AUTOCANADA INCOME FUND

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

For the three and nine months ended September 30, 2007

As of November 9, 2007

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

NOVEMBER 9, 2007

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes (the “Interim Financial Statements”) of AutoCanada Income Fund (the “Fund” or “AutoCanada”) for the three and nine months ended September 30, 2007 and the annual consolidated financial statements and accompanying notes of the Fund for the year ended December 31, 2006. 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 Interim 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 and nine-month periods ended September 30, 2007 of the Fund and compares these to the operating results of the Fund for the three-month period ended September 30, 2006 and the combined operating results of the Fund and CAG for similar operating accounts for the nine-month period ended September 30, 2006 (See “Non-GAAP Measures” above) . We have also included in the MD&A certain historical information with respect to CAG 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 part of the Fund subsequent to May 11, 2006.

FORWARD LOOKING STATEMENTS

Certain statements contained on this website include statements which contain words such as “anticipate”, “expect”, “estimate”, “could”, “should”, “expect”, “plan”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions, statements relating to matters that are not historical facts, and such statements of the beliefs, intentions and expectations of AutoCanada about development, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by AutoCanada and derived from experience and perceptions. Forward-looking information on this website includes, but is not limited to: trends and developments in the automotive industry; business strategies and outlooks; expansion and growth of business and operations; and anticipated acquisitions.

All such forward-looking information is based on certain assumptions and analyses made by AutoCanada in light of management’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors AutoCanada believes are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; operating risks; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by AutoCanada; the ability to obtain financing as and when needed; and other factors, many of which are beyond the control of AutoCanada. The foregoing factors are not exhaustive and are further discussed in AutoCanada’s final prospectus dated May 3, 2006 and the Fund’s Annual Information Form dated March 22, 2007 both of which are filed on SEDAR at www.sedar.com.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Except as required by applicable law, AutoCanada disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained on this website are expressly qualified by this cautionary 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 and amortization. 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’ 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 it 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 ratio of gross profits of a franchised automobile dealership from parts, service and collision repair to the fixed operating costs of the dealership. 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 and do not include expenses pertaining to head office. 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 through an indirect acquisition of substantially all of the assets and undertakings of Canada One Auto Group (‘‘CAG’’ or the “Vendors”) and such other investments as the Trustees may determine.

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 is currently set at 31.5% and is anticipated by management to be lower as a result of recently announced planned reductions in the corporate tax rate. 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 and the Fund does not convert into a taxable corporation prior to December 31, 2010.

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 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 $100.475million. 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%.

The Fund has finalized the process of determining the issuance costs and the fair value of the assets acquired and the liabilities assumed as of March 21, 2007. The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

(In thousands of dollars)	**$**
Consideration	
Cash from the Offering	102,095
Issuance of Exchangeable LP Units	100,475
Issuance costs	(8,523)
Total purchase price	194,047

	$
Allocated as follows:	
Net working capital	26,382
Long-term assets	12,906
Long-term liabilities	(142)
Intangible assets	77,800
Goodwill	77,101
	194,047

Additional information concerning the Fund is contained in the final prospectus of the Fund dated May 3, 2006, at SEDAR (www.sedar.com), the Fund's Annual Information Form for the year ended December 31, 2006 and at 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 19 franchised dealerships in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2006, the 16 franchised automobile dealerships then owned by the Fund, sold approximately 19,350 vehicles and processed approximately 215,000 service and collision repair orders in our 245 service bays. We have grown, and intend to continue to grow, our business through the acquisition of profitable 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.

The Fund’s geographical profile is illustrated below by number of dealerships owned and managed and revenues by province for the three-month periods ended September 30, 2007 and September 30, 2006.

	September 30, 2007			**September 30, 2006**		
(In thousands of dollars except % of total and number of dealerships)	**Current Number of Dealerships**	**Revenue September 30, 2007**	**% of Total**	**Number of Dealerships**	**Revenue September 30, 2006**	**% of Total**
British Columbia	6	80,117	35%	4	62,730	33%
Alberta	9	115,768	51 %	6	91,908	48 %
All other	4	33,129	14%	4	35,223	19%
Total	19	229,014	100%	14	189,861	100%

The following table sets forth the dealerships owned or managed as at September 30, 2007 and the date opened or acquired by the Fund or CAG.

Location of Dealerships	**Operating Name**	**Franchise**	**Year Opened or Acquired**
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge	Chrysler	2005
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
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge	Chrysler	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 combined results of the Fund and CAG for 2006 and the 2005, 2004 and 2003 results of CAG.

	New Vehicle Sales				**Used Vehicle Sales**				**Total Vehicles Sold**			
	2003	**2004**	**2005**	**2006**	**2003**	**2004**	**2005**	**2006**	**2003**	**2004**	**2005**	**2006**
First Quarter	21%	20%	19%	20%	24%	25%	23%	24%	23%	23%	22%	22%
Second Quarter	29%	28%	27%	26%	28%	27%	26%	26%	30%	28%	27%	26%
Third Quarter	28%	30%	32%	29%	27%	26%	25%	27%	26%	27%	28%	28%
Fourth Quarter	22%	22%	22%	25%	21%	22%	26%	23%	21%	22%	23%	24%

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 also cause substantial fluctuations in operating results from quarter to quarter.

For the first nine months of 2007, sales of new vehicles in Canada are up 3.9%[1] when compared to the first nine months of 2006. The Fund’s same store sales of new vehicles have increased by 13.8% during the comparable periods.

[1] DesRosiers Automotive Consultants Inc.

Distributions to Unitholders

The Fund's policy is to distribute annually to Unitholders available cash provided by operations after cash required for capital expenditures, working capital reserves, growth capital reserves and other reserves considered advisable by the Trustees of the Fund. The policy allows the Fund to make stable monthly distributions to its Unitholders based on the Fund's estimate of distributable cash for the year. The Fund pays cash distributions on or about the 15th of each month to Unitholders of record on the last business day of the previous month.

The following table summarizes the distributions declared by the Fund for the period from January 1, 2007 to September 30, 2007.

(In thousands of dollars)

		Fund Units		**Exchangeable Units**		**Total**	
Record date	**Payment date**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
		$	**$**	**$**	**$**	**$**	**$**
January 31, 2007	February 15, 2007	912	912	775	775	1,687	1,687
February 28, 2007	March 15, 2007	912	912	775	775	1,687	1,687
March 31, 2007	April 16, 2007	912	912	775	775	1,687	1,687
April 30, 2007	May 15, 2007	912	912	775	775	1,687	1,687
May 31, 2007	June 15, 2007	912	912	775	775	1,687	1,687
June 29, 2007	July 16, 2007	912	912	775	775	1,687	1,687
July 31, 2007	August 15, 2007	912	912	775	775	1,687	1,687
August 31, 2007	September 17, 2007	912	912	775	775	1,687	1,687
September 28, 2007	October 15, 2007 (1)	912	-	775	-	1,687	-
		8,208	7,296	6,975	6,200	15,183	13,496

(1) Distributions payable to all Unitholders in the amount of $1,687 as at September 30, 2007 were paid in October, 2007.

Distributions are paid on Fund Units and Exchangeable Units. As of September 30, 2007 the following numbers of units were outstanding:

Fund Units	10,949,500
Exchangeable Units	9,307,500
	20,257,000

During the three-month and nine-month periods ended September 30, 2007, the Fund declared distributions of $0.250 and $0.750 respectively per Fund Unit and Exchangeable Unit to Unitholders. The distributions in the period ended September 30, 2007 were funded from cash flow generated from operations. The Fund's IPO prospectus contemplated an initial distribution of $0.0564 per unit for the month of May, 2006 and thereafter monthly distributions of $0.0833 per unit or $1 per year in aggregate. The Fund reviews its distribution policy on a periodic basis.

As of September 30, 2007, there are 894,318 options outstanding under the Fund's Incentive Unit Option Plan 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. At September 30, 2007, 1,519,275 units remained reserved for issuance under the option plan.

Standardized Distributable Cash

On July 18, 2007, the Canadian Institute of Chartered Accountants [CICA] released 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 each quarter since the Fund's inception.

(In thousands of dollars except unit and per unit amounts)	**Q2 2006**	**Q3 2006**	**Q4 2006**	**Q1 2007**	**Q2 2007**	**Q3 2007**
Cash provided by operating activities	16,954	4,234	8,125	8,529	2,368	6,486
Less: Amounts related to expansion of sales and service capacity	(26)	(192)	(499)	(596)	(225)	(399)
Less: Purchase of non-growth property and equipment (1)	(97)	(225)	(197)	(521)	(762)	(126)
Standardized distributable cash	16,831	3,817	7,429	7,412	1,381	5,961
Weighted average units outstanding at end of period (2)	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000
Standardized distributable cash per unit	0.831	0.188	0.367	0.366	0.068	0.294
Distributions declared to unitholders	2,830	5,061	5,061	5,061	5,061	5,061
Distributions declared per unit	0.140	0.250	0.250	0.250	0.250	0.250
Standardized distributable cash less distributions declared	14,001	(1,244)	2,368	2,351	(3,680)	900
Standardized distributable cash less distributions declared per unit	0.691	(0.061)	0.117	0.116	(0.182)	0.044
Standardized payout ratio	16.8%	132.6%	68.1%	68.3%	366.5%	84.9%
Basic earnings (loss) per unit	0.179	0.257	0.179	0.221	(0.660)	0.305
Diluted earnings (loss) per unit	0.179	0.257	0.179	0.221	(0.660)	0.303
12 month trailing						
Standardized distributable cash					20,039	22,183
Distributions declared to unitholders					20,244	20,244
Standardized payout ratio					101.0%	91.3%
Year-to-date						
Standardized distributable cash						14,754
Distributions declared to unitholders						15,183
Standardized payout ratio						102.9%
From inception since January 4, 2006 to September 30, 2007 (including operations from May 11, 2006 to September 30, 2007)						
Standardized distributable cash						42,831
Distributions declared to unitholders						28,135
Standardized payout ratio						65.7%

(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" 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.

(2) 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 102.9% at September 30, 2007 is higher than when calculated using the method we have historically used, as described below which results in a year-to-date payout ratio of 83.3%. The main difference between the two methods is the inclusion of the Fund's growth capital expenditures as a reduction in the amount of cash available for distribution in the standardized calculation and adjusting for changes in non-cash working capital as provided in the table below.

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; less purchases of non-growth property and equipment (see "Non-GAAP Measures" above).

(In thousands of dollars except unit and per unit amounts)	**For the three months ended September 30, 2007**	**For the three months ended September 30, 2006**	**For the nine months ended September 30, 2007**	**Period from May 11, 2006 to September 30, 2006**	**12 months trailing September 30, 2007**	**From inception since Jan. 4, 2006 to Sept. 30, 2007 (including operations from May 11, 2006 to Sept. 30, 2007**
Net earnings (loss) for the period	6,168	5,220	(2,711)	8,851	912	9,763
Items not affecting cash:						
Future income taxes	443	-	19,550	-	19,550	19,550
Unit-based compensation	120	188	440	292	603	895
Amortization	794	1,146	2,354	1,764	3,490	5,254
Loss (gain) on disposal of property & equipment	(13)	(29)	(3)	(34)	36	2
Cash provided by operating activities – before changes in non-cash working capital	7,512	6,525	19,630	10,873	24,591	35,464
Less: Purchase of non-growth property and equipment (1)	(126)	(225)	(1,409)	(322)	(1,606)	(1,928)
Adjusted distributable cash	7,386	6,300	18,221	10,551	22,985	33,536
Adjusted distributable cash per unit	0.365	0.311	0.899	0.521	1.135	1.656
Distributions declared to unitholders	5,061	5,061	15,183	7,891	20,244	28,135
Distributions declared per unit	0.250	0.250	0.750	0.390	1.000	1.389
Adjusted distributable cash less distributions declared	2,325	1,239	3,038	2,660	2,741	5,401
Adjusted distributable cash less distributions declared per unit	0.115	0.061	0.150	0.131	0.135	0.267
Adjusted payout ratio	68.5%	80.3%	83.3%	74.8%	88.1%	83.9%

(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. We expect that the historically less profitable first and fourth quarters to be offset by higher earnings in the second and third quarters.

For the third quarter of 2007, the Fund generated adjusted distributable cash of $0.365 per unit and declared distributions of $0.250 per unit, for an adjusted payout ratio of 68.5%.

From the Fund's inception at January 4, 2006 (including operations from May 11, 2006 to September 30, 2007), our adjusted payout ratio is 83.9%.

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

(In thousands of dollars except unit and per unit amounts)	**For the three months ended September 30, 2007**	**For the three months ended September 30, 2006**	**For the nine months ended September 30, 2007**	**Period from May 11, 2006 to September 30, 2006**	**12 months trailing September 30, 2007**	**From inception since Jan. 4, 2006 to Sept. 30, 2007 (including operations from May 11, 2006 to Sept. 30, 2007)**
Standardized distributable cash	5,961	3,817	14,754	20,648	22,183	42,831
Change in non-cash working capital	1,026	2,291	2,247	(10,315)	(917)	(11,232)
Amounts related to expansion of sales and service capacity	399	192	1,220	218	218	1,937
Adjusted distributable cash	7,386	6,300	18,221	10,551	22,985	33,536

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 on page 8:

(In thousands of dollars)	**July 1, 2007 to September 30, 2007** **$**	**January 1, 2007 to September 30, 2007** **$**
Purchase of property and equipment from the Statement of Cash Flows	525	2,629
Less: Amounts related to the expansion of sales and service capacity	(399)	(1,220)
Purchase of non-growth property and equipment	126	1,409

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 distributable cash. Additional details on the components of non-growth property and equipment purchases are as follows:

(In thousands of dollars)	**July 1, 2007 to September 30, 2007** **$**	**January 1, 2007 to September 30, 2007** **$**
Leasehold improvements	10	146
Machinery and equipment	19	254
Furniture and fixtures	36	239
Computer equipment	22	305
Company vehicles	39	465
	126	1,409

During the three-month and nine-month periods ended September 30, 2007 growth capital expenditures of $0.399 million and $1.220 million respectively were incurred. These expenditures related primarily to purchases of equipment for our Sherwood Park Hyundai location which opened in November of 2006, our Northland Hyundai location in Prince George, BC which was relocated in April of 2007 to a new dealership facility with an additional five service bays, our Grande Prairie Mitsubishi location which opened in June 2007, and our Northland Nissan location in Prince George, BC which opened in August of 2007. 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 and nine-month periods ended September 30, 2007, were $0.354 million and $1.188 million respectively.

SELECTED FINANCIAL INFORMATION AND RESULTS FROM OPERATIONS

The following table shows the unaudited results of: Combined results of CAG and the Fund for the three-month period ended June 30, 2006, results of the Fund for the 51-day period ended June 30, 2006, the three-month period ended September 30, 2006, the three-month period ended December 31, 2006, the audited results of the Fund from May 11, 2006 to December 31, 2006, the unaudited results for the three-month period ended March 31, 2007, the three-month period ended June 30, 2007, and the three-month period ended September 30, 2007. 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 & CAG**	**The Fund**	**The Fund**	**The Fund**	**The Fund**	**The Fund**	**The Fund**	**The Fund**
	Q2 2006	**Q2 2006**	**Q3 2006**	**Q4 2006**	**2006**	**Q1 2007**	**Q2 2007**	**Q3 2007**
Income Statement Data								
Revenue	184,680	105,992	189,861	176,079	471,932	194,379	214,711	229,014
New vehicles	102,431	59,044	106,424	98,970	264,438	109,862	117,204	133,853
Used vehicles	53,546	30,487	53,897	46,425	130,809	53,020	62,389	59,114
Parts, service & collision repair	18,738	10,734	19,632	21,410	51,776	21,908	23,228	23,142
Finance, insurance & other	9,965	5,727	9,908	9,274	24,909	9,590	11,890	12,905
Gross profit	29,265	17,775	30,818	28,930	77,523	31,292	36,777	37,301
New vehicles	6,782	4,190	6,792	6,998	17,980	7,000	8,312	9,024
Used vehicles	4,766	3,294	5,563	3,614	12,471	4,914	6,082	4,943
Parts, service & collision repair	8,712	5,014	8,721	9,514	23,249	10,223	11,305	11,267
Finance, insurance & other	9,005	5,277	9,742	8,804	23,823	9,155	11,078	12,067
Gross profit %	15.8%	16.8%	16.2%	16.4%	16.4%	16.1%	17.1%	16.3%
Sales, general & admin expenses	21,469	12,245	22,481	21,682	56,408	23,634	27,522	26,905
Floorplan interest expense	2,153	1,256	1,854	2,085	5,195	2,069	2,414	2,679
Other interest & bank charges	93	24	117	405	546	316	326	312
Future income taxes	-	-	-	-	-	-	19,107	443
Net earnings (1) (5)	4,761	3,631	5,220	3,623	12,474	4,483	(13,362)	6,168
EBITDA (2) (5)	5,547	4,249	6,366	4,906	15,521	5,424	6,743	7,600
Operating Data								
Vehicles (new and used) sold	5,068	3,023	5,369	4,690	13,082	5,440	6,089	6,404
New retail vehicles sold	2,465	1,515	2,741	2,199	6,455	2,295	2,866	3,344
New fleet vehicles sold	372	211	371	525	1,107	886	535	543
Used retail vehicles sold	2,231	1,297	2,257	1,966	5,520	2,259	2,688	2,517
Number of service & collision repair orders completed	57,372	32,565	54,345	55,393	142,303	57,876	58,157	58,138
Absorption rate (3)	95%	n/a	97%	96%	94%	92%	94%	104%
# of dealerships	14	14	14	16	16	17	18	19
# of service bays at period end	223	223	223	245	245	250	256	260
Same store revenue growth(4)	5%	n/a	3.8%	10.4%	n/a	24.1%	6.6%	5.9%
Same store gross profit growth(4)	21%	n/a	12.5%	6.3%	n/a	20.1%	13.4%	4.0%
Balance Sheet Data								
Cash and cash equivalents	20,271	20,271	20,265	20,880	20,880	24,268	21,077	20,179
Accounts receivable	25,875	25,875	30,562	27,742	27,742	31,200	35,980	39,940
Inventories	145,888	145,888	101,252	112,680	112,680	117,034	132,814	147,419
Revolving floorplan facilities	146,283	146,283	103,297	113,357	113,357	118,974	133,731	152,390

(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 also cause substantial fluctuations in operating results from quarter to quarter.

Third Quarter Operating Results

The three-month period ended September 30, 2007 showed an increase over the comparable period in 2006 in terms of earnings and EBITDA. Net earnings increased by 18.2% to $6.168 million, from $5.220 million when compared to the same period in the prior year. The second and third quarters, are historically the industry's strongest in terms of revenues and EBITDA and the results for the third quarter of 2007 follow this pattern. EBITDA for the three-month period ended September 30, 2007 increased by 19.4% to $7.600 million, from $6.366 million when compared to the same period in the prior year. EBITDA for the nine-month period ended September 30, 2007 increased by 23.0% to $19.767 million, from $16.073 million when compared to the same period in the prior year. The increase in EBITDA compares favorably with the prior year, as outlined above, and when compared to the pro forma EBITDA of CAG for the fiscal year ended December 31, 2005 where pro forma EBITDA for the entire year was $20.102 million.

Revenues

Revenues for the three-month and nine-month periods ended September 30, 2007 increased to $229.0 million and $638.1 million, respectively from $189.9 million and $517.6 million when compared to the same periods in the prior year. The 20.6% and 23.3% year-over-year increases in revenue for the periods arose from $7.7 million and $43.2 million increases respectively in same store revenue and $31.4 million and $77.3 million increases respectively in revenue from acquired or opened dealerships. For the three-month and nine-month periods ended September 30, 2007, the four new dealerships that were acquired or opened during 2005, the three dealerships that were opened or acquired in 2006, and the three dealerships that were opened or acquired in 2007 accounted for approximately 80.3% and 64.1% of the increases in revenues when compared to the same periods in the prior year.

The following table summarizes the results for the three-month and nine-month periods ended September 30, 2007 on a same store basis by revenue source for the nine dealerships that were owned and operated for all of 2006 and 2005 and compares these results to the results of these stores for the same period in 2006. An acquired dealership may take as long as two years in order to reach normalized operating results. As a result, in order for an acquired dealership to be included in our same store analysis the dealership must be owned and operated by us for two full years.

Same Store Revenue and Vehicles Sold

	For the Three Months Ended			For the Nine Months Ended		
(In thousands of dollars except % change and vehicle data)	**September 30, 2007**	**September 30, 2006**	**% Change**	**September 30, 2007**	**September 30, 2006**	**% Change**
Revenue Source						
New vehicles	79,734	73,763	8.1%	224,466	194,506	15.4%
Used vehicles	35,134	34,979	0.4%	105,776	99,662	6.1%
Parts, service & collision repair	15,337	14,205	8.0%	45,775	40,733	12.4%
Finance, insurance & other	7,722	7,317	5.5%	21,433	19,356	10.7%
Total	137,927	130,264	5.9%	397,450	354,257	12.2%
New vehicles sold	2,187	2,059	6.2%	6,136	5,394	13.8%
Used vehicles sold	1,470	1,469	0.1%	4,353	4,152	4.8%
Total	3,657	3,528	3.7%	10,489	9,546	9.9%

Same Store Analysis

Same store revenue increased by 5.9% and 12.2% respectively in the three-month and nine-month periods ended September 30, 2007 when compared to the same period in 2006. New vehicle revenues increased by $6.0 million or 8.1% for the three months ended September 30, 2007 over the same period in the prior year due in part to an increase in new vehicle sales of 128 units consisting of an increase of 96 retail units and 32 low margin fleet unit sales. Also contributing to the increase in new vehicle revenues for the three-month period ended September 30, 2007 was an increase in the average selling price per new vehicle retailed ("PNVR") of $633 over the same period in 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 new vehicle prices. New vehicle revenues increased by $30.0 million or 15.4% for the nine months ended September 30, 2007 over the same period in the prior year due to an increase in new vehicle sales of 742 units consisting of an increase of 413 retail units and 329 low margin fleet unit sales. Also contributing to the increase in new vehicle revenues for the nine-month period ended September 30, 2007 was an increase in the average selling price PNVR of $522 over the same period in the prior year largely as a result of both a change in vehicle sales mix between vehicle types in both retail and fleet sales and manufacturer pricing. As a result of recently announced manufacturer incentives the Fund anticipates that the average selling price PNVR will decrease in the fourth quarter of 2007, but that gross margin per new vehicle sold will remain relatively unchanged.

Used vehicle revenues increased by $0.1 million or 0.4% and $6.1 million or 6.1% respectively in the three-month and nine-month periods ended September 30, 2007 over the comparable periods in the prior year. For the three-month period ended September 30, 2007, the increase was due to an increase in the average selling price per used vehicle retailed of $89. For the nine-month period ended September 30, 2007, the increase was due to both an increase in the number of vehicles sold of 201 and an increase in the average selling price per used vehicle of $296.

The increase in parts, service and collision repair revenue of $1.1 million or 8.0% in the three-month period ended September 30, 2007 compared to the same period in the prior year was primarily a result of a combination of a 12.7% increase in the average revenue per service and collision repair order completed and a decrease of 4.2% in the number of service and collision repair orders completed for the three-month period ended September 30, 2007. The increase in parts, service and collision repair revenue of $5.0 million or 12.4% in the nine-month period ended September 30, 2007 compared to the same period in the prior year was primarily a result of a combination of a 17.0% increase in the average revenue per service and collision repair order completed and a decrease of 3.9% in the number of service and collision repair orders completed for the nine-month period ended September 30, 2007.

Finance, insurance and other revenue increased by 5.5% and 10.7% respectively in the three-month and nine-month periods ended September 30, 2007 over the same period in the prior year. For the three-month period ended September 30, 2007, the increase was due to both an increase in the number of units sold of 97 and an increase in the average revenue per unit retailed of $56. For the nine-month period ended September 30, 2007, the increase was due to both an increase in the number of units sold of 614 and an increase in the average revenue per unit retailed of $77.

Gross profit

During the three-month and nine-month periods ended September 30, 2007 gross profit increased by 21.0% to $37.3 million and 25.2% to $105.4 million respectively when compared to the same periods in 2006. Approximately 87% and 65% of these increases in the three-month and nine-month periods ended September 30, 2007 respectively were the result of the four new dealerships that were opened or acquired during 2005, the three dealerships that were acquired in 2006, and three dealerships that were opened or acquired in 2007.

The following table summarizes the results for the three-month and nine-month periods ended September 30, 2007 on a same store basis by revenue source for the nine dealerships that were owned and operated for all of 2006 and 2005 and compares these results to the results of these stores for the same period in 2006.

Same Store Gross Profit and Gross Profit Percentage

	For the Three Months Ended						For the Nine Months Ended					
	Gross Profit			Gross Profit %			Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %)	**Sept. 30, 2007**	**Sept. 30, 2006**	**% Change**	**Sept. 30, 2007**	**Sept. 30, 2006**	**% Change**	**Sept. 30, 2007**	**Sept. 30, 2006**	**% Change**	**Sept. 30, 2007**	**Sept. 30, 2006**	**% Change**
Revenue Source												
New vehicles	5,450	4,896	11.3%	6.8%	6.6%	0.2%	15,333	12,889	19.0%	6.8%	6.6%	0.2%
Used vehicles	2,615	3,458	(24.4)%	7.4%	9.9%	(2.5)%	8,645	8,673	(0.3)%	8.2%	8.7%	(0.5)%
Parts, service & collision repair	7,104	6,186	14.8%	46.3%	43.5%	2.8%	21,578	18,335	17.7%	47.1%	45.0%	2.1%
Finance, insurance & other	7,274	7,045	3.2%	94.2%	96.3%	(2.1)%	20,388	18,561	9.8%	95.1%	95.9%	(0.8)%
Total	22,443	21,585	4.0%	16.3%	16.6%	(0.3)%	65,944	58,458	12.8%	16.6%	16.5%	0.1%

Same Store Analysis

Same store gross profit increased by 4.0% and 12.8% in the three-month and nine-month periods ended September 30, 2007 when compared to the same period in the prior year. New vehicle gross profit increased by $0.6 million or 11.3% in the three-month period ended September 30, 2007 when compared to the same period in the prior year as a result of the previously discussed increase in new vehicle sales of 128 units largely as a result of robust operating performance in a continuing strong Canadian new vehicle retail market. New vehicle gross profit increased by $2.4 million or 19.0% in the nine-month period ended September 30, 2007 when compared to the same period in the prior year as a result of the previously discussed increase in new vehicle sales of 742 units.

Used vehicle gross profit decreased by $0.8 million or 24.4% in the three-month period ended September 30, 2007 over the same period in the prior year. The decrease was primarily due to a decrease in the average gross per used vehicle retailed of $575. The majority of this decrease was attributable to a decrease in gross margin at one dealership in respect to which management is implementing corrective measures. Used vehicle gross profit decreased by $0.03 million or 0.3% in the nine-month period ended September 30, 2007 over the same period in the prior year. The decrease was due to a decrease in the average gross per used vehicle retailed of $103 and partially offset by an increase in the number of units sold of 201.

The increase in parts, service and collision repair gross profit of $0.9 million or 14.8% in the three-month period ended September 30, 2007 was the result of a combination of an increase in the average gross profit earned per service and collision repair order completed as a result of the previously discussed 12.7% increase in average revenue earned per service and repair order completed offset by a decrease in the number of service and collision repair orders completed for the three-month period ended September 30, 2007. The increase in parts, service and collision repair gross profit of $3.2 million or 17.7% in the nine-month period ended September 30, 2007 was the result of a combination of an increase in the average gross profit earned per service and collision repair order as a result of the previously discussed 17.0% increase in average revenue earned per service and repair order completed offset by a decrease in the number of service and collision repair orders completed for the nine-month period ended September 30, 2007.

Finance, insurance & other gross profit increased by 3.2% and 9.8% in three-month and nine-month periods ended September 30, 2007 primarily as a result of increases in units sold of 2.9% and 6.9% respectively.

Selling, general and administrative expenses

During the three-month and nine-month periods ended September 30, 2007, SG&A expenses increased by 19.7% to $26.9 million and 25.0% to $78.1 million respectively over the same periods in the prior year primarily as a result of the two dealerships that were opened or acquired in the 4th quarter of 2006 and three dealerships opened or acquired in 2007. During the three-month and nine-month periods ended September 30, 2007, SG&A as a percentage of gross profit decreased from 72.9% to 72.1% and from 74.2% to 74.1% respectively.

Amortization expense

During the three-month period ended September 30, 2007, amortization was $794 while it was $1,146 for the prior period in 2006. The decrease is due primarily to the decrease in the amortization of leasehold improvements, which are amortized over the remaining lease term that in some cases was less than two years from May 11, 2006.

Floorplan interest expense

During the three-month and nine-month periods ended September 30, 2007, floorplan interest expense increased by 44.5% to $2,679 and 25.0% to $7,162 over the same periods in 2006. The increase in interest expense was caused by an increase in the overall number of dealerships over the periods, an increase in average prime lending rate interest rates for the three-month and nine-month periods ended September 30, 2007 when compared to the same periods in 2006, and a general inventory increase of approximately $46.2 million related to higher inventory levels and the addition of new dealerships.

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 September 30, 2007, the net floorplan credits were $1,282. 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 2007.

(In thousands of dollars)	**Q1 2007**	**Q2 2007**	**Q3 2007**	**For the nine months ended September 30, 2007**
Net Floorplan Credits	1,117	1,343	1,282	3,742

Sensitivity

Our financial performance is dependent in part upon new vehicle sales. 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 result in a corresponding increase or decrease in our estimated cash available for distribution of approximately $1,500 per vehicle. This analysis does not take into account any operating strategies which we may employ in response to changing trends in vehicle sales.

New Dealerships

The Fund currently owns or manages 19 franchised automotive dealerships. At the time of the Fund's IPO in May of 2006 the Fund owned 14 franchised automotive dealerships. Since this time the Fund has acquired or opened three 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 46% of the Fund on a fully diluted basis.

The Fund is continuing to pursue opportunities to acquire additional franchised automotive dealerships and to be awarded additional open points. We are in active discussions with several potential vendors as well as new OEMs that the Fund currently does not have relationships with.

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. The Fund is regularly in discussions with OEMs with whom it hopes to partner with the intention of best ensuring a favorable approval process, prior to the Fund entering into a specific agreement of purchase and sale. Although the Fund believes that it has established itself as an acceptable purchaser generally with the majority of OEMs with whom it intends to partner, and, further, that the Fund's dealership performance provides justification for the Fund's belief that it is, in respect to any particular proposed acquisition, a party whom it would be difficult to refuse on reasonable grounds, the Fund has no assurance that all OEMs will approve each, or indeed, any, specific dealership purchase proposal.

As of November 2006, there were 3,476 franchised automotive dealers in Canada representing 24 different brands of vehicles. The Fund estimates that the average age of the dealer ownership body is approximately 58 years old and as a result there are significant opportunities to acquire dealerships in Canada from vendors who prefer cash transactions on the sale of their dealerships. The capital investment required to operate a dealership and upgrade dealership facilities has increased significantly over the last several years and there are a limited number of potential buyers that have the necessary retail automotive experience and required capital to acquire franchised dealerships and the related dealership facility. As a result we believe the Fund is well positioned to be the exit strategy of choice for both vendors and OEMs which value professional management, market share and upgraded dealership facilities.

Acquisitions and Open Points

- On October 31, 2006, the Fund acquired the net operating assets of Victoria Hyundai located in Victoria, British Columbia. On April 27, 2007, we announced that the renovation of this dealership was substantially completed. The new renovated dealership facilities expand the dealership from approximately 6,000 sq. ft. to 18,296 sq. ft., and offers an incremental six service bays, and a larger new car show room amongst other enhancements.

- On July 13, 2007, the Fund announced that it had entered into credit and management agreements with CAG to finance the opening of a Nissan Dealership Open Point in Prince George, British Columbia called "Northland Nissan". The Northland Nissan Dealership commenced operations on August 31, 2007 in a temporary facility with a two vehicle showroom and four service bays. The dealership is anticipated to be relocated to a new facility in the 4th quarter of 2008 which shall be designed to Nissan Canada Inc. image standards and shall provide for an eight vehicle showroom and ten service bays.

- On May 3, 2007, the Fund announced that it entered into a Letter of Intent with Mitsubishi Motor Sales of Canada Inc. which awarded to the Fund a Mitsubishi Open Point dealership in Grande Prairie, Alberta called "Grande Prairie Mitsubishi". The dealership, owned by the Fund, operates out of temporary premises pending completion of a new facility anticipated in the second quarter of 2008, and which shall be designed to Mitsubishi Motor Sales of Canada Inc. image design standards and shall provide for a 4 car showroom, and 5 service bays. The temporary facility has one service bay.

- On November 5, 2007, the Fund announced that it entered into a Letter of Understanding with Mitsubishi Motor Sales of Canada Inc. regarding the granting to the Fund of a Mitsubishi Open Point in Prince George, British Columbia to be called Northland Mitsubishi. The new dealership shall operate out of an approximately 7,000 sq. ft. new facility designed to Mitsubishi Motor Sales of Canada Inc. image design standards, and shall provide for a three car showroom and five service bays. The new facility is anticipated to be open in the 4th quarter of 2008.

- The Fund has entered into a letter of intent to open a new franchised automobile dealership with Chrysler Canada Inc. ("Chrysler Canada") to be located in Calgary, Alberta. A letter of intent has been signed in respect to land that Fund believes will be acceptable to Chrysler Canada, the terms of which remain subject to completion of the final purchase and sale agreement. The Fund is working with Chrysler Canada and anticipates opening this dealership within twelve months of finalizing all agreements which, in our best estimate, will be 2010.

- The Fund has entered into a letter of intent to open a new franchised automobile dealership with Hyundai Auto Canada Corp. ("Hyundai") to be located in Burnaby, British Columbia. The closing of the land purchase and sale agreement has been delayed pending vendor's site preparation and clean up, the completion of which is a condition to close. The Fund is working with Hyundai and anticipates opening, in our best estimate, the 1st quarter of 2009.

Dealerships Managed by the Fund

- On February 7, 2007, the Fund entered into credit and management agreements with CAG to finance the acquisition of a Grande Prairie Nissan dealership called Grande Prairie Nissan. The dealership will be relocating in August 2008 to an approximately 24,000 sq. ft. new dealership facility in Grande Prairie that has been approved by Nissan Canada Inc. and is anticipated to have an 8 vehicle new car show room and 16 service bays.

- As discussed above under Acquisition and Open Points, on July 13, 2007 the Fund entered into credit and management agreements with CAG regarding the awarding to CAG of an open point in Prince George, British Columbia.

Other

On February 7, 2007 the Fund granted consents to permit Patrick Priestner to open a new Toyota automobile dealership in exchange for an annual fee. Mr. Priestner is the majority shareholder of CAG and is the Chief Executive Officer of the Fund. The Fund's action follows its previously announced strategic intent to enhance its relationships with a wider range of manufacturers in order to develop its long-term growth prospects. The new dealership, "Sherwood Park Toyota", consists of a 55,000-square foot showroom, sales and repair facility building containing 22 service bays located on six acres of land in a suburb of Edmonton. Although discussions between Toyota Canada and Mr. Priestner began prior to the Fund's IPO in May 2006, consents are required under the terms of the non-competition agreements entered into between the Fund and CAG and its shareholders at the time of the Fund's IPO. The Fund intends to work towards obtaining the approval of Toyota Canada Inc. to permit Sherwood Park Toyota to be owned by the Fund under arrangements approved by the automobile manufacturer. There can be no assurance that the Fund will be granted such permission.

On November 12, 2006, Chrysler Canada Inc. amended their Multi Dealer Group policy specific to the Fund allowing the Fund to acquire additional DCCI dealerships to a maximum 8% (previously 5%) of Chrysler Canadian annual sales. This gives the Fund the potential to acquire an estimated seven additional dealerships that could sell an additional 6,000 new vehicles per year at an average of approximately 800 new vehicles per dealership.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operating Activities

Cash flow from operating activities of the Fund for the period from July 1, 2007 to September 30, 2007 was $7.512 million. The Fund generates sufficient cash flow from operations to fund capital expenditures, distributions, working capital requirements and to service its debt obligations.

Credit Facilities

Our Credit Facilities with Chrysler Financial Corporation ("CFC") provide for a Revolving Floorplan Facility of up to $183.1 million to finance our inventories and a Revolving Term Facility of up to $50 million to assist in the financing of our working capital and the acquisition of franchised automobile dealerships.

Amounts drawn on the Revolving Term Facility to assist in the financing of our working capital will be primarily for used vehicles, parts inventory and general corporate purposes, including financing the costs incurred in equipping our Open Points, or in purchasing new equipment for our existing dealerships. Amounts drawn on the Revolving Term Facility to assist in acquisitions will be available to finance acquisitions of franchised automobile dealerships. We expect to repay the amounts drawn on the

Revolving Term Facility to finance acquisitions through the issuance of Units, subject to market conditions. These facilities are available on a revolving basis. $10 million of the $50 million Revolving Term Facility has been drawn on as at September 30, 2007 in connection with the acquisition of Victoria Hyundai, financing the acquisition of Grande Prairie Nissan and to meet working capital requirements. The Fund has not drawn on the Revolving Term Facility to finance the start-up costs associated with Grande Prairie Mitsubishi or Northland Nissan which have instead been financed with cash from operations.

The Revolving Term Facility has a term of three years from May 11, 2006 with annual one year extensions at the discretion of CFC. Advances under this portion of the Credit Facilities are repayable without any pre-payment penalties or bonus (subject to normal breakage costs) and will bear interest at a floating rate plus an applicable spread.

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 Facilities may in certain circumstances restrict the ability of the Fund to pay distributions if the payment would result in a default under the Credit Facilities. At September 30, 2007, the Fund was in compliance with these covenants.

Interest Rate Sensitivity

The Fund’s Revolving Floorplan Facilities and Revolving Term Facility bear interest at floating rates, thus exposing the Fund to interest rate fluctuations. At September 30, 2007, the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt amounted to approximately $1,630.

Credit Risk

Concentration of cash and cash equivalents exists due to the significant amount of cash held with CFC. Concentration of credit risk with respect to contracts-in-transit and accounts receivable is limited primarily to automobile manufacturers and financial institutions. Credit risk arising from receivables from commercial customers is not significant due to the large number of customers comprising our customer base.

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.

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 the third quarter of 2007 we completed the conversion of the 12 original ADP stores and as well as recent acquisitions and open points. During the first quarter of 2008, the Fund will continue its upgrade of existing dealership management software supplied by ADP by converting two remaining locations that are currently supplied by Reynolds and Reynolds to ADP. This will be another key enabler in supporting efforts to standardize processes and share best practices across all dealerships.

Costs related to the Open Points will be treated as growth capital when incurred (see Open Points above).

The Fund has planned to relocate the following eight dealerships over the next eighteen months that will result in additional capital expenditures for leasehold improvements, furniture and fixtures, service vehicles, computer hardware, and computer software.

Dealership	Estimated Relocation Date
Capital Chrysler Jeep Dodge (Edmonton, Alberta)	Q3 2008
Crosstown Chrysler Jeep Dodge (Edmonton, Alberta)	Q4 2008
Grande Prairie Subaru (Grande Prairie, Alberta)	Q2 2008
Grande Prairie Nissan (Grande Prairie, Alberta)	Q3 2008
Grande Prairie Mitsubishi (Grande Prairie, Alberta)	Q2 2008
Northland Mitsubishi (Prince George, British Columbia) (1)	Q4 2008
Northland Dodge (Prince George, British Columbia)	Q4 2008
Northland Nissan (Prince George, British Columbia)	Q4 2008

(1) New open point dealership to be opened

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.

Upon completion of the above relocations, the Fund's dealerships will operate approximately 35 additional service bays. The relocated dealerships will operate from state of the art facilities, thereby increasing efficiencies and offering an enhanced customer sales and service experience. Although the Mitsubishi dealership facilities are significantly smaller than our group average, management considers its Mitsubishi dealerships to be attractive value added opportunities within the Fund's multi-dealer platform operating philosophy where the operating performance of such dealerships can be further enhanced through operating efficiencies. Currently the Fund rents its dealership facilities from third parties which in some cases include CAG. Consideration is being given by the Fund to own some dealership facilities as deemed appropriate. The acquisition of these facilities would be financed with cash flow generated from operations, third party mortgages, and existing credit facilities

Contractual Obligations

The table below sets forth, as at September 30, 2007, 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	5,334	214	5,548
One to three years	10,918	10,443	21,361
Four to five years	8,796	-	8,796
Thereafter	2,776	-	2,776
	27,824	10,657	38,481

Financial Position

The following table shows selected unaudited balances of the Fund at September 30, 2007, June 30, 2007 and March 31, 2007, unaudited balances of the Fund at September 30, 2006 and June 30, 2006, and the audited balances of the Fund for December 31, 2006.

	The Fund					
	September 30, 2007	**June 30, 2007**	**March 31, 2007**	**December 31, 2006**	**September 30, 2006**	**June 30, 2006**
Balance Sheet Data						
Cash and cash equivalents	20,179	21,077	24,268	20,880	20,265	20,271
Accounts receivable	39,940	35,980	31,200	27,742	30,562	25,875
Inventories	147,419	132,814	117,034	112,680	101,252	145,888
Total assets	387,263	369,678	351,732	338,532	325,017	364,939
Revolving floorplan facilities	152,390	133,731	118,974	113,357	103,297	146,283
Total long term liabilities	30,228	30,795	11,674	5,775	294	105

Net Working Capital

The automobile manufacturers represented by the Fund require the Fund to maintain an aggregate minimum net working capital of approximately $28.4 million. At September 30, 2007, net working capital was approximately $32.6 million.

Off Balance Sheet Arrangements

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

Related Party Transactions

Note 11 to the unaudited Interim Financial Statements of the Fund summarizes 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 CAG for the period from July 1, 2007 to September 30, 2007 was $90. We lease twelve of our existing nineteen locations from related parties to the Fund. The total rent paid by us to the related parties for the period from July 1, 2007 to September 30, 2007 was $982. 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 are at fair market value rates when the leases were entered into.

Changes in Accounting Policies and Initial Adoption

Effective January 1, 2007, the Fund adopted four new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

a) Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855) and Disclosure and Presentation (CICA Handbook Section 3861)

   In accordance with these new standards, the Fund now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the Interim Consolidated Statement of Operations, Comprehensive Income and Earnings (Deficit).

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 periodical revaluation are recorded in net earnings;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent period revaluations are recorded at amortized cost; and,
- Accounts payable and accrued liabilities, revolving floorplan facilities distributions payable, long-term debt, and obligation under capital lease are classified as other liabilities and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost.

The estimated fair value of accounts receivable, accounts payable and revolving floorplan facilities approximate carrying value due to the relatively short-term nature of the instruments and/or floating interest rates on the instruments. The estimated fair value of the long-term debt approximates the carrying value because interest rates are floating.

Consequently, as at January 1, 2007 and September 30, 2007, the impact on the consolidated balance sheet of measuring the financial assets and liabilities was $nil.

The Fund selected January 1, 2003 as its transition date for embedded derivatives. An embedded derivative is a component of a financial instrument or other contract of which the characteristics are similar to a derivative. This had no impact on the consolidated financial statements.

b) Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in unitholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Fund now reports a consolidated statement of comprehensive income and a new category, accumulated other comprehensive income, and has been added to the unitholders' equity section of the consolidated balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the three-month period ended September 30, 2007. As the Fund has no items of other comprehensive income, net earnings for the period is equivalent to comprehensive income.

c) Hedges (CICA Handbook Section 3865)

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Fund does not have any hedging items.

d) Accounting changes (CICA Handbook Section 1506)

The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Fund's results of operations and financial condition will depend on the nature of future accounting changes. The adoption of Section 1506 effective January 1, 2007 had no impact on these unaudited interim consolidated financial statements.

Financial Instruments

The Fund's financial instruments include cash and cash equivalents, accounts receivable, due from vendors, accounts payable and accrued liabilities, revolving floorplan facilities, distributions payable, due to related parties, long-term debt and obligation under capital lease. The fair value of these instruments are considered to approximate their carrying value due to their short-term maturities, variable rates of interest or ability of prompt liquidation, as noted in the Changes in Accounting Policy and Initial Adoption above. These financial instruments are subject to credit risk and interest rate risk, as described in those audited consolidated financial statements.

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.

Our significant accounting policies are described in Note 2 ("Significant Accounting Policies") of the December 31, 2006 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.

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

In accordance with CICA Emerging Issues Committee bulletin EIC-111 (Determination of Substantively Enacted Tax Rates under CICA Handbook Section 3465) and the guidance in EIC-167 (Future Income Tax Liabilities and Income Trusts and other Specified Investment Flow-Throughs), during the second quarter of 2007 the Fund was required to recognize future income tax assets or liabilities. The corresponding change to the future income tax expense is based on the temporary timing differences between the book and tax basis of assets and liabilities expected to reverse after the tax is imposed. The adoption of these new standards resulted in a future income tax liability of $19.1 million in the second quarter of 2007 and a corresponding future income tax expense of the same amount in the statement of operations. During the third quarter of 2007, a $0.4 million increase in future income tax liability and a corresponding future income tax expense resulting from a change in temporary differences during the period was recognized in the statement of operations.

The Fund currently has unused tax shield of approximately $66 million which can be utilized in the future to reduce the Fund's taxable income. This tax shield arises as a result of deferred financing costs related to the IPO and differences in the accounting and tax values of property and equipment, goodwill and intangible assets. The Fund incurred approximately $8.6 million of deferred financing charges related to the IPO which are deductible for Canadian income tax purposes at a rate of $1.7 million per year over a five year period commencing in 2006. As of September 30, 2007, the Fund had tax pools of approximately $22.6 million relating to intangibles and $27.4 million relating to goodwill which are both deductible for Canadian income tax purposes at a rate of 7% per year on a declining balance basis.

AutoCanada is evaluating its alternatives as to the best structure for its unitholders including consideration of a corporate structure. In Alberta where the Fund is established, a corporation is subject to a lower overall tax rate than the 31.5% tax that will apply to income trusts after 2010. We will consider other options that may emerge based on further information from the federal government with respect to the legislation and the related transitional rules when this information becomes available. 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. Our business model and growth prospects provide a solid foundation for future distributions and our ability to generate value for our unitholders.

Disclosure Controls & Procedures

In fiscal 2006, an evaluation was carried out for the effectiveness of our disclosure controls and procedures as defined in Multilateral Instrument 52-109. Based on that evaluation, we concluded that the design and operation of these disclosure controls and procedures are effective.

Internal Controls Over Financial Reporting

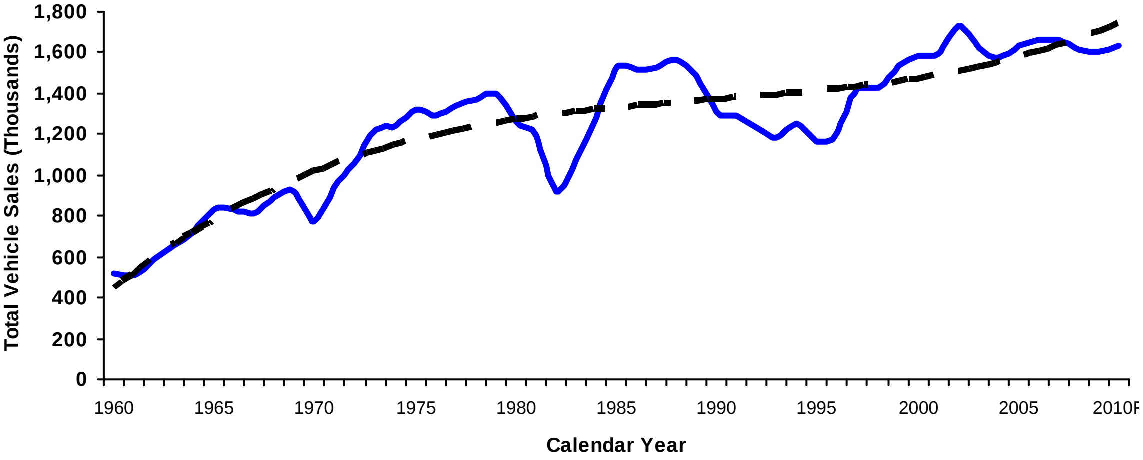
Management is responsible for designing such internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. No changes were made in the Fund's internal control over financial reporting during the period ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting. The Fund's financial reporting procedures and practices have enabled the certification of the Fund's interim filings in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual and interim filings in accordance with Canadian Generally Accepted Accounting Principles.

CEO and CFO Certifications

The Fund files certifications, signed by the CEO and CFO, with the Canadian Securities Regulatory Authorities upon filing of the Fund's annual financial statements and MD&A. In those filings, the CEO and CFO certify, as required by Multilateral Instrument 52-109, the appropriateness of the financial disclosures, the design and evaluation of the Fund's disclosure controls and procedures, and the design of internal controls over financial reporting. The Fund's CEO and CFO also certify the appropriateness of the financial disclosures in its interim filings with Canadian Securities Regulatory Authorities, and that they have designed disclosure controls and procedures, and internal controls over financial reporting. The Audit Committee reviewed this MD&A, and the interim consolidated financial statements, and the Board of Directors and Trustees approved these documents prior to their release.

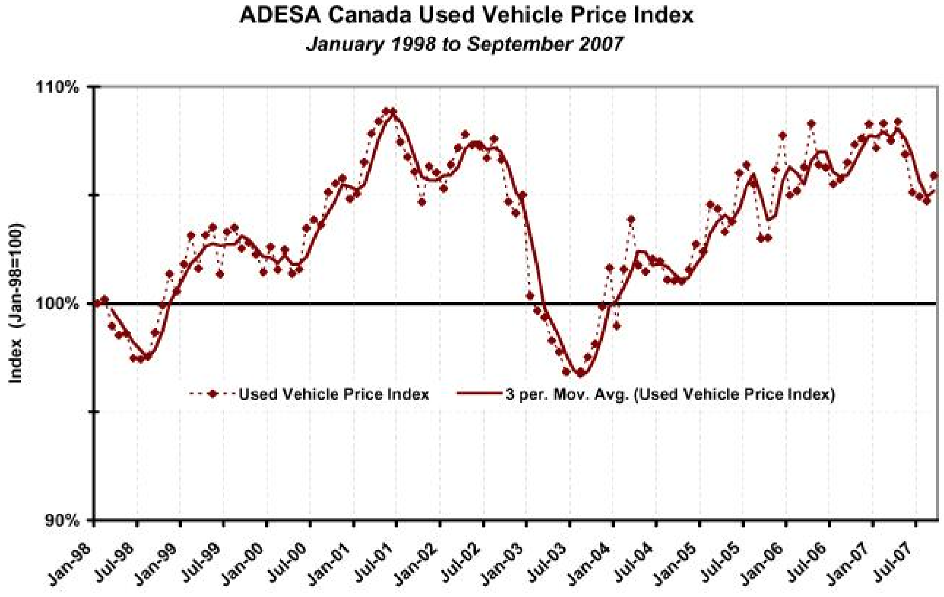
Outlook

Canadian vehicle sales have been strong thus far in 2007 and are predicted to continue robust growth as illustrated in the following chart illustrating actual total Canadian vehicle sales (solid line) and the predicted trend line for the same period (dashed line):



Source: DesRosiers Automotive Consultants Inc.

However, we are seeing a period of increased used vehicle price volatility as evidenced by the chart below:



Source: ADESA Canada

The volatility in used car pricing is being driven largely by two factors:

- The recent strength of the Canadian dollar relative to the US dollar resulting in an increase in the number of vehicles entering Canada from the United States. There are barriers to entry with respect to importing some of these vehicles for resale into Canada which may include the transferability of new vehicle warranties, inadmissibility for import due to failure to meet Canadian safety standards, modifications required to meet Canadian safety standards, and transportation costs. To date, most of these vehicles have been limited to high value luxury vehicles, however recent trends include an increase in non-luxury vehicles. Management has also observed that some manufacturers have implemented significant price reductions which may or may not be matched by the rest of the industry that management believes should stimulate demand and lessen the risk from imported vehicles from the United States.

- Significant lease returns to manufacturers resulting in an increased supply of used vehicles and future downward pricing pressure.

This has several implications for the Fund including:

- Increased emphasis on maintaining used vehicle inventory levels within corporate guidelines.

- The need to quickly make any used vehicles received on trade either available for resale or wholesale.

Management is addressing these changing market conditions as follows:

- Adding head office staff to take advantage of buying opportunities in the used vehicle market. As per the terms of Fund's dealership franchise agreements, the Fund is restricted to purchasing only those vehicles that meet the definition of being considered "used" vehicles.

- Increase contact and monitoring of used vehicle inventory at the dealership level.

- Continuing with the Fund's practice to not participate in in-house lease programs thereby eliminating its exposure to residual value risk of returned lease vehicles.

- Continuing with the Fund's policy of writing down used vehicle inventory values based on aging. Management has reviewed the policy and has determined that current amounts reserved are adequate. During the period from September 30, 2006 to September 30, 2007, the amount reserved has increased by $352 to $1,004. Any increases in the reserve reduce income in the period which the reserve is increased.

In 2006, the new vehicle sales market in Canada was 1.615 million units and the used vehicle sales market was 2.325 million units for a total market of approximately 3.94 million units. 112,826 (2.86%) of these units were imported from the United States. Management estimates that for 2007 approximately 164,000 units or 4% of the new and used vehicle market will consist of vehicles that originated from the United States[2]. Although this represents a small fraction of the total market, these imported vehicles can have a significant impact on Canadian used vehicle residual values.

On October 30, 2007, the Minister of Finance delivered the Federal Government's 2007 Economic Statement which included a proposal to reduce the Goods and Service Tax (GST) from 6% to 5% effective January 1, 2008. Management believes that any impact from consumer behavior to delay the significant purchases such as automobiles until the GST reduction is implemented will likely be mitigated by manufacturer year-end sales and incentive programs.

We intend to continue to grow our cash flow through continued growth in same store gross profit and operating results, acquisitions, the planned opening of Open Points and the addition of franchised automobile dealerships managed by the Fund. Management intends to increase same store sales growth and realize further operating efficiencies and synergies by continuing to implement standardized operating policies. We have identified potential acquisitions that would be accretive to our existing operations and complement our growth model and strategies. We will also continue to seek opportunities to add additional franchised automobile dealerships under management similar to Grande Prairie Nissan in order to grow the Fund's cash flow and

[2] Based on information supplied by DesRosiers Automotive Consultants Inc.

follow its previously announced strategic intent to develop relationships with a wider range of manufacturers in order to enhance its long-term growth prospects. We plan to take advantage of Open Points if and when they are offered by manufacturers and when suitable land can be acquired. The achievement of this outlook is subject to various risks as described in the "Risk Factors" below. Some of these risks are beyond management's control.

On October 31, 2006, the Department of Finance Canada announced proposed legislation in connection with the taxation of income trusts and other flow-through entities (the "Plan"). Included in the Plan are proposed changes to the taxation of income trusts. Specifically, certain distributions of an income trust's income will be subject to tax at corporate income tax rates. Those distributions will, like the dividends that corporations pay, not be deductible by an income trust. The unitholders in an income trust will be taxed as though the distributions were dividends and taxable unitholders will be eligible for the dividend tax credit. Unitholders that hold their units in tax deferred accounts such as pension plans or registered pension plans or non-residents unitholders will not be eligible for the dividend tax credit. The entities that will be subject to these proposed new rules will be fully defined in the legislation to implement these measures. As a practical matter however, it can be assumed that the rules will apply to any publicly-traded "income trust" (or publicly-traded partnership), other than one that only holds passive real estate investments. These changes will generally take effect beginning with the 2007 taxation year for income trusts that begin to be publicly-traded after October 2006, but will only apply beginning with the taxation year ended December 31, 2011 for those income trusts that are already publicly-traded.

On December 15, 2006, the Department of Finance Canada released guidance for income trusts and other flow-through entities that qualify for the four-year transitional relief. The guidance establishes objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. In general, the Fund will be permitted to issue new equity over the next four years equal to its market capitalization as of the end of trading on October 31, 2006 (subject to certain annual limits). Market capitalization, for these purposes, is to be measured in terms of the value of the Fund's issued and outstanding publicly traded units. Those safe harbour limits are 40% for the period from November 1, 2006 to December 31, 2007, and 20% each for calendar 2008, 2009 and 2010. Moreover, these limits are cumulative, so that any unused limit for a period carries over into the subsequent period. If required to fund its growth strategy the Fund could issue new Units for proceeds of approximately $50 million in 2007 and approximately $123 million for the period 2007 to 2010 and remain within the safe harbour guidelines. If these limits are exceeded, the Fund may lose its transitional relief and thereby become immediately subject to the proposed rules. Management currently believes that the provisions of the Plan are not a material constraint on the Fund's growth prospects.

As a result of new tax legislation, substantively enacted on June 12, 2007, the Fund recognized a non-cash future income tax expense commencing in the quarter ended June 30, 2007 with additional future income tax expenses being recognized in the quarter ended September 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 is currently set at 31.5% and is anticipated by Management to be lower as a result of recently announced planned reductions in the corporate tax rate. The new tax rate will apply to the taxable income of the Fund which allows the Fund to 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 continue to exceed the taxable income of the Fund and the Fund does not convert into a taxable corporation prior to December 31, 2010.

Risk Factors

- Uncertainty in the capital markets caused by the U.S. sub prime markets volatility risks greater difficulty to access capital, as well as possible higher interest rates is an additional risk in the Fund's activities. Notwithstanding same, the Fund believes that its strong balance sheet provides a strategic advantage by allowing it better access to capital than some of its competitors.

- As a result of the rapid appreciation of the Canadian dollar when compared to the U.S. dollar, certain used and new vehicles, as well as vehicle parts, are less expensive in the U.S. when compared to Canadian prices and as a result increases the risk related to some of the Fund's operations. In response to the rapid change in the value of the Canadian dollar when compared U.S. dollar certain manufacturers have just recently begun to offer new vehicle sales incentives that result in new car prices being comparable from Canada to the United States once currency exchange rates have been taken into account. These manufacturer incentives could be amended or discontinued at any time. In addition, such currency appreciation could have a negative impact on businesses that operate in the communities in which our dealerships are located which could in turn, negatively impact our dealerships' performance.

- For a discussion of these risks and other risks associated with the Fund Units, see “Risk Factors” detailed in the Fund’s final prospectus dated May 3, 2006 and the Fund’s Annual Information Form dated March 22, 2007 both of which are 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.