AUTOCANADA INC.

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

For the year ended December 31, 2009

As of March 22, 2010

READER ADVISORIES

The Management's Discussion & Analysis ("MD&A") was prepared as of March 22, 2010 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the year ended December 31, 2009 and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada for the year ended December 31, 2009. These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Results are reported in Canadian dollars. Certain dollar amounts have been rounded to the nearest thousand dollars. References to notes are to the notes of the Consolidated Financial Statements of the Company unless otherwise stated.

To provide more meaningful information, this MD&A typically refers to the operating results for the three-month period and year ended December 31, 2009 of the Company, and compares these to the operating results of the Company for the three-month period and year ended December 31, 2008. We have also included in the MD&A certain historical information with respect to Canada One Auto Group ("CAG" or the "Vendors") from other periods.

This MD&A contains forward-looking statements. Please see the section "FORWARD-LOOKING STATEMENTS" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking information. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing AutoCanada's performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "NON-GAAP MEASURES".

OVERVIEW OF THE COMPANY

Conversion to a Corporation

On December 17, 2009, unitholders of AutoCanada Income Fund (the "Fund") approved the conversion of the Fund into a corporation ("AutoCanada Inc."), pursuant to a plan of arrangement ("the Conversion") involving, among others, the Fund, AutoCanada and securityholders of the Fund. The conversion was completed on December 31, 2009.

The Conversion has been accounted for as a continuity of interests of the Fund since there has been no change of control and since AutoCanada will continue to operate the business of the Fund. Accordingly, this MD&A and accompanying consolidated financial statements reflect AutoCanada as a corporation at December 31, 2009 and as AutoCanada Income Fund prior thereto. All references to "shares" refer collectively to AutoCanada's common shares on and subsequent to December 31, 2009 and to the Fund units prior to the Conversion. All references to "shareholders" refer collectively to holders of AutoCanada's shares on and subsequent to December 31, 2009 and to Fund unitholders prior to the Conversion.

As a result of the Conversion, unitholders of the Fund received one common share ("share") of AutoCanada for each one unit of the Fund. The trust structure of AutoCanada was reorganized into a publicly listed corporation, which owns all of the Fund units. AutoCanada also now holds all the assets and liabilities, previously held, directly or indirectly, by the Fund.

Additional information concerning the Company is contained in the Company's Annual Information Form dated March 22, 2010 which is filed on SEDAR (www.sedar.com) and on the Company's website (www.autocan.ca).

The Business of the Company

AutoCanada is one of Canada's largest multi-location automobile dealership groups, currently operating 22 franchised dealerships in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2009, the 22 franchised automobile dealerships owned by the Company, sold approximately 23,000 vehicles and processed approximately 300,000 service and collision repair orders in our 331 service bays. We have grown, and intend to continue to grow, our business through the acquisition of franchised automobile dealerships in key markets, the organic growth of our existing dealerships, the opening of new franchised automobile dealerships, or "Open Points", and the management of franchised automobile dealerships.

Our 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 therefore 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 Company's geographical profile is illustrated below by number of dealerships and revenues by province for the year ended December 31, 2009 and December 31, 2008.

	December 31, 2009			**December 31, 2008**		
(In thousands of dollars except % of total and number of dealerships)	**Number of Dealerships**	**Revenue**	**% of Total**	**Number of Dealerships**	**Revenue**	**% of Total**
British Columbia	7	270,286	35%	7	268,636	32%
Alberta	9	319,246	41%	9	379,227	46%
Ontario	3	96,188	12%	3	88,622	11%
All other	3	91,213	12%	3	90,009	11%
Total	22	776,933	100%	22	826,494	100%

The following table sets forth the dealerships that we currently own and operate and the date opened or acquired by the Company or Canada One Auto Group Limited ("CAG"), organized by location.

Location of Dealerships	Operating Name	Franchise	Year Opened or Acquired
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge	Chrysler	2005
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	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	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	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.

Seasonality

AutoCanada's revenues are subject to seasonal fluctuations. The following table illustrates the quarterly variation per year in the sales of new and used vehicles, based on the results of the Company for 2009, 2008, and 2007, as well as the combined results of the Company and CAG for 2006 and the results of CAG for 2005.

	New Vehicle Sales					Used Vehicle Sales					Total Vehicles Sold				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Q1	19%	20%	23%	24%	21%	23%	24%	23%	25%	24%	22%	22%	23%	24%	22%
Q2	27%	26%	25%	28%	26%	26%	26%	28%	28%	26%	27%	26%	26%	28%	26%
Q3	32%	29%	29%	26%	28%	25%	27%	26%	26%	27%	28%	28%	28%	26%	28%
Q4	22%	25%	23%	22%	25%	26%	23%	23%	21%	23%	23%	24%	23%	22%	24%

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.

OUR PERFORMANCE

New light vehicle sales in Canada in 2009 were down 10.7% when compared to 2008. Sales of new light vehicles for 2009 in Alberta and British Columbia, our primary markets, were down by 21.0% and 15.1% respectively. The Company's same store sales of new vehicles have decreased by 8.1% in 2009 primarily as a result of lower sales volumes in Western Canada, where sixteen of our nineteen dealerships included in our same store analysis operate. AutoCanada has continued to operate from many new facilities which adhere to strict image standards set by manufacturers since its inception and management attributes much of its excellent performance versus the market to these new facilities which truly enhances the customers' experience.

The following table summarizes Canadian new light vehicle sales for the year end of 2009 by Province:

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

	December Year to Date		Percentage Change	Units Change
	2009	2008		
Province				
British Columbia	150,323	177,040	(15.1)%	(26,717)
Alberta	183,221	231,810	(21.0)%	(48,589)
Saskatchewan	43,766	47,619	(8.1)%	(3,853)
Manitoba	42,833	46,188	(7.3)%	(3,355)
Ontario	534,366	578,750	(7.7)%	(44,384)
Quebec	391,053	428,016	(8.6)%	(36,963)
New Brunswick	34,299	38,228	(10.3)%	(3,929)
PEI	5,269	5,484	(3.9)%	(215)
Nova Scotia	46,933	51,602	(9.0)%	(4,669)
Newfoundland	28,518	31,249	(8.7)%	(2,731)
Total	**1,460,581**	**1,635,986**	**(10.7)%**	**(175,405)**

[1] *DesRosiers Automotive Consultants Inc.*

Undoubtedly 2009 was one of the most challenging years in retail automotive history in recent memory. Many of these challenges were a direct result of the credit crisis that impacted all sectors of the world economy in 2009. The year was marked by both Chrysler and General Motors filing for bankruptcy in the United States in the spring and then re-emerging from bankruptcy in the summer. One of our long term business partners, Chrysler Financial Canada, exited the automotive business, a decision which left us without a floor plan financing provider at all of our dealerships, and the loss of a significant source of financing for our customers when purchasing new and used vehicles. Through the efforts of management, and much hard work by our new floor plan lender, we successfully replaced Chrysler Financial Canada with a long term partner, General Motors Acceptance Corporation of Canada ("GMAC"). In addition, Management replaced its Chrysler Financial Canada term financing (the "CFC Facility") with term financing from HSBC Bank Canada (the "HSBC Facility"). Finally, at year end, we successfully converted from an income trust to a corporation, and acquired the two managed Nissan dealerships that were previously included in our financial results as they were considered to be variable interest entities. By any measure, it was a year of uncertainty and challenge. Despite the turmoil that resulted from the all of the above, management is proud of the fact that its team remained intact, and that notwithstanding the challenges, we generated EBITDA of $18.4 million in 2009.

It is management's view that the tight credit markets will continue to impact our business into 2010. In late 2008, the automotive leasing business was significantly reduced as the ability for captive finance companies to securitize asset back loans was eliminated. The absence of leasing will impact how we do business in the future as consumer lease returns provided significant sales opportunities to dealerships as well as a significant source of nearly new vehicles that could be offered for sale on our used vehicle lots. The credit crisis has also restricted our ability to obtain financing through third parties to facilitate our customers' purchase of vehicles as well as restricted the amount that each customer can finance when purchasing a vehicle. From a financial perspective, this has resulted in a significant drop in our finance and insurance income in 2009 and will most likely continue through-out 2010 until credit conditions return to normal.

Although Chrysler's progress remains not certain, we are pleased that in our major markets there has been continued strong demand for the core product offerings from Chrysler Jeep Dodge ("CJD") namely, Dodge Ram and Dodge Caravan, both of which were redesigned in 2009 and which are competitive.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the audited results of the Company for the years ended December 31, 2007, December 31, 2008 and December 31, 2009. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(In thousands of dollars except Operating Data and gross profit %)	The Fund	The Fund	The Company
	(Audited)	(Audited)	(Audited)
	2007	2008	2009
Income Statement Data			
Revenue	834,815	826,494	776,933
New vehicles	472,602	451,501	415,750
Used vehicles	224,991	222,329	209,169
Parts, service & collision repair	92,140	103,743	108,383
Finance, insurance & other	45,082	48,921	43,631
Gross profit	138,892	147,052	141,976
New vehicles	32,512	32,706	29,940
Used vehicles	19,685	18,400	19,540
Parts, service & collision repair	44,289	50,358	53,340
Finance, insurance & other	42,406	45,588	39,156
Gross profit %	16.6%	17.8%	18.3%
Sales, general & admin expenses	103,715	114,881	118,141
Floorplan interest expense	9,594	7,065	4,855
Other interest & bank charges	1,250	1,551	2,281
Future income taxes	9,385	(9,970)	449
Net earnings	11,738	(95,175)	12,578
EBITDA [1]	25,077	24,486	18,352
Basic earnings (loss) per share	0.579	(4.711)	0.633
Diluted earnings (loss) per share	0.578	(4.711)	0.633
Operating Data			
Vehicles (new and used) sold	23,296	23,714	23,083
New retail vehicles sold	11,135	11,554	11,117
New fleet vehicles sold	2,521	2,244	2,233
Used retail vehicles sold	9,640	9,916	9,733
Number of service & collision repair orders completed	231,723	277,256	301,282
Absorption rate [2]	98%	96%	89%
# of dealerships	19	22	22
# of same store dealerships [3]	11	14	19
# of service bays at period end	260	284	331
Same store revenue growth [3]	11.3%	(9.9)%	(10.5)%
Same store gross profit growth [3]	12.1%	(2.6)%	(7.8)%

[1] EBITDA has been calculated as described under “NON-GAAP MEASURES”.
[2] Absorption has been calculated as described under “NON-GAAP MEASURES”.
[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.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

(In thousands of dollars except Operating Data and gross profit %)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Income Statement Data								
New vehicles	107,688	128,371	118,807	96,634	87,176	108,181	117,513	102,880
Used vehicles	55,712	61,223	57,790	47,605	49,550	55,098	56,386	48,135
Parts, service & collision repair	23,536	26,610	26,492	27,105	26,390	27,322	26,941	27,730
Finance, insurance & other	11,180	13,121	13,597	11,023	9,683	11,669	12,027	10,252
Revenue	198,116	229,325	216,686	182,367	172,799	202,270	212,867	188,997
New vehicles	7,012	9,699	9,266	6,729	5,828	7,951	9,003	7,157
Used vehicles	4,393	5,180	5,156	3,671	3,810	5,677	5,744	4,309
Parts, service & collision repair	11,082	12,896	13,290	13,090	12,811	13,708	13,374	13,447
Finance, insurance & other	10,579	12,244	12,629	10,137	8,732	10,489	10,717	9,218
Gross profit	33,066	40,019	40,341	33,627	31,181	37,825	38,838	34,131
Gross profit %	16.7%	17.5%	18.6%	18.4%	18.0%	18.7%	18.3%	18.1%
Sales, general & admin expenses	26,317	29,916	30,491	28,157	27,813	30,450	30,565	29,313
SG&A exp. as % of gross profit	79.6%	74.8%	75.5%	83.7%	89.2%	80.5%	78.7%	85.9%
Floorplan interest expense	2,034	1,895	1,693	1,443	970	1,104	1,399	1,382
Other interest & bank charges	256	396	458	441	375	552	802	552
Future income taxes	330	148	(1,869)	(8,579)	97	67	37	248
Net earnings [4]	3,358	6,906	(38,318)	(67,121)	1,054	4,750	5,099	1,675
EBITDA [1 4]	4,621	8,022	7,975	3,868	2,230	6,135	6,716	3,271
Operating Data								
Vehicles (new and used) sold	5,552	6,576	6,462	5,124	5,149	6,067	6,415	5,451
New retail vehicles sold	2,462	3,471	3,245	2,376	2,219	3,030	3,236	2,559
New fleet vehicles sold	716	470	532	526	473	446	619	695
Used retail vehicles sold	2,374	2,635	2,685	2,222	2,385	2,591	2,560	2,197
Number of service & collision repair orders completed	61,169	72,227	74,300	69,560	70,021	75,062	79,346	76,853
Absorption rate [2]	90%	100%	99%	94%	84%	90%	92%	91%
# of dealerships	19	20	21	22	22	22	22	22
# of same store dealerships [3]	13	14	14	14	16	17	18	19
# of service bays at period end	260	279	284	288	323	323	321	331
Same store revenue growth [3]	(0.6)%	(3.8)%	(17.1)%	(16.7)%	(19.8)%	(15.3)%	(3.9)%	1.3%
Same store gross profit growth [3]	0.7%	0.2%	(3.3)%	(8.0)%	(12.8)%	(8.7)%	(6.3)%	(1.1)%
Balance Sheet Data								
Cash and cash equivalents	15,298	18,459	19,194	19,592	12,522	14,842	23,224	22,465
Accounts receivable	36,411	35,374	39,390	31,195	33,821	27,034	38,134	35,388
Inventories	132,549	135,447	134,565	139,948	116,478	90,141	107,431	108,324
Revolving floorplan facilities	134,023	131,505	135,562	137,453	114,625	73,161	105,254	102,650

[1] EBITDA has been calculated as described under "NON-GAAP MEASURES".

[2] Absorption has been calculated as described under "NON-GAAP MEASURES".

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

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

RESULTS FROM OPERATIONS

Annual Operating Results

EBITDA for the year ended December 31, 2009 decreased by 24.7% to $18.4 million, from $24.5 million when compared to the results of the Company for the prior year. The general economic downturn in Canada throughout 2009 negatively impacted new vehicle sales and consumer credit conditions which resulted in lower than expected sales revenues, particularly in the area of our finance and insurance business. The 10.8% drop in finance and insurance revenues, our most profitable revenue stream, contributed to a 14.0% decrease in finance and insurance gross profit which contributed to the majority of the decline in EBITDA in 2009 from the prior year.

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

Period from January 1 to December 31st	EBITDA (In thousands of dollars)
2007	25,077
2008	24,486
2009	18,352

Net earnings increased by $107.8 million to a profit of $12.6 million from a $95.2 million loss when compared to the prior year. Removing from consideration the significant asset impairment charges recorded in 2008 and the resulting future income tax recovery, net earnings before future income taxes and asset impairment charges actually decreased by 35.6% to $13.0 million in 2009 from $20.2 million in 2008. The lower earnings for 2009 can be mainly attributed to a decrease in new and used vehicle sales as well as a decrease in finance and insurance revenues and a significant decrease in gross profit in this line of our business. The general economic decline in Canada created a decrease in the ability of our customers to obtain credit to purchase new and used vehicles. This resulted in an increase in cash deals and less ability for our customers to finance our highly profitable finance and insurance products as well as additional parts and accessories for their purchased vehicle. The lack of penetration for our higher margin products is the main cause of our decreased profitability for 2009, however we expect the credit markets to improve and remain optimistic that we may again be able to realize similar penetration ratios on our higher margin parts, accessories, and finance and insurance products as were realized in the past. The Company also experienced one-time costs of approximately $0.8 million related to losses on disposal of assets from dealership relocations and professional fees associated with the conversion from an income trust to a corporation.

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

Revenues

Revenues for the year ended December 31, 2009 decreased to $776.9 million from $826.5 million in the prior year. This 6.0% year-over-year decrease in revenue for the period was as a result of a decline in the number of new and used vehicles sold and a decline in the average transaction price of new and used vehicles. A decrease in revenue in our finance and insurance operations also contributed to the year-over-year decrease. However, the overall decrease in revenue was partially offset by an increase in parts and service revenue and incremental revenue from the three dealerships acquired in 2008 having a full year of operations as AutoCanada dealerships. Revenue from new vehicle sales decreased by $35.7 million or 7.9% from $451.5 million to $415.8 million as a result of a decrease in new vehicle unit sales of 448 units or 3.2% and a decline in the average transaction value per new vehicle retailed of $1,580 or 4.8% during the year ended December 31, 2009. Used vehicle revenue also declined due to a decrease in used vehicles retailed of 183 units during the year and a decrease in the average transaction price per used vehicle retailed of $931. During the year ended December 31, 2009 finance and insurance revenue decreased by $5.3 million or 10.8% from $48.9 million to $43.6 million as a result of lower new and used retail vehicle sales and tighter consumer lending conditions, due to the economic downturn, which has negatively affected our finance and insurance revenues per vehicle retailed. AutoCanada's parts and service revenue increased by $4.7 million or 4.5% from $103.7 million to $108.4 million in 2009 mainly due to increased service capacity from acquisitions and dealership relocations.

Revenues - Same Store Analysis

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

Same Store Revenue and Vehicles Sold

	For the Year Ended		
(In thousands of dollars except % change and vehicle data)	**December 31, 2009**	**December 31, 2008**	**% Change**
Revenue Source			
New vehicles	367,386	421,637	(12.9)%
Used vehicles	195,608	215,569	(9.3)%
Finance, insurance and other	39,400	47,185	(16.5)%
Subtotal	602,394	684,391	(12.0)%
Parts, service and collision repair	98,558	98,415	0.0%
Total	700,952	782,806	(10.5)%
New vehicles - retail sold	9,630	10,621	(9.3)%
New vehicles – fleet sold	2,173	2,222	(2.2)%
Used vehicles sold	9,026	9,615	(6.1)%
Total	20,829	22,458	(7.3)%
Total vehicles retailed	18,656	20,236	(7.8)%

Same store revenue decreased by 10.5% in the year ended December 31, 2009 when compared to 2008. New vehicle revenues decreased by $54.3 million or 12.9% for the year ended December 31, 2009 over the prior year due in part to a net decrease in new vehicle sales of 1,040 units consisting of a decrease of 991 retail units and a decrease of 49 low margin fleet unit sales. Also contributing to the decrease in new vehicle revenues for the year ended December 31, 2009 was a decrease in the average selling price per new vehicle retailed ("PNVR") of $1,704 over the prior year largely as a result of a change in vehicle sales mix between vehicle types in both retail and fleet sales and increased manufacturer incentives which continued into 2009. In addition, the Company has continued to diversify its brands which have tended to focus on compact and mid-size vehicles, which has continued to lower the PVNR as additional import dealerships are included in the same store analysis.

Same store used vehicle revenues decreased by $20.0 million or 9.3% for the year ended December 31, 2009 over the prior year. This decrease was due to a decrease in the number of used vehicles sold of 589 units and a decrease in the average selling price per used vehicle retailed of $748.

Same store parts, service and collision repair revenue remained relatively flat with an increase of $0.1 million in the year ended December 31, 2009 compared to the prior year and was primarily a result of an increase of 4.5% in the number of service and collision repair orders completed, offset by a 4.1% decrease in the average revenue per service and collision repair order completed.

Same store finance, insurance and other revenue decreased by 16.5% for the year ended December 31, 2009 over the prior year. This decrease was due to a decrease in the number of units sold of 1,580 and a decrease in the average revenue per unit retailed of $220. As discussed above, our customers have a decreased ability to access these products due to the change in credit conditions.

Gross profit

During the year ended December 31, 2009, gross profit from all dealerships decreased by 3.5% to $142.0 million when compared to $147.1 million in 2008. The decrease in gross profit for the year ended December 31, 2009 was mainly the result of declines in new vehicle sales and finance and insurance revenues.

The following table summarizes the results for the year ended December 31, 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

	For the Year Ended					
	Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %)	**Dec. 31, 2009**	**Dec. 31, 2008**	**% Change**	**Dec. 31, 2009**	**Dec. 31, 2008**	**% Change**
Revenue Source						
New vehicles	26,478	30,924	(14.4)%	7.2%	7.3%	(0.1)%
Used vehicles	18,434	17,996	2.4%	9.4%	8.4%	11.9%
Finance, insurance and other	36,240	44,346	(18.3)%	92.0%	94.0%	(2.1)%
Subtotal	81,152	93,266	(13.0)%			
Parts, service and collision repair	48,863	47,796	2.2%	49.6%	48.6%	2.1%
Total	130,015	141,062	(7.8)%	18.6%	18.0%	3.3%

Gross Profit - Same Store Analysis

Same store gross profit decreased by 7.8% for the year ended December 31, 2009 when compared to the prior year. New vehicle gross profit decreased by $4.4 million or 14.4% in the year ended December 31, 2009 when compared to 2008 as a result of the previously discussed net decrease in new vehicle sales of 1,040 units largely as a result of a decline in new vehicle unit sales in Alberta and British Columbia. The average gross profit per new vehicle retailed decreased by $165 from 2008 which is was due to an increased number of import dealerships included in the same store analysis which tend to focus on lower margin compact and mid-size vehicles.

Used vehicle gross profit increased by $0.4 million or 2.4% in the year ended December 31, 2009 over the prior year. The increase was primarily due to an increase in the average gross per used vehicle retailed of $171, partially offset by a decrease in the number of used vehicles sold of 589 units. The increase in gross profit earned per used vehicle retailed during the quarter may be attributed to increases in used vehicle values in Canada during the year. Although the used vehicle average sales price per vehicle at AutoCanada decreased by 4.2% in 2009 when compared to the prior year, the Company benefited from increases in used vehicle values during the year, which directly increases the amount of gross profit earned per vehicle sold.

Parts, service and collision repair gross profit increased by $1.1 million or 2.2% in the year ended December 31, 2009 when compared to the prior year as a result of a combination of an increase of 11,562 service and collision repair orders completed during the year, offset in part by a decrease of $4 in the average gross profit earned per service and collision repair order completed.

Finance, insurance & other gross profit decreased by 18.3% or $8.1 million in the year ended December 31, 2009 when compared to the prior year as a result of a decrease of $249 in the average gross profit per unit sold and a decrease of 1,580 retail units. The decrease in average gross profit per unit sold is mainly due to tighter consumer lending conditions which had a negative effect on our finance and insurance revenues and gross profits. The tighter lending conditions have reduced our customers' ability to finance the purchase of vehicles, parts and accessories for their vehicle and various financial and insurance products available at the time of purchase. Management remains confident that our ability to sell our products will improve if lending conditions ease over time.

Selling, general and administrative expenses

During the year ended December 31, 2009, SG&A expenses increased by 2.9% to $118.2 million from $114.9 million in 2008 primarily as a result of an increase in operating costs from the three dealerships acquired in 2008 having a full year of operations and increases in fixed costs from dealership relocations. During the year ended December 31, 2009, SG&A as a percentage of gross profit increased from 78.1% to 83.2%. The increase in selling, general and administrative expenses as a percentage of gross profit was mainly a result of increases in primarily fixed costs such as rent and non-commission based salaries. Some additional one-time costs were also incurred during the year due to the disposal of certain assets from two large dealership relocations completed during the year and additional professional fees incurred by AutoCanada due to its conversion from an income trust to a corporation.

Amortization expense

During the year ended December 31, 2009, amortization was $3.7 million as compared to $3.3 million in the prior year. The increase was due to significant capital expenditures incurred in 2009 associated with dealership relocations.

Interest expense

The Company incurs interest expense on its revolving floorplan facility, its revolving term loan, the mortgage on the Cambridge Hyundai property and its capital lease obligations.

During the year ended December 31, 2009, floor plan interest expense decreased by 31.2% to $4.9 million from $7.1 million in 2008. The decrease in interest expense was mainly achieved by a general decrease in new vehicle inventories.

At December 31, 2009, a 1% change in the annual interest rate on the Company's floating rate debt would result in a change in the annual interest rate expense of approximately $200. Although the Company' revolving floorplan facility is considered floating rate debt, under its present terms, the facility will continue to bear interest at 5.00% until the RBC Prime Rate increases by more than 1.75%, at which time the facility will then be affected by fluctuations in prime rates. The effect of a 1% change in annual interest rates on the revolving floorplan facility was not included in the above analysis as a 1% change in the RBC Prime Rate would currently have no effect on the interest rate.

The following table summarizes the interest rates at the end of the last eight quarters on our Chrysler Financial Canada (the "CFC Facility") and General Motors Acceptance Corporation of Canada (the "GMAC Canada Facility") revolving floorplan facilities. In the second quarter of 2009, the CFC Facility was fully repaid and replaced with the GMAC Canada Facility.

	Q1 2008	**Q2 2008**	**Q3 2008**	**Q4 2008**	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**
Revolving Floorplan Facility Interest Rate	5.00%	4.50%	4.50%	3.25%	2.25%	5.00%	5.00%	5.00%

As of the date of this MD&A our floorplan interest rate is 5.00%.

Some of our manufacturers provide non-refundable credits on the floorplan interest to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership. During the year ended December 31, 2009, the net floorplan credits were $3,311. GAAP requires the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table summarizes the net floorplan credits that were received in 2009.

(In thousands of dollars)	**Q1 2009**	**Q2 2009**	**Q3 2009**	**Q4 2009**	**For the year ended December 31, 2009**
Net floorplan credits	731	763	931	886	3,311

Fourth Quarter Operating Results

EBITDA for the three-month period ended December 31, 2009 decreased by 15.4% to $3.3 million from $3.9 million when compared to the prior period in 2008. The general economic downturn and tighter credit conditions continued into the fourth quarter of 2009, which resulted in lower finance and insurance revenues. Based on the results achieved in the fourth quarter of 2009, management is gaining confidence that the Canadian automotive retail industry may be recovering. Although EBITDA had decreased in the fourth quarter of 2009 when compared to the same period in 2008, AutoCanada experienced some one-time costs during the quarter which, had they not occurred, the Company would have experienced an increase in EBITDA for the quarter. One-time charges of approximately $0.3 million related to losses on disposal of assets related to dealership relocations and $0.5 million of additional professional fees as a result of AutoCanada's conversion from an income trust structure to a corporation were incurred during the quarter. Not including these one-time charges, management believes AutoCanada's EBITDA for the fourth quarter of 2009 would have increased by $0.2 million or 5.1% when compared to the same period in 2008.

Net earnings for the three months ended December 31, 2009 increased by $68.8 million to $1.7 million, from a $67.1 million loss when compared to the same period in prior year. The majority of this increase was due to significant impairment charges recorded in the fourth quarter of 2008. For the three-month period ended December 31, 2008 we recorded impairment charges on goodwill and intangible assets totaling $78.4 million. Net earnings for the three-month period ended December 31, 2009, not including the goodwill impairment charge and future income tax decreased by $0.8 million to $1.9 million, from $2.7 million when compared to the same period in the prior year. The majority of this decrease was due to declining earnings in our finance and insurance operations and one-time charges incurred in the fourth quarter of 2009 as discussed above.

The Company significantly increased its sales and service capacity in 2008 and the first and fourth quarters of 2009 as a result of relocating two dealerships to new leased facilities. The new facilities have increased the fixed costs associated with the Company's operations. The depressed Canadian automotive retail sales market in late 2008 and the 2009 year 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. The Company's new and used vehicle sales for the three month period ended December 31, 2009 returned to levels similar to the comparable period in 2008 and management is hopeful that new and used sales volumes will continue to improve and lending conditions will also improve in order to better facilitate our customers.

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 Company for the fourth quarter of 2009 follow this pattern.

Q4 Revenues

For the three-month period December 31, 2009, revenues from all dealerships of the Company increased by $6.6 million or 3.6% to $189.0 million from $182.4 million when compared to the same period in the prior year. The increase in revenue during the fourth quarter was as a result of an increase in new and used vehicle revenues and parts and service revenue, partially offset by a decline in finance and insurance revenues.

New vehicle revenue for the three-month period ended December 31, 2009 increased by $6.3 million to $102.9 million from $96.6 million in the same period in 2008. The average new vehicle transaction price for the three-month period ended December 31, 2009 decreased by $1,683 or 5.1% due to increased manufacturer incentives and the previously discussed effect of import dealership acquisitions which tend to focus on compact and mid-size vehicles which are lower in price than our domestic dealerships which sell a considerable amount of full-size vehicles. The number of new vehicles retailed increased by 352 units or 12.1% during the three-month period ended December 31, 2009 as compared to the same period in 2008. Used vehicle revenue for the three-month period ended December 31, 2009 increased by $0.5 million or 1.1% when compared to the same period in 2008. The average used vehicle transaction price increased by $485 or 2.3% during the three-month period ended December 31, 2009 largely due to increases in used vehicle values due to improvements in the state of the economy and consumer confidence. The Canadian used vehicle price index has steadily increased over the past 12 months, which is the main reason for the increase. Finance and insurance revenue decreased by $0.7 million or 7.0% from $11.0 million to $10.3 million as a result of lower revenue per new and used retail vehicle sold due to tighter consumer lending conditions, which has negatively affected our customers' ability to finance these products. During the three-month period ended December 31, 2009, parts and service revenue increased by $0.6 million or 2.3% from $27.1 million to $27.7 million.

Revenue - Same Store Analysis

The following table summarizes the results for the three-month period ended December 31, 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

	For the Three-Month Period Ended		
(In thousands of dollars except % change and vehicle data)	**December 31, 2009**	**December 31, 2008**	**% Change**
Revenue Source			
New vehicles	91,737	87,868	4.4%
Used vehicles	44,885	45,459	(1.3)%
Finance, insurance and other	9,127	10,340	(11.7)%
Subtotal	145,749	143,667	1.4%
Parts, service and collision repair	25,021	24,888	0.5%
Total	170,770	168,555	1.3%
New vehicles - retail sold	2,239	2,112	6.0%
New vehicles – fleet sold	683	514	32.9%
Used vehicles sold	2,049	2,101	(2.5)%
Total	4,971	4,727	5.2%
Total vehicles retailed	4,288	4,213	1.8%

Same store revenue increased by 1.3% in the three-month period ended December 31, 2009 when compared to the same period in 2008.

New vehicle revenues increased by $3.9 million or 4.4% for the three-month period ended December 31, 2009 over the same period in the prior year due in part to an increase in new vehicle sales of 296 units consisting of an increase of 127 retail units and an increase of 169 low margin fleet unit sales. This increase was partially offset by a decrease in the average selling price per new vehicle sold of $2,065 or 6.2% over the prior year largely as a result of continued higher manufacturer incentives and the addition of import dealerships from 2007 now included in the same store analysis. The average transaction price of new vehicles at import dealerships is generally lower due to the fact that they typically do not sell large trucks.

Same store used vehicle revenues decreased by $0.6 million or 1.3% in the three-month period ended December 31, 2009 over the comparable period in the prior year. The decrease was due to a decline in the number of used vehicles sold of 52 units, partially offset by an increase in the average selling price per used vehicle retailed of $269 or 1.2%.

Finance and insurance revenue decreased by $1.2 million or 11.7% in the three-month period ended December 31, 2009 when compared to the same period in the prior year. The decrease was due to a decline in the average finance and insurance revenue per vehicle retailed of $326 or 13.3%, partially offset by an increase in the number of units retailed of 75 from the comparable period in 2008. The lower finance and insurance revenue per vehicle retailed is a result of tighter consumer lending conditions, due in part by the economic downturn, which has had a direct negative effect on our finance and insurance revenues.

The increase in parts, service and collision repair revenue of $0.1 million or 0.5% in the three-month period ended December 31, 2009 compared to the same period in the prior year was primarily a result of a decrease in the average revenue per repair order of $35, offset by an increase in repair orders completed of 6,379 or 10.2%. Management attributes the increase in repair orders and

decrease in average revenue per repair order completed to increases in its “Quick Lube” sales operations in which each oil change is considered its own repair order, thus increasing the number of orders completed and decreasing the average revenue per repair order.

Gross profit

Gross profit from all dealerships for the three-month period ended December 31, 2009 increased by 1.5% to $34.1 million when compared to the same period in 2008. The increase in gross profit in the three-month period ended December 31, 2009 was mainly the result of increases in new and used vehicle sales and parts and service sales, partially offset by a decline in gross profit in our finance and insurance revenue stream.

Gross Profit - Same Store Analysis

The following table summarizes the results for the three-month period ended December 31, 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

	For the Three-Month Period Ended					
	Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %) Revenue Source	Dec. 31, 2009	Dec. 31, 2008	% Change	Dec. 31, 2009	Dec. 31, 2008	% Change
New vehicles	6,407	6,248	2.5%	7.0%	7.1%	(1.4)%
Used vehicles	4,099	3,582	14.4%	9.1%	7.9%	15.2%
Finance, insurance and other	8,438	9,654	(12.6)%	92.5%	93.4%	(1.0)%
Subtotal	18,944	19,484	(2.8)%			
Parts, service and collision repair	12,234	12,031	1.7%	48.9%	48.3%	1.2%
Total	31,178	31,515	(1.1)%	18.3%	18.7%	(2.1)%

Same store gross profit decreased by 1.1% in the three-month period ended December 31, 2009 when compared to the same period in the prior year. New vehicle gross profit increased by $0.2 million or 2.5% in the three-month period ended December 31, 2009 when compared to the same period in the prior year as a result of an increase in new vehicle sales of 296 units, partially offset by a decrease in the average gross margin per new vehicle sold of $187.

Used vehicle gross profit increased by $0.5 million or 14.4% in the three-month period ended December 31, 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 $296, partially offset by a decrease in the number of units sold of 52. 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 fourth quarter. Used vehicle wholesale prices decreased significantly in 2008 and wholesale used vehicle prices recovered in 2009.

Finance and insurance and other gross profit decreased by $1.2 million or 12.6% in the three-month period ended December 31, 2009 as a result of a decrease in the average gross profit per unit retailed of $324 or 14.1% due to tighter consumer lending conditions which has had a negative effect on our finance and insurance revenues and gross profit per vehicle retailed. This decrease was partially offset by an increase in sales of 75 retail units from the same period in 2008.

The increase in parts, service and collision repair gross profit of $0.2 million or 1.7% in the three-month period ended December 31, 2009 was the result of a 10.2% increase in the number of service and collision repair orders completed, offset by a 7.7% decrease in the average gross profit per service and collision repair order completed.

Selling, general and administrative expenses

During the three-month period ended December 31, 2009, SG&A expenses increased by $1.2 million to $29.3 million over the same period in the prior year primarily as a result of an increase in rent expense and one-time charges. Some additional one-time costs were incurred during the fourth quarter due to the disposal of certain assets from two large dealership relocations completed during the year and additional legal and consulting costs incurred by AutoCanada due to its conversion from an income trust to a corporation. During the three-month period ended December 31, 2009, SG&A as a percentage of gross profit increased to 85.9% from 83.7% 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 the items discussed above.

Amortization expense

During the three-month period ended December 31, 2009, amortization was $964 while it was $905 for the prior period in 2008. This is mainly due to significant capital expenditures in 2009 associated with dealership relocations.

Floorplan interest expense

During the three-month period ended December 31, 2009, floorplan interest expense decreased by 4.2% to $1,382 when compared to the same period in 2008. The decrease in interest expense was caused by a general new vehicle inventory decrease for the three-month period ended December 31, 2009 when compared to the same period in 2008.

Some of our manufacturers provide non-refundable credits on the floorplan interest to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership. During the three-month period ended December 31, 2009, the floorplan credits were $886. This represents approximately 45.8% 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 free cash flow of approximately $1,500 - $2,000 per vehicle. The net earnings achieved per new vehicle retailed can fluctuate between individual dealerships due to differences between the manufacturers, geographical locations of our dealerships and the demographic of which our various dealerships' marketing efforts are directed. The above sensitivity analysis represents an average of our dealerships as a group and may vary depending on increases or decreases in new vehicles retailed at our various locations.

NEW DEALERSHIPS

The Company currently owns 22 franchised automotive dealerships. At the time of AutoCanada's initial public offering ("IPO") in May of 2006, AutoCanada owned 14 franchised automotive dealerships. Since this time the Company has acquired or opened 8 additional dealerships.

As a result of market turmoil, and the credit crises, the Company did not complete any acquisitions during the year ended December 31, 2009.

Management believes that there may be acquisition opportunities in the Canadian automotive retail market at attractive purchase multiples in 2010. The Company would consider pursuing acquisition opportunities if a favourable opportunity presents itself and if the acquisition could potentially provide incremental value to Shareholders. The Company is concerned that the recent going concern and restructuring issues relating to some of the domestic auto manufacturers, including Chrysler LLC, may have caused those auto manufacturers with whom the Company does not have a relationship, or who are related to same, to be increasingly reluctant to entertain a relationship with a public multi-brand dealer group which has cross obligations among its dealer entities. As a result, the Company has no assurance that any manufacturer with whom it does not presently have a relationship, or who are related to same, will approve the Company as a franchisee. Having said the same, subject to the credit markets and the economy, Management is reasonably confident that it shall acquire one or two acquisitions or open points in respect to current or related brands.

On December 7, 2009, the Company completed the transfer of ownership of Grande Prairie Nissan and Northland Nissan (the "Managed Dealerships") from CAG (a related party with a 46.8% interest in AutoCanada) to full ownership by AutoCanada. As a result of the Company's previous financing arrangements involving the purchase of the two Managed Dealerships and the related agreements, the Company had previously determined that the Managed Dealerships were variable interest entities and AutoCanada was the primary beneficiary as defined by CICA Accounting Guideline 15. Accordingly, the Company accounted for the entry into these agreements as a business combination and consolidated the results of the Managed Dealerships subsequent to the signing of the agreements in 2007. The acquisition of the Managed Dealerships has no effect on the consolidated balance sheets, statements of operations, comprehensive loss and deficit and cash flows for the years ended December 31, 2009 and 2008 as the operations were fully consolidated in accordance with CICA Accounting Guideline 15 – *Consolidation of Variable Interest Entities.*

The Company acquired the Managed Dealerships for nominal consideration, however in accordance with the terms of the credit and management agreements signed between the Company and CAG; CAG was entitled to a minimum rate of return on any investments that were directly made into the Managed Dealerships upon transfer of the net assets of the dealerships to the Company. The amount payable by the Company to CAG net of financing for transfer of the Managed Dealerships into the Company is approximately $90.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are for capital expenditures, repayment of debt and funding the future growth of the Company and dividends to Shareholders. 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 and/or lower consumer demand may reduce our cash flows from operations and limit our ability to fund capital expenditures, repay our debt obligations, fund future growth internally and/or fund future dividends.

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Company for the year ended December 31, 2009 was $11.3 million (2008 - $34.3 million). Cash flow from operating activities (including changes in non-cash working capital) of the Company for the three month period ended December 31, 2009 was $2.3 million (2008 - $7.3 million). Prior to 2009, the Company has generated sufficient cash flow from operations to fund capital expenditures, distributions, working capital requirements and to service its debt obligations. The economic conditions deteriorated significantly in 2009 in the Canadian automotive retail industry, which provided for increased need for management of capital resources and liquidity. Throughout 2009, the Company continued to manage its working capital to maintain optimal levels of liquidity during the economic downturn. The Company maintained its view of funding distributions through operating cash flows and temporarily suspended distributions as a result of the general economic downturn and lower than normal cash flows from operating activities.

Management and the Board continued to review the Company's strategic objectives and available options to ensure that AutoCanada's capital structure is efficient and that Shareholder value was being maximized. Over the past year, management carried out a more detailed analysis in relation to the growth opportunities and strategic direction of AutoCanada. As a result of the analysis, the Board unanimously concluded that the Reorganization of AutoCanada from an income trust structure to a corporation best enables AutoCanada to execute its business and strategic plan and deliver strong growth and capital appreciation for shareholders of AutoCanada.

Economic Dependence

The Company has significant commercial and economic dependence on Chrysler Canada and GMAC Canada. As a result, the Company is subject to significant risk in the event of the financial distress of Chrysler Canada, one of our major vehicle manufacturers and parts suppliers, and GMAC Canada, which provides the Company with revolving floorplan facilities for all of its dealerships.

The Company's consolidated financial statements include the operations of twenty-two franchised automobile dealerships, representing the product lines of seven global automobile manufacturers. The Company's Chrysler, Jeep, Dodge ("CJD") dealerships, which generated 72% of the Company's revenue in the year-ended December 31, 2009 (2008 – 78%), 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 Company 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 December 31, 2009 and 2008, the Company had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

	December 31, 2009 $	**December 31, 2008 $**
Accounts receivable	3,196	3,156
New vehicle inventory	51,743	78,019
Demonstrator vehicle inventory	3,574	4,827
Parts and accessories inventory	4,484	4,171

The Company maintains revolving floorplan facilities for all of its dealerships with GMAC Canada. The Company also maintains cash balances with GMAC Canada which it uses to offset interest charges on its various revolving floorplan facilities.

At December 31, 2009 and 2008, the Company had recorded the following assets and liabilities that relate to transactions it has entered into with GMAC Canada:

	December 31, 2009	**December 31, 2008**
	$	**$**
Cash and cash equivalents	9,580	-
Revolving floorplan facility	102,650	-

Chrysler Canada is a subsidiary of Chrysler Group LLC ("Chrysler Group") in the United States. GMAC Canada is a subsidiary of GMAC Financial Services ("GMAC") in the United States. The viability of Chrysler Canada is directly dependent on the viability of Chrysler Group.

On April 30, 2009, Chrysler LLC ("Old Chrysler") filed for Chapter 11 creditor protection. As part of this filing, the U.S. government announced its acceptance of the long-term viability plan for Chrysler Group 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, Chrysler Group, emerged from creditor protection and was formed under a strategic alliance with FIAT SpA and resumed production of vehicles on June 29, 2009. Given the uncertainty surrounding the future operations of the Chrysler Group/FIAT alliance, the Company continues to monitor its measurement process for the valuation of its assets and has determined that the use of estimates in this process involves a degree of uncertainty with respect to the future operations of the Chrysler Group/FIAT alliance and its potential effect on the valuation of its assets and future revenues.

Credit Facilities

During the fourth quarter of 2009, a subsidiary of AutoCanada, AutoCanada Holdings Inc. ("ACHI"), signed an agreement with HSBC Bank Canada ("HSBC") whereby HSBC agreed to provide AutoCanada with a $20 million revolving loan (the "HSBC Facility"). On October 26, 2009, we used the HSBC Facility to refinance our Fixed Term Loan with Chrysler Financial Canada (the "CFC Facility"). As a result of this transaction, the CFC Facility has been terminated and the Company no longer has any financial obligation to Chrysler Financial Canada.

The HSBC Facility is a 365 day fully committed, extendible revolving loan. The HSBC Facility's maturity date is October 26, 2010, however the facility may be extended for an additional 365 days prior to the maturity of the facility at the request of AutoCanada and upon approval by HSBC. If the HSBC Facility is not extended by HSBC, repayment of the outstanding amount is not due until October 26, 2011. The HSBC Facility will bear interest at HSBC's Prime Rate plus 1.65% (currently 3.90% at the date of this MD&A).

The HSBC Facility is secured by all of the present and future assets of the Company, the various Limited Partnerships and the General Partners of each dealership within AutoCanada. As part of a priority agreement signed by HSBC, GMAC Canada and the Fund, the collateral for the HSBC Facility excluded all new, used, and demonstrator inventory financed with the Revolving Floorplan Facility provided by GMAC Canada (discussed below in *Floor Plan Financing* section).

The HSBC Facility requires maintenance of certain financial covenants. The financial covenants of the HSBC Facility consist of the following:

(i) The Debt to Tangible Net Worth ratio, including floorplan, must not exceed 7.50:1. Intangible assets to be deducted from Tangible Net Worth, and shareholder loans to be added to tangible net worth and deducted from debt, if postponed to HSBC; tested quarterly
(ii) The Debt to Tangible Net Worth ratio, excluding floorplan, must not exceed 2.50:1. Intangible assets to be deducted from Tangible Net Worth, and shareholder loans to be added to tangible net worth and deducted from debt, if postponed to HSBC; tested quarterly
(iii) The Current Ratio, net of flooring, shall not be less than 1.20:1 at any time; tested quarterly
(iv) The Fund must maintain a minimum cash deposit balance with HSBC Bank Canada of $10,000,000.

Additional information relating to the HSBC Facility can be found on SEDAR (www.sedar.com).

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).

In the second quarter of 2009, the Company signed an agreement with GMAC Canada ("GMAC Facility") to provide the Company with wholesale floorplan financing for the twenty owned dealerships. All of the amounts owed under the revolving floorplan facility with CFC were paid out and all owned dealerships were financed through GMAC Canada.

In the fourth quarter of 2009, the Company added Grande Prairie Nissan and Northland Nissan (the "Managed Dealerships") to the GMAC Facility in connection with the transfer of the Managed Dealerships from ownership under CAG (a related party) to legal ownership by AutoCanada. As a result, the Company has fully paid its obligations under the Bank of Nova Scotia Revolving Floorplan Facility prior to December 31, 2009 and no longer has any obligation to the Bank of Nova Scotia with respect to floorplan financing.

The new GMAC Facility provides the dealerships of the Company 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 dealerships as part of the new wholesale floorplan financing agreement.

Financial Instruments

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

The Company has made the following classifications:

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

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency and interest rates.

i. 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 Company is not significantly exposed to foreign currency risk.

ii. Interest rate risk

The GMAC facility is subject to interest rate fluctuations and the degree of volatility in these rates. The Company does not currently hold any financial instruments that mitigate this risk. The GMAC facility bears interest at Prime Rate plus 1.00%. The GMAC facility defines Prime Rate as the greater of the Royal Bank of Canada Prime Rate ("RBC Prime") or 4.00%. Since the RBC Prime Rate is currently 2.25%, the Company is not exposed to interest rate fluctuations until the RBC Prime Rate is equal to 4.00% (increase of 1.75% from the present rate). Based on the outstanding balance at December 31, 2009, if the RBC Prime Rate was equal to 4.00%, an additional increase in the RBC Prime Rate of one percent would result in an increase in annual interest expense of approximately $1,020.

The HSBC facility is also subject to interest rate fluctuations and the degree of volatility in these rates. The Company does not currently hold any financial instruments that mitigate this risk. The HSBC facility bears interest at the HSBC Prime Rate plus 1.65%. Based on the outstanding balance at December 31, 2009, an additional increase in the HSBC Prime Rate of one percent would result in an increase in annual interest expense of approximately $200.

The Bank of Montreal Fixed Rate Term Loan is not subject to interest rate risk due to the fixed rate nature of the loan. The Loan will be subject to interest rate risk upon maturity on September 30, 2012. The Company does not currently hold any financial instruments that mitigate this risk.

(b) Credit risk

The Company'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 Company 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 3 of the Annual Consolidated Financial Statements – Economic dependence and measurement uncertainty* for further discussion of the Company's economic dependence on Chrysler Canada and associated credit risk). Credit risk arising from receivables from commercial customers is not significant due to the large number of customers dispersed across various geographic locations comprising our customer base.

Accounts receivable are aged at December 31, 2009 by the following approximate percentages:

Current	85%
31 to 60 days	9%
61 to 90 days	3%
91 to 120 days	1%
Over 120 days	2%

The Company evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience. The allowance for doubtful accounts amounted to $332 as of December 31, 2009 ($541 as of December 31, 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 GMAC Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's activity 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 Company is exposed to liquidity risk as a result of its economic dependence on suppliers and lenders. Refer to *Note 3 of the Annual Consolidated Financial Statements – Economic dependence and measurement uncertainty* for further information regarding the Company's economic dependence on Chrysler Canada and GMAC Canada and the effect on the Company's liquidity.

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

	Current within 12 months	**Non-current 1-5 years**
	$	**$**
Accounts payable and accrued liabilities	25,557	-
Revolving floorplan facility	102,650	-
Long-term debt	1,220	23,757
	129,427	23,757

(d) Fair value

The estimated fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and revolving floorplan facilities 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, machinery and equipment, 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 acquisitions and Open Points are treated as growth capital when incurred.

In the first quarter, the Company completed the relocation to new premises of its Capital Chrysler Jeep Dodge dealership located in Edmonton Alberta. The Capital Chrysler Jeep Dodge dealership was relocated to a new approximate 55,000 square foot facility in Edmonton, Alberta. In the fourth quarter, the Company also completed the relocation to new premises of its Crosstown Chrysler Jeep Dodge dealership located in Edmonton, Alberta. The Crosstown Chrysler Jeep Dodge dealership was relocated to a new approximate 80,000 square foot facility in Edmonton, Alberta.

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

Currently, the Company rents its dealership facilities from third parties which in some cases include CAG (a related party).

Growth vs. Non-growth Capital Expenditures

Non-growth capital expenditures are capital expenditures incurred during the period to maintain existing levels of service. These include capital expenditures to replace property and equipment and any costs incurred to enhance the operational life of existing property and equipment. Non-growth capital expenditures can fluctuate from period to period depending on our needs to upgrade or replace existing property and equipment. Over time, we expect to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period.

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

(In thousands of dollars)	October 1, 2009 to December 31, 2009	January 1, 2009 to December 31, 2009
	$	$
Leasehold improvements	67	127
Machinery and equipment	86	258
Furniture and fixtures	22	171
Computer equipment	55	89
Company & lease vehicles	10	101
	240	746

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. During the three-month period and year ended December 31, 2009 growth capital expenditures of $0.374 million and $3.566 million respectively were incurred. These expenditures related primarily to purchases of equipment for our Grande Prairie Nissan, Capital Chrysler Dodge Jeep and Crosstown Chrysler Dodge Jeep dealerships which relocated to new dealership facilities in October, 2008, January 2009 and December 2009 respectively. Dealership relocations are included as growth expenditures if they contribute to the expansion of sales and service capacity of the dealership.

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 free cash flow section above.

(In thousands of dollars)	October 1, 2009 to December 31, 2009	January 1, 2009 to December 31, 2009
	$	
Purchase of property and equipment from the Statement of Cash Flows	614	4,312
Less: Amounts related to the expansion of sales and service capacity	(374)	(3,566)
Purchase of non-growth property and equipment	240	746

Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three-month period and year ended December 31, 2009, were $0.432 million and $1.750 million respectively.

Contractual Obligations

(a) Capital Purchase Commitments

During 2009, the Company committed to purchase the land and building on which one of its dealerships operates in the 2010 year for $6,000 less a $500 deposit previously made by the Company.

(b) Operating Lease Commitments

The Company leases the majority of the lands and buildings used in its franchised automobile dealership operations from related parties (note 19 of the Annual Consolidated Financial Statements), Chrysler Canada Inc. and other third parties. The Company also leases various items of office equipment.

The minimum capital purchase commitments and operating lease payments for the next five years and thereafter are as follows:

(In thousands of dollars)	Operating leases	Capital purchase	Total
	$	$	$
2010	13,555	6,000	19,555
2011	10,322	-	10,322
2012	7,310	-	7,310
2013	5,328	-	5,328
2014	4,657	-	4,657
Thereafter	58,414	-	58,414
	99,586	6,000	105,586

Financial Position

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

	The Company							
Balance Sheet Data	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Cash and cash equivalents	22,465	23,224	14,842	12,522	19,592	19,194	18,459	15,298
Accounts receivable	35,388	38,134	27,034	33,821	31,195	39,390	35,374	36,411
Inventories	108,324	107,431	90,141	116,478	139,948	134,565	135,447	132,549
Total assets	233,665	233,283	198,946	229,839	257,104	338,296	374,912	364,879
Revolving floorplan facilities	102,650	105,254	73,161	114,625	137,453	135,562	131,505	134,023
Total long term liabilities	23,074	19,064	20,576	25,438	25,522	31,836	35,837	28,831

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At December 31, 2009, the aggregate of net working capital requirements was approximately $33.5 million. At December 31, 2009, all working capital requirements had been met by each dealership.

Off Balance Sheet Arrangements

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

Related Party Transactions

Note 19 to the audited annual consolidated financial statements of the Company summarize the transactions between the Company 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 were consulting fees paid to a company controlled by a Director and leasehold inducements paid to a company with common directors.

The total management and non-competition fees received from a director and companies with common directors for the year ended December 31, 2009 was $305. We lease thirteen of our twenty-two locations as of December 31, 2009 from related parties to the Company. The total rent paid by us to the related parties for the year ended December 31, 2009 was $7,484. The total consulting fees paid to a company controlled by a Director for the year ended December 31, 2009 was $25. The contract for consulting fees paid to a company controlled by a Director was terminated in April of 2009. The total leasehold inducements paid during the year to a company with common directors was $2.1 million (discussed in further detail below). 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 Company 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.

In the fourth quarter of 2009, the Company signed real estate lease agreements for the new Capital Chrysler Dodge Jeep location and the new Crosstown Chrysler Dodge Jeep location with Canada One Land Holdings (the "Landlord"), a related party.

The Capital Chrysler Dodge Jeep real estate lease is a 20 year lease with one 5 year option to extend at the agreed to lease rate. The rent amount under the lease will consist of equal monthly payments of $77 or $923 on an annual basis with no increases through the term and option term. Capital Chrysler Dodge Jeep will also be subject to lease inducement payments to the landlord totaling $3,670 over the first 28 months of the lease ($885 paid as at December 31, 2009). In accordance with Canadian GAAP, lease inducements are required to be amortized over the life of the lease when determining annual rent expense for the dealership. Total annual rent expense is $1,106 with respect to the new Capital Chrysler Dodge Jeep real estate lease.

The Crosstown Chrysler Dodge Jeep real estate lease is a 20 year lease with one 5 year option to extend at the agreed to lease rate. The rent amount under the lease will consist of equal monthly payments of $113 or $1,350 on an annual basis with no increases through the term and option term. Crosstown Chrysler Dodge Jeep will also be subject to lease inducement payments to the landlord totaling $5,370 over the first 28 months of the lease ($1,295 paid as at December 31, 2009). Total annual rent expense is $1,619 with respect to the new Crosstown Chrysler Dodge Jeep real estate lease. The Crosstown Chrysler Dodge Jeep dealership will continue to lease the old facility for use of the body shop until a new body shop location has been located.

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 and have been reviewed and approved by the independent members of our Board of Directors and where considered necessary are supported by independent appraisals.

DISTRIBUTIONS / DIVIDENDS

Distributions / Dividends to Shareholders

Management reviews the Company's financial results on a monthly basis. The Board of Directors reviews the financial results on a quarterly basis, or as requested by Management, and determine whether a dividend shall be paid based on a number of factors.

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 of the Fund 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 of the Fund determined it would be prudent to temporarily suspend distributions until such time as market conditions stabilize.

The following table summarizes the distributions declared by the Company for the period from January 1, 2009 to December 31, 2009.

(In thousands of dollars)

		Fund Units		**Exchangeable Units**		**Total**	
Record date	**Payment date**	**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 were paid on Fund Units and Exchangeable Units. Prior to the conversion to a corporation on December 31, 2009 the following numbers of units were outstanding:

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

During the year ended December 31, 2009, the Company declared distributions of $0.125 per Fund Unit and Exchangeable Unit to Unitholders. AutoCanada converted to a corporation on December 31, 2009 and as a result, the total number of Class A common shares outstanding at December 31, 2009 was 19,880,930. There are no other classes or types of shares outstanding at December 31, 2009.

Cautionary Note Regarding our Dividends

Future quarterly dividends of AutoCanada will be reviewed by our Board of Directors and adjusted from time to time to reflect current business conditions. Our ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, our financial performance, our debt covenants and obligations, our ability to refinance our debt obligations on similar terms and at similar interest rates, our working capital requirements, our future tax obligations, and our future capital requirements. We will be continuing to temporarily suspend our quarterly dividend due to the current economic uncertainty.

As per the terms of the HSBC facility, we are restricted from declaring dividends and distributing cash if we are in breach of our financial covenants or our available margin and facility limits or if such dividend would result in a breach of our covenants or our available margin and facility limits.

Adjusted Distributable Cash

Historically, the Company 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").

(In thousands of dollars except share and per share amounts)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Net earnings (loss) for the period	3,358	6,906	(38,318)	(67,121)	1,054	4,750	5,099	1,675
Items not affecting cash:								
Future income taxes	330	148	(1,869)	(8,579)	97	67	37	248
Unit-based compensation	59	43	19	48	39	22	11	24
Amortization	771	758	885	905	872	902	937	961
Loss (gain) on disposal of property & equipment	(6)	20	(21)	6	9	(18)	17	300
Goodwill impairment	-	-	47,000	78,382	-	-	-	-
Cash provided by operating activities – before changes in non-cash working capital	4,512	7,875	7,696	3,641	2,071	5,723	6,101	3,208
Less: Purchase of non-growth property and equipment[1]	(177)	(250)	(80)	(197)	(187)	(132)	(187)	(240)
Adjusted distributable cash	4,335	7,625	7,616	3,444	1,884	5,591	5,914	2,968
Adjusted distributable cash per share	0.214	0.376	0.376	0.172	0.095	0.281	0.297	0.149
Distributions declared to shareholders	5,062	5,062	5,057	4,999	2,485	-	-	-
Distributions declared per share	0.250	0.250	0.250	0.250	0.125	-	-	-
Adjusted distributable cash less distributions declared	(727)	2,563	2,559	(1,555)	(601)	5,591	5,914	2,968
Adjusted distributable cash less distributions declared per share	(0.036)	0.127	0.126	(0.078)	(0.030)	0.281	0.297	0.149
Adjusted payout ratio	116.8%	66.4%	66.4%	145.2%	131.9%	0.0%	0.0%	0.0%
12 month trailing								
Adjusted distributable cash	22,512	24,244	24,474	23,020	20,569	18,535	16,833	16,357
Distributions declared to shareholders	20,249	20,249	20,243	20,180	17,603	12,541	7,484	2,485
Adjusted payout ratio	89.9%	83.5%	82.7%	87.7%	85.6%	67.7%	44.5%	15.2%
Year-to-date								
Adjusted distributable cash								16,357
Distributions declared								2,485
Adjusted payout ratio								15.2%
From inception since January 4, 2006 to December 31, 2009 (incl. operations from May 11, 2006 to December 31, 2009)								
Adjusted distributable cash								77,811
Distributions declared to shareholders								55,867
Adjusted payout ratio								71.8%

[1] Purchase of non-growth property and equipment is necessary to maintain and sustain the current productive capacity of ACI's operations and distributable cash. 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 Company's adjusted distributable cash varied throughout the year due to the seasonality of the Company's business as discussed above. The historically less profitable first and fourth quarters have generally been offset by higher earnings in the second and third quarters.

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 (no longer applicable to AutoCanada due to the conversion to a corporation). 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 Company's operations.

(In thousands of $ except share and per share amounts)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Cash provided by operating activities	2,739	13,806	10,456	7,313	(3,213)	2,611	9,657	2,282
Less: Amounts related to expansion of sales and service capacity	(237)	(1,058)	(893)	(1,046)	(878)	(2,043)	(271)	(374)
Less: Purchase of non-growth property and equipment	(177)	(250)	(80)	(197)	(187)	(132)	(187)	(240)
Standardized distributable cash	2,325	12,498	9,483	6,070	(4,278)	436	9,199	1,668
Weighted average shares outstanding at end of period	20,257,000	20,257,000	20,249,732	20,047,787	19,880,930	19,880,930	19,880,930	19,880,930
Standardized distributable cash per share	0.115	0.617	0.468	0.303	(0.215)	0.022	0.463	0.084
Distributions declared	5,062	5,062	5,057	4,999	2,485	-	-	-
Distributions declared per share	0.250	0.250	0.250	0.250	0.125	-	-	-
Standardized distributable cash less distributions declared	(2,737)	7,436	4,426	1,071	(6,763)	436	9,199	1,668
Standardized distributable cash less distributions declared per share	(0.135)	0.367	0.219	0.053	(0.340)	0.022	0.463	0.084
Standardized payout ratio	217.7%	40.5%	53.3%	82.4%	(58.1%)	0.0%	0.0%	0.0%
Basic earnings (loss) per share	0.152	0.335	(1.892)	(3.348)	0.053	0.239	0.256	0.084
Diluted earnings (loss) per share	0.152	0.335	(1.892)	(3.348)	0.053	0.239	0.256	0.084
12 month trailing								
Standardized distributable cash	12,826	23,943	27,465	30,376	23,773	11,711	11,427	7,025
Distributions declared	20,249	20,249	20,243	20,180	17,603	12,541	7,484	2,485
Standardized payout ratio	157.9%	84.6%	73.7%	66.4%	74.0%	107.1%	65.5%	35.4%
Year-to-date								
Standardized distributable cash								7,025
Distributions declared								2,485
Standardized payout ratio								35.4%
From inception since January 4, 2006 to December 31, 2009 (incl. operations from May 11, 2006 to December 31, 2009)								
Standardized distributable cash								83,391
Distributions declared								55,867
Standardized payout ratio								67.0%

Management believes that the standardized distributable cash calculation distorts the Company'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.

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

(In thousands of dollars except share and per share amounts)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Standardized distributable cash	2,325	12,498	9,483	6,070	(4,278)	436	9,199	1,668
Change in non-cash working capital	1,773	(5,931)	(2,760)	(3,672)	5,284	3,112	(3,556)	926
Amounts related to expansion of sales and service capacity	237	1,058	893	1,046	878	2,043	271	374
Adjusted distributable cash	4,335	7,625	7,616	3,444	1,884	5,591	5,914	2,968

Discontinued Use of Distributable Cash Measures

Due to AutoCanada's change in structure from an income trust to a corporation, management no longer intends to use "adjusted distributable cash" or "standardized distributable cash" as these measures are not considered useful to a corporate entity. The tables above have been presented for information purposes and management will no longer use this information for decision making purposes, nor will it be included in management's discussion and analysis in the future.

Unit Option Plan

During the fourth quarter of 2009, all of the Company's employees that had previously been granted options under the AutoCanada Incentive Unit Option Plan agreed to cancel their outstanding options for nominal consideration. As of December 31, 2009, all outstanding options under the plan had been cancelled and the Incentive Unit Option Plan was terminated.

Stock Option Plan

Effective December 31, 2009, as part of the conversion to a corporation, we established the AutoCanada Inc. Stock Option Plan under which options may be granted to our directors, officers, employees and consultants, in order to provide an opportunity for these individuals to increase their proprietary interest in our long-term success. At December 31, 2009, no options have been granted under the plan. 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 ten years from the dates granted.

No stock options have been issued to date and the Compensation Committee of the Company has engaged an independent consulting firm to review and provide recommendations to the Compensation Committee of the appropriate short term and long term compensation program for the executive team.

Free Cash Flow

The Company has defined free cash flow to be cash flows provided by operating activities (including changes in non-cash operating working capital) less capital expenditures.

(In thousands of $ except unit and per unit amounts)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Cash provided by operating activities	4,512	7,875	7,696	3,641	2,071	5,723	6,101	3,208
Add (deduct):								
Net change in non-cash operating working capital	(1,773)	5,931	2,760	3,672	(5,284)	(3,112)	3,556	(926)
Purchase of property and equipment	(414)	(1,308)	(973)	(1,243)	(1,065)	(2,175)	(458)	(614)
Free Cash Flow	2,325	12,498	9,483	6,070	(4,278)	436	9,199	1,668
Weighted average shares outstanding at end of period[1]	20,257,000	20,257,000	20,249,732	20,047,787	19,880,930	19,880,930	19,880,930	19,880,930
Free cash flow per share	0.115	0.617	0.468	0.303	(0.215)	0.022	0.463	0.084
Free cash flow – 12 month trailing	12,826	23,943	27,465	30,376	23,773	11,711	11,427	7,025
Free cash flow –Year-to-date								7,025
From inception since January 4, 2006 to December 31, 2009 (incl. operations from May 11, 2006 to December 31, 2009)								
Free cash flow								83,391

[1] Includes Fund Units and Exchangeable Units prior to conversion to a corporation on December 31, 2009.
[2]These financial measures are identified and defined under the section "NON-GAAP MEASURES".

Management believes that the free cash flow (see "NON-GAAP MEASURES") 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.

Our free cash flow in 2009 was significantly less than in prior years. We plan to retain a greater portion of our free cash flow in the future in order to fund our capital expenditures, working capital needs, potential future acquisitions, and to reduce outstanding debt (see "FORWARD LOOKING STATEMENTS").

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. As seen above, the free cash flow of the company was greatly affected by negative cash flow due to changes in working capital.

The following table summarizes changes in non-cash working capital for the year ended December 31, 2008 and December 31, 2009.

(In thousands of dollars)	January 1, 2008 to December 31, 2008	January 1, 2009 to December 31, 2009
	$	$
Accounts receivable	3,174	(4,193)
Inventories	14,180	31,402
Prepaid expenses	49	(84)
Accounts payable and accrued liabilities	(611)	1,911
Revolving floorplan facility	(6,202)	(34,803)
	10,590	(5,767)

Return on Capital Employed

The Company has defined Return on Capital Employed to be EBIT (EBITDA, as defined in "NON-GAAP MEASURES", less depreciation and amortization) divided by Average Capital Employed in the Company (average of shareholders' equity and interest bearing debt, excluding floorplan financing, for the period).

(In thousands of $ except unit and per unit amounts)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
EBITDA[1]	4,621	8,022	7,975	3,868	2,230	6,135	6,716	3,271
Add (deduct):								
Amortization	(771)	(758)	(885)	(905)	(872)	(902)	(937)	(961)
EBIT[1]	3,850	7,264	7,090	2,963	1,358	5,233	5,779	2,310
Average long-term debt	11,167	14,621	21,200	25,237	26,045	25,663	24,432	23,441
Average shareholders' equity	177,174	176,992	160,241	106,261	69,217	70,907	75,848	79,253
Average capital employed[1]	188,241	191,613	181,441	131,498	95,262	96,570	100,280	102,693
Return on capital employed[1]	2.0%	3.8%	3.9%	2.3%	1.4%	5.4%	5.8%	2.2%
Return on capital employed – YTD				14.8%				14.7%

[1]These financial measures are identified and defined under the section "NON-GAAP MEASURES

Management believes that Return on Capital Employed (see "NON-GAAP MEASURES") is a good measure to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

Critical Accounting Policies and Estimates

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

Our significant accounting policies are described in Note 4 ("Summary of Significant Accounting Policies") of the audited annual consolidated financial statements of the Company for the year ended December 31, 2009. The policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition

Vehicles, parts, service and collision repair

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

Finance and insurance

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

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

Inventory Valuation

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

Intangible assets

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

Finance and Insurance Commission Reserve

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

Income Taxes

AutoCanada follows the liability method of accounting for income taxes. Under this method, AutoCanada recognizes both the current and future income tax consequences of all transactions that have been recognized in the financial statements. Future income tax assets and liabilities are determined based on differences between the financial reporting and the tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect when these differences are expected to reverse.

New Accounting Policies

In 2009, the Company 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) 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 applied to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, specifically January 1, 2009 for the Company. The adoption of this Section did not have any impact on our financial position or results in operations.

b) 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 Company's financial statements.

c) Conversion of an unincorporated entity to an incorporated entity

In April 2008, the Emerging Issues Committee ("EIC") issued a new abstract EIC 170 "Conversion of an unincorporated entity to an incorporated entity". This abstract clarifies accounting issues related to conversions, when there has been no change of control. The guidance specifies the following: such a transaction is to be treated as a change in business form and accounted for as a continuity of interests; any changes in tax balances are to be included in income tax expense in the conversion period; any transaction costs incurred are to be expensed in the period incurred; and all comparative information would be that of the pre-conversion entity, as previously reported. Note 2 of the annual audited consolidated financial statements explains AutoCanada's conversion from an unincorporated open-ended trust to a publicly listed corporation.

Recent Accounting Pronouncements Issued and Not Yet Adopted

a) 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 Company 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 Company 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 Company engage in a business combination prior to 2011, consideration will be given to the potential impact of the early adoption of these standards.

Transition to 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 beginning on or after January 1, 2011.

The Company has developed a multiyear transition plan which includes four phases: diagnostic; project planning; impact assessment and policy design; and implementation. In 2008, the Company completed the diagnostic phase and has identified the relevant differences between GAAP and IFRS. In 2009, the Company completed the project planning stage which outlined the project budget, training requirements, key milestones and implementation plans. The Company is currently in the impact assessment and policy design stage and is assessing the impact of policy alternatives on its financial statements, systems, processes and controls.

AutoCanada has performed a preliminary review of the impact of IFRS on its systems, processes and controls. No significant impacts have been identified with respect to its information systems or day-to-day accounting processes. The Company has identified opportunities to improve its financial reporting process for the preparation of annual and quarterly disclosure requirements and has engaged a professional services firm to assist in the design and implementation of the identified opportunities and assist in the development of IFRS compliant financial statements. In addition, senior members of AutoCanada's finance team have attended various IFRS training sessions and are engaged in the conversion process in order to ensure a smooth transition.

AutoCanada has completed its impact assessments of accounting policies identified in its diagnostic phase of the project that were expected to have a significant impact on the financial statements (as discussed below) and is currently performing analysis over accounting policies identified in its diagnostic phase of the project that were expected to have a moderate to low impact on the financial statements. As the transition progresses, the Company will provide increased clarity into the anticipated consequences of any significant accounting policy changes identified.

Changes in accounting policies and processes and collection of additional information for disclosure may require modifications to the Company'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 impact assessment and policy design phase.

Significant Accounting Impacts of Conversion for AutoCanada

AutoCanada has completed its analysis of accounting policies identified in its diagnostic phase of the project that were expected to have a significant impact on the financial statements. The accounting standards that are expected to have significant impact on the financial statements of the Company are noted below. Since the process of finalizing the accounting impacts of the conversion to IFRS is still ongoing and the accounting standards will continue to change through 2010 and 2011, it is possible that additional accounting standards may arise that could have a significant impact on the financial statements other than those described below.

IFRS 1 – First time adoption of International Financial Reporting Standards:
As a first-time adopter of IFRS, the Company is required to apply IFRS 1 *First-time adoption of International Financial Reporting Standards.* IFRS 1 provides a number of optional exemptions to first-time adopters. The exemptions which are significant to AutoCanada are discussed below.

Impairment of Assets:
IAS 36 *Impairment of Assets* uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of "value in use" and "fair value less costs to sell". Value in use is defined as being equal to the discounted future cash flows to be derived from the asset in its current state. In the absence of an active market (for financial statement items such as our intangible assets), fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where

undiscounted cash flows are used to compare against the asset's carrying value to determine if impairment exists. This difference will likely result in more frequent write-downs in the carrying value of assets under IFRS since asset values previously supported using undiscounted cash flow valuations shall be subject to discounted cash flow valuations. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has reduced. This may result in certain reversals of impairment for financial statement items such as property and equipment and intangible assets. This differs from Canadian GAAP which prohibits the reversal of previously recognized impairment losses.

Business Combinations:
IFRS 3 – *Business Combinations* differs from Canadian GAAP as it accounts for business combinations using the acquisition method, which could result in transactions in the future being recognized as business combinations under IFRS 3 that would not be recognized under Canadian GAAP. IFRS 3 requires that acquisition related costs, such as legal and consulting fees be expensed, which under Canadian GAAP, these costs are eligible to be included as part of the purchase price allocation. The IFRS 3 standard also requires that the acquisition date be the date on which the acquirer obtains control over the entity. Under IFRS 3, any gain on the purchase of an entity (negative goodwill) must be immediately recognized in net income. IFRS 1 provides an exemption that allows companies transitioning to IFRS not to restate business combinations entered into prior to the date of transition to IFRS. AutoCanada currently plans to take this exemption for business combinations entered into prior to January 1, 2010. In addition, the Company may elect to early adopt a new standard under Canadian GAAP which would align the accounting for future business combinations under Canadian GAAP to IFRS. Should any combinations occur in 2010, AutoCanada will consider the early adoption of Section 1582 – *Business Combinations.*

CONTROLS OVER DISCLOSURE AND FINANCIAL REPORTING

Disclosure Controls & Procedures

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

As of December 31, 2009, the Company's management, with the participation of the CEO and CFO, evaluated the effectiveness of its disclosure controls and procedures, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (l) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (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 Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company'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 Company'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 Company's internal control over financial reporting as of December 31, 2009, based on the framework established in *Internal Control – Integrated Framework* issued by the Committee Of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the company maintained effective internal control over financial reporting as of December 31, 2009.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2009.

GENERAL OUTLOOK

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

New light vehicle unit sales in Canada decreased by 10.7 percent in the year ended December 31, 2009 as compared to the prior year. As evident in the following chart, however, such sales are predicted to increase by approximately 5.2 percent in 2010.

New Vehicle Sales Outlook by Province*

(thousands of units, annual rates)

	1994-2005 Average	2006-07	2008	2009	2010f
Canada	**1,446**	**1,635**	**1,642**	**1,450**	**1,525**
Atlantic	**102**	**114**	**127**	**112**	**116**
Central	**936**	**999**	**1,010**	**924**	**965**
Quebec	366	402	430	388	407
Ontario	570	597	580	536	558
West	**408**	**522**	**505**	**414**	**444**
Manitoba	42	44	46	43	45
Saskatchewan	36	41	48	46	48
Alberta	166	243	232	180	196
British Columbia	164	194	179	145	155

* Includes cars and light trucks

Source: Scotia Economics - Global Auto Report, December 29, 2009

The Canadian automotive retail market presented many challenges in 2009. The Canadian economy in general was in recession which may have had a direct effect on automotive sales. Other economic factors such as high unemployment rates and decreased gross domestic product generally have an indirect effect on automotive retail sales and this was apparent in Canada in 2009 since new vehicle retail unit sales were at their lowest levels since 1998. We have also witnessed near unprecedented volatility in the capital markets generally, a significant change in ownership of one of our manufacturers, the loss of a major provider of floor plan and consumer auto retail financing, 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 the sale of new vehicles.

In 2010, we expect the Canadian automotive retail market to improve. Economic forecasts are predicting continued strengthening in used vehicle prices through the spring of 2010. The increase in used vehicle prices should help us to achieve a higher gross profit per used vehicle. It should bolster new vehicle unit sales since consumers are more likely to have increased vehicle equity in their current vehicles which indirectly increases the affordability of a new vehicle purchase. Throughout 2009 we increased our service capacity by 16.5% which we believe will be advantageous in the coming years due to the average increase in aging of Canadian owned automobiles. High volumes of new vehicle sales over the past five years are expected to increase the demand for parts and servicing of these vehicles in the coming years. We are also hopeful for the continued strengthening of the consumer credit market. In the last few months of 2008 and throughout 2009, we witnessed an unprecedented decrease in our customers' ability to obtain financing for new and used vehicles. Over the past few months of 2009 we have seen improvement, and are hopeful that this trend continues into 2010 as the credit markets begin to ease and retail can continue to improve due to improvements in our customers' ability to finance new and used vehicles.

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

RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See "FORWARD LOOKING STATEMENTS") Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business and operations. A comprehensive discussion of the known risk factors of AutoCanada and additional business risks is available in our 2009 Annual Information Form dated March 22, 2009 available on the SEDAR website at www.sedar.com.

Additional information

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

FORWARD LOOKING STATEMENTS

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

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

- our plans for future growth and effects of future growth on financial performance;
- the impact of general credit conditions on the Company;
- the impact of the absence of automotive leasing on our business;
- management's anticipation of increased sales opportunities from newly redesigned vehicles;
- expectation of realizing similar penetration ratios on parts, accessories and finance and insurance products as was obtained in the past;
- expectations of the amount of future capital spending and its effect on future financial performance and growth;
- our assumption on the amount of time it make take for an acquisition or open point to achieve normal operating results;
- expectations and assumptions regarding the Company's ability to pay future dividends;
- management's plans of retaining a greater portion of free cash flow;
- management's use of performance indicators;
- assumptions over non-GAAP measures and their impact on the Company;
- expectation that there may be future acquisition opportunities at attractive purchase multiples;
- the effect of future cash flows from operations on the operations of the Company;
- plans for convergence with IFRS and its impact on the Company;
- management's assumptions over the future economic and general outlook; and
- predictions for future economic data such as vehicle unit sales, vehicle prices, and margins on vehicle sales.

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

release in respect of forward-looking statements. We caution the reader that the following list of assumptions is not exhaustive. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- no significant adverse changes to the automotive market, competitive conditions, the supply and demand of vehicles, parts and service, and finance and insurance products or the political, economic and social stability of the jurisdictions in which we operate;
- no significant construction delays that may adversely affect the timing of dealership relocations and open points;
- no significant disruption of our operations such as may result from harsh weather, natural disaster, accident, civil unrest, or other calamitous event;
- no significant unexpected technological event or commercial difficulties that adversely affect our operations;
- continuing availability of economical capital resources; demand for our products and our cost of operations;
- no significant adverse legislative and regulatory changes; and
- stability of general domestic economic, market, and business conditions

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

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

The foregoing factors are not exhaustive and are further discussed in the Company's Annual Information Form dated March 22, 2010 which is filed on SEDAR at www.sedar.com.

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

NON-GAAP MEASURES

Our MD&A contains certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net earnings (loss) or to cash provided by (used in) operating, investing, and financing activities determined in accordance with Canadian GAAP, as indicators of our performance. We provide these measures to assist investors in determining our ability to generate earnings and cash provided by (used in) operating activities and to provide additional information on how these cash resources are used. We list and define these "NON-GAAP MEASURES" below:

EBITDA

EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization and asset impairment charges which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. 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.

EBIT

EBIT is a measure used by management in the calculation of Return on capital employed (defined below). Management's calculation of EBIT is EBITDA (calculated above) less depreciation and amortization.

Free Cash Flow

Free cash flow is a measure used by management to evaluate its performance. While the closest Canadian GAAP measure is cash provided by operating activities, free cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It shall be noted that although we consider this measure to be free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that free cash flow may not actually be available for growth or distribution of the Company. References to "Free cash flow" are to cash provided by (used in) operating activities (including the net change in non-cash working capital balances) less capital expenditure.

Absorption Rate

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. 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.

Average Capital Employed

Average capital employed is a measure used by management to determine the amount of capital invested in AutoCanada and is used in the measure of Return on Capital Employed (described below). Average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Return on Capital Employed

Return on capital employed is a measure used by management to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Return on capital employed is calculated as EBIT (defined above) divided by Average Capital Employed (defined above).

Standardized Distributable Cash and Adjusted Distributable Cash

References to "standardized distributable cash" and ''adjusted distributable cash" are to cash flow provided by operating activities available for distribution to shareholders of the Company (the "Shareholders") in accordance with the previous distribution policies of the Fund. Standardized distributable cash and adjusted distributable cash of the Company are measures that were 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 Company relative to the price of the units, management believes that standardized distributable cash and adjusted distributable cash of the Company were a useful supplemental measure that may have assisted prospective investors in assessing an investment in the Company. 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.

Due to AutoCanada's change in structure from an income trust to a corporation, management no longer intends to use "adjusted distributable cash" or "standardized distributable cash" as these measures are not considered useful to a corporate entity. The tables above have been presented for information purposes and management will no longer use this information for decision making purposes, nor will it be included in management's discussion and analysis in the future.

Cautionary Note Regarding Non-GAAP Measures

EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Distributable Cash and Standardized Distributable Cash are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that these non-GAAP measures should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's methods of calculating EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Distributable Cash and Standardized Distributable Cash may differ from the methods used by other issuers. Therefore, the Company's EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Distributable Cash and Standardized Distributable Cash may not be comparable to similar measures presented by other issuers.