AUTOCANADA INCOME FUND

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

For the three months ended March 31, 2008

As of May 12, 2008

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

MAY 12, 2008

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

FORWARD LOOKING STATEMENTS

Certain statements contained in management's discussion and analysis 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 in management's discussion and analysis 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 the Fund's Annual Information Form dated March 17, 2008 which is 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 in this management's discussion and analysis 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 of the Fund (the "Unitholders") in accordance with the distribution policies of the Fund.

Standardized distributable cash and adjusted distributable cash of the Fund are measures generally used by Canadian open-ended trusts as an indicator of financial performance. As two of the factors that may be considered relevant by prospective investors is the cash distributed by the Fund relative to the price of the Units, management believes that standardized distributable cash and adjusted distributable cash of the Fund are useful supplemental measures that may assist prospective investors in assessing an investment in the Fund. Standardized distributable cash is calculated as cash flows from operating activities, including the effects of changes in non-cash working capital, less total capital expenditures. Adjusted distributable cash is calculated as cash flows provided by operating activities before changes in non-cash working capital, less purchases of non-growth property and equipment.

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

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

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

OVERVIEW OF THE FUND

Issuance of Fund Units and Acquisition

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

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

The Fund 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

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 29.5% for 2011 and 28.0% for 2012 and beyond. The new tax rate will apply to the taxable income of the Fund which allows the Fund claim deductions from net income for tax purposes related to balances that have accumulated in various tax pools. Until such time as the new legislated tax becomes effective in 2011 the new tax does not impact the cash earnings of the business provided that distributions will continue to exceed the taxable income of the Fund, the Fund continues to operate within the rules outlined with the SIFT legislation and the Fund does not convert into a taxable corporation prior to December 31, 2010.

Additional information concerning the Fund is contained in the Fund's Annual Information Form dated March 17, 2008 which is filed on SEDAR (www.sedar.com) and on the Fund's website (www.autocan.ca).

The Business of the Fund

The Fund is one of Canada's largest multi-location automobile dealership groups, currently operating or managing 20 franchised dealerships in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2007, the 19 franchised automobile dealerships owned or managed by the Fund, sold approximately 23,300 vehicles and processed approximately 232,000 service and collision repair orders in our 260 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. We earn fees for arranging financing on new and used vehicle purchases on behalf of third parties and as a result we do not have an in-house lease program and we have eliminated our exposure to residual value risk of returned lease vehicles.

The Fund's geographical profile is illustrated below by number of dealerships owned or managed and revenues by province for the three-month periods ended March 31, 2008 and March 31, 2007.

(In thousands of dollars except % of total and number of dealerships)	March 31, 2008 Number of Dealerships	March 31, 2008 Revenue	March 31, 2008 % of Total	March 31, 2007 Number of Dealerships	March 31, 2007 Revenue	March 31, 2007 % of Total
British Columbia	6	70,680	36%	5	66,322	34%
Alberta	9	92,472	47%	8	94,557	49%
All other	4	34,964	17%	4	33,500	17%
Total	19	198,116	100%	17	194,379	100%

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

Location of Dealerships	Operating Name	Franchise	Year Opened or Acquired
Dealerships as of March 31, 2008			
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 (1)	Chrysler	2006
Dealerships subsequently acquired			
Newmarket, Ontario	Doner Infiniti Nissan (2)	Nissan / Infiniti	2008

(1) We have owned 50% of Dartmouth Chrysler Jeep Dodge since 2002 and we purchased the remaining 50% in February, 2006.
(2) Doner Infiniti Nissan was acquired by the Fund on April 1, 2008.

Seasonality

We have leveled the Fund's monthly distributions to provide a steady stream of cash to Unitholders, although revenues are subject to seasonal fluctuations. The following table illustrates the quarterly variation per year in the sales of new and used vehicles, based on the results of the Fund for 2007, 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**	**2007**	**2003**	**2004**	**2005**	**2006**	**2007**	**2003**	**2004**	**2005**	**2006**	**2007**
1st Quarter	21%	20%	19%	20%	23%	24%	25%	23%	24%	23%	23%	23%	22%	22%	23%
2nd Quarter	29%	28%	27%	26%	25%	28%	27%	26%	26%	28%	30%	28%	27%	26%	26%
3rd Quarter	28%	30%	32%	29%	29%	27%	26%	25%	27%	26%	26%	27%	28%	28%	28%
4th Quarter	22%	22%	22%	25%	23%	21%	22%	26%	23%	23%	21%	22%	23%	24%	23%

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 operating results are generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may also cause substantial fluctuations in operating results from quarter to quarter.

For the first quarter of 2008, sales of new vehicles in Canada were up 7.3%[1] when compared to 2007. Sales of new vehicles for the first quarter of 2008 in Alberta and British Columbia were up by 0.2% and 0.4%. The Fund's same store sales of new vehicles have increased by 1.9% for the same period in 2008.

The following table summarizes provincial sales results for the first quarter of 2008:

March Year to Date New Vehicle Sales by Province [1]

	March Year to Date		Percentage Change	Units Change
	2008	2007		
Province				
British Columbia	42,882	42,712	0.4%	170
Alberta	54,876	54,748	0.2%	128
Saskatchewan	10,058	8,210	22.5%	1,848
Manitoba	10,161	9,009	12.8%	1,152
Ontario	126,563	120,930	4.7%	5,633
Quebec	92,602	81,223	14.0%	11,379
New Brunswick	7,917	7,223	9.6%	694
PEI	1,095	957	14.4%	138
Nova Scotia	11,447	9,073	26.2%	2,374
Newfoundland	6,205	4,875	27.3%	1,330
Total	**363,806**	**338,960**	**7.3%**	**24,846**

[1] Canadian Vehicle Manufacturers' Association

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 of 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, 2008 to March 31, 2008.

(In thousands of dollars)

		Fund Units		**Exchangeable Units**		**Total**	
Record date	**Payment date**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
		$	**$**	**$**	**$**	**$**	**$**
January 31, 2008	February 15, 2008	912	912	775	775	1,687	1,687
February 28, 2008	March 15, 2008	913	913	775	775	1,688	1,688
March 31, 2008	April 16, 2008 (1)	912	-	775	-	1,687	-
		2,737	1,825	2,325	1,550	5,062	3,375

Note:
(1) Distributions payable to all Unitholders in the amount of $1,687 as at March 31, 2008 were paid in April, 2008.

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

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

During the three-month period ended March 31, 2008, the Fund declared distributions of $0.25 per Fund Unit to Unitholders and holders of Exchangeable Units. The distributions in the period ended March 31, 2008 were funded from cash flow generated from operations and cash on hand generated in previous quarters. The Fund reviews its distribution policy on a periodic basis.

As of March 31, 2008, there are 884,647 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 March 31, 2008, 1,519,275 units remained reserved for issuance under the option plan.

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)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008
Net earnings (loss) for the period	3,631	5,220	3,623	4,483	(13,362)	6,168	6,470	3,078
Items not affecting cash:								
Future income taxes	-	-	-	-	19,107	443	(2,186)	610
Unit-based compensation	104	188	163	185	135	120	62	59
Amortization	618	1,146	1,136	790	770	794	856	771
Loss (gain) on disposal of property & equipment	(5)	(29)	39	5	5	(13)	(6)	(6)
Cash provided by operating activities – before changes in non-cash working capital	4,348	6,525	4,961	5,463	6,655	7,512	5,196	4,512
Less: Purchase of non-growth property and equipment (1)	(97)	(225)	(197)	(521)	(762)	(126)	(298)	(177)
Adjusted distributable cash	4,251	6,300	4,764	4,942	5,893	7,386	4,898	4,335
Adjusted distributable cash per unit	0.210	0.311	0.235	0.244	0.291	0.365	0.242	0.214
Distributions declared to unitholders	2,830	5,062	5,062	5,062	5,062	5,062	5,062	5,062
Distributions declared per unit	0.140	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Adjusted distributable cash less distributions declared	1,421	1,238	(298)	(120)	831	2,324	(164)	(727)
Adjusted distributable cash less distributions declared per unit	0.070	0.061	(0.015)	(0.006)	0.041	0.115	(0.008)	(0.036)
Adjusted payout ratio	66.6%	80.3%	106.3%	102.4%	85.9%	68.5%	103.3%	116.8%
12 month trailing								
Adjusted distributable cash					21,899	22,985	23,119	22,512
Distributions declared to unitholders					20,248	20,248	20,248	20,248
Adjusted payout ratio					92.5%	88.1%	87.6%	89.9%
From inception since January 4, 2006 to Dec 31, 2007 (incl. operations from May 11, 2006 to December 31, 2007)								
Adjusted distributable cash								42,769
Distributions declared to unitholders								38,364
Adjusted payout ratio								89.5%

(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 first quarter of 2008, the Fund generated adjusted distributable cash of $0.214 per unit and declared distributions of $0.250 per unit, for an adjusted payout ratio of 116.8%.

From the Fund's inception at January 4, 2006 (including operations from May 11, 2006 to December 31, 2007), our adjusted payout ratio is 89.5%.

Standardized Distributable Cash

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

(In thousands of $ except unit and per unit amounts)	**Q2 2006**	**Q3 2006**	**Q4 2006**	**Q1 2007**	**Q2 2007**	**Q3 2007**	**Q4 2007**	**Q1 2008**
Cash provided by operating activities	16,954	4,234	8,125	8,529	2,368	6,486	3,637	2,739
Less: Amounts related to expansion of sales and service capacity	(26)	(192)	(499)	(596)	(225)	(399)	(180)	(237)
Less: Purchase of non-growth property and equipment	(97)	(225)	(197)	(521)	(762)	(126)	(298)	(177)
Standardized distributable cash	16,831	3,817	7,429	7,412	1,381	5,961	3,159	2,325
Weighted average units outstanding at end of period (1)	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000
Standardized distributable cash per unit	0.831	0.188	0.367	0.366	0.068	0.294	0.156	0.115
Distributions declared	2,830	5,062	5,062	5,062	5,062	5,062	5,062	5,062
Distributions declared per unit	0.140	0.250	0.250	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	(1,903)	(2,737)
Standardized distributable cash less distributions declared per unit	0.691	(0.061)	0.117	0.116	(0.182)	0.044	(0.094)	(0.135)
Standardized payout ratio	16.8%	132.6%	68.1%	68.3%	366.5%	84.9%	160.2%	217.7%
Basic earnings (loss) per unit	0.179	0.257	0.179	0.221	(0.660)	0.305	0.056	0.152
Diluted earnings (loss) per unit	0.179	0.257	0.179	0.221	(0.660)	0.303	0.056	0.152
12 month trailing								
Standardized distributable cash					20,039	22,183	17,913	12,826
Distributions declared					20,249	20,249	20,249	20,249
Standardized payout ratio					101.0%	91.3%	113.0%	157.9%
Year-to-date								
Standardized distributable cash								2,325
Distributions declared								5,062
Standardized payout ratio								217.7%
From inception since January 4, 2006 to March 31, 2008 (incl. operations from May 11, 2006 to March 31, 2008)								
Standardized distributable cash								48,315
Distributions declared								38,264
Standardized payout ratio								79.2%

(1) Includes Fund Units and Exchangeable Units.

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

On a year-to-date basis, using the standardized distributable cash calculation, our standardized payout ratio of 217.7% at March 31, 2008 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 116.8%. The main difference between the two methods is that the standardized distributable cash calculation adjusts for changes in non-cash working capital and the inclusion of the Fund's growth capital expenditures as a reduction in the amount of cash available for distribution in the standardized calculation.

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

(In thousands of dollars except unit and per unit amounts)	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008
Standardized distributable cash	16,831	3,817	7,429	7,412	1,381	5,961	3,159	2,325
Change in non-cash working capital	(12,606)	2,291	(3,164)	(3,066)	4,287	1,026	1,559	1,773
Amounts related to expansion of sales and service capacity	26	192	499	596	225	399	180	237
Adjusted distributable cash	4,251	6,300	4,764	4,942	5,893	7,386	4,898	4,335

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

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

(In thousands of dollars)	March 31, 2007	March 31, 2008
	$	$
Accounts receivable	(3,458)	(2,137)
Inventories	(651)	9,476
Prepaid expenses	144	(881)
Accounts payable and accrued liabilities	939	1,052
Revolving floorplan facility	2,451	(9,632)
Due to related parties	3,641	349
	3,066	(1,773)

Capital Expenditures

The following table provides a reconciliation of the purchase of property and equipment as reported on the Statement of Cash Flows to the purchase of property and equipment as calculated in the standardized distributable cash table on page 8:

(In thousands of dollars)	January 1, 2008 to March 31, 2008
	$
Purchase of property and equipment from the Statement of Cash Flows	414
Less: Amounts related to the expansion of sales and service capacity	(237)
Purchase of non-growth property and equipment	177

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

(In thousands of dollars)	**January 1, 2008 to March 31, 2008**
	$
Leasehold improvements	12
Machinery and equipment	38
Furniture and fixtures	13
Computer equipment	63
Company & lease vehicles	51
	177

During the three-month period ended March 31, 2008 growth capital expenditures of $0.237 million were incurred. These expenditures related primarily to purchases of service equipment for our Thompson Chrysler Jeep Dodge location, additional equipment for our Northland Nissan location in Prince George, BC which opened in August of 2007, and various computer equipment upgrades at head office and selected dealerships designed to improve productivity and efficiency. Repairs and maintenance expenditures are expensed as incurred and were $0.455 million during the three-month period ended March 31, 2008.

SELECTED QUARTERLY FINANCIAL INFORMATION AND RESULTS FROM OPERATIONS

The following table shows the unaudited results of the Fund for the 51-day period ended June 30, 2006 and the seven most recently completed quarters. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(In thousands of dollars except Operating Data and gross profit %)	**The Fund**	**The Fund**	**The Fund**	**The Fund**	**The Fund**	**The Fund**	**The Fund**	**The Fund**
	Q2 2006 (51 days)	**Q3 2006**	**Q4 2006**	**Q1 2007**	**Q2 2007**	**Q3 2007**	**Q4 2007**	**Q1 2008**
Income Statement Data								
New vehicles	59,044	106,424	98,970	109,862	117,204	133,853	111,683	107,688
Used vehicles	30,487	53,897	46,425	53,020	62,389	59,114	50,468	55,712
Parts, service & collision repair	10,734	19,632	21,410	21,908	23,228	23,142	23,863	23,536
Finance, insurance & other	5,727	9,908	9,274	9,590	11,890	12,905	10,697	11,180
Revenue	105,992	189,861	176,079	194,379	214,711	229,014	196,711	198,116
New vehicles	4,190	6,792	6,998	7,000	8,312	9,024	8,176	7,012
Used vehicles	3,294	5,563	3,614	4,914	6,082	4,943	3,746	4,393
Parts, service & collision repair	5,014	8,721	9,514	10,223	11,305	11,267	11,494	11,082
Finance, insurance & other	5,277	9,742	8,804	9,155	11,078	12,067	10,106	10,579
Gross profit	17,775	30,818	28,930	31,292	36,777	37,301	33,522	33,066
Gross profit %	16.8%	16.2%	16.4%	16.1%	17.1%	16.3%	17.0%	16.7%
Sales, general & admin expenses	12,245	22,481	21,682	23,634	27,522	26,905	25,654	26,317
SG&A exp. as % of gross profit	68.9%	72.9%	74.9%	75.5%	74.8%	72.1%	76.5%	79.6%
Floorplan interest expense	1,256	1,854	2,085	2,069	2,414	2,679	2,432	2,034
Other interest & bank charges	24	117	405	316	326	312	296	256
Future income taxes	-	-	-	-	19,107	443	(2,186)	610
Net earnings (4)	3,631	5,220	3,623	4,483	(13,362)	6,168	6,470	3,078
EBITDA (1) (4)	4,249	6,366	4,906	5,424	6,743	7,600	5,310	4,621
Operating Data								
Vehicles (new and used) sold	3,023	5,369	4,690	5,440	6,089	6,404	5,363	5,552
New retail vehicles sold	1,515	2,741	2,199	2,295	2,866	3,344	2,630	2,462
New fleet vehicles sold	211	371	525	886	535	543	557	716
Used retail vehicles sold	1,297	2,257	1,966	2,259	2,688	2,517	2,176	2,374
Number of service & collision repair orders completed	32,565	54,345	55,393	57,876	58,157	58,138	57,552	61,169
Absorption rate (2)	n/a	97%	96%	92%	94%	104%	93%	90%
# of dealerships	14	14	16	17	18	19	19	19
# of same store dealerships (3)	9	9	9	9	9	11	11	13
# of service bays at period end	223	223	245	250	256	260	260	260
Same store revenue growth (3)	n/a	3.8%	10.4%	24.1%	6.6%	8.2%	5.3%	(0.6)%
Same store gross profit growth (3)	n/a	12.5%	6.3%	20.1%	13.4%	7.2%	6.5%	0.7%
Balance Sheet Data								
Cash and cash equivalents	20,271	20,265	20,880	24,268	21,077	20,179	18,014	15,298
Accounts receivable	25,875	30,562	27,742	31,200	35,980	39,940	34,274	36,411
Inventories	145,888	101,252	112,680	117,034	132,814	147,419	142,128	132,549
Revolving floorplan facilities	146,283	103,297	113,357	118,974	133,731	152,390	143,655	134,023

(1) EBITDA has been calculated as described under "Non-GAAP Measures" above.

(2) Absorption has been calculated as described under "Non-GAAP Measures" above.

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

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

First Quarter Operating Results

The three-month period ended March 31, 2008 showed a decrease over the comparable period in 2007 in terms of earnings and EBITDA. EBITDA for the three months ended March 31, 2008 decreased by 14.8% to $4.621 million, from $5.424 million when compared to the prior period in 2007. Approximately 78.1% of the $0.803 million decrease in EBITDA was the result of the underperformance of our platform of dealerships in Prince George, British Columbia. Poor performance at our Prince George platform of dealerships resulted in a significant decrease in used vehicle gross margins without a corresponding decrease in selling, general and administrative expenses ("SG&A") including advertising and commissions expenses specific to used vehicle operations. Management has implemented changes to successfully restore used vehicle gross margins at this location and restore profitability to levels forecast in our 2008 business plan.

The following table illustrates first quarter EBITDA for the last three years of operations.

Period from January 1 to March 31	**EBITDA (In thousands of dollars)**
2006 (1)	4,160
2007	5,424
2008	4,621

(1) Q1 2006 EBITDA is for the predecessor to the Fund, Canada One Auto Group. EBITDA for CAG is defined under "Non-GAAP Measures" with the exception that to facilitate comparison to the Fund we have added stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) expensed by CAG.

Net earnings decreased by 31.3% to $3.078 million, from $4.483 million when compared to the same period in prior year. The majority of this decrease was due to the factors discussed above as well as the recognition of a future income tax expense of $0.610 million in the three-month period ended March 31, 2008 that was not incurred in the prior year. The first quarter, along with the fourth quarter, is historically the industry's weakest in terms of revenues, earnings and EBITDA and the results of the Fund for the first quarter of 2008 follows this pattern.

The following tables summarize the results for the three-month period ended March 31, 2008 on a same store basis by revenue source and compare these results to the same period in 2007. An acquired or open point dealership may take as long as two years in order to reach normalized operating results. As a result, in order for an acquired or open point dealership to be included in our same store analysis, the dealership must be owned and operated by us for eight complete quarters. For example, if a dealership was acquired on December 1, 2005, the results of the acquired entity would be included in quarterly same store comparisons beginning with the quarter ended March 31, 2008 and in annual same store comparisons beginning with the year ended December 31, 2008.

Revenues

Revenues for the three-month period ended March 31, 2008 increased to $198.1 million, from $194.4 million for the same period in the prior year. The 1.9% year-over-year increases in revenue for the period results from a $4.7 million increase in revenue from acquired or opened dealerships offset by a $1.0 million decrease in same store revenue.

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

Same Store Revenue and Vehicles Sold

	For the Three-Month Period Ended		
(In thousands of dollars except % change and vehicle data)	**March 31, 2008**	**March 31, 2007**	**% Change**
Revenue Source			
New vehicles	92,406	94,412	(2.1)%
Used vehicles	47,912	48,323	(0.9)%
Finance, insurance and other	9,551	8,665	10.2%
Subtotal	149,869	151,400	(1.0)%
Parts, service and collision repair	19,782	19,258	2.7%
Total	169,651	170,658	(0.6)%
New vehicles – retail sold	2,038	1,983	2.8%
New vehicles – fleet sold	641	647	(0.9)%
Used vehicles sold	2,018	2,006	0.6%
Total vehicles sold	4,697	4,636	1.3%
Total vehicles retailed	4,056	3,989	1.7%

Same Store Analysis

Same store revenue decreased by $1.0 million or 0.6% in the three-month period ended March 31, 2008. New vehicle revenues decreased by $2.0 million or 2.1% for the quarter ended March 31, 2008 over the same period in the prior year due in part to a decrease in the average selling price per new vehicle sold of $1,405 or 3.9% over the prior year largely as a result of continued higher manufacturer incentives and/or reductions to manufacturers suggested retail prices that were introduced in the fourth quarter of 2007 as a result of the appreciation of the Canadian dollar. The decrease in the average selling price per new vehicle sold is consistent with market trends in Canada in 2008 that have seen new vehicle prices drop by 6% to 7% when compared to 2007. Offsetting our decrease in new vehicle revenues for the three-month period ended March 31, 2008 was a net increase in new vehicle sales of 49 units consisting of an increase of 55 retail units and decrease of 6 low margin fleet unit sales. The decline in the average selling price per new vehicle retailed had minimal impact on the new vehicle gross margin percentages as they decreased to 6.5% from 6.6% on a same store basis during the comparable period. Gross margins per new vehicle retailed also decreased by $124 compared to the same period in 2007.

Used vehicle revenues decreased by $0.4 million or 0.9% in the three-month period ended March 31, 2008 over the comparable period in the prior year. The decrease was due to a decrease in the average selling price per used vehicle retailed of $347 offset by an increase in the number of used vehicles sold of 12 for the three-month period ended March 31, 2008.

Finance and insurance and other revenue increased by $0.9 million or 10.2% in the three-month period ended March 31, 2008 over the same period in the prior year. This increase was due to an increase in the number of units sold of 67 and an increase in the average revenue per unit retailed of $183. As a result of the downward pressures experienced on both new and used vehicles prices detailed above, increased emphasis was placed on promoting finance and insurance products to customers.

The increase in parts, service and collision repair revenue of $0.5 million or 2.7% in the three-month period ended March 31, 2008 compared to the same period in the prior year was primarily a result of a combination of a 3.2% decrease in the average revenue per service and collision repair order completed and an increase of 6.1% in the number of service and collision repair orders completed for the three-month period ended March 31, 2008. The majority increase in parts, service and collision repair revenue can be attributed to 5 additional same store service bays in operation during the first quarter of 2008 compared to the same period in 2007. We expect that parts, service and collision repair revenues and gross profits will continue to improve as further service bay capacity is brought online in the next 18 months.

Gross profit

During the three-month period ended March 31, 2008, gross profit increased by 5.7% to $33.1 million. Approximately 90% of this increase in the three-month period ended March 31, 2008 was the result of the three dealerships that were opened or acquired in 2006 and the three dealerships that were opened or acquired in 2007.

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

Same Store Gross Profit and Gross Profit Percentage

	For the Three-Month Period Ended					
	Gross Profit			Gross Profit %		
(In thousands of dollars except % change, gross profit % and per vehicle data)	**Mar. 31, 2008**	**Mar. 31, 2007**	**% Change**	**Mar. 31, 2008**	**Mar. 31, 2007**	**% Change**
New vehicles	6,027	6,244	(3.5)%	6.5%	6.6%	(0.1)%
Used vehicles	3,772	4,426	(14.8)%	7.9%	9.2%	(1.3)%
Finance, insurance and other	9,063	8,254	9.8%	94.9%	95.3%	(0.4)%
Subtotal	18,862	18,924	(0.3)%			
Parts, service and collision repair	9,218	8,972	2.7%	46.6%	46.6%	0.0%
Total	28,080	27,896	0.7%	16.6%	16.4%	0.2%
New, used, F&I, and other gross profit per vehicle retailed	4,650	4,744	(2.0)%			

Same Store Analysis

Same store gross profit increased by $0.2 million or 0.7% in the three-month period ended March 31, 2008. New vehicle gross profit decreased by $0.2 million or 3.5% in the three-month period ended March 31, 2008 when compared to the same period in the prior year as a result of a decrease in the average gross margin per new vehicle sold of $124. We attribute this to a higher mix of passenger car and crossover vehicle sales at our dealerships as consumers have shown a preference to smaller, more fuel efficient vehicles. The decrease in new vehicle gross profit was offset by an increase in the number of vehicles sold of 49 units over the same period in the prior year.

Used vehicle gross profit decreased by $0.7 million or 14.8% in the three-month period ended March 31, 2008 over the same period in the prior year. When compared to 2007, the decrease in used vehicle gross was due to the average gross profit per used vehicle retailed decreasing by $338. The decline in the gross profit earned per used vehicle retailed during the quarter is attributed to: i) a reduction of $1,115 of gross profit per used vehicle retailed at our Prince George dealerships and; ii) continued turbulence in the used vehicle wholesale valuation in Canada. Management believes that turbulence in used vehicle valuations will continue throughout this year for reasons previously discussed including an unprecedented volume of "off-lease" vehicles returning to market, and uncertainty with respect to manufacturer incentives, reductions in MSRP, or a combination of both of these factors which in turn impact the amount paid by the customer when acquiring a new vehicle. The decline in gross margins earned per used vehicle retailed was offset by an increase of 12 used vehicles retailed for the three-month period ended March 31, 2008.

Finance and insurance and other gross profit increased by $0.8 million or 9.8% in three-month period ended March 31, 2008 as a result of a higher penetration attained with a preferred vendor in which we earned a higher commission rate than from other suppliers of similar products. An increased emphasis was placed on promoting finance and insurance that resulted in increased sales and gross margin contribution.

When gross profit from new vehicles, used vehicles, and F&I and other are measured together on a per vehicle basis, there was a decrease of $94 in gross profit per vehicle retailed to $4,650 for the three-month period ended March 31, 2008 compared to $4,744 for the same period in the prior year. If the reduction in used vehicle gross margins at our Prince George dealerships had not occurred, combined gross profit from new vehicles, used vehicles, and F&I and other would have been essentially the same for the first quarter of 2008 and 2007 respectively.

The increase in parts, service and collision repair gross profit of $0.2 million or 2.7% in the three-month period ended March 31, 2008 was primarily a result of a 6.1% increase in the number of service and collision repair orders completed offset by a decrease in the average gross profit per service and collision repair order completed of 3.1% for the three-month period ended March 31, 2008. The increase in parts, service and collision repair gross profit can be attributed to the previously discussed increase in the number of service bays in operation during the first quarter of 2008 compared to the same period in 2007.

Selling, general and administrative expenses

During the three-month period ended March 31, 2008, SG&A expenses increased by 11.4% to $26.3 million from $23.6 million over the same period in the prior year primarily as a result of the three dealerships opened or acquired in 2007. During the three-month period ended March 31, 2008, SG&A as a percentage of gross profit increased from 75.5% to 79.6% or approximately $1.3 million. The two largest components comprising this increase are an escalation in advertising expense and an increase in salary and commission expense per vehicle retailed. Total advertising expense per vehicle retailed increased by 26.4% from $432 to $546 per vehicle retailed during the first quarter of 2008 when compared to the same period in the prior year. Commissions and salary expenses relating to vehicle sales (new, used and finance and insurance) increased as a proportion of the total gross profit earned from these departments resulting in sales commissions being approximately $0.6 million higher than historical averages. Regionally, there was a significant increase in SG&A expense as a percentage of gross margin at our platform of dealerships located in Prince George, British Columbia. Management has taken steps to return these expenses to historical levels.

Amortization expense

During the three-month period ended March 31, 2008, amortization was $771 while it was $790 for the prior period in 2007.

Floorplan interest expense

During the three-month period ended March 31, 2008, floorplan interest expense decreased by 1.7% to $2,034 over the same periods in 2007. The decrease in interest expense was caused by a decrease in the average prime lending interest rate for the three-month period ended March 31, 2008 when compared to the same periods in 2007 and was offset by a general inventory increase of approximately $15.5 million related to higher inventory levels and the addition of new dealerships. New inventory increased at our Chrysler Jeep Dodge dealerships due to management's decision to carry higher than normal levels of high sales volume 2008 Dodge Caravan models that were being discontinued. Further, the manufacturer also announced extended plant closures to balance dealer inventories specifically on Dodge Ram heavy-duty models. As a result, management ordered incremental trucks to protect sales and gross margin contribution from these specific vehicles.

In late April of 2008, the Bank of Canada announced a reduction of 50 basis points to the Bank of Canada prime lending rate which will result in lower future inventory carrying costs. At March 31, 2008, a change in the annual interest on floating rate debt of one percent would result in a change in annual interest expense of approximately $1,447.

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

	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008
CFC Revolving Floorplan Facility Interest Rate	5.75%	5.75%	5.75%	5.75%	5.75%	6.00%	5.75%	5.00%

As of the date of this MD&A our floor-plan interest rate is 4.5%.

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 March 31, 2008, the floorplan credits were $969. GAAP requires the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

Sensitivity

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 20 franchised automotive dealerships. At the time of the Fund's initial public offering ("IPO") in May of 2006 the Fund owned 14 franchised automotive dealerships. Since this time the Fund has acquired or opened four 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 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.

As of November 2007, there were 3,455 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 March 27, 2008, the Fund announced that the terms of a framework agreement had been settled with Nissan Canada Inc. ("Nissan Canada") which, among other things, provides the basis upon which the Fund may seek Nissan Canada's approval to add additional Nissan and/or Infiniti dealerships. The framework agreement with Nissan Canada marks a transition from the managed dealership arrangement that had been put in place upon the financing of the acquisition of Grande Prairie Nissan in February of 2007 and followed by the commencement of operations at Northland Nissan as an open point dealership on August 31, 2007. The managed dealership model was put in place in order to enhance our working relationship with Nissan Canada as there was not an arrangement in place at the time that would allow the franchised automobile dealerships to be owned directly by the Fund. The managed dealership model may be utilized in the future in respect to other dealership opportunities where warranted. Upon settling the terms of the framework agreement, Nissan Canada approved the acquisition by the Fund on April 1, 2008 of the net operating assets of Doner Infiniti Nissan. Located in Newmarket, Ontario, the dealership operates out of 22,000 square foot facility with 14 service bays plus 4 other bays and a 16 car showroom. Doner Infiniti Nissan has been in operation since 1977, and in 2007, sold 754 new vehicles and 429 used vehicles. During the second quarter of 2008, CAG intends to obtain required government regulatory and licensing approvals as well as approval from Nissan Canada to transfer Northland Nissan and Grande Prairie Nissan to the Fund. Under the terms of credit and management agreements signed between the Fund and CAG, CAG is entitled to a minimum rate of return on any investments that were directly made into both Grande Prairie Nissan and Northland Nissan upon transfer of the net assets of the dealership to the Fund. The transfer amount payable by the Fund to CAG net of financing for both Nissan dealerships into the Fund will be approximately seventy-five thousand dollars.

- 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. The Fund had entered into a letter of intent securing land in Calgary, but, after due diligence, decided not to proceed with the transaction. The Fund continues to work with Chrysler Canada to secure suitable land.

- The Fund had 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 Fund had been awaiting the closing of the acquisition of suitable land on which to construct the dealership, but had determined that such land was not appropriate and reviewed alternate potential sites. Upon review of alternative sites, the Fund has released this open point and Hyundai has confirmed its agreement to the same.

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. As announced on May 6, 2008, the Fund has not been able to secure Toyota's approval to permit its dealerships to be owned directly by the Fund. The Fund shall continue with its efforts to cultivate relationships with all manufacturers of brands not presently represented by the Fund to address issues that they may have with respect to the Fund, with the intent of building a relationship that shall benefit both the Fund and the manufacturers.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Fund for the three-month period ended March 31, 2008 was $2.739 million. On an annual basis, 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 ("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 March 31, 2008 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. The term of the Revolving Term Facility was extended by CFC by one year to May 10, 2010. 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 March 31, 2008, the Fund was in compliance with these covenants.

Financial Instruments

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

The Fund has made the following classifications:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading and are measured at fair value. Gains and losses related to subsequent revaluations are recorded in net earnings;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value with subsequent measurement at amortized cost. All accounts receivable bad debts are charged to selling, general and administrative expenses;
- Accounts payable and accrued liabilities, revolving floorplan facilities, distributions payable, long-term debt and obligation under capital lease are classified as other liabilities and are initially measured at fair value with subsequent measurement at amortized cost;
- Transaction costs are expensed as incurred for financial instruments; and,
- Interest expense is recorded in net earnings.

(a) Financial risk management

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

(b) Foreign currency risk

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

(c) Interest rate risk

The Fund's Revolving Floorplan Facilities and Revolving Term Facility are subject to interest rate fluctuations and the degree of volatility in these rates. The Fund does not currently hold any financial instruments that mitigate this risk. At March 31, 2008, a change in the annual interest on floating rate debt of one percent would result in a change in annual interest expense of approximately $1,447.

(d) Market risk

The Fund's exposure to financial market risk is limited since there are no significant financial instruments which will fluctuate as a result of changes in market prices.

(e) Credit risk

The Fund's exposure to credit risk associated with its accounts receivable is the risk that a customer will be unable to pay amounts due to the Fund or its subsidiaries. Concentration of credit risk with respect to contracts-in-transit and accounts receivable is limited primarily to automobile manufacturers and financial institutions. Approximately 41% of accounts receivable consists of contracts-in-transit from financial institutions which are considered to have minimal credit risk. Credit risk arising from receivables from commercial customers is not significant due to the large number of customers dispersed across various geographic locations comprising our customer base.

The Fund evaluated receivables for collectability based on the age of the receivable, the credit history of the customers and past collection experience. During the quarter, $487 of accounts receivable were allowed for and $622 of previously allowed amounts were recovered. The allowance for doubtful accounts amounted to $830 as of March 31, 2008 ($965 as of December 31, 2007). Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed on the balance sheet for accounts receivable are net of the allowance for bad debts.

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

(f) Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Fund's growth is financed through a combination of the cash flows from operations, borrowing under existing credit facilities and the issuance of equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of committed credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows. Due to the dynamic nature of the business, the Fund aims to maintain flexibility in funding by keeping committed credit facilities available (note 5 & 6).

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

	Current within 12 months $	**Non-current 1-5 years $**
Accounts payable and accrued liabilities	23,540	
Revolving floorplan facility	134,023	
Distributions payable	1,687	
Long-term debt	249	10,473
Obligation under capital lease	117	384
	159,616	10,857

(g) Fair value

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

Capital Expenditures

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, service vehicles, computer hardware and computer software. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems. Our future growth is dependent on our ability to acquire and integrate additional dealerships and to successfully operate existing dealerships. Management expects that our cash flow generated from operations, together with working capital availability under our Revolving Term Facility, is sufficient to fund our debt service, working capital requirements and capital spending for the next year.

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 first quarter of 2008, the Fund continued its upgrade of existing dealership management software supplied by ADP by converting one of the two remaining key locations that are currently supplied by Reynolds and Reynolds to ADP. This will be significant tool to enable continued improvement in information processing efficiencies, standardization of key business processes and to share best practices across all dealerships.

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

The Fund plans to relocate 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. The relocation plan is being undertaken in order to expand service capacity and sales opportunities in key markets which in turn should lead to increased profitability. Five of these dealerships are currently under construction including: Grande Prairie Mitsubishi (Grande Prairie, Alberta) and Grande Prairie Subaru (Grande Prairie, Alberta) which are anticipated to open during the second quarter of 2008, Grande Prairie Nissan (Grande Prairie, Alberta) which is anticipated to open during the third quarter of 2008, Capital Chrysler Jeep Dodge (Edmonton, Alberta) which is anticipated to open during the fourth quarter of 2008 and Crosstown Chrysler Jeep Dodge (Edmonton, Alberta) which is anticipated to open during the third quarter of 2009.

The Fund previously announced that Northland Mitsubishi, Northland Dodge and Northland Nissan all located in Prince George, British Columbia would be constructed or relocated during the fourth quarter of 2008. As discussed in "Acquisitions and Open Points" above, land had been acquired by a party related to the Fund for the construction and relocation of these dealerships, however management is exploring the possibility of relocating these dealerships to an alternate location that should further enhance the expected profits from these dealerships. If a decision is made to select the new location the relocation date for these dealerships may be later than previously reported.

As discussed in "Acquisitions and Open Points" above, the Fund had 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 Fund had been awaiting the closing of the acquisition of suitable land on which to construct the dealership, but had determined that such land was not appropriate and reviewed alternate potential sites. The Fund has released the open point and Hyundai has confirmed its agreement to the same.

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 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 March 31, 2008, the material contractual obligations of the Fund, due in the years indicated, which relate to various premises and equipment leases.

(In thousands of dollars)	**Leases**	**Long-term Debt**	**Total**
	$	**$**	**$**
Less than one year	5,653	249	5,902
One to three years	14,055	10,473	24,528
Four to five years	2,366	-	2,366
Thereafter	390	-	390
	22,464	10,722	33,186

Financial Position

The following table shows selected audited balances of the Fund for December 31, 2007 and December 31, 2006 as well as unaudited balances of the Fund at March 31, 2008, September 30, 2007, June 30, 2007 and March 31, 2007, September 30, 2006 and June 30, 2006.

	The Fund							
Balance Sheet Data	**March 31, 2008**	**December 31, 2007**	**September 30, 2007**	**June 30, 2007**	**March 31, 2007**	**December 31, 2006**	**September 30, 2006**	**June 30, 2006**
Cash and cash equivalents	15,298	18,014	20,179	21,077	24,268	20,880	20,265	20,271
Accounts receivable	36,411	34,274	39,940	35,980	31,200	27,742	30,562	25,875
Inventories	132,549	142,128	147,419	132,814	117,034	112,680	101,252	145,888
Total assets	364,879	374,341	387,263	369,678	351,732	338,532	325,017	364,939
Revolving floorplan facilities	134,023	143,655	152,390	133,731	118,974	113,357	103,297	146,283
Total long term liabilities	28,831	28,153	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 $29.4 million. At March 31, 2008, net working capital was approximately $31.2 million.

Off Balance Sheet Arrangements

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

Related Party Transactions

Note 10 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 three-month period ended March 31, 2008 was $159. We lease twelve of our nineteen locations as of March 31, 2008 from related parties to the Fund. The total rent paid by us to the related parties for the three-month period ended March 31, 2008 was $1,049. We have received advice from a national real estate appraisal company that the market rents at each of our facilities leased from related parties of the Fund were at fair market value rates when the leases were entered into.

Changes in Accounting Policies and Initial Adoption

a) Financial instruments – presentation and disclosure (CICA Handbook Sections 3862 and 3863)

   On January 1, 2008, the Fund adopted Section 3862, "Financial Instruments – Disclosures", replacing Section 3861, "Financial Instruments – Disclosure and Presentation." This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, "Financial Instruments – Recognition and Measurement," Section 3863, "Financial Instruments – Presentation" and Section 3865, "Hedges."

The adoption of this Section required that the Fund present sensitivity analysis regarding currency risk, interest rate risk and commodity prices risk. This disclosure has been made in Note 13 of these interim consolidated financial statements. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted.

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

b) Capital disclosures (CICA Handbook Section 1535)

On January 1, 2008, the Fund adopted Section 1535, "Capital Disclosures." This Section requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The adoption of this Section required that information on capital management be included in the notes to the interim consolidated financial statements. This disclosure has been made in Note 14, Capital Disclosures.

c) Inventories (CICA Handbook Section 3031)

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

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, 2007 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

As an income trust we are currently not subject to income taxes to the extent our taxable income in a year is paid or payable to our unit holders.

Enacted tax changes for Canadian income trusts

On June 12, 2007, the Government of Canada enacted legislation to impose additional income taxes on Specified Investment Flow-Through ("SIFT") trusts and SIFT partnerships, including AutoCanada, effective January 1, 2011. Prior to June 2007, we estimated the future income tax on certain temporary differences between amounts recorded on our balance sheet for book and tax purposes at a nil effective tax rate.

In December 2007, the Government of Canada substantively enacted rate reductions which lowered corporate tax rates for the years 2008 to 2012 and beyond. The federal corporate tax rates were reduced from 19.5 percent in 2008 to 15 percent in 2012 and future years. These rate reductions resulted in rate reductions to the trust taxation from 31.5 percent as enacted by the Government of Canada in second quarter 2007 for years commencing 2011, to 29.5 percent in 2011 and 28.0 percent thereafter.

The Fund currently has unused tax deductions of approximately $60 million which can be utilized in the future to reduce the Fund's taxable income. We plan to maximize the amount of the tax pools that can be carried forward to reduce and defer, as much as possible, our income tax exposure beginning in 2011. To achieve this objective, we plan to maximize the taxable component of all distributions declared in 2008 through 2010.

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

Rules. Those safe harbour limits are the greater of $50 million or 40 percent of the market capitalization benchmark for the period from November 1, 2006 to December 31, 2007, and 20 percent each for calendar 2008, 2009, and 2010. Moreover, these limits are cumulative (other than the $50 million annual limit), so that any unused limit for a period carries over into the subsequent period.

AutoCanada's market capitalization as of the close of trading on October 31, 2006, having regard only to issued and outstanding publicly-traded units, was approximately $133 million, which means AutoCanada's "safe harbour" equity growth amount for the period ending December 31, 2007 is approximately $53 million. For 2008, the available amount is $103 million including the $53 million carried over from 2007. As a consequence, the Fund could issue new units for proceeds of $103 million in 2008 and remain within the "safe harbour" guidelines. There is $50 million available for each 2009 and 2010.

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

The Government of Canada has indicated that it will allow corporate conversions to occur on a tax deferred basis but the specific rules have not yet been established. AutoCanada expects to take advantage of the flow-through mechanism of the trust structure until 2011, unless there are more compelling reasons for converting prior to 2011. Management believes that similar to American public companies which own and operate franchised automotive dealerships, AutoCanada continues to be a long-term value investment in the automotive industry in Canada and does not rely on the tax efficiency of a flow-through trust model to sustain our business. 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

Management of the Fund has evaluated the effectiveness of the Fund's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of December 31, 2007. 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 three-month period ended March 31, 2008, 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

Despite continued strength in Canadian new vehicle sales during the first quarter of 2008, both Alberta and British Columbia retail automotive markets remained relatively flat with declines in select markets in which AutoCanada operates. Market fundamentals remain positive with low unemployment, declining interest rates increased affordability of new vehicles and a shift in consumer preference to smaller, more fuel efficient vehicles. This environment should provide stable business volumes.

Canadian vehicle sales were very strong in 2007 and are predicted to continue to be robust as illustrated in the following chart:

Vehicle Sales Outlook by Province*

(thousands of units, annual rates)

	1994-2004 Average	2005	2006	2007	2008f	2009f
Canada	**1,434**	**1,583**	**1,614**	**1,654**	**1,610**	**1,625**
Atlantic	**102**	**108**	**110**	**118**	**115**	**116**
Central	**931**	**998**	**997**	**1,001**	**959**	**967**
Quebec	363	399	396	408	393	396
Ontario	568	599	601	593	566	571
West	**401**	**477**	**507**	**535**	**536**	**542**
Manitoba	41	44	44	45	44	45
Saskatchewan	36	38	38	44	45	46
Alberta	162	213	236	249	251	253
British Columbia	162	182	189	197	196	198

* Includes cars and light trucks

Source: Scotia Economics - Global Auto Report, February 29, 2008

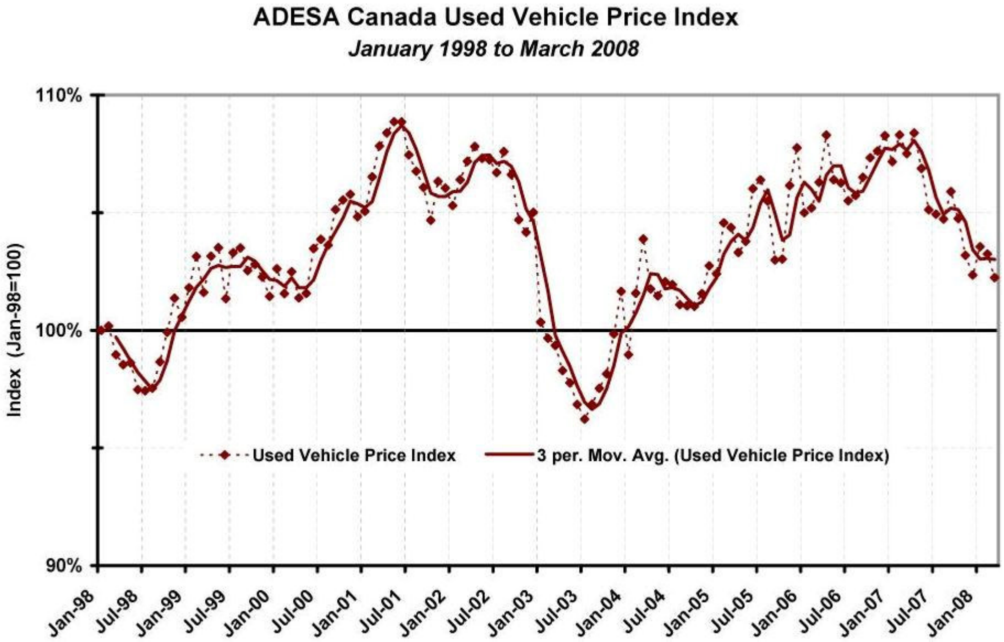
One of the main drivers of the robust new vehicle sales outlook in Canada for 2008 is declining new vehicle pricing. In late 2007 as the Canadian dollar appreciated many manufacturers reacted to the discrepancy between Canadian and US pricing by offering incentives to consumers and dealers that resulted transaction prices between the consumer and the dealer that were significantly lower than manufacturer suggested retail prices (MSRP). Recently manufacturers have begun to reduce MSRP's. As a result according to Statistics Canada prices have declined during this period by approximately five percent. Affordability of new vehicles was also further enhanced by the Goods and Services Tax being cut from six to five percent.

The strong performance of the Canadian economy when compared to the US economy is also assisting in keeping new vehicle sales buoyant. Countering these positive influences is the continued threat of recession in the United States and concern that any recession may spread to Canada as well as a near record number of lease vehicles returning to market and lower residual values of used vehicles which in turn reduces the amount of equity available to the consumer to purchase their next vehicle.

Management anticipates that the gross margin per new and used vehicle retailed will continue to be negatively impacted as a result of the noted shift in consumer preferences from trucks and large sport utility vehicles toward more fuel efficient passenger cars and crossover vehicles from which we will earn lower margins. Management will continue to monitor and rebalance dealer inventories adjusted for any changes in consumer vehicle preferences. We also continue to attain incremental sales and contribution from our dealerships' F&I business offices.

Although we have successfully taken steps to correct the lower gross margins earned at our Prince George platform, we continue to see challenges in this local market and we have identified areas with which we can improve our overall performance to offset these concerns.

As a result of the factors outlined above we are seeing a period of increased used vehicle price volatility as evidenced by the chart below:



Source: ADESA Canada

The Fund typically experiences higher sales in the second and third quarter of the year. Weather and the timing with which holidays fall can impact sales.

With the increased volatility in used car margins, and the uncertainty of the impact on Canada of the current U.S. economic environment, the Fund intends to place increased emphasis on existing operations for continued cash flow growth and, in particular, through managing those aspects of its operations which are potentially most impacted by same, namely used car operations. In addition, Management is monitoring carefully the continuing difficulties being experienced in the credit markets generally and the impact it may have on the pricing of future acquisitions. Although Management intends to continue to grow cash flow through acquisitions, has identified and is evaluating potential purchases which would be accretive to existing operations, before proceeding with Open Points the same shall be diligently reviewed in the context of current land and construction costs, the present cost of capital, and the impact that present U.S. real estate volatility may have on such future costs. 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. As announced on May 6, 2008, the Fund has not been able to secure Toyota's approval to permit its dealerships to be owned directly by the Fund. The Fund shall continue with its efforts to cultivate relationships with all manufacturers of brands not presently represented by the Fund to address issues that they may have with respect to the Fund, with the intent of building a relationship that shall benefit both the Fund and the manufacturer. As a result, the Fund has adjusted its projections with respect to the Fund's ability to grow the number of dealerships for the balance of the year from the three to six dealerships that we projected most recently when we released our December 31, 2007 results, to two or three additional dealerships.

Risk Factors

- Uncertainty in the capital markets and the Canadian economy generally caused by the volatility of U.S. economy may result in limited access capital, as well as potentially 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.

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

For a discussion of these risks and other risks associated with the Fund Units, see "Risk Factors" detailed in the Fund's Annual Information Form dated March 17, 2008 which is available at www.sedar.com.

Additional information

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