599,277	677,844	(11.6)%
Parts, service and collision repair	89,608	86,686	3.4%
Total	688,885	764,530	(9.9)%
New vehicles - retail sold	8,741	9,807	(10.9)%
New vehicles – fleet sold	2,091	2,264	(7.6)%
Used vehicles sold	8,607	8,858	(2.8)%
Total	19,439	20,929	(7.1)%
Total vehicles retailed	17,348	18,665	(7.1)%

Same store revenue decreased by 9.9% in the year ended December 31, 2008 when compared to 2007. New vehicle revenues decreased by $61.4 million or 14.4% for the year ended December 31, 2008 over the prior year due in part to a net decrease in new vehicle sales of 1,239 units consisting of a decrease of 1,066 retail units and a decrease of 173 low margin fleet unit sales. Also contributing to the decrease in new vehicle revenues for the year ended December 31, 2008 was a decrease in the average selling price per new vehicle retailed (“PNVR”) of $1,641 over the prior year largely as a result of a change in vehicle sales mix between vehicle types in both retail and fleet sales and higher manufacturer incentives introduced in 2008.

Same store used vehicle revenues decreased by $16.8 million or 7.9% for the year ended December 31, 2008 over the prior year. This decrease was due to both a decrease in the number of used vehicles sold of 251 units and a decrease in the average selling price per used vehicle retailed of $1,255.

The increase in same store parts, service and collision repair revenue of $2.9 million or 3.4% in the year ended December 31, 2008 compared to the prior year was primarily a result of an increase of 11.2% in the number of service and collision repair orders completed, offset by a 7.0% decrease in the average revenue per service and collision repair order completed.

Same store finance, insurance and other revenue decreased by 0.9% for the year ended December 31, 2008 over the prior year. This decrease was due to a decrease in the number of units sold of 1,317, offset by an increase in the average revenue per unit retailed of $147.

Gross profit

During the year ended December 31, 2008, gross profit increased by 5.9% to $147.1 million when compared to 2007. All of this increase in year ended December 31, 2008 was the result of the two dealerships that were opened or acquired in the fourth quarter of 2006, the three dealerships that were opened or acquired in 2007, and the three dealerships that were acquired in 2008.

The following table summarizes the results for the year ended December 31, 2008 on a same store basis by revenue source and compares these results to the same period in 2007.

Same Store Gross Profit and Gross Profit Percentage

	For the Year Ended					
	Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %)	**Dec. 31, 2008**	**Dec. 31, 2007**	**% Change**	**Dec. 31, 2008**	**Dec. 31, 2007**	**% Change**
Revenue Source						
New vehicles	26,981	29,304	(7.9)%	7.4%	6.9%	7.2%
Used vehicles	16,108	18,211	(11.5)%	8.3%	8.6%	(3.5)%
Finance, insurance and other	38,588	39,155	(1.4)%	94.0%	94.6%	(0.6)%
Subtotal	81,677	86,670	(5.8)%	13.6%	12.8%	6.3%
Parts, service and collision repair	42,948	41,243	4.1%	47.9%	47.6%	0.6%
Total	124,625	127,913	(2.6)%	18.1%	16.7%	8.4%

Gross Profit - Same Store Analysis

Same store gross profit decreased by 2.6% for the year ended December 31, 2008 when compared to the prior year. New vehicle gross profit decreased by $2.3 million or 7.9% in the year ended December 31, 2008 when compared to 2007 as a result of the previously discussed net decrease in new vehicle sales of 1,239 units largely as a result of a decline in new vehicle unit sales in Alberta and British Columbia.

Used vehicle gross profit decreased by $2.1 million or 11.5% in the year ended December 31, 2008 over the prior year. The decrease was primarily due to a decrease in the average gross per used vehicle retailed of $184 and a decrease in the number of used vehicles sold of 251 units.

Parts, service and collision repair gross profit increased by $1.7 million or 4.1% in the year ended December 31, 2008 when compared to the prior year as a result of a combination of an increase of 23,592 service and collision repair orders completed during the year, offset in part by a decrease of $12 in the average gross profit earned per service and collision repair order completed.

Finance, insurance & other gross profit decreased by 1.4% or $0.6 million in the year ended December 31, 2008 when compared to the prior year as a result of an increase of $127 in the average gross per unit sold offset by a decrease of 1,317 units.

Selling, general and administrative expenses

During the year ended December 31, 2008, SG&A expenses increased by 10.8% to $114.9 million from $103.7 million in 2007 primarily as a result of the three dealerships opened or acquired in 2007 and three dealerships acquired in 2008. During the year ended December 31, 2008, SG&A as a percentage of gross profit increased from 74.7% to 78.1%. The increase in selling, general and administrative expenses as a percentage of gross profit was mainly a result of increases in primarily fixed costs such as advertising, rent and non-commission based salaries expense.

Amortization expense

During the year ended December 31, 2008, amortization was $3.3 million while it was $3.2 million for the prior year. As of December 31, 2008 the Fund has recorded property and equipment with a net book value of $17.2 million which is $5.8 million higher than the previous year. Amortization expense did not increase proportionally because in the prior year leasehold improvements at some locations were fully amortized in 2007 and as a result, although the leases have been extended in 2008 at these locations, there is no balance left to amortize. As well during 2008 the Fund acquired the facility from which Cambridge Hyundai operates from and the building is amortized at lower rate than other asset classes.

Interest expense

The Fund incurs interest expense on its floor plan facility, its revolving term facility, and the mortgage on the Cambridge Hyundai property. In July of 2008 the Fund acquired the facility that Cambridge Hyundai operates from. The acquisition was funded in part through a term loan for $3.45 million from the Bank of Montreal that is scheduled to mature on September 30, 2012 and bears an interest rate of 5.11%. Interest on the loan for the year ended December 31, 2008 was $73 thousand dollars.

During the year ended December 31, 2008, floor plan interest expense decreased by 26.0% to $7.1 million from $9.6 million in 2007. The decrease in interest expense was caused by decreases in the prime interest rate throughout the year and lower inventory levels.

At December 31, 2008, a 1% change in the annual interest rate on the Funds floating rate debt would result in a change in the annual interest rate expense of approximately $1,557.

The following table summarizes the interest rates at the end of the last eight quarters on our Chrysler Financial Canada ("CFC") revolving floorplan facility.

	Q1 2007	**Q2 2007**	**Q3 2007**	**Q4 2007**	**Q1 2008**	**Q2 2008**	**Q3 2008**	**Q4 2008**
CFC Revolving Floorplan Facility Interest Rate	5.75%	5.75%	6.00%	5.75%	5.00%	4.50%	4.50%	3.25%

As of the date of this MD&A our floorplan interest rate is 2.25%.

Some of our manufacturers provide non-refundable credits on the floorplan interest to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership. During the year ended December 31, 2008, the net floorplan credits were $4,262. GAAP requires the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table summarizes the net floorplan credits that were received in 2008.

(In thousands of dollars)	**Q1 2008**	**Q2 2008**	**Q3 2008**	**Q4 2008**	**For the year ended December 31, 2008**
Net floorplan credits	969	1,146	1,130	1,017	4,262

Goodwill and Intangible Assets

Goodwill and intangible assets are tested for impairment annually or more frequently when events or circumstances indicate that impairment may have occurred. As discussed in Notes 8 & 9 of the Consolidated Financial Statements, during 2008, we recorded $86.3 million of non-cash goodwill impairment charges and $39.1 million of non-cash impairment charges relating to intangibles assets (dealer agreements). Despite these impairment charges, as of December 31, 2008, we were in compliance with the requirements of all applicable financial covenants under our debt agreements, as further discussed below in "Liquidity and Capital Resources – Credit Facilities".

During the third quarter of 2008, we performed our scheduled annual test for impairment of intangible assets and goodwill. As a result of completing the first step of the annual test for impairment of goodwill, we determined that the carrying value of our single

reporting unit exceeded the fair value, which required us to perform the second step of the goodwill impairment test. At that time, we determined that the fair value of intangible assets exceeded the carrying value and as a result, we did not record impairment charges on intangible assets. As a result of performing the second step of the test, it was determined that an impairment of goodwill had occurred which resulted in a non-cash goodwill impairment charge of $47,000 for the period.

We are required to complete interim tests for impairment of goodwill and intangible assets when events occur or circumstances change between annual tests that indicate that the assets might be impaired. During the fourth quarter of 2008, as a result of the continuing challenging automotive retail environment and the decline in our unit price, we determined that the carrying value of our single reporting unit more likely than not exceeded its fair value. Due to this change in circumstances, we were required to conduct an interim test of our single reporting unit's goodwill and intangible assets. The second step of the impairment test indicated that goodwill and intangibles were both impaired and as a result we recorded a non-cash goodwill impairment charge of $39.3 million which represented a write down of our remaining balance of goodwill. We also recorded a non-cash impairment charge of $39.1 million on our intangible assets.

We continue to face a challenging automotive retail environment and an uncertain economic environment in general. As a result of these conditions, there can be no assurance that an additional material impairment charge will not occur in a future period. We will continue to monitor events in future periods to determine if additional asset impairment testing should be performed. If we are required to revalue our intangible assets in future periods, we believe that we could incur another significant non-cash impairment charge related to intangible assets, which could have a material adverse impact on our consolidated financial statements and on our ability to satisfy the financial ratios or other covenants under our credit facilities, specifically our debt to equity ratio.

The goodwill impairment analysis is dependent on many variables used to determine fair value of the Fund overall and the fair value of the Fund's assets and liabilities. We estimate the fair value of our single reporting unit using the "market" and "income" valuation approaches. The "market" valuation approach estimates our enterprise value, which is comprised of our market capitalization and our debt. The "income" valuation approach estimates our enterprise value using a net present value model, which discounts projected free cash flows of our business at a computed weighted average cost of capital (WACC) as the discount rate. The WACC used in discounting the projected free cash flows of our business incorporates various rates and assumptions which involve the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We also consider a control premium that represents the estimated amount an investor would pay for our units in order to obtain a controlling interest. The complexity of the analysis does not permit a simplistic determination of the impact of changes in assumptions.

We estimate the fair value of intangible assets (dealer agreements) primarily using a discounted cash flow ("DCF") model. The forecasted cash flows used in the DCF model contain inherent uncertainties, including significant estimates and assumptions related to growth rates, margins, working capital requirements, capital expenditures, and cost of capital, for which we utilize certain market participant-based assumptions, using third-party industry projections, economic projections, and other marketplace data we believe to be reasonable.

Fourth Quarter Operating Results

The three month period ended December 31, 2008 showed a decrease over the comparable period in 2007 in terms of earnings and EBITDA. EBITDA for the three month period ended December 31, 2008 decreased by 26.4% to $3.9 million from $5.3 million when compared to the prior period in 2007. The general economic decline in Canada during the fourth quarter of 2008 negatively impacted the level of new vehicle sales, which in turn has adversely affected fourth quarter revenues and earnings.

Net earnings decreased by $72.6 million to a $67.1 million loss, from $5.5 million of profit when compared to the same period in prior year. The majority of this decrease was due to non-cash asset impairment charges totaling $78.4 million relating to goodwill and intangible assets in the fourth quarter. Net earnings before future income taxes and asset impairment charges decreased by $1.6 million from $4.3 million in 2007 to $2.7 million in 2008. This decrease is due to lower new and used vehicle sales revenues and an increase in selling, general and administrative costs. Although many selling, general and administrative costs are generally variable in nature and fluctuate with changes in sales, gross profit, and net earnings, costs which are mainly fixed in nature tend to adversely affect earnings during times of decreased sales. Expenses that impacted net earnings during the fourth quarter of 2008 due to being mainly fixed in nature were rent, non-commission based salaries, advertising, and professional fees.

The second quarter, along with the third quarter, are historically the industry's strongest in terms of revenues, earnings and EBITDA and the results of the Fund for the fourth quarter of 2008 follows this pattern.

Q4 Revenues

For the three-month period ended December 31, 2008 revenues, from all dealerships owned and operated by the Fund, decreased by $14.3 million or 7.3% from $196.7 million to $182.4 million. The decrease in revenue during the quarter was as a result of a significant decline in the average new and used vehicle transaction prices and a decrease in new vehicle units retailed. The average new vehicle transaction price decreased by $1,744 or 5.0% due to increased manufacturer incentives and a change in consumer preference to smaller, less expensive vehicles and the average used vehicle transaction price decreased by $1,769 or 7.6% during the three month period ended December 31, 2008 largely due to the declining value of the Canadian dollar and manufacturer rebates on new vehicles which also reduces the transaction price of comparable used vehicles. The number of new vehicles retailed decreased by 285 units mainly due to the drop in new vehicle sales in western Canada during the three month period ended December 31, 2008. The decline in the number of new vehicles retailed was partially offset by an increase of an additional 46 used vehicles retailed during the same period. Further offsetting the decline in new and used vehicle revenue were increases in both finance and insurance revenue and parts and service revenue. During the three month period ended December 31, 2008 finance and insurance revenue increased by $0.3 million or 2.8% from $10.7 million to $11.0 million and parts and service revenue increased by $3.2 million or 13.4% from $23.9 million to $27.1 million.

Q4 Revenue- Same Store Analysis

The following table summarizes the results for the year ended December 31, 2008 on a same store basis by revenue source and compares these results to the same period in 2007.

Same Store Revenue and Vehicles Sold

	For the Three-Month Period Ended		
(In thousands of dollars except % change and vehicle data)	**December 31, 2008**	**December 31, 2007**	**% Change**
Revenue Source			
New vehicles	75,193	100,190	(24.9)%
Used vehicles	40,829	45,506	(10.3)%
Finance, insurance and other	9,019	9,556	(5.6)%
Subtotal	125,041	155,252	(19.5)%
Parts, service and collision repair	22,553	22,022	2.4%
Total	147,594	177,274	(16.7)%
New vehicles - retail sold	1,737	2,277	(23.7)%
New vehicles – fleet sold	457	565	(19.1)%
Used vehicles sold	1,893	1,953	(3.1)%
Total	4,087	4,795	(14.8)%
Total vehicles retailed	3,630	4,230	(14.2)%

For the three-month period ended December 31, 2008 same store revenue decreased by 16.7% or $29.7 million to $147.6 million from $177.3 million when compared to the same period in 2007. New vehicle revenues decreased by $25.0 million or 24.9% for the three-month period ended December 31, 2008 over the same period in the prior year due in part to a decrease in the average selling price per new vehicle sold of $981 or 2.8% over the prior year largely as a result of continued higher manufacturer incentives and/or reductions to manufacturers suggested retail prices that were introduced in 2007 as a result of the general appreciation of the Canadian dollar and world wide economic retraction in 2008. The decrease in the average selling price per new

vehicle sold is consistent with market trends in Canada in 2008 that have seen new vehicle prices drop approximately 2.6% when compared to 2007. Another significant contributing factor to the decrease in new vehicle revenues for the three-month period ended December 31, 2008 was a net decrease in new vehicle sales of 648 units consisting of a decrease of 540 retail units and a decrease of 108 low margin fleet unit sales.

Same store used vehicle revenues decreased by $4.7 million or 10.3% from $45.5 million to $40.8 million for the three month period ended December 31, 2008 over the comparable period in the prior year. The decrease was due to a combination of a decrease in the number of used vehicles sold of 60 and a decrease in the average selling price per used vehicle retailed of $1,732.

Finance and insurance and other revenue decreased by $0.5 million or 5.6% for the three month period ended December 31, 2008 when compared to the same period in the prior year. The decrease was due to a decrease in the number of units financed of 600 units or 14.2%, partially offset by an increase in the average revenue per unit retailed of $225.

The increase in parts, service and collision repair revenue of $0.5 million or 2.4% for the three month period ended December 31, 2008 compared to the same period in the prior year was primarily a result of a combination of a 7.2% increase in the number of service and collision repair orders completed, offset by a 4.5% or $19 dollar decrease in the average revenue generated per service and collision repair order completed.

Gross profit

Gross profit, from all dealerships owned and operated by the Fund, for the three-month period ended December 31, 2008 increased by 0.3% to $33.6 million when compared to the same period in 2007. As indicated below, all of the increase in gross profit in the year ended December 31, 2008 was the result of the recently opened or acquired dealerships that are not included within the same store classification.

Gross Profit - Same Store Analysis

The following table summarizes the results for the three-month period ended December, 2008 on a same store basis by revenue source and compares these results to the same period in 2007.

Same Store Gross Profit and Gross Profit Percentage

	For the Three-Month Period Ended					
	Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %) **Revenue Source**	**Dec. 31, 2008**	**Dec. 31, 2007**	**% Change**	**Dec. 31, 2008**	**Dec. 31, 2007**	**% Change**
New vehicles	5,441	7,291	(25.4)%	7.2%	7.3%	(1.4)%
Used vehicles	3,207	3,329	(3.7)%	7.9%	7.3%	8.2%
Finance, insurance and other	8,402	9,001	(6.7)%	93.2%	94.2%	(1.1)%
Subtotal	17,050	19,621	(13.1)%	13.6%	12.6%	7.9%
Parts, service and collision repair	10,697	10,545	1.4%	47.4%	47.9%	(0.1)%
Total	27,747	30,166	(8.0)%	18.8%	17.0%	10.6%

Same store gross profit decreased by 8.0% in the three-month period ended December 31, 2008 when compared to the same period in the prior year. New vehicle gross profit decreased by $1.9 million or 25.4% in the three-month period ended December 31, 2008 when compared to the same period in the prior year as a result of a decrease in the average gross margin per new vehicle sold of $86 and the previously discussed net decrease in new vehicle sales of 648 units. We attribute the decrease in new vehicle unit sales to the general decline in new vehicle unit sales in western Canada in the fourth quarter, as the majority of dealerships included in the same store analysis are located in Alberta and British Columbia

Used vehicle gross profit decreased by $0.1 million or 3.7% in the three-month period ended December 31, 2008 over the same period in the prior year. The decrease was due to a decrease in the number of units sold of 60, offset by an increase in the average gross per used vehicle retailed of $11. The increase in gross profit earned per used vehicle retailed during the quarter is attributed to continued turbulence in the used vehicle wholesale market in Canada. Management believes an unprecedented volume of "off-lease" vehicles returning to market has increased the gross margin per used vehicle retailed from the same period in 2007.

Finance and insurance and other gross profit decreased by $0.6 million or 6.7% in the three-month period ended December 31, 2008 as a result of a decrease in sales of 600 units from the same period in 2007. The average gross profit per unit retailed increased due to a higher penetration ratio attained with a vendor from which we earned a higher commission rate than from other suppliers of similar products.

The increase in parts, service and collision repair gross profit of $0.2 million or 1.4% in the three-month period ended December 31, 2008 was the result of a combination of a 7.2% increase in the number of service and collision repair orders completed offset by a 5.4% decrease in the average gross profit per service and collision repair order completed.

Selling, general and administrative expenses

During the three-month period ended December 31, 2008, SG&A expenses increased by 9.7% to $28.2 million from $25.7 million in the same period in the prior year primarily as a result of the three dealerships opened or acquired in 2007 and the three dealerships acquired in 2008. During the three month period ended December 31, 2008, SG&A as a percentage of gross profit increased to 83.7% from 76.5% in the same period in the prior year. The increase in selling, general and administrative expenses as a percentage of gross profit was mainly a result of achieving a lower gross margin per vehicle sold and an increase in fixed costs in part due to increased rent and related expenses associated with new dealership facilities. In 2009, we relocated Capital Chrysler and anticipate the relocation of Crosstown Chrysler which will increase fixed costs further.

Amortization expense

During the three-month period ended December 31, 2008, amortization was $905 while it was $856 for the prior period in 2007.

Floorplan interest expense

During the three-month period ended December 31, 2008, floorplan interest expense decreased by 40.7% to $1,443 from $2,432 in the same period in 2007. The decrease in interest expense was caused by a decrease in the average prime lending interest rate for the three-month period ended December 31, 2008 when compared to the same period in 2007 and a general inventory decrease.

Some of our manufacturers provide non-refundable credits on the floorplan interest to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership. During the three month period ended December 31, 2008, the floorplan credits were $1,017. GAAP requires the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

Sensitivity

Based on our historical financial data, management estimates that an increase or decrease of one new retail vehicle sold (and the associated finance and insurance income on the sale) would have resulted in a corresponding increase or decrease in our estimated cash available for distribution of approximately $1,500 per vehicle.

NEW DEALERSHIPS

The Fund currently owns or manages 22 franchised automotive dealerships. At the time of the Fund's initial public offering ("IPO") in May of 2006 the Fund owned 14 franchised automotive dealerships. Since this time the Fund has acquired or opened six additional dealerships and has entered into agreements to finance and provide management services to two dealerships. The nature of the agreements between the Fund and CAG regarding its managed dealerships are such that their results are fully consolidated with the Fund as required under GAAP. The managed dealerships are owned by a subsidiary of CAG which owns 47% of the Fund on a fully diluted basis.

Throughout 2008, The Fund had continued to pursue opportunities to acquire additional franchised automotive dealerships and to be awarded additional open points. Typically, it is a term of dealership franchise agreements that the manufacturer ("OEM") has a right to match any purchase and sale agreement that the Fund, or any other proposed purchaser, enters into. In addition, such franchise agreements typically provide that the OEM has the right to not approve a proposed purchaser, provided the OEM can justify its refusal on reasonable grounds. Pending the return of normal credit and economic conditions however, the Fund's ability to pursue additional dealership opportunities is limited.

Acquisitions

- On April 1, 2008, the Fund purchased the net operating assets of Doner Infiniti Nissan. Located in Newmarket, Ontario, the dealership operates out of 22,000 square foot facility with 14 service bays plus 4 other bays and a 16 car showroom. Doner Infiniti Nissan has been in operation since 1977, and in 2008, sold 754 new vehicles and 429 used vehicles.

- On July 7, 2008, the Fund completed the purchase of the assets of Cambridge Hyundai located in Cambridge, Ontario, as well as the land and dealership premises. The dealership is continuing under the name Cambridge Hyundai, and is operating out of a new 15,300 square foot new facility located on three acres of land which is owned by the Fund. The new facility has eight service bays, a double drive through, and a six vehicle new car show room. Prior to the acquisition of this dealership by the Fund, the dealership operated in another location from a 4,800 square feet facility with three service bays and a two car show room. Cambridge Hyundai has been in operation since 1996, and in its prior facility sold 293 new vehicles and 128 used vehicles in 2007.

- On December 4, 2008, the Fund completed its purchase of all of the operating assets of Sport Volkswagen which is continuing under the name of Maple Ridge Volkswagen. Located in Maple Ridge, British Columbia, the dealership operates out of an approximate 12,000 square foot leased facility, with four service bays and a three car showroom. Sport Volkswagen has been in operation since approximately 1999, and in 2007, sold 229 new vehicles and 174 used vehicles.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Fund for the period from October 1, 2008 to December 31, 2008 was $7.3 million. On an annual basis, the Fund has generated sufficient cash flow from operations to fund capital expenditures, distributions, working capital requirements and to service its debt obligations. The current economic conditions provide for an increased need for management of capital resources and liquidity. The Fund continues to manage its working capital to maintain optimal levels of liquidity during the economic downturn. The Fund maintains its view of funding distributions through operating cash flows and may adjust the monthly distribution in anticipation of higher or lower operating cash flows.

Floor Plan Financing

Franchised automobile dealerships finance their new vehicle inventory (and in some instances a portion of their used vehicle inventory) by way of floor plan financing, which is offered by the automobile manufacturers' captive finance companies, banks and specialty lenders. Our floor plan financing for our owned dealerships is currently provided by Chrysler Financial, including financing for our non-Chrysler Canada dealerships. Our floor plan financing for our managed dealerships is currently provided by the Bank of Nova Scotia.

Although the structures used in floor plan financing vary, a floor plan lender typically finances 100% of the purchase price of a new vehicle from the time of purchase by the dealership (which occurs when production of the new vehicle is completed).

The individual notes payable of the CFC Revolving Floorplan are due when the related vehicle is sold. During 2008, CFC made changes to its wholesale floorplan program which in turn affected our Revolving Floorplan Facility. As part of the changes, CFC updated its curtailment policy which requires the Fund to pay down vehicles financed through the Revolving Floorplan Facility based on the aging of the vehicle, regardless of whether the vehicle has been sold. The new curtailment policy is as follows:

Effective October 1, 2008:
- New 2007 vehicles and prior year models to be paid down to $1,000 or less by December 31, 2008;
- New vehicles over 360 days require a 20% reduction by December 31, 2008, 10% reduction every 60 days thereafter;

- Used vehicles over 180 days require a 20% reduction by December 31, 2008, 10% reduction every 30 days thereafter.

Effective January 1, 2009:
- New vehicles reaching 271 days require a 10% reduction and 10% reduction every 60 days thereafter;
- Used vehicles reaching 181 days require a 10% reduction and 10% reduction every 30 days thereafter;
- Demonstrators require a 2% reduction monthly beginning the month the vehicle is placed into Demonstrator service. A further reduction of 10% will be due at 271 days and every 60 days thereafter.

At December 31, 2008 the amount owed by us under our floor plan financing with Chrysler Financial was approximately $132.0 million. The notes payable for new and demonstrator vehicles bear interest at Royal Bank of Canada's prime rate less 0.25% per annum (3.25% at December 31, 2008). The floor plan notes payable are collateralized by a general security agreement consisting of a first security interest on all present and future property, the Fund's accounts receivable, new, used and demonstrator vehicles.

The BNS Revolving Floorplan Facility from the Bank of Nova Scotia ("BNS") is available to the two dealerships managed by the Fund. The BNS Revolving Floorplan Facility is available to finance new, used and demonstrator vehicles, is $9,250, bears interest at Bank of Nova Scotia prime rate plus 0.75% (4.25% at December 31, 2008) for new and demonstrator vehicles and bears interest at Bank of Nova Scotia prime rate plus 1.75% (5.25% at December 31, 2008) for used vehicles and is payable monthly in arrears. The BNS Revolving Floorplan Facility requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of first security interest on all present and future property of the managed dealership, a $1,000 guarantee from the Fund, and the managed dealerships' new, used and demonstrator vehicle inventory. The individual notes payable of the BNS Revolving Floorplan Facility are due when the related vehicle is sold. The balance outstanding on the BNS Revolving Floorplan Facility as of December 31, 2008 is approximately $5.5 million.

Credit Facilities

We have entered into a Credit Agreement (collectively referred to herein as the Credit Facility) with Chrysler Financial Canada ("CFC") that provides the following:
- Revolving Floor Plan Facility of up to $183.1 million to finance new, demonstrator, and used vehicles that bears interest at Royal Bank of Canada ("RBC") prime rate less 0.25%
- Revolving Term Facility of up to $50,000 available to finance working capital and the acquisition of automobile dealerships that bears interest at RBC prime rate for amounts borrowed not exceeding the borrowing base and RBC prime plus 0.75% for amounts borrowed in excess of the borrowing base.

The Credit Facility, which is subject to the satisfaction of certain customary terms and conditions, was put in place upon the closing of the Offering. At the closing of the Offering, we drew an amount on the floor plan facility sufficient to pay CAG the aggregate amount of CAG's floor plan financing outstanding.

Amounts drawn on the Credit Facility to assist in the financing of our working capital are primarily used for used vehicles, parts inventory and general corporate purposes, including financing the costs incurred in equipping our Open Points, and in purchasing new equipment for our existing dealerships. Amounts drawn on the Credit Facility to assist in acquisitions are used to finance acquisitions of franchised automobile dealerships. These facilities are available on a revolving basis. On the basis of our audited annual financial statements, at December 31, 2008 the amount of the Credit Facility that has been drawn on for acquisitions and working capital is approximately $21.6 million.

Our indebtedness and liabilities under the Credit Facility are to be secured by all of the present and future assets of the Partnership, AutoCanada GP, each of the Dealer LPs and each of their general partners, including the limited partnership and general partnership interests of the Partnership in each of the Dealer LPs and the shares held by AutoCanada GP in the general partners of each of the Dealer LPs.

The Credit Agreement prohibits distributions by the Partnership if the amount to be distributed would exceed our distributable cash flow, a default has occurred, the distribution would result in a default or the distribution would result in a Dealer LP having less than its required minimum working capital. In addition, if advances for working capital and acquisitions exceed our Borrowing Base, we are required to repay the excess amount. These provisions could limit distributions of our available cash, unless sufficient funds are available for repayment of advances of the Credit Facility.

Both the Revolving Floorplan Facility and the Revolving Term Facility require maintenance of certain financial covenants and are collateralized by a general security agreement consisting of a first security interest on all present and future property. The Credit

Facility may in certain circumstances restrict the ability of the Fund to pay distributions if the payment would result in a default under the Credit Facility. The financial covenants of the credit facilities with CFC consist of the following:

(i) The Current Ratio shall not be less than, on a consolidated basis, 1.15:1 at any time; and
(ii) The Fixed Charge Ratio shall not be less than, on a consolidated basis, 1.75:1 at any time; and
(iii) The Debt to Equity Ratio shall not be greater than 0.90:1 at any time.

At December 31, 2008, the Fund was in compliance with these covenants. Additional information relating to the Credit Facility with CFC can be found on SEDAR (www.sedar.com).

The Credit Facility available to the Fund from Chrysler Financial Canada is scheduled to mature on May 10, 2010. We are presently in discussions with our lender to renegotiate the terms of this facility. Due to the deterioration of credit markets and the economy generally, if agreement on a new facility is reached, it may have negative consequences such as:

- We may be required to dedicate a substantial amount of our cash flow from operations to required payments on indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures, acquisitions, distributions, and other general activities.

- Covenants relating to new credit agreements may limit our ability to obtain financing for working capital, capital expenditures, acquisitions, and other general activities.

- Covenants relating to new credit agreements may limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

Management has been proactive in assessing the ability of the Fund to maintain its covenants, given the current economic conditions.

Management has determined that failure to replace the credit facility would result in a breach of the current ratio covenant in June of 2009 as long-term debt of $21.6 million owing to CFC would then become classified as current on the balance sheet.

Management has also determined that the Fund may be in breach of the fixed charge ratio in June of 2009 based on the current economic conditions. Management believes that if EBITDA in the first and second quarters of 2009 is not in line with historical results, this may contribute to a possible breach of the fixed charge ratio in June of 2009. The fixed charge ratio is calculated on a rolling four consecutive quarter basis and is calculated on a consolidated basis, in accordance with the formula A/B where:

(a) "**A**" is EBITDA (refer to our credit agreement filed on www.sedar.com for the calculation of EBITDA per the CFC Credit Facility), plus Rent Expense minus Capital Expenditures of the Consolidated Group; and
(b) "**B**" is the sum of the Consolidated Group's Total Interest Expense, Rent Expense, Taxes, all scheduled and/or required repayments of the principal portion of Debt and all mandatory Distributions, if any, required pursuant to any present or future partnership or shareholder agreement.

In an effort to deal with these issues proactively, Management has been engaged in discussions with CFC over the past few months with the intention of amending its credit facility with CFC to address these matters. Although there can be no certainty of result until a final amending agreement is signed by both parties, Management does anticipate a satisfactory result, though certain of the terms may be less favourable than the current Credit Facility and may have a material effect on our future operations.

Financial Instruments

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, revolving floorplan facilities, distributions payable and long-term debt.

The Fund has made the following classifications:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading and are measured at fair value. Gains and losses related to subsequent revaluations are recorded in net earnings;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value with subsequent measurement at amortized cost. All accounts receivable bad debts are charged to selling, general and administrative expenses;

- Accounts payable and accrued liabilities, revolving floorplan facilities, distributions payable, and long-term debt are classified as other liabilities and are initially measured at fair value with subsequent measurement at amortized cost;
- Transaction costs are expensed as incurred for financial instruments; and,
- Interest expense is recorded in net earnings.

Financial risk management

The Fund's activities are exposed to a variety of financial risks of varying degrees of significance which could affect the Fund's ability to achieve its strategic objectives. The Fund's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to reduce potential adverse effects on the Fund's financial performance. Risk management is carried out by financial management in conjunction with overall Fund governance. The principal financial risks to which the Fund is exposed are described below.

(a) Foreign currency risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Fund is not significantly exposed to foreign currency risk.

(b) Interest rate risk

The Fund's Revolving Floorplan Facilities and Revolving Term Facility are subject to interest rate fluctuations and the degree of volatility in these rates. The Fund does not currently hold any financial instruments that mitigate this risk. At December 31, 2008, a change in the annual interest on floating rate debt of one percent would result in a change in annual interest expense of approximately $1,557.

(c) Market risk

Exposure to financial market risk is limited since there are no significant financial instruments which will fluctuate as a result of changes in market prices.

(d) Credit risk

The Fund's exposure to credit risk associated with its accounts receivable is the risk that a customer will be unable to pay amounts due to the Fund or its subsidiaries. Concentration of credit risk with respect to contracts-in-transit and accounts receivable is limited primarily to automobile manufacturers and financial institutions (see *Note 1 – Nature of operations and economic dependence* of the annual consolidated financial statements for further discussion of the Fund's economic dependence on Chrysler and associated credit risk). Credit risk arising from receivables from commercial customers is not significant due to the large number of customers dispersed across various geographic locations comprising our customer base.

Accounts receivable are aged at December 31, 2008 by the following approximate percentages:

Current	86%
31 to 60 days	8%
61 to 90 days	3%
91 to 120 days	1%
Over 120 days	2%

The Fund evaluates receivables for collectability based on the age of the receivable, the credit history of the customers and past collection experience. The allowance for doubtful accounts amounted to $541 as of December 31, 2008 ($965 as of December 31, 2007). Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed on the balance sheet for accounts receivable are net of the allowance for bad debts.

Concentration of cash and cash equivalents exist due to the significant amount of cash held with CFC.

(e) Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Fund's growth is financed through a combination of the cash flows from operations, borrowing under existing credit facilities and the issuance of equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of committed credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows. Due to the dynamic nature of the business, the Fund aims to maintain flexibility in funding by keeping committed credit facilities available (see notes 10 & 11 of the consolidated financial statements).

The Fund is exposed to liquidity risk as a result of its economic dependence on automobile manufacturers. Refer to *Note 1 – Nature of operations and economic dependence* for further information regarding the Fund's economic dependence on Chrysler and its effect on the Fund's liquidity.

The Fund's financial liabilities have contractual maturities which are summarized below:

	Current within 12 months $	**Non-current 1-5 years $**
Accounts payable and accrued liabilities	21,990	-
Revolving floorplan facility	137,453	-
Distributions payable	1,656	-
Long-term debt	1,501	26,217
	162,600	26,217

(f) Fair value

The estimated fair value of accounts receivable, accounts payable and accrued liabilities, revolving floorplan facilities and distributions payable approximate carrying value due to the relatively short-term nature of the instruments. The estimated fair value of long-term debt approximates the carrying value because interest rates are floating and approximate market rates at the period end.

Capital Expenditures

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, service vehicles, computer hardware and computer software. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems. Our future growth is dependent on our ability to acquire and integrate additional dealerships and to successfully operate existing dealerships. Management expects that our cash flow generated from operations, together with working capital availability under our Revolving Term Facility, is sufficient to fund our debt service, working capital requirements and capital spending for the next year. The current economic conditions have obligated our management team to carefully control capital expenditures in order to maintain optimal liquidity levels. Future growth plans have been affected by the current economic conditions which will likely affect the level of capital expenditures until the return to normal credit and economic conditions.

In 2006, the Fund announced that it was undertaking to convert its dealerships to a common upgraded software platform and had entered into a contract with ADP to work with the Fund to install and train the dealership staff to utilize ADP's next generation of dealership accounting software. During 2008, the Fund continued its upgrade of existing dealership management software supplied by ADP. We currently have three remaining locations that are supplied by other dealership management software companies and plan to convert them to ADP in the future. This is a significant tool to enable continued improvement in information processing efficiencies, standardization of key business processes and to share best practices across all dealerships.

Costs related to the Open Points are treated as growth capital when incurred (see Acquisitions and Open Points above).

In the second quarter, the Fund completed the relocation to new premises of its Grande Prairie Subaru (Grande Prairie, Alberta) dealership. In early July 2008, the Fund completed the relocation to new premises of its Grande Prairie Mitsubishi and in October

2008 its Grande Prairie Nissan dealerships (both located in Grande Prairie, Alberta). Collectively these three dealerships add 20 additional service bays, and provide new, expanded, first class facilities to represent the respective brands. During the fourth quarter of this year, the Fund planned to relocate its Capital Chrysler dealership located in Edmonton Alberta. The Capital Chrysler dealership was relocated to a new approximate 55,000 square foot facility in Edmonton, Alberta in January of 2009. By the late second or early third quarter 2009, the Fund anticipates relocating its Crosstown Chrysler dealership to a new approximate 80,000 square foot facility located in Edmonton, Alberta. All such relocations result in additional capital expenditures for leasehold improvements, furniture and fixtures, service vehicles, computer hardware, and computer software. The purpose of these relocations is to offer customers improved facilities to better enhance the sales and service experience, as well as offer increased service capacity which in turn should lead to increased profitability. The Capital Chrysler and Crosstown Chrysler dealerships will add a further 39 service bays.

The relocation dates indicated above are based on management estimates and are dependent on numerous factors such as weather conditions and the availability of construction labour and equipment. Some of these factors are beyond management's control.

The Fund's previously announced intention to relocate its Northland Dodge and Northland Nissan dealerships located in Prince George, British Columbia in 2008 is being reviewed in the context of existing market conditions and thus decisions regarding relocation are being deferred pending return to normal market conditions.

Currently, the Fund rents its dealership facilities from third parties which in some cases include CAG. In July of 2008, the Fund acquired the land and dealership premises of Cambridge Hyundai located in Cambridge, Ontario.

On March 13, 2009, a commitment to purchase lands located at 17385 Leslie Street, Newmarket, ON, the land on which Doner Infiniti Nissan operates from, was transferred from a related party to the Fund, thereby committing the Fund to purchase the above land for $6,000,000 (which is equal to its appraised value as of February 7, 2008) less a $500,000 deposit made by the Fund, on or before October 1, 2010.

Contractual Obligations

The table below sets forth, as at December 31, 2008, the material contractual obligations of the Fund, due in the years indicated, which relate to various premises and equipment leases.

(In thousands of dollars)	**Leases**	**Long-term Debt**	**Total**
	$	**$**	**$**
Less than one year	7,650	570	8,220
One to three years	13,319	22,737	36,056
Four to five years	6,173	2,785	8,958
Thereafter	22,164	-	22,164
	49,306	26,092	75,398

Normal Course Issuer Bid

In August 2008, we received regulatory approval from the Toronto Stock Exchange to purchase for cancellation, from time to time, as we consider advisable, our issued and outstanding units. Pursuant to the normal course issuer bid (the "Bid"), we may purchase for cancellation up to a maximum of 547,475 units, being approximately 5% of our outstanding "public float". The Bid commenced on August 21, 2008 and will terminate on August 20, 2009 or such earlier time as the Bid is completed or terminated at our option.

During the year ended December, 2008, we purchased for cancellation 376,070 units at an average cost of $2.46 per unit for total cash consideration of $926. At December 31, 2008 we cancelled all repurchased units with the difference between purchased cost and carrying value being charged to contribute surplus.

Financial Position

The following table shows selected audited balance of the Fund for December 31, 2007 as well as unaudited balances of the Fund at September 30, 2008, June 30, 2008, March 31, 2008, September 30, 2007, June 30, 2007 and March 31, 2007.

	The Fund							
Balance Sheet Data	**December 31, 2008**	**September 30, 2008**	**June 30, 2008**	**March 31, 2008**	**December, 31, 2007**	**September 30, 2007**	**June 30, 2007**	**March 31, 2007**
Cash and cash equivalents	19,592	19,194	18,459	15,298	18,014	20,179	21,077	24,268
Accounts receivable	31,195	39,390	35,374	36,411	34,274	39,940	35,980	31,200
Inventories	139,948	134,565	135,447	132,549	142,128	147,419	132,814	117,034
Total assets	257,104	338,296	374,912	364,879	374,341	387,263	369,678	351,732
Revolving floorplan facilities	137,453	135,562	131,505	134,023	143,655	152,390	133,731	118,974
Total long term liabilities	25,522	31,836	35,837	28,831	20,174	30,228	30,795	11,674

Net Working Capital

The automobile manufacturers represented by the Fund require the Fund to maintain an aggregate minimum net working capital of approximately $31.9 million. At December 31, 2008, net working capital was approximately $33.9 million.

Off Balance Sheet Arrangements

The Fund has not entered into any off balance sheet arrangements.

Related Party Transactions

Note 16 to the audited annual financial statements of the Fund summarize the transactions between the Fund and its related parties. These transactions are management and non-competition fees received and rents paid to companies with common ownership, management and directors. In addition, there are consulting fees paid to a company controlled by a trustee. The total management and non-competition fees received from a director and companies with common directors for the year ended December 31, 2008 was $600. We lease thirteen of our twenty-two locations as of December 31, 2008 from related parties to the Fund. The total rent paid by us to the related parties for the year ended December 31, 2008 was $4,898. The total consulting fees paid to a company controlled by a Trustee for the year ended December 31, 2008 was $64. We have received advice from a national real estate appraisal company that the market rents at each of our facilities leased from related parties of the Fund were at fair market value rates when the leases were entered into. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

On February 7, 2007, we granted consent to Patrick Priestner to own and operate a new Toyota dealership, Sherwood Park Toyota. In 2008, Toyota Canada advised that they were not prepared to accept the Fund as a purchaser of its dealerships. Upon receipt of outside legal advice, the Trustees of the Fund and AutoCanada have determined that it is in the best interests of the Fund and AutoCanada to waive the non-competition agreement as it relates to the Sherwood Park Toyota dealership in consideration for a one-time payment to be made to AutoCanada in the 2009 fiscal year.

Changes in Accounting Policies and Initial Adoption

a) Financial Instruments – presentation and disclosure (CICA Handbook Section 3862 and 3863)

On January 1, 2008, the Fund adopted Section 3862, "Financial Instruments – Disclosures", replacing Section 3861, "Financial Instruments – Disclosure and Presentation." This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

These disclosures have been made in Note 19 of these consolidated financial statements. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted.

On January 1, 2008, the Fund adopted Section 3863, "Financial Instruments – Presentation," replacing Section 3861, "Financial Instruments – Disclosure and Presentation." This Section establishes standards for presentation of financial instruments. The adoption of this Section had no impact on the presentation of the Fund's financial instruments.

b) Capital disclosures (CICA Handbook Section 1535)

On January 1, 2008, the Fund adopted Section 1535, "Capital Disclosures." This Section requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This disclosure has been made in Note 20, Capital Disclosures of the consolidated financial statements.

c) Inventories (CICA Handbook Section 3031)

On January 1, 2008, the Fund adopted Section 3031, "Inventories." This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The standard also requires the consistent use of either first-in, first out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this Section did not have any impact on our financial position or results in operations.

d) Future Income Taxes (Emerging Issues Committee ("EIC") Abstract No 171)

On September 1, 2008, the Fund adopted EIC-171, "Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through." This abstract requires that future income taxes related to temporary differences associated with the assets and liabilities attributable to exchangeable interest is presented as part of unitholders' equity, the future income taxes should be accounted for as a capital transaction at the time of conversion. Application should be retrospective with restatement of prior periods commencing with the period that includes the date of substantive enactment of the changes to the Income Tax Act (June 30, 2007). The adoption of this abstract resulted in the following adjustments to the consolidated balance sheet and income statement {increase (decrease)}:

	Year ended December 31, 2008	***Year ended December 31, 2007***
Long-term future income tax liability	-	(7,979)
Future income tax expense	-	(7,979)
Opening retained earnings (deficit)	(7,979)	-

e) Goodwill and intangible assets

In February, 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Handbook Section 3062, "Goodwill and Other Intangible Assets" and Handbook Section 3450, "Research and Development Costs". The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in previous Handbook Section 3062. The new

standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, specifically January 1, 2009 for the Fund. The Fund is currently evaluating the impact of adopting this standard.

f) Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed the mandatory changeover date from GAAP to IFRS. The change will take effect January 1, 2011. The Fund will prepare IFRS compliant financial information beginning January 1, 2010 to produce comparable information for the first IFRS consolidated financial statements published in 2011.

The Fund has completed the diagnostic phase of its transition plan and major differences identified which may have the most significant impact on the Fund are property and equipment, intangible assets, and unitholders' equity. The impact of these differences and the complete conversion to IFRS are currently being evaluated by the Fund.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with GAAP, which requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions which it believes to be reasonable under the circumstances. Management also evaluates its estimates on an ongoing basis. Management estimates are also based on current economic conditions and may change as these conditions improve or decline.

Our significant accounting policies are described in Note 2 ("Significant Accounting Policies") of the December 31, 2008 audited consolidated financial statements of the Fund. The policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition

Vehicles, parts, service and collision repair

Revenue from the sale of new and used vehicles is recognized upon delivery, passage of title, signing of the sales contract and approval of financing or receipt of payment. Revenue from the sale of parts, service and collision repair is recognized upon delivery of parts to the customer or at the time vehicle service or repair work is completed. Manufacturer vehicle incentives and rebates are recognized as a component of new vehicle cost of sales when earned, generally at the time the related vehicles are sold. Dealer trades are recognized on a net basis upon delivery. Net revenue associated with dealer trades is nominal.

Finance and insurance

The Fund arranges financing for customers through various financial institutions and receives a commission from the lender based on the difference between the interest rate charged to the customer and the interest rate set by the financing institution, or a flat fee. This revenue is included in vehicles revenue on the statement of operations.

The Fund also receives commissions for facilitating the sale of third party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract and the Fund is entitled to the commission. The Fund is not the obligor under any of these contracts. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts and other insurance products, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions the Fund receives may be charged back to the Fund based on the terms of the contracts. The revenue the Fund records relating to commissions is net of an estimate of the amount of chargeback's the Fund will be required to pay. This estimate is based upon historical chargeback experience arising from similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products.

Lease revenue

Lease revenue is recognized on a straight-line basis over the term of the related lease agreement as amounts become due.

Inventory Valuation

Inventory is valued at the lower of cost and net realizable value. The value of our inventory is dependent upon our ability to plan and manage our inventory so as to avoid miscalculation in brand or model popularity. Any such miscalculation could adversely affect the value of our inventory. Our planning procedures and our supply chain structure are designed to minimize inventory write downs.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values at the date of acquisition. Goodwill is allocated as of the date of the business combination to the Fund's reporting units that are expected to benefit from the business combination.

Goodwill is not amortized but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination as described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price.

Intangible assets

The identifiable intangible assets are rights under franchise agreements with automobile manufacturers. Franchise agreements are expected to continue for an indefinite period. Where these agreements do not have indefinite terms, the Fund anticipates and has generally experienced routine renewals without substantial cost and material modifications. As the franchise agreements will contribute to cash flows for an indefinite period, the carrying amount of franchise rights is not amortized. The Fund assesses the carrying value of these unlimited life intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recorded when it is determined that the carrying amount is not recoverable and exceeds its fair value.

Finance and Insurance Commission Reserve

As discussed above we may be required to pay back a portion of the commissions earned from the sale of third party finance and insurance products in the event of early contract termination by customers. A reserve for future repayments is established at the time the sale is made. Our process for establishing the reserve carefully considers our historical repayment percentages and the timing of such repayments.

Income Taxes

As an income trust we are currently not subject to income taxes to the extent our taxable income in a year is paid or payable to our unit holders. Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the Unitholders and, accordingly, no provision for income taxes had been made in respect of the income of the Fund. As described in Note 17 of the consolidated financial statements, the Fund has recognized future income taxes in the years ended December 31, 2007 and 2008 as a result of new tax legislation substantively enacted on June 12, 2007. Current income tax will not be recognized until a new tax on the Fund is effective on January 1, 2011.

Enacted tax changes for Canadian income trusts

On June 12, 2007, the Government of Canada enacted legislation to impose additional income taxes on Specified Investment Flow-Through ("SIFT") trusts and SIFT partnerships, including AutoCanada, effective January 1, 2011. Prior to June 2007, we

estimated the future income tax on certain temporary differences between amounts recorded on our balance sheet for book and tax purposes at a nil effective tax rate.

In December 2007, the Government of Canada substantively enacted rate reductions which lowered corporate tax rates for the years 2008 to 2012 and beyond. The federal corporate tax rates were reduced from 19.5 percent in 2008 to 15 percent in 2012 and future years.

On March 4, 2009, the Government of Canada substantively enacted tax legislation that repeals the proposed "Provincial SIFT Tax Factor" of 13% and implements the "Provincial SIFT Tax Rate" which will be equal to the general corporate income tax rate for each province in which the SIFT has a permanent establishment and 10% for SIFT's that do not have a permanent establishment in a province.

The above legislation results in rate reductions to the trust taxation from 31.5% as enacted by the Government of Canada in the second quarter of 2007 for years commencing 2011, to 27.6% in 2011 and 26.13% in 2012 (at current activity levels).

The Fund currently has unused tax deductions of approximately $73 million which can be utilized in the future to reduce the Fund's taxable income. We plan to maximize the amount of the tax pools that can be carried forward to reduce and defer, as much as possible, our income tax exposure beginning in 2011. To achieve this objective, we plan to maximize the taxable component of all distributions declared in 2008 through 2010.

The SIFT rules provide that, while there is no intention to prevent "normal growth" during the transitional period, any "undue expansion" could result in the transition period being "revisited", presumably with the loss of the benefit to the Fund of that transitional period. As a result, the adverse tax consequences result from the SIFT Rules could be realized sooner than January 1, 2011. On December 15, 2006, the Government of Canada issued guidelines with respect to what is meant by "normal growth" in this context. Specifically, the Government of Canada stated that "normal growth" would include equity growth within certain "safe harbour" limits, measure by reference to a SIFT's market capitalization as of the end of trading on October 31, 2006 (which would include only the market value of the SIFT's issued and outstanding publicly-traded units, and not any convertible debt, options, or other interests convertible into or exchangeable for trust units). These guidelines have been incorporated into the SIFT Rules. Those safe harbour limits are the greater of $50 million or 40 percent of the market capitalization benchmark for the period from November 1, 2006 to December 31, 2007, and 20 percent each for calendar 2008, 2009, and 2010. Moreover, these limits are cumulative (other than the $50 million annual limit), so that any unused limit for a period carries over into the subsequent period.

On December 4, 2008 the normal growth guidelines were revised by the Government of Canada. The calculation of the safe harbour amount was not revised; however the guidelines were revised to accelerate the access to the growth amounts. A transitional SIFT can now use the remaining growth room in a single year, rather than staging it (i.e. at 20% per year) over the 2009 and 2010 years.

AutoCanada's market capitalization as of the close of trading on October 31, 2006, having regard only to issued and outstanding publicly-traded units, was approximately $133 million.

AutoCanada's management will continue to review and consider alternatives for the most efficient organizational structure for AutoCanada. The Fund is established in Alberta where a corporation is subject to lower overall tax rates than the rate that will apply to SIFT's in 2011.

On July 14, 2008, the Government of Canada released proposed amendments to the Income Tax Act that are intended to permit the conversion of income trusts into corporations. The Fund is currently evaluating the impact of these proposed amendments. AutoCanada expects to take advantage of the flow-through mechanism of the trust structure until 2011, unless there are more compelling reasons for converting prior to 2011. Management believes that similar to American public companies which own and operate franchised automotive dealerships, AutoCanada continues to be a long-term value investment in the automotive industry in Canada and does not rely on the tax efficiency of a flow-through trust model to sustain our business.

Disclosure Controls & Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to the Fund's management, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2008, the Fund's management, with the participation of the CEO and CFO, evaluated the effectiveness of its

disclosure controls and procedures, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators, and have concluded that the Fund's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

Management of the Fund is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (l) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Fund; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Fund; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Fund's assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Fund's management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management assessed the effectiveness of the Fund’s internal control over financial reporting as of December 31, 2008, based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the company maintained effective internal control over financial reporting as of December 31, 2008.

Changes in Internal Control over Financial Reporting

There have been no changes in the Fund's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting during the year ended December 31, 2008.

Future Accounting Policies - International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in February 2008 that publicly accountable entities will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements on January 1, 2011.

AutoCanada has a multiyear transition plan which includes four phases – diagnostic, project planning, policy design and implementation. In 2008, the Fund completed the diagnostic phase and has identified the relevant differences between GAAP and IFRS. The Fund is in the policy design stage and is also assessing the impact of policy alternatives on its financial statements, systems, processes and controls. As the transition progresses, the Fund will provide increased clarity into the anticipated consequences of accounting policy changes. The Fund is in the process of developing a detailed project plan for 2009 and 2010 which will include staff communications, a training plan and an external stakeholder’s communication plan. Policy design will be completed in 2009 and implementation will begin during 2009 and be completed by the end of 2010.

Changes in accounting policies and processes and collection of additional information for disclosure will require modifications to the Fund’s information technology systems and processes as well as its system of internal controls. The impact on internal controls over financial reporting and disclosure controls and procedures will be determined during the policy design and implementation phases.

Outlook

The outlook regarding vehicle sales in Canada is difficult to predict.

On the positive side, Canadian new vehicle sales remained relatively strong throughout 2008. As evident in the following chart, however, such sales are predicted to decrease by approximately 10.2 percent in 2009.

New Vehicle Sales Outlook by Province*

(thousands of units, annual rates)

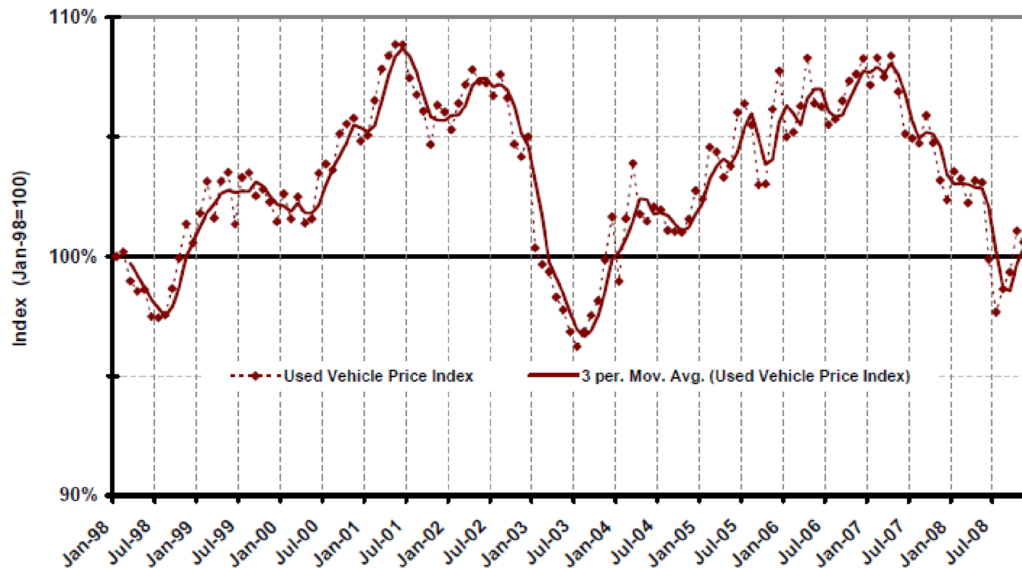
	1994-2005 Average	2006	2007	2008	2009f
Canada	**1,446**	**1,614**	**1,654**	**1,642**	**1,475**
Atlantic	**102**	**110**	**118**	**127**	**116**
Central	**936**	**997**	**1,001**	**1,010**	**881**
Quebec	366	396	408	430	375
Ontario	570	601	593	580	506
West	**408**	**507**	**535**	**505**	**478**
Manitoba	42	44	45	46	42
Saskatchewan	36	38	44	48	47
Alberta	166	236	249	232	220
British Columbia	164	189	197	179	169

* Includes cars and light trucks

Source: Scotia Economics - Global Auto Report, February 26, 2009

Many market fundamentals in 2008 remained generally positive with low unemployment, declining interest rates, increased affordability of new vehicles and a shift in consumer preference to smaller, more fuel efficient vehicles. Further, sales benefited in 2008 by the actions taken by many manufacturers to reduce their prices and/or add additional incentives as a result of the then rapidly appreciating dollar, which prices have declined during this period by approximately 2.6 percent. This trend was additionally assisted by the reduction in GST to 5%, thereby further increasing affordability.

Against this, however, we have witnessed near unprecedented volatility in the capital markets generally, uncertainty as to the future direction of one of our manufacturers, a tightening of the credit markets, a recession in the U.S. and Canadian economies, generally flat to slightly negative performance of the Canadian economy, and decreasing commodity prices, some or all of which could directly or indirectly negatively impact on the sales of new vehicles. Additionally, the recent appreciation of the U.S. dollar relative to the Canadian dollar puts at risk some of the price reductions of new vehicles which were a result of the prior increase in the relative value of the Canadian dollar. Finally, gross margin per new and used vehicle retailed may continue to be negatively impacted as a result of the shift in consumer preferences from trucks and large sport utility vehicles toward more fuel efficient passenger cars and crossover vehicles from which we will earn lower margins, with continued price volatility anticipated, and as evidenced by the chart below.



Source: ADESA Canada

Management believes that as a result of both the number of variables and the volatility of these variables that it is difficult to predict the direction of new and used vehicle sales with any certainty. Management believe that the best approach is to continue its emphasis on existing operations for continued cash flow growth and, in particular, those aspects of its operations which are most impacted by same. In addition, Management is monitoring carefully the credit markets generally and the impact it may have on the affordability of future acquisitions. Management remains opportunistic with respect to future acquisitions; however the timing of such acquisitions is unknown at this time.

Risk Factors

- The failure of Chrysler LLC and/or Chrysler Canada to secure adequate government financing to meet its ongoing obligations presents an additional risk to the Fund. The future viability of the Chrysler, Dodge, and Jeep brands are important factors in the Fund's ability to continue its business operations as we are economically dependent on them. See Note 1 in the consolidated financial statements for further information regarding economic dependence.

- The failure of Chrysler Canada or its financing arm to offer competitive financial incentives in respect to new vehicle sales is an additional risk to the Fund.

- The willingness of lenders, including Chrysler Canada's financing arm, to continue to provide adequate financing to consumers to finance the purchase of vehicles in similar numbers and/or at continued attractive rates is an additional risk to the Fund. Automobile dealers are dependant upon such credit being made available to consumers, and any reduction of same could reduce sales.

- The terms of any new credit facility replacing our current Credit Facility may be less favorable in terms of interest rates, operating covenants and/or ratios and the amount of credit to be made available, thus adversely impacting the Fund's ability to grow its business, is an additional risk to the Fund.

- The Revolving Term Facility available to the Fund from Chrysler Financial Canada is scheduled to mature on May 10, 2010. The balance outstanding on the revolving term facility at December 31, 2008 and March 23, 2009 was $21.6 million. We are presently in discussions with our lender to renegotiate the terms of this facility. See the section, "Description of the AutoCanada Business – Financing – Credit Facilities" of the Annual Information Form for a description of risks associated with our ability to refinance our credit agreements in the future.

- Uncertainty in the capital markets and the Canadian economy generally may result in limited access to capital, as well as potentially higher interest rates are an additional risk in the Fund's activities.

- Additional intangible asset impairment losses could have an adverse impact on our ability to satisfy the financial ratios or other covenants under our credit agreements and could have a material adverse impact on our results of operations and unitholders' equity.

- The relocation of Capital Chrysler in Edmonton in the first quarter of 2009 and the anticipated relocation of Crosstown Chrysler in Edmonton in the second or third quarter of 2009 may result in short term reduced profitability at this location as existing customers are transitioned to the new location and new customers are added.

- The continued volatility of the Canadian dollar relative to the U.S. dollar could result in price increases of vehicles and vehicle parts, which could negatively impact on sales.

- The dates on which holidays fall can reduce or increase the number of selling days available from month to month which can impact the financial results of the Fund from one quarter to another on a year over year basis.

For a discussion of these risks and other risks associated with the Fund Units, see "Risk Factors" detailed in the Fund's Annual Information Form dated March 23, 2009 which is available at www.sedar.com.

Additional information

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com). The Fund's Units trade on the Toronto Stock Exchange under the symbol ACQ.UN.