AutoCanada Income Fund

Annual Information Form

For the year ended December 31, 2006

March 22, 2007

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CERTAIN REFERENCES AND GLOSSARY

In this AIF, unless the context otherwise requires, references to "AutoCanada", "we", "us", "our" or similar terms refer to the Fund together with the Trust, AutoCanada GP, the Partnership, the Dealer LPs and any other franchised automobile dealership owned by the foregoing parties. The disclosure contained in this AIF is presented on the basis that we owned and operated the business that was previously owned by CAG for all periods referred to in this AIF.

The "Glossary of Terms" at page G-1 of this AIF contains definitions of terms used in this AIF.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2006, unless otherwise indicated.

FORWARD LOOKING INFORMATION

Certain sections of this AIF contain forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information in this AIF concerns our business and anticipated results, trends, developments, earnings growth, realizing our strengths, executing our strategies, and the timing and amount of distributions. The forecasts and projections that make up the forward-looking information are based on estimates and assumptions, which are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results or events to differ from current expectations include, but are not limited to: the retail automotive industry, which includes risks relating to: overall consumer demand; substantial competition in vehicle sales and services; dependence upon vehicle sales; mix of new vehicles; interest rates; automobile manufacturer incentive programs; seasonality; and import product restrictions and foreign trade; our business, which includes risks relating to: the loss of key personnel and limited management and personnel resources; unfavorable conditions in key geographic markets; governmental regulations and environmental regulation compliance costs; and insurance coverage; our acquisition strategy, which includes risks relating to: automobile manufacturers' restrictions on acquisitions; integration of acquisitions; financing constraints; and competition with other franchised automobile dealerships; our dependence on automobile manufacturers, which includes risks relating to: our automobile dealership franchise agreements; restrictions on ownership thresholds and the sale of our business; requirements to maintain minimum working capital; and adverse conditions affecting one or more automobile manufacturers. Risks relating to our structure include: dependence upon the Partnership to fund cash distributions; the fact that cash distributions are not guaranteed and fluctuate with business performance; the fact that our distributions are discretionary; the nature of the Units; liability of Unitholders; unpredictability and volatility of Unit prices; attributes of securities distributed on redemption of Units or termination of the Fund; dilution; requirements as a public issuer; leverage and restrictive covenants; the substantial interest of CAG, our expanded business structure, future sales of Units by CAG; income tax matters; limitations on future growth and cash flow; restrictions on the ownership of Units by non-residents of Canada; indemnities provided by CAG and the Principal Shareholders; and the fact that Unitholders are not afforded certain statutory rights; and other risks described in this AIF under the section heading "Risk Factors". For additional information with respect to these and other risk factors, reference should be made to the section entitled "Risk Factors". All forward-looking information in this AIF is qualified in its entirety by this cautionary statement and we undertake no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

NON-GAAP MEASURES

In addition to financial measures prescribed by Canadian generally accepted accounting principles certain information presented in this AIF is based upon non-GAAP measures. These measures include "EBITDA", "Adjusted EBITDA" and "cash available for distribution".

References to our "EBITDA" for any period are to our net income (loss) for such period before interest expense (other than interest expense on floor plan financing), taxes, depreciation and amortization, compensation expense not paid in cash, and non-controlling interest, in each case to the extent reflected in such net income (loss). EBITDA is a metric used by many investors to determine the ability of an issuer to generate cash from operations. Because we distribute a substantial portion of our available cash on an ongoing basis (after providing for certain amounts described elsewhere in this AIF) we believe that, in addition to net income or loss and statements of cash flows, EBITDA is a useful supplemental measure by which to measure our performance and from which to make adjustments to determine our cash available for distribution.

We have used Adjusted EBITDA as the basis for the analysis of our past financial performance. References to "Adjusted EBITDA" are to EBITDA after adjusting for various items including the elimination of certain shareholder remuneration paid by CAG as a private company, the deduction of compensation that would have been paid to certain of our dealer principals had the Dealer Principal Compensation Arrangements been in effect for the applicable periods, the addition of incremental insurance commissions that would have been paid to us had the new insurance contract with our supplier been in effect for the applicable periods, the addition of incremental Adjusted EBITDA we estimate we would have generated had Grande Prairie Hyundai been open for all of 2005 and the addition of incremental Adjusted EBITDA we estimate we would have generated had we owned 100% of Dartmouth Dodge for the applicable periods. Adjusted EBITDA is a measure that we believe facilitates the comparability of the results of historical periods and the analysis of our financial performance.

References to "cash available for distribution" are to cash available for distribution to Unitholders in accordance with the distribution policies of the Fund described in this AIF. Cash available for distribution is presented in this AIF as we make monthly cash distributions and it is therefore a useful financial measure as an indication of our ability to make such distributions. It is also a measure generally used by income funds in Canada as an indicator of financial performance. Cash available for distribution and "distributable cash" are measures generally used by Canadian open-ended trusts as an indicator of financial performance. As one of the factors that may be considered relevant by prospective investors is the cash distributed by the Fund relative to the price of the Units, management believes that distributable cash of the Fund is a useful supplemental measure that may assist prospective investors in assessing an investment in the Fund. We define "distributable cash" as cash flows from operating activities, less purchases of non-growth or productive property and equipment.

The Fund's policy is to distribute annually to Unitholders available cash from operations after cash required for capital expenditures, working capital reserves, growth capital reserves and other reserves considered advisable by the Trustees. The policy allows the Fund to make stable monthly distributions to its Unitholders based on the Fund's estimate of distributable cash for the year.

EBITDA, Adjusted EBITDA, cash available for distribution and distributable cash are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA, cash available for distribution and distributable cash may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to ours. You are cautioned that EBITDA, Adjusted EBITDA, cash available for distribution and distributable cash should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of our performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

References to "absorption rate" are to the ratio of gross profits of a franchised automobile dealership from parts, service and collision repair to the fixed operating costs of the dealership. For this purpose, fixed operating costs include fixed salaries and benefits, administration costs, occupancy costs, insurance expense, utilities expense and interest expense (other than interest expense relating to floor plan financing). 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.

THE FUND, AUTOCANADA OPERATING TRUST, AUTOCANADA LP, AUTOCANADA GP AND THE DEALER LPS

The Fund was established on January 4, 2006 and is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and by the Declaration of Trust. The Fund has been formed to hold Trust Units and all of the outstanding shares of AutoCanada GP. See "AutoCanada Income Fund".

The Trust was established on January 16, 2006 and is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and by the Trust Declaration of Trust. The Trust has been created to acquire and hold LP Units. See "AutoCanada Operating Trust".

AutoCanada GP is a corporation incorporated under the CBCA on October 21, 2005. AutoCanada GP is the general partner of the Partnership and holds the shares of the general partners of the Dealer LPs. See "Dealer LPs" and "AutoCanada GP".

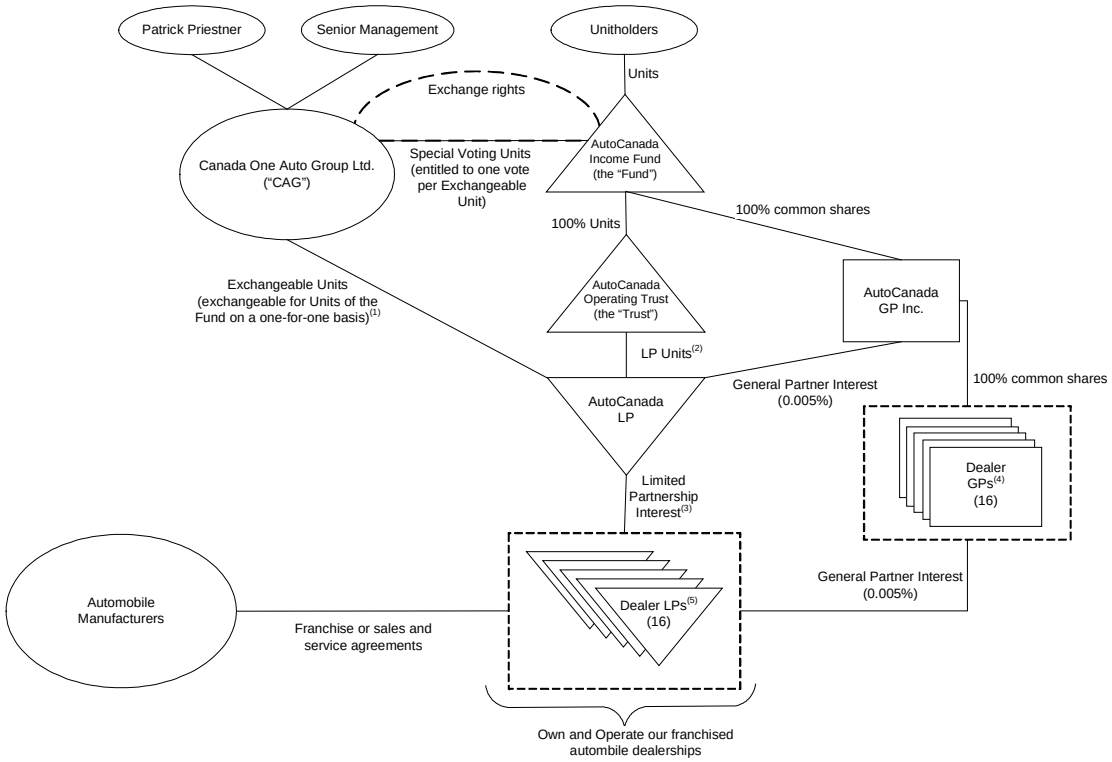
The Partnership is a limited partnership formed under the laws of the Province of Manitoba on January 1, 2006. The Partnership has been created to acquire and hold limited partnership units in the Dealer LPs and, indirectly through the Dealer LPs, to acquire and hold the assets and undertaking of CAG and to carry on our business. See "AutoCanada LP". The Trust holds

LP Units and CAG holds Exchangeable Units, representing an approximate 54.1% and 45.9% interest, respectively, in the Partnership.

Each of the Dealer LPs is a limited partnership formed under the laws of the Province of Manitoba on January 1, 2006. Each Dealer LP has been formed to acquire the assets and undertaking relating to one of the franchised automobile dealerships owned by CAG. See "Dealer LPs".

The principal and head offices of the Fund, the Trust, AutoCanada GP and the Partnership are located at 10835 120th Street, Edmonton, Alberta, T5H 3P9. The principal and head offices of each of the Dealer LPs are located at the franchised automobile dealership owned by such entity.

The following chart illustrates our structure, not including the managed dealership:



OVERVIEW AND DEVELOPMENT OF OUR BUSINESS

Overview

We are one of Canada's largest multi-location automobile dealership groups, with 16 franchised dealerships and one managed dealership located in six provinces. In 2006, the franchised automobile dealerships we now own sold approximately 19,350 vehicles and processed approximately 215,000 service and collision repair orders in our 245 service bays. We intend to continue to grow principally through the acquisition of additional franchised automobile dealerships, opening new franchised automobile dealerships and managing dealerships owned by others.

The following table sets forth the franchised automobile dealerships owned or managed by us as at March 22, 2007 and the year such dealership was opened or acquired by us or CAG, or became under our management.

Location of Owned and Managed Dealerships	Operating Name	Franchise	Year Opened, Acquired or Managed
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge	Chrysler	2005
Prince George, British Columbia	Northland Chrysler Jeep Dodge	Chrysler	2002
Prince George, British Columbia	Northland Hyundai	Hyundai	2005
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 (1)	Grande Prairie Nissan	Nissan	2007
Grande Prairie, Alberta	Grande Prairie Subaru	Subaru	1998
Edmonton, Alberta	Crosstown Chrysler Jeep Dodge	Chrysler	1994
Edmonton, Alberta	Capital Chrysler Jeep Dodge	Chrysler	2003
Sherwood Park, Alberta	Sherwood Park Hyundai	Hyundai	2006
Ponoka, Alberta	Ponoka Chrysler Jeep Dodge	Chrysler	1998
Thompson, Manitoba	Thompson Chrysler Jeep Dodge	Chrysler	2003
Woodbridge, Ontario	Colombo Chrysler Jeep Dodge	Chrysler	2005
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge	Chrysler	2006

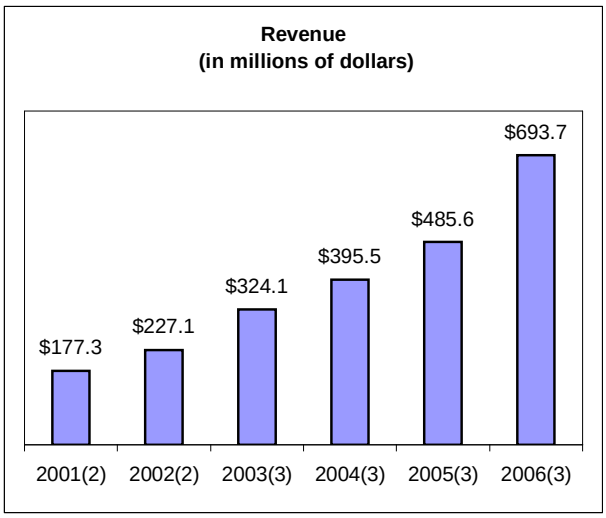
(1) We undertook management of this dealership in February, 2007.

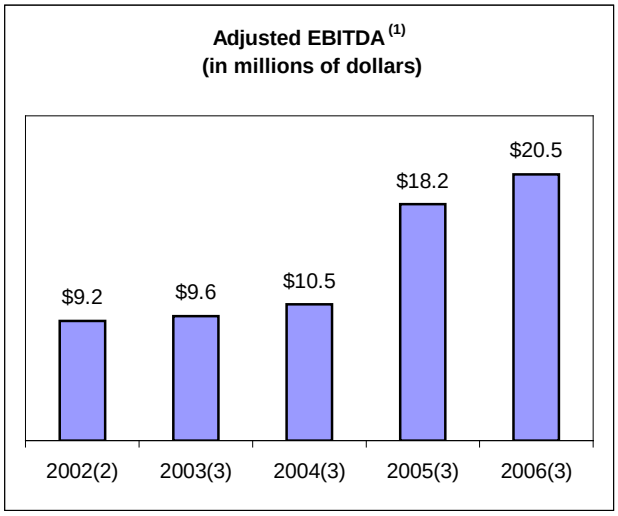
On February 7, 2007, we entered into a credit agreement with CAG to finance the acquisition by CAG of a Nissan dealership (the "Nissan Dealership") and entered into a management agreement to provide the Nissan Dealership with management services. The Nissan Dealership is owned by a subsidiary of CAG. See "Overview and Development of Our Business – Recent Developments".

We currently sell new vehicles manufactured by DaimlerChrysler (under the brand names "Chrysler", "Jeep" and "Dodge"), Hyundai and Subaru and our managed dealership sells vehicles manufactured by Nissan. Vehicles manufactured by DaimlerChrysler represented approximately 91% of our total new vehicle sales in 2006. In addition, we sell a broad range of used vehicles. We also offer a full range of parts, service and collision repair services and facilitate the sale of third party finance and insurance products, extended warranties and replacement and after market automotive products.

Our strategy is to own or manage franchised automobile dealerships that represent automobile manufacturers whose vehicles are in high demand in the markets in which our dealerships are located.

The following charts illustrate our revenue and Adjusted EBITDA growth since 2002.





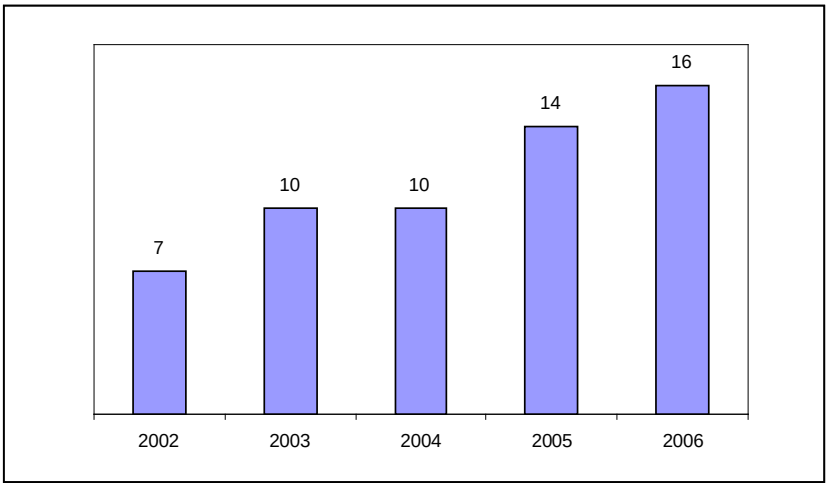
Notes:
(1) Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Our Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures".
(2) Revenue and Adjusted EBITDA information for our fiscal years prior to our fiscal year ended December 31, 2003 is based upon management calculations derived from the unaudited combined financial statements of CAG for those years.
(3) Revenue information for our fiscal years ended December 31, 2003, 2004 and 2005 is derived from the audited combined financial statements of CAG. Adjusted EBITDA for these years has been determined in the manner referred to in Note 1.

We believe that we are one of the largest multi-location automobile dealership groups in Canada. The Canadian retail automotive industry is estimated to have annual sales of approximately $87 billion and is highly fragmented with approximately 3,500 franchised automobile dealerships. We expect the Canadian automotive retail industry will continue to consolidate due to the limited number of viable exit strategies for dealership owners and the need for increased operating efficiencies and stronger customer loyalty processes in a competitive marketplace. Multi-location automobile dealership groups with significant equity capital, management expertise and acquisition experience are well positioned to acquire additional dealerships.

Our founder and Chief Executive Officer, Patrick Priestner, has been directly involved in the retail automotive industry since 1974. He was one of the founders of a predecessor to CAG when, in 1993, it purchased a franchised automobile dealership in Edmonton, Alberta that had been in business since 1952. In 2001, after growing the business to five franchised automobile dealerships, we began to implement our strategy of becoming a national multi-location automobile dealership group in Canada, a strategy that had been successfully executed by that time by owners of several franchised automobile dealers in the United States.

Since 2001, we have grown by acquiring and successfully integrating the operations of nine existing franchised automobile dealerships. We also focus on organic growth. See "Our Growth Strategy — Organic Growth". In addition, on April, 20th, 2005 we opened our Grande Prairie Hyundai dealership and on November 15, 2006 we opened our Sherwood Park Hyundai dealership, the first of two of four new dealerships which we have recently been awarded by various automobile manufacturers. On February 7, 2007, we financed the acquisition and undertook management of the Nissan Dealership.

Number of Franchised Automobile Dealerships Owned at Year End(1)



Notes:
(1) Includes Dartmouth Dodge from 2002 to 2006, of which we have owned 50% since 2002 and purchased the remaining 50% in February, 2006.

On May 11, 2006, we completed an initial public offering of 10,209,500 Units at a price of $10 per Unit, to raise aggregate gross proceeds of $102,095,500. On May 31, 2006 the Underwriters exercised the Over-Allotment Option, resulting in the issuance by the Fund of 740,000 additional Units at a price of $10.00 per Unit for gross proceeds of $7,400,000. The gross proceeds of the Offering were used by the Fund to indirectly acquire the assets and undertaking of CAG and the gross proceeds of the Over-Allotment Option were used to indirectly redeem 740,000 Exchangeable Units. As a result of the Offering and the exercise of the Over-Allotment Option, there are 10,949,500 Units issued and outstanding. The Fund now owns an indirect 54.1% interest in AutoCanada LP and CAG owns the remaining 45.9%.

Recent Developments

On February 7, 2007, we expanded our sources of cash generation for Unitholders through an arrangement to finance the acquisition of, and provide management services to, the Nisssan Dealership in Grande Prairie, Alberta. These arrangements mark an expansion of our business structure. In addition to owning franchised automobile dealerships, we have the opportunity to earn interest and fees from managing and financing the acquisition of franchised automobile dealerships offered by select manufacturers where there is not an arrangement in place with the manufacturer that would allow the franchised automobile dealership to be owned directly by us. These arrangements can serve to enhance our relationships with these manufacturers.

The Nissan Dealership is owned and operated by an affiliate of CAG. We lent two affiliates of CAG $6.5 million, being the funds required to acquire the business of the Nissan Dealership, and entered into an agreement with another affiliate of CAG to provide management services in respect of the Nissan Dealership. We obtained the funds to make the loans to the two affiliates by drawing on the Credit Facility. To facilitate the transaction, we granted consents to CAG and its affiliates under the terms of the Non-Competition Agreement. Pursuant to these arrangements, a substantial portion of the operating cashflow from the Nissan Dealership is paid to us in the form of interest and fees. The Nissan Dealership has arranged its own lines of credit to finance its new and used vehicle inventories. The terms of the transactions between CAG and us in respect of the Nissan Dealership were reviewed and approved by our Trustees and the independent directors of AutoCanada GP, who were advised by independent legal counsel and financial advisors.

We continue to have discussions with Nissan Canada Inc. about the future ownership of the Nissan Dealership. At this time, our Trustees believe there is little immediate prospect that Nissan Canada Inc. will grant a Nissan franchise directly to us or allow us to own a Nissan franchise. The agreements between CAG and us provide for the terms on which the Nissan Dealership could be transferred to us if the approval of Nissan Canada Inc. is obtained, and on which CAG could be required to sell the Nissan Dealership. We view the foregoing arrangements established with Nissan Canada Inc. as an important step towards developing a long-term relationship with this leading manufacturer.

On February 7, 2007 we granted consent to Patrick Priestner, under the Non-Competition Agreement and under Mr. Priestner's executive employment agreement with us, to own and operate, indirectly, a new Toyota automobile dealership, Sherwood Park Toyota. Mr. Priestner has agreed to pay certain amounts to us for the consent. The consent was granted after review of the terms of the consent by our Trustees and the independent directors of AutoCanada GP and their independent financial advisors. This arrangement will allow us to build our relationship with Toyota, a leading automobile manufacturer. Sherwood Park Toyota consists of a 55,000-square foot showroom, a sales and repair facility building containing 22 service bays, and is located in a suburb of Edmonton, Alberta.

Our Strengths

We believe our principal competitive strengths, which enable us to sustain and enhance our market position and generate continued growth, include the following:

Our Multi-Location Automobile Dealership Model

The key advantages from our multi-location automobile dealership model include:

- *Economies of Scale* — Our size and consolidated purchasing power provide both cost and revenue synergies. Cost synergies include achieving lower prices for items such as insurance, advertising, benefit plans and information systems. Revenue synergies include being a preferred provider for retail service and warranty contracts and earning higher commissions on finance and insurance activities.

- *Decentralized Operations and Centralized Administrative and Strategic Functions* — Our organizational structure allows us to provide market specific responses to sales, service, marketing and inventory requirements while benefiting from the resources provided by an experienced and knowledgeable head office executive team.

- "*Best Practices*" — Our model enables us to benchmark the success of our dealership operations against each other and rapidly implement new and innovative ideas across our dealership group.

- *Geographic Diversification* — Our diversified locations throughout Canada help to mitigate the potential effect of adverse economic conditions in any one region of Canada.

- *Inventory Management* — Operating a number of franchised automobile dealerships allows us to share market information amongst our dealerships selling the same brands and quickly identify any changes in consumer buying patterns.

- *Ability to Attract and Retain Key Employees* — Our size and performance allow us to attract and retain key employees both at the dealership level and at our head office.

Portfolio of Brands Suited to the Markets in which We Operate

We seek to supply new vehicles of the type and at the price points that are in demand in our markets. According to The Polk Report, sales of Dodge, Jeep and Chrysler vehicles represented 12.9% of total new vehicle sales in Canada in 2006.

As the following table illustrates, in all of the markets in which we own a DaimlerChrysler franchised automobile dealership, except for two, the local market share of new Dodge, Jeep and Chrysler vehicle sales exceeded the national average in 2006.

Local Market Share of Dodge, Jeep and Chrysler Vehicles (by new vehicle registrations) in 2006

Market	Percentage of market share	Percentage point difference from Canadian market share of 12.9%
Edmonton, Alberta	16.0%	+3.1%
Grande Prairie, Alberta	21.6%	+8.7%
Ponoka, Alberta	23.3%	+10.4%
Maple Ridge, British Columbia	20.5%	+7.6%
Okanagan, British Columbia	10.9%	-2.0%
Prince George, British Columbia	20.4%	+7.5%
Thompson, Manitoba	20.7%	+7.8%
Woodbridge (Toronto West), Ontario	13.9%	+1.0%
Moncton, New Brunswick	12.6%	-0.3%
Halifax, Nova Scotia	15.3%	+2.4%

Source: Polk Report

Integration of Acquisitions and Improvement of Business Performance

Since 2001, we have acquired and successfully integrated nine franchised automobile dealerships and opened two Open Points. Our head office group, which examines and assesses all potential acquisitions, has developed expertise in acquiring and integrating dealerships. We have also developed standardized internal systems, which we use to carry out our due diligence in evaluating potential acquisitions and to complete and integrate the operations of the acquired dealerships into our overall business. Upon completion of an acquisition, we quickly implement measures to strengthen under-performing areas of the business identified during our due diligence process. We are also able to capitalize upon the economies of scale inherent in our multi-location automobile dealership model, permitting us to lower costs and increase profits at these dealerships.

Strong Relationships with Automobile Manufacturers

Our strong relationships with certain automobile manufacturers have enabled us to source, finance and close new acquisitions, manage our business in an efficient manner and secure the rights to new dealerships awarded by the manufacturers. The strength of our relationships is illustrated by opening of one new franchised automobile dealership in 2006 and the award of rights to open two new franchised automobile dealerships. See "Our Growth Strategy — New Locations for Franchised Automobile Dealerships (Open Points)".

Higher Margin Sales and Absorption Rate

While new vehicle sales are our most significant source of revenue, we have focused on our higher margin sources of revenue, which are the sale of used vehicles, parts, service and collision repair and finance and insurance sales. For example, our ratio of retail used vehicle sales to retail new vehicle sales of 0.9 to 1 during 2006 was substantially higher than the industry average which, according to CADA, is 0.6 to 1.

We continually focus on increasing our parts, service and collision repair gross profits while reducing costs throughout our organization. We have been successful in increasing the absorption rate of dealerships acquired by us. In 2006, the average absorption rate of our dealerships was approximately 92%. By comparison, according to CADA, the national average in Canada was 71% in 2005.

We also derive substantial revenues and gross profits from fees and commissions earned on the sale of finance and insurance products, which produce higher margins than sales of new and used vehicles. See "Our Operations — Sources of Revenue and Gross Profit — Finance and Insurance".

Experienced and Incentivized Senior Management with a Significant Retained Interest

Our management team has extensive experience and expertise in the retail automotive industry. Patrick Priestner, our Chief Executive Officer, has over 30 years of industry experience, including over 25 years as an owner of franchised automobile dealerships. Robert Clark joined us as our President in June, 2004 after 17 years of experience in various senior positions at DaimlerChrysler, where he last served as Vice President, Sales and Service. Steve Rose joined us in January, 2007 as Vice-President of Corporate Development, General Counsel and Secretary of AutoCanada GP. Prior to joining AutoCanada, Mr. Rose was with DaimlerChrysler Canada Inc. for 14 years, most recently serving as Vice President, General Counsel and Secretary, where he was responsible for all legal affairs of the Canadian company. Mr. Rose brings over 20 years experience serving in corporate counsel positions and advising on corporate finance and mergers and acquisitions. See "Trustees, Directors and Officers — Management Profiles".

At the corporate level, Mr. Priestner and certain other senior executive officers have a significant stake in our performance through their indirect ownership, through CAG, of an approximate 45.9% interest in our business. As at December 31, 2006, Mr. Priestner had an indirect ownership interest in our business of 34.0%; Mr. Clark had an indirect ownership interest of 3.4%; and our other senior management had indirect ownership interests of 8.5% (in all cases on a fully-diluted basis excluding options granted and outstanding as at December 31, 2006). These and other members of our senior management may also be paid bonuses that are dependent upon increases in distributions to our Unitholders and the completion of acquisitions that are accretive to us.

In addition, we have adopted the AutoCanada Option Plan which provides for the grant of options to purchase Units at their fair market value at the time of the grant to our senior management and others. At March 22, 2007, there were outstanding options to purchase an aggregate of 719,967 Units (equivalent to 3% of the then outstanding Units and Exchangeable Units in aggregate) held by members of our senior management team (other than Mr. Priestner), trustees, directors and certain dealer principals.

Dealer principals are compensated, to a significant extent, on the basis of the financial performance of the franchised automobile dealership for which they are responsible. Our dealer principals participate in an incentive plan that provides for the payment to them of 15% of the EBITDA of the dealer principal's franchised automobile dealership or, in the case of our Hyundai dealerships, hold a 15% interest in the Dealer LP that owns their respective dealership. The compensation of department managers and salespeople is similarly based upon departmental profitability and individual performance, respectively. Approximately 68% of the compensation earned by our dealer principals in 2006 was earned through performance-based bonuses and commissions. The percentage of compensation earned by our sales force exceeds this figure as a percentage of the total compensation of the sales force.

Our Growth Strategy

Our objective is to be the largest and most profitable multi-location automobile dealership group in Canada. To achieve this objective, we intend to grow primarily through targeted acquisitions in attractive markets while continuing to grow our same store gross profits and focus on cost containment and efficiency. We also continue to seek opportunities to open or manage new franchised automobile dealerships.

We believe that we have sufficient management resources to add additional dealerships without a proportionate increase in general and administrative expenses, providing opportunity for further profit margin improvements.

Targeted Acquisitions

Similar to the consolidation trend in the United States, which began in the 1980s and which has since spread to other countries, we expect the highly fragmented retail automotive industry in Canada to undergo a similar trend. We intend to capitalize on this trend by acquiring franchised automobile dealerships that have significant earnings growth potential. We

believe that consolidation in this industry is likely due to the limited number of viable exit strategies for dealership owners and the need for increased operating efficiencies and stronger customer loyalty processes in a competitive marketplace.

We believe we are well-positioned to pursue established acquisition candidates as a result of our franchised automobile dealer management retention strategies, the reputation of our existing dealer principals as leaders in the retail automotive industry, our size, our financial resources and our ability to finance acquisitions through equity offerings.

We follow a disciplined and systematic approach when evaluating acquisition opportunities and consistently analyze numerous factors including the following:

- overall fit with operating strategy;
- high demand in the market area for the type of vehicles sold;
- optimization of brand and product mix;
- accretion and above average potential to increase return on investment;
- continuing involvement of managers and key employees; and
- strategic geographic location and future growth potential.

We will continue our strategy of acquiring or managing franchised automobile dealerships:

- with superior operational and financial management personnel that have demonstrated that they maintain profitable and well managed businesses with leading market positions in key markets; and
- whose businesses are currently under performing, in circumstances where we believe our operational skills and experience and multi-location automobile dealership model can lead to increased performance in a short period of time.

We intend to acquire or manage franchised automobile dealerships that represent brands of automobile manufacturers other than those currently represented by us where the brands are suited to the markets in which they operate and the operations of the dealership meet our acquisition criteria.

We evaluate opportunities in both our existing markets as well as markets where we do not currently own dealerships. By owning or managing multiple dealerships in a single market area, we can establish a "platform" from which we can gain operational synergies and capitalize on existing management personnel who have experience and in-depth knowledge of their local market.

Automobile manufacturers have adopted policies that limit the number of their franchised automobile dealerships we are permitted to own at the metropolitan, regional or national level. We are near the limit imposed by DaimlerChrysler on the number of their franchised automobile dealerships that we may own. See "Automobile Dealership Franchise Agreements — Automobile Manufacturers' Limitations on Acquisitions".

We are currently in discussions with the owners of several import and domestic brand franchised automobile dealerships in various regions in Canada about potential acquisitions, and we have identified several other dealerships that are potential acquisition candidates.

We have been able to realize synergies and operating efficiencies following the acquisition of new dealerships. Acquired dealerships typically benefit from reduced costs from print advertising, dealership insurance, employee benefit pricing, and dealer operating systems. Acquired dealerships also experience net contribution increases as a result of higher commission rates for finance and insurance products.

Organic Growth

We continue to focus on those areas of our business that enable us to increase the profitability of our operations. Key areas include increasing same store gross profits by controlling expenses and expanding margins at our existing franchised automobile dealerships and those that are integrated into our operations on acquisition.

The following table shows the increase in same store revenues and gross profits at our dealerships from 2002 to 2006.

	2006 Compared to 2005	2005 Compared to 2004	2004 Compared to 2003	2003 Compared to 2002	2002 Compared to 2001
Revenue					
New Vehicles	1.1%	15.2%	11.7%	(4.5)%	(1.6)%
Used Vehicles	6.2%	12.9%	5.9%	3.4%	8.6%
Finance and Insurance	29.2%	29.5%	10.0%	3.9%	8.4%
Parts, Service and Collision Repair	6.9 %	4.7%	4.8%	13.3%	9.5%
Total	**4.4%**	**13.8%**	**9.1%**	**0.1%**	**2.6%**
Gross Profit					
New Vehicles	(0.6)%	19.0%	13.5%	(9.0)%	1.6%
Used Vehicles	(6.3)%	33.2%	4.0%	9.5%	17.7%
Finance and Insurance	32.5%	34.9%	11.6%	(0.7)%	6.5%
Parts, Service and Collision Repair	9.7%	17.2%	2.2%	8.9%	18.1%
Total	**10.6%**	**24.4%**	**7.5%**	**2.1%**	**10.3%**
Number of Dealerships Included	**9**	**9**	**6**	**5**	**4**

Note:

(1) Same store sales growth and same store gross profit growth is calculated using automobile dealerships that we have owned for at least two full years.

New Locations for Franchised Automobile Dealerships (Open Points)

The retail automotive industry is a mature industry and rights to open new franchised automobile dealerships are rarely awarded by the automobile manufacturers. However, from time to time automobile manufacturers may seek to establish new dealerships in attractive markets. The right to open a new franchised automobile dealership in a specific location granted by an automobile manufacturer to a dealer is referred to in the industry as an Open Point. Our experience as a multi-location franchised automobile dealership group and our history of successful operations has made us an attractive candidate to be awarded Open Points that are granted by certain automobile manufacturers.

We have entered into letters of intent to open two new franchised automobile dealerships in Western Canada with each of Hyundai and DaimlerChrysler. In the case of the Hyundai Open Point, the closing of the purchase and sale of the land has been delayed pending vendor's site preparation and clean up, the completion of which is a condition to close. Regarding the DaimlerChrysler Open Point we have not yet secured land acceptable to ourselves and the manufacturer, the search for which is continuing. Once the location has been secured and the appropriate development permit has been obtained it takes approximately nine months to complete construction of each facility. We have advised and are working with both Hyundai and DaimlerChrysler, respectively, and intend to open each Open Point as soon as possible after the land has been secured and the premises have been built. Opening these Open Points is subject to various risks as described in "Risk Factors". Some of these risks are beyond our control.

The time at which these Open Points will actually open is dependent upon a number of factors including: securing land acceptable to us and the manufacturer; changes in plans by the automobile manufacturers; satisfying the requirements of the letters of intent and the other requirements of each of the automobile manufacturers; and the availability of construction material and workers to complete the construction of the new dealerships' facilities.

Consistent with our existing practice, we intend to lease the facilities of the new dealerships. We will incur the costs of equipping and furnishing these facilities, including the costs relating to the integration of our management information systems into the new dealerships. These costs vary by dealership depending upon size and location. Generally a new franchised automobile dealership is fully performing within one to three years depending on the manufacturer and location.

Our Operations

Our Multi-Location Automobile Dealership Model

Our current multi-location automobile dealership model of 16 franchised automobile dealerships and one managed dealership located in six provinces enables us to serve a diversified geographic customer base and enjoy benefits not available to single location dealerships. In addition, by operating seven dealerships in Alberta, and in addition managing the Nissan Dealership, we are able to gain the advantages associated with a "platform" of dealerships in a single geographic area. Benefits of our multi-location automobile dealership model include:

- *Economies of Scale* — The size and scope of our franchised automobile dealerships enables us to combine our purchasing power to obtain attractive prices for items such as insurance, advertising, benefit plans, accounting systems and integration of operations. This has enabled us to lower the costs traditionally incurred in the operation of a dealership and to enhance the profitability of dealerships acquired by us. We are also able to realize revenue synergies, including being a preferred provider for retail service and warranty contracts and earning higher commissions on finance and insurance activities.

- *Decentralized Operations and Centralized Administrative and Strategic Functions* — Decentralized operations enable our franchised automobile dealers to provide market specific responses to sales, service, marketing and inventory requirements. These operations are complemented by our centralized head office, which provides technology, strategic and financial controls, and shares best practices and market intelligence throughout the organization. Our head office group consists of individuals with extensive experience in all dealership operations.

- "*Best Practices*" — We employ professional management practices in all aspects of our operations, including information technology and employee training, and believe these practices provide us with a competitive advantage over many franchised automobile dealers. Our head office and each franchised automobile dealership's management utilize computer-based management information systems to monitor each dealership's sales, profitability and inventory on a regular basis. As part of our management practice, head office coordinates a dealer peer review process which allows us to identify operational challenges and successes, formulate goals and disseminate best practices for each dealer.

- *Geographic and Brand Diversification* — While we have originally focused our business on the Alberta market (where seven of our 16 franchised automobile dealerships and our Nissan Dealership are located), by expanding our geographic and brand diversity we seek to manage economic risk and drive growth and profitability. At the same time, we seek to continue to increase the number of our dealerships that are in markets with favourable demographic characteristics or that are franchises of fast-growing, high margin brands. Our multi-location automobile dealership model provides us with the opportunity to expand by adding other brands to our current mix of vehicle brands.

- *Inventory Management* — Operating a number of franchised automobile dealerships allows us to share market information and quickly identify any changes in consumer buying patterns.

- *Ability to Attract and Retain Key Employees* — Our size and performance allows us to attract and retain key employees both at the dealership level and at our head office.

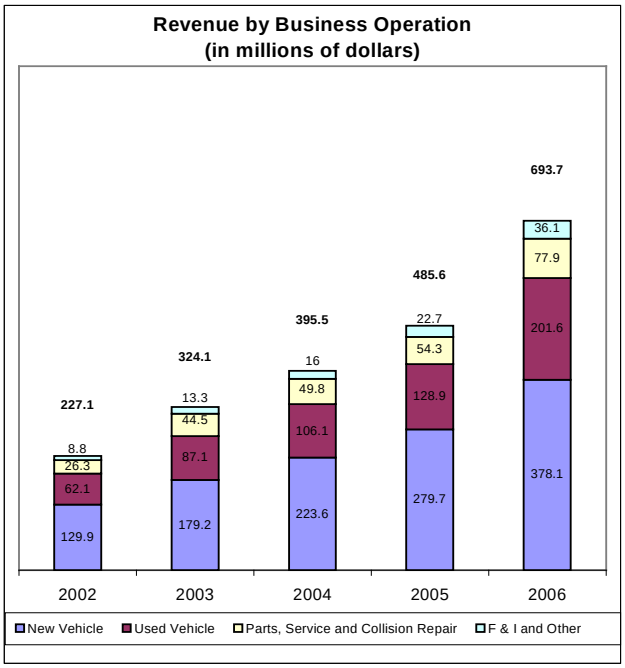
Our Organizational Structure

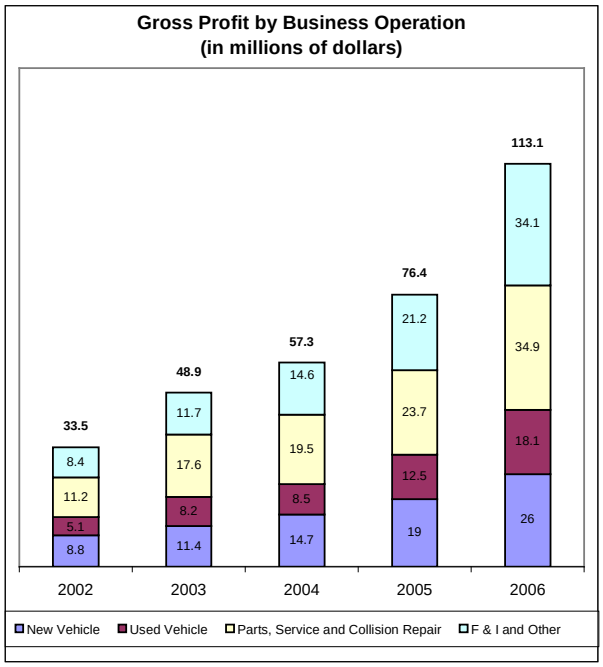
Our franchised automobile dealerships are operated as distinct profit centres in which the dealer principals are given significant autonomy within overall operating guidelines. This autonomy, combined with the dealer principals' thorough understanding of their local markets, enables the dealer principals to effectively run day-to-day operations, market to customers, recruit new employees and gauge acquisition opportunities in their local markets. Our dealer principals are required to take an active, hands-on approach to operating their respective dealerships. Each dealer principal is supported by a complete management team that provides oversight and management over every facet of the business. While each member of a dealership's management team, other than the dealer controllers, reports directly to the dealer principal, they also report to one or more members of our head office senior management team. The dealer controllers report directly to the head office finance group. Our reporting structure is designed to facilitate the sharing of ideas and market intelligence in an efficient and effective manner.

Each of our franchised automobile dealerships maintains a strong local presence and a dealership name that has been enhanced through local advertising over many years. We continue to position these local dealership names to our customers. As we continue to grow, we intend to cultivate brand awareness of our name "AutoCanada", while at the same time maintaining our regional marketplace reputation and presence.

Sources of Revenue and Gross Profit

We generate revenues and gross profit from four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. The following two charts show our revenues and gross profit from the four business operations since 2002.





New Vehicle Sales

Our retail new vehicle sales include new vehicle sales and lease transactions and other similar agreements, which are made by our franchised automobile dealerships. In addition to the profit from the sale itself, a typical new vehicle sale or lease transaction creates key profit opportunities for our dealerships from the:

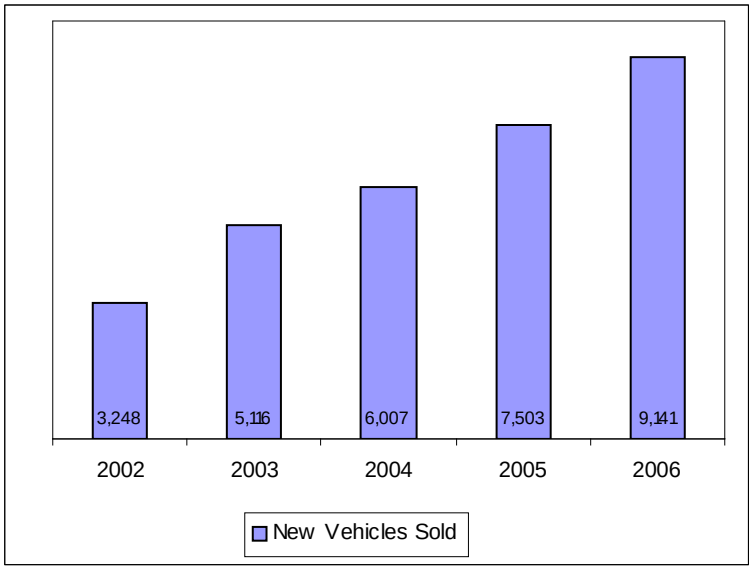
- resale of any trade-in vehicle purchased by the dealer;
- sale of third party finance or lease transactions and vehicle service and insurance contracts in connection with the retail sale; and
- service and repair of the vehicle during and after the warranty period.

New vehicle leases, which are provided by third parties, generally have shorter terms, resulting in customers returning to a dealership more frequently than in the case of financed purchases. In addition, leases provide us with a steady source of late-model, off-lease vehicles for our used vehicle inventory. Generally, leased vehicles remain under factory warranty for the term of the lease, allowing franchised automobile dealers to provide repairs and service to the customer throughout the lease term.

In 2006, only approximately 2% of our gross margin from new vehicle sales was derived from fleet sales. Fleet sales, in which vehicles are ordered from the automobile manufacturer for delivery to a specific customer, occur at lower margins than retail sales.

The chart below shows our historical retail new vehicle sales over the past five years.

Retail New Vehicle Sales by AutoCanada[(1)]



Notes:

(1) Includes 100% of the operating results of Dartmouth Dodge, of which we have owned 50% since 2002 and purchased the remaining 50% in February, 2006.

We acquire our new vehicle inventory from automobile manufacturers. Automobile manufacturers allocate products among their dealerships based primarily on historical sales volume and planned sales.

We finance our inventory purchases through the floor plan financing provided by the finance affiliate of the automobile manufacturer, banks or other specialty lenders. Subject to floor plan limitations imposed by us and our days of supply guidelines, inventory selection and management occurs at the franchised automobile dealer level.

Used Vehicle Sales

Used vehicle sales typically generate higher gross margins than new vehicle sales because of their limited comparability and the subjective nature of their evaluation, which is dependent, among other things, upon a vehicle's age, warranty, mileage and condition. Valuations also vary based upon supply and demand factors, the level of new vehicle incentives, the availability of retail financing and general economic conditions.

Used vehicle sales give us an opportunity to:

- increase new and used vehicle sales by aggressively pursuing customer trade-in vehicles;
- increase service contract sales;
- provide parts and services required in the maintenance of the vehicle; and
- provide financing to used vehicle purchasers.

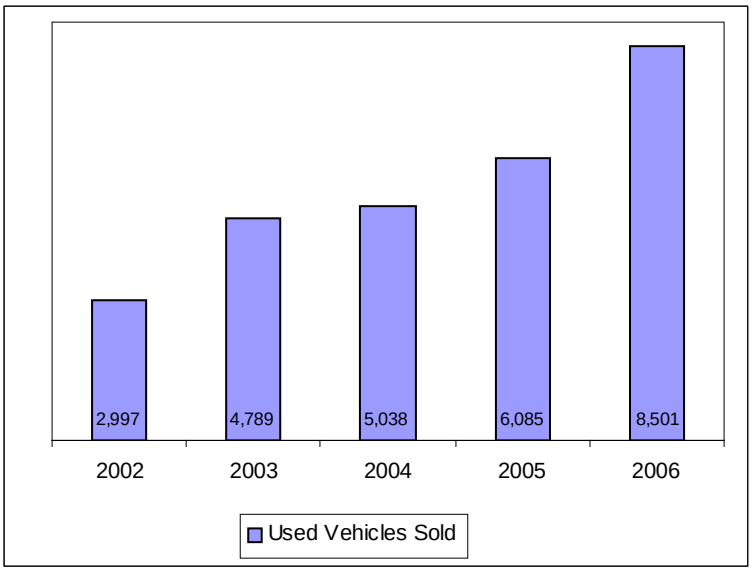
In 2006, our ratio of retail used vehicle sales to retail new vehicle sales was approximately 0.9 to 1, substantially higher than the 2006 industry average of 0.6 to 1 (source: CADA). We intend to maintain our ratio by maintaining a high quality inventory of used vehicles, providing competitive prices and extended warranties and enhancing our marketing. Many of the used vehicles we sell continue to be under warranty by the automobile manufacturers we represent, which results in the customer returning to our dealerships for warranty and maintenance and repair work.

Profits from used vehicle sales depend primarily on the ability of our franchised automobile dealers to obtain a high quality supply of used vehicles at reasonable prices and to effectively manage that inventory. Our new vehicle operations provide our used vehicle operations with a large supply of high quality trade-ins and off-lease vehicles, which we believe are the best sources of attractive used vehicle inventory. Our dealers supplement their used vehicle inventory with purchases at auctions, including manufacturer-sponsored auctions available only to franchised dealers, and from wholesalers.

We actively manage the quality and age of our used vehicle inventory and seek to increase the profitability of our used vehicle operations by participating in automobile manufacturer certification programs where available. Various manufacturers provide franchised automobile dealers the opportunity to sell certified pre-owned vehicles, which are often eligible for new vehicle benefits such as preferred vehicle finance rates, better automobile warranties and an extension of the manufacturer's warranty. Manufacturer certified pre-owned vehicles typically sell at a premium compared to other used vehicles and are available only at franchised automobile dealerships. Management believes that an extended manufacturer's warranty increases our potential to retain the pre-owned vehicle purchaser as a future parts and service customer since certified pre-owned warranty work can only be performed at franchised automobile dealerships.

The chart below shows our historical retail used vehicle sales over the past five years.

Retail Used Vehicle Sales by AutoCanada[(1)]



Notes:
(1) Includes 100% of the operating results of Dartmouth Dodge, of which we have owned 50% since 2002 and purchased the remaining 50% in February, 2006.

Used vehicles are generally offered at our dealerships for an average of approximately 45 days. At the end of 90 days, vehicles which have not been sold to a retail buyer are generally either sold to an outside dealer or offered at auction. Certain of the used vehicles acquired by us as "trade-ins" may not be suitable for sale in our used vehicle business because of their age, mileage or physical condition. Rather than reconditioning these vehicles for resale by us, we sell these vehicles immediately in the wholesale market. We do not regularly transfer used vehicles among our dealerships, except to provide balanced inventories of used vehicles at each of our dealerships. We have developed an integrated computer inventory system allowing us to closely monitor our sales of used vehicles.

Parts, Service and Collision Repair

Historically, the automotive repair industry has been highly fragmented, consisting of numerous small, independently owned service and repair garages, including service and repair facilities as a part of most gasoline service stations. However, management believes that the advanced technology used in vehicles has made it difficult for independent repair shops to have the

expertise required to perform higher margin repairs. Most of the service and repair facilities at gasoline service stations have closed as the retail gasoline operators have abandoned this business. We have made investments in recruiting and training qualified technicians to work in our service and repair facilities. Additionally, automobile manufacturers require warranty work to be performed at their franchised automobile dealerships. We believe that an increasing percentage of all repair work will be performed at dealerships that have the sophisticated equipment and skilled personnel necessary to perform repairs and warranty work on today's complex vehicles.

Our profitability in parts, service and collision repair can be attributed to our comprehensive management system, including the use of variable rate pricing structures, cultivation of strong customer relationships through an emphasis on preventive maintenance and the efficient management of parts inventory.

We use variable rate structures in both the compensation paid to our service employees and the rates charged to our customers that are designed to reflect the difficulty and sophistication of different types of repairs. The percentage mark-ups on parts are also variably priced based on market conditions for different parts.

Revenues from parts, service and collision repair were approximately 11% of our total revenues and 31% of our total gross profits in 2006. One of the most important financial measurements of a franchised automobile dealer's business is its "absorption rate". This is a measurement of the extent to which the gross profits from parts, service and collision repair cover the fixed costs of operating the dealership. According to figures compiled by CADA, the average absorption rate of franchised automobile dealerships in Canada was 71% in 2005. In 2006, the average absorption rate of our dealerships, excluding the dealerships we acquired in 2005, was approximately 92%.

Our franchised automobile dealers' parts departments support their sales and service departments, selling factory-approved parts for the vehicle makes and models sold by a particular franchised automobile dealer. Parts are either used in repairs made in the service department, sold at retail to customers, or sold at wholesale to independent repair shops and other dealerships. Certain of our dealerships have agreements with the automobile manufacturers that provide pricing to support wholesale operations. Our dealers employ parts managers who oversee parts inventories and sales. Our dealers also frequently share parts with each other. We continually monitor our parts inventories and make necessary adjustments frequently.

One of our major goals is to retain each vehicle purchaser as a long-term customer of our parts, service and collision repair department. A substantial number of our customers return to our dealerships for other services after the vehicle warranty expires. Each dealership has systems in place to track customer maintenance records and notify owners of vehicles purchased at the dealerships when their vehicles are due for periodic services. Parts, service and collision repair activities are an integral part of our overall approach to customer service.

Finance and Insurance

Each sale of a vehicle provides us with the opportunity to sell third party purchase and lease financing and extended warranty and insurance products.

In return for arranging third party purchase and lease financing for our customers we receive a fee from the third party lender upon completion of the financing. These third party lenders include the automobile manufacturers' captive finance companies and warranty divisions, selected commercial banks and a variety of other third party lenders, including credit unions and regional auto finance lenders. We have negotiated incentive programs with certain lenders whereby we receive additional fees upon reaching a specified volume of business. We do not own a finance company and generally do not retain substantial credit risk after a customer has received financing.

We arranged customer financing on a significant portion of the retail vehicles we sold in 2006, most of which was placed with the automobile manufacturers' captive finance companies. In addition to finance commissions, each vehicle sale creates opportunities to sell other profitable products, such as optional life, dismemberment and disability insurance and extended warranties and various other products for the consumer. Our size and volume capabilities enable us to acquire these products at reduced fees compared to the industry average, which results in competitive advantages as well as acquisition related revenue synergies.

We offer our customers a variety of insurance, vehicle warranty and extended protection products in connection with purchases of new and used vehicles, including:

- service contracts;
- maintenance, or vehicle service, programs;

- guaranteed auto protection insurance ("GAP insurance"), which covers the shortfall between a customer's loan balance and insurance payoff in the event of a total vehicle loss;
- credit life, dismemberment and disability insurance;
- lease "wear and tear" insurance; and
- theft protection.

The finance and insurance products our dealerships currently offer are generally underwritten and administered by independent third parties, including the automobile manufacturers' captive finance companies. Under our arrangements with the providers of these products, we either sell these products on a straight commission basis or participate in future profits, if any, pursuant to a retrospective commission arrangement. We may be charged back for unearned financing fees, insurance or service contract commissions in the event of early termination of these contracts by the customers.

Our historical revenues include commissions from the sale of life, dismemberment and disability insurance contracts to customers when they purchased a vehicle. These insurance policies generally provide for repayment of the vehicle loan or lease if the customer dies or is seriously injured before the loan is fully repaid, or provide for the payment of the monthly loan obligations if the customer is disabled. We receive commissions on each policy sold. In addition, we also participated in the underwriting profits or losses from these insurance contracts.

In February, 2006, we entered into a new agreement with the supplier of our life, dismemberment and disability insurance products. Under this agreement, which became effective on January 1, 2006, we receive higher up front monthly commissions on our sales of insurance contracts but do not participate in the underwriting profits or losses from these contracts. The amount of up front commissions we earn under the new agreement is similar to the aggregate amount of commissions we would have earned over the period of a contract under the prior agreement.

Inventories

Effective management of our inventory levels is critical to our business. We carefully monitor our inventories of new and used vehicles and parts by days of supply, both in units and dollar amount. By continuously measuring the quantity and quality of our inventory we believe we are able to increase our profitability by minimizing interest expense incurred from financing our inventory, while maximizing our free cash flow through prudent management of our working capital requirements.

New vehicles

Automobile manufacturers allocate their budgeted production among franchised automobile dealerships largely based on historical selling patterns of the given dealership. Automobile manufacturers also take into account the dynamics of each marketplace and look to the number of new vehicle registrations by type to assess the automobile manufacturers' expected market share for each of their product offerings. Through their own analysis, automobile manufacturers determine a "minimum sales responsibility" for each of their dealers which is effectively a minimum selling volume.

Although automobile manufacturers determine a targeted volume of product that each dealer is expected to sell, ultimately the decision to accept inventory belongs to the franchised automobile dealer subject to meeting the minimum inventory levels required by the franchise or sales and service agreements with the automobile manufacturers. Dealers typically prepare an annual plan at the start of each year, which is then revised and updated throughout the year with the filing of monthly plans. Our dealers conduct weekly meetings in order to monitor inventory levels more effectively. Weekly meetings enable us to place more frequent orders for inventory, which allows us to be more responsive to market conditions while at the same time minimizing our working capital requirements and lowering floor plan financing costs.

Each of our automobile dealers has a New Vehicle Sales Manager who is responsible for the procurement and management of new vehicle inventory.

In general, lead times for delivery of new vehicles are expected to be six to eight weeks from the time of placing our order. We generally expect to manage our new vehicle inventory to approximately 75 days supply (which generally includes approximately 30 days of "in transit" time) although variations are common due to in-transit times to ship vehicles from factories in North America to our Western Canadian locations.

We finance our inventory purchases through revolving credit agreements known in the industry as floor plan financing, which we have arranged through Chrysler Financial. See "Financing — Floor Plan Financing". Chrysler Financial establishes credit limits for each of our dealerships, including our non-DaimlerChrysler dealerships.

We are able to mitigate interest expense from floor plan financing by effectively managing new vehicle inventories and turning our inventory regularly through continuing sales and smaller but more frequent orders, while complying with the minimum inventory requirements in our agreements with the automobile manufacturers.

Used vehicles

Used vehicle inventory is typically acquired either through trade-ins on new or used vehicle sales, lease returns or auctions. In order to facilitate a new vehicle sale, we often take a customer's previously owned vehicle as partial consideration. If the used vehicle fits our criteria for used vehicle inventory, we recondition the vehicle in our service department before returning the vehicle to our sales lot in less than one week. In evaluating used vehicles for our inventory we consider age, brand, mileage and general fit within our respective marketplace. If a trade-in vehicle does not meet our criteria, we typically sell the vehicle to a wholesaler, a used vehicle dealership or through auction.

We acquire a significant amount of our used vehicle inventory through trade-ins and use auctions to supplement this inventory. Most automobile manufacturers, including DaimlerChrysler, regularly conduct closed auctions exclusively for its franchised automobile dealers to purchase off-lease and fleet vehicles. These vehicles typically meet our inventory criteria.

We also acquire vehicles through several other auto auctions. Some of these auctions are limited to franchised automobile dealers, while others are open to all interested parties.

Each of our franchised automobile dealerships has a Used Vehicle Sales Manager who is responsible for the procurement and management of used vehicle inventory. The used vehicle inventory at each of our dealerships is also monitored by our head office management. Our target is to turn our used vehicle inventory every six weeks.

If vehicles are not receiving interest from potential customers our dealers either reduce the suggested price or sell the vehicle to a wholesaler.

Our used vehicle inventory is primarily financed by our working capital rather than floor plan facilities.

Parts inventory

Each of our franchised automobile dealerships has a Parts Manager who is responsible for the procurement and management of our parts inventories. We manage our parts inventories to 1.7 months supply on hand in order to be responsive to our customers' needs while managing our working capital. Each of our dealerships' Parts Managers monitors inventories for stale parts. Certain automobile manufacturers allow us to return up to six percent of our purchases each year for full refund. The effective identification of stale parts inventory allows us to reduce our working capital requirements. In addition, our Parts Managers monitor lost sales resulting from not having a customer's requested part in our inventory. Measuring these lost sales enables us to change our stocking patterns and minimize future lost sales while at the same time improving customer service.

Our parts inventory is financed by our working capital.

Marketing

Customer Relationship Management

We have reviewed the cost effectiveness of our Business Development Centre and have concluded that it was more cost effective to re-allocate the Customer Relationship Management functions at the individual dealer level, which resulted in the closure of the Business Development Centre on March 30, 2007.

Print and Media Advertising

Our advertising and marketing efforts are focused at the local market level, with the aim of building our business with a broad base of repeat, referral and new customers. Our primary advertising medium is local newspapers, followed by radio, direct mail, the Internet and the yellow pages. The retail automotive industry has traditionally used locally produced, largely non-professional materials, often developed under the direction of each franchised automobile dealership's dealer principal. We have

created common marketing materials for our brand names at some of our dealerships using professional advertising agencies. Our total marketing expense was $7.2 million for the year ended December 31, 2006.

Internet and e-Commerce

We believe that the Internet and e-commerce represents a potential opportunity to build our franchised automobile dealerships' brands and expand the geographic borders of their markets. We use the scope and size of our operations to expand the use of the Internet in our sales of new and used vehicles, as we believe our customers are increasingly using the Internet as a key part of their product research.

Each of our franchised automobile dealerships has established a website that incorporates a professional design to reinforce the dealership's unique brand and advanced functionalities to ensure that the website can hold the attention of customers and perform the informational and interactive functions for which the Internet is uniquely suited. Automobile manufacturer website links provide our dealerships with key sources of referrals. Many of our dealerships use the Internet to communicate with customers both prior to vehicle purchase and after purchase to coordinate and market maintenance and repair services.

Management Information Systems

We consolidate financial, accounting and operational data received from our franchised automobile dealerships nationwide through an exclusive private communications network.

Our financial information, operational and accounting data and other related statistical information are consolidated, processed and maintained at our headquarters in Edmonton, Alberta and Maple Ridge, British Columbia on a network of server computers and work stations. There is also an off-site storage maintained by ADP. The flexible nature of our installed network allows for accumulation, processing and distribution of information using ADP and Reynolds and Reynolds computing programs. These two companies provide software for many companies in Canada, including franchised automobile dealerships. All sales and expense information, and other data related to the operations of each of our dealerships are entered at each location. This system allows our senior management to access detailed information on a "real time" basis from all of our dealerships regarding, for example, the makes and models of vehicles in our inventory, the mix of new and used vehicle sales, the number of vehicles being sold or leased, the percentage of vehicles for which we arranged financing or sold ancillary products and services, the profit margins achieved on sales and the relative performances of our dealerships to each other. This information is also available to each of our dealer principals. Reports can be generated that set forth and compare revenue and expense data by department and by dealership, allowing our management to quickly analyze the results of operations, identify trends in the business and focus on areas that require attention or improvement.

We believe that our management information system is a key factor in successfully incorporating newly acquired businesses. Following each acquisition, we install our management information system at the dealership location as soon as possible for the dealership utilizing ADP, thereby quickly making financial, accounting and other operational data for that dealership easily accessible to our senior management. With access to this data, we can more efficiently incorporate our operating strategy at the newly acquired dealership. Because our management information system is scalable, we can integrate new acquisitions without significantly increasing the cost of operating the system.

In February, 2006 ADP released a new version of their integrated Dealership Management System. We have evaluated the new system and as a result, are upgrading our existing locations supplied by ADP and converting our locations supplied by Reynolds and Reynolds. Under our current arrangement, we lease these systems from both ADP and Reynolds and Reynolds. We believe that these changes will save us approximately $160,000 per year in lease payments over the next five years.

Locations

The locations of our franchised automobile dealerships are highly visible and accessible. We lease each of our locations. As indicated in the notes to the table below, nine of our locations are leased from affiliates of CAG. The total lease payments in respect of our leases in our fiscal year ended December 31, 2006 was approximately $5.6 million, of which $2.1 million was paid to affiliates of CAG. As at March 22, 2007, we do not own any of the real property upon which the franchised automobile dealerships we own or manage are situate.

The following table shows the location of our dealerships as at December 31, 2006 and does not include the Nissan Dealership managed by us:

Franchised Automobile Dealership Name and Location	Automobile Manufacturer Represented	Year Established	Year Acquired by Us
Alberta			
Crosstown Chrysler, Edmonton[(1)]	DaimlerChrysler	1951	1994
Ponoka Dodge, Ponoka[(1)]	DaimlerChrysler	1975	1998
Capital Dodge, Edmonton[(1)]	DaimlerChrysler	1978	2003
Grande Prairie Chrysler, Grande Prairie[(1)]	DaimlerChrysler	1986	1998
Subaru North, Grande Prairie[(1)]	Subaru	1995	1998
Grande Prairie Hyundai, Grande Prairie [(1)]	Hyundai	2005	n/a
Sherwood Park Hyundai, Sherwood Park [(1)]	Hyundai	2006	n/a
British Columbia			
Maple Ridge Chrysler, Maple Ridge	DaimlerChrysler	1975	2005
Okanagan Dodge, Kelowna	DaimlerChrysler	1985	2003
Northland Dodge, Prince George[(1)]	DaimlerChrysler	1990	2002
Northland Hyundai, Prince George	Hyundai	1990	2005
Victoria Hyundai, Victoria[(2)]	Hyundai	1999	2006
Manitoba			
Thompson Chrysler, Thompson	DaimlerChrysler	1974	2003
Ontario			
Colombo Chrysler Dodge, Woodbridge	DaimlerChrysler	1998	2005
New Brunswick			
Moncton Chrysler, Moncton[(1)]	DaimlerChrysler	1986	2001
Nova Scotia			
Dartmouth Dodge, Dartmouth[(3)]	DaimlerChrysler	1970	2002

Notes:
(1) Leased from affiliates of CAG.
(2) Two months of operations subsequent to acquisition by the Fund on October 31, 2006.
(3) We have owned 50% of Dartmouth Dodge since 2002 and we purchased the remaining 50% in February, 2006.

In addition to the above locations, we have entered into letters of intent with DaimlerChrysler to open one Open Point in Calgary, and with Hyundai to open one Open Point in a major metropolitan market in Western Canada. See "Our Growth Strategy — New Locations for Franchised Automobile Dealerships (Open Points)".

In addition to the dealerships owned by us, listed above, on February 7, 2007, we provided financing to affiliates of CAG for the acquisition of the Nissan Dealership and entered into a management agreement to provide management services for this dealership. Under these arrangements, substantially all of the cash flow from the dealership is paid to us.

Each of our leases from affiliates of CAG has been modified to provide for market rent at January 1, 2006 for the facility leased and for a term of five years from March 1, 2006 with two consecutive renewal options for five years each at our option at the greater of the existing rent or the fair market rent at the time of the renewal. We have received advice from a national real estate appraisal company of the market rents as at January 1, 2006 for each of our facilities leased from affiliates of CAG. For this purpose "market rent" is defined as the rental income that a property would most probably command in the open market as indicated by current rents being paid for comparable space. The aggregate annual amount of these market rents is not materially different than the rents paid by us for these locations in each of the last three years.

We lease seven of our facilities from arm's length third parties. The leases for these locations expire between September, 2007 and August, 2013. We hold options to renew three of these leases for terms ending between February, 2015 and August, 2018. Management believes it has a good relationship with its landlords.

The following table sets out the range of expiry dates, including renewal options, of our various leases as at December 31, 2006. In certain instances more than one lease is in place for a facility.

Years to Expiry	Number of Arm's Length Leases	Number of Non-Arm's Length Leases	Total
0 to 5	7	2	9
6 to 10	2	–	2
Over 10	2	7	9

Management believes that we will be able to successfully renew each of our leases from the arm's length third parties.

We also lease approximately 3,600 square feet of office space in Edmonton, Alberta as our corporate and head office.

Employees

As of December 31, 2006 we employed approximately 942 individuals.

The number of employees, by function, is as follows:

Function	Number
Head office and Business Development Centre	20
Management (including dealer principals)	149
Sales	257
Parts, service and collision repair	221
Administrative	125
Other	170

Management believes that our employee relations are excellent and a strong contributing factor to our success.

Our employees in parts, service and collision repair and sales activities at Moncton Chrysler and Maple Ridge are represented by labour unions. The collective bargaining agreement with the union at Moncton Chrysler expired on December 31, 2006 and a new collective bargaining agreement is being negotiated. Moncton Chrysler and its labour union continue to operate under the rules of the expired agreement until such time a new one is agreed to. The collective bargaining agreement with the union at Maple Ridge expires on May 31, 2007. We have never experienced a strike, lock-out or other labour disturbance.

Competition

We operate in a highly competitive industry. In each of our markets, consumers have a number of choices in deciding where to purchase a new or used vehicle or where to have a vehicle serviced. According to various industry sources, there are approximately 3,500 franchised automobile dealerships in the retail automotive industry in Canada. In addition, there are numerous independent used vehicle dealers.

- *New Vehicles* — In the new vehicle market, our dealerships compete with other franchised automobile dealerships in their markets. We believe the principal competitive factors in the retail new vehicle business are location, the suitability of a franchise to the market in which it is located, service, price and selection. We are subject to competition from franchised automobile dealers that sell the same brands of new vehicles that we sell and from franchised automobile dealers that sell brands of new vehicles that we do not sell. Our franchised automobile dealer competitors also have franchise agreements with the various automobile manufacturers and, as such, generally have access to new vehicles on the same terms as we do. We do not have any cost advantage in purchasing new vehicles from the automobile manufacturers.

- *Used Vehicles* — In the used vehicle market, our dealerships compete for the supply and resale of used vehicles with other franchised automobile dealerships, local independent used vehicle dealers, vehicle rental agencies and private parties. We believe the principal competitive factors in the retail used vehicle business are location, the suitability of a franchise to the market in which it is located, service, price and selection.

- *Parts, Service and Collision Repair* — In the parts, service and collision repair market, our dealerships compete with other franchised automobile dealerships to perform warranty repairs and with franchised and independent service centre chains, and independent repair shops for non-warranty repair and maintenance business. We believe the principal competitive factors in the parts, service and collision repair business are

the quality of customer service, the use of factory-approved replacement parts, familiarity with an automobile manufacturer's brands and models, convenience, competence of technicians, location and price.

- *Finance and Insurance* — In the finance and insurance market, we face competition in arranging financing for our customers' vehicle purchases from a broad range of financial institutions. We believe the principal competitive factors in the finance and insurance business are convenience, interest rates and flexibility in contract length.

- *Acquisitions* — We compete with owners of other franchised automobile dealerships and, in some cases, individual investors for acquisitions. An acquisition of an existing franchised automobile dealership requires the approval of the automobile manufacturer and the manufacturer may approve our competitors as a purchaser of the dealership rather than us.

Automobile Dealership Franchise Agreements

Each of our franchised automobile dealerships is operated by a Dealer LP pursuant to automobile dealership franchise or sales and service agreements between the applicable automobile manufacturer and the Dealer LP. The typical dealership franchise or sales and service agreement specifies the location at which the Dealer LP has both the right and obligation to sell the automobile manufacturer's vehicles and related parts and products and to perform certain approved services. The agreement grants the Dealer LP the non-exclusive right to use and display the automobile manufacturer's trademarks, service marks and designs in the form and manner approved by the automobile manufacturer. The dealer principal must be an active participant in the business of the Dealer LP and its dealership, and must be approved by the automobile manufacturer under the franchise or sales and service agreement for that dealership. Our agreement with Hyundai requires us to obtain its approval of the individuals appointed as directors of the general partners of the Dealer LPs operating under dealership agreements with it.

The allocation of new vehicles among franchised automobile dealers is subject to the discretion of the automobile manufacturer, which generally does not guarantee dealers exclusivity within a given territory. A franchise agreement may impose requirements on the franchised automobile dealer concerning such matters as the showrooms, the facilities and equipment for servicing vehicles, the maintenance of minimum levels of vehicles and parts inventories, the maintenance of minimum net working capital, the achievement of certain sales targets, minimum customer service and satisfaction standards and the training of personnel. Compliance with these requirements is closely monitored by the automobile manufacturer. In addition, most automobile manufacturers require each franchised automobile dealer to submit monthly and annual financial statements.

We are subject to additional provisions contained in supplemental agreements, framework agreements or franchise addenda. These agreements impose requirements similar to those discussed above, as well as limitations on changes in our ownership or management and limitations on our market share of total vehicles sold by a particular automobile manufacturer.

Termination or Non-renewal of Franchise Agreements

Our dealership franchise or sales and service agreements are for indefinite terms or specified terms (which may be one year) with automatic renewals for successive terms unless either party elects not to renew the term of the agreement. Generally, our dealership franchise or sales and service agreements provide for termination by the automobile manufacturer under certain circumstances, including insolvency or bankruptcy of the franchised automobile dealer, failure to adequately operate the franchised automobile dealership, failure to maintain any license, permit or authorization required for the conduct of business, or material breach of other provisions of the agreement.

Provisions Affecting a Change of Control or Ownership

A supplemental agreement between DaimlerChrysler and us, to which CAG and our Chief Executive Officer, Patrick Priestner, are also parties, contains restrictions on the acquisition of our Units, the sale of Units by CAG or a change of control of CAG. Specifically, this agreement requires our Declaration of Trust to contain provisions to the effect that there will be no change of control of the Fund, or any amendment to such provisions, without the prior written consent of DaimlerChrysler. In addition, without the prior written consent of DaimlerChrysler, none of CAG, Mr. Priestner or us will permit or agree to: (i) a change of control of the Partnership or a sale of any shares of the general partner of a Dealer LP, except to an affiliate; (ii) the acquisition by another automobile manufacturer of more than 10% of our outstanding Units (or securities convertible into or exchangeable for our Units); or (iii) the sale by us of any of our interests in the Trust or the sale by the Partnership of all or substantially all of its assets.

In this agreement, CAG and Mr. Priestner have also agreed with DaimlerChrysler that, until the fifth anniversary of the closing of the Offering, CAG will not, without the prior written consent of DaimlerChrysler, transfer or give control over any

Units, Special Voting Units or Exchangeable Units that results in CAG holding less than a 20% equity or voting interest in the Fund, on a fully-diluted basis, or permit a change of control of CAG. These restrictions permit a transfer of the shares of CAG held by Mr. Priestner to his executors, administrators or trustees on his death or incapacity, but not a further transfer by them within the five year period.

"Control" of the Fund, the Partnership or CAG is defined in this agreement as the holding (other than by way of security) of securities of the Fund, AutoCanada GP or CAG, as the case may be, to which are attached more than 50% of the votes that may be cast for the election of Trustees or directors of the Fund, AutoCanada GP or CAG, as the case may be, and those votes are sufficient, if exercised, to elect a majority of the Trustees or such directors, as the case may be.

Under this agreement, any consent required by DaimlerChrysler may be withheld by it in its sole discretion.

We expect that we, as well as Mr. Priestner and CAG, may be required to enter into similar agreements with the other automobile manufacturers with whom we deal, including Subaru. There can be no assurance that we will be able to secure an agreement with Subaru on terms that are commercially acceptable to us and, if we are unable to do so, we could be required to close or sell our Subaru North dealership in Grande Prairie, Alberta, from which we sold 63 vehicles in 2006, and we may be unable to proceed with this Open Point. We could, however, continue to use the Subaru North location in our business for used car sales and parts, service and collision repair work for our two other franchised automobile dealerships located in Grande Prairie which are owned by us.

Our dealership franchise or sales and service agreements require the approval of the applicable automobile manufacturer to any change in the ownership of the franchised automobile dealership.

Actions by our Unitholders or prospective Unitholders that would violate certain of the above restrictions are generally outside of our control. For example, we cannot control a change of control of the Fund or the acquisition by another automobile manufacturer of more than 10% of our outstanding Units. In addition, these restrictions may also limit our ability to finance future acquisitions through the issue of additional Units or other equity securities. If we are unable to renegotiate these restrictions, we may be inhibited in our ability to acquire additional franchised automobile dealerships. These restrictions also may impede our ability to raise required capital or to issue Units, or securities exchangeable into Units, as consideration for future acquisitions.

Although our franchise or sales and service agreements may not be renewed and may be terminated by the automobile manufacturer in certain circumstances, automobile manufacturers have rarely chosen to take such action in the case of well managed and well capitalized dealerships. See "Risk Factors". If any of our franchise or sales and service agreements are terminated, or if certain automobile manufacturers' rights under their agreements with us are triggered, our operations could be significantly compromised.

Indemnities and other Agreements

Our supplemental agreements with DaimlerChrysler and Hyundai also contain provisions which require us to indemnify the respective automobile manufacturer for breaches of the applicable agreement, for claims made against the automobile manufacturer arising out of the creation of the Fund or in respect of the Offering and, in the case of Hyundai, from any acts or omissions under any applicable securities laws, including any claim arising from any misrepresentation or public oral statement made by us.

In addition, our agreement with Hyundai requires us to obtain its approval of the individuals appointed as directors of each general partner of the Dealer LPs operating under dealer agreements with it, and to issue a 15% interest in the Dealer LP directly or indirectly to the dealer principal of that Dealer LP on terms determined by its general partner. We are also required to maintain directors and officers' and certain other types of insurance.

Automobile Manufacturers' Limitations on Acquisitions

We are required to obtain the consent of the applicable automobile manufacturer before we can acquire any additional franchised automobile dealerships that can sell the vehicles produced by that automobile manufacturer. Our automobile manufacturers impose limits on the number of franchised automobile dealerships we are permitted to own at the national, regional and metropolitan levels. These limits vary according to the agreements we have with each of the automobile manufacturers but are generally based on fixed numerical limits or on a fixed percentage of the aggregate sales of the automobile manufacturer. Our agreement with DaimlerChrysler currently limits our ability to acquire or open additional DaimlerChrysler franchised automobile dealerships if this would result in the 36 month average sales of new DaimlerChrysler vehicles from our DaimlerChrysler dealerships exceeding the following percentages of 36 month average sales of new DaimlerChrysler vehicles:

8% of sales in Canada (increased by DaimlerChrysler from the original mandate of 5%); 15% of sales in any province; and 30% of sales in a major metropolitan market (as defined in the agreement). At December 31, 2006, our annual average sales of new DaimlerChrysler vehicles over the preceding 36 months comprised 4.6% of national sales, 10.2% of sales in Alberta and 33.6% of sales in the major metropolitan market of Edmonton, Alberta (the province and major metropolitan area in which we have the highest concentration of DaimlerChrysler franchised automobile dealerships). Management believes that all other automobile manufacturers have similar requirements. Unless we renegotiate these agreements or receive the consent of the automobile manufacturers, we may be prevented from making further acquisitions upon reaching the limits provided for in these agreements. We are near the limit imposed by DaimlerChrysler with respect to the number of additional DaimlerChrysler franchised automobile dealerships that we may acquire or open.

National Automobile Dealer Arbitration Program

In addition to our dealership franchise or sales and service agreements, our relationships with automobile manufacturers are governed by NADAP. NADAP is a program organized by the Canadian Vehicle Manufacturers' Association, the Association of International Automobile Manufacturers of Canada and CADA that provides rules for dispute resolution between the automobile manufacturers and the franchised automobile dealers in the Canadian automobile industry.

The NADAP Rules provide for the mediation and arbitration of disputes between an automobile manufacturer and its franchised automobile dealers involving: the interpretation or application of the dealership agreement; the renewal or termination of the dealership agreement; the length of a cure period provided by the automobile manufacturer in light of any franchised automobile dealer deficiencies to be cured; the sale or transfer of the franchised automobile dealership; whether a dealer owes money to an automobile manufacturer (or vice versa); and the decision of an automobile manufacturer to appoint or relocate a dealership into the market of an existing dealer. The NADAP Rules provide that an existing franchised automobile dealer can challenge an automobile manufacturer's proposal to create a new dealership or relocate a dealership, with identical brands, in a location that is within eight kilometres (in metropolitan areas) of the existing dealership's location (20 kilometres if relocated more than two kilometres closer to the existing dealership in non-metropolitan areas). Some of our agreements with the automobile manufacturers contain waivers by us of certain NADAP Rules.

NADAP was established in 1997 for an initial five year term. The existing NADAP Rules were adopted in 2007 for a further five year term.

Dealership Code of Conduct

We have developed and implemented a code of conduct that reflects our commitment to conducting our business in accordance with the highest ethical standards. Our code of conduct is intended to provide guidance on recognizing and dealing with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty, integrity and accountability. The code deals with, among other things, advertising standards, clarity of pricing, sales techniques and standards, customer relationships and other matters. The code of conduct applies to all of our directors, officers and employees and sets policies and standards that go beyond mere compliance with the minimum legal standards. A copy of the code of conduct may be obtained from our website at www.autocan.ca or from SEDAR at www.sedar.com.

Governmental Regulations

A number of federal, provincial and local regulations affect our marketing, selling, financing and servicing of vehicles.

Each of the jurisdictions in which we operate regulates the licensing of franchised automobile dealers. Our dealers and salespeople must be licensed, and must comply with ongoing provincial regulations in order to maintain their licensed status. Dealerships are also generally prohibited under provincial laws from employing individuals in certain automobile repair positions unless the individuals are appropriately certified. In addition, our dealerships are subject to various consumer protection laws which regulate sales transactions and advertising. Dealerships that offer financing products must also comply with regulations concerning matters such as credit agreement provisions, cost of borrowing disclosure and advertising regarding the terms of credit. Other provinces into which we may expand our operations in the future are likely to have similar requirements.

The Provinces of Alberta, British Columbia and Ontario have established self-regulatory bodies which are responsible for licensing automobile dealers and their sales and management personnel, as well as overseeing consumer protection legislation applicable to motor dealers, including standard setting and enforcement, compliance with advertising restrictions, complaint resolution and public industry education. Operating under delegated authority from their respective provincial governments, these bodies administer and enforce compliance with many of the provincial laws which affect the day-to-day operations of automobile dealers.

The sale of third party financing products to our customers is subject to federal and provincial truth-in-lending, consumer leasing, financing regulations, instalment finance laws and insurance laws.

We believe that we comply substantially with all laws and regulations affecting our business and do not have any material liabilities under such laws and regulations and that compliance with all such laws and regulations do not, individually or in the aggregate, have a material adverse effect on our capital expenditures, earnings or competitive position, and we do not anticipate that such compliance will have a material effect on us in the future.

Environmental Matters

We are subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the storage of petroleum substances and chemicals, the handling and disposal of wastes and the remediation of contamination. As with dealerships generally, and service and parts and collision repair centre operations in particular, our business involves the generation, use, handling and disposal of hazardous or toxic substances and wastes. Pursuant to these laws, provincial environmental agencies have established approved methods for the handling, storage, treatment, transportation and disposal of regulated substances and wastes with which we must comply.

Our business also involves the use of above ground and underground storage tanks. Under applicable laws and regulations, we are responsible for the proper use, maintenance and abandonment of our regulated storage tanks and for remediation of subsurface soils and groundwater impacted by releases from existing or abandoned storage tanks. In addition to these regulated tanks, we own, operate, or have otherwise closed in-place other underground and above ground devices or containers (such as automotive lifts and service pits) that may not be classified as regulated which could or may have released stored materials into the environment, thereby potentially obligating us to clean up any contaminated soils or groundwater resulting from such releases.

We are also subject to laws and regulations governing remediation of contamination at or from our facilities or to which we send hazardous or toxic substances or wastes for treatment, recycling or disposal.

We have obtained Phase I environmental assessments from independent environmental consultants for all of our locations within the last 48 months. The only location at which these environmental assessments identified contaminants in excess of applicable standards is the Crosstown Chrysler location in Edmonton, Alberta. However, in several cases the independent environmental consultants have recommended that Phase II environmental assessments or similar assessments, sampling and monitoring be conducted. In these cases, we will carry out these assessments, sampling and monitoring at CAG's expense. The Investment and Acquisition Agreement provides for an indemnity from CAG and the Principal Shareholders in respect of the environmental condition of each of our locations as well as certain related covenants requiring CAG to maintain at least a 20% equity interest in the Fund (on a fully-diluted basis) until certain conditions are satisfied.

Environmental laws and regulations are very complex and it has become difficult for businesses that routinely handle hazardous and non-hazardous wastes to achieve and maintain full compliance with all applicable environmental laws. Like any business involved in the repair and servicing of vehicles, from time to time we experience incidents and encounter conditions that are not in compliance with environmental laws and regulations. However, none of our dealerships have been subject to any material environmental liabilities in the past and we do not anticipate that any material environmental liabilities will be incurred in the future. We are in the process of establishing an environmental management program that is intended to reduce the risk of non-compliance with environmental laws and regulations. Nevertheless, environmental laws and regulations and their interpretation and enforcement are changed frequently and we believe that the trend of more expansive and stricter environmental legislation and regulations is likely to continue. Hence, there can be no assurance that compliance with environmental laws or regulations or the future discovery of unknown environmental conditions will not require additional expenditures by us, or that such expenditures would not be material. See "Risk Factors — Risks Related to Our Business — Governmental Regulations and Environmental Regulation Compliance Costs".

Legal Proceedings and Insurance

From time to time, we are named in claims involving the manufacture of vehicles, contractual disputes and other matters arising in the ordinary course of our business. Currently, no legal proceedings are pending against us that, in management's opinion, could be expected to have a material adverse effect on our business, financial condition or results of operations.

Because of their vehicle inventory and the nature of their business, franchised automobile dealerships generally require significant levels of insurance covering a broad variety of risks. Our insurance program includes three umbrella policies with a total per occurrence and aggregate limit of $15 million. We also have insurance on our leased property, comprehensive coverage

for our vehicle inventory, garage liability and general liability insurance, employee dishonesty insurance and errors and omissions insurance in connection with our vehicle sales and financing activities.

On January 4, 2006 the Registrar of the Motor Dealer Council of British Columbia determined that two of our dealerships had breached various regulatory obligations relating to advertising, the timing of the licensing of sales personnel and the reporting of the share ownership of the dealerships to the council. The Registrar imposed administrative penalties of $50,000 and $10,000, respectively. The Motor Dealer Council is a self-regulating body which administers the *Motor Dealer Act* (British Columbia). On March 1, 2006 an application for judicial review of the Registrar's decision was filed in the Supreme Court of British Columbia. The application for judicial review was subsequently withdrawn by us, and we applied to the Registrar for reconsideration of the order imposing the foregoing penalties. On February 21, 2007 the Registrar allowed our application and reduced the penalties to $5,000 total plus costs.

Our Intellectual Property and Proprietary Rights

Registration of the trademark "AutoCanada" and the corresponding logo have been applied for in Canada by CAG. We also own other trademarks, trade names and various domain names, including autocan.ca, autocanada.net and autocanada.biz.

FINANCING

Floor Plan Financing

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

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). When the dealership sells the vehicle, the loan is immediately repaid to the lender. The lender may require periodic payments on the loan prior to the sale of the vehicle. For example, the lender may require that a dealership pay a stipulated percentage (typically 5%) of the loan at the end of a model year.

Our floor plan financing is generally secured by a security interest in favour of DaimlerChrysler, or its affiliates, over the vehicles financed and over all of the present and after acquired property of the relevant dealership. The floor plan financing bears interest on a floating rate basis.

While the dealership takes possession of a vehicle and finances the purchase upon its completion at the factory, automobile manufacturers typically provide credits on the floor plan interest to offset the dealership's cost of inventory. For example, the manufacturer frequently provides the dealership with a 15 day advance to offset interest charges incurred during delivery of the new vehicle from the manufacturer to the dealership. Depending on the type of vehicle, automobile manufacturers will also typically provide supplemental floor plan allowances, which have averaged 45 days. In total, the dealerships are effectively provided with interest-free floor plan financing for the first 60 days of ownership.

At December 31, 2006 the amount owed by us under our floor plan financing with Chrysler Financial was approximately $113.4 million. Individual notes payable are due when the related vehicle is sold. The notes payable for new and demonstrator vehicles bear interest at Royal Bank of Canada's prime rate less 0.25% per annum (5.75% at December 31, 2006). The notes payable for used vehicles bear interest at Royal Bank of Canada's prime rate plus 1.0% per annum (7% at December 31, 2006). The floor plan notes payable are collateralized by CAG's accounts receivable, new, used and demonstrator vehicle inventory and a first fixed and floating charge over the assets of CAG.

During the last three years our net floor plan costs were as follows:

	Fiscal Year Ended December 31		
	2006	2005	2004
	(in thousands of dollars)		
Floor plan interest	7,745	4,040	2,699
Floor plan credits	(4,492)	(2,973)	(2,727)
Net floor plan cost.....	3,253	1,067	(28)

Credit Facilities

We have entered into a Credit Agreement with Chrysler Financial for a floor plan facility of up to $183.125 million to finance our inventories and a credit facility of up to $50 million to assist in the financing of our working capital and the acquisition of franchised automobile dealerships (collectively referred to herein as the Credit Facility). The Credit Facility, which is subject to the satisfaction of certain customary terms and conditions, was put in place upon the closing of the Offering. At the closing of the Offering, we drew an amount on the floor plan facility sufficient to pay CAG the aggregate amount of CAG's floor plan financing outstanding.

Amounts drawn on the Credit Facility to assist in the financing of our working capital are primarily used for used vehicles, parts inventory and general corporate purposes, including financing the costs incurred in equipping our Open Points, and in purchasing new equipment for our existing dealerships. Amounts drawn on the Credit Facility to assist in acquisitions are used to finance acquisitions of franchised automobile dealerships. We expect to repay the amounts drawn on the Credit Facility to finance acquisitions through the issuance of Units, subject to market conditions. These facilities are available on a revolving basis. On the basis of our audited annual financial statements, at December 31, 2006 the amount of the Credit Facility that has been drawn on for acquisitions and working capital is approximately $5.3 million.

The amount of the Credit Facility for working capital and acquisitions that is available at any time is based upon a "Borrowing Base", consisting of varying percentages of cash equivalents, net unpaid balances of consumer finance contracts, new vehicle inventories, used vehicle inventories, parts inventories, parts and service receivables, finance receivables and factory receivables, and furniture, fixtures and equipment, plus 50% of the consolidated net income of the Partnership before interest, taxes, depreciation and amortization, extra-ordinary or non-recurring items, non-cash charges for goodwill impairment and unit based compensation expenses for the four quarterly periods ended prior to the date of any advance of this portion of the Credit Facility. On the basis of our audited annual financial statements, at December 31, 2006 the amount of the Credit Facility available to us for working capital and acquisitions is approximately $44.7 million.

Advances under the Credit Facility are available as direct advances or letters of credit to a stipulated maximum amount. Advances bear interest at a floating rate plus an applicable spread or fees for letters of credit. Chrysler Financial may determine to increase the interest rate payable by us annually, upon 90 days notice to us. In addition, we are required to pay standby fees, administration fees and fees relating to amounts drawn on the working capital and acquisition portion of the Credit Facility in the amounts provided for in the Credit Agreement.

The advances under the floor plan facility are payable upon the sale of the related vehicle by us, and otherwise on demand. We are to immediately repay amounts of the Credit Facility relating to working capital and acquisitions that exceed the Borrowing Base. Advances under the working capital and acquisition facilities mature within three years of the closing of the Offering, with annual one year extensions at the discretion of Chrysler Financial.

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

The Credit Agreement contains customary terms and conditions for borrowings of this nature including a working capital ratio, fixed charge ratio and debt to tangible net worth ratio. In addition, each of our Dealer LPs is required to maintain working capital in at least the amounts required by the automobile manufacturers.

The Credit Agreement prohibits distributions by the Partnership if the amount to be distributed would exceed our distributable cash flow, a default has occurred, the distribution would result in a default or the distribution would result in a

Dealer LP having less than its required minimum working capital. In addition, if advances for working capital and acquisitions exceed our Borrowing Base, we are required to repay the excess amount. These provisions could limit distributions of our available cash, unless sufficient funds are available for repayment of advances of the Credit Facility.

The Credit Agreement contains a number of covenants restricting our actions, including limiting amounts of capital expenditures, limiting dispositions of property outside of the normal operation of our business, prohibiting third party debt except purchase money debt to a maximum aggregate amount and debt incurred in the ordinary course of business, limitations on encumbrances, and a prohibition on carrying on any business other than the business of a franchised automobile dealer.

The Credit Agreement also contains a number of events of default, including a failure to pay interest, fees or principal when due, any failure to comply with any provision of the Credit Facility, events of insolvency or bankruptcy, any event or circumstance which Chrysler Financial considers a material adverse event, a default under agreements relating to other indebtedness permitted under the Credit Facility, a material default under any agreement, or any vehicle in respect of which an advance has been made is uninsured or is sold in contravention of the Credit Agreement.

A change of control also constitutes an event of default. For this purpose, a "change of control" is defined in the Credit Agreement, in effect, as including any of the following actions without the approval of Chrysler Financial acting reasonably: (i) the ownership by the Trust of less than a 44% interest in the Partnership other than as a result of interests in the Partnership being issued in connection with the acquisition of a franchised automobile dealership; (ii) any Person or group of Persons acting in concert (other than CAG) acquiring a percentage of Units that exceeds the greater of 35% of outstanding Units and the percentage of outstanding Units held by CAG, in each case on a fully-diluted basis; (iii) at any time prior to the fifth anniversary of the closing date of the Offering, CAG ceasing to hold at least a 20% voting interest in the Fund on a fully-diluted basis; or (iv) a change in a majority of the members of senior management of the Partnership and a change in a majority of the directors of AutoCanada GP to persons who, immediately prior to their appointment, were not incumbent directors.

The occurrence of an event of default, including a change of control, or a failure to comply with the terms of the Credit Agreement would entitle Chrysler Financial to accelerate all amounts outstanding under the Credit Agreement, and upon such acceleration Chrysler Financial would be entitled to begin enforcement proceedings against our assets, including accounts receivable, inventory and equipment. Chrysler Financial would then be repaid from the proceeds of such enforcement proceedings, using all available assets. Only after such repayment, and payment to any other secured and unsecured creditors, would we receive any proceeds from the liquidation of our assets.

RETAINED INTEREST AND EXCHANGE RIGHTS

Retained Interest

CAG presently holds 9,307,500 Exchangeable Units in the aggregate which, after giving effect to the exchange of the Exchangeable Units for Units, represents approximately 45.9% of the issued and outstanding Units. Pursuant to the terms of the Exchangeable Units, holders of Exchangeable Units are entitled at any time to indirectly exchange all or a portion of their Exchangeable Units for Units on a one-for-one basis, subject to adjustment in certain events.

Exchange Rights

Pursuant to the terms of the Exchangeable Units, holders of Exchangeable Units have the right indirectly to exchange all or any portion of their Exchangeable Units for Units in the Fund on a one-for-one basis. The Fund, the Trust, the Partnership, AutoCanada GP, CAG and Mr. Priestner have entered into an Exchange Agreement, which provides the mechanism by which a holder of Exchangeable Units may exchange Exchangeable Units for Units. Subject to the following paragraph, the exchange rights may be exercised by a holder of Exchangeable Units at any time at its discretion so long as all of the following conditions have been met: (i) the exchange would not cause the Fund to breach the restrictions respecting non-resident ownership contained in the Declaration of Trust as described in "AutoCanada Income Fund — Limitation on Non-Resident Ownership"; (ii) the Fund is legally entitled to issue the Units in connection with the exercise of the exchange rights; (iii) the Partnership would not cease to be a "Canadian Partnership" under the Tax Act; and (iv) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws.

Under the Exchange Agreement, CAG and Mr. Priestner agreed with the Fund and the Partnership that, until May 11, 2011, CAG will not without the prior written consent of DaimlerChrysler, transfer or give control over any Units, Special Voting Units or Exchangeable Units that results in CAG holding less than a 20% equity or voting interest in the Fund, on a fully-diluted basis, or permit a change of control of CAG. We expect that CAG and Mr. Priestner will be required to enter into similar agreements with the other automobile manufacturers with whom we deal.

The exchange rights may not be disposed of by CAG except in connection with the exchange of the Exchangeable Units for Units.

Dilution Rights and Economic Equivalence

In the event that there is a change in the number of Units outstanding as a result of a subdivision, consolidation, reclassification, capital reorganization or similar change in the Units (other than a consolidation of Units immediately following a distribution of Units in lieu of a cash distribution), the exchange ratio will be correspondingly adjusted. The Fund will not issue or distribute Units to the Unitholders of all or substantially all of the then outstanding Units (other than a distribution of Units in lieu of a cash distribution), issue or distribute rights, options or warrants to the Unitholders of all or substantially all of the then outstanding Units unless, in each case, the economic equivalent thereof (as determined by the Trustees acting reasonably) is issued or distributed simultaneously to the holders of Exchangeable Units.

Reclassification of Units

If at any time while any Exchangeable Units are outstanding there is any reclassification of the Units outstanding, any change of the Units into other units or securities or any other capital reorganization or any consolidation, amalgamation, arrangement, merger or other form of business combination by the Fund with or into any other entity resulting in a reclassification of the outstanding Units, then the exchange rights attaching to the Exchangeable Units will be adjusted in a manner approved by the Trustees, acting reasonably. The adjustment will be on the basis that holders of the Exchangeable Units will be entitled to receive, in lieu of the number of Units to which they would otherwise have been entitled upon an exchange of Exchangeable Units, the kind and number or amount of securities that they would have been entitled to receive as a result of such event if, on the effective date thereof, they had been the registered holder of the number of Units which they would have received had they exercised the exchange rights forming part of the Exchangeable Units immediately before the effective date of any such transaction.

Registration Rights

CAG (and persons to whom Units issued upon the exchange of the Exchangeable Units by CAG are transferred) have been granted "demand" and "piggy back" registration rights by us which enable them to require us to file a prospectus and otherwise assist with a public offering of Units subject to certain limitations, with our expenses to be borne by CAG or such transferees (or on a pro rata basis if both CAG or such transferees and we are offering Units). In the event of a "piggy back" offering, our financing requirements are to take priority.

AUTOCANADA INCOME FUND

General

The Fund is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and the Declaration of Trust. The Fund qualifies as a "unit trust" and a "mutual fund trust" for the purposes of the Tax Act, although the Fund is not a mutual fund under applicable securities laws.

Activities of the Fund

The Declaration of Trust provides that the activities of the Fund are restricted to:

(i) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of any of the Trust, the Partnership, AutoCanada GP or any of their respective affiliates;

(ii) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of other corporations, partnerships, funds or other persons engaged, directly or indirectly, in the business of owning and operating franchised automobile dealerships, as well as activities ancillary thereto, and such other investments as the Trustees may determine;

(iii) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;

(iv) issuing Units, Special Voting Units and other securities of the Fund (including securities convertible or exchangeable into Units, Special Voting Units or warrants, options or other rights to acquire Units, Special Voting Units or other securities of the Fund): (i) for obtaining funds to conduct the activities of the Fund, including raising funds for acquisitions and development; (ii) in satisfaction of any non-cash distribution; (iii) pursuant to any distribution reinvestment plans, incentive Unit option plans or other compensation plans, if any, established by the Fund, the Trust, AutoCanada GP, the Partnership or any of their respective affiliates; or (iv) in accordance with the terms of the Exchangeable Units;

(v) issuing debt securities (including debt securities convertible into, or exchangeable for, Units or other securities of the Fund) or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security, and subordinating or postponing its rights in respect of Trust Notes to other indebtedness;

(vi) guaranteeing the payment of any indebtedness, liability or obligation of Trust, the Partnership, AutoCanada GP or any of their respective subsidiaries, or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the property of the Fund as security for, or postponing or subordinating the Fund's right to any such property in respect of, such guarantee;

(vii) disposing of all or any part of the assets of the Fund;

(viii) issuing or redeeming rights and Units pursuant to any Unitholder's rights plan adopted by the Fund;

(ix) repurchasing securities issued by the Fund, subject to the provisions of the Declaration of Trust and applicable laws;

(x) satisfying the obligations, liabilities or indebtedness of the Fund;

(xi) retaining the services of the Partnership or any other person to perform certain of the Trustees' functions and responsibilities;

(xii) entering into and performing its obligations under the Investment and Acquisition Agreement, the Exchange Agreement and such other agreements as were contemplated by the prospectus and/or the Offering or were ancillary thereto; and

(xiii) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Declaration of Trust;

provided that the Fund will not undertake any activity, take any action, omit to take any action or make any investment which would result in the Fund not being considered a "mutual fund trust" for purposes of the Tax Act.

It is intended that at all times the Fund will qualify as a "mutual fund trust" for purposes of the Tax Act. In furtherance of that intention, the Trustees are required to use their best commercial efforts to ensure that the Fund maintains its status as a mutual fund trust for purposes of the Tax Act.

Units and Special Voting Units

An unlimited number of Units and an unlimited number of Special Voting Units may be issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the Unitholders thereof to one vote for each whole Unit held at all meetings of Voting Unitholders. Except as set out under "Redemption at the Option of Unitholders" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Special Voting Units are not entitled to any beneficial interest in any distribution from the Fund whether of net income, net realized capital gains or other amounts, or in the net assets of the Fund in the event of a termination or winding up of the Fund. The Fund shall redeem Special Voting Units at the option of the holder at any time for no consideration.

The Special Voting Units may be issued in series and will only be issued in connection with or in relation to Exchangeable Units or other securities that are, directly or indirectly, exchangeable for Units, in each case for the sole purpose of providing voting rights at the Fund level to the holders of such securities. Special Voting Units are issued in conjunction with, and are not transferable separately from, the Exchangeable Units (or other exchangeable securities) to which they relate. Conversely, the Special Voting Units are automatically transferred upon a transfer of the associated Exchangeable Units or other exchangeable securities. Each Special Voting Unit entitles the holder thereof to a number of votes at any meeting of Voting Unitholders equal to the number of Units which may be obtained upon the exchange of the Exchangeable Units (or other exchangeable security) to which the Special Voting Unit relates.

Upon the exchange of the securities representing Exchangeable Units (or other exchangeable securities) for Units, the Special Voting Units attached to such securities will immediately be cancelled without any further action of the Trustees or the former holder of such Special Voting Units, and the former holder of such Special Voting Units will cease to have rights with respect thereto.

No certificates are issued for fractional Units and fractional Units do not entitle the holders thereof to vote.

Issuance and Transfer of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any Unitholder rights plan or any incentive option or other Unit compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis to the extent that the Fund does not have available cash to cover such distributions. See "AutoCanada Income Fund — Distributions".

Except as set out in the following paragraphs, Units may be transferred by the holder without restriction by the Fund.

The Trustees may refuse to allow the issue or register the transfer of any Units, where such issuance or transfer would, in their opinion, adversely affect the treatment of the Fund or the entities in which it directly or indirectly invests under applicable Canadian tax legislation or their qualification to carry on any relevant business. See "AutoCanada Income Fund — Limitation on Non-Resident Ownership".

In addition, the Declaration of Trust also provides that the Trustees shall refuse to allow the transfer of any Units, where such transfer would result in a change of control of the Fund, without the prior written consent of DaimlerChrysler, which may be withheld in DaimlerChrysler's sole discretion. For this purpose, "control" means the holding (other than by way of security) of securities of the Fund to which are attached more than 50% of the votes that may be cast for the election of Trustees and those votes are sufficient, if exercised, to elect a majority of the Trustees. The Fund has also agreed with DaimlerChrysler not to permit, acquiesce in or agree to a change of control of the Partnership or AutoCanada GP or the acquisition by an automobile manufacturer of more than 10% of the outstanding Units (including securities convertible into or exchangeable for Units). We expect that the other automobile manufacturers with whom we deal with will require similar provisions.

Trustees

The Fund must have a minimum of three Trustees and a maximum of ten Trustees, the majority of whom must be residents of Canada (within the meaning of the Tax Act). As of December 31, 2006, there were three Trustees, each of whom is "independent" within the meaning of the guidelines for corporate governance adopted by the securities commissions of several provinces of Canada. The nominees for election as a Trustee are determined by the nominating and governance committee of the Fund.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees have full, absolute and exclusive power, control and authority over the Fund assets and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the Fund assets. Subject to such terms and conditions, the Trustees supervise the investments and conduct the affairs of the Fund and are responsible for, among other things:

- supervising the activities and managing the investments and affairs of the Fund;
- acting for, voting on behalf of and representing the Fund as a holder of Trust Units and Trust Notes, the shares of AutoCanada GP and other securities held by the Fund;
- maintaining records and providing reports to Unitholders and the holders of Special Voting Units;

- effecting payments of cash available for distribution from the Fund to Unitholders;
- using best commercial efforts to ensure that the Fund qualifies at all times as a "mutual fund trust" under the Tax Act; and
- voting in favour of the Fund nominees to serve as directors of AutoCanada GP.

In order to fulfil their obligations to ensure the Fund maintains its status as a "mutual fund trust", the Trustees have the right to require Unitholders to sell Units, to require Unitholders to provide evidence of their status as residents or non-residents of Canada or Canadian or non-Canadian partnerships, to suspend the voting rights and/or distribution rights attaching to Units held by Unitholders who refuse to comply with a notice requiring them to sell Units and to sell, on behalf of such Unitholders, their Units and to pay to them only the net proceeds of such sales.

Any Trustee may resign upon ten days' written notice to the Fund, and a Trustee appointed by the Voting Unitholders may be removed by a resolution passed by a majority of the votes cast at a meeting of the Voting Unitholders ("Ordinary Resolution"). A vacancy created by the removal or resignation must be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Trustees.

Trustees are appointed at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting. A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), may fill a vacancy in the Trustees appointed by the Voting Unitholders, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Voting Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Voting Unitholders to elect the required number of Trustees appointed by the Voting Unitholders, the Trustees will promptly call a special meeting of the Voting Unitholders to fill the vacancy. If the Trustees fail to call such a meeting or if there are no Trustees then in office, any Unitholder may call the meeting. Except as otherwise provided in the Declaration of Trust, the Trustees may, between annual meetings of Voting Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Voting Unitholders, but the number of additional Trustees cannot at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Voting Unitholders.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee is entitled to indemnification from the Fund in respect of the exercise of the Trustee's power and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of all of the Voting Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his/her conduct was lawful.

Distributions

The Fund makes monthly distributions of a substantial portion of its available cash to Unitholders. The amount of the Fund's available cash is equal to the distributions on or in respect of Trust Units owned by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units; (iii) satisfaction of the Fund's debt service obligations (principal and interest) on indebtedness, if any; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Fund, that have been or are reasonably expected to be incurred in respect of the activities and operations of the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available cash available for distribution of the Fund).

The available cash of the Fund is indirectly derived from the distributions made by the Partnership to its partners upon the Partnership Units, including the LP Units held by the Trust. The amounts of these distributions are determined by AutoCanada GP as general partner of the Partnership. AutoCanada GP has adopted a distribution policy for the Partnership to distribute a substantial portion of its available cash to its partners as regular monthly distributions.

The Fund makes monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions are paid on or about the 15th day following the end of each month. The amount of monthly cash distributions is approximately $0.0833 per Unit (an annual cash distribution of $1.00 per Unit).

The Fund may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such

amount in respect of the taxable income and net realized capital gains, if any, of the Fund for such year as is necessary to ensure that the Fund will not be liable for income taxes under Part I of the Tax Act in such year.

Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have any income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Declaration of Trust also provides, unless the Trustees determine otherwise, that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Unitholder's share of the distribution. In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders may be subject to withholding tax and, if so, the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such registered non-resident Unitholders will be required to surrender the certificates, if any, representing their original Units in exchange for a certificate representing their post-consolidation Units.

Unitholders who are non-residents of Canada within the meaning of the Tax Act are required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the Unitholders. As the Units are issued in book-entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the Unitholder shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(i) 90% of the "market price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "Redemption Date"); and

(ii) 100% of the "closing market price" on the Redemption Date.

For purposes of this calculation, the "market price" of a Unit as at a specified date will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

(ii) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking prices of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The "closing market price" of a Unit for the purpose of the foregoing calculations, as at any date, will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date, provided that the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;

(ii) an amount equal to the closing price of a Unit on the principal market or exchange, provided that there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, provided that there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

(iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

The aggregate Redemption Price payable by the Fund in respect of all Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

(i) the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month shall not exceed $50,000 (the "Monthly Limit"), provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;

(ii) at the time the Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and

(iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten day trading period ending on the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then each Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a payment, on a proportionate basis, of cash up to the Monthly Limit, and the balance by distribution in specie. If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the other specified limitations, then each redeeming Unitholder will be entitled to receive a price per Unit (the "In Specie Redemption Price") equal to the fair market value thereof as determined by the Trustees, which may be satisfied by way of a distribution in specie of the assets of the Fund. In each such case, Trust Units having an aggregate value equal to the non-cash portion of the Redemption Price (or, as applicable, the In Specie Redemption Price) will be redeemed in consideration of the issuance to the Fund of Series 1 Trust Notes, as to 20% of the redemption price thereof, and Series 2 Trust Notes, as to 80% of the redemption price thereof. The Series 1 Trust Notes and Series 2 Trust Notes will then be distributed to the redeeming Unitholder in full satisfaction of the non-cash portion of the Redemption Price (or, as applicable, the In Specie Redemption Price). No Series 1 Trust Notes or Series 2 Trust Notes in integral multiples of less than $100 will be distributed and, where the number of securities of the Trust to be received by a Unitholder includes a multiple of less than $100, that number shall be rounded to the next lowest integral multiple of $100 and the difference shall be paid in immediately available funds. The Fund will be entitled to all distributions paid on Trust Units on or before the date of the distribution in specie. Where the Fund makes a distribution in specie of a pro rata number of securities of the Trust on the redemption of Units of a Unitholder, the Fund currently intends to designate to that Unitholder any income or capital gain realized by the Fund as a result of the redemption of Trust Units in exchange for Series 1 Trust Notes and Series 2 Trust Notes or as a result of the distribution of Series 1 Trust Notes or Series 2 Trust Notes to the Unitholder on the redemption of such Units.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Series 1 Trust Notes and Series 2 Trust Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in Series 1 Trust Notes or Series 2 Trust Notes and they may be subject to resale restrictions under applicable securities laws. Series 1 Trust Notes and Series 2 Trust Notes so distributed may not be qualified investments for trusts governed by Plans depending upon the circumstances at the time.

Repurchase of Units

The Fund is allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase will constitute

an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Meetings of Voting Unitholders

The Declaration of Trust provides that meetings of Voting Unitholders will be called and held annually for the election of Trustees and the appointment of auditors of the Fund. The Declaration of Trust provides that the Voting Unitholders are entitled to pass resolutions that will bind the Fund only with respect to:

- the election or removal of Trustees;
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund;
- the approval of amendments to the Declaration of Trust (but only in the manner described below under "Amendments to the Declaration of Trust");
- the termination of the Fund;
- the sale of all or substantially all of the assets of the Fund;
- the exercise of certain voting rights attached to the securities of the Trust, the Partnership and AutoCanada GP held by the Fund or any of their respective subsidiaries that are directly or indirectly owned or controlled subsidiaries of the Trust, the Partnership, AutoCanada GP (see "AutoCanada Income Fund — Exercise of Certain Voting Rights Attached to Securities of the Trust, the Partnership and AutoCanada GP");
- the ratification of any Unitholders' rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, incentive Unit option plan or other Unit compensation plans contemplated by the Declaration of Trust requiring Voting Unitholder approval;
- the dissolution of the Fund prior to the end of its term; and
- any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Voting Unitholders for their approval,

provided that the Voting Unitholders shall not pass any resolution that would cause the Fund, the Trust, AutoCanada GP, the Partnership or their respective subsidiaries to breach the terms of the Exchange Agreement or the Partnership Agreement or that would result in the Fund not being considered a "mutual fund trust" for purposes of the Tax Act.

No other action taken by Voting Unitholders or any other resolution of the Voting Unitholders at any meeting will in any way bind the Trustees, except as may be provided in the Declaration of Trust.

A resolution electing or removing nominees of the Fund to serve as Trustees or with respect to the exercise of certain voting rights attached to the securities of the Trust, the Partnership, AutoCanada GP or any of their respective subsidiaries that are directly or indirectly owned or controlled by the Fund, a resolution required by securities law, stock exchange rules or other laws or regulations requiring a simple majority of Voting Unitholders, and a resolution appointing Trustees or removing Trustees, or appointing or removing the auditors of the Fund must be passed by a simple majority of the votes cast by Voting Unitholders. Any other resolution must be passed by a Special Resolution.

Subject to the foregoing limitations, a meeting of Voting Unitholders may be convened at any time and for any purpose by Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Voting Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a person appointed as a proxy for a Voting Unitholder need not be a Voting Unitholder. Two persons present in person or

represented by proxy and representing in total at least 10% of the votes attached to all outstanding Voting Units will constitute a quorum for the transaction of business at all meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Voting Unitholders.

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act and, pursuant to certain proposed amendments to the Tax Act, not more than 50% of the aggregate fair market value of the Units and the Special Voting Units may be held by non-residents of Canada and/or partnerships (other than Canadian partnerships as defined in the Tax Act). Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada and partnerships other than Canadian partnerships be the beneficial owners of more than 49% of the Units and Special Voting Units (on both a non-diluted and fully-diluted basis for these purposes). The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units and Special Voting Units are resident or as to their status as Canadian partnerships.

If the Trustees become aware that the beneficial owners of 40% of the Units and/or Special Voting Units then outstanding are or may be non-residents and/or partnerships other than Canadian partnerships or that such a situation is imminent, the Trustees may direct the transfer agent and registrar to make a public announcement thereof and will not accept a subscription for Units from, or issue or register a transfer of Units to, any person unless the person provides a declaration that he or she is not a non-resident or a partnership other than a Canadian partnership. If, notwithstanding the foregoing, the Trustees determine that more than 45% of the Units and Special Voting Units are held by non-residents and/or partnerships other than Canadian partnerships, they may direct the transfer agent of the Units to send a notice to such holders of Units, chosen in reverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period determined by the Trustees. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Trustees may direct the transfer agent to sell such Units on behalf of such Unitholders, and in the interim, the voting and distribution rights attached to such Units will be suspended. Upon such sale, the affected Unitholders will cease to be holders of the Units and their rights will be limited to receiving the net proceeds of such sale.

On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act relating to the circumstances under which the ownership of units of a trust by non-resident persons and partnerships other than Canadian partnerships would cause a trust such as the Fund to lose its status as a mutual fund trust. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all of the units issued by the trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status such that if, at any time, the trust were to lose its mutual fund trust status as a result of the application of the draft amendments, the trust would permanently cease to be a mutual fund trust. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed amendments, and the Minister of Finance (Canada) announced, both at that time and in the 2005 Federal Budget, that further discussions will take place with the private sector before a decision is made concerning whether the proposed amendments will be enacted. Depending on the final form of the draft amendments as enacted, it may be necessary to amend the Declaration of Trust to take into account these new restrictions. This amendment may be made without Unitholder approval.

Amendments to the Declaration of Trust

The Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Voting Unitholders by a Special Resolution, except that any amendment that affects the rights or interests of the holders of Special Voting Units in a manner or to an extent different from other Voting Unitholders. In addition, no amendment may be made, without the prior written approval of DaimlerChrysler, which may be withheld in DaimlerChrysler's sole discretion, to the provision requiring the Trustees to refuse to register the transfer of Units where such transfer would result in a change of control of the Fund without the prior written consent of DaimlerChrysler.

The Trustees, at their discretion and without the approval of the Voting Unitholders, are entitled to make certain amendments to the Declaration of Trust, including amendments:

(i) which are required for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the

Fund, including ensuring that the Fund continues to qualify as a "mutual fund trust" within the meaning of the Tax Act;

(ii) which provide additional protection or added benefits for the Voting Unitholders;

(iii) which require the consent of automobile manufacturers, in addition to DaimlerChrysler, to a change of control of the Fund and other restrictions, if any, agreed to by the Fund with DaimlerChrysler, or to the amendment of these provisions of the Declaration of Trust;

(iv) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are necessary or desirable and not prejudicial to the Voting Unitholders; and

(v) which are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over the Fund.

Notwithstanding the previous paragraph, the Trustees may not amend the Declaration of Trust in a manner which would result in the Fund failing to qualify as a "mutual fund trust" under the Tax Act.

Term of the Fund

The Fund was settled on January 4, 2006 and has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on January 4, 2006. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind-up the affairs of the Fund so that it will terminate on the expiration of the term. At any time prior to the expiry of the term of the Fund, the Voting Unitholders may by Special Resolution require the Trustees to commence the termination, liquidation or winding-up of the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Fund, the Trustees will give notice thereof to the Voting Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees shall proceed to wind-up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting Unitholders, sell and convert into money Trust Units and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining proceeds of the sale of the Trust Units and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Trust Units or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining Trust Units or other assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units (including Units that may be acquired on the exchange of any Exchangeable Units pursuant to their terms, but excluding Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the terms on which the offeror acquired Units from Unitholders who accepted the take-over bid. The Declaration of Trust does not provide a mechanism for Unitholders who do not tender their Units to a take-over bid to apply to a court to fix the fair value of their Units.

The Partnership Agreement provides that if a non-exempt take-over bid from a person acting at arm's length to holders of Partnership Units (or any associate or affiliate thereof) is made for the Units and a contemporaneous identical offer is not made for Partnership Units held by persons other than the Fund or the Trust (in terms of price, timing, proportion of securities sought to be acquired and conditions, provided that the offer for Partnership Units may be conditional on Units being taken up and paid for under the take-over bid), then, provided that: (i) not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid from and after the date of first take-up of Units under the said take-over bid in excess of the foregoing threshold; and (ii) the take-over bid is not for any and all Units tendered or is not structured such that holders of Partnership Units, including

Exchangeable Units, can exchange such units into Units conditional on take-up, Partnership Units held by persons other than the Fund or the Trust will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of Partnership Units will receive 1.1 Units for each Unit that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the voting rights attaching to the Special Voting Units will not be similarly adjusted, and the distribution rights attaching to Partnership Units will not be adjusted until the exchange right is actually exercised.

The Partnership Agreement also provides that the Exchangeable Units may not be disposed of other than in the exchange for Units in accordance with the terms of the Exchange Agreement and the Partnership Agreement.

Exercise of Certain Voting Rights Attached to Securities of the Trust, the Partnership and AutoCanada GP

The Declaration of Trust provides that the Fund will not vote any securities of the Trust, the Partnership, AutoCanada GP or any of their respective subsidiaries to authorize any transaction which is adverse to the Unitholders including, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of the Trust, the Partnership, AutoCanada GP or any of their respective subsidiaries except in conjunction with an internal reorganization or good faith pledges or mortgages in the ordinary course of business or in connection with permitted guarantees of the Trust, AutoCanada GP, the Partnership, as applicable, or permitted charge, pledge or lien;

- any amalgamation, arrangement, merger or capital reorganization of the Trust, AutoCanada GP, the Partnership or any of their respective subsidiaries with any other entity, except in conjunction with an internal reorganization;

- the winding-up or dissolution of the Trust, AutoCanada GP or the Partnership prior to the end of the term of the Fund except in conjunction with an internal reorganization; or

- any material amendment to the constating documents of the Trust, AutoCanada GP or the Partnership to change the authorized Unit or partnership capital or partnership interests which may be prejudicial to the Fund,

without the authorization of the Voting Unitholders by a Special Resolution.

In addition, the Fund has agreed with DaimlerChrysler not to permit, acquiesce in or agree to the sale by the Fund of any Trust Units, a change of control of the Partnership or AutoCanada GP or the sale by the Partnership of all or substantially all of its assets.

Information and Reports

The Fund furnishes to Voting Unitholders, in accordance with applicable securities laws, all financial statements of the Fund (including quarterly and annual financial statements and certifications) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Voting Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Each Voting Unitholder has the right to obtain, on demand and without fee, from the head office of the Fund a copy of the Declaration of Trust and any amendments thereto, and is entitled to examine a list of Voting Unitholders, subject to providing an affidavit to the Fund similar to the affidavit required under the CBCA for a Unitholder to obtain a list of shareholders.

Prior to each meeting of Voting Unitholders, the Trustees provide to the Voting Unitholders (along with notice of the meeting) all information, together with such certifications, as are required by applicable law and by the Declaration of Trust to be provided to Voting Unitholders.

In addition, the Partnership has undertaken to the securities regulatory authorities in each of the provinces and territories of Canada and to the Fund that, for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- to the extent the Fund does not do so, issue a press release and deliver to the Fund for filing a material change report in respect of any material change in the Partnership's affairs;

- provide to the Fund the information that would be required to be included in an annual information form or any other report required to be filed with the securities regulatory authorities as if the Partnership were a reporting issuer in each of the provinces of Canada; and

- to the extent that the Fund does not prepare financial statements including the Partnership's results of operations, deliver to the Fund quarterly unaudited and annual audited financial statements for filing with the securities regulatory authorities in each of the provinces of Canada and delivery to the Fund's registered and beneficial Unitholders in accordance with applicable securities laws.

Such releases, forms, reports and statements, in each case, shall be in the form and content that the Partnership would be required to file with the Alberta Securities Commission if it were a reporting issuer under Alberta securities law. The information regarding the Partnership required by an annual information form and other reports is delivered by the Fund to its Unitholders concurrently with the annual information form or other report of the Fund for the corresponding period. The quarterly unaudited and annual audited financial statements of the Partnership are delivered by the Fund to its Unitholders concurrently with the financial statements of the Fund for the corresponding period. AutoCanada LP provides certifications (or back-up certifications) of such materials to the Trustees as reasonably required by the Trustees as if the Partnership were a reporting issuer and provides to the Trustees (and their agents) the certifications required by applicable law.

In interim and annual filings, the Fund includes relevant information and discussions comparing the Fund's business with the former business of the predecessor CAG. The Fund and CAG believe that comparative financial information relating to sales, cost of sales and general and administrative expenses are appropriate to include in the operating results of the Fund. The information is provided on a comparative basis in interim and annual management discussion and analysis.

The chief executive officer and chief financial officer of the Partnership perform functions similar to a chief executive officer and chief financial officer in respect of the Fund. As such the chief executive officer and chief financial officer of the Partnership execute the certificates required to be filed by the Fund pursuant to Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings".

The Trustees, the Trust Trustees, directors and senior officers of subsidiaries of the Fund and of CAG and the Principal Shareholders are required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Units, Exchangeable Units and Partnership Units.

In addition, the Fund has undertaken to the securities commissions or other securities regulatory authorities in each of the provinces of Canada that, for so long as the Fund is a reporting issuer under applicable securities laws, it will undertake to:

- treat the Partnership as a subsidiary of the Fund; however, if generally accepted accounting principles prohibit the consolidation of financial information of the Partnership and the Fund, for as long as the Partnership and any of its significant business interests represent significant assets of the Fund, the Fund will provide Unitholders with separate consolidated financial statements for the Partnership and its significant business interests;

- take appropriate measures to require each person who would be an insider of the Partnership or AutoCanada GP if the Partnership or AutoCanada GP, as the case may be, were a reporting issuer to: (i) file insider reports about trades in Units (including securities which are exchangeable for Units); and (ii) comply with statutory prohibitions against insider trading; and

- annually certify that it has complied with this undertaking, and file this certification on the System for Electronic Document Analysis and Retrieval (SEDAR) concurrently with the filing of its annual financial statements.

Book-Entry Only System

Book-Entry Form and Depository Service

Except as otherwise provided below, the Units are issued in "book-entry only" form and must be purchased or transferred through CDS Participants in the depository service of CDS, which include securities brokers and dealers, banks and trust companies. Except as described below, no Unitholder will be entitled to a certificate or other instrument from the Fund or CDS evidencing that Unitholder's ownership of Units, and no Unitholder will be shown on the records maintained by CDS except through a book-entry account of a CDS Participant acting on behalf of such Unitholder. Each Unitholder will receive a customer confirmation of purchase from the registered dealer from which the Unit is purchased in accordance with the practices

and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its CDS Participants having interests in the Units.

The Fund has the option to terminate registration of the Units through the Book-Entry System in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Unitholders who are not CDS Participants, but who desire to purchase, sell or otherwise transfer ownership of, or other interest in, the Units, may do so only through CDS Participants.

Transfer of Units

For so long as the Book-Entry System is maintained, transfers of ownership in the Units held by CDS will be effected only through records maintained by CDS for such Units with respect to interests of CDS Participants, and on the records of Participants with respect to interests of persons other than CDS Participants.

Payments of Distributions

Payments of distributions on each Unit held by CDS is made by the Fund to CDS as the registered Unitholder of the Units and the Fund understands that such payments (except payments in the form of additional Units) are forwarded by CDS to CDS Participants. As long as CDS is the registered owner of the Units, CDS will be considered the sole owner of the Units for the purpose of making payment of any distribution in respect of the Units to CDS.

Ability to Pledge Units

The ability of a Unitholder to pledge a Unit or otherwise take action with respect to such Unitholder's interest in a Unit (other than through a CDS Participant) may be limited due to the lack of a physical Unit certificate.

Conflicts of Interest Restrictions and Provisions

The Declaration of Trust contains "conflict of interest" provisions that serve to protect Voting Unitholders without creating undue limitations on the Fund. The Declaration of Trust contains provisions, similar to those contained in the CBCA, that require each Trustee to disclose to the Fund, as applicable, any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. A Trustee who is required to make disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to: (i) his or her remuneration as a Trustee or officer of the Fund, as applicable; (ii) insurance or indemnity; or (iii) a contract or transaction with an affiliate.

Rights of Unitholders

The rights of the Unitholders are established by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, significant differences exist.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Voting Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect Trustees (except Trustees to be appointed by CAG) and appoint auditors. The Declaration of Trust also includes provisions modelled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Voting Unitholders and Trustees, the quorum for and procedures at such meetings and the right of Voting Unitholders to participate in the decision making process where certain fundamental actions are proposed to be undertaken. Unlike shareholders of a CBCA corporation, Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Fund. The matters in respect of which Voting Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund's subsidiary entities, as described under "AutoCanada Income Fund — Exercise of Certain Voting Rights Attached to Securities of the Trust, the Partnership and AutoCanada GP". These Voting Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or listed on the TSX.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (i) the business or businesses that the corporation can carry on; or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to receive, subject to certain conditions and limitations, their pro rata share of the Fund's net assets through the exercise of the redemption rights provided by the Declaration of Trust, as described under "Redemption at the Option of Unitholders" above. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregarding the interests of securityholders and certain other parties.

Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders may rely only on the general provisions of the Declaration of Trust which permit the winding up of the Fund with the approval of a Special Resolution of the Voting Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows Voting Unitholders to pass resolutions appointing an inspector to investigate the Trustees' performance of their responsibilities and duties, but this process would not be subject to court oversight or assure the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

Financial Year End

The fiscal year end of the Fund is December 31 in each year.

Administration of the Fund and the Trust

The Partnership acts as the administrator of the Fund and the Trust pursuant to the terms of the Administration Agreement between the Fund, the Trust and the Partnership.

Under the Administration Agreement, the Partnership provides certain management, administrative and support services to the Fund and the Trust. The duties of the Partnership as administrator include: (i) ensuring compliance with continuous disclosure obligations under applicable securities legislation and stock exchange rules; (ii) providing or causing to be provided accounting and financial services; (iii) providing office space and premises; (iv) providing or causing to be provided investor relations services; (v) providing or causing to be provided to Unitholders all customary information with respect to applicable reporting obligations for Canadian federal income tax purposes; (vi) calling and holding meetings of Voting Unitholders and distributing required materials, including notices of meetings and information circulars, in respect of all such meetings; (vii) assisting in calculating distributions to Unitholders; (viii) attending to all administrative and other matters arising in connection with any redemption of Units or securities of the Fund; and (ix) ensuring compliance with the Fund's limitations on non-resident ownership and change of control restrictions.

The Administration Agreement has an initial term of ten years and will automatically renew for successive five year terms unless terminated by any of the parties at least 12 months prior to the expiry of the initial or any renewal term. The Administration Agreement may be terminated by any of the parties in the event of the insolvency or receivership of another party or in the case of default by one of the other parties in the performance of a material obligation under the Administration Agreement, as the case may be, (other than as a result of the occurrence of a force majeure event) which is not remedied within days after written notice thereof has been delivered.

Under the Administration Agreement, the Fund and the Trust bear their own administration costs and expenses and reimburse the Partnership for all costs and expenses incurred by the Partnership relating to the management, administrative and support services provided to the Fund and the Trust, respectively. The Partnership does not charge fees in providing these services.

AUTOCANADA OPERATING TRUST

The Trust Declaration of Trust contains provisions substantially similar to those of the Declaration of Trust relating to the Fund. The principal differences between the Trust Declaration of Trust and the Declaration of Trust are those described below.

General

The Trust is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and the Trust Declaration of Trust. Its activities are restricted essentially to holding investments in the Partnership and such other investments as the Trust Trustees may determine, including all activities ancillary or incidental thereto.

Trustees

The Trustees have also been appointed as Trust Trustees. See "AutoCanada Income Fund — Trustees".

Restrictions on the Trust Trustees' Powers

The Trust Declaration of Trust provides that the Trust Trustees may not, without a resolution passed by a majority of the votes cast at a meeting of the holders of Voting Units:

(i) take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require a resolution passed by a majority of the votes cast at a meeting of the holders of Trust Units had the Trust been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading; and

(ii) subject to certain exceptions, appoint or change the auditors of the Trust.

Furthermore, the Trust Declaration of Trust provides that the Trust Trustees may not, without a resolution passed by at least 66 2/3% of the votes cast at a meeting of the holders of Voting Units:

(i) take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require a resolution passed by at least 66 2/3% of the votes cast at a meeting of the holders of Trust Units had the Trust been a reporting issuer (or the equivalent) in the jurisdictions in which the Fund is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading;

(ii) amend the Trust Declaration of Trust, except in certain limited circumstances similar to those under which the Declaration of Trust may be amended, without consent of Voting Unitholders;

(iii) amend the Trust Note Indenture other than in contemplation of a further issuance of Trust Notes;

(iv) sell, lease or exchange all or substantially all of the property of the Trust other than in the ordinary course of business or in connection with an internal reorganization;

(v) authorize the termination, liquidation or winding-up of the Trust, other than at the end of the term of the Trust; or

(vi) authorize the combination, merger or similar transaction of the Trust with any other person, except in conjunction with an internal reorganization.

Redemption Right

The Trust Units are redeemable at any time on demand by the holders thereof upon delivery to the Trust of a duly completed and properly executed notice requiring the Trust to redeem Trust Units, in a form reasonably acceptable to the Trust Trustees, together with the certificates representing Trust Units to be redeemed and written instructions as to the number of Trust Units to be redeemed. Upon tender of Trust Units by a holder thereof for redemption, the holder of Trust Units tendered for redemption will no longer have any rights with respect to such Trust Units other than the right to receive the redemption price for such Trust Units. The redemption price for each Trust Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C + D}{E}$$

Where:

(i) A is the cash redemption price per Unit calculated as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units;

(ii) B is the aggregate number of Units outstanding as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units;

(iii) C is the aggregate of any indebtedness held by or owed to the Fund and the fair market value of any other assets or investments held by the Fund (other than Trust Units) as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units;

(iv) D is the aggregate unpaid liabilities of the Fund (prior to the redemption of Units on such date) as of the close of business on the date the Trust Units were so tendered for redemption; and

(v) E is the aggregate number of Trust Units outstanding as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units.

The Trust Trustees are also entitled to call for redemption, from time to time and at any time, of all or part of the outstanding Trust Units registered in the name of the holders thereof (other than the Fund) at the same redemption price as described above for each Trust Unit called for redemption, calculated with reference to the date the Trust Trustees approved the redemption of Trust Units.

The aggregate redemption price payable by the Trust in respect of any Trust Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the Trust Trustees: (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose Trust Units are to be redeemed of such amount of Series 1 and Series 2 Trust Notes as the Trust Trustees shall determine in their discretion as are equal in their aggregate amount to the aggregate redemption price payable to such holder of Trust Units rounded down to the nearest $100, with the balance of any such aggregate redemption price not paid in Trust Notes to be paid in immediately available funds by cheque; or (iii) by any combination of funds and Series 1 Trust Notes and Series 2 Trust Notes as the Trust Trustees shall determine in their discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which Trust Units were so tendered for redemption. A holder of Trust Units whose Trust Units are tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Trust Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the amount of such Trust Notes payable to be equal to the funds otherwise payable, rounded down to the nearest $100. To the extent that all or a portion of the redemption price is to be paid by the delivery of Trust Notes, 20% of the aggregate principal amount thereof shall be Series 1 Trust Notes and the balance shall be Series 2 Trust Notes.

Distributions

The Trust makes monthly cash distributions of its cash available for distribution. The amount of cash to be distributed monthly per Trust Unit to the Trust Unitholders is equal to a pro rata share of distributions on or in respect of Partnership Units owned by the Trust and all other amounts, if any, from any other investments from time to time held by the Trust received in such period, less amounts which are paid, payable, incurred or provided for in such period in connection with: (i) administrative expenses and other obligations of the Trust; (ii) amounts that may be paid by the Trust in connection with any cash redemptions or repurchases of Trust Units or repayments of Trust Notes; (iii) satisfaction of its debt service obligations (principal and interest) on Trust Notes and other indebtedness, if any; and (iv) any amount that the Trust Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Trust, that have been or are reasonably expected to be incurred in the activities and operations of the Trust (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the cash available for distribution of the Trust).

Such distributions are payable to holders of record of Trust Units on the last business day of each month and are paid within 15 days following each month end. The cash distributions payable by the Trust are received by the Fund prior to its related cash distribution to Unitholders.

The distribution declared by the Trust Trustees in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Trust for such year as is necessary to ensure that the Trust will not be liable for income taxes under Part I of the Tax Act in such year and may be paid by the distribution of additional Trust Units.

Any income of the Trust which is unavailable for cash distribution will, to the extent necessary to ensure that the Trust does not have any income tax liability under Part I of the Tax Act, be distributed to holders of Trust Units in the form of additional Trust Units. The value of each Trust Unit so issued will be equal to the redemption price thereof. The

Trust Declaration of Trust provides that immediately after any pro rata distribution of Trust Units in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each holder of Trust Units will hold after consolidation the same number of Trust Units as the holder held before the non-cash distribution.

Trust Notes

The following is a summary of the material attributes and characteristics of Trust Notes, which may be issued by the Trust under the Trust Note Indenture.

Trust Notes are issuable in Canadian currency and in denominations of $100 and integral multiples of $100. No Trust Notes in integral multiples of less then $100 will be distributed and where the number of Trust Notes to be received includes a fraction, such number shall be rounded to the next lowest whole number.

Trust Notes are reserved by the Trust to be issued exclusively to holders of Trust Units as full or partial payment of the redemption price of Trust Units.

Interest and Maturity

Each Series 1 Trust Note will bear interest at a market rate to be determined by the Trust Trustees at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 1 Trust Note is outstanding and will mature on a date which is no later than the first anniversary of the date of issuance thereof. Each Series 2 Trust Note will bear interest at a market rate to be determined by the Trust Trustees at the time of issuance thereof, payable on the 15th day of each calendar month that such Series 2 Trust Note is outstanding and will mature on the 25th anniversary of the date of issue of the Trust Units being redeemed.

Payment upon Maturity

On maturity, the Trust will repay the Trust Notes by paying to the Trustee under the Trust Note Indenture, in cash, an amount equal to the principal amount of the outstanding Trust Notes that have then matured, together with accrued and unpaid interest if any, thereon.

Redemption

The Trust Notes will be redeemable at the option of the Trust prior to maturity, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest if any, thereon, payable in cash.

Ranking and Subordination

The Trust Notes will be direct unsecured obligations of the Trust, ranking pari passu with other unsecured liabilities of the Trust.

Payment of the principal amount and interest on Trust Notes will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness, which will be defined as all indebtedness, liabilities and obligations of the Trust which, by the terms of the instrument creating or evidencing the same, are expressed to rank in right of payment in priority to the indebtedness evidenced by the Trust Note Indenture. The Trust Note Indenture provides that upon any distribution of the assets of the Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to the Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the Trust Notes are entitled to receive any payment.

Default

The Trust Note Indenture provides that any of the following shall constitute an event of default:

(i) default in payment of the principal amount of Trust Notes when the same becomes due and payable and the continuation of such default for a period of 90 days;

(ii) default in payment of any interest due on any Trust Notes and continuation of such default for a period of 90 days;

(iii) default in the observance or performance of any other covenant or condition of the Trust Note Indenture and continuance of such default for a period of 90 days after notice in writing has been given to the Trust Trustees specifying such default and requiring the Trust to rectify the same; and

(iv) certain events of dissolution, bankruptcy, insolvency, liquidation, reorganization or other similar proceedings relative to the Trust.

The provisions governing an event of default under the Trust Note Indenture and remedies available thereunder do not provide protection to the holders of the Trust Notes which would be comparable to the provisions generally found in debt securities issued to the public.

Trust Unit Certificates

As Trust Units are not intended to be issued or held by any person other than the Fund, registration of interests in, and transfers of, Trust Units will not be made through the Book-Entry System administered by CDS. Rather, holders of Trust Units are entitled to receive certificates therefor.

Meetings of Unitholders

An annual meeting of holders of Trust Units may be held at such time and place as shall be prescribed for the purpose of transacting such business as the Trust Trustees may determine or as may properly be brought before the meeting.

AUTOCANADA LP

The following is a summary of the material attributes and characteristics of the Partnership and the Partnership Units issued under the Partnership Agreement.

General

The Partnership is a limited partnership established under the laws of the Province of Manitoba to carry on the business of investing in and owning and operating franchised automobile dealerships, as well as activities ancillary thereto.

General Partners

AutoCanada GP is the general partner of the Partnership. See "AutoCanada GP — General". In addition, CAG is the administrative general partner of the Partnership.

AutoCanada GP has exclusive authority to manage the business and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership, subject only to the authority of CAG as administrative general partner of the Partnership. AutoCanada GP is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in AutoCanada GP to manage the business and affairs of the Partnership includes all authority necessary or incidental to carry out the objects, purposes and business of the Partnership, including without limitation, the ability to engage agents to assist AutoCanada GP to carry out its management obligations or substantially administrative functions. AutoCanada GP cannot dissolve the Partnership or wind-up the Partnership's affairs except in accordance with the provisions of the Partnership Agreement.

CAG, as administrative general partner of the Partnership, is actively engaged in the administration of the business of the Partnership, and is responsible for, and has authority in, assisting AutoCanada GP in the administration of the business and affairs of the Partnership as required by AutoCanada GP, and performs such additional specific duties in connection with the business of the Partnership as may be delegated to it by AutoCanada GP. CAG provides ongoing and regular consultation and management services to the Partnership as to the operation and management of its business. CAG does not receive any remuneration for its services as administrative general partner of the Partnership and may resign as administrative general partner at any time by written notice to AutoCanada GP and to the limited partners of the Partnership and become a limited partner of the Partnership.

Withdrawal or Removal of AutoCanada GP

AutoCanada GP may resign on not less than 180 days' written notice to the limited partners of the Partnership, provided that AutoCanada GP will not resign if the effect would be to dissolve the Partnership.

AutoCanada GP may not be removed as general partner of the Partnership unless: (i) AutoCanada GP has committed a material breach of the Partnership Agreement, which breach has continued for 30 days after notice; (ii) the removal of AutoCanada GP is approved by a resolution of holders of at least 66 2/3% of the Partnership Units voted on such resolution; or (iii) the shareholders or directors of AutoCanada GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of AutoCanada GP, or AutoCanada GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner with the same ownership and governance structure at the relevant time agrees to act as general partner under the Partnership Agreement.

Capitalization

The Partnership may issue an unlimited number of LP Units and Exchangeable Units to any person. The Partnership Agreement authorizes AutoCanada GP to cause the Partnership to issue additional LP Units, Exchangeable Units or other Partnership Units for any consideration and on any terms and conditions as are established by AutoCanada GP.

Exchangeable Units are indirectly exchangeable into Units in accordance with their terms. Exchangeable Units have economic and voting rights that are equivalent to LP Units in all other respects. Additionally, Exchangeable Units held by CAG are accompanied by Special Voting Units that entitle CAG to receive notice of, attend, and to vote at all meetings of Voting Unitholders (except in respect of Exchangeable Units previously exchanged pursuant to their terms). See "Retained Interest and Exchange Rights — Exchange Rights".

The Partnership has issued and outstanding partnership interests consisting of 10,949,500 LP Units held by the Trust and 9,307,500 Exchangeable Units held by CAG, a general partner interest held by AutoCanada GP and an administrative general partner interest held by CAG.

Ranking

The LP Units and Exchangeable Units have economic and voting rights per unit that are equivalent in all material respects.

Advances and distributions on the Partnership Units are made, subject to the general partners' aggregate 0.001% interests, in the following order; firstly, on the LP Units in the amount equal to the outlays and expenses made or incurred by the Fund and the Trust in the administration and management of the Fund and the Trust (including audit costs and costs of reporting to Unitholders) (the "Fund Priority Distribution") and thereafter on the LP Units and the Exchangeable Units in an equal amount per unit.

Distributions

AutoCanada GP, as general partner of the Partnership, causes the Partnership to distribute to its partners, including its partners (of record) holding Partnership Units on the last day of each month, their pro rata portions of a substantial portion of its available cash as set out below. Distributions are made on or about the 15th day following the end of each month. Distributions on Partnership Units are received by the Trust in time to make its related distribution to the Fund prior to its related distributions to Unitholders. The Partnership may, in addition, make a distribution at any other time.

Available cash represents, in general, all of the Partnership's cash, after satisfaction of:

- general and administrative expenses and other expense obligations;
- debt service obligations on indebtedness of the Partnership:
- obligations under the Partnership's incentive plans;
- any other amounts that AutoCanada GP, as general partner of the Partnership, may consider reasonably necessary for:
    - the payment of any liability or expense that has been or is reasonably expected to be incurred in the activities or operations of the Partnership, for reasonable reserves (including amounts on account of working capital and capital expenditures and to stabilize distributions); and
    - investment in the growth of the business of the Partnership.

The amount distributed from time to time by the Partnership on interests in the Partnership, including the Partnership Units is determined by the board of directors of AutoCanada GP as the general partner of the Partnership.

Allocation of Net Income and Losses

The income of the Partnership for each fiscal year is allocated first to the holders of LP units in an amount equal to the Fund Priority Distribution and the remainder as to 0.001% thereof to the partners holding general partnership interests (the 0.005% share of the interest of the general partners is allocated, as to 90% thereof, to the general partner and, as to the balance thereof, to the administrative general partner) and as to 99.995% thereof to partners holding Partnership Units.

The income for tax purposes of the Partnership for a particular taxation year that is to be allocated to the partners holding Partnership Units is first allocated to the holders of the LP Units in the amount equal to the Fund Priority Distribution (if any). Thereafter, any remaining income is allocated to each partner by multiplying the total remaining income to be allocated to the partners by a fraction, the numerator of which is the total sum of the cash distributions in excess of the Fund Priority Distribution received by that partner with respect to that taxation year and the denominator of which is the total amount of the cash distributions in excess of the Fund Priority Distribution made by the Partnership to all partners with respect to that taxation year. The amount of income for tax purposes allocated to a partner in a taxation year may exceed or be less than the amount of cash distributed by the Partnership to that partner in such a taxation year.

If, with respect to a taxation year, no cash distribution is made by the Partnership to its partners (other than the Fund Priority Distribution), or the Partnership has a loss for tax purposes, one-twelfth of the income remaining after allocation of an amount up to the Fund Priority Distribution to holders of LP Units or the loss for tax purposes of the Partnership for that fiscal period, as the case may be, will be allocated to its general partners and to its partners holding Partnership Units at the end of each month ending in that taxation year, as to 0.005% and 99.995% (the 0.005% share of the interest of the general partners will be allocated, as to 90% thereof, to the general partner and, as to the balance thereof, to the administrative general partner), respectively, and the amount allocated to the holders of the Partnership Units shall be allocated, after taking into account the amount of the Fund Priority Distribution (if any), in the proportion that the number of Partnership Units held at each of those dates by that partner, respectively, is of the total number of Partnership Units, respectively, issued and outstanding at each of those dates (for such purposes treating all classes of partners as one).

Income and loss of the Partnership for accounting purposes for each fiscal year is allocated to each partner in the same manner as income or loss is allocated for tax purposes.

The fiscal year end of the Partnership is December 31.

Limited Liability

The Partnership operates in a manner as to ensure to the greatest extent possible the limited liability of the Trust as a limited partner. Under the *Partnership Act* (Manitoba), the Trust, as a limited partner of the Partnership, may lose its limited liability if it takes an active part in the business of the Partnership and is liable as if it were a general partner to any person with whom it deals on behalf of the Partnership and who does not know that it is a limited partner for all debts of the Partnership and in certain other circumstances. If limited liability is lost by reason of the negligence of AutoCanada GP in performing its duties and obligations under the Partnership Agreement, AutoCanada GP has agreed to indemnify the Trust against all claims arising from assertions that its liability is not limited as intended by the Partnership Agreement. However, since AutoCanada GP has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of Partnership Units

The LP Units are transferable, subject to compliance with applicable securities restrictions, provided that non-residents of Canada (and partnerships that are not Canadian partnerships within the meaning of the Tax Act) may not acquire or hold a Partnership Unit. A Partnership Unit is not transferable in part, and no transfer of a Partnership Unit will be accepted by AutoCanada GP, unless a transfer form, duly completed and signed by the registered holder of the Partnership Unit and the transferee, has been remitted to the registrar and transfer agent of the Partnership. A transferee of a Partnership Unit will become a partner and will be subject to the obligations and entitled to the rights of a partner under the Partnership Agreement on the date on which the transfer is recorded.

The Partnership Agreement also provides that the Exchangeable Units may not be disposed of other than in the exchange for Units in accordance with their terms and the terms of the Exchange Agreement and the Partnership Agreement.

In addition, the Partnership has agreed with DaimlerChrysler not to permit, acquiesce in or agree to the sale by the Partnership of all or substantially all of its assets without the prior written consent of DaimlerChrysler. We expect that we may enter into similar agreements with the other automobile manufacturers with whom we deal.

Pre-Emptive Rights

The Partnership Agreement provides that, so long as CAG and its related parties collectively own, directly or indirectly, 10% of the Units on a fully-diluted basis, they will have pre-emptive rights exercisable to acquire additional Partnership Units in the event that the Partnership decides to issue additional debt or equity securities. If the Partnership issues additional debt or equity securities, CAG, and any assignee who is now a related party of CAG, is entitled to participate in such issuance on a pro rata basis, but only to the extent necessary to maintain its proportionate fully-diluted interest in the Partnership. CAG and such related parties will be entitled to participate in the additional financing transaction at the most favourable price and on the most favourable terms as such securities are to be offered to the Fund or a third party, excluding commissions and other transaction expenses paid by the Fund.

Right of First Refusal and First Offer

The Partnership Agreement and the voting agreement referred to under "Trustees, Directors and Officers" respectively provide that, so long as CAG and its related parties collectively own, directly or indirectly, 10% of the Units on a fully-diluted basis, the Fund shall not sell or enter into any agreement to sell any Trust Units or Trust Notes (other than in connection with a distribution in specie upon redemption of Units) and the Trust shall not sell or enter into any agreement to sell any LP Units unless such Trust Units, Trust Notes or LP Units, as the case may be, are first offered to CAG. If the Fund desires to sell any of the Trust Units or Trust Notes or the Trust desires to sell any LP Units, and CAG has not received an offer to purchase the Trust Units, Trust Notes or LP Units, as the case may be, that it wishes to accept, the Fund or the Trust, as the case may be, must first inform CAG of the price and terms on which the Fund or the Trust desires to sell such Trust Units, Trust Notes or LP Units. If CAG does not agree to purchase such Trust Units, or LP Units, as the case may be, at the price and on the terms offered to it by the Fund or the Trust, as the case may be, the Fund or the Trust, as the case may be, may then attempt to sell such Trust Units, Trust Notes or LP Units during the period of 180 days after such Trust Units, Trust Notes or LP Units, as the case may be, were first offered to CAG, for a price that is not less, and on terms that are not less onerous to the purchaser than the price and terms at and on which such Trust Units, Trust Notes or LP Units, as the case may be, were first offered to CAG. If any of the Trust Units, Trust Notes or LP Units, as the case may be, have not been offered to CAG, then neither the Fund nor the Trust may accept and offer to sell any Trust Units, Trust Notes or LP Units, as the case may be, unless such Trust Units, Trust Notes or LP Units, as the case may be, are first offered to CAG at the same price and on the same terms of such offer.

Piggy Back Rights

The Partnership Agreement and the voting agreement referred to under "Trustees, Directors and Officers" provide that the Fund shall not sell or enter into any agreement to sell any of the Trust Units or Trust Notes (other than as a distribution in specie in connection with a redemption of Units) and the Trust shall not sell or enter into any agreement to sell any of the LP Units held by it unless the person to whom such Trust Units, Trust Notes or LP Units, as the case may be, are to be sold makes a contemporaneous identical offer to the holders of the Exchangeable Units for the purchase of the Units into which their Exchangeable Units may be exchanged (in terms of price, timing, proportion of securities sought to be acquired and conditions).

Amendment

The Partnership Agreement may be amended with the prior consent of the holders of at least 66 2/3% of the Partnership Units voting on the amendment at a duly constituted meeting or by a written resolution of partners holding more than 66 2/3% of the Partnership Units entitled to vote at a duly constituted meeting, except for certain amendments, which require unanimous approval of holders of Partnership Units, including amendments that: (i) alter the ability of the limited partners to remove AutoCanada GP as general partner or CAG as administrative general partner involuntarily; (ii) change the liability of any limited partner; (iii) change the right of a holder of Partnership Units to vote at any meeting; (iv) alter the pre-emptive right or right of first refusal or "piggy back" rights of the holders of the Exchangeable Units; or (v) change the Partnership from a limited partnership to a general partnership. In addition, an amendment to the Partnership Agreement which affects the rights and interests of the holders of the Exchangeable Units to an extent or in a manner different from the holders of the LP Units also requires the consent of holders of at least 66 2/3% of the Exchangeable Units voted on the amendment at a duly constituted meeting of the holders of the Exchangeable Units or by a written resolution of partners holding at least 66 2/3% of the Exchangeable Units entitled to vote at a duly constituted meeting of the holders of the Exchangeable Units.

Notwithstanding the foregoing:

- no amendment which would adversely affect the interests, rights and obligations of AutoCanada GP, as general partner, may be made without its consent;

- no amendment which would adversely affect the interests, rights and obligations of any particular partner without similarly affecting the interests, rights and obligations of all other partners may be made without the consent of that partner; and

- AutoCanada GP may make amendments to the Partnership Agreement to reflect: (i) a change in the name of the Partnership or the location of the principal place of business of the Partnership or the registered office of the Partnership; (ii) a change in the governing law of the Partnership to any other province of Canada; (iii) the admission, substitution, withdrawal or removal of limited partners in accordance with the Partnership Agreement; (iv) a change that, as determined by AutoCanada GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by AutoCanada GP, is reasonable and necessary or appropriate to enable the Partnership to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Partnership Agreement which may be defective or inconsistent with any other provision contained in the Partnership Agreement.

Meetings

AutoCanada GP may call meetings of partners and is required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding Partnership Units. A quorum at a meeting of partners consists of two or more partners present in person or by proxy.

DEALER LPS

Each franchised automobile dealership owned by us is held by a separate Dealer LP, which has entered into a franchise or sales and service agreement with the applicable automobile manufacturer.

Each Dealer LP is a limited partnership established under the laws of the Province of Manitoba to carry on the business of owing and operating a franchised automobile dealership, as well as activities ancillary thereto.

General Partner

Separate wholly owned subsidiaries of AutoCanada GP, are the general partners of each of the Dealer LPs. As general partner of the Dealer LPs, each such subsidiary has exclusive authority to manage the business and affairs of the Dealer LPs, to make all decisions regarding the business of the Dealer LPs and to bind the Dealer LPs. The authority and power vested in each such general partner to manage the business and affairs of the Dealer LPs includes all authority necessary or incidental to carry out the objects, purposes and business of the Dealer LPs.

Capitalization

All of the limited partnership interests in each Dealer LP are held, directly or indirectly, by the Partnership, except for 15% interests in the Dealer LPs that own our Hyundai dealerships which are held by our dealer principals responsible for those dealerships. This interest may be acquired by us if the dealer principal's employment with us is terminated for any reason.

Distributions

The general partners of the Dealer LPs cause the Dealer LPs to distribute to the Partnership a substantial portion of their respective available cash as set out below. Distributions are made on or about the 15th day following the end of each month. Distributions to the Partnership are received by the Partnership in time for the Partnership to make its related distributions on the Partnership Units. The general partners of the Dealer LPs may, in addition, cause any of the Dealer LPs to make a distribution at any other time.

Available cash of a Dealer LP consists, in general, of all of the Dealer LP's cash, after satisfaction of:

- general and administrative expenses and other expense obligations;

- debt service obligations on indebtedness of the Dealer LP;
- incentive bonuses under the applicable Dealer Principal Employment Agreement and incentive bonuses under the AutoCanada Bonus Plan;
- working capital requirements of the Dealer LP, including the working capital required under the franchise or sales and service agreement with the automobile manufacturer; and
- any other amounts that AutoCanada GP, as general partner of the Dealer LP, may consider reasonably necessary for the payment of any liability or expense that has been or is reasonably expected to be incurred in the activities or operations of the Dealer LP, for reasonable reserves (including amounts on account of working capital and capital expenditures and to stabilize distributions).

The amount distributed from time to time by any Dealer LP on interests in the Dealer LPs is determined by the board of directors of its general partner.

Allocation of Net Income and Losses

The income and loss of the Dealer LPs for each fiscal year, including income or loss for tax purposes is allocated, as to 0.005% thereof, to the general partner thereof and, as to 99.995% thereof, to the Partnership or, where a dealer principal holds an interest in the Dealer LP, 84.995% to the Partnership and 15% to the dealer principal.

The fiscal year end of the Dealer LPs is December 31.

Limited Liability

Each Dealer LP operates in a manner as to ensure to the greatest extent possible the limited liability of the Partnership as a limited partner.

AUTOCANADA GP

General

AutoCanada GP is a corporation incorporated under the CBCA and acts as general partner of the Partnership and holds the shares of the general partners of the Dealer LP's. The Fund owns all of the outstanding common shares of AutoCanada GP.

The interest of AutoCanada GP in the Partnership is 0.005%. It is not expected that AutoCanada GP will acquire any assets or properties other than its interest in the Partnership and the shares of the general partners of the Dealer LP's and, accordingly, it is not expected to have any material income or assets.

Directors

The Trustees elect the directors of AutoCanada GP. Under the voting agreement referred to in "Trustees, Directors and Officers", CAG is entitled to require the Fund to elect certain individuals designated by CAG as directors of AutoCanada GP, in the circumstances described therein. The Trustees do not comprise a majority of AutoCanada GP's directors.

AutoCanada GP appoints the directors of the general partners of the Dealer LPs. Our agreement with Hyundai requires us to obtain its approval of the individuals appointed as directors of the general partners of the Dealer LPs operating under dealership agreements with it.

Share Capital

AutoCanada GP is authorized to issue an unlimited number of common shares. A holder of a common share is entitled to one vote for each share held by such holder, to receive dividends as and when declared by the directors of AutoCanada GP in an equal amount per common share and to share equally in the assets and properties of AutoCanada GP on a per share basis distributed to shareholders of AutoCanada GP on the liquidation or winding up of AutoCanada GP.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date of this AIF, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Unitholder who acquires Units and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds the Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a Unitholder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a "specified financial institution" or a Unitholder an interest in which is a "tax shelter investment" (all as defined in the Tax Act). In addition, this summary does not address the deductibility of interest by a Unitholder who has borrowed money to acquire Units.

This summary is based upon the facts set out in this AIF, the provisions of the Tax Act and the regulations under the Tax Act in force at the date of this AIF, the current published administrative and assessing practices of the Canada Revenue Agency and certain other factual matters. This summary takes into account all specific proposals to amend the Tax Act and the regulations under the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this AIF. There can be no assurance that any of such proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this AIF.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Unitholder's particular circumstances, including the province or provinces, or territory or territories, in which the Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund continuously qualifies as a "mutual fund trust", as defined in the Tax Act, at all relevant times. If the Fund were not to qualify continuously as a mutual fund trust, the income tax considerations described below would, in some respects, be materially and adversely different.

In order for the Fund to continuously qualify as a mutual fund trust, it must satisfy various requirements, including a requirement that the Fund must not have been established or maintained primarily for the benefit of non-residents.

Tax-Exempt Unitholders

Units are qualified investments for trusts governed by Plans, subject to the specific provisions of any particular Plan. If the Fund ceases to qualify as a mutual fund trust, Units will cease to be qualified investments for those Plans.

Trust Notes received as a result of redemption of Units may not be a qualified investment for a Plan, and this could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund is subject to tax under Part I of the Tax Act on its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount.

The Fund includes in its income for each taxation year such amount of the Trust's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the Trust Units. The Fund is not

subject to tax on any amount received as a return of capital from the Trust (provided that the capital returned, if any, does not exceed the cost amount of the Trust Units held by the Fund). In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses, if any, incurred by it for the purpose of earning income.

A distribution of property of the Fund on redemption of Units will be treated as a disposition by the Fund of the property so distributed for proceeds of disposition equal to its fair market value (less the interest, if any, on any Trust Notes so disposed of, which will generally be income to the Fund). The Fund will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds from the disposition exceed (or are less than) the aggregate of the adjusted cost base of the property so distributed and any reasonable costs of disposition.

Under the Declaration of Trust, an amount equal to all of the income (including taxable capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Fund, but excluding capital gains arising in connection with a distribution in specie of property of the Fund on redemption of Units which are designated by the Fund to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund, is payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where the income of the Fund in a taxation year exceeds the monthly cash distributions for that year, such excess income will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, is generally deductible by the Fund in computing its income.

Losses incurred by the Fund cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

The Fund is entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income or taxable capital gain realized by the Fund as a result of that redemption may, at the discretion of Trustees, be treated as income or taxable capital gains, paid to, and designated as income or taxable capital gains of, the redeeming Unitholders, and will be deductible by the Fund in computing its income. In addition, accrued interest, if any, on Trust Notes distributed to a redeeming Unitholder may be treated as an amount paid to the Unitholder and is deductible by the Fund.

The Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act.

Taxation of the Trust

The taxation year of the Trust is the calendar year. The Trust is taxable on its income determined under Part I of the Tax Act for each taxation year, which includes its allocated share of the taxable income of the Partnership for its fiscal period ending on or before the year end of the Trust, except to the extent that such income is paid or payable in such year to the Fund and is deducted by the Trust in computing its income for tax purposes. The Trust is generally entitled to deduct its expenses incurred to earn such income provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the Trust Declaration of the Trust, all of the income of the Trust for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by the Trust in the year, is generally payable in the year to the Fund and is generally deductible by the Trust in computing its taxable income. The Trust will be deemed to realize a capital gain to the extent that the adjusted cost base of its LP Units is negative at the end of a taxation year of the Partnership. The Fund does not expect the Trust to be liable for any material amount of tax under Part I of the Tax Act.

Taxation of the Partnership and the Dealer LPs

The fiscal period of the Partnership and each Dealer LP is the calendar year. The Partnership and each Dealer LP are not subject to tax under the Tax Act. Each partner of the Partnership and of the Dealer LPs, including the Trust as a partner of the Partnership, and the Partnership as a partner of the Dealer LPs, is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of the Partnership or the Dealer LPs, as the case may be, for its fiscal period ending in, or coincidentally with, the partner's taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of the Partnership and each of the Dealer LPs is computed for each fiscal period as if the Partnership or Dealer LP were a separate person resident in Canada.

In computing the income or loss of the Partnership and each of the Dealer LPs, deductions may be claimed in respect of capital cost allowance, reasonable administrative costs, interest and other expenses incurred by the Partnership or Dealer LP to earn income from its business or investments, subject to the limitations of the Tax Act. The Dealer LPs may also claim a deduction from income over five years in respect of the reasonable expenses incurred by the Dealer LPs to issue limited partnership units in connection with the transactions contemplated by the Offering. The portion of such issue expenses which may be claimed as deductions by a Dealer LP in a fiscal period is 20% of such issue expenses that are not otherwise deductible, pro-rated where the Dealer LPs' fiscal period is less than 365 days.

The net income or loss of the Partnership and of each of the Dealer LPs for a fiscal period is allocated to the partners of the Partnership and each of the Dealer LPs, including the Trust as a partner of the Partnership and the Partnership as a partner of the Dealer LPs, in the manner set out in the Partnership Agreement in the case of the Partnership and, as to 99.999% thereof, to the Partnership in the case of the Dealer LPs, subject to the detailed rules in the Tax Act.

Generally, distributions to a partner in excess of the income of the Partnership or a Dealer LP for a fiscal period will result in a reduction of the adjusted cost base of the partner's interest in the Partnership or the Dealer LP, as the case may be, by the amount of such excess. If, as a result, the Trust's adjusted cost base of its interest in the Partnership or the Partnership's adjusted cost base of its interest in a Dealer LP would otherwise be a negative amount at the end of a fiscal period of the Partnership or the Dealer LP, as the case may be, the Trust or the Partnership, as the case may be, will be deemed to realize a capital gain, and the Trust's adjusted cost base of its interest in the Partnership or the Partnership's adjusted cost base of its interest in the Dealer LP will then be nil immediately thereafter.

If the Partnership or a Dealer LP were to incur losses for tax purposes, the Trust's ability to deduct such losses in the case of the Partnership, or the Partnership's ability to deduct such losses in the case of the Dealer LP, may be limited by certain rules under the Tax Act. If the Partnership or a Dealer LP incurs losses for tax purposes, each partner of the Partnership or the Dealer LP, as the case may be, including the Trust in case of the Partnership and the Partnership in the case of the Dealer LP, is entitled to deduct in the computation of its income for tax purposes its share of any such losses for any taxation year to the extent that its investment is "at risk" within the meaning of the Tax Act. In general, and subject to the detailed provisions of the Tax Act, the amount "at risk" for an investor in a limited partnership for any taxation year will be the adjusted cost base of the investor's partnership interest at the end of the year (such adjusted cost base to the investor computed excluding any unpaid portion of the purchase price payable by the investor for such partnership interest), plus any undistributed income allocated to the investor for the taxation year, less any amount owing by the investor (or a person with whom the investor does not deal at arm's length) to the partnership (or to a person with whom the partnership does not deal at arm's length) and less the amount of any benefit that the investor (or a person with whom the investor does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the investor from the investment.

Taxation of Unitholders

Fund Distributions

A Unitholder is generally required to include in income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units depends, in part, on the composition for tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. Returns of capital are not included in a Unitholder's income but reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of distributions by the Fund may change over time, thus affecting the after-tax return to such Unitholders.

Provided that appropriate designations are made by the Fund and the Trust, net taxable capital gains paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year is not included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year is not generally included in the Unitholder's income for the taxation year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Units), the Unitholder is required to reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit in a taxation year would otherwise be a negative amount, the negative amount will be deemed to be a capital gain in the year and the adjusted cost base of the Unit to the Unitholder will then be nil. The taxation of capital gains is described below.

Dispositions of Units

On the disposition or deemed disposition of a Unit whether on a redemption or otherwise, the Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any capital gain or income realized by the Fund in connection with a redemption which has been designated by the Fund to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder includes all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income is the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by Unitholder as capital property immediately before that acquisition.

Where Units are redeemed and the redemption price is paid by the delivery of Trust Notes to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the aggregate fair market value of the Trust Notes and any cash so distributed less any income or capital gain realized by the Fund in connection with the redemption of those Units which has been designated by the Fund to the Unitholder. Where any income or capital gain realized by the Fund in connection with the distribution of Trust Notes on the redemption of Units has been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the income or taxable portion of the capital gain so designated. The redeeming Unitholder will be required to include in income interest on any Trust Notes acquired (including interest that accrued prior to the date of the acquisition of such notes by the Unitholder that is designated as income to the Unitholder by the Fund) in accordance with the provisions of the Tax Act. The cost of any Trust Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of those Trust Notes at the time of the distribution less any accrued interest on such Trust Notes. The Unitholder will thereafter be required to include in income interest on the Trust Notes, in accordance with the provisions of the Tax Act. To the extent that the Unitholder is required to include in income any interest accrued to the date of the acquisition of the Trust Notes by the Unitholder, an offsetting deduction may be available. Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.

The consolidation of Units of the Fund will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units of the Fund will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder is generally included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units is generally deducted only from taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

Unitholders that are Canadian-controlled private corporations (as defined in the Tax Act) are liable for an additional refundable tax of 6 2/3% in respect of taxable capital gains realized on a disposition of Units or net taxable capital gains designated by the Fund to such Unitholders.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual (other than certain trusts) that is designated as capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

RISK FACTORS

The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for distribution to our Unitholders, could suffer.

Risks Related to Our Business and the Industry in Which We Operate

Risks Related to the Retail Automotive Industry

Overall Consumer Demand

Our business is heavily dependent on consumer demand and preferences. Our revenues will be materially and adversely affected if there is a severe or sustained downturn in overall levels of consumer spending. Retail vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand. These cycles are often dependent on general economic conditions and consumer confidence, as well as the level of discretionary personal income and credit availability. Future recessions may have a material and adverse effect on our retail business, particularly sales of new and used vehicles.

Substantial Competition in Vehicle Sales and Services

The retail automotive industry is highly competitive. Depending on the geographic market, we compete with:

- franchised automobile dealerships in our markets that sell the same or similar makes of new and used vehicles that we offer, in some cases at lower prices than we do;
- private market buyers and sellers of used vehicles;
- service centre chain stores;
- independent service and repair shops; and
- other providers of financing and insurance contracts.

We also compete with regional and national vehicle rental companies that sell their used rental vehicles. As we seek to acquire franchised automobile dealerships in new markets, we may face significant competition as we strive to gain market share. Some of our competitors may have greater financial, marketing and personnel resources and lower overhead and sales costs than we have. We do not have any cost advantage in purchasing new vehicles from automobile manufacturers and typically rely on advertising, merchandising, sales expertise, service reputation and dealership location in order to sell new vehicles. Our franchise agreements do not grant us the exclusive right to sell a manufacturer's product within a given geographic area. Our revenues and profitability may be materially and adversely affected if competing dealerships expand their market share or are awarded additional franchises by manufacturers that supply our dealerships.

In addition to competition for vehicle sales, our franchised automobile dealerships compete with other franchised automobile dealerships to perform warranty repairs and with other franchised automobile dealerships, franchised and independent service centre chains and independent garages for non-warranty repair and routine maintenance business. Our franchised automobile dealerships compete with other franchised automobile dealerships, service stores and automobile parts retailers in their parts operations. We believe that the principal competitive factors in service and parts sales are the quality of customer service, the use of factory-approved replacement parts, familiarity with an automobile manufacturer's brands and models, convenience, the competence of technicians, location, and price. A number of regional or national chains offer selected parts and services at prices that may be lower than our franchised automobile dealerships' prices. We also compete with a broad range of financial institutions in arranging financing for our customers' vehicle purchases. See "Overview and Development of Our Business — Competition" for more discussion of competition in our industry.

Dependence upon Vehicle Sales

The success of our franchised automobile dealerships depends in large part on the level of vehicle sales generally, and the level of demand for and sales of the brands of vehicles sold by us. New vehicle sales generate the majority of our total revenue and lead to sales of higher-margin products, including the sales of used vehicles, parts, service and collision repair operations and finance products. Although we have sought to limit our dependence on any one vehicle brand, we have focused our new vehicle sales operations on vehicles manufactured by DaimlerChrysler under the brand names "Chrysler", "Jeep" and "Dodge". If one or more of the brands that separately or collectively account for a significant percentage of our new vehicle sales suffer from decreasing consumer demand, our new vehicle sales and related revenues may be materially reduced.

Mix of New Vehicles

We depend on automobile manufacturers to provide us with a desirable mix of popular new vehicles. Automobile manufacturers generally allocate their vehicles among their franchised automobile dealerships based on the sales history of each franchised automobile dealership. If our franchised automobile dealerships experience prolonged sales slumps, automobile manufacturers may cut back their allotments of popular vehicles to our franchised automobile dealerships and new vehicle sales and profits may decline.

Interest Rates

We finance our purchases of new and, to a lesser extent, used vehicle inventory under a floor plan borrowing arrangement under which we are charged interest at floating rates. We obtain capital for acquisitions and for some working capital purposes under a similar arrangement. As a result, our debt service expenses may rise with increases in interest rates. Rising interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used vehicle sales, because many of our customers finance their vehicle purchases. As a result, rising interest rates may have the effect of simultaneously increasing our costs and reducing our revenues.

Automobile Manufacturer Incentive Programs

Our franchised automobile dealerships depend on automobile manufacturers for certain sales incentives, warranties and other programs that are intended to promote and support new vehicle sales. Some key incentive programs include customer rebates on new vehicles, franchised automobile dealership incentives on new vehicles, special financing or leasing terms, warranties on new and used vehicles and sponsorship of used vehicle sales by authorized new vehicle franchised automobile dealerships.

A reduction or discontinuation of key automobile manufacturers' incentive programs may reduce our new vehicle sales volume resulting in decreased vehicle sales and related revenues.

Seasonality

The retail automotive industry is subject to seasonal variations in revenues. Demand for vehicles is generally lower during the first and fourth quarters of each year. Accordingly, we expect our revenues and operating results generally to be lower in our first and fourth quarters than in our second and third quarters. Therefore, if conditions surface during the second or third quarters that adversely affect vehicle sales, such as depressed economic conditions or similar adverse conditions, our revenues for the year will be disproportionately adversely affected.

Import Product Restrictions and Foreign Trade Risks

A significant portion of our new vehicle business involves the sale of vehicles, parts or vehicles containing parts that are manufactured outside Canada. As a result, our operations are subject to customary risks of importing merchandise, including fluctuations in the relative values of currencies, import duties, exchange controls, trade restrictions, work stoppages and general political and socio-economic conditions in foreign countries. Canada, or the countries from which our products are imported may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adjust presently prevailing quotas, duties or tariffs, which may affect our operations and our ability to purchase imported vehicles and/or parts at reasonable prices.

Risks Related to Our Business

The Loss of Key Personnel and Limited Management and Personnel Resources

Our success depends to a significant degree upon the continued contributions of our management team, particularly our senior management and service and sales personnel. Additionally, automobile manufacturer franchise agreements may require the prior approval of the applicable automobile manufacturer before any change is made in franchised automobile dealership general managers. Consequently, the loss of the services of one or more of these key employees may materially impair the efficiency and productivity of our operations.

In addition, we may need to hire additional managers as we expand. The market for qualified employees in the industry and in the regions in which we operate, particularly for general managers and sales and service personnel, is highly competitive and may subject us to increased labour costs during periods of low unemployment. The loss of the services of key employees or the inability to attract additional qualified managers may adversely affect the ability of our franchised automobile dealerships to conduct their operations in accordance with the standards set by our head office management.

Unfavourable Conditions in Key Geographic Markets

Our performance is also subject to local economic, competitive and other conditions prevailing in the particular geographic areas of our franchised automobile dealerships. Seven of our dealerships, and our managed dealership, are located in Alberta (Edmonton, Grande Prairie, Sherwood Park and Ponoka), and five of our dealerships are located in British Columbia (two in Prince George and one in each of Victoria, Kelowna and Maple Ridge). Our other dealerships are located in Thompson, Manitoba, Woodbridge, Ontario, Moncton, New Brunswick and Dartmouth, Nova Scotia. Because twelve of our 16 dealerships, plus the managed dealership, are located in Alberta and British Columbia, our performance may, in particular, be subject to local economic, competitive and other conditions prevailing in one or both of those provinces.

Governmental Regulations and Environmental Regulation Compliance Costs

We are subject to a wide range of federal, provincial and municipal laws and regulations, such as local licensing requirements, consumer protection laws and environmental requirements governing, among other things, discharges into the air and water, above ground and underground storage of petroleum substances and chemicals, handling and disposal of wastes and remediation of contamination arising from spills and releases. We are also subject to the rules imposed by self regulation authorities in various jurisdictions. If we or our properties violate these laws and regulations, we may be subject to civil and criminal penalties, or a cease and desist order may be issued against our operations that are not or are alleged not to be in compliance. Our future acquisitions may also be subject to governmental regulation, including antitrust reviews. We believe that all of our franchised automobile dealerships comply in all material respects with all applicable laws and regulations relating to our business, but future laws and regulations may be more stringent and require us to incur significant additional costs. See "Overview and Development of Our Business — Governmental Regulations" and "Overview and Development of Our Business — Environmental Matters".

Insurance Coverage

We maintain insurance coverage in respect of our potential liabilities, including theft and the accidental loss of value of our assets from risks, in amounts, with such insurers, and on such terms as we consider appropriate, taking into account all relevant factors. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods, that may be uninsurable or not economically insurable. We will use our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on our assets and the business at a reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of our lost investment. Certain factors also might make it unattractive to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds we would receive might not be adequate to recover our economic position with respect to such property. There are no assurances that our insurance coverage will continue to be available to us on reasonable terms, including reasonable premium, deductible and co-insurance requirements, or that our insurer will not disclaim coverage of any future claim. Our business, financial condition, liquidity and results of operations could be materially and adversely affected if any of the foregoing developments were to occur.

Risks Related to Our Acquisition Strategy

Automobile Manufacturers' Restrictions on Acquisitions

We are required to obtain the consent of the applicable automobile manufacturer before we can acquire any additional franchised automobile dealerships. We cannot provide assurance that the automobile manufacturers will consent to future acquisitions, or consent in a timely manner, particularly in the case of manufacturers with whomever do not have a prior relationship, which may prevent us from being able to take advantage of a market opportunity. Obtaining automobile manufacturer consent for acquisitions may also take a significant amount of time, which may negatively affect our ability to acquire an attractive target. In addition, under an applicable franchise agreement, an automobile manufacturer may have a right of first refusal to acquire a franchised automobile dealership that we seek to acquire. Many automobile manufacturers place limits on the total number of franchises, or the market share of its vehicles, that any group of affiliated franchised automobile dealerships may obtain. The automobile manufacturers have also placed generic limits on the number of franchises or share of total franchises or vehicle sales maintained by an affiliated franchised automobile dealership group on a national, regional or local basis. Automobile manufacturers may also tailor these types of restrictions to particular franchised automobile dealership groups. We may have difficulty in obtaining additional franchises from automobile manufacturers once we reach their franchise limits.

As a condition to granting their consent to our acquisitions, a number of automobile manufacturers may impose additional restrictions on us. Automobile manufacturers' restrictions typically prohibit changes of control or extraordinary corporate transactions such as mergers, sales of a substantial amount of assets or the removal of a dealer principal without the

consent of the automobile manufacturer and the use of franchised automobile dealership facilities to sell or service new vehicles of other automobile manufacturers. Automobile manufacturers may direct us to apply our resources to capital projects that we may not otherwise have chosen to participate in. Automobile manufacturers may direct us to implement costly capital improvements to franchised automobile dealerships as a condition for maintaining our franchise agreements with them. Automobile manufacturers also typically require that their franchises meet specific standards of appearance. These factors, either alone or in combination, could cause us to divert our financial resources to capital projects from uses that management believes may be of higher long-term value to us.

Integration of Acquisitions

Our future growth depends in large part on our ability to acquire additional franchised automobile dealerships, manage expansion, control costs in our operations and integrate acquired franchised automobile dealerships. In pursuing our strategy of acquiring other franchised automobile dealerships, we face risks commonly encountered with growth through acquisition strategies. These risks include, but are not limited to, incurring significantly higher capital expenditures and operating expenses, failing to integrate the operations and personnel of the acquired franchised automobile dealerships, entering new markets with which we are unfamiliar, incurring undiscovered liabilities at acquired franchised automobile dealerships, disrupting our ongoing business, diverting our management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees, automobile manufacturers and customers as a result of changes in management, causing increased expenses for accounting and computer systems, failing to obtain automobile manufacturers' consents to acquisitions of additional franchises, and incorrectly valuing acquired entities.

We may not adequately anticipate all the demands that our growth will impose on our personnel, procedures and structures, including our financial and reporting control systems, data processing systems and management structure. Moreover, our failure to retain qualified management personnel at any acquired franchised automobile dealership may increase the risk associated with integrating the acquired franchised automobile dealership. If we cannot adequately anticipate and respond to these demands, we may fail to realize acquisition synergies and our resources will be focused on incorporating new operations into our structure rather than on areas that may be more profitable. In addition, although we conduct what we believe to be a prudent level of investigation regarding the operating condition of the businesses we purchase, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operating condition of these businesses. Until we actually assume operating control of such business assets, we may not be able to ascertain the actual value of the acquired entity.

Financing Constraints

Our substantial indebtedness represented by the floor plan financing that we use to finance our new vehicle inventories could limit the future availability of debt financing to fund acquisitions. We have obtained a commitment from Chrysler Financial as part of our Credit Facility for acquisition purposes. See "Financing — Credit Facilities". However, this line of credit, or a line of credit for acquisition purposes, may not be available to us on favourable terms from other lenders. We intend to finance some of our acquisitions in part by issuing additional Partnership Units (which will be exchangeable for Units) as full or partial consideration for acquired franchised automobile dealerships. The extent to which we will be able or willing to provide Partnership Units that are exchangeable for Units for acquisitions will depend on the market value of our Units from time to time and the willingness of potential acquisition candidates to accept Units or securities exchangeable for Units as part of the consideration for the sale of their businesses. Moreover, automobile manufacturer consent is required before we can acquire additional franchised automobile dealerships and, in some cases, to issue additional equity. See "Risk Factors — Risks Related to Our Business and the Industry in Which We Operate — Risks Related to Our Acquisition Strategy — Automobile Manufacturers' Restrictions on Acquisitions" and "Risk Factors — Risks Related to Our Business and the Industry in Which We Operate — Risks Related to Our Dependence or Automobile Manufacturers — Restrictions on Ownership Threshold and the Sale of Our Business". We may be required to use available cash or other sources of debt or equity financing. We cannot assure you that we will be able to obtain additional financing by issuing additional Units or Partnership Units that are exchangeable for Units or debt securities, and using cash to complete acquisitions may substantially limit our operating or financial flexibility. If we are unable to obtain financing on acceptable terms, we may be required to reduce the scope of our presently anticipated expansion, which may materially and adversely affect our growth strategy.

Competition with Other Franchised Automobile Dealerships

We believe that the Canadian retail automotive market is fragmented and offers many potential acquisition candidates that meet our acquisition target criteria. However, we compete with several other franchised automobile dealerships in each of our markets, some of which may have greater financial and other resources. In addition, we compete with other franchised automobile dealerships and private investors in the acquisition of franchised automobile dealerships, and this competition for attractive acquisition targets may result in fewer acquisition opportunities and increased acquisition costs. We will have to forego acquisition opportunities to the extent that we cannot negotiate acquisitions on acceptable terms.

Risks Related to Our Dependence on Automobile Manufacturers

Our Automobile Dealership Franchise Agreements

Each of our franchised automobile dealerships operates under the terms of a dealership franchise or sales and service agreement with the automobile manufacturer of each vehicle brand it carries. Our franchised automobile dealerships may obtain new vehicles from automobile manufacturers, sell new vehicles and display automobile manufacturers' trademarks only to the extent permitted under these agreements. As a result of our dependence on our rights under these agreements, automobile manufacturers exercise a great deal of control over our day-to-day operations and the terms of our dealership franchise or sales and service agreements implicate key aspects of our operations, acquisition strategy and capital spending. Each of our dealership franchise or sales and service agreements provides the automobile manufacturer with the right to terminate the agreement under specified circumstances and, in certain agreements, to elect not to renew the agreement on an annual basis. Our dealership franchise or sales and service agreements include provisions that permit the automobile manufacturer to terminate the agreement or direct us to divest the subject franchised automobile dealerships if the franchised automobile dealership undergoes a change of control or if the dealer principal named in the agreement changes without the approval of the automobile manufacturer. However, in our experience, and historically in the franchised automobile dealership industry, in the case of well managed and well capitalized dealerships, the dealership franchise or sales and service agreements are rarely terminated involuntarily or not renewed by the manufacturer.

In the event that a breach of the provisions in our dealership or sales and service agreements occurred, we may be required to sell our franchised automobile dealerships operating under agreements with the automobile manufacturers to purchasers approved by the automobile manufacturers, or the agreement may be terminated by the manufacturer. Our dealership franchise or sales and service agreements also provide the automobile manufacturer with the right to purchase from us any franchise we seek to sell. Provisions such as these may provide automobile manufacturers with superior bargaining positions in the event that they seek to terminate our franchise agreements or renegotiate the agreements on terms that are disadvantageous to us. Our results of operations may be materially and adversely affected to the extent that our franchise rights become compromised or our operations restricted due to the terms of our franchise agreements or if we lose substantial franchises. See "Overview and Development of Our Business — Automobile Dealership Franchise Agreements".

Restrictions on Ownership Thresholds and the Sale of Our Business

We have also entered into a supplemental agreement with DaimlerChrysler which prohibits a change of control of the Fund, the Partnership or AutoCanada GP, the acquisition of more than 10% of our Units by an automobile manufacturer, or the sale by us of all or substantially all of the assets of the Partnership or the shares of any of the general partners of our Dealer LPs, except to an affiliate of us. In addition, CAG and our Chief Executive Officer, Patrick Priestner, have agreed with DaimlerChrysler that, until May 11, 2011, without the prior written consent of DaimlerChrysler, CAG will not transfer or give control over any Units, Special Voting Units or Exchangeable Securities that results in CAG holding less than a 20% equity or voting interest in the Fund, on a fully-diluted basis, and CAG will not permit a change of control of CAG. See "Overview and Development of Our Business — Automobile Dealership Franchise Agreements". We expect the other automobile manufacturers with whom we deal with may require similar agreements. Acquisition of Units by our Unitholders in violation of these ownership restrictions or actions by CAG or Mr. Priestner under this agreement with DaimlerChrysler are generally outside of our control and may result in the termination of one or more franchises, which may have a material and adverse effect on us. We have also agreed with DaimlerChrysler, and may be required to agree with the other automobile manufacturers, not to permit a change of control of the Partnership of AutoCanada GP or sell all or substantially all of our assets, without the prior written consent of DaimlerChrysler or such other automobile manufacturers. Our agreement with Hyundai requires us to obtain its approval of the individuals appointed as directors of the general partners of the Dealer LPs operating under dealership agreements with it. These restrictions may affect the marketability of our business as a going concern, or our ability to introduce other investors into parts of our business. Moreover, if we are unable to obtain the requisite approval to a change of control or sale of our business in a timely manner we may not be able to take advantage of a market opportunity. These restrictions may also prevent or deter prospective acquirers from acquiring control of us and, therefore, may materially and adversely impact the value of our Units.

While there are agreements in place with DaimlerChrysler and Hyundai relating to our ownership and related restrictions, there can be no assurance that we will be able to secure these agreements with Subaru on terms that are commercially acceptable to us and, if we are unable to do so, we could be required to close or sell our Subaru North dealership in Grande Prairie, Alberta, from which we sold 63 vehicles in 2006, and we may be unable to proceed with this Open Point. We could, however, continue to use the Subaru North location in our business for used car sales and parts, service and collision repair work for our two other franchised automobile dealerships located in Grande Prairie which are owned by us. See "Overview and Development of Our Business — Automobile Dealership Franchise Agreements".

Maintenance of Minimum Working Capital

The dealership franchise or sales and service agreements requires us to maintain a specified minimum amount of working capital at each of our franchised automobile dealerships, and prohibit any distribution by a franchised automobile dealership if these minimum working capital requirements are not maintained. Compliance with these minimum working capital requirements may affect the amount of cash available to us to pay distributions on our Units.

Adverse Conditions Affecting One or More Automobile Manufacturers

The success of each of our franchised automobile dealerships depends to a great extent on automobile manufacturers' financial condition, marketing efforts, vehicle design, production capabilities, reputation, management and labour relations. Adverse conditions affecting these and other important aspects of automobile manufacturers' operations and public relations may adversely affect our ability to market their vehicles to the public and, as a result, significantly and detrimentally affect our profitability. Similarly, the late delivery of vehicles from automobile manufacturers, which sometimes occurs during periods of new product introductions, can lead to reduced sales during those periods. We have no control over labour disturbances at any of the automobile manufacturers with which we deal, and a labour disturbance at one of our automobile manufacturers may restrict our supply of new vehicles, and therefore have an adverse affect upon our results of operations.

Vehicles manufactured by DaimlerChrysler represented approximately 91% of our total new vehicle sales and 92% of our new sales revenues in 2006. Accordingly, we are particularly susceptible to the overall sales and acceptance of vehicles manufactured by DaimlerChrysler.

Risks Related to Our Structure

Dependence upon the Partnership to Fund Cash Distributions

The Fund is an unincorporated, open-ended trust that is ultimately entirely dependent on the operations and assets of the Partnership. Cash distributions to Unitholders are ultimately dependent on, among other things, the ability of the Partnership to make cash distributions. The Fund's ability to make cash distributions or other payments or advances is subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of the Partnership, including restrictive covenants in the Credit Facility. In addition, our agreements with the automobile manufacturers represented by us require us to maintain, at each Dealer LP, an amount of working capital stipulated in our agreements with the automobile manufacturers. Maintaining these amounts of working capital may adversely affect the amounts that might otherwise be available for distribution to Unitholders.

Cash Distributions are Not Guaranteed and Will Fluctuate with Business Performance

Although the Fund intends to distribute the cash distributions indirectly received by the Fund upon the LP Units, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the business of the Partnership or ultimately distributed to the Fund. The Fund's ability to make cash distributions, and the actual amount distributed, is ultimately entirely dependent on the operations and assets of the Partnership, and is subject to various factors including its financial performance, its rights and obligations under the Credit Facility, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements.

Distributions are Discretionary

The Fund is not obligated to pay distributions on the Units. The payment of distributions is at the sole discretion of the Trustees and, indirectly, the Trust Trustees and the board of directors of AutoCanada GP, and they may decide to eliminate or reduce any distributions paid on the Units, or retain cash otherwise available for distribution for investment in our business. Any reduction or elimination of distributions could cause the market price of the Units to decline and could further cause the Units to become less liquid, which may result in losses to Unitholders.

Nature of the Units

Securities like the Units include certain attributes of equity securities and of debt instruments. The Units do not represent a direct investment in the business of the Partnership and should not be viewed by you as direct securities of the Partnership. The Units represent a fractional interest in the Fund. The Fund's primary assets are Trust Units. The price per Unit is a function of anticipated distributable income, interest rates and other factors.

Limited Liability

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of the Fund. In addition, under the *Income Trusts Liability Act*, a new Alberta statute, Unitholders are not liable, as beneficiaries of a Fund, for any act, default, obligation or liability of the Fund or the Trustees. This statute has not yet been judicially considered and it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. In addition, Unitholders who are resident in jurisdictions which have not enacted legislation similar to the Alberta legislation may not be entitled to the protection of the Alberta legislation.

Unpredictability and Volatility of Unit Prices

The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, monthly distributions, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of the Units regardless of our operating performance. There can be no assurance that the price of the Units will remain at current levels. The annual yield on the Units as compared to the annual yield on other financial instruments may also influence the price of Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

Attributes of Securities Distributed on Redemption of Units or Termination of the Fund

Upon termination of the Fund, the Trustees may distribute the Trust Units directly to the Unitholders, subject to obtaining all required regulatory approvals. Upon redemption of Units, the Trustees may distribute Trust Notes directly to Unitholders, subject to obtaining all required regulatory approvals and complying with the terms of such approvals. There is currently no market for the Trust Units and Trust Notes. In addition, Trust Units and Trust Notes are not freely tradable or listed on any stock exchange and no established market is expected to develop for the Trust Units or Trust Notes. See "AutoCanada Income Fund — Term of the Fund" and "— Redemption at the Option of Unitholders". Securities so distributed may not be qualified investments for Funds governed by Plans, depending on the circumstances at the time.

Dilution

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders have no pre-emptive rights in connection with such further issues. Additional Units will be issued by the Fund in connection with the indirect exchange of the Exchangeable Units. In addition, the Partnership is permitted to issue additional Partnership Units for any consideration and on any terms and conditions.

Requirements as a Public Issuer

As a public issuer with listed equity securities, we need to comply with certain laws, regulations and requirements, certain additional provisions relating to corporate governance and certification of our financial statements and disclosure controls and related regulations and requirements of the TSX that we did not need to comply with as a private company. Complying with new statutes, regulations and requirements occupies a significant amount of the time of our board of directors, management and our officers, increases our costs and expenses, and may divert management's attention from other business concerns. We are in the process of:

- instituting a more comprehensive compliance function;
- establishing new internal policies, such as those relating to disclosure controls and procedures and insider trading;
- creating systems to enable us to report to our investors on a timely basis in accordance with applicable laws and regulations and effective investor relations practices;
- involving and retaining to a greater degree outside counsel and accountants in the above activities; and
- implementing an investor relations function.

Leverage and Restrictive Covenants

The ability of the Partnership to make advances and distributions to the Trust and ultimately to the Fund to enable the Fund to make distributions to Unitholders is subject to applicable laws and contractual restrictions contained in the Credit Agreement. The degree to which the Partnership is leveraged could have important consequences to the Unitholders including:

- the Partnership's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a significant portion of the Partnership's cash flow from operations could become dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations;
- certain borrowings are at variable rates of interest, which exposes the Partnership to the risk of increased interest rates; and
- the Partnership may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures.

These factors may increase the sensitivity of our cash available for distribution to interest rate variations and could have a negative impact on our ability to make distributions to our Unitholders.

The Credit Agreement contains numerous restrictive covenants that limit the discretion of the Partnership's management with respect to certain business matters. These covenants place significant restrictions on, among other things:

- the incurrence of additional debt and guarantees of any debt, except purchase money debt to a maximum aggregate amount;
- capital expenditures in excess of a permitted maximum amount;
- the creation of liens;
- the payment of distributions;
- the ability to make investments and finance acquisitions;
- the ability to carry on any business other than a franchised automobile dealership, and related activities;
- the sale of any of our assets except in the normal course of the operation of our business; and
- the merger or consolidation with another entity.

These restrictions could limit our financial flexibility, prohibit or limit strategic initiatives and limit our ability to grow and respond to competitive changes. We may also be prevented from taking advantage of business opportunities that arise because of the restrictions contained in the Credit Agreement. In addition, the Credit Agreement contains a number of financial covenants that require the Partnership to meet certain financial ratios and financial conditions the effect of which could require the Partnership to take certain action to reduce our debt or take some other action should the Partnership not satisfy these financial ratios or tests. These restrictions, and the factors referred to above, may also inhibit us from refinancing the Credit Facility at all or on terms that are favourable to us, and could have a negative impact on our ability to make distributions to our Unitholders.

The occurrence of a change of control, as defined in the Credit Agreement, is an event of default, entitling Chrysler Financial to require immediate repayment of our Credit Facility.

A failure by the Partnership to comply with the obligations in the Credit Agreement could result in a default which, if not cured or waived, could result in a termination of distributions by the Partnership and permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Agreement were to be accelerated, there can be no assurance that the assets of the Partnership would be sufficient to repay in full that indebtedness. There can be no assurance that future borrowings or equity

financing will be available to the Partnership, or available on acceptable terms, in an amount sufficient to repay this indebtedness or to meet the Partnership's needs. See "Financing — Credit Facilities".

Substantial Interest of CAG

CAG owns 45.9% of our outstanding Units on a fully-diluted basis and, in addition, has the right to designate two of the five directors of AutoCanada GP. As a result, CAG has a substantial influence over our affairs and business.

This concentration of ownership, as well as various provisions contained in our agreements with automobile manufacturers, could have the effect of discouraging, delaying or preventing a change in control of us or unsolicited acquisition proposals that a Unitholder might consider favourable. These provisions include ownership requirements and limits and approval rights with respect to the composition of the board of directors of the general partners of certain of the Dealer LPs. See "— Risks Related to Our Dependence on Automobile Manufacturers — Restrictions on Ownership Thresholds and the Sale of Our Business". Thus, the concentration of ownership and such provisions may materially and adversely impact the value of our Units.

Expanded Business Structure

The expansion of our business structure in relation to Grande Prairie Nissan and Sherwood Park Toyota gives rise to additional risks inherent in this structure. These additional risks include: (i) the contractual nature of the relationships requiring monitoring by us of compliance with the contractual terms and limiting the amounts that might be earned by us from these dealerships to the amounts payable under these contractual relationships: (ii) the dependency upon CAG and its principal shareholder, Patrick Priestner, as the owner and principal operator of these dealerships; (iii) possible conflicts of interest that may arise between our objectives and the objectives of CAG and Patrick Priestner including the fact that these dealerships compete directly with our dealerships; and (vi) our inability to direct the management and strategic objectives of these dealerships.

Future Sales of Units by CAG

Upon the closing of the Offering, CAG held all of the Exchangeable Units, representing in aggregate approximately 45.9% of the outstanding Units on a fully-diluted basis. These Exchangeable Units can be exchanged for Units at any time. CAG has also been granted certain registration rights by the Fund. See "Retained Interest and Exchange Rights — Exchange Rights". If CAG sells substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce the same effect.

Income Tax Matters

Proposed Changes to the Canadian Federal Income Tax Treatment of Publicly Listed Trusts and other Income Tax Matters

On October 31, 2006, the Minister of Finance (Canada) announced a "Tax Fairness Plan" which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. On December 15, 2006, the Minister of Finance released guidelines on certain elements of the Tax Fairness Plan. On December 21, 2006, the Minister of Finance released draft amendments to the Tax Act to implement some of those changes. These proposed tax changes (collectively, the "2006 Proposed Tax Changes") generally operate to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to Unitholders. No assurance can be given that the final legislation implementing the 2006 Proposed Tax Changes will be consistent with the Minister of Finance's announcements or that Canadian federal income tax law respecting income trusts and other flow-through entities will not be further changed in a manner which adversely affects the Fund and its Unitholders. Such adverse tax consequences may impact the future level of cash distributions made by the Fund and, among other things, there can be no assurance that the Fund will be able to maintain its current level of distributions and the current portion of distributions that it treated as non-taxable return of capital.

Generally, the application of these rules will be delayed to the 2011 taxation year with respect to income trusts, the units of which were publicly listed prior to November 1, 2006, like the Fund. **The 2006 Proposed Tax Changes may have an adverse impact on the Fund, its Unitholders and the value of the Units and on the ability of the Fund to undertake financings and acquisitions.** The effect of the 2006 Proposed Tax Changes on the market for Units is uncertain.

There can be no assurance that the provisions of the Tax Act with respect to the eligibility of the Units for Plans will not change, or that the Units will continue to be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Taxation of the Fund, the Partnership and the Dealer LPs

Expenses incurred by the Fund, the Trust, the Partnership and the Dealer LPs are deductible only to the extent that they are reasonable. There can be no assurance that the taxation authorities will not seek to challenge the reasonableness of certain expenses. If a challenge were to succeed, it could materially and adversely affect the amount and composition of distributions to Unitholders. Management believes that the expenses inherent in the structure of the Fund, the Trust, the Partnership and the Dealer LPs are supportable and reasonable in the circumstances. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's taxable income. Where in a particular year the Fund has insufficient available cash to distribute the full amount of the taxable income of the Fund to Unitholders, the Declaration of Trust provides that additional Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the amount of such taxable income in their taxable income, even though they do not directly receive a cash distribution.

Nature of Distributions

Unlike interest payments on an interest-bearing security, distributions by income trusts on trust units (including those of the Fund) are, for Canadian tax purposes, composed of different types of payments (portions of which may be fully or partially taxable "return on capital" and portions of which may constitute non-taxable "returns of capital"). The composition for tax purposes of those cash distributions may change over time, thus affecting the after-tax return to Unitholders. Therefore, a Unitholder's rate of return over a defined period may not be comparable to the rate of return on a fixed-income security that provides a return on capital over the same period. This is because a Unitholder may receive distributions that constitute a return of capital (rather that a return on capital) to some extent during the relevant period. Returns on capital are generally taxed as ordinary income or taxable capital gains in the hands of a Unitholder while returns of capital are generally non-taxable to a Unitholder (but reduce the Unitholder's adjusted cost base in the Unit for tax purposes). Unitholders are advised to consult their own tax advisors with respect to the implications of the distinction discussed above in their own circumstances.

Trust Notes received as a result of the redemption of Units may not be qualified investments for trusts governed by Plans and their acquisition may give rise to adverse consequences to a Plan and/or an annuitant under the Plan.

Limitations on Future Growth and Cash Flow

The payout by AutoCanada of substantially all of AutoCanada's operating cash flow makes additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit AutoCanada's future growth and cash flow.

Restrictions on the Ownership of Units by Non-Residents of Canada

The Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning more than 49% of the Units (on a non-diluted and a fully-diluted basis). If the Trustees become aware that non-resident Unitholders beneficially own more than 45% of the Units (on a non-diluted or fully-diluted basis), the Fund may impose restrictions that may limit (or inhibit the exercise of) the rights of certain non-residents of Canada, including U.S. persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and adversely affect the liquidity and market value of the Units held by the public.

Indemnities Provided by CAG and the Principal Shareholders

In connection with acquisition of the Partnership's assets and undertaking from CAG, we obtained certain representations and warranties from CAG and the Principal Shareholders respecting such business and assets. If such representations and warranties were incorrect in any material respect, we would be required to make a claim under the indemnities received from CAG and the Principal Shareholders. There is no assurance that we would be successful in pursuing any such claim. The discovery of any material liabilities for which indemnities were not obtained from CAG and the Principal Shareholders could have an adverse effect on the Fund's results of operation, financial condition or future prospects.

Pursuant to the Investment and Acquisition Agreement, CAG and the Principal Shareholders agreed to indemnify the Partnership in respect of the inaccuracy of representations and warranties of CAG and the Principal Shareholders contained in that agreement, subject to the limitations contained in the agreement. There is no restriction on the use of the cash proceeds received directly or indirectly by CAG or the Principal Shareholders pursuant to the Investment and Acquisition Agreement or on the ability of CAG or the Principal Shareholders to dispose of their assets (other than Units for which the Exchangeable Units may be exchanged) which may limit the recourse available to the Partnership against CAG and the Principal Shareholders. As such, there can be no assurance that the Partnership will be able to obtain any amount of any claim for indemnification made by it against CAG or the Principal Shareholders. CAG also agreed to indemnify the Fund with respect to the existing environmental condition of each of the locations to be leased or acquired by us from it and obliges CAG to pay for the costs of remediation that

we are required to undertake at these locations (and locations to which contamination has migrated from these locations) by reason of governmental requirements or third party claims. There can be no assurance as to the sufficiency of the assets of CAG or the Principal Shareholders to satisfy any judgements obtained against them in connection with a claim for indemnification under the Investment and Acquisition Agreement.

Unitholders are not afforded Certain Statutory Rights

Purchasers of Units are cautioned that the Fund is not regulated by established corporate law and Unitholders' rights are governed by the specific provisions of the Declaration of Trust, which addresses such items as the nature of the Units, the entitlement of Unitholders to cash distributions, restrictions respecting non-resident holdings, meetings of Unitholders, delegation of authority, administration, Fund governance and liabilities and duties of the Trustees to Unitholders. Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights of dissent. See "AutoCanada Income Fund — Rights of Unitholders". As well, under certain existing legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors Arrangement Act* (Canada), the Fund is not a legally recognized entity within the definitions of these statutes. In the event of insolvency or restructuring of the Fund, the rights of Unitholders will be different from those of shareholders of an insolvent or restructuring corporation.

DISTRIBUTIONS

Distribution Policy

We distribute a substantial portion of our available cash to our Unitholders. The actual amount that we will distribute to our Unitholders is determined at the discretion of our Trustees and the directors of AutoCanada GP, taking into account the relevant circumstances prevailing at the time of a distribution. In making this determination, our agreements with the automobile manufacturers represented by us require us to maintain, at each Dealer LP, an amount of working capital stipulated in our agreements with the automobile manufacturers. Maintaining these amounts of working capital may adversely affect the amounts that might otherwise be available for distribution to Unitholders.

Based in part on our estimate of our cash available for distribution for the fiscal year ended December 31, 2006, we intend to pay monthly distributions of $0.0833 per Unit ($1.00 per Unit per annum). Distributions are paid on or about the 15th day following the end of each month to Unitholders of record on the last business day of that month. See "AutoCanada Income Fund — Distributions".

Historical Distributions

We have paid the following cash distributions to our Unitholders since the completion of our Offering on May 11, 2006:

(in thousands of dollars)		Fund Units		Exchangeable Units		Total		
Record Date	Payment Date	Declared $	Paid $	Declared $	Paid $	Declared $	Paid $	Distribution Per Unit
May 31, 2006	June 15, 2006	618	618	525	525	1,143	1,143	0.0564
June 30, 2006	July 15, 2006	912	912	775	775	1,687	1,687	0.0833
July 31, 2006	August 15, 2006	912	912	775	775	1,687	1,687	0.0833
August 31, 2006	September 15, 2006	912	912	775	775	1,687	1,687	0.0833
September 30, 2006	October 16, 2006	912	912	775	775	1,687	1,687	0.0833
October 31, 2006	November 15, 2006	912	912	775	775	1,687	1,687	0.0833
November 30, 2006	December 15, 2006	912	912	775	775	1,687	1,687	0.0833
December 31, 2006	January 15, 2007	912	912	775	775	1,687	1,687	0.0833
January 31, 2007	February 15, 2007	912	912	775	775	1,687	1,687	0.0833
February 28, 2007	March 15, 2007	912	912	775	775	1,687	1,687	0.0833
		8,826	8,826	7,500	7,500	16,326	16,326	0.8061

MARKET FOR SECURITIES

Trading Price and Volume

The Units are listed and posted for trading on the Toronto Stock Exchange under the symbol "ACQ.UN". The following table sets forth certain trading information for the Units on the Toronto Stock Exchange for the most recently completed financial year:

	Month	High	Low	Close	Volume
2006	May	11.06	10.00	11.00	4,988,390
	June	10.98	10.00	10.95	642,074
	July	12.60	10.85	12.00	801,177
	August	13.75	11.55	12.15	435,349
	September	12.85	12.00	12.05	259,548
	October	12.49	11.95	12.20	349,695
	November	10.99	8.01	8.50	1,404,306
	December	9.88	8.50	9.88	622,930

Prior Sales

During the most recently completed financial year, the Fund issued (i) one Unit at a price of $10.00 to settle the Fund, and (ii) 10,209,500 Units at a price of $10.00 per Unit pursuant to the Offering. During the most recently completed financial year, The Partnership issued 10,209,500 LP Units to the Trust and 10,047,500, Exchangeable Units to CAG for $202,570,000. Upon exercise of the Over-Allotment Option, the Partnership redeemed 740,000 Exchangeable Units held by CAG and issued an additional 740,000 LP Units to the Trust at $10.00 per LP Unit. See "Overview and Development of Our Business-Overview". The outstanding 9,307,500 Exchangeable Units held by CAG are exchangeable for an aggregate of 9,307,500 Units. See "Retained Interest and Exchange Rights". In connection with the issuance of such Exchangeable Units the Fund issued 9,307,500 Special Voting Units for no additional consideration. See "AutoCanada Income Fund - Units and Special Voting Units.

TRUSTEES, DIRECTORS AND OFFICERS

The following table sets out, for each of the trustees of the Fund and the Trust and directors and executive officers of AutoCanada GP/and or the Partnership (collectively, the "Management Group"), the person's name, province or state, and country of residence, positions with the Fund, the Trust, AutoCanada GP or the Partnership, principal occupation, number of Voting Units beneficially owned, directly or indirectly, or over which control or direction is exercised and number of securities under options granted to the individual.

Name and Province or State, and Country of Residence	Position	Principal Occupation	No. of Voting Units[6]	Securities Under Options[6]
GORDON R. BAREFOOT[1][2][3][4] ... British Columbia, Canada	Trustee, Director	President, Cabgor Mangement Inc.	4,000 Units	9,585 Options
R.E.T. (RUSTY) GOEPEL[1][2][3][4] ... British Columbia, Canada	Trustee, Director	Senior Vice President, Raymond James Ltd.	10,000 Units	9,585 Options
ROBIN (ROB) SALMON[1][3] ..... Alberta, Canada	Trustee	Chief Financial Officer, Almac Machine Works Ltd.	26,000 Units	9,585 Options
JAMES (JIM) PETERS [2][4] ..... British Columbia, Canada	Director	Retired	–	9,585 Options
PATRICK J. (PAT) PRIESTNER[5] ..... Alberta, Canada	Director and Chief Executive Officer		9,307,500 Special Voting Units[7]	–
ROBERT A. (BOB) CLARK[5] ..... Alberta, Canada	Director and President		–	165,897 Options
TOM ORYSIUK ..... Alberta, Canada	Executive Vice President and Chief Financial Officer		10,000 Units[8]	32,068 Options
S.R.E. (STEVE) ROSE ..... Alberta, Canada	Vice-President, Corporate Development, General Counsel and Secretary		–	–
DANIEL M. (DAN) WINCENTAYLO ..... Alberta, Canada	Vice President, Fixed Operations		–	28,852 Options
FLORENDO (JOE) MEDINA ..... Alberta, Canada	Vice President, Finance and Insurance		4,300 Units	50,491 Options

(1) Member of the audit committee and nominating and governance committee of the Fund.
(2) Member of the compensation committee of the Partnership.
(3) Trustee since March 20, 2006.
(4) Director since March 7, 2006.
(5) Director since May 11, 2006.
(6) This information has been based upon information furnished by the individual and upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca and is as of March 22, 2007.
(7) Patrick J. (Pat) Priestner holds 74% of the outstanding voting securities of CAG, and therefore controls and directs the 9,307,500 Special Voting Units owned by CAG.
(8) The Units are registered in the name of Mr.Orysiuk's wife, Heidi Orysiuk.

Our Trustees are also Trust Trustees. The term of office for each of the Trustees will expire at the time of the next annual meeting of the Fund. The Trustees will elect the directors of AutoCanada GP, subject to the voting agreement described below. The terms of office of the directors of AutoCanada GP also expire at the time of the next annual meeting of the Fund.

Each of the individuals named above has been employed by us or by the entity indicated above for the past five years, except:

- prior to June, 2004 and since 1987, Mr. Clark was employed by DaimlerChrysler where he advanced to the position of Vice President — Sales and Service.

- prior to November, 2005 and since June, 2004, Mr. Orysiuk was the Chief Financial Officer for Liquor Stores Income Fund; prior thereto and since 2002 he was the Chief Financial Officer of Alberta Oats Milling Ltd. and a principal with Dito Capital Ltd.; prior thereto and since 1997 he was a Tax Estate Planning Consultant with Manulife Financial.

- prior to January, 2007 and since October 1992, Mr. Rose was employed by DaimlerChrysler where he advanced to the position of Vice President, General Counsel and Secretary.

As of March 22, 2007, the Management Group, as a group, collectively beneficially owned, directly or indirectly, or exercised control or direction over, 54,300 Units (0.5% of the outstanding Units on a non-diluted basis) and 9,307,500 Exchangeable Units (100% of the outstanding Exchangeable Units on a non-diluted basis), representing approximately 46.2% of the then issued and outstanding Voting Units.

A voting agreement entered into between the Fund and CAG provides that so long as CAG and its related parties (as defined in Ontario Securities Commission Rule 61-501) hold or control, directly and indirectly, at least 20% of the issued and outstanding Units, on a fully-diluted basis, CAG and its related parties will be entitled to appoint two of the five directors of AutoCanada GP, and so long as CAG and its related parties holds or controls, directly and indirectly, less than 20% but at least 10% of the issued and outstanding Units, on a fully-diluted basis, CAG and its related parties will be entitled to appoint one of the five directors of AutoCanada GP. The other directors will be elected by the Trust. See "AutoCanada Income Fund — Trustees".

Management Profiles

The following are brief profiles of the Management Group.

Trustees and Directors

Gordon R. Barefoot, Trustee and Director. Mr. Barefoot is currently the President of Cabgor Management Inc, a management consulting company. Mr. Barefoot retired in 2005 from the role of Senior Vice President of Finance and Chief Financial Officer of Terasen Inc., where he had served in various senior executive positions in Corporate Development, Strategic Planning and Multi-Utility Services since July 1998. Mr. Barefoot is the chairman of Corix Water Group, a private company. He also serves as chair of the audit committee of Nventa Biopharmaceuticals Corporation, a publicly traded company, and is Chair of Fraser Health Authority in British Columbia. Before joining Terasen, Mr. Barefoot spent over 20 years at Ernst & Young, where he was a partner of the firm. During his tenure with Ernst & Young, Mr. Barefoot worked for clients in industries including utilities, education, healthcare, mining, transportation, forestry and financial services. Mr. Barefoot received a B. Com (Hons.) from the University of Manitoba and is a Chartered Accountant.

R.E.T. (Rusty) Goepel, Trustee and Director. Mr. Goepel is currently the Senior Vice President of Raymond James Ltd., a Canadian investment dealer. Mr. Goepel has held various positions in the investment dealer industry in Canada since 1969 (including various senior executive positions). Mr. Goepel was one of the founders in 1989 of Goepel Shields Ltd, the predecessor to Raymond James Ltd. He is chairman of Yellow Point Equity Partners and past chairman of the Business Council of British Columbia. He is also a director of several organizations including the Vancouver 2010 Olympic Organizing Committee, The Vancouver Airport Authority, Telus Inc., Spur Ventures Inc., Amerigo Resources Ltd. and Baytex Energy Trust. Mr. Goepel is a member of both Simon Fraser University's and the Canadian Olympic Association's pension advisory committees, and is a recipient of the Queen's Jubilee Medal for Business Leadership and Community Services.

Robin (Rob) Salmon, Trustee. Mr. Salmon is currently the Chief Financial Officer of Almac Machine Works Ltd., a machine and metal fabrication business. Mr. Salmon was the Chief Financial Officer of ViRexx from September, 2001 until November, 2005. Mr. Salmon was also a director of ViRexx until 2004 and corporate secretary thereafter. From May 2003 until December 2004, Mr. Salmon served as the Chief Financial Officer and director of AltaRex Medical Corp. Prior to September, 2001, from September, 2000, Mr. Salmon was the Chief Financial Officer of Indico Technologies Limited. Prior thereto, Mr. Salmon was a partner of KPMG LLP, where, during a 20 year career, he focused on taxation and corporate finance for private and public companies. Mr. Salmon received a BCom (Hons.) from the Richard Ivey School of Business, University of Western Ontario in 1970 and is a Chartered Accountant.

James (Jim) Peters, Director. Mr. Peters is currently retired and was, until 2004, the Executive Vice President, Corporate Development and Corporate Affairs and General Counsel of TELUS Corporation, where he served in various senior executive positions (for TELUS Corporation, or its predecessor), since 1988, including Chief General Counsel, Executive Vice President, Corporate Development and Emerging Business, Vice President, Corporate Planning and Mergers and Acquisitions and Director of Mergers and Acquisitions. Prior thereto, Mr. Peters was counsel for American Motors (Canada) Inc. and British Columbia Forest Products Limited. Mr. Peters received a BSc from the University of Guelph, a LLB from the University of British Columbia and an MBA from Simon Fraser University. Mr. Peters was called to the British Columbia Bar in 1979.

Patrick J. (Pat) Priestner, Director. See below.

Robert A. (Bob) Clark, Director. See below.

Management

Patrick J. (Pat) Priestner, Chief Executive Officer. Mr. Priestner commenced his retail automotive career at the age of 17 at Chinook Chrysler in Calgary, Alberta after completing high school and one year at the University of Calgary. Mr. Priestner was the number one salesman in Alberta and in the top ten sales for Chrysler Canada in 1975. At the age of 19, Mr. Priestner was promoted to Sales Manager and General Sales Manager at Chinook Chrysler, a position held from 1977 to 1981. In 1981, Mr. Priestner became General Manager and a Partner in Oxford Dodge in London, Ontario. Mr. Priestner became the President and Dealer Principal at CAG in 1993. Since 1998 Mr. Priestner has been the Vice President of the Alberta Dealers Association Advertising Council and has served as the Chairman for the Dealer Council DaimlerChrysler — Western Region.

Robert A. (Bob) Clark, President. Mr. Clark joined us as our President in June, 2004. A graduate of Wilfred Laurier University in 1987, Mr. Clark joined the predecessor to DaimlerChrysler in 1987 where he advanced through numerous senior executive positions to the position of Vice President — Sales and Service. Mr. Clark's responsibilities at DaimlerChrysler included market representation, dealership development, retail strategies, fleet operations, vehicle distribution, industry forecasting, training, Five Star and Mopar Parts operations. Mr. Clark was also the executive sponsor of the DaimlerChrysler employee mentoring program.

Tom Orysiuk, CA, Executive Vice President and Chief Financial Officer. Mr. Orysiuk joined us as our Chief Financial Officer in November, 2005. Prior thereto, and since June 2004, Mr. Orysiuk was the Chief Financial Officer of Liquor Stores Income Fund and its predecessor entities. Prior thereto and since 2002, Mr. Orysiuk was the Chief Financial Officer of Alberta Oats Milling Ltd. and a principal with Dito Capital Ltd., a private investment company. From 1997 to 2002, Mr. Orysiuk was a Tax and Estate Planning Consultant with Manulife Financial, a financial services company. From 1989 to 1997, Mr. Orysiuk held several progressively senior positions with KPMG LLP, Chartered Accountants. Mr. Orysiuk articled with Touche Ross & Company from 1986 to 1989. Mr. Orysiuk received his Bachelor of Commerce from the University of Alberta in 1986 and his Chartered Accountant designation in 1990.

S.R.E. (Steve) Rose, Vice President Corporate Development, General Counsel and Secretary. Mr Rose joined us as Vice-President Corporate Development, General Counsel and Secretary in January 2007. Prior thereto, Mr. Rose was employed by DaimlerChrysler as General Counsel and Secretary. From 1990 to 1992, Mr. Rose was Project Director and Special Counsel for Olympia and York Developments Ltd., an international property development company. From 1986 to 1990, Mr. Rose practised law with a predecessor of the law firm of Fasken Martineau DuMoulin LLP, specializing in corporate mergers and acquisitions, securities and corporate finance law. From 1984 to 1986 Mr. Rose was corporate counsel for Hudson Bay Mining and Smelting Ltd., a base metal producer.

Daniel M. (Dan) Wincentaylo, Vice President, Fixed Operations. Mr. Wincentaylo joined us as our Vice President, Fixed Operations in 2000. Prior thereto, Mr. Wincentaylo was employed for 23 years with a local Ford franchised automobile dealership with growing responsibilities including Chief Financial Officer, Director of Parts & Service Operations and Dealer Operations Manager.

Florendo (Joe) Medina, Vice President, Finance and Insurance. Mr. Medina joined Crosstown Motors Ltd. in 1983 and has been involved with us since inception. Mr. Medina has 20 years of automotive sales and management experience in sales, leasing, finance and insurance management, new vehicle sales management, and General Sales Manager. Mr. Medina's proven experience provides CAG with strength in finance and insurance. Mr. Medina routinely provides both finance and insurance and sales training presentations to personnel at all of CAG's franchised automobile dealerships.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Trustees, other than as disclosed herein, no member of the Management Group or a Unitholder holding a sufficient number of securities of the Fund to affect materially the control of the Fund, is, or within the ten years prior to the date hereof, has been, a trustee, director or executive officer of any company that, while that person was acting in that capacity: (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the trustee, director or executive officer ceased to be a trustee, director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of the Trustees, no member of the Management Group or a Unitholder holding a sufficient number of Units of the Fund to affect materially the control of the Fund has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of the Trustees, no member of the Management Group or a Unitholder holding a sufficient number of Units of the Fund to affect materially the control of the Fund has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Conflicts of Interest

Other than as disclosed herein, to the knowledge of the Trustees, there are no existing or potential material conflicts of interest among us and any member of the Management Group.

PROMOTERS

CAG and Patrick Priestner may be considered to have been promoters of the Fund within the three most recently completed years by reason of their initiative in organizing the business and affairs of the Fund. See "Overview and Development of Our Business".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as disclosed herein, we are not aware of any legal proceedings to which we are or were a party to, or that any of our property is or was the subject of, during our financial year ended December 31, 2006. In addition, we are not aware of any penalties or sanctions imposed against us by a court relating to securities legislation or by a securities regulatory authority during our financial year ended December 31, 2006 or any other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision, and we have not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during our financial year ended December 31, 2006.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal transfer offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into by us, other than in the ordinary course of business, that are material to us and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect, are as follows:

(i) the agreements with DaimlerChrysler and Hyundai, respectively, referred to under "Overview and Development of Our Business — Automobile Dealer Franchise Agreements;

(ii) the Credit Agreement described under "Financing — Credit Facilities";

(iii) the voting agreement referred to under "Trustees, Directors and Officers";

(iv) the Investment and Acquisition Agreement;

(v) the Exchange Agreement, described under "Retained Interest and Exchange Rights";

(vi) the Declaration of Trust, described under "AutoCanada Income Fund";

(vii) the Administration Agreement, described under "AutoCanada Income Fund — Administration of the Fund and the Trust";

(viii) the Trust Declaration of Trust, described under "AutoCanada Operating Trust";

(ix) the Trust Note Indenture, described under "AutoCanada Operating Trust";

(x) the Partnership Agreement, described under "AutoCanada LP"; and

(xi) the Underwriting Agreement.

See the headings "Funding and Related Transactions" for particulars of the Investment and Acquisition Agreement and "Plan of Distribution" for particulars of the Underwriting Agreement in the Fund's prospectus qualifying the Offering, which sections are specifically incorporated herein. The prospectus was filed on SEDAR on May 3, 2006 and may be accessed at www.sedar.com.

INTEREST OF EXPERTS

The auditors of the Fund and CAG for its fiscal year ended December 31, 2006 are PricewaterhouseCoopers LLP, Chartered Accountants, Edmonton, Alberta. PricewaterhouseCoopers LLP has prepared the audit report attached to our audited consolidated financial statements for the financial year ended December 31, 2006. As of March 21, 2007 PricewaterhouseCoopers LLP was independent from us within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The audit committee charter of the Fund is attached as Schedule A to this AIF.

Composition of the Audit Committee

The audit committee of the Fund consists of Gordon R. Barefoot, R.E.T. (Rusty) Goepel and Robin (Rob) Salmon.

Each member of the audit committee of the Fund is independent and financially literate, as such terms are defined in *Multilateral Instrument 52-110 – Audit Committees*.

Relevant Education and Experience

The education and experience of each audit committee member of the Fund that is relevant to the performance of his responsibilities as an audit committee member is described below:

Gordon R. Barefoot – Mr. Barefoot is a chartered accountant. Mr. Barefoot was, until November, 2005, the Senior Vice President, Finance & Chief Financial Officer of Terasen Inc. where he served in various senior executive positions since July, 1998. Mr. Barefoot serves on the board of directors of Nventa Biopharmaceuticals Corporation where he is chair of the audit committee. Prior to joining Terasen, Mr. Barefoot was a partner of Ernst & Young, where, during a 20 year career, he worked with a variety of clients in a broad range of industries. Each of the foregoing positions required Mr. Barefoot to have an understanding of, and assess, accounting principles, including in the context of estimates, accruals and reserves, as well as have an understanding of internal controls and procedures for financial reporting. The positions also required Mr. Barefoot to prepare, analyze and evaluate financial statements and supervise others who prepared, analyzed and evaluated financial statements. Mr. Barefoot also participates in accounting seminars and programs to help maintain the skill and knowledge necessary to perform his duties as the chair of the audit committee.

R.E.T. (Rusty) Goepel– Mr. Goepel is currently the Senior Vice President of Raymond James Ltd., a Canadian investment dealer. Mr. Goepel has held various positions in the investment dealer industry in Canada since 1969 (including various senior executive positions). Mr. Goepel was one of the founders in 1989 of Goepel Shields Ltd, the predecessor to

Raymond James Ltd. As a result, Mr. Goepel has an understanding of accounting principles, including in the context of estimates, accruals and reserves, and has regularly reviewed internal controls and procedures for financial reporting.

Robin (Rob) Salmon – Mr. Salmon is a chartered accountant. Mr. Salmon is currently the Chief Financial Officer of Almac Machine Works Ltd. and was the Chief Financial Officer of ViRexx from September, 2001 until November, 2005. Mr. Salmon was also a director of ViRexx until 2004 and corporate secretary thereafter. From May 2003 until December 2004, Mr. Salmon served as the Chief Financial Officer and director of AltaRex Medical Corp. Prior to September, 2001, from September, 2000, Mr. Salmon was the Chief Financial Officer of Indico Technologies Limited. Prior thereto, Mr. Salmon was a partner of KPMG LLP, where, during a 20 year career, he focused on taxation and corporate finance for private and public companies. In the foregoing positions, Mr. Salmon was responsible for, and supervised others engaged in, preparing, analyzing and evaluating financial statements and for understanding and assessing accounting principles, including in the context of estimates, accruals and reserves, as well as implementing internal controls and procedures for financial reporting.

Prior Approval Policies and Procedures

The audit committee of the Fund must pre-approve all non-audit services to be provided to the Fund or its subsidiaries by the Fund's external auditor, other than non-audit services where:

(a) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Fund and its subsidiaries to the Fund's external auditor during the fiscal year in which the services are provided;

(b) the Fund or its subsidiaries, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the audit committee of the Fund and approved, prior to the completion of the audit, by the audit committee of the Fund or by one or more of its members to whom authority to grant such approvals had been delegated by the audit committee of the Fund.

External Auditor Service Fees (by category)

The following table sets forth, by category, the fees billed by PricewaterhouseCoopers LLP, the Fund's auditors, for the period ended December 31, 2006:

Fee category	2006
Audit fees	$212,054
Audit-related fees	$67,332
Tax fees	–
All other fees	–
Total	$279,386

"**Audit fees**" include all fees paid to PricewaterhouseCoopers LLP for the audit of the annual consolidated financial statements, review of the interim financial statements and other services in connection with regulatory filings.

ADDITIONAL INFORMATION

Additional information relating to us may be found on SEDAR at www.sedar.com. Additional information, including trustees', directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in our information circular for our most recent annual meeting of Unitholders that involves the election of Trustees. Additional financial information is provided in our audited consolidated financial statements and management's discussion and analysis for our most recently completed financial year.

GLOSSARY OF TERMS

"**Administration Agreement"** means the administration agreement between the Fund, the Trust and the Partnership, pursuant to which the Partnership acts as administrator of the Fund and the Trust.

"**ADP**" means ADP Investor Communications.

"**affiliate**" has the meaning provided for in Rule 45-106 of the Ontario Securities Commission as at the date of this AIF.

"**AutoCanada**" means the Fund and its interests in the Trust, the Partnership, AutoCanada GP, the Dealer LPs and any other franchised automobile dealership owned or operated by the foregoing parties or CAG.

"**AutoCanada GP**" means AutoCanada GP Inc., a corporation incorporated under the federal laws of Canada.

"**AutoCanada Option Plan"** means the AutoCanada 2006 Incentive Unit Option Plan.

"**Book-Entry System**" means a book-based system administered by CDS.

"**CADA**" means Canadian Automobile Dealer's Association.

"**CAG**" means Canada One Auto Group Ltd.

"**CBCA**" means the *Canada Business Corporations Act* and the regulations thereto, as amended.

"**CDS**" means The Canadian Depository for Securities Limited or a successor thereof.

"**CDS Participant**" means a participant in the CDS depository service.

"**Chrysler Financial**" means Chrysler Financial (a division of DaimlerChrysler Financial Services Canada Inc.).

"**Colombo**" means Colombo Chrysler Jeep Dodge Inc.

"**Credit Agreement**" means the credit agreement we have entered into with Chrysler Financial dated May 11, 2006.

"**Credit Facility**" means the floor plan facility of up to $183.125 million and the working capital and acquisition credit facility of up to $50 million made available to the Partnership by Chrysler Financial.

"**DaimlerChrysler**" means DaimlerChrysler Canada Inc.

"**Dartmouth Dodge**" means Dartmouth Dodge Chrysler (1991) Inc.

"**Dealer LP**" means a limited partnership established under the laws of the Province of Manitoba to carry on the business of owning and operating one of AutoCanada LP's franchised automobile dealerships, as well as activities ancillary thereto.

"**dealer principal**" means an individual, approved by the automobile manufacturer, who is responsible for the day to day management and operations of a franchised automobile dealership.

"**Dealer Principal Compensation Arrangements**" means the employment agreements entered into by us with each of the dealer principals.

"**Declaration of Trust**" means the declaration of trust by which the Fund is governed, as it may be amended, supplemented or restated from time to time.

"**Exchange Agreement**" means the exchange agreement entered into between the Fund, the Trust, the Partnership, AutoCanada GP, CAG and Mr. Priestner.

"**Exchangeable Units**" means the Exchangeable Units of the Partnership having the attributes described in this AIF.

"**floor plan financing**" is a type of asset-based financing used by franchised automobile dealerships to finance their new (and in some instances used) vehicle inventories. See "Financing — Floor Plan Financing".

"**fully-diluted**" in respect to the number of securities of any person to be issued and outstanding at such time means the number of such securities of such person that would be issued and outstanding at such time if all rights to acquire or be issued such securities under all issued and outstanding rights of conversion, exchange, issue or purchase had been exercised at such time, including, in the case of the Fund, the exchange of all Exchangeable Units for Units.

"**Fund**" means AutoCanada Income Fund, an unincorporated, open-ended trust established under the laws of the Province of Alberta.

"**Fund Priority Distribution**" has the meaning ascribed thereto under "AutoCanada LP-Ranking".

"**GAAP**" means generally accepted accounting principles in Canada.

"**Hyundai**" means Hyundai Auto Canada, a division of Hyundai Motor America, a California corporation.

"**In Specie Redemption Price**" has the meaning ascribed thereto under "AutoCanada Income Fund — Redemption at the Option of Unitholders".

"**Investment and Acquisition Agreement**" means the investment and acquisition agreement entered into between the Fund, the Trust, the Partnership, AutoCanada GP, the Dealer LPs, CAG and the Principal Shareholders.

"**LP Units**" means the units representing an interest as a limited partner of the Partnership designated as LP Units and having the attributes described in this AIF.

"**managed dealership**" means the Nissan Dealership.

"**Management Group**" means the trustees of the Fund and the Trust and directors and executive officers of AutoCanada GP and/or the Partnership.

"**Maple Ridge**" means Maple Ridge Chrysler (1972) Ltd.

"**Monthly Limit"** has the meaning ascribed thereto under "AutoCanada Income Fund — Redemption at the Option of Unitholders".

"**NADAP Rules**" means the rules adopted by the Canadian Vehicle Manufacturer's Association, the Association of International Automobile Manufacturers of Canada and CADA that provide for dispute resolution between the automobile manufacturers and the franchised automobile dealerships in the Canadian automobile industry.

"**Nissan Dealership"** means the Nissan dealership located in Grande Prairie, Alberta which is managed by us.

"**Non-Competition Agreement"** means the non-competition agreement entered into by CAG, the Principal Shareholders and AutoCanada upon the closing of the Offering, which provided that, for certain specified periods, CAG and Patrick Priestner shall not be involved in, or have a direct or indirect interest in, any business that competes with our business and each of the Principal Shareholders shall not be involved in, or have a direct or indirect interest in, the retail automotive dealership business.

"**Offering**" means the initial public offering of Units issued and sold by the Fund.

"**Open Point**" means a new franchised automobile dealership opened, or to be opened, pursuant to the right to open a new franchised automobile dealership in a specific location granted to a dealer by an automobile manufacturer.

"**Ordinary Resolution**" means a resolution passed by a majority of the votes cast at a meeting of the Voting Unitholders.

"**Over-Allotment Option**" means the option granted by the Fund to the Underwriters to purchase up to 765,715 additional Units, which was exercisable for a period of 30 days from the closing of the Offering.

"**Partnership**" means AutoCanada LP, a limited partnership established under the laws of the Province of Manitoba.

"**Partnership Agreement**" means the Partnership limited partnership agreement.

"**Partnership Units**" means units representing an interest as a limited partner of the Partnership, including the LP Units and the Exchangeable Units.

"**Plans**" means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act.

"**Principal Shareholders**" means Patrick J. (Pat) Priestner, Robert A. (Bob) Clark, Daniel (Dan) Wincentaylo and Florendo (Joe) Medina, the indirect equity shareholders of CAG.

"**Redemption Date**" has the meaning ascribed thereto under "AutoCanada Income Fund — Redemption at the Option of Unitholders".

"**Redemption Price**" has the meaning ascribed thereto under "AutoCanada Income Fund — Redemption at the Option of Unitholders".

"**Reynolds and Reyolds**" means the Reynolds and Reynolds Cmpany.

"**Series 1 Trust Notes**" means the series 1 notes of the Trust issued under the Trust Note Indenture.

"**Series 2 Trust Notes**" means the series 2 notes of the Trust issued under the Trust Note Indenture.

"**Special Resolution**" means a resolution passed by the affirmative vote of the holders of not less than 66 2/3% of the Voting Units who voted in respect of that resolution at a meeting of Voting Unitholders at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than 66 2/3% of the Voting Units entitled to vote on such resolution.

"**Special Voting Units**" means units of the Fund to be issued to represent voting rights in the Fund that accompany the Exchangeable Units.

"**Subaru**" means Subaru Canada Inc.

"**subsidiary**" has the meaning provided for in the CBCA, read as if the word "body corporate" includes a trust, partnership, limited liability company or other form of business organization.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

"**Trust**" means AutoCanada Operating Trust, an unincorporated, open-ended trust established under the laws of the Province of Alberta.

"**Trust Declaration of Trust**" means the declaration of trust by which the Trust is governed, as it may be amended, supplemented or restated from time to time.

"**Trust Note Indenture**" means the note indenture governing the Trust Notes entered into between the Trust and Computershare Fund Company of Canada.

"**Trust Notes**" means, collectively, the Series 1 Trust Notes and Series 2 Trust Notes.

"**Trust Trustees**" means the trustees of the Trust.

"**Trust Units**" means units of the Trust.

"**Trustees**" means the trustees of the Fund.

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" means, collectively, RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and Raymond James Ltd.

"**Underwriting Agreement**" means the underwriting agreement dated May 3, 2006 among the Fund, the Trust, the Partnership, AutoCanada GP, CAG, the Principal Shareholders and the Underwriters.

"**Unitholders**" means the holders of Units.

"**Units**" means Units of the Fund other than Special Voting Units.

"**Voting Unitholders**" means the holders of Voting Units.

"**Voting Units**" means Units and Special Voting Units.

SCHEDULE A

AUTOCANADA INCOME FUND

AUDIT COMMITTEE CHARTER

AUTOCANADA INCOME FUND

AUDIT COMMITTEE CHARTER

The term "**Fund**" refers to AutoCanada Income Fund, the term "**Board**" refers to the board of trustees of the Fund and the term "**Administrator**" refers to AutoCanada LP (the "**LP**") in its capacity as administrator of the Fund pursuant to the **Administration Agreement** between the Fund, AutoCanada Operating Trust ("**ACOT**") and the Administrator. The term "**Governance Agreements**" refers, collectively, to the declaration of trust of the Fund, the declaration of trust of ACOT, the Administration Agreement between the Fund, ACOT and the LP and the Limited Partnership Agreement governing the LP.

PURPOSE

The Audit Committee (the "**Committee**") is a standing committee appointed by the Board to assist the Board in fulfilling its oversight responsibilities with respect to the Fund's financial reporting including responsibility to:

- oversee the integrity of the Fund's consolidated financial statements and financial reporting process, including the audit process and the Fund's internal accounting controls and procedures and compliance with related legal and regulatory requirements;
- oversee the qualifications and independence of the Fund's external auditors;
- oversee the work of the Fund's financial management and external auditors in these areas; and
- provide an open avenue of communication between the external auditors, the Board, the board of directors of the GP, the trustees of ACOT, the Administrator and the officers (collectively, "**Management**") of the Fund, the Administrator, the GP and AutoCanada Limited Partnership ("**AutoCanada LP**").

In addition, the Committee will review and/or approve any other matter specifically delegated to the Committee by the Board.

COMPOSITION AND PROCEDURES

In addition to the procedures and powers set out in any resolution of the Board, the Committee will have the following composition and procedures:

1. Composition

The Committee shall consist of no fewer than three members. None of the members of the Committee shall be an officer or employee of the Fund, AutoCanada LP or the GP or any of their respective subsidiaries and each member of the Committee shall be an "independent trustee" (in accordance with the definition of "independent director" from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Fund's units are listed for trading); provided that the fact that a trustee is also a director of the GP will not disqualify the trustee from being a member of the Committee provided that the trustee would otherwise be eligible to be a member of the Committee.

2. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a trustee. The Board may fill vacancies on the Committee by election from among its members. The Board shall fill any vacancy if the membership of the Committee is less than three trustees. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its power so long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be elected by the Board annually and each member of the Committee shall hold office as such until the next annual meeting of unitholders after his or her election or until his or her successor shall be duly elected and qualified.

3. Financial literacy

All members of the Committee must be "financially literate" (as that term is interpreted by the Board in its reasonable judgment or as may be defined from time to time under the requirements or guidelines for audit committee service under securities laws

and the rules of any stock exchange on which the Fund's units are listed for trading) or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

4. Separate Executive Meetings

The Committee will endeavour to meet at least once every quarter, and more often as warranted, with the Chief Financial Officer of the Administrator and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

5. Professional Assistance

The Committee may retain special legal, accounting, financial or other consultants to advise the Committee at the Fund's expense.

6. Reliance

Absent actual knowledge to the contrary (which will be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Fund from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by the Administrator, AutoCanada LP or the GP or their respective senior managements and the external auditors, as to any information, technology, internal audit and other non-audit services provided by the external auditors to the Fund and its subsidiaries.

7. Review of Charter

The Committee will periodically review and reassess the adequacy of this Charter as it deems appropriate and recommend changes to the Board. The Committee will evaluate its performance with reference to this Charter. The Committee will approve the form of disclosure of this Charter, where required by applicable securities laws or regulatory requirements, in the annual proxy circular or annual report of the Fund.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

9. Reporting to the Board

The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

SPECIFIC MANDATES OF THE COMMITTEE

The Committee will:

I In Respect of the Fund's External Auditors

(a) review the performance of the external auditors of the Fund who are accountable to the Committee and the Board as the representatives of the unitholders of the Fund, including the lead partner of the independent auditor team and make recommendations to the Board as to the reappointment or appointment of the external auditors of the Fund to be proposed in the Fund's proxy circular for unitholder approval and shall have authority to terminate the external auditors;

(b) review the reasons for any proposed change in the external auditors of the Fund which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed replacement auditors before making its recommendation to the Board;

(c) approve the terms of engagement and the compensation to be paid by the Fund to the Fund's external auditors;

(d) review the independence of the Fund's external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;

(e) approve in advance all permitted non-audit services to be provided to the Fund or any of its affiliates by the external auditors or any of their affiliates, subject to any de minimus exception allowed by applicable law; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this subsection;

(f) review the disclosure with respect to its pre-approval of audit and non-audit services provided by the Fund's external auditors;

(g) approve any hiring by the Fund or its subsidiaries of employees or former employees of the Fund's external auditors;

(h) review a written or oral report describing:

(i) critical accounting policies and practices to be used in the Fund's annual audit,

(ii) alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Administrator or other Management and that are significant to the Fund's consolidated financial statements, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors, and

(iii) other material written communication between the Fund's external auditors and the Administrator or other Management, such as any management letter or schedule of unadjusted differences;

(i) review with the external auditors and Management the general audit approach and scope of proposed audits of the consolidated financial statements of the Fund, AutoCanada LP and the GP, the objectives, staffing, locations, co-ordination and reliance upon Management in the audit, the overall audit plans, the audit procedures to be used and the timing and estimated budgets of the audits;

(j) if a review engagement report is requested of the external auditors, review such report before the release of the Fund's interim consolidated financial statements; and

(k) discuss with the external auditors any difficulties or disputes that arose with the Administrator or other Management during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of the Administrator's or other Management's responses in correcting audit-related deficiencies.

II In Respect of the Fund's Financial Disclosure

(a) review with the external auditors and Management:

(i) the Fund's audited consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the annual report, the annual information form, the financial information of the Fund contained in any prospectus or information circular or other disclosure documents or regulatory filings of the Fund, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, CEO and CFO of the GP and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;

(ii) the Fund's interim consolidated financial statements and the notes and Managements' Discussion and Analysis relating to such consolidated financial statements, the recommendations for approval of each of the foregoing from each of the Chairman of the Board, CEO and CFO of the GP and based on such recommendations provide, where applicable, its own recommendations to the Board for their approval and release of each of the foregoing to the public;

(iii) the quality, appropriateness and acceptability of the Fund's accounting principles and practices used in its financial reporting, changes in the Fund's accounting principles or practices and the

application of particular accounting principles and disclosure practices by Management to new transactions or events;

(iv) all significant financial reporting issues and judgments made in connection with the preparation of the Fund's consolidated financial statements, including the effects of alternative methods in respect of any matter considered significant by the external auditor within generally accepted accounting principles on the consolidated financial statements and any "second opinions" sought by Management from an independent or other audit firm or advisor with respect to the accounting treatment of a particular item;

(v) the effect of regulatory and accounting initiatives on the Fund's consolidated financial statements and other financial disclosures;

(vi) any reserves, accruals, provisions or estimates that may have a significant effect upon the consolidated financial statements of the Fund;

(vii) the use of special purpose entities and the business purpose and economic effect of off balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Fund and their impact on the reported financial results of the Fund;

(viii) any legal matter, claim or contingency that could have a significant impact on the consolidated financial statements, the Fund's compliance policies and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Fund's consolidated financial statements;

(ix) review the treatment for financial reporting purposes of any significant transactions that are not a normal part of the Fund's operations; and

(x) the use of any "pro forma" or "adjusted" information not in accordance with generally accepted accounting principles.

(b) review and resolve disagreements between Management and the Fund's external auditors regarding financial reporting or the application of any accounting principles or practices;

(c) review earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Fund gives earning guidance;

(d) establish and monitor procedures for the receipt and treatment of complaints received by the Fund regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with the Management these procedures and any significant complaints received;

(e) receive from the Chief Executive Officer and the Chief Financial Officer of the Administrator a certificate certifying in respect of each annual and interim report the matters such officers are required to certify in connection with the filing of such reports under applicable securities laws; and

(f) review and discuss the Fund's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

III In Respect of Insurance

(a) review periodically insurance programs relating to the Fund and its investments.

IV In Respect of Internal Controls

(a) review the adequacy and effectiveness of the Fund's internal accounting and financial controls based on recommendations from Management and the external auditors for the improvement of accounting practices and internal controls; and

(b) oversee compliance with internal controls and the Joint Code of Business Conduct.

V In respect of Other Items

(a) on an annual basis review and assess committee member attendance and performance and report thereon to the Board and review this Charter and, if required implement amendments to this Charter;

(b) on a quarterly basis review compliance with Governance Agreements with respect to matters that relate to the financial statements of the Fund;

(c) on a quarterly basis review the prior quarter distributions;

(d) on an annual basis review the performance of the Board under the Board's mandate;

(e) on a quarterly basis review compliance with the Joint Disclosure Policy of the Fund.

OVERSIGHT FUNCTION

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Fund's consolidated financial statements are complete and accurate or are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of Management and the Fund's external auditors. The Committee, its Chair and any Committee members identified as having accounting or related financial expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Fund, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes or otherwise is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Fund's financial information or public disclosure.