



AUTOCANADA INCOME FUND

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

For the six months ended June 30, 2009
As of August 7, 2009

August 7, 2009

READER ADVISORIES

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes (the “Interim Consolidated Financial Statements”) of AutoCanada Income Fund (the “Fund” or “AutoCanada”) for the three and six-month periods ended June 30, 2009 and the consolidated financial statements and accompanying notes of the Fund for the year ended December 31, 2008. These financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). Results are reported in Canadian dollars unless otherwise stated. Certain dollar amounts have been rounded to the nearest thousand dollars. References to notes are to the notes of the Interim Consolidated Financial Statements of the Fund.

To provide more meaningful information, this MD&A refers to the operating results for the three and six-month periods ended June 30, 2009 of the Fund, and compares these to the operating results of the Fund for the three and six-month periods ended June 30, 2008 (See “Non-GAAP Measures” below).

Non-GAAP Measures

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

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

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

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

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

OVERVIEW OF THE FUND

Issuance of Fund Units and Acquisition

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

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

In August of 2008, the Fund announced it had received regulatory approval from the Toronto Stock Exchange to purchase for cancellation, from time to time, the Funds issued and outstanding units subject to limits discussed later in this report. As at June 30, 2009, the Fund has cancelled all repurchased units. As a result of the normal course issuer bid, there were 10,573,430 Fund units issued and outstanding. The Fund now owns an indirect 53.2% interest in AutoCanada LP.

Prior to December 31, 2010, income tax obligations relating to distributions from the Fund are expected to be obligations of unitholders. As a result of new tax legislation, substantively enacted on June 12, 2007, the Fund recognized non-cash future income tax expense each quarter commencing in quarters ended after June 30, 2007. It would be inappropriate for the Fund to recognize current income tax expense until the new tax becomes effective on January 1, 2011 at which point the distributions made by the Fund will be subject to the then applicable tax rate which at current activity levels would be 27.3% for 2011 and 25.8% for 2012 and beyond. The new tax rate will apply to the taxable income of the Fund which allows the Fund claim deductions from net income for tax purposes related to balances that have accumulated in various tax pools. Until such time as the new legislated tax becomes effective in 2011 the new tax does not impact the cash earnings of the business provided that distributions will continue to exceed the taxable income of the Fund, the Fund continues to operate within the rules outlined with the Specified Investment Flow-Through (SIFT) legislation and the Fund does not convert into a taxable corporation prior to December 31, 2010.

The Fund is currently evaluating the alternatives available for the conversion from an income trust structure to a corporate structure. The various alternatives each have their own financial and strategic advantages and consequences that require further review and consideration by management and the Board of Trustees at this time. On May 13, 2009, the Fund formed a special committee comprised of independent directors in order to review financing, restructuring and strategic alternatives. The committee may review and evaluate the conversion alternatives discussed above.

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

The Business of the Fund

The Fund is one of Canada's largest multi-location automobile dealership groups, currently operating or managing 22 franchised dealerships in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2008, the 22 franchised automobile dealerships owned or managed by the Fund, sold approximately 23,700 vehicles and processed approximately 277,300 service and collision repair orders in our 284 service bays.

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

The Fund's geographical profile is illustrated below by number of dealerships owned or managed and revenues by province for the three-month periods ended June 30, 2009 and June 30, 2008.

| (In thousands of dollars except % of total and number of dealerships) | <u>June 30, 2009</u> | | | <u>June 30, 2008</u> | | |
|---|--------------------------------------|----------------|-------------------|--------------------------------------|----------------|-------------------|
| | <u>Number of Dealerships</u> | <u>Revenue</u> | <u>% of Total</u> | <u>Number of Dealerships</u> | <u>Revenue</u> | <u>% of Total</u> |
| British Columbia | 7 | 68,988 | 34% | 6 | 75,259 | 33% |
| Alberta | 9 | 82,922 | 41% | 9 | 104,137 | 45% |
| All other | <u>6</u> | <u>50,360</u> | <u>25%</u> | <u>5</u> | <u>49,929</u> | <u>22%</u> |
| Total | <u>22</u> | <u>202,270</u> | <u>100%</u> | <u>20</u> | <u>229,325</u> | <u>100%</u> |

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

| <u>Location of Dealerships</u> | <u>Operating Name</u> | <u>Franchise</u> | <u>Year Opened or Acquired</u> |
|---------------------------------|--|-------------------|--|
| Victoria, British Columbia | Victoria Hyundai | Hyundai | 2006 |
| Maple Ridge, British Columbia | Maple Ridge Chrysler Jeep Dodge | Chrysler | 2005 |
| Maple Ridge, British Columbia | Maple Ridge Volkswagen | Volkswagen | 2008 |
| Prince George, British Columbia | Northland Chrysler Jeep Dodge | Chrysler | 2002 |
| Prince George, British Columbia | Northland Hyundai | Hyundai | 2005 |
| Prince George, British Columbia | Northland Nissan (managed) | Nissan | 2007 |
| Kelowna, British Columbia | Okanagan Chrysler Jeep Dodge | Chrysler | 2003 |
| Grande Prairie, Alberta | Grande Prairie Chrysler Jeep Dodge | Chrysler | 1998 |
| Grande Prairie, Alberta | Grande Prairie Hyundai | Hyundai | 2005 |
| Grande Prairie, Alberta | Grande Prairie Subaru | Subaru | 1998 |
| Grande Prairie, Alberta | Grande Prairie Mitsubishi | Mitsubishi | 2007 |
| Grande Prairie, Alberta | Grande Prairie Nissan (managed) | Nissan | 2007 |
| Edmonton, Alberta | Crosstown Chrysler Jeep Dodge | Chrysler | 1994 |
| Edmonton, Alberta | Capital Chrysler Jeep Dodge | Chrysler | 2003 |
| Sherwood Park, Alberta | Sherwood Park Hyundai | Hyundai | 2006 |
| Ponoka, Alberta | Ponoka Chrysler Jeep Dodge | Chrysler | 1998 |
| Thompson, Manitoba | Thompson Chrysler Jeep Dodge | Chrysler | 2003 |
| Woodbridge, Ontario | Colombo Chrysler Jeep Dodge | Chrysler | 2005 |
| Newmarket, Ontario | Doner Infiniti Nissan ⁽¹⁾ | Nissan / Infiniti | 2008 |
| Cambridge, Ontario | Cambridge Hyundai | Hyundai | 2008 |
| Moncton, New Brunswick | Moncton Chrysler Jeep Dodge | Chrysler | 2001 |
| Dartmouth, Nova Scotia | Dartmouth Chrysler Jeep Dodge ⁽²⁾ | Chrysler | 2006 |

¹ Both the Infiniti and Nissan brands are sold out of the Doner Infiniti Nissan dealership facility, therefore we consider these two brands to be one dealership for MD&A reporting purposes.

² We have owned 50% of Dartmouth Chrysler Jeep Dodge since 2002 and we purchased the remaining 50% in February, 2006.

Seasonality

The Fund's revenues have been historically subject to seasonal fluctuations. The following table illustrates the quarterly variation per year in the sales of new and used vehicles, based on the results of the Fund for 2008 and 2007, the combined results of the Fund and CAG for 2006 and the 2005 and 2004 results of CAG.

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

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

During the six-month period ended June 30, 2009, sales of new vehicles in Canada were down 18.3% when compared to the same period in 2008. Sales of new vehicles for the six-month period ended June 30, 2009 in Alberta and British Columbia were down by 26.5% and 25.5% respectively. The Fund's same store sales of new vehicles have decreased by 18.8% in the six-month period ended June 30, 2009 primarily as a result of economic conditions in the specific markets in which those stores operate. Specifically, the markets of Prince George, British Columbia and Grande Prairie, Alberta experienced significantly higher declines in new vehicle sales than the relevant British Columbia and Alberta provincial sales declines. These dealerships are located in sales localities that have a high concentration of resource extraction and production industries which have performed below the provincial statistics. The Fund operates several dealerships in these locations and we are pleased with the market share at these locations.

The following table summarizes Canadian new vehicle sales for the six-month period ended June 30, 2009 by Province:

| Province | June Year to Date New Vehicle Sales by Province ¹ | | | |
|------------------|--|-----------------------|-----------------------|-------------------------|
| | June Year to Date | | Percentage Change | Units Change |
| | 2009 | 2008 | | |
| British Columbia | 73,095 | 98,092 | (25.5)% | (24,997) |
| Alberta | 90,515 | 123,208 | (26.5)% | (32,693) |
| Saskatchewan | 20,883 | 23,484 | (11.1)% | (2,601) |
| Manitoba | 20,504 | 23,660 | (13.3)% | (3,156) |
| Ontario | 258,662 | 308,419 | (16.1)% | (49,757) |
| Quebec | 199,417 | 236,933 | (15.8)% | (37,516) |
| New Brunswick | 16,926 | 20,661 | (18.1)% | (3,735) |
| PEI | 2,594 | 2,928 | (11.4)% | (334) |
| Nova Scotia | 23,935 | 28,841 | (17.0)% | (4,906) |
| Newfoundland | 14,487 | 16,781 | (13.7)% | (2,294) |
| Total | <u>721,018</u> | <u>883,007</u> | <u>(18.3)%</u> | <u>(161,989)</u> |

¹ DesRosiers Automotive Consultants Inc.

DISTRIBUTIONS

Distributions to Unitholders

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

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

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

The Fund's intention is to refinance the CFC non-revolving fixed term facility as soon as possible. In the meantime, the Fund may continue to use excess cash to pay down debt in order to attain a level of debt that may better facilitate a refinancing with another third party lender.

The following table summarizes the distributions declared by the Fund for the period from January 1, 2009 to June 30, 2009.

(In thousands of dollars)

| Record date | Payment date | Fund Units | | Exchangeable Units | | Total | |
|--------------------|--------------------|----------------|------------|--------------------|------------|----------------|------------|
| | | Declared \$ | Paid \$ | Declared \$ | Paid \$ | Declared \$ | Paid \$ |
| January 30, 2009 | February 16, 2009 | 881 | 881 | 775 | 775 | 1,656 | 1,656 |
| February 27, 2009 | March 16, 2009 | 441 | 441 | 388 | 388 | 829 | 829 |
| N/A ⁽¹⁾ | N/A ⁽¹⁾ | - | - | - | - | - | - |
| | | 1,322 | 1,322 | 1,163 | 1,163 | 2,485 | 2,485 |

¹ No further distributions since those disclosed above have been declared as at the date of this MD&A. No record date or payment date is applicable.

Distributions are paid on Fund Units and Exchangeable Units. As of June 30, 2009 the following numbers of units were outstanding:

| | |
|--------------------|-------------------|
| Fund Units | 10,573,430 |
| Exchangeable Units | 9,307,500 |
| | <u>19,880,930</u> |

During the three-month and six-month periods ended June 30, 2009, the Fund declared distributions of \$0.000 and \$0.125 respectively per Fund Unit and Exchangeable Unit to Unitholders. The Fund reviews its distribution policy on a periodic basis.

Unit Option Plan

Under the terms of the Fund's Incentive Unit Option Plan, a maximum of 1,519,275 options can be outstanding at anytime. As of June 30, 2009, there are 798,424 options outstanding of which 708,977 are exercisable for certain employees, officers, directors and trustees. Options issued under the Plan vest at a rate of one third on the three subsequent award date anniversaries. All the options must be exercised over specified periods not to exceed five years from the dates granted.

Adjusted Distributable Cash

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

| (In thousands of dollars except unit and per unit amounts) | Q3 2007 | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 | Q2 2009 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net earnings (loss) for the period | 6,372 | 5,466 | 3,358 | 6,906 | (38,318) | (67,121) | 1,054 | 4,750 |
| Items not affecting cash: | | | | | | | | |
| Future income taxes | 239 | (1,182) | 330 | 148 | (1,869) | (8,579) | 97 | 67 |
| Unit-based compensation | 120 | 62 | 59 | 43 | 19 | 48 | 39 | 22 |
| Amortization | 794 | 856 | 771 | 758 | 885 | 905 | 872 | 902 |
| Loss (gain) on disposal of property & equipment | (13) | (6) | (6) | 20 | (21) | 6 | 9 | (18) |
| Goodwill impairment | - | - | - | - | 47,000 | 78,382 | - | - |
| Cash provided by operating activities – before changes in non-cash working capital | 7,512 | 5,196 | 4,512 | 7,875 | 7,696 | 3,641 | 2,071 | 5,723 |
| Less: Purchase of non-growth property and equipment ¹ | (126) | (298) | (177) | (250) | (80) | (197) | (187) | (132) |
| Adjusted distributable cash | 7,386 | 4,898 | 4,335 | 7,625 | 7,616 | 3,444 | 1,884 | 5,591 |
| Adjusted distributable cash per unit | 0.365 | 0.242 | 0.214 | 0.376 | 0.376 | 0.172 | 0.095 | 0.281 |
| Distributions declared to unitholders | 5,062 | 5,062 | 5,062 | 5,062 | 5,057 | 4,999 | 2,485 | - |
| Distributions declared per unit | 0.250 | 0.250 | 0.250 | 0.250 | 0.250 | 0.250 | 0.125 | - |
| Adjusted distributable cash less distributions declared | 2,324 | (164) | (727) | 2,563 | 2,559 | (1,555) | (601) | 5,591 |
| Adjusted distributable cash less distributions declared per unit | 0.115 | (0.008) | (0.036) | 0.127 | 0.126 | (0.078) | (0.030) | 0.281 |
| Adjusted payout ratio | 68.5% | 103.3% | 116.8% | 66.4% | 66.4% | 145.2% | 131.9% | 0.0% |
| 12 month trailing | | | | | | | | |
| Adjusted distributable cash | 22,985 | 23,119 | 22,512 | 24,244 | 24,474 | 23,020 | 20,569 | 18,535 |
| Distributions declared to unitholders | 20,249 | 20,249 | 20,249 | 20,249 | 20,243 | 20,180 | 17,603 | 12,541 |
| Adjusted payout ratio | 88.1% | 87.6% | 89.9% | 83.5% | 82.7% | 87.7% | 85.6% | 67.7% |
| Year-to-date | | | | | | | | |
| Adjusted distributable cash | | | | | | | | 7,475 |
| Distributions declared | | | | | | | | 2,485 |
| Adjusted payout ratio | | | | | | | | 33.2% |
| From inception since January 4, 2006 to June 30, 2009 (incl. operations from May 11, 2006 to June 30, 2009) | | | | | | | | |
| Adjusted distributable cash | | | | | | | | 68,929 |
| Distributions declared to unitholders | | | | | | | | 55,867 |
| Adjusted payout ratio | | | | | | | | 81.1% |

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

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

For the second quarter of 2009, the Fund generated adjusted distributable cash of \$0.281 per unit and declared distributions of \$nil per unit, for an adjusted payout ratio of 0.0%.

From the Fund's inception at January 4, 2006 (including operations from May 11, 2006 to June 30, 2009), our adjusted payout ratio is 81.1%.

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) | Q3 2007 | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 | Q2 2009 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Cash provided by operating activities | 6,486 | 3,637 | 2,739 | 13,806 | 10,456 | 7,313 | (3,213) | 2,611 |
| Less: Amounts related to expansion of sales and service capacity | (399) | (180) | (237) | (1,058) | (893) | (1,046) | (878) | (2,043) |
| Less: Purchase of non-growth property and equipment | (126) | (298) | (177) | (250) | (80) | (197) | (187) | (132) |
| Standardized distributable cash | 5,961 | 3,159 | 2,325 | 12,498 | 9,483 | 6,070 | (4,278) | 436 |
| Weighted average units outstanding at end of period ¹ | 20,257,000 | 20,257,000 | 20,257,000 | 20,257,000 | 20,249,732 | 20,047,787 | 19,880,930 | 19,880,930 |
| Standardized distributable cash per unit | 0.294 | 0.156 | 0.115 | 0.617 | 0.468 | 0.303 | (0.215) | 0.022 |
| Distributions declared | 5,062 | 5,062 | 5,062 | 5,062 | 5,057 | 4,999 | 2,485 | - |
| Distributions declared per unit | 0.250 | 0.250 | 0.250 | 0.250 | 0.250 | 0.250 | 0.125 | - |
| Standardized distributable cash less distributions declared | 900 | (1,903) | (2,737) | 7,436 | 4,426 | 1,071 | (6,763) | 436 |
| Standardized distributable cash less distributions declared per unit | 0.044 | (0.094) | (0.135) | 0.367 | 0.219 | 0.053 | (0.340) | 0.022 |
| Standardized payout ratio | 84.9% | 160.2% | 217.7% | 40.5% | 53.3% | 82.4% | (58.1%) | 0.0% |
| Basic earnings (loss) per unit | 0.305 | 0.086 | 0.152 | 0.335 | (1.892) | (3.348) | 0.053 | 0.239 |
| Diluted earnings (loss) per unit | 0.303 | 0.085 | 0.152 | 0.335 | (1.892) | (3.348) | 0.053 | 0.239 |
| 12 month trailing | | | | | | | | |
| Standardized distributable cash | 22,183 | 17,913 | 12,826 | 23,943 | 27,465 | 30,376 | 23,773 | 11,711 |
| Distributions declared | 20,249 | 20,249 | 20,249 | 20,249 | 20,243 | 20,180 | 17,603 | 12,541 |
| Standardized payout ratio | 91.3% | 113.0% | 157.9% | 84.6% | 73.7% | 66.4% | 74.0% | 107.1% |
| Year-to-date | | | | | | | | |
| Standardized distributable cash | | | | | | | | (3,842) |
| Distributions declared | | | | | | | | 2,485 |
| Standardized payout ratio | | | | | | | | (64.7%) |
| From inception since January 4, 2006 to June 30, 2009 (incl. operations from May 11, 2006 to June 30, 2009) | | | | | | | | |
| Standardized distributable cash | | | | | | | | 72,524 |
| Distributions declared | | | | | | | | 55,867 |
| Standardized payout ratio | | | | | | | | 77.0% |

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 negative 64.7% at June 30, 2009 is lower than when calculated using the method we have historically used, as described below which results in a year-to-date payout ratio of 33.2%. The main difference between the two methods is that the standardized distributable cash calculation adjusts for changes in non-cash working capital and reduces the amount of cash available for distribution by growth related capital expenditures.

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

| (In thousands of dollars except unit and per unit amounts) | Q3 2007 | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 | Q2 2009 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Standardized distributable cash | 5,961 | 3,159 | 2,325 | 12,498 | 9,483 | 6,070 | (4,278) | 436 |
| Change in non-cash working capital | 1,026 | 1,559 | 1,773 | (5,931) | (2,760) | (3,672) | 5,284 | 3,112 |
| Amounts related to expansion of sales and service capacity | 399 | 180 | 237 | 1,058 | 893 | 1,046 | 878 | 2,043 |
| Adjusted distributable cash | 7,386 | 4,898 | 4,335 | 7,625 | 7,616 | 3,444 | 1,884 | 5,591 |

Changes in non-cash working capital consist of fluctuations in the balances of accounts receivable, inventories, prepaid expenses, accounts payable and accrued liabilities, and revolving floorplan facilities. 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.

Management has determined that the standardized distributable cash achieved in the second quarter of 2009 is lower than originally anticipated due to the financing issues the Fund encountered during the quarter. Typically, when a financed vehicle sale is completed, there is an approximate three day period for the funds from the financing of the vehicle to be received by the Fund from the consumer lender. The Fund refers to this type of accounts receivable as a "contract in transit". Once the contract in transit is received, the amount received is used to pay out the floor plan financing on the vehicle. For the period of April 30, 2009 to June 16, 2009 the Fund was not able to floor plan finance any inventory as financing was suspended by CFC. During that period, the Fund self-financed a significant amount of its inventory until a new agreement had been reached with GMAC on June 16, 2009 for floor plan financing. At June 30, 2009 all dealerships had been provided with floor plan financing by GMAC. However, at June 30, 2009 a significant amount of self-financed vehicles were included in contracts in transit. As a result, the collection of these receivables would not have been used to pay out the floor plan financing since they were self-financed. Had all self-financed vehicles been sold and collected prior to June 30, 2009, the standardized distributable cash would have been significantly higher than what was achieved in the second quarter of 2009. The cash balance in the unaudited interim consolidated financial statements is also lower than originally anticipated due to the reasons described above. Subsequent to June 30, 2009 the contracts in transit relating to self-financed vehicles were collected and the Fund's cash balance has returned to historical levels.

The following table summarizes changes in non-cash working capital for the three-month periods ended June 30, 2009 and June 30, 2008.

| (In thousands of dollars) | <u>April 1, 2009 to June 30, 2009</u> | <u>April 1, 2008 to June 30, 2008</u> |
|--|---|---|
| | \$ | \$ |
| Accounts receivable | 6,787 | 1,102 |
| Inventories | 26,316 | 4,231 |
| Prepaid expenses | (1,218) | (532) |
| Accounts payable and accrued liabilities | 6,467 | 3,648 |
| Revolving floorplan facility | (41,464) | (2,518) |
| | <u>(3,112)</u> | <u>5,931</u> |

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 section above:

| (In thousands of dollars) | April 1, 2009 to June 30, 2009 | January 1, 2009 to June 30, 2009 |
|--|---|---|
| | \$ | \$ |
| Purchase of property and equipment from the Statement of Cash Flows | 2,175 | 3,240 |
| Less: Amounts related to the expansion of sales and service capacity | <u>(2,043)</u> | <u>(2,898)</u> |
| Purchase of non-growth property and equipment | <u>132</u> | <u>342</u> |

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) | April 1, 2009 to June 30, 2009 | January 1, 2009 to June 30, 2009 |
|----------------------------------|---|---|
| | \$ | \$ |
| Leasehold improvements | 31 | 49 |
| Machinery and equipment | 62 | 94 |
| Furniture and fixtures | 15 | 109 |
| Computer equipment | 13 | 29 |
| Company & lease vehicles | <u>11</u> | <u>61</u> |
| | <u>132</u> | <u>342</u> |

During the three-month and six-month periods ended June 30, 2009 growth capital expenditures of \$2.043 million and \$2.898 million respectively were incurred. These expenditures related primarily to purchases of equipment for our Grande Prairie Nissan and Capital Chrysler Dodge Jeep dealerships which relocated to new dealership facilities in October, 2008 and January 2009 respectively. Growth capital expenditures were also incurred for the new Crosstown Chrysler Dodge Jeep location, however the assets have yet to be placed into service. Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three-month and six-month periods ended June 30, 2009, were \$0.425 million and \$0.885 million respectively.

SELECTED QUARTERLY FINANCIAL INFORMATION AND RESULTS FROM OPERATIONS

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

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

| | Q3 2007 | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 | Q2 2009 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Income Statement Data | | | | | | | | |
| New vehicles | 133,853 | 111,683 | 107,688 | 128,371 | 118,807 | 96,634 | 87,176 | 108,181 |
| Used vehicles | 59,114 | 50,468 | 55,712 | 61,223 | 57,790 | 47,605 | 49,550 | 55,098 |
| Parts, service & collision repair | 23,142 | 23,863 | 23,536 | 26,610 | 26,492 | 27,105 | 26,390 | 27,322 |
| Finance, insurance & other | 12,905 | 10,697 | 11,180 | 13,121 | 13,597 | 11,023 | 9,683 | 11,669 |
| Revenue | 229,014 | 196,711 | 198,116 | 229,325 | 216,686 | 182,367 | 172,799 | 202,270 |
| New vehicles | 9,024 | 8,176 | 7,012 | 9,699 | 9,266 | 6,729 | 5,828 | 7,951 |
| Used vehicles | 4,943 | 3,746 | 4,393 | 5,180 | 5,156 | 3,671 | 3,810 | 5,677 |
| Parts, service & collision repair | 11,267 | 11,494 | 11,082 | 12,896 | 13,290 | 13,090 | 12,811 | 13,708 |
| Finance, insurance & other | 12,067 | 10,106 | 10,579 | 12,244 | 12,629 | 10,137 | 8,732 | 10,489 |
| Gross profit | 37,301 | 33,522 | 33,066 | 40,019 | 40,341 | 33,627 | 31,181 | 37,825 |
| Gross profit % | 16.3% | 17.0% | 16.7% | 17.5% | 18.6% | 18.4% | 18.0% | 18.7% |
| Sales, general & admin expenses | 26,905 | 25,654 | 26,317 | 29,916 | 30,491 | 28,157 | 27,813 | 30,450 |
| SG&A exp. as % of gross profit | 72.1% | 76.5% | 79.6% | 74.8% | 75.5% | 83.7% | 89.2% | 80.5% |
| Floorplan interest expense | 2,679 | 2,432 | 2,034 | 1,895 | 1,693 | 1,443 | 970 | 1,104 |
| Other interest & bank charges | 312 | 296 | 256 | 396 | 458 | 441 | 375 | 552 |
| Future income taxes | 239 | (1,182) | 330 | 148 | (1,869) | (8,579) | 97 | 67 |
| Net earnings ⁴ | 6,372 | 5,466 | 3,358 | 6,906 | (38,318) | (67,121) | 1,054 | 4,750 |
| EBITDA ^{1,3} | 7,600 | 5,310 | 4,621 | 8,022 | 7,975 | 3,868 | 2,230 | 6,135 |
| Operating Data | | | | | | | | |
| Vehicles (new and used) sold | 6,404 | 5,363 | 5,552 | 6,576 | 6,462 | 5,124 | 5,149 | 6,067 |
| New retail vehicles sold | 3,344 | 2,618 | 2,462 | 3,471 | 3,245 | 2,376 | 2,219 | 3,030 |
| New fleet vehicles sold | 543 | 569 | 716 | 470 | 532 | 526 | 473 | 446 |
| Used retail vehicles sold | 2,517 | 2,176 | 2,374 | 2,635 | 2,685 | 2,222 | 2,385 | 2,591 |
| Number of service & collision repair orders completed | 58,138 | 57,552 | 61,169 | 72,227 | 74,300 | 69,560 | 70,021 | 75,062 |
| Absorption rate ² | 104% | 93% | 90% | 100% | 99% | 94% | 84% | 90% |
| # of dealerships | 19 | 19 | 19 | 20 | 21 | 22 | 22 | 22 |
| # of same store dealerships ³ | 11 | 11 | 13 | 14 | 14 | 14 | 16 | 17 |
| # of service bays at period end | 260 | 260 | 260 | 279 | 284 | 284 | 319 | 319 |
| Same store revenue growth ³ | 8.2% | 5.3% | (0.6)% | (3.8)% | (17.1)% | (16.7)% | (19.8)% | (15.3)% |
| Same store gross profit growth ³ | 7.2% | 6.5% | 0.7% | 0.2% | (3.3)% | (8.0)% | (12.8)% | (8.7)% |
| Balance Sheet Data | | | | | | | | |
| Cash and cash equivalents | 20,179 | 18,014 | 15,298 | 18,459 | 19,194 | 19,592 | 12,522 | 14,842 |
| Accounts receivable | 39,940 | 34,274 | 36,411 | 35,374 | 39,390 | 31,195 | 33,821 | 27,034 |
| Inventories | 147,419 | 142,128 | 132,549 | 135,447 | 134,565 | 139,948 | 116,478 | 90,141 |
| Revolving floorplan facilities | 152,390 | 143,655 | 134,023 | 131,505 | 135,562 | 137,453 | 114,625 | 73,161 |

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

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

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

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

Second Quarter Operating Results

The three-month period ended June 30, 2009 showed a decrease over the comparable period in 2008 in terms of earnings and EBITDA. EBITDA for the three-month period ended June 30, 2009 decreased by 23.8% to \$6.1 million from \$8.0 million when compared to the prior period in 2008. The general economic downturn in Canada extending into the second quarter of 2009 negatively impacted the level of new vehicle sales and finance and insurance revenues, which in turn has adversely affected second quarter revenues and earnings.

The following table illustrates EBITDA for the six months ended June 30, for the last four years of operations.

| Period from January 1 to June 30 | EBITDA (In thousands of dollars) |
|---|---|
| 2006 ¹ | 9,707 |
| 2007 | 12,167 |
| 2008 | 12,643 |
| 2009 | 8,365 |

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

Net earnings decreased by \$2.1 million to \$4.8 million, from \$6.9 million of profit when compared to the same period in prior year. The majority of this decrease was due to declining earnings in our new vehicle sales, as well as declining finance and insurance earnings. This is mainly a result of the decrease in sales of new vehicles in Canada which continued into the second quarter of 2009. The Fund significantly increased its sales and service capacity in 2008 and the first quarter of 2009 with new facilities. The new facilities have increased the fixed costs associated with the Fund's operations. The depressed Canadian automotive retail sales market in late 2008 and the first six months of 2009 have contributed to the new facilities not achieving anticipated profitability levels. Although many selling, general and administrative costs are generally variable in nature and fluctuate with changes in sales, gross profit, and net earnings, costs which are mainly fixed in nature tend to adversely affect earnings during times of decreased sales. Expenses that impacted net earnings during the second quarter of 2009 due to being mainly fixed in nature were rent, non-commission based salaries, and other fixed costs.

The second quarter, along with the third quarter, are historically the industry's strongest in terms of revenues, earnings and EBITDA and the results of the Fund for the second quarter of 2009 follow this pattern.

Revenues

For the three-month period and six-month period ended June 30, 2009, revenues from all dealerships owned and operated by the Fund decreased to \$202.3 million and \$375.1 million respectively from \$229.3 million and \$427.4 million when compared to the same periods in the prior year. The decrease in revenue during the second quarter was as a result of a significant decline in the average new and used vehicle transaction prices and a decrease in the number of new vehicle units retailed. As a result of the decrease in new vehicle sales, finance and insurance revenue (our most profitable revenue stream) also decreased.

The average new vehicle transaction price for the three-month period ended June 30, 2009 decreased by \$1,451 or 4.5% due to increased manufacturer incentives and a change in consumer preference to smaller, less expensive vehicles. The average used vehicle transaction price decreased by \$1,969 or 8.5% during the three-month period ended June 30, 2009 largely due to manufacturer rebates on new vehicles which also reduces the transaction price of comparable used vehicles. The number of new vehicles retailed decreased by 465 units mainly due to the drop in new vehicle sales in Western Canada during the three-month period ended June 30, 2009. Finance and insurance revenue decreased by \$1.5 million or 10.7% from \$13.1 million to \$11.7 million as a result of lower new and used vehicle retail sales and the lack of consumer financing available to our customers from various financial institutions. Offsetting the decline in new and used vehicle revenue and finance and insurance revenue was an increase parts and service revenue. During the three-month period ended June 30, 2009, parts and service revenue increased by \$0.7 million or 2.6% from \$26.6 million to \$27.3 million.

Revenue - Same Store Analysis

Fund management considers same store gross profit and sales information to be an important operating metric when comparing the results of the Fund to other industry participants. 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 prior to April 1, 2007, the results of the acquired entity would be included in quarterly same store comparisons beginning with the quarter ended June 30, 2009 and in annual same store comparisons beginning with the year ended December 31, 2009.

The following table summarizes the results for the three-month and six-month periods ended June 30, 2009 on a same store basis by revenue source and compares these results to the same period in 2008.

Same Store Revenue and Vehicles Sold

| (In thousands of dollars except % change and vehicle data) | For the Three Months Ended | | | For the Six Months Ended | | |
|--|----------------------------|----------------|----------------|--------------------------|----------------|----------------|
| | June 30, 2009 | June 30, 2008 | % Change | June 30, 2009 | June 30, 2008 | % Change |
| Revenue Source | | | | | | |
| New vehicles | 95,153 | 118,547 | (19.7)% | 169,476 | 220,513 | (23.1)% |
| Used vehicles | 51,400 | 58,809 | (12.6)% | 96,421 | 111,920 | (13.8)% |
| Finance & insurance and other | <u>10,792</u> | <u>12,691</u> | <u>(15.0)%</u> | <u>19,216</u> | <u>23,272</u> | <u>(17.4)%</u> |
| Subtotal | 157,345 | 190,047 | (17.2)% | 285,113 | 355,705 | (19.8)% |
| Parts, service & collision repair | <u>25,344</u> | <u>25,641</u> | <u>(1.2)%</u> | <u>48,401</u> | <u>48,006</u> | <u>0.8%</u> |
| Total | <u>182,689</u> | <u>215,688</u> | <u>(15.3)%</u> | <u>333,514</u> | <u>403,711</u> | <u>(17.4)%</u> |
| New vehicles – retail sold | 2,593 | 3,178 | (18.4)% | 4,528 | 5,478 | (17.3)% |
| New vehicles – fleet sold | 434 | 464 | (6.5)% | 876 | 1,178 | (25.6)% |
| Used vehicles sold | <u>2,381</u> | <u>2,551</u> | <u>(6.7)%</u> | <u>4,498</u> | <u>4,820</u> | <u>(6.7)%</u> |
| Total | <u>5,408</u> | <u>6,193</u> | <u>(12.7)%</u> | <u>9,902</u> | <u>11,476</u> | <u>(13.7)%</u> |
| Total vehicles retailed | <u>4,974</u> | <u>5,729</u> | <u>(13.2)%</u> | <u>9,026</u> | <u>10,298</u> | <u>(12.4)%</u> |

Same store revenue decreased by 15.3% and 17.4% respectively in the three-month and six-month periods ended June 30, 2009 when compared to the same period in 2008.

New vehicle revenues decreased by \$23.4 million or 19.7% for the three-month period ended June 30, 2009 over the same period in the prior year due in part to a decrease in the average selling price per new vehicle sold of \$1,115 or 3.4% over the prior year largely as a result of continued higher manufacturer incentives and/or reductions to manufacturers' suggested retail prices. Another contributing factor to the decrease in new vehicle revenues for the three-month period ended June 30, 2009 was a net decrease in new vehicle sales of 615 units consisting of a decrease of 585 retail units and a decrease of 30 low margin fleet unit sales. New vehicle revenues decreased by \$51.0 million or 23.1% for the six-month period ended June 30, 2009 over the same period in the prior year due to a decrease in the average selling price per vehicle sold of \$1,769 over the same period in the prior year as a result of the factors discussed above. Further contributing to the decrease in new vehicle revenues for the six-month period ended June 30, 2009 was a net decrease in new vehicle sales of 1,252 units consisting of a decrease of 950 retail units and a decrease of 302 low margin fleet unit sales.

Same store used vehicle revenues decreased by \$7.4 million or 12.6% and \$15.5 million or 13.8% respectively in the three-month and six-month periods ended June 30, 2009 over the comparable periods in the prior year. For the three-month period ended June 30, 2009, the decrease was due to a combination of a decrease in the number of used vehicles sold of 170 units and a decrease in the average selling price per used vehicle retailed of \$1,466. For the six-month period ended June 30, 2009, the decrease was due to both a decrease in the number of vehicles sold of 322 units and a decrease in the average selling price per used vehicle of \$1,783.

Finance and insurance and other revenue decreased by \$1.9 million or 15.0% and \$4.1 million or 17.4% respectively in the three-month and six-month periods ended June 30, 2009 when compared to the same periods in the prior year. The decrease for the three-month period ended June 30, 2009 was due to a decrease in the number of units financed of 826 units or 14.2% and a decline in the average finance and insurance revenue per vehicle retailed of \$18 or 0.8%. This decrease is mainly due to the decline in availability of consumer financing available to our customers for purchasing vehicles from the various financial institutions which provide consumer credit. As a result of this decline, the Fund is experiencing a higher rate of cash deals, which negatively affects our finance and insurance revenues. The decrease for the six-month period ended June 30, 2009 was due to a decrease in the number of units financed of 1,272 units or 12.4% and a decline in the average finance and insurance revenue per vehicle retailed of \$131 or 5.8%.

The decrease in parts, service and collision repair revenue of \$0.3 million or 1.2% in the three-month period ended June 30, 2009 compared to the same period in the prior year was primarily a result of a slight 0.7% decrease in the number of service and collision repair orders completed. The increase in parts, service and collision repair revenue of \$0.4 million or 0.8% in the six-month period ended June 30, 2009 compared to the same period in the prior year was primarily a result of a 1.1% increase in the number of service and collision repair orders completed.

Gross Profit

Gross profit from all dealerships owned and operated by the Fund, for the three-month and six-month periods ended June 30, 2009 decreased by 5.5% to \$37.8 million and 5.6% to \$69.0 million respectively when compared to the same periods in 2008. The decrease in gross profit in the three-month and six month periods ended June 30, 2009 was mainly the result of declines in new vehicle sales and finance and insurance revenues.

Gross Profit - Same Store Analysis

The following table summarizes the results for the three-month and six-month periods ended June, 2009 on a same store basis by revenue source and compares these results to the same period in 2008.

Same Store Gross Profit and Gross Profit Percentage

| (In thousands of dollars except % change and gross profit %) | For the Three Months Ended | | | | | | For the Six Months Ended | | | | | |
|--|----------------------------|---------------|----------------|----------------|---------------|-------------|--------------------------|---------------|----------------|----------------|---------------|-------------|
| | Gross Profit | | | Gross Profit % | | | Gross Profit | | | Gross Profit % | | |
| | June 30, 2009 | June 30, 2008 | % Change | June 30, 2009 | June 30, 2008 | % Change | June 30, 2009 | June 30, 2008 | % Change | June 30, 2009 | June 30, 2008 | % Change |
| Revenue Source | | | | | | | | | | | | |
| New vehicles | 7,306 | 9,213 | (20.7)% | 7.7% | 7.8% | (1.3)% | 11,935 | 15,756 | (24.3)% | 7.0% | 7.2% | (2.8)% |
| Used vehicles | 5,163 | 5,012 | 3.0% | 10.1% | 8.5% | 18.8% | 8,831 | 9,191 | (3.9)% | 9.2% | 8.2% | 12.2% |
| Finance & insurance and other | <u>9,929</u> | <u>11,947</u> | <u>(16.9)%</u> | 92.0% | 94.1% | (2.2)% | <u>17,660</u> | <u>21,943</u> | <u>(19.5)%</u> | 91.9% | 94.3% | (2.5)% |
| Subtotal | 22,398 | 26,172 | (14.4)% | | | | 38,426 | 46,890 | (18.1)% | | | |
| Parts, service & collision repair | <u>12,870</u> | <u>12,467</u> | <u>3.2%</u> | <u>50.8%</u> | <u>48.6%</u> | <u>4.5%</u> | <u>24,041</u> | <u>22,955</u> | <u>4.7%</u> | <u>49.7%</u> | <u>47.8%</u> | <u>4.0%</u> |
| Total | <u>35,268</u> | <u>38,639</u> | <u>(8.7)%</u> | <u>19.3%</u> | <u>17.9%</u> | <u>7.8%</u> | <u>62,467</u> | <u>69,845</u> | <u>(10.6)%</u> | <u>18.7%</u> | <u>17.3%</u> | <u>8.1%</u> |

Same store gross profit decreased by 8.7% and 10.6% in the three-month and six-month periods ended June 30, 2009 when compared to the same period in the prior year. New vehicle gross profit decreased by \$1.9 million or 20.7% in the three-month period ended June 30, 2009 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 \$116 and the previously discussed net decrease in new vehicle sales of 615 units. We attribute the decrease in new vehicle unit sales to the general decline in new vehicle unit sales in western Canada in the second quarter, as the majority of dealerships included in the same store analysis are located in Alberta and British Columbia. New vehicle gross profit decreased by \$3.8 million or 24.3% in the six-month period ended June 30, 2009 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 \$159 and the previously discussed net decrease in new vehicle sales of 1,252 units consisting of a decrease of 950 retail units and a decrease of 302 low margin fleet unit sales.

Used vehicle gross profit increased by \$0.2 million or 3.0% in the three-month period ended June 30, 2009 over the same period in the prior year. The increase was due to an increase in the average gross per used vehicle retailed of \$204, partially offset by a decrease in the number of units sold of 170. The increase in gross profit earned per used vehicle retailed during the quarter may be attributed to increases in used vehicle wholesale prices in Canada during the second quarter. Used vehicle wholesale prices decreased significantly in 2008 and wholesale used vehicle prices have increased in the first six months of 2009. This may have resulted in higher gross margins on used vehicles during the second quarter of 2009 since the vehicles may have been purchased when prices were low and sold when prices were high. Used vehicle gross profit decreased by \$0.4 million or 3.9% in the six-month period ended June 30, 2009 over the same period in the prior year. The decrease was due to a decrease in the number of units sold of 322 units; partially offset by an increase in the average gross per used vehicle retailed of \$57. The increase in gross profit earned per used vehicle is attributed to the same reasons discussed above.

Finance and insurance and other gross profit decreased by \$2.0 million or 16.9% in the three-month period ended June 30, 2009 as a result of a decrease in sales of 826 retail units from the same period in 2008. The average gross profit per unit retailed decreased by \$64 or 3.1% due to the decrease in percentage of our customers able to obtain financing to purchase vehicles. This has resulted in a higher amount of cash deals which negatively affects our ability to perform our highly profitable finance and insurance transactions. Finance and insurance and other gross profit decreased by \$4.3 million or 19.5% in the six-month period ended June 30, 2009 as a result of the same reasons discussed above.

The increase in parts, service and collision repair gross profit of \$0.4 million or 3.2% in the three-month period ended June 30, 2009 was the result of a 4.0% increase in the average gross profit per service and collision repair order completed; partially offset by a 0.7% decrease in the number of service and collision repair orders completed. The increase in parts, service and collision repair gross profit of \$1.1 million or 4.7% in the six-month period ended June 30, 2009 was the result of the combination of a 1.1% increase in the number of service and collision repair orders completed and a 3.6% increase in the average gross profit per service and collision repair order completed.

Selling, general and administrative expenses

During the three-month and six-month periods ended June 30, 2009, SG&A expenses increased by 1.8% to \$30.5 million and 3.6% to \$58.3 million respectively over the same periods in the prior year primarily as a result of the three dealerships acquired and various relocations of existing dealerships during 2008 and 2009. During the three-month period ended June 30, 2009, SG&A as a percentage of gross profit increased to 80.5% from 74.8% from the same period in the prior year. The increase in selling, general and administrative expenses as a percentage of gross profit was mainly a result of achieving a lower gross margin per vehicle sold, less vehicle sales, and an increase in fixed costs in part due to increased rent and related expenses associated with new dealership facilities. During the six-month period ended June 30, 2009, SG&A as a percentage of gross profit increased to 84.4% from 76.9% from the same period in the prior year. This increase is largely due to the same reasons discussed above. In the first quarter of 2009, we relocated Capital Chrysler to a new dealership facility which resulted in further increased fixed costs as a percentage of gross.

Amortization expense

During the three-month period ended June 30, 2009, amortization was \$902 while it was \$758 for the prior period in 2008. This is mainly due to significant capital expenditures in 2008 and 2009 associated with acquisitions and dealership relocations.

Floorplan interest expense

During the three-month and six-month periods ended June 30, 2009, floorplan interest expense decreased by 41.7% to \$1,104 and 47.2% to \$2,074 respectively when compared to the same period in 2008. The decrease in interest expense was caused by a

decrease in the average prime lending interest rate for the three-month and six-month periods ended June 30, 2009 when compared to the same period in 2008 and a general inventory decrease.

The following table summarizes the interest rates at the end of the last eight quarters on our Chrysler Financial Canada (“CFC”) and General Motors Acceptance Corporation of Canada (“GMAC Canada”) revolving floorplan facilities.

| | Q3 2007 | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 | Q2 2009 |
|---|---------|---------|---------|---------|---------|---------|---------|----------------------|
| Revolving Floorplan Facility Interest Rate | 6.00% | 5.75% | 5.00% | 4.50% | 4.50% | 3.25% | 2.25% | 5.00% ⁽¹⁾ |

(1) In June of 2009, the Fund signed an agreement with GMAC Canada to provide the Fund with wholesale floorplan financing for its twenty owned dealerships. As at June 30, 2009 all of the amounts due to CFC under the revolving floorplan facility had been repaid and replaced with the revolving floorplan facility with GMAC Canada. As at June 30, 2009 the floorplan interest rate with CFC was 4.25% for new vehicles and 5.00% for used vehicles financed. As at June 30, 2009 the floorplan interest rate with GMAC Canada was 5.00% for new and used vehicles financed.

As of the date of this MD&A our floorplan interest rate is 5.00%. See the *Credit Facilities* section for reference to the new floorplan interest rate as part of the new revolving floorplan facility with GMAC Canada.

Some of our manufacturers provide non-refundable credits on the floorplan interest to offset the dealership’s cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership. During the three-month period ended June 30, 2009, the floorplan credits were \$763. This represents approximately 46.1% of total interest expense for the period. GAAP requires the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

Sensitivity

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

NEW DEALERSHIPS

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

Throughout 2008, the Fund had continued to pursue opportunities to acquire additional franchised automotive dealerships and to be awarded additional open points. Typically, it is a term of dealership franchise agreements that the manufacturer (“OEM”) has a right to match any purchase and sale agreement that the Fund, or any other proposed purchaser, enters into. In addition, such franchise agreements typically provide that the OEM has the right to not approve a proposed purchaser, provided the OEM can justify its refusal on reasonable grounds. Credit markets and economic conditions have not improved significantly during the second quarter of 2009. As a result of the economic downturn, there may be acquisition opportunities in the Canadian automotive retail market at lower purchase multiples. Although the Fund would consider pursuing acquisition opportunities if a favourable opportunity presents itself and if the acquisition could potentially provide incremental value to Unitholders, the Fund is concerned that the recent going concern and restructuring issues relating to some of the domestic auto manufacturers, including Chrysler LLC, may cause those auto manufacturers with whom the Fund does not have a relationship to increase their reluctance to entertain a relationship with a public multi-brand dealer group which has cross obligations among its dealer entities and thus further restrict the Fund’s ability to grow its dealership count.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are for capital expenditures, repayment of debt and funding distributions to Unitholders. We have historically met these requirements by using cash generated from operating activities and through short-term and long-term debt. A significant decline in sales as a result of the inability to procure adequate supply of vehicles, inability to finance the purchase of new vehicles, and/or lower consumer demand may reduce our cash flows from operations and limit our ability to fund capital expenditures, repay our debt obligations, and/or fund future distributions.

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Fund for the period from April 1, 2009 to June 30, 2009 was \$2.6 million. On an historical annual basis, the Fund has generated sufficient cash flow from operations to fund capital expenditures, distributions, working capital requirements and to service its debt obligations. The current economic conditions provide for an increased need for management of capital resources and liquidity. The Fund continues to manage its working capital to maintain optimal levels of liquidity during the economic downturn. The Fund maintains its view of funding distributions through operating cash flows and has temporarily suspended distributions as a result of the general economic downturn and negative cash flows from operating activities.

Economic dependence

The Fund has significant commercial and economic dependence on Chrysler Canada, Chrysler Financial Canada (“CFC”) and General Motors Acceptance Corporation of Canada (“GMAC Canada”). As a result, the Fund is subject to significant risk in the event of the financial distress of Chrysler Canada, one of our major vehicle manufacturers and parts suppliers, CFC, which provides the Fund with a Non-Revolver Fixed Term Facility, and GMAC Canada, which provides the Fund with a Revolver Floorplan Facility for twenty of the twenty-two dealerships that the Fund owns or operates.

The Fund’s unaudited interim consolidated financial statements include the operations of twenty-two franchised automobile dealerships, representing the product lines of seven global automobile manufacturers. The Fund’s Chrysler, Dodge, Jeep (“CDJ”) dealerships, which generated 72% of the Fund’s revenue in the six-month period ended June 30, 2009, purchase all new vehicles, a significant portion of parts and accessories and certain used vehicles from Chrysler Canada. In addition to these inventory purchases, the Fund is eligible to receive monetary incentives from Chrysler Canada if certain sales volume targets are met and is also eligible to receive payment for warranty service work that is performed for eligible vehicles.

At June 30, 2009, the Fund had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

| | |
|---------------------------------|----------|
| Accounts receivable | \$ 2,340 |
| New vehicle inventory | \$30,904 |
| Demonstrator vehicle inventory | \$ 4,291 |
| Parts and accessories inventory | \$ 4,721 |

The Fund also maintains cash on deposit, a Non-Revolver Fixed Term Facility, and certain lease contracts with CFC. At June 30, 2009, the balances of these accounts are:

| | |
|-------------------------------|----------|
| Cash on deposit | \$ 925 |
| Non-revolving fixed term loan | \$21,086 |
| Lease contracts | \$ 774 |

The \$925 of cash on deposit is held with CFC and is commonly referred to as a cash management account (“CMA”) which allows CDJ dealerships to earn interest on excess cash at an interest rate equal to CFC’s wholesale floor plan financing rate. Subsequent to June 30, 2009 the Fund applied the \$925 of cash on deposit to pay the full value remaining on lease contracts and applied the remainder of cash on deposit against the Non-Revolver Fixed Term Facility.

The Fund also maintains the majority of its revolving floorplan facility with GMAC Canada. At June 30, 2009, the balance of the liability is:

| | |
|------------------------------|----------|
| Revolving floorplan facility | \$69,889 |
|------------------------------|----------|

Chrysler Canada is a subsidiary of Chrysler Group LLC (“New Chrysler”) in the United States. CFC is a subsidiary of Chrysler Financial (“CF”) in the United States. As well, GMAC Canada is a subsidiary of General Motors Acceptance Corporation (“GMAC”) in the United States. The viability of Chrysler Canada is directly dependent on the viability of Chrysler Group LLC. Under the terms of the Fund’s credit agreement with CFC all of the Fund’s assets are pledged as collateral for the Fund’s debts to CFC, other than new, demonstrator and used vehicle inventory that is floor plan financed by GMAC Canada and the Bank of Nova Scotia.

Credit Facilities

In 2006, we entered into a credit agreement with CFC (“Original Credit Agreement”). On May 1, 2009, the Fund signed a third amendment to the Original Credit Agreement with CFC which terminated the Fund’s revolving term facility and converted the Fund’s \$21.6 million term debt outstanding into a seven year non-revolving fixed term loan facility to be repaid in monthly interest and principal repayments, bearing interest at the rate of 8.5 percent per annum for the first year of the term loan only (interest rates for each subsequent year will be subject to an annual rate renewal as determined by CFC). In addition, the fixed charge ratio has been amended to 1.20 for the second, third, and fourth quarters of 2009 returning to 1.75 for the first quarter of 2010 and beyond. The interest rates of the revolving floorplan facility were also amended to CFC’s standard floorplan interest rate that it charges to other Chrysler dealerships in Canada. The new wholesale floorplan rate for the Fund is the CFC prime rate plus 0.25% for new vehicles and CFC prime rate plus 1.00% for used vehicles. The CFC prime rate is defined as the greater of the bank prime rate or 4.00%.

On June 12, 2009 the Fund and CFC signed an amended and restated credit agreement (herein known as the “New Facility”), the terms of which differ substantially from the Original Credit Agreement and the third amendment discussed above.

The New Facility provides the Fund with a Non-Revolving Fixed Term Loan (“Term Loan”) in the principal amount of \$21.6 million. The New Facility also terminated the Revolving Floorplan Facility and Revolving Term Facility previously provided to the Fund as part of the Original Credit Agreement. See *Floor Plan Financing* section below for further discussion regarding the replacement of the revolving floorplan facility.

The Term Loan is amortized over a five year term, matures June 30, 2014 and bears interest at 11.36% until June 20, 2012, subject to an annual interest adjustment at the discretion of the lender on June 30, 2012 and June 30, 2013. Repayments consist of fixed monthly principal payments of \$351 plus applicable interest on the outstanding balance.

The New Facility is to be secured by all of the present and future assets of the Partnership, AutoCanada GP, each of the Dealer LPs and each of their general partners, including the limited partnership and general partnership interests of the Partnership in each of the Dealer LPs and the shares held by AutoCanada GP in the general partners of each of the Dealer LPs. As part of a priority agreement signed by CFC, GMAC Canada and the Fund, the collateral for the New Facility excludes all new, used, and demonstrator inventory financed with the Revolving Floorplan Facility provided by GMAC Canada (discussed below in *Floor Plan Financing* section).

The Credit Agreement prohibits distributions by the Partnership if the amount to be distributed would exceed our distributable cash flow, a default has occurred, the distribution would result in a default or the distribution would result in a Dealer LP having less than its required minimum working capital. This provision could limit distributions of our available cash, unless sufficient funds are available for repayment of the Term Loan.

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

- (i) The Current Ratio shall not be less than, on a consolidated basis, 1.15:1 at any time; and
- (ii) The Fixed Charge Ratio shall not be less than, on a consolidated basis, 1.75:1 at any time; except for the second, third, and fourth quarters of 2009 in which the Fixed Charge Ratio shall not be less than 1.20:1; and
- (iii) The Debt to Equity Ratio shall not be greater than 0.90:1 at any time; and
- (iv) The Fund must maintain a minimum Used Vehicle Equity of \$12 million at all times.

At June 30, 2009, the Fund was in compliance with these covenants. Additional information relating to the New Facility with CFC can be found on SEDAR (www.sedar.com).

The Fund shall continue to seek to diversify its financing sources for the wholesale floorplan financing and other debt facilities. The current structure of the Fund and the provisions in its credit facilities presents a risk that should one of our OEM partners experience financial distress, the Fund as a whole may be affected due to the cross-security provisions in the Fund's lending agreements.

Floor Plan Financing

Franchised automobile dealerships finance their new vehicle inventory (and in some instances a portion of their used vehicle inventory) by way of floor plan financing, which is offered by the automobile manufacturers' captive finance companies, banks and specialty lenders.

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

On April 30, 2009, letters were received by each of the Fund's CDJ dealerships indicating that CFC (our major floor plan financing provider) had temporarily suspended all incremental wholesale floorplan financing. At that time, twenty of the twenty-two dealerships owned or operated by the Fund were unable to finance any incremental new, used, or demonstrator inventory as part of the Fund's revolving floorplan facility with CFC. The Fund's franchise agreements with these manufacturers require the Fund to maintain floor plan financing at these dealerships.

In June of 2009, the Fund signed an agreement with GMAC Canada to provide the Fund with wholesale floorplan financing for the twenty owned dealerships. As at June 30, 2009 all of the amounts owed under the revolving floorplan facility with CFC were paid out and all owned dealerships were financed through GMAC Canada.

The new wholesale floorplan financing agreement with GMAC Canada provides the twenty owned dealerships of the Fund with financing for new, used and demonstrator inventory, subject to a maximum of new, used and demonstrator units to be financed based on the financing needs of each of our individual dealerships.

The floor plan notes payable are collateralized by a general security agreement consisting of a first security interest on all new, used and demonstrator vehicles financed by GMAC Canada in the twenty owned dealerships as part of the new wholesale floorplan financing agreement.

The BNS Revolving Floorplan Facility from the Bank of Nova Scotia ("BNS") is available to the two dealerships managed by the Fund. The BNS Revolving Floorplan Facility is available to finance new, used and demonstrator vehicles, is \$9,250, bears interest at Bank of Nova Scotia prime rate plus 0.75% (3.00% at June 30, 2009) for new and demonstrator vehicles and bears interest at Bank of Nova Scotia prime rate plus 1.75% (4.00% at June 30, 2009) for used vehicles and is payable monthly in arrears. The BNS Revolving Floorplan Facility requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of first security interest on all present and future property of the managed dealership, a \$1,000 guarantee from the Fund, and the managed dealerships' new, used and demonstrator vehicle inventory. The individual notes payable of the BNS Revolving Floorplan Facility are due when the related vehicle is sold. The balance outstanding on the BNS Revolving Floorplan Facility as of June 30, 2009 is approximately \$3.3 million.

Financial Instruments

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

The Fund has made the following classifications:

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

- Interest expense is recorded in net earnings.

Financial risk management

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

(a) Foreign currency risk

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

(b) Interest rate risk

The Fund's Revolving Floorplan Facilities 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 June 30, 2009, a change in the annual interest on floating rate debt of one percent would result in a change in annual interest expense of approximately \$732.

(c) Market risk

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

(d) Credit risk

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

Accounts receivable are aged at June 30, 2009 by the following approximate percentages:

| | |
|----------------|-----|
| Current | 91% |
| 31 to 60 days | 5% |
| 61 to 90 days | 1% |
| 91 to 120 days | 2% |
| Over 120 days | 1% |

The Fund evaluates receivables for collectability based on the age of the receivable, the credit history of the customers and past collection experience. The allowance for doubtful accounts amounted to \$457 as of June 30, 2009 (\$612 as of June 30, 2008). Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed on the balance sheet for accounts receivable are net of the allowance for bad debts. Concentration of cash and cash equivalents exist due to the significant amount of cash held with CFC.

(e) Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Fund's growth is financed through a combination of the cash flows from operations, borrowing under existing credit facilities and the issuance of equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of committed credit facilities. One of

management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows.

The Fund is exposed to liquidity risk as a result of its economic dependence on automobile manufacturers. Refer to *Note 1 – Economic dependence and measurement uncertainty* of the interim consolidated financial statements for further information regarding the Fund's economic dependence on Chrysler and its effect on the Fund's liquidity.

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

| | Current within 12 months | Non-current 1-5 years |
|--|-------------------------------------|----------------------------------|
| | \$ | \$ |
| Accounts payable and accrued liabilities | 27,164 | - |
| Revolving floorplan facility | 73,161 | - |
| Long-term debt | <u>7,063</u> | <u>25,117</u> |
| | <u>107,388</u> | <u>25,117</u> |

(f) Fair value

The estimated fair value of accounts receivable, accounts payable and accrued liabilities, revolving floorplan facilities and distributions payable approximate carrying value due to the relatively short-term nature of the instruments. The estimated fair value of long-term debt approximates the carrying value.

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.

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

In the first quarter, the Fund completed the relocation to new premises of its Capital Chrysler dealership located in Edmonton Alberta. The Capital Chrysler dealership was relocated to a new approximate 55,000 square foot facility in Edmonton, Alberta.

The Fund had previously anticipated relocating its Crosstown Chrysler dealership to a new approximate 80,000 square foot facility located in Edmonton, Alberta during the second quarter of 2009. At this time, the Fund has been unable to negotiate a lease with the landlord, a related party, which can provide the Fund with suitable terms for a long term lease on the property. Until such time as an agreement can be made, the Crosstown Chrysler dealership will continue to operate out of its present facility.

All such relocations result in additional capital expenditures for leasehold improvements, furniture and fixtures, service vehicles, computer hardware, and computer software. The purpose of these relocations is to offer customers improved facilities to better enhance the sales and service experience, as well as offer increased service capacity which in turn should lead to increased profitability. .

Currently, the Fund rents its dealership facilities from third parties which in some cases include CAG.

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

Contractual Obligations

The table below sets forth, as at June 30, 2009, 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 | Land Purchase | Long-term Debt | Total |
|---------------------------|--------|---------------|----------------|--------|
| | \$ | \$ | \$ | \$ |
| Less than one year | 7,650 | - | 4,752 | 12,402 |
| One to three years | 13,319 | 6,000 | 9,445 | 28,764 |
| Four to five years | 6,174 | - | 11,131 | 17,305 |
| Thereafter | 20,252 | - | - | 20,252 |
| | 47,395 | 6,000 | 25,328 | 78,723 |

Normal Course Issuer Bid

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

During 2008, the Fund purchased for cancellation 376,070 units at an average cost of \$2.46 per unit for total cash consideration of \$926. At December 31, 2008, all repurchased units had been cancelled with the difference between purchased cost and carrying value being charged to contribute surplus. For the six months ended June 30, 2009, nil units had been repurchased.

Financial Position

The following table shows selected unaudited balances of the Fund for June 30, 2009, March 31, 2009, September 30, 2008, June 30, 2008, June 30, 2008, March 31, 2008 and September 30, 2007 and the selected audited balances of the Fund at December 31, 2008 and December 31, 2007.

| Balance Sheet Data | The Fund | | | | | | | |
|--------------------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|-----------------------|-----------------------|
| | June 30, 2009 | March 31, 2009 | December 31, 2008 | September 30, 2008 | June 30, 2008 | March 31, 2008 | December, 31, 2007 | September 30, 2007 |
| Cash and cash equivalents | 14,842 | 12,522 | 19,592 | 19,194 | 18,459 | 15,298 | 18,014 | 20,179 |
| Accounts receivable | 27,034 | 33,821 | 31,195 | 39,390 | 35,374 | 36,411 | 34,274 | 39,940 |
| Inventories | 90,141 | 116,478 | 139,948 | 134,565 | 135,447 | 132,549 | 142,128 | 147,419 |
| Total assets | 198,946 | 229,839 | 257,104 | 338,296 | 374,912 | 364,879 | 374,341 | 387,263 |
| Revolving floorplan facilities | 73,161 | 114,625 | 137,453 | 135,562 | 131,505 | 134,023 | 143,655 | 152,390 |
| Total long term liabilities | 20,576 | 25,438 | 25,522 | 31,836 | 35,837 | 28,831 | 20,174 | 30,228 |

Net Working Capital

The automobile manufacturers represented by the Fund require the Fund to maintain a minimum net working for each individual dealership. At June 30, 2009, all working capital requirements had been met by each dealership.

Off Balance Sheet Arrangements

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

Related Party Transactions

Note 9 to the interim consolidated 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 a director and companies with common directors for the three-month period ended June 30, 2009 was \$40. We lease thirteen of our twenty-two locations as of June 30, 2009 from related parties to the Fund. The total rent paid by us to the related parties for the three-month period ended June 30, 2009 was \$1,868. The total consulting fees paid to a company controlled by a Trustee for the three-month period ended June 30, 2009 was \$6. We have received advice from a national real estate appraisal company that the market rents at each of our facilities leased from related parties of the Fund were at fair market value rates when the leases were entered into. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The new Capital Chrysler dealership facility is currently being leased on a month to month basis from a related party. At this time, the Fund has been unable to negotiate a long term lease with the landlord. The Fund has currently been paying rent to the landlord based on the Fund's policy for rent paid to related parties at the applicable rate in the policy.

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

Critical Accounting Policies

Except as noted in the *Changes in Accounting Policies and Initial Adoption* section of this MD&A, there are no significant changes in our critical accounting policies since December 31, 2008 as described in the Management Discussion and Analysis for the year-ended December 31, 2008 available at www.sedar.com.

Changes in Accounting Policies and Initial Adoption

The Fund adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”). The new standards and accounting policy changes are as follows:

a) Future Income Taxes (Emerging Issues Committee (“EIC”) Abstract No 171)

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

| | <i>Three Months Ended June 30, 2009</i> | <i>Three Months Ended June 30, 2008</i> | <i>Six Months Ended June 30, 2009</i> | <i>Six Months Ended June 30, 2008</i> |
|---------------------------------------|---|---|---|---|
| Long-term future income tax liability | - | (8,385) | - | (8,415) |
| Future income tax expense | - | (126) | - | (436) |
| Opening retained earnings (deficit) | - | (8,259) | - | (7,979) |

b) Goodwill and intangible assets

In February, 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, replacing Handbook Section 3062, “Goodwill and Other Intangible Assets” and Handbook Section 3450, “Research and Development Costs”. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in previous Handbook Section 3062. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, specifically January 1, 2009 for the Fund. The adoption of this Section did not have any impact on our financial position or results from operations.

c) Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee (“EIC”) issued a new abstract EIC 173 “Credit risk and the fair value of financial assets and financial liabilities”. This abstract concludes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Fund’s financial statements.

d) Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new standards:

Business combinations, Section 1582

This section replaces the former Section 1581 “Business combinations” and provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 “Business Combinations” (January 2008). The new standard requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at fair value including contingent assets and liabilities; and recognize and measure the goodwill required in the business combination or a gain from a bargain purchase. Acquisition-related costs are also to be expensed.

Consolidated financial statements, Section 1601 and Non-controlling interests, Section 1602

These two sections replace Section 1600 “Consolidated financial statements”. Section 1601 “Consolidated financial statements” carries forward guidance from Section 1600 “Consolidated financial statements” with the exception of non-controlling interests which are addressed in a separate section. Section 1602 “Non-controlling interests” is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 “Consolidated and Separate Financial Statement” (January 2008). This standard requires the Fund to report non-controlling interest within equity, separately from the equity of the owners of the parent, and transactions between an entity and non-controlling interests as equity transactions.

All three standards are effective January 1, 2011, at which time Canadian public companies will have adopted either IFRS or, for certain public companies, U.S. GAAP, as permitted by Canadian securities regulations. As such, adoption of these standards by the Fund is not expected unless they are early adopted. Early adoption is permitted; however, the early adoption of one of the three standards would require adoption of the other two standards. Should the Fund engage in a business combination prior to 2011, consideration will be given to the potential impact of the early adoption of these standards.

e) **Convergence with International Financial Reporting Standards (“IFRS”)**

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

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

Critical Accounting Estimates

Use of estimates and measurement uncertainty

These unaudited interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of unaudited interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In preparing these unaudited interim consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We periodically evaluate estimates and assumptions used in the preparation of the financial statements and make changes on a prospective basis when adjustments are necessary.

On April 30, 2009, an announcement was made by the United States government with respect to the intentions of Chrysler LLC (“Old Chrysler”) to file for Chapter 11 creditor protection. Later that day, an official filing was completed by Old Chrysler. As part of the announcement, the U.S. government also announced its acceptance of the long-term viability plan for Chrysler to form a strategic alliance with FIAT SpA, a European auto manufacturer. Through its acceptance of the plan, over \$10 billion was committed to the Chrysler/FIAT alliance in the form of debtor-in-possession financing in order to allow Old Chrysler to fulfill its obligations under Chapter 11 creditor protection and emerge as a financially viable company.

On June 10, 2009, a new company emerged from creditor protection under the name of Chrysler Group LLC (“New Chrysler”). New Chrysler was formed under a strategic alliance with FIAT SpA and resumed production of vehicles on June 29, 2009.

The Fund has also determined that there is potential to breach the Fixed Charge Ratio covenant associated with the Non-Revolving Fixed Term Facility provided by CFC in the first quarter of 2010.

The following significant estimates have been made by the Fund in the accompanying unaudited interim consolidated financial statements, which given recent events as described above, could require a material change in future periods.

Inventories

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. In determining net realizable value for new vehicles, the Fund primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Fund considers recent market data and trends such as loss histories along with the current age of the inventory.

Intangible assets

The Fund's identifiable intangible assets are rights under franchise agreements with automobile manufacturers. The Fund assesses the carrying value of these unlimited life intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable.

Allowance for doubtful accounts

The Fund evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience.

Other

In addition to the above, the significant estimates made by the Fund in the accompanying interim consolidated financial statements include certain assumptions related to accruals for chargebacks against revenue recognized from the sale of finance and insurance products and the accrual of potential contingencies.

Enacted tax changes for Canadian income trusts

There have been no significant enacted tax changes for Canadian income trusts since December 31, 2008 as described in the Management Discussion and Analysis for the year-ended December 31, 2008 available at www.sedar.com.

Internal Controls over Financial Reporting

Management of the Fund is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Fund; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Fund; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Fund's assets that could have a material effect on the financial statements.

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

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

Changes in Internal Control over Financial Reporting

There have been no changes in the Fund's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting during the six-month period ended June 30, 2009.

Future Accounting Policies - International Financial Reporting Standards

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

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

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

Outlook

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

Canadian new vehicle sales have decreased by 18.3% in the six-month period ended June 30, 2009 when compared to the same period in 2008. As evident in the following chart, such sales are predicted to decrease by approximately 13.5 percent in 2009.

New Vehicle Sales Outlook by Province*

(thousands of units, annual rates)

| | <u>1994-2005</u> Average | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009f</u> |
|------------------|-----------------------------|--------------|--------------|--------------|--------------|
| Canada | 1,446 | 1,614 | 1,654 | 1,642 | 1,420 |
| Atlantic | 102 | 110 | 118 | 127 | 111 |
| Central | 936 | 997 | 1,001 | 1,010 | 885 |
| Quebec | 366 | 396 | 408 | 430 | 372 |
| Ontario | 570 | 601 | 593 | 580 | 513 |
| West | 408 | 507 | 535 | 505 | 424 |
| Manitoba | 42 | 44 | 45 | 46 | 41 |
| Saskatchewan | 36 | 38 | 44 | 48 | 46 |
| Alberta | 166 | 236 | 249 | 232 | 190 |
| British Columbia | 164 | 189 | 197 | 179 | 147 |

* Includes cars and light trucks

Source: Scotia Economics - Global Auto Report, July 31, 2009

The first six months of 2009 presented many challenges for automotive retailers in Canada. The Canadian economy in general revealed signs of deterioration which may have an indirect effect on automotive sales such as increasing unemployment rates and decreased gross domestic product. We have also witnessed near unprecedented volatility in the capital markets generally, a significant change in ownership of one of our manufacturers, a tightening of credit markets, a prolonged recession in the U.S and Canadian economies, and decreasing commodity prices, some or all of which could directly or indirectly negatively impact on the sales of new vehicles. Additionally, the fluctuations in the value of the U.S. dollar relative to the Canadian dollar puts at risk some of the price reductions of new vehicles which were a result of the prior increase in the relative value of the Canadian dollar. These fluctuations also make it difficult for the Fund to make decisions with respect to purchasing used vehicles, such as whether to purchase from the U.S. or Canada. Finally, gross margin per new and used vehicle retailed may continue to be negatively impacted as a result of the shift in consumer preferences from trucks and large sport utility vehicles toward more fuel efficient passenger cars and crossover vehicles from which we will earn lower margins, with continued price volatility anticipated. This shift in consumer preference from trucks and large sport utility vehicles was prevalent in the last six months of 2008 and the first three months of

2009. However, Canadian automotive retail sales statistics have revealed that this preference has been progressively reversing over the past three months and consumers are now purchasing less fuel efficient vehicles (light truck sales have increased by 1.5% in the month of June 2009 as compared to the prior year, passenger car sales have decreased by 22.9% in the month of June 2009 as compared to the prior year).

Regarding future growth, management is concerned that the recent going concern and restructuring issues relating to some of the domestic auto manufacturers, including Chrysler LLC, may cause those auto manufacturers with whom the Fund does not have a relationship to increase their reluctance to entertain a relationship with a public multi-brand dealer group which has cross obligations among its dealer entities.

The Fund has very little insight as to the future of the Canadian automotive retail market, based on mixed economic signals from prominent economists in Canada and around the world. As a result, it is very difficult to forecast the future results of the Fund at this time.

Risk Factors

- The future successes of the CDJ brands are important factors in the Fund's ability to continue its business operations as we are economically dependent on them. The future of Chrysler Group LLC and Chrysler Canada is unknown at this time; however the Fund is encouraged by the strategic alliance with FIAT SpA. The uncertainty surrounding the future viability of the Chrysler/FIAT alliance and the demand for their vehicles is a significant risk to the Fund.
- The future of one of our major lenders, CFC, is unknown to the Fund at this time. If CFC winds down its business and the Fund cannot otherwise repay or refinance the Non-Revolving Fixed Term Facility, the Fund may not be able to renegotiate favourable terms or obtain waivers with respect to the potential breach of the fixed charge ratio covenant in the first quarter of 2010. The Fund also notes that regardless of whether CFC winds down its business and the Fund cannot otherwise pay or refinance the Non-Revolving Fixed Term Facility, the Fund may not be able to renegotiate the terms or obtain waivers with respect to the anticipated breach. The potential demand for repayment of the Non-Revolving Fixed Term Facility as a result of a possible future covenant breach is a significant risk to the Fund.
- The willingness of one of our major lenders, GMAC Canada, to continue to provide wholesale floorplan financing to twenty of the Fund's twenty-two dealerships presents an additional risk to the Fund
- As part of the reorganization of Chrysler LLC during the second quarter of 2009, all manufacturing operations had been idled until Chrysler LLC had emerged from Chapter 11 creditor protection as Chrysler Group LLC. On July 29, 2009 the Chrysler Group LLC resumed manufacturing operation at seven of its plants. Since the production of vehicles had ceased for an extended period of time, the Fund is currently experiencing a shortage of inventory. Until manufacturing operations resume at an historical level, the Fund's operations may be negatively affected by the shortage of inventory at its CDJ dealerships.
- Chrysler Canada may not be able to continue to offer competitive financial incentives in respect to new vehicle sales, which, if not provided, could adversely affect the Fund's new vehicle sales revenues and gross profits.
- The terms of the amended and restated credit facility contain interest rates that are higher than the previous credit facility. The non-revolving fixed term loan requires the Fund to make principal repayments over a five year term. The required principal repayments and higher interest rates will decrease the Fund's future cash flows which may impact future distribution levels. In addition, the non-revolving fixed term loan does not allow the Fund to draw additional funds for acquisitions, working capital, or any other future cash requirements. This may limit the Fund's ability to grow its business. The amended covenants provide for a fixed charge ratio of 1.20 for the remainder of 2009, however the ratio returns to 1.75 in the first quarter of 2010. The Fund is uncertain as to whether it can satisfy this financial covenant in the future, and, if so, it would be in breach of its credit agreement with CFC. These are all additional risks to the Fund.
- The willingness of lenders to continue to provide adequate financing to consumers to finance the purchase of vehicles in similar numbers and/or at continued attractive rates is a risk to the Fund. Automobile dealers are dependent upon such credit being made available to consumers, and any reduction of same could reduce sales.
- Uncertainty in the capital markets and the Canadian economy generally may result in limited access to capital, as well as potentially higher interest rates are risks in the Fund's activities.

- Additional intangible asset impairment losses could have an adverse impact on our ability to satisfy the financial ratios or other covenants under our credit agreements and could have a material adverse impact on our results of operations and unitholders' equity.
- The anticipated future relocation of Crosstown Chrysler in Edmonton, Alberta may result in short term reduced profitability at this location as existing customers are transitioned to the new location and new customers are added. The relocation to a new facility may also result in an increase in rent expense, based on management's projections.
- The continued volatility of the Canadian dollar relative to the U.S. dollar could result in price increases of vehicles and vehicle parts, which could negatively impact on sales.
- The dates on which holidays fall can reduce or increase the number of selling days available from month to month which can impact the financial results of the Fund from one quarter to another on a year over year basis.
- The recent going concern and restructuring issues relating to some of the domestic auto manufacturers, including Chrysler LLC, and the possibility that the same may cause those auto manufacturers with whom the Fund does not have a relationship to increase their reluctance to entertain a relationship with a public multi-brand dealer group which has cross obligations among its dealer entities, is considered an additional risk to the Fund.

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

Additional information

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

FORWARD LOOKING STATEMENTS

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

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

- expectation of whether a new financing arrangement can be reached to replace the Non-Revolving Fixed Term Facility with Chrysler Financial Canada and the effect of a possible new agreement on the Fund's operations;
- assumptions regarding the future sources of floor plan financing and the effect on the Fund;
- assumptions with respect to the effect on the Fund if Chrysler Canada or Chrysler Financial Canada suffer financial distress;
- our expectation that Chrysler Financial Canada may eventually wind down its operations;
- our determination that the amended and restated credit agreement with CFC could limit distributions of the Fund's available cash;
- economic conditions resulting in restriction or lessening of credit generally to the Fund or financing of the Fund's customers;
- assumptions on the effect of the idling of Chrysler Canada manufacturing operations;
- expectations over whether future cash flows are sufficient to meet future obligations of the Fund;

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

Although we believe that the expectations reflected by the forward-looking statements presented in this release are reasonable, our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about ourselves and the businesses in which we operate. Information used in developing forward-looking statements has been acquired from various sources including third-party consultants, suppliers, regulators, and other sources. In some instances, material assumptions are disclosed elsewhere in this release in respect of forward-looking statements.

The Fund's Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

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