*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''U.S. Securities Act'') or any state securities laws and may not be offered or sold in the United States except in compliance with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the securities will only be offered or sold within the United States pursuant to Rule 144A under the U.S. Securities Act and thereafter may only be reoffered or resold in the United States pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. See ''Plan of Distribution''.*

**PROSPECTUS**

*Initial Public Offering* May 3, 2006

# AutoCanada Income Fund

## $102,095,000

### 10,209,500 Units

This prospectus qualifies the distribution (the ''Offering'') of 10,209,500 units (''Units'') of AutoCanada Income Fund (the ''Fund'' and together with AutoCanada Operating Trust, AutoCanada GP Inc., AutoCanada LP and the Dealer LPs, ''AutoCanada'', ''we'' or ''us''). The Fund is an unincorporated, open-ended trust governed by the laws of the Province of Alberta that will hold, following closing of the Offering (''Closing''), an indirect approximate 50.4% limited partnership interest in AutoCanada LP (the ''Partnership'') assuming no exercise of the Over-Allotment Option (as defined herein) (approximately 54.2% if the Over-Allotment Option is exercised in full).

We have been formed to acquire the assets and undertaking, and to carry on the business, of Canada One Auto Group Ltd. and 953878 Alberta Ltd. and certain of their affiliates (collectively, ''CAG''). See ''Funding and Related Transactions'' and ''Use of Proceeds''. CAG will hold Exchangeable Units (as defined herein) of the Partnership representing, in the aggregate and after giving effect to the exchange of all Exchangeable Units for Units, approximately 49.6% of the issued and outstanding Units (approximately 45.8% if the Over-Allotment Option is exercised in full).

We are one of Canada's largest multi-location automobile dealership groups, with 14 franchised dealerships in six provinces. In 2005, the franchised automobile dealerships we now own sold approximately 19,000 vehicles and processed approximately 204,000 service and collision repair orders in our 223 service bays. We intend to continue to grow principally through the acquisition of additional franchised automobile dealerships and by opening new franchised automobile dealerships.

**Price: $10.00 per Unit**

| | Price to the Public[(1)] | Underwriters' Fee | Net Proceeds[(2)] |
|---|---|---|---|
| Per Unit | $10.00 | $0.60 | $9.40 |
| Total Offering[(3)] | $102,095,000 | $6,125,700 | $95,969,300 |

Notes:

(1) The offering price of the Units has been determined by negotiation between CAG, the Underwriters (as defined herein) and us.

(2) Before deducting the expenses of the Offering, which are estimated to be approximately $2.4 million. The Dealer LPs will pay these expenses, together with the Underwriters' fee, from the proceeds of the Offering indirectly received by them.

(3) The Fund has granted the Underwriters an over-allotment option exercisable for a period of 30 days from Closing to purchase up to an additional 765,715 Units on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes (the ''Over-Allotment Option''). If the Over-Allotment Option is exercised in full, the total ''Price to the Public'', ''Underwriters' Fee'' and ''Net Proceeds'' will be $109,752,150, $6,585,129 and $103,167,021, respectively. This prospectus qualifies the distribution of the Over-Allotment Option and the issuance and subsequent transfer of the Units issuable upon exercise of that option. See ''Plan of Distribution''.

(4) This prospectus also qualifies the distribution of the exchange rights described under ''Retained Interest and Exchange Rights — Exchange Rights'' and the Special Voting Units (as defined herein).

# AutoCanada will be the first publicly traded, multi-location, franchised auto dealership group in Canada.

Competitive advantages of this model include:

- Economies of scale
- Uniform application of best practices
- Centralized head office provides strategic direction and support
- Geographic and brand diversification
- Ability to attract and retain key employees

AutoCanada INCOME FUND

# Annually, Canadians spend more on vehicles and related servicing than on any other retail segment of the economy.

**One of Canada's largest multi-location automobile dealership groups with 14 franchised dealerships in six provinces:**

**BRITISH COLUMBIA**

| | |
|---|---|
| Prince George | Northland Dodge<br>Northland Hyundai |
| Maple Ridge | Maple Ridge Chrysler |
| Kelowna | Okanagan Dodge |

**ALBERTA**

| | |
|---|---|
| Grande Prairie | Grande Prairie Chrysler<br>Subaru North<br>Grande Prairie Hyundai |
| Edmonton | Crosstown Chrysler<br>Capital Dodge |
| Ponoka | Ponoka Dodge |

**MANITOBA**

| | |
|---|---|
| Thompson | Thompson Chrysler |

**ONTARIO**

| | |
|---|---|
| Woodbridge | Colombo Chrysler Dodge |

**NEW BRUNSWICK**

| | |
|---|---|
| Moncton | Moncton Chrysler |

**NOVA SCOTIA**

| | |
|---|---|
| Dartmouth | Dartmouth Dodge |

Maple Ridge Chrysler 2005 total vehicle sales: 2,895 18 service bays

Grande Prairie Hyundai 2005 total vehicle sales: 628 4 service bays

**New Vehicle Sales**

Sales of new vehicles foster the initial client relationship and typically generate higher-margin profit opportunities through sales of used vehicles, accessories, and finance & insurance products, as well as recurring parts, and service & collision repairs.

**Used Vehicle Sales**

For a variety of reasons, franchised automobile dealerships are capturing a greater percentage of used vehicle sales. These yield higher margins than new vehicle sales.

**Finance & Insurance**

Fees for arranging financing, insurance, and extended warranty and maintenance programs yield relatively high margins. These products are typically bundled with the sale of the new or used vehicle.

**Parts Service & Collision Repair**

Vehicle service and repair work generates our greatest gross profit and provides a stable recurring income stream from both warranty and post-warranty customers.

CHRYSLER™ HYUNDAI™ Jeep® DODGE™

We have adopted a policy to distribute a substantial portion of our available cash to holders of our Units (''Unitholders'') as regular monthly distributions. Based in part on our estimated cash available for distribution for the year ended December 31, 2005, we have determined that we will pay initial monthly distributions of $0.0833 per Unit ($1.00 per Unit per annum). The pricing of our Units was determined, in part, based upon an estimate of our cash available for distribution for the year ended December 31, 2005, as set out under ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Summary of Estimated Cash Available for Distribution''.

The return on an investment in our Units is not comparable to the return on an investment in a fixed-income security. Cash distributions are not guaranteed, the recovery of your investment is at risk and the anticipated return on your investment is based upon many performance assumptions. The actual amounts of our monthly distributions could increase, decrease or be suspended in the future depending upon our net income and cash requirements. Our ability to make cash distributions and the actual amount distributed will be dependent on the operations and assets of the Partnership, and will be subject to various factors including its financial performance, fluctuations in its working capital, the sustainability of its margins, its debt covenants and capital expenditure requirements. The market value of the Units may decline if we are unable to meet our cash distribution objectives in the future, and that decline may be significant.

**It is important for you to consider the particular risk factors that may affect the industry in which the Partnership operates and the structure of the Offering, and therefore the stability of the distributions to investors. See ''Risk Factors'' for a more complete discussion of these risks as well as our assessment of those risks and their potential consequences.**

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which may be fully or partially taxable and portions of which may be tax deferred), and can be made up of both a return on capital and a return of capital. The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. Amounts in excess of the income of the Fund that are paid or payable by us to a Unitholder in a year are generally non-taxable to a Unitholder (but reduce the Unitholder's cost base in the Unit for tax purposes). We estimate that the portion of a Unitholder's distributions that will be taxable in 2006 and 2007 is approximately 70% and 80%, respectively. See ''Certain Canadian Federal Income Tax Considerations''.

**There is currently no market through which the Units may be sold and you may not be able to resell the Units purchased under this prospectus.**

The TSX has conditionally approved the listing of the Units under the symbol ''ACQ.UN'', subject to the Fund fulfilling all of the requirements of the TSX on or before July 25, 2006, including the distribution of the Units to a minimum number of public Unitholders.

RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc. and Raymond James Ltd. (collectively, the ''Underwriters''), as principals, conditionally offer the Units, subject to prior sale, if, as and when issued and delivered by the Fund to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of CAG and us by Farris, Vaughan, Wills & Murphy LLP, as to certain legal matters on behalf of CAG by Fraser Milner Casgrain LLP and as to certain legal matters on behalf of the Underwriters by McCarthy Tétrault LLP. In connection with the Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. See ''Plan of Distribution''.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book-entry only certificate representing the Units will be issued in registered form to The Canadian Depository for Securities Limited (''CDS'') or its nominee and will be deposited with CDS on the date of Closing. The date of Closing is expected to occur on or about May 11, 2006, or such later date as we and the Underwriters may agree, but in any event not later than June 9, 2006. A purchaser of Units will receive only a customer confirmation from a registered dealer that is a CDS Participant and from or through which the Units are purchased.

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## ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy LLP, counsel to the Fund, and of McCarthy Tétrault LLP, counsel to the Underwriters, provided that the Fund is a mutual fund trust under the *Income Tax Act* (Canada) (the ''Tax Act'') at the time of Closing, the Units, when issued at the time of Closing, will be qualified investments under the Tax Act for funds 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 (collectively, the ''Plans''). Recent legislation, with effect from January 1, 2005, has eliminated the limitations on the amounts of foreign property that may be held by pension funds and certain other tax-exempt persons or Plans. See ''Certain Canadian Federal Income Tax Considerations'' and ''Risk Factors''.

## ABOUT THIS PROSPECTUS

Unless otherwise indicated, the disclosure contained in this prospectus assumes that: (i) the steps under the heading ‘‘Funding and Related Transactions’’ have been completed; (ii) we own and operate the business now owned and operated by CAG; and (iii) the Over-Allotment Option has not been exercised.

Financial information and results for periods prior to our fiscal year ended December 31, 2003 have been generated from financial information prepared by management from the historical financial statements of CAG, which have not been audited for the purposes of this prospectus. Amounts shown as ‘‘2005 (pro forma)’’ include amounts in respect of Colombo and Maple Ridge for all of 2005, each of which was acquired by us on December 1, 2005.

References to ‘‘management’’ in this prospectus refer to the persons who will be our senior officers following Closing, and who are currently the senior officers of CAG. Statements made in this prospectus by management are made by these persons in their capacities as senior officers of CAG and not in their personal capacities.

The terms ‘‘AutoCanada’’, ‘‘we’’ or ‘‘us’’ and similar terms refer to the Fund together with the Trust, AutoCanada GP, the Partnership and the Dealer LPs. The term ‘‘CAG’’ refers to Canada One Auto Group Ltd. and 953878 Alberta Ltd. (corporations that are under common control) and certain of their affiliates. The terms ‘‘you’’ or ‘‘your’’ and similar terms refer to potential investors in, or purchasers of, Units pursuant to the Offering.

Please refer to the ‘‘Glossary of Terms’’ at the end of this prospectus for a list of certain other defined terms used herein.

### Forward Looking Statements

Certain statements in this prospectus may constitute ‘‘forward looking’’ statements that involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These statements relate to future events or future performance and reflect the expectations of management regarding growth, results of operations, performance and business prospects and opportunities. Such forward looking statements reflect current beliefs of management or of the third parties to which they are attributed and are based on information currently available to us. In some cases, the statements use such words as ‘‘may’’, ‘‘will’’, ‘‘intend’’, ‘‘should’’, ‘‘expect’’, ‘‘believe’’, ‘‘plan’’, ‘‘anticipate’’, ‘‘estimate’’, ‘‘predict’’, ‘‘potential’’, ‘‘continue’’ or the negative of these terms or other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this prospectus, or in the case of third party statements as of the date on which they were made. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under ‘‘Risk Factors’’. Although the forward looking statements contained in this prospectus are based upon what management believes are reasonable assumptions, we cannot assure you that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this prospectus and, except as required by applicable law, we assume no obligation to update or revise them to reflect new events or circumstances.

### Market and Industry Data

Unless otherwise indicated, the market and industry data contained in this prospectus is based upon information from independent industry and government publications and management’s knowledge of, and experience in, the markets in which we operate. While management believes this data to be reliable, market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. We have not independently verified any of the data from third party sources referred to in this prospectus.

## Information Regarding Automobile Manufacturers

Unless otherwise expressly stated herein, no automobile manufacturer or distributor of vehicles, or their respective affiliates or their respective directors, officers or employees, has: (i) been involved, directly or indirectly, in the preparation of this prospectus or the Offering; (ii) made any statements or representations in connection with the Offering or has provided any information or material at our request that was used in connection with the Offering; or (iii) any responsibility for the accuracy or completeness of this prospectus.

## Trademarks

Canada One Auto Group Ltd. has applied for registration in Canada of ''AutoCanada'' and the corresponding logo as trademarks and will transfer these trademarks to us at Closing. See ''Our Business — Our Intellectual Property and Proprietary Rights''. The marks shown on the inside cover pages as ''Chrysler'' and ''Dodge'' are the registered trademarks of DaimlerChrysler. The marks shown as ''Jeep'' and ''Hyundai'' are the registered trademarks of DaimlerChrysler Corporation and Hyundai, respectively. All other trademarks used in this prospectus are the property of their respective owners.

## Non-GAAP Measures

In addition to financial measures prescribed by Canadian generally accepted accounting principles (''GAAP'') certain non-GAAP measures are used in this prospectus. 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 intend to distribute a substantial portion of our available cash on an ongoing basis (after providing for certain amounts described elsewhere in this prospectus), 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. See ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Summary of Estimated 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 which are detailed under ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA''. These adjustments include 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 prospectus. Cash available for distribution is presented in this prospectus as we intend to 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. As one of the factors that may be considered relevant by prospective investors is the cash available to be distributed by the Fund relative to the price of the Units, we believe that cash available for distribution is a useful supplemental measure that may assist prospective investors to assess an investment in Units. Our method of determining cash available for distribution is derived from Adjusted EBITDA, which is derived from EBITDA and net income (a measure recognized under GAAP) for the fiscal year ended December 31, 2005, as opposed to cash flows from operating activities because it is the underlying performance of our business that must be

maintained in order to fund our distributions. In addition, only a pro forma statement of operations (and not a pro forma statement of cash flows) of the Fund is available. See ‘‘EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Summary of Estimated Cash Available for Distribution’’.

EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution 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 and cash available for distribution 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. For a reconciliation of EBITDA and Adjusted EBITDA to net income, based on the historical financial statements contained elsewhere in this prospectus presented in accordance with GAAP, see ‘‘EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA’’.

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.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

### AutoCanada Income Fund

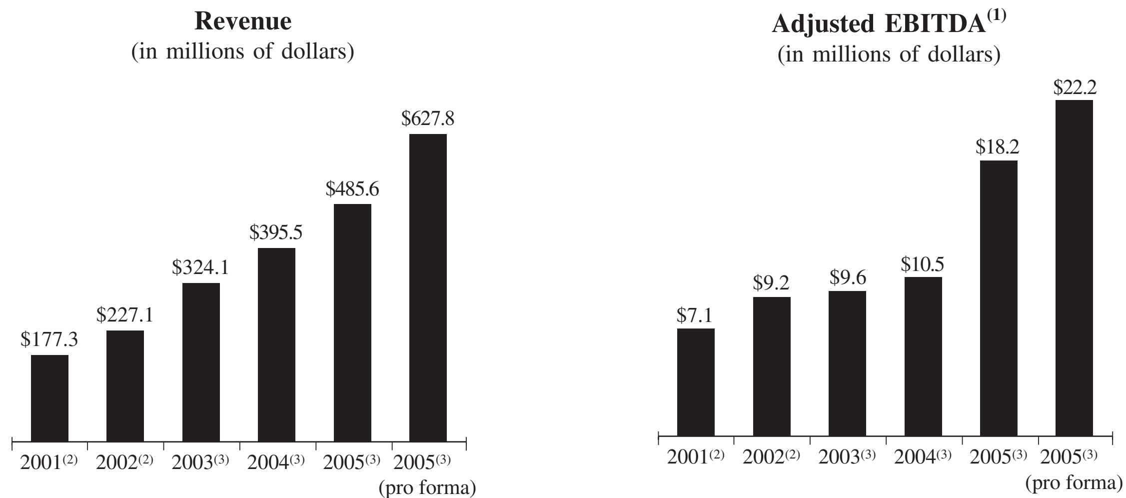
The Fund is an unincorporated, open-ended trust governed by the laws of the Province of Alberta. The Fund was created to indirectly acquire and hold all of the LP Units, representing approximately 50.4% (approximately 54.2% if the Over-Allotment Option is exercised in full) of the outstanding partnership units (''Partnership Units'') of the Partnership, and all of the outstanding shares of AutoCanada GP. The Partnership has been formed 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 ''Funding and Related Transactions'' and ''AutoCanada Income Fund''.

### Our Business

We are one of Canada's largest multi-location automobile dealership groups, with 14 franchised dealerships in six provinces. In 2005, the franchised automobile dealerships we now own sold approximately 19,000 vehicles and processed approximately 204,000 service and collision repair orders in our 223 service bays. We intend to continue to grow principally through the acquisition of additional franchised automobile dealerships and by opening new franchised automobile dealerships.

In 2001, 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. Our strategy is to represent automobile manufacturers with vehicles that are in high demand in the local markets in which our dealerships are located. We currently sell new vehicles manufactured by DaimlerChrysler (under the brand names ''Chrysler'', ''Jeep'' and ''Dodge''), Hyundai and Subaru. Vehicles manufactured by DaimlerChrysler represented approximately 95% of our total new vehicle sales in 2005.

The following charts illustrate our revenue and Adjusted EBITDA growth since 2001.




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 ''About This Prospectus — Non-GAAP Measures''.

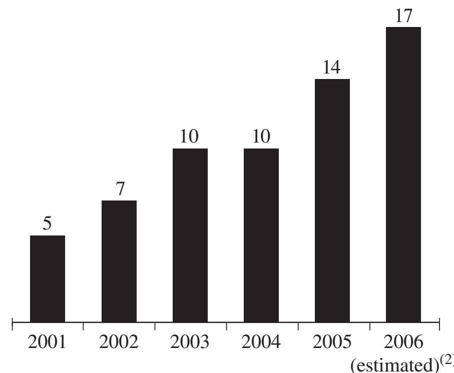
(2) Revenue and Adjusted EBITDA information for our fiscal years prior to our fiscal year ended December 31, 2003 is based upon management calculations derived from the unaudited combined financial statements of CAG for those years.

(3) Revenue information for our fiscal years ended December 31, 2003, 2004 and 2005 is derived from the audited combined financial statements of CAG contained elsewhere in this prospectus. Adjusted EBITDA for these years has been determined in the manner referred to in Note 1. Pro forma revenue and Adjusted EBITDA information for 2005 has been determined on the basis that we owned and operated Colombo and Maple Ridge (which we acquired in 2005) for all of 2005. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information''.

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.

Since 2001, we have acquired and successfully integrated eight franchised automobile dealerships. In addition, on April 20, 2005, we opened our Grande Prairie Hyundai dealership, the first of five new dealerships (''Open Points'') that automobile manufacturers have recently awarded us the right to build, own and operate.

**Number of CAG Franchised Automobile Dealerships at Year End**[(1)]




Notes:

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

(2) 2006 (estimated) includes three new franchised automobile dealerships that we expect to open in the summer and fall of 2006 and does not include dealerships we may purchase. We also expect to open another new franchised automobile dealership in 2007.

Five of our dealerships were named to DaimlerChrysler's 2005 President's Club, which recognizes the top 25 DaimlerChrysler dealerships in Canada by volume of new vehicle sales.

## Our Strengths

### *Our Multi-Location Automobile Dealership Model*

We believe our multi-location automobile dealership model offers several advantages compared to a single location dealership. These advantages include:

- *Economies of Scale* — we benefit from cost and revenue synergies.
- *Decentralized Operations and Centralized Administrative and Strategic Functions* — allows us to provide market specific responses to sales, service, marketing and inventory requirements while benefiting from the resources of our corporate head office.
- *''Best Practices''* — 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 help to mitigate the potential effect of adverse regional economic conditions.
- *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 currently sell vehicles manufactured by DaimlerChrysler (under the brand names ''Chrysler'', ''Jeep'' and ''Dodge''), Hyundai and Subaru. We seek to supply new vehicles of the type and at the price points that are in demand in our markets. For example, 58% of our new vehicle sales mix is minivans, light trucks and SUVs, which is considerably higher than the national average of only 47% of new vehicle sales in these categories, but reflects consumer preferences in the regional markets in which we operate.

### *Integration of Acquisitions and Improvement of Business Performance*

Our senior management has developed expertise in acquiring and integrating dealerships. Upon completion of an acquisition, we quickly implement measures to strengthen under-performing areas of the business identified during our due diligence process. For the five acquisitions we completed in 2002 and 2003, we have increased total gross profits by approximately 82% from the year preceding the acquisition to our 2005 fiscal year end.

### *Strong Relationships with Automobile Manufacturers*

Our strong relationships with automobile manufacturers have enabled us to source, finance and close new acquisitions, manage our business in an efficient manner and secure rights to new dealerships awarded by the manufacturers.

### *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. For example, our ratio of retail used vehicle sales to retail new vehicle sales of 0.9 to 1 during 2005 was substantially higher than the industry average of 0.6 to 1.

Excluding the dealerships we acquired in 2005, 95% of our fixed costs at the dealership level are covered by the gross profits earned from parts, service and collision repair. By comparison, according to the Canadian Automobile Dealers' Association (''CADA''), fewer than 10% of all franchised automobile dealers in Canada achieved an ''absorption rate'' of 90% or more in 2004.

### *Experienced and Incentivized Senior Management*

Patrick Priestner, our Chief Executive Officer, has over 30 years of experience in the retail automotive industry, including over 25 years as a franchised automobile dealership owner. Robert (Bob) 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. Our nine senior executives, who average 19 years of automotive industry experience, have full oversight of the operations of our franchised automobile dealerships.

Our executive and employee compensation is tied to performance using an incentive-based pay system at both our franchised automobile dealer level and our corporate level. Our Chief Executive Officer, Patrick Priestner, holds a 75% interest in CAG. Our other senior management, including some of our dealer principals, hold the remaining 25% interest in CAG. Our dealer principals are paid a bonus equal to 15% of the annual EBITDA of their respective dealerships or, in the case of our dealer principals of our Hyundai dealerships, hold a 15% interest in the Dealer LPs that own their respective dealerships. We have also implemented the AutoCanada Option Plan under which options to purchase Units are to be granted to our senior management contingent upon growing the cash available for distribution per Unit.

## Our Growth Strategy

Our objective is to be the largest and most profitable multi-location automobile dealership group in Canada. We intend to grow through targeted acquisitions, increased same store results through margin improvement and cost containment and, where possible, securing the rights to Open Points.

### *Targeted Acquisitions*

We intend to capitalize on the consolidation trend beginning to emerge in Canada by acquiring franchised automobile dealerships. Since 2001, we have acquired and successfully integrated eight dealerships. Following each of our acquisitions, we have been able to leverage our economies of scale to reduce costs and apply our management systems to increase sales and profitability at these dealerships.

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 as potential acquisition candidates.

### *Organic Growth*

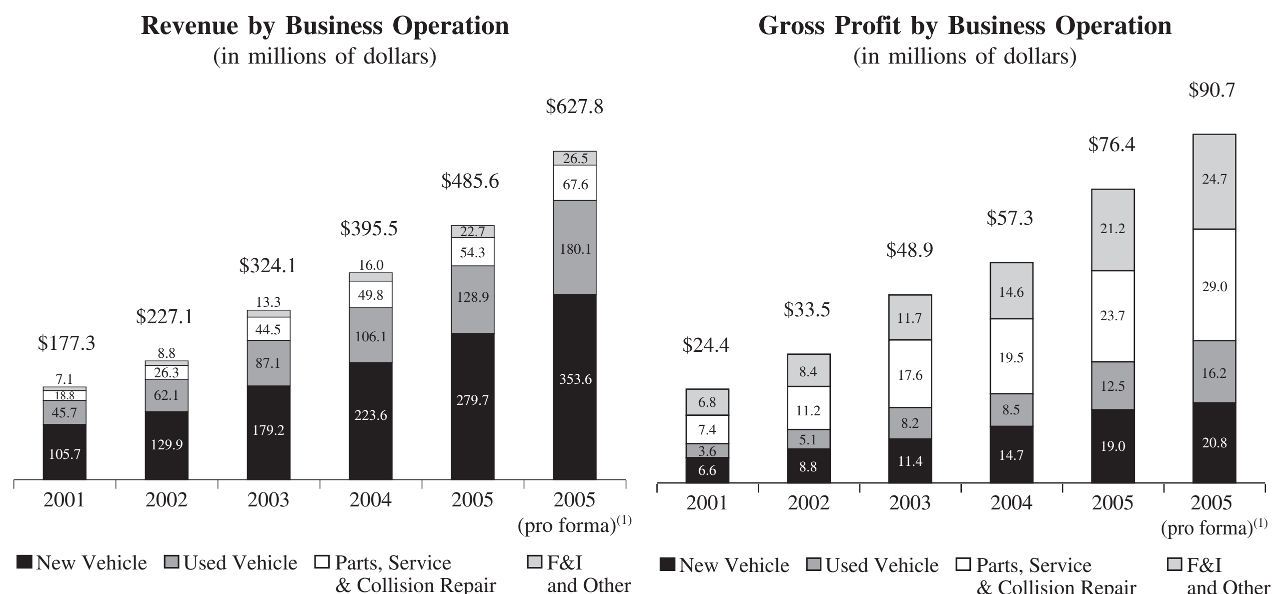
We continue to focus on those areas of our business that enable us to increase the profitability of our operations. Key areas include increasing same store gross profits by controlling expenses and expanding margins at our existing dealerships and those that are integrated into our operations on acquisition.

### *New Locations for Franchised Automobile Dealerships (Open Points)*

From time to time automobile manufacturers establish new dealerships in attractive markets. In addition to our Grande Prairie Hyundai dealership that we opened on April 20, 2005, we have secured the rights from Hyundai and two other automobile manufacturers to open four new franchised dealerships in Western Canada by the summer of 2007.

## 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. As shown in the charts below, new vehicle sales account for the majority of our combined revenue but contributes the least gross profit margin of our four business operations. Parts, service and collision repair generates the largest share of our gross profit followed by finance and insurance.




Note:

(1) Pro forma revenue and gross profit information for 2005 has been determined on the basis that we owned and operated Colombo and Maple Ridge (which we acquired in 2005) for all of 2005. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information''.

### *New Vehicle Sales*

In Canada, retail purchases of new vehicles can be made only from 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, commissions and fees earned from arranging third party finance 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.

### *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.

Used vehicle inventory is typically obtained through auctions restricted to franchised automobile dealers (offering daily rental and fleet vehicles), customer trade-ins, off-lease vehicles and ''open'' auctions which offer vehicles sold by banks, finance companies and other dealers.

In 2005, our ratio of retail used vehicle sales to retail new vehicle sales was approximately 0.9 to 1, substantially higher than the 2005 industry average of 0.6 to 1 (source: CADA). We intend to sustain 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.

***Parts, Service and Collision Repair***

Our parts, service and collision repair departments are an integral part of our business. We believe that these services represent a significant growth opportunity because of the increasing technical complexity of vehicles and the growth in the number of vehicles on the road, in absolute terms and relative to the number of locations that service vehicles.

***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. Our ability to generate finance and insurance revenue is directly correlated to our new and used vehicle sales.

In return for arranging third party purchase and lease financing for our customers, we receive a fee from the third party lender. We have negotiated incentive programs with some 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 approximately 78% of the retail vehicles we sold in 2005.

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. Our size and volume capabilities enable us to acquire these products at reduced fees compared to the industry average.

## Industry Overview

The franchised automobile dealership has been the critical link between the automobile manufacturer and the purchaser of a new vehicle since the early days of the automotive industry. The franchised automobile dealership remains the most practical way to showcase and provide information about the vehicles produced by the automobile manufacturers, stock and display vehicles, permit customers to ''test drive'' vehicles, arrange financing for customers, facilitate the exchange of used vehicles when purchasing a new vehicle, stock and display parts inventory and provide approved service and repair work under warranties offered by the automobile manufacturers.

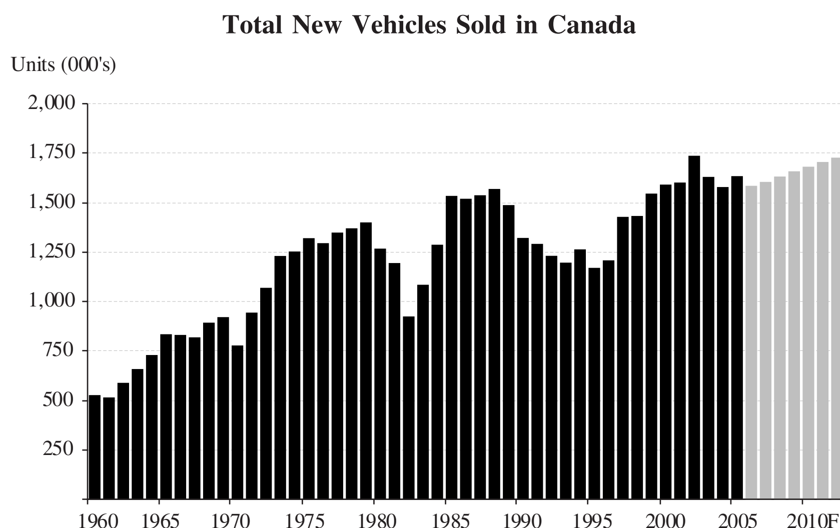
Automobile manufacturers work together with franchised automobile dealers to assist the dealerships in executing their business plans while at the same time ensuring that the manufacturers' respective brands are protected and enhanced.

Compared to many other retailing segments, automobile manufacturers provide significant support to their franchised automobile dealers. In particular, automobile manufacturers bear most of the costs of dealer and customer incentives in order to promote sales and support manufacturer performance.

Management believes that automobile manufacturers have increasingly accepted the formation of single businesses that own a number of franchised automobile dealerships, particularly in the United States. These businesses are known as ''multi-location automobile dealership groups''. The automobile manufacturers have recognized that well managed and well capitalized multi-location automobile dealership groups are an important part of their distribution system, as dealerships in these groups are generally able to sell a greater number of vehicles than a dealer with a single location.

The following chart shows the annual number of new vehicle sales in Canada since 1960 and projected growth in new vehicle sales over the next several years.

**Total New Vehicles Sold in Canada**




Source: Statistics Canada (historical data) and J.D. Power

Despite population growth, the number of franchised automobile dealerships in Canada has remained relatively unchanged since 1998. This has resulted in an increase in the average number of new vehicles sold per automobile dealership. Today, Canadian dealerships average approximately 450 new vehicle sales each year (source: CADA).

## Comparison with the U.S. Retail Automotive Industry

The retail automotive industry in the United States is significantly larger than that of Canada, with over 21,500 franchised automobile dealerships generating total sales in 2004 of US$714 billion and with average sales per dealership of approximately 750 vehicles. While the Canadian retail automotive industry shares much in common with the industry in the United States, including the manner in which it has been developed, structured and governed by automobile manufacturers, there are features that distinguish the U.S. industry from that of the Canadian industry. These differences are primarily reflected in the prevalence of publicly traded franchised automobile dealership groups, the penetration of the multi-location automobile dealership model and the mix of vehicles sold.

### *Publicly Traded Franchised Automobile Dealerships and the Multi-Location Automobile Dealership Model*

The multi-location automobile dealership model is still at a relatively early stage in Canada as compared to the United States.

The consolidation of the U.S. retail automotive industry increased substantially in the latter half of the 1990s as a number of sizeable franchised automobile dealerships or groups of dealerships accessed the public equity markets in order to execute a growth through acquisition strategy. As shown in the table below, most of these companies have significantly increased their number of dealerships and total vehicles sold since their initial public offerings.

| | At time of IPO | | | December 31, 2005 | | CAGR[1] | |
|---|---|---|---|---|---|---|---|
| | Year of IPO | Number of Dealerships | Retail Vehicles Sold | Number of Dealerships | Retail Vehicles Sold | Number of Dealerships | Retail Vehicles Sold |
| AutoNation, Inc.[2] | 1996 | 19 | n/a | 269 | 627,011 | 34.2% | n/a |
| Lithia Motors, Inc. | 1996 | 8 | 7,859 | 94 | 103,333 | 31.5% | 29.4% |
| United Auto Group, Inc. | 1996 | 20 | 59,418 | 172 | 259,594 | 26.0% | 15.9% |
| Group 1 Automotive, Inc. | 1997 | 30 | 38,598 | 95 | 194,394 | 14.9% | 19.7% |
| Sonic Automotive, Inc. | 1997 | 23 | 37,681 | 151 | 212,149 | 26.2% | 21.2% |
| Asbury Automotive Group, Inc. | 2002 | 91 | 166,848 | 90 | 166,136 | –0.3% | –0.1% |

Source: Company disclosure

Notes:

(1) Compound annual growth rate from date of IPO to December 31, 2005.

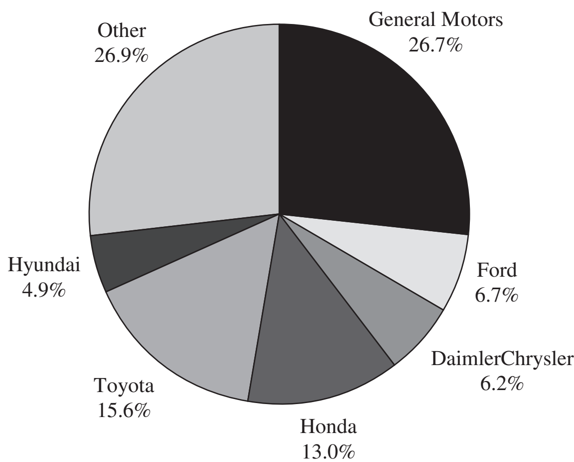
(2) Year of IPO represents the initial year of reported auto retailing revenue by a predecessor to AutoNation, Inc. The predecessor did not publicly disclose retail vehicles sold.

### *Consumer Preferences*

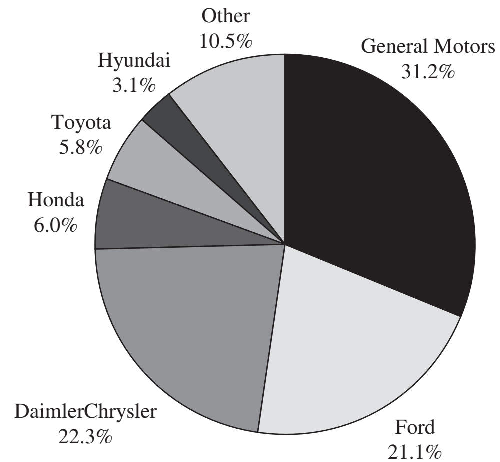
Consumers in the United States are more likely to purchase large vehicles and luxury vehicles than are Canadians, who are more likely to purchase minivans and smaller vehicles such as subcompact and compact automobiles. Differences in consumer preferences result from a number of factors, such as geography and climate, as well as taxes on both vehicles and gasoline.

The mix of sales between passenger automobiles and minivans, light trucks and SUVs differs regionally within both Canada and the United States. As shown in the charts below, General Motors, Ford and DaimlerChrysler represent approximately 40% of the Canadian passenger automobile market, but over 70% of the minivan, light truck and SUV market. As a consequence, these manufacturers have a stronger market presence in those regions in which minivans, light trucks and SUVs are more popular.

**Canadian Passenger Automobile Market Share by Manufacturer (2005)**




**Canadian Minivan, Light Truck and SUV Market Share by Manufacturer (2005)**




Source: The Globe and Mail

### Selected Financial and Operating Information

The following selected financial data has been derived from, and should be read in conjunction with, the audited combined financial statements of CAG and the notes thereto, the unaudited pro forma consolidated financial statements of the Fund and the notes thereto and ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' contained elsewhere in this prospectus.

| | Fiscal Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2005 | 2005 | 2004 | 2003 |
| | pro forma[1] (unaudited) | | | |
| | (in thousands of dollars, except margins and operating data) | | | |
| **Income Statement Data** | | | | |
| Revenue | 627,794 | 485,573 | 395,548 | 324,085 |
| New vehicles | 353,546 | 279,744 | 223,591 | 179,171 |
| Used vehicles | 180,146 | 128,907 | 106,103 | 87,073 |
| Parts, service & collision repair | 67,575 | 54,330 | 49,835 | 44,514 |
| Finance & insurance and other | 26,527 | 22,592 | 16,019 | 13,327 |
| Gross profit | 90,722 | 76,359 | 57,260 | 48,916 |
| New vehicles | 20,790 | 18,970 | 14,702 | 11,395 |
| Used vehicles | 16,197 | 12,493 | 8,536 | 8,232 |
| Parts, service & collision repair | 29,074 | 23,706 | 19,473 | 17,563 |
| Finance & insurance and other | 24,661 | 21,190 | 14,549 | 11,726 |
| *Gross margin* | 14.5% | 15.7% | 14.5% | 15.1% |
| Sales, general & administrative expenses | 67,070 | 55,650 | 44,986 | 37,280 |
| Floor plan interest expense | 4,548 | 4,040 | 2,699 | 2,740 |
| Other interest expense | 232 | 775 | 671 | 604 |
| Net income (loss) | 16,825 | 724 | 20 | (1,002) |
| EBITDA[2] | 20,102 | 4,053 | 2,592 | 1,088 |
| Adjusted EBITDA[2] | 22,192 | 18,229 | 10,490 | 9,597 |
| **Balance Sheet Data** | | | | |
| Inventories | 96,206 | 96,206 | 85,334 | 63,090 |
| Total assets | 306,677 | 169,855 | 127,407 | 98,954 |
| Floor plan notes payable | 98,023 | 98,023 | 85,299 | 60,848 |
| Total liabilities | 112,630 | 170,108 | 128,353 | 99,630 |
| **Operating Data**[3] | | | | |
| Vehicles (new and used) sold | 19,278 | 15,173 | 11,941 | 10,734 |
| New retail vehicles sold | 9,195 | 7,503 | 6,007 | 5,116 |
| New fleet vehicles sold | 2,038 | 1,585 | 896 | 829 |
| Used retail vehicles sold | 8,045 | 6,085 | 5,038 | 4,789 |
| Number of service & collision repair orders completed | 203,602 | 171,007 | 165,652 | 149,710 |
| Absorption rate[4] | n/a | 95.3% | 92.0% | 91.4% |
| Number of franchised automobile dealerships at year end | 14 | 14 | 10 | 10 |
| Number of service bays at year end | 223 | 223 | 174 | 174 |
| Same store sales growth[5] | n/a | 13.8% | 9.1% | 0.1% |
| Same store gross profit growth[5] | n/a | 24.4% | 7.5% | 2.1% |

Notes:

(1) The amounts shown under the column headed ''pro forma'' include amounts in respect of Colombo and Maple Ridge as if these businesses had been owned by us for all of 2005 and the adjustments to our net income and the net income of Colombo and Maple Ridge shown on the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus. We acquired Colombo and the business and related operating assets of Maple Ridge on December 1, 2005.

(2) EBITDA and Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA''.

(3) Operating data includes 100% of Dartmouth Dodge, of which we have owned 50% since 2002 and purchased the remaining 50% in February, 2006.

(4) Excluding the dealerships we acquired in 2005.

(5) 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. See ''Our Business — Our Growth Strategy — Organic Growth''.

## Summary of EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution

This summary of our EBITDA and Adjusted EBITDA and our estimated cash available for distribution has been prepared by management on the basis of the information contained in this prospectus. Adjusted EBITDA and our cash available for distribution has been prepared by management on the basis of its estimate of the amounts of certain expenses that we will not incur after Closing and certain income and expenditures to be earned or incurred by us following Closing. Management has made assumptions in determining our Adjusted EBITDA and preparing the summary of our estimated cash available for distribution which management believes are reasonable and supportable, and which reflect our planned course of action given management's judgment as to the most probable set of economic conditions. **Our Adjusted EBITDA and estimate of our cash available for distribution are not forecasts or projections of future results. The actual results of our operations for any period will likely vary from the amounts set forth in the following summary and such variation may be material.** Management believes that the principal factors that may cause actual results of operations to vary include our ability to maintain profitability and manage growth, changes in economic conditions, the level of competition we face, and the other risks and uncertainties described elsewhere in this prospectus. See ''About This Prospectus — Forward Looking Statements'' and ''Risk Factors''.

### Reconciliation of Historical Results to EBITDA and Adjusted EBITDA

The following table reconciles our EBITDA and Adjusted EBITDA to net income, shown on the audited combined financial statements of CAG and the unaudited pro forma consolidated financial statements of the Fund for the periods indicated.

| | Fiscal Year Ended December 31[1] | | | |
|---|---|---|---|---|
| | 2005 pro forma[2] (unaudited) | 2005 | 2004 | 2003 |
| | (in thousands of dollars) | | | |
| Net income (loss) for the year | 16,825 | 724 | 20 | (1,002) |
| Adjustments to net income: | | | | |
| Amortization | 3,277 | 1,728 | 1,525 | 1,402 |
| Interest expense, other than interest on floor plan financing[3] | — | 775 | 671 | 604 |
| Income taxes[4] | — | 774 | 367 | 182 |
| Non-controlling interest[5] | — | 52 | 9 | (98) |
| EBITDA[6] | 20,102 | 4,053 | 2,592 | 1,088 |
| Adjustments to EBITDA | | | | |
| Shareholder remuneration[7] | — | 14,046 | 7,830 | 8,290 |
| Compensation to be paid to dealer principals based on revised compensation structure[8] | — | (1,709) | (943) | (818) |
| Incremental commissions for insurance contracts based on new agreement with supplier[9] | 1,259 | 1,008 | 895 | 1,012 |
| Incremental Adjusted EBITDA relating to dealership opened in April 2005[10] | 566 | 566 | — | — |
| Incremental Adjusted EBITDA relating to dealership for which we recently purchased remaining 50%[11] | 289 | 289 | 167 | 111 |
| Gain on disposal of assets | (24) | (24) | (51) | (86) |
| Adjusted EBITDA[6] | 22,192 | 18,229 | 10,490 | 9,597 |

Notes:

(1) The information set forth in this table, other than the adjustments described in Notes 8, 9, 10 and 11 below and EBITDA and Adjusted EBITDA (which are non-GAAP measures), is derived from CAG's audited combined financial statements, the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus and, in the case of the column headed ''pro forma'', as set forth in Note 2.

(2) The amounts shown under the column headed ''pro forma'' include the amounts in respect of Colombo and Maple Ridge as if these businesses had been owned by us for all of 2005 and the adjustments to our net income and the net income of Colombo and Maple Ridge shown on the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus. We acquired Colombo and the business and related operating assets of Maple Ridge on December 1, 2005.

(3) These amounts relate to debt not being assumed by us.

(4) Our income for tax purposes will be allocated to our Unitholders and holders of our Exchangeable Units, and we will not pay income taxes.

(5) These amounts relate to non-controlling interests in CAG.

(6) EBITDA and Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA''.

(7) These amounts represent certain shareholder remuneration paid by CAG as a private company which will not be paid by us following Closing. Shareholders of CAG include senior management of CAG and the dealer principals.

(8) Effective at Closing, the compensation arrangements for our dealer principals will provide for either a base salary plus a bonus equal to 15% of the annual EBITDA of the dealer principal's dealership or a base salary plus a distribution equal to 15% of the annual EBITDA from the Dealer LP that owns and operates the dealership managed by the dealer principal. These amounts have been reflected in our pro forma financial statements. See ''Executive Compensation — Dealer Principal Compensation Arrangements''. The amounts in the 2005, 2004 and 2003 years represent the compensation that would have been paid to them had our Dealer Principal Compensation Arrangements been in effect for those periods.

(9) We receive commissions on life, dismemberment and disability insurance contracts sold by us to customers who purchase new and used vehicles from us. Prior to January 1, 2006, we also participated in the underwriting profits or losses from these insurance contracts. Effective on and after January 1, 2006, the insurer of these contracts pays us higher commission rates at the time of sale and we no longer participate in the underwriting profits and losses. The amount of up front commissions 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. These amounts represent the commissions that we would have received from the sale of these insurance contracts for the periods indicated, at the commission rates to be effective on and after January 1, 2006, in excess of the amounts of commissions and underwriting profits reflected in CAG's audited combined financial statements and the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus for those periods.

(10) These amounts represent the Adjusted EBITDA that we estimate we would have generated had we operated Grande Prairie Hyundai for all of 2005. We opened Grande Prairie Hyundai in April, 2005. As we only operated Grande Prairie Hyundai for eight months, these amounts may not reflect the results of a full year of operations.

| **Grande Prairie Motor Holdings Ltd.** | **Fiscal Year Ended December 31, 2005** |
|---|---|
| | (in thousands of dollars) |
| Net loss | (11) |
| Adjustments to net income | |
| Amortization | 24 |
| Income taxes[4] | 7 |
| EBITDA[6] | 20 |
| Adjustments to EBITDA | |
| Shareholder remuneration[7] | 1,311 |
| Minority partnership distribution based on revised compensation structure[8] | (200) |
| Adjusted EBITDA[6] | 1,131 |
| Number of months open | 8 |
| Estimated Adjusted EBITDA for Grande Prairie Hyundai for four months not in operation | 566 |

(11) These amounts represent the Adjusted EBITDA that we estimate we would have generated had we owned 100% of Dartmouth Dodge for the periods indicated. We have owned 50% of Dartmouth Dodge since 2002 and we purchased the remaining 50% in February, 2006.

| **Dartmouth Dodge Chrysler Jeep (1991) Inc.** | **Fiscal Year Ended December 31** | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| | (in thousands of dollars) | | |
| Net income (loss) | 310 | 12 | (226) |
| Adjustments to net income | | | |
| Amortization | 157 | 139 | 153 |
| Interest expense, other than interest on floor plan financing[3] | 55 | 49 | 55 |
| Income taxes[4] | — | 16 | 16 |
| EBITDA[6] | 522 | 216 | (2) |
| Adjustments to EBITDA | | | |
| Compensation to be paid to dealer principal based on revised compensation structure[8] | (78) | (32) | — |
| Adjusted EBITDA[6] | 444 | 184 | (2) |
| Less amounts included in audited financial statements | (155) | (17) | 113 |
| Estimated Adjusted EBITDA for Dartmouth Dodge not included in our financial statements | 289 | 167 | 111 |

### Summary of Estimated Cash Available for Distribution

| | Estimated Cash Available for Distribution (2005)[1] |
|---|---|
| | (in thousands of dollars, except per Unit amount) |
| Adjusted EBITDA[2] | 22,192 |
| Management believes that the following adjustments are required to determine cash available for distribution: | |
| Maintenance capital expenditures[3] | (950) |
| Additional general, administrative and other expenses, net of expenses to be eliminated[4] | (985) |
| Estimated cash available for distribution | 20,257 |
| Estimated cash available for distribution per Unit | 1.00 |

Notes:

(1) Assumes that we were in existence for the whole of the period indicated and that the transactions described under ''Funding and Related Transactions'' had been completed at the beginning of this period. Our Adjusted EBITDA and cash available for distribution for this period is not necessarily indicative of our Adjusted EBITDA and cash available for distribution or results of operations to be expected in any given 12 month period. The information assumes that all of the Exchangeable Units have been exchanged for Units and the resulting indirect ownership by the Fund of 100% of our business.

(2) This amount has been determined by making the adjustments to net income set out on page 14. 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 ''About This Prospectus — Non-GAAP Measures''.

(3) During 2005, 2004 and 2003 we incurred maintenance capital expenditures of $677,000, $597,000 and $884,000 respectively. Management expects that these maintenance capital expenditures should average $950,000 per year for the 14 dealerships we currently own. These amounts are exclusive of repair and maintenance expenditures which are expensed as incurred and totalled $645,000, $658,000 and $677,000 in 2005, 2004 and 2003, respectively. See ''Capital Expenditures''.

(4) Management estimates that we will incur, after Closing, additional general and administrative expenses on a continuing basis relating to managing a public issuer that were not incurred by CAG as a private company, increased base compensation to our executive officers and certain other management employees and incremental lease expense relating to our head office, and that we will eliminate certain costs that were incurred by CAG as a private company.

The additional general and administrative expenses are estimated to total $627,000 and include the costs of ongoing financial and other disclosure to our Unitholders, audit and other expenses relating to our financial statements in excess of those incurred by CAG as a private company, legal fees in reviewing our governance procedures and related documentation, investor relations expenses, Trustees' and directors' fees and insurance, stock exchange, securities commission and transfer agency fees and other related expenses. The estimates of these incremental expenses were determined through consultation by management with external third parties with specific knowledge of these costs, based on estimates provided by service providers, preliminary contractual arrangements, expenses in similar offering transactions, and comparisons with historical expenses. These estimates are subject to the risks that most of these expenses are not based upon fixed price contracts and may vary with the degree of complexity encountered by us in becoming a public issuer. See ''Risk Factors — Risks Related to Our Structure and the Offering — New Requirements as a Public Issuer''.

The increased base compensation to our executive officers totals $620,000. See ''Executive Compensation''.

The incremental lease expense relating to our head office totals $44,000.

The costs incurred by CAG as a private company that are non-recurring or that will be eliminated after Closing total $306,000 and includes use of company vehicles by family members, telephone charges and club memberships. Also included in this amount are expenses incurred by the previous owners of Colombo and Maple Ridge relating to certain one-time expenses.

## Summary of the Offering

**Offering:** 10,209,500 Units.

**Amount:** $102,095,000.

**Price:** $10.00 per Unit.

**Units:** Each Unit represents an equal undivided beneficial interest in the Fund. Each Unit is transferable and entitles a Unitholder to: (i) an equal participation in distributions by the Fund; (ii) rights of redemption; and (iii) one vote at all meetings of Voting Unitholders. See ''AutoCanada Income Fund''.

**Use of Proceeds:** The estimated net proceeds of the Offering, after deducting the Underwriters' fee and the expenses of the Offering, estimated to be $8.5 million, will be $93.6 million. The Fund will use the proceeds of the Offering to subscribe for Trust Units. The Trust will, in turn, use these funds to subscribe for LP Units. The Partnership will use these funds to subscribe for limited partnership units of each of the 14 Dealer LPs. The Dealer LPs will use the proceeds from the issuance of their limited partnership units to pay: (i) the cash portion of the purchase price for the assets and undertaking of CAG; and (ii) directly or indirectly, the Underwriters' fee and other expenses of the Offering. See ''Funding and Related Transactions'' and ''Use of Proceeds''.

**Retained Interest:** As a result of the foregoing transactions: (i) the Fund will hold an indirect interest of approximately 50.4% in the Partnership (approximately 54.2% if the Over-Allotment Option is exercised in full); and (ii) CAG will receive approximately $93.6 million and hold approximately 49.6% of the outstanding Partnership Units of the Partnership, represented by Exchangeable Units (approximately $100.8 million and approximately 45.8%, respectively, if the Over-Allotment Option is exercised in full).

CAG has agreed with the Underwriters not to sell any Units (other than pursuant to the exercise of the Over-Allotment Option) for a period of 180 days following Closing. CAG and our Chief Executive Officer, Patrick Priestner, have agreed with DaimlerChrysler that, until the fifth anniversary of the Closing, CAG will not 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 without the prior written consent of DaimlerChrysler. We expect that CAG and Mr. Priestner may be required to enter into similar agreements with certain of the other automobile manufacturers with whom we deal. See ''Plan of Distribution'' and ''Our Business — Automobile Dealership Franchise Agreements''.

**Exchange Rights:** The Exchangeable Units will be exchangeable for Units at any time on a one for one basis, subject to adjustment in certain events. In addition, subject to certain restrictions, CAG will be granted ''demand'' and ''piggy-back'' registration rights. See ''Retained Interest and Exchange Rights''. The Exchangeable Units may only be transferred in connection with the exchange of Exchangeable Units for Units.

**Over-Allotment Option:** We have granted the Underwriters the Over-Allotment Option to purchase, for a period of 30 days following Closing, up to 765,715 additional Units at the Offering Price to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised, the Underwriters will receive a fee of $0.60 per additional Unit purchased

pursuant to such option. If the Over-Allotment Option is exercised, we will use the additional proceeds received to subscribe for additional Trust Units. The Trust will, in turn, subscribe for additional LP Units. The Partnership will use the proceeds from subscription for additional LP Units to redeem Exchangeable Units held by CAG. See ''Plan of Distribution''.

**Distribution Policy:** We have adopted a policy to make monthly distributions of a substantial portion of our available cash to Unitholders of record as of the last business day of each month, which are expected to be paid to Unitholders on or about the 15th day of the following month.

Management expects the Fund's initial monthly distributions to be $0.0833 per Unit per month ($1.00 per Unit per annum). We intend to pay an initial cash distribution of $0.0564 per Unit on or about June 15, 2006 in respect of the period from Closing to May 31, 2006 (assuming Closing occurs on May 11, 2006). See ''Distribution Policy''.

**Governance:** Our business is operated by the Partnership, and each of our franchised automobile dealers are owned and operated by separate limited partnerships (''Dealer LPs''). AutoCanada GP, as general partner of the Partnership, and wholly owned subsidiaries of AutoCanada GP, as general partners of each of the Dealer LPs, will be entitled to make any and all decisions regarding the business and affairs of the Partnership and the Dealer LPs, respectively, subject to certain limitations set out under ''AutoCanada Income Fund — Exercise of Certain Voting Rights Attached to Securities of the Trust, the Partnership and AutoCanada GP''.

For so long as CAG and its related parties hold or control, directly or indirectly, Units representing at least 20% of the outstanding Units, on a fully-diluted basis, CAG will be entitled to nominate two of the five directors of AutoCanada GP, and for so long as CAG and its related parties hold or control, directly or indirectly, Units representing less than 20% but at least 10% of the outstanding Units, on a fully-diluted basis, CAG will be entitled to nominate one of the five directors of AutoCanada GP. See ''Trustees, Directors and Management''. 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.

**Change of Control:** Certain provisions of the Declaration of Trust require the prior written consent of DaimlerChrysler to any change in control of the Fund. 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 of the Fund and those votes are sufficient, if exercised, to elect a majority of the Trustees. We are also subject to other restrictions under our agreement with DaimlerChrysler. See ''Our Business — Automobile Dealership Franchise Agreements''. We expect that certain other automobile manufacturers with whom we deal may require similar restrictions.

**Income Tax Considerations:** Each Unitholder is required to include in computing its income for income tax purposes for a particular taxation year any amount that was paid or is payable, or deemed to be paid or payable, in that taxation year by the Fund to such Unitholder out of the Fund's income for income tax purposes. We estimate that the portion of a Unitholder's distributions that will be taxable in 2006 and 2007 is approximately 70% and 80%, respectively. Prospective purchasers should consult their tax advisors regarding the

income tax implications of an investment in the Units. See ''Certain Canadian Federal Income Tax Considerations''.

**Risk Factors:**

An investment in the Units is subject to a number of risks that you should carefully consider. Our income and cash distributions are not guaranteed and will be based indirectly upon the business operated by us, which is susceptible to a number of risks. These risks, and other risks associated with an investment in the Units, include risks relating to our business and the industry in which we operate and risks associated with our structure and the Offering.

Risks relating to our business and the industry in which we operate include risks relating to:

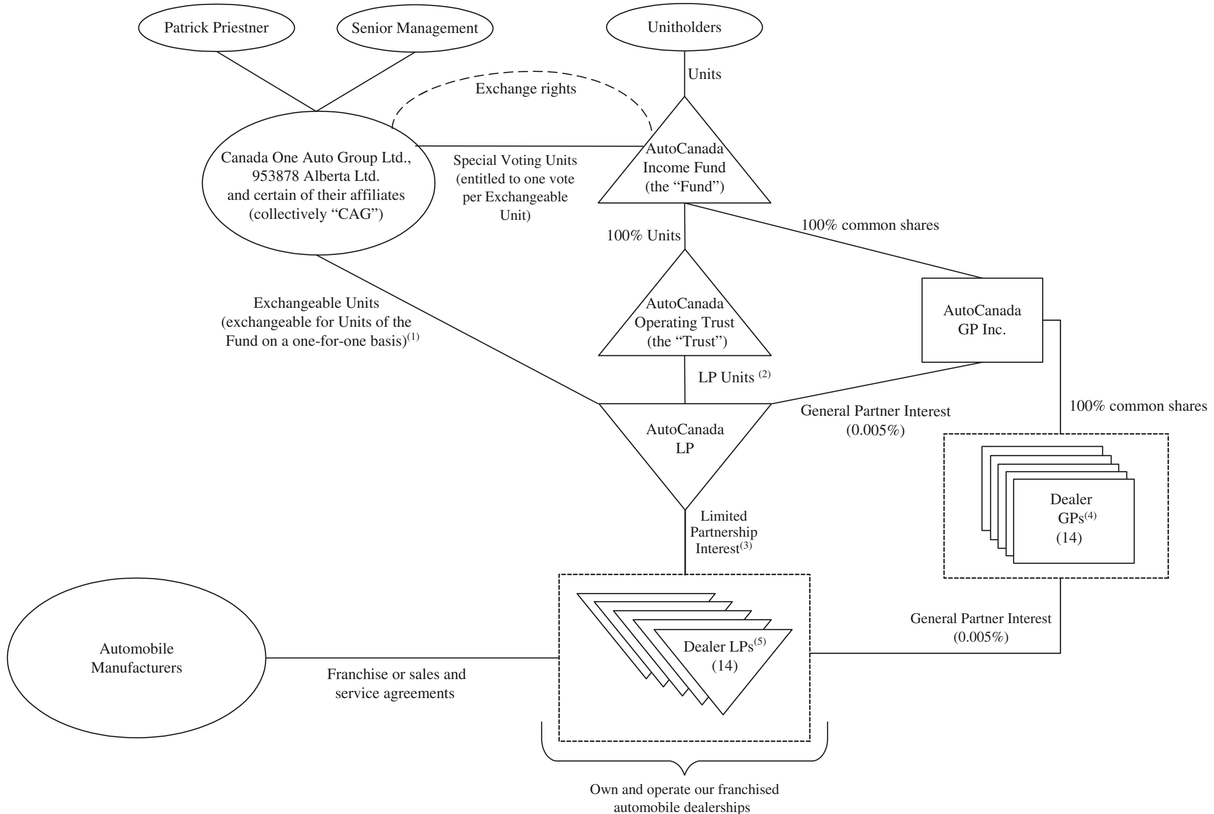
- the retail automotive industry, which includes risks relating to: overall consumer demand; substantial competition in vehicle sales and services; dependence upon vehicle sales; mix of new vehicles; interest rates; automobile manufacturer incentive programs; seasonality; and import product restrictions and foreign trade;
- our business, which includes risks relating to: the loss of key personnel and limited management and personnel resources; unfavourable 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 and the Offering include: dependence upon the Partnership to fund cash distributions; the fact that cash distributions are not guaranteed and will fluctuate with business performance; the fact that our distributions are discretionary; the nature of the Units; limited liability of Unitholders; absence of a prior public market; unpredictability and volatility of Unit prices; attributes of securities distributed on redemption of Units or termination of the Fund; dilution; new requirements as a public issuer; leverage and restrictive covenants; 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.

See ''Risk Factors''.

## Structure Following Closing

On Closing the Fund will own, indirectly through the Trust, an approximate 50.4% interest in the Partnership and each of the Dealer LPs (approximately 54.2% if the Over-Allotment Option is exercised in full) and CAG will own an approximate 49.6% interest in the Partnership and each of the Dealer LPs (approximately 45.8% if the Over-Allotment Option is exercised in full), through its ownership of Exchangeable Units. The following chart illustrates the structure of AutoCanada following Closing. See ''Funding and Related Transactions''.




Notes:

(1) Represents an approximate 49.6% interest in AutoCanada LP (approximately 45.8% assuming exercise in full of the Over-Allotment Option).

(2) Represents an approximate 50.4% interest in AutoCanada LP (approximately 54.2% assuming exercise in full of the Over-Allotment Option).

(3) Represents a 99.995% interest in most of the Dealer LPs, and an 84.995% interest in the other Dealer LPs that have dealership agreements with Hyundai, where the dealer principal of the dealership holds the remaining 15% interest.

(4) Each Dealer GP is the general partner of a Dealer LP with the exclusive authority to manage that Dealer LP. 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.

(5) Each Dealer LP is a limited partnership formed to own and operate a franchised automobile dealership.

## 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 *Canada Business Corporations Act* (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 ''Funding and Related Transactions'' and ''AutoCanada LP''. Initially, the Trust will hold LP Units and CAG will hold Exchangeable Units, representing an approximate 50.4% and 49.6% interest, respectively, in the Partnership (approximately 54.2% and 45.8%, respectively, if the Over-Allotment Option is exercised in full).

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 the Dealer LP.

For a description of the structure of the Fund before and after Closing and related transactions, see ''Funding and Related Transactions''.

## INDUSTRY OVERVIEW

### Overview

Canadians spend more on vehicles and related servicing than any other retail segment of the economy. According to Statistics Canada, the Canadian retail automotive industry generated sales of approximately $87 billion in 2005.

The franchised automobile dealership has been the critical link between the automobile manufacturer and the purchaser of a new vehicle since the early days of the automotive industry. The franchised automobile dealership remains the most practical way to:

- showcase and provide information about the vehicles produced by the automobile manufacturers;
- stock and display vehicles;
- permit customers to ''test drive'' vehicles;
- arrange financing for customers;
- facilitate the exchange of used vehicles when purchasing a new vehicle;
- stock and display parts inventory; and
- provide approved service and repair work under warranties offered by the automobile manufacturers.

Automobile manufacturers originally established franchised automobile dealership networks for the distribution of their vehicles. Originally, a franchise was awarded to an automobile dealer for a single location. In return for distribution rights within a specified territory, automobile manufacturers had significant influence over such matters as location, brand communication, brand image and approval of owners and dealer principals. While the restrictions imposed on franchised automobile dealers by automobile manufacturers have changed over time, the fundamental relationship continues today. Automobile manufacturers continue to rely on franchised automobile dealerships to distribute their product. Automobile manufacturers work together with dealers to assist the dealerships in executing

their business plans while at the same time ensuring that the manufacturers' respective brands are protected and enhanced.

Compared to many other retailing segments, automobile manufacturers provide significant support to their franchised automobile dealers. For example, manufacturers often bear the burden of dealer and customer incentives in order to clear aged inventory. The automobile manufacturers also generally pay market prices to their dealers for servicing vehicles under manufacturers' warranties. The manufacturers' captive finance companies often provide their dealers with low-cost financing for inventory purchases, thereby minimizing the dealer's direct cash investment into inventory. The manufacturers' captive finance companies also provide credit to consumers to finance or lease vehicle purchases.

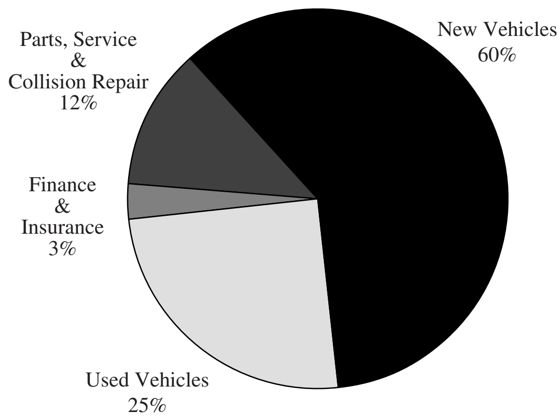
Automobile manufacturers provide incentives to the dealers or their customers that are intended to promote sales, foster customer satisfaction and support the performance of the manufacturer. These incentive programs are frequently modified during the course of a year in order to promote sales. Incentives provided to the dealers can include: volume rebates; favourable employee purchase plans; assistance with advertising costs; rebates on floor plan financing costs; and factory to dealer incentives. Incentives provided to vehicle purchasers include value pricing, such as free options and financing incentives through low interest rate financing or attractive lease terms.

Management believes that automobile manufacturers have increasingly accepted the formation of single businesses that own a number of franchised automobile dealerships, particularly in the United States. These businesses are known as ''multi-location automobile dealership groups''. Well managed and well capitalized multi-location automobile dealership groups are an important part of the automobile manufacturers' distribution system, as dealerships in these groups are generally able to sell a greater number of vehicles than a dealer with a single location.

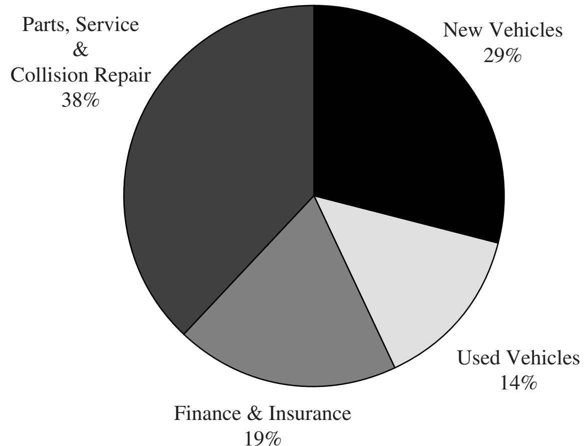
**Retail Automotive Industry Income Sources**

Franchised automobile dealers operate highly integrated businesses designed to meet a customer's needs throughout the vehicle lifecycle. Generally, most franchised automobile dealerships are built around four distinct but highly complementary business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. The following charts show the average revenue and gross profit mix of the six U.S. publicly traded multi-location automobile dealership groups in 2005.

**Revenue Mix (2005)**




**Gross Profit Mix (2005)**




Source: Company disclosure[1]

Note:

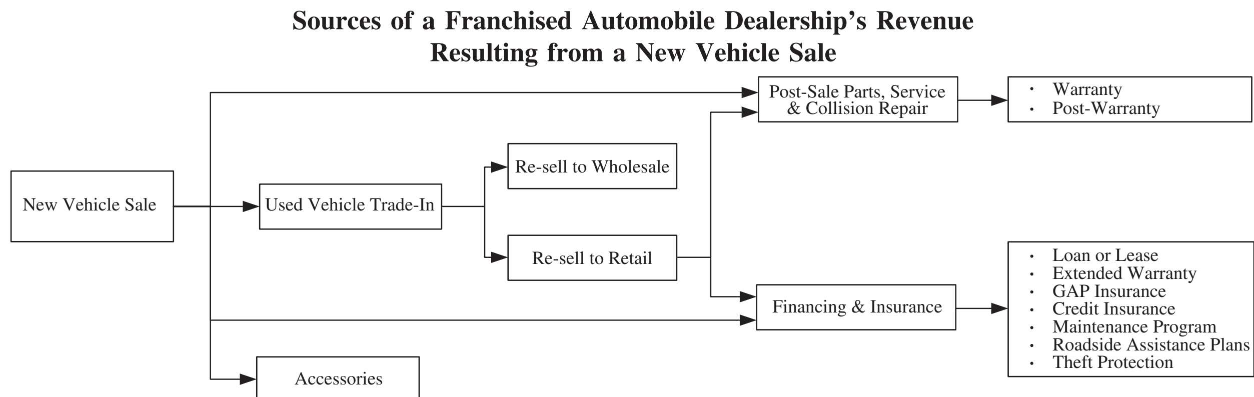
(1) Averages based on company disclosure of Asbury Automotive Group, Inc., AutoNation, Inc., Group 1 Automotive, Inc., Lithia Motors, Inc., Sonic Automotive, Inc. and United Auto Group, Inc.

*New Vehicle Sales*

In Canada, retail purchases of new vehicles can be made only from franchised automobile dealerships. New vehicle sales, which include retail lease transactions and other similar agreements, are a significant revenue source for dealerships. New vehicle inventory is acquired from automobile manufacturers, who allocate product to franchised automobile dealerships based primarily on historical sales volume and planned sales.

The volume of new vehicle sales that a franchised automobile dealership generates is a key factor in its long term financial success. In addition to the revenue from the sales transaction itself, new vehicle sales generally lead to finance and insurance revenue, often provide used vehicle inventory through trade-ins and ultimately provide a source of recurring parts, service and collision repair revenue and repeat customers. The following chart illustrates key potential revenue sources that can be generated from a new vehicle sale.

**Sources of a Franchised Automobile Dealership's Revenue Resulting from a New Vehicle Sale**

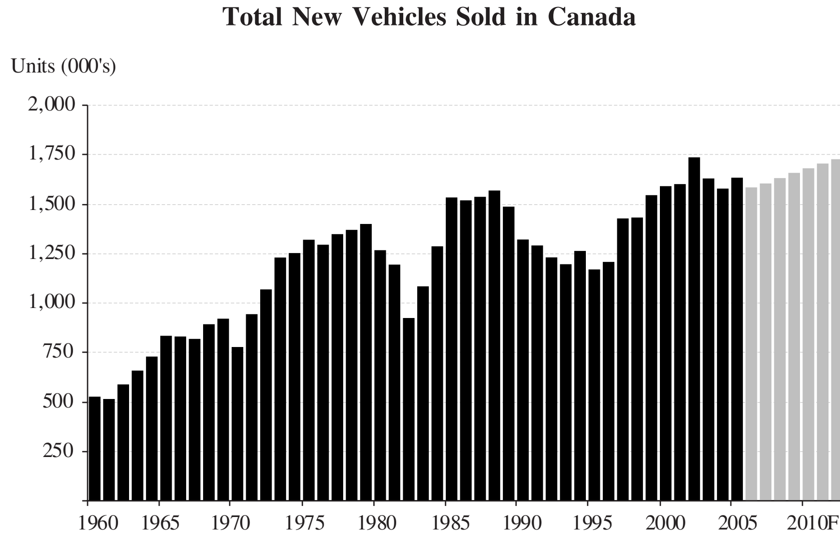



According to Statistics Canada, the number of new vehicles sold in Canada has grown from approximately 0.5 million in 1960 to just over 1.6 million in 2005, with sales consistently exceeding 1.5 million units since 1999. The number of new vehicles sold in Canada has risen steadily, driven by a number of factors including: population growth; an increase in vehicles owned on a per capita basis; and a decrease in product cycles as automobile manufacturers have increased the frequency of model changes.

Fleet sales have also contributed to industry growth. In 2005, fleet sales represented approximately 22% of all new vehicle registrations in Canada (source: Polk Report). Fleet sales have three major segments: (i) daily rental operators; (ii) commercial accounts; and (iii) government. Daily rental operators often resell their vehicles to the automobile manufacturers who in turn dispose of the vehicles through closed auctions restricted to franchised automobile dealers. These ''almost new'' vehicles generally do not impact the market for new vehicle sales.

The following chart shows the annual number of new vehicle sales in Canada since 1960 and projected growth in new vehicle sales over the next several years.

**Total New Vehicles Sold in Canada**




Source: Statistics Canada (historical data) and J.D. Power

Despite population growth, the number of franchised automobile dealerships in Canada has remained relatively unchanged since 1998. This has resulted in an increase in the average number of vehicles sold per automobile dealership. According to CADA, Canadian dealerships average approximately 450 new vehicle sales each year.

***Used Vehicle Sales***

Used vehicle sales typically generate higher gross margins than new vehicle sales and have become a significant source of profit for franchised automobile dealers.

Used vehicle inventory is typically obtained through auctions restricted to franchised automobile dealers (offering daily rental and fleet vehicles), customer trade-ins, off-lease vehicles and ''open'' auctions which offer vehicles sold by banks, finance companies and other dealers.

Management believes that franchised automobile dealerships have captured a growing percentage of used vehicle sales over the past several years. This trend has been driven by a number of factors, including:

- the financial benefits and convenience for customers using trade-ins to reduce the total taxable cost of new vehicle purchases;
- generally exclusive access to the ''almost new'' daily rental vehicles which the daily rental operators make available after approximately six months of use;
- increased lease activity for new vehicle sales, which provides a partially captive source of vehicles as the dealership that originated the lease has the first right, after the customer, to acquire the vehicle at the end of the lease; and
- the recent introduction of pre-owned certification programs (often including the continuation of the automobile manufacturer's original warranty) from automobile manufacturers that are offered exclusively through franchised automobile dealerships.

Used vehicle inventory that does not provide the opportunity for sufficient net contribution, lacks potential mechanical integrity (high mileage, excessive wear and tear, etc.) or is not considered a good fit for a franchised automobile dealership is usually wholesaled to independent third party brokers.

***Parts, Service and Collision Repair***

The parts, service and collision repair departments are an integral part of a franchised automobile dealership. Based on their operating history, management believes that these services represent a significant growth opportunity because of the increased technical complexity of vehicles which adversely affects the independent service shops'

ability to perform repair work and the growth in the number of vehicles on the road, in absolute terms and relative to the number of locations that service vehicles.

Additionally, the automobile manufacturers' franchise or sales and service agreements stipulate that most warranty work be performed exclusively at franchised automobile dealerships, as the automobile manufacturers want to ensure a level of service that will keep the overall brand experience under strict quality control. For the dealerships, this provides significant control over most service requirements during the defined warranty period, which can foster strong relationships with customers, in turn enabling the dealership to continue to perform these customers' service work after the original warranty has expired, promote future purchases of new vehicles and potentially add to used vehicle inventory.

Parts, service and collision repair operations provide a high level of predictable, recurring revenues and profit contribution for franchised automobile dealers. One of the most important financial measurements of a 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. The higher the absorption rate, the less reliant the dealer is on revenues from vehicle sales to offset overhead. An absorption rate of 100% would mean that the gross profits from parts, service and collision repair equals the total fixed operating costs of the dealership. According to figures compiled by CADA, the average absorption rate of a franchised automobile dealership in Canada was just over 70% in 2004, with fewer than 10% of dealerships generating an absorption rate of 90% or more. Excluding the dealerships we acquired in 2005, our absorption rate was approximately 95% in 2005.

The higher margin parts, service and collision repair operations tend to benefit from weaker economic conditions as consumers tend to retain their vehicles longer. In addition, the strong sales of new vehicles in recent years has provided a larger base of vehicles for future parts, service and collision repair revenue.

The number of vehicles in operation is a good indicator of parts, service and collision repair revenue trends. According to CADA, the number of vehicles in operation in Canada grew from approximately 17.1 million vehicles in 1999 to approximately 18.4 million vehicles in 2004. CADA estimates that in 2004, approximately 52% of vehicles then in operation were over eight years old.

### *Finance and Insurance*

Franchised automobile dealerships offer finance products on all new and used vehicle sales. These products are sold on behalf of third parties on an agency basis. For dealers, fees and commissions earned from these sales result in higher margins due to the low variable costs incurred in delivering the product, as the products are generally sold together with the sale of a vehicle purchase.

Franchised automobile dealers also generate significant revenue and profits through the sale of insurance products, including life, dismemberment and disability insurance, and other products such as extended warranty protection. The low marginal cost to the dealers in originating these sales allows the dealers to deliver very competitive pricing, while still earning significant commissions. This competitive pricing is enhanced further as larger dealer groups have demonstrated their ability to negotiate even better financial arrangements with suppliers.

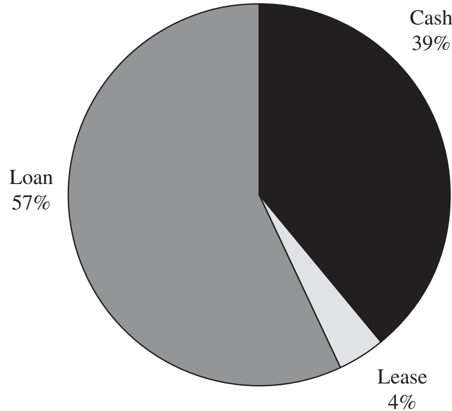
In 2004, 88% of new vehicle purchases were financed by either a lease or a loan (source: CADA). Automobile manufacturers' captive finance companies and third party lenders offer wholesale lending rates to franchised automobile dealers that direct a high volume of customers to them and, as a consequence, the automobile dealers are able to offer loans at a competitive retail rate while earning a profit. According to AutoExec Magazine, vehicle financing accounts for approximately 63% of finance and insurance gross profit, with the balance in aftermarket products where the franchised automobile dealer earns a straight commission or the products are sold on a profit basis.

## Financing of Vehicle Purchases

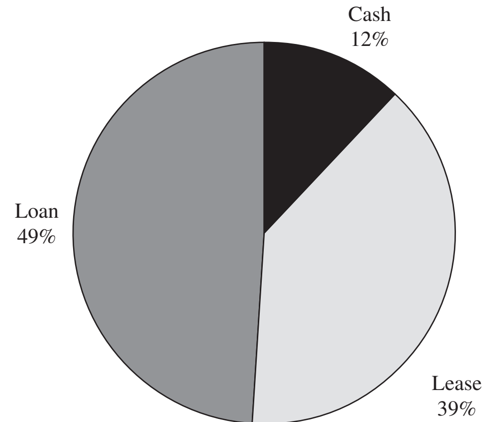
Most vehicle purchases are financed by instalment sale or lease purchase agreements. Financing is provided to the customer by the automobile manufacturers' captive finance companies, banks and other speciality lenders. The automobile manufacturers provide this financing to promote the sale of their vehicles and to establish a closer relationship with their customers; these customers represent an important marketing source for both the automobile manufacturers and the franchised automobile dealers. Due to their shorter terms, new vehicle leases generally cause customers to return to the new vehicle market more frequently than in the case of purchased vehicles.

As shown in the charts below, over the last 15 years, customers have increasingly leased or financed their new vehicle purchases, which has increased the finance and insurance revenues of franchised automobile dealers.

**New Light Vehicle Finance Market (1990)**




**New Light Vehicle Finance Market (2004)**




Source: CADA

**Market Size and Ownership**

The Canadian franchised automobile dealership industry is a mature industry, with approximately 3,500 dealerships. The large automobile manufacturers are represented in most major geographic regions of the country. The following table shows the number of new vehicles sold in Canada by the ten largest automobile manufacturers (and by AutoCanada) and the average sales by their respective franchised automobile dealerships in the 12 month period ended September 30, 2005.

**New Vehicle Sales per Top 10 Automobile Manufacturers**

(for the 12 month period ended September 30, 2005)

| | Franchised Automobile Dealership Count[(1)] | Total New Vehicles Sold | New Vehicle Sales per Franchised Automobile Dealership |
|---|---|---|---|
| **General Motors** | 765 | 454,538 | 594 |
| **DaimlerChrysler** | 473 | 217,487 | 460 |
| **Ford** | 470 | 213,659 | 455 |
| **Toyota** | 234 | 164,883 | 705 |
| **Honda** | 212 | 127,421 | 601 |
| **Mazda** | 159 | 77,144 | 485 |
| **Nissan** | 146 | 66,911 | 458 |
| **Hyundai** | 159 | 63,787 | 401 |
| **Volkswagen** | 136 | 31,119 | 229 |
| **Kia** | 150 | 28,442 | 190 |
| **AutoCanada**[(2)] | 14 | 11,233 | 802 |

Source: CADA

Notes:

(1) Count as at November, 2005.

(2) AutoCanada's sales are comprised of sales of DaimlerChrysler, Hyundai and Subaru vehicles. DaimlerChrysler vehicles represented approximately 95% of these sales. Sales are for the 12 months ended December 31, 2005 and include pro forma numbers for Colombo and Maple Ridge which we acquired on December 1, 2005 and 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.

According to CADA, 69% of the owners of franchised automobile dealerships in Canada own a single franchise. Many of these dealerships are owned and operated by second and third generations of the founding owner.

We expect that the consolidation of the retail automotive industry in Canada will continue as the owners of many automobile dealerships are approaching retirement age without clear succession plans and are likely to seek opportunities to monetize their investment in these businesses.

**Relationship between Automobile Manufacturers and Franchised Automobile Dealerships**

A franchised automobile dealership operates pursuant to a dealership agreement between the applicable automobile manufacturer and the franchised automobile dealership. A typical dealership agreement is for an indefinite term or for 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. Each agreement specifies the location at which the franchised automobile dealer has both the right and obligation to sell vehicles and related parts and products and specifies the services that the dealership can perform. Generally, while the dealership agreements do not permit the dealer to market its vehicles outside of its designated territory, the agreements do not prohibit the automobile manufacturer from franchising another automobile dealership within the designated territory (subject to the provisions regarding the establishment of new or relocated franchised automobile dealerships as provided for in the NADAP Rules referred to below). While the agreements do not provide exclusivity in an area, automobile manufacturers carefully plan the number of franchised automobile dealerships that a market can support.

Dealership agreements require the franchised automobile dealer to obtain the approval of the automobile manufacturer with respect to a number of matters, including the individual appointed by the franchised automobile dealer as the dealer principal and a change of control or ownership of the franchised automobile dealer and, in the case of Hyundai, of the individuals appointed as directors of the general partners of the Dealer LPs operating under dealership agreements with it. The agreements also permit the automobile manufacturer to terminate the agreement in the event of the insolvency or bankruptcy of the franchised automobile dealer, any material breach of other provisions of the dealership agreement and in certain other circumstances. These agreements also typically impose requirements on the dealer concerning such matters as: maintenance of minimum net working capital; inventories of vehicles and parts; showrooms, facilities and equipment for servicing vehicles; and the training of personnel. The dealer is typically entitled to terminate the dealership agreement at any time without cause on minimal notice.

Franchised automobile dealers acquire their new vehicle inventory directly from the automobile manufacturer with which they have a dealership agreement. New vehicles are financed by way of floor plan facilities, which are offered by automobile manufacturers' captive finance companies, banks and other speciality lenders. These floor plan facilities ordinarily finance 100% of the cost of the vehicles from the automobile manufacturer, plus the applicable goods and services tax.

Automobile manufacturers carefully monitor customers' satisfaction levels with their franchised automobile dealers through proprietary systems and procedures. While each program is individually administered and monitored (for example, DaimlerChrysler's ''Five Star Program''), manufacturers also use industry measurements such as the Customer Satisfaction Index, the Sales Satisfaction Index and the Fixed First Visit. Satisfaction index scores are an important measurement in the automobile manufacturers' periodic evaluation of franchised automobile dealerships operations and are a factor in evaluating applications for additional dealerships and other matters. Continued failure of a dealer to meet the applicable standard imposed by the automobile manufacturer permits the automobile manufacturer to terminate the agreement.

The relationship between automobile manufacturers and most franchised automobile dealers in Canada (including each of our franchised automobile dealers) is also governed by the National Automobile Dealer Arbitration Program (''NADAP''). NADAP is a program organized by the Canadian Vehicle Manufacturer's Association, the Association of International Automobile Manufacturers of Canada and CADA that provides rules (the ''NADAP Rules'') for dispute resolution between the automobile manufacturers and the franchised automobile dealers in Canada. The NADAP Rules are separate from the dealership agreement between the automobile manufacturer and the franchised automobile dealers. Therefore, the automobile manufacturers and dealers must agree to be bound by the NADAP Rules. According to the Canadian Vehicle Manufacturer's Association website, more than 90% of Canada's franchised automobile dealers participate with their automobile manufacturers in NADAP.

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 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 both metropolitan areas and non-metropolitan areas. For example, in metropolitan areas, an existing franchised automobile dealer can challenge any such proposal within an eight kilometre radius of its location.

NADAP was established in 1997 for an initial five year term. The existing NADAP Rules were adopted in 2002 for a five year term. We anticipate that the program will be renewed in 2006, as the second five year term of the program is set to expire.

### The Multi-Location Automobile Dealership Model

While each franchised automobile dealership operates under a unique franchise or sales and service agreement between the automobile manufacturer and the franchised automobile dealer, there has been an increase in the number of owners that own and operate dealerships at multiple locations, known as the ''multi-location automobile dealership model''. The multi-location automobile dealership model offers several competitive advantages, which include the ability to:

- capitalize upon economies of scale, resulting in lower per unit prices for insurance, advertising, benefit plans, management information systems and other fixed and variable costs of operations;
- benefit from increased finance and insurance commission rates due to volumes;
- provide stronger management than a single dealership, thereby presenting the automobile manufacturer with an avenue for greater sales of its vehicles and stability than through the single dealership;
- capitalize upon acquisition opportunities as a result of greater access to capital, experienced management, existing management information systems and greater prominence in the industry;
- share and apply best practices and market intelligence across all its franchised automobile dealers; and
- diversify the business both by geography and brand.

The ability to attract and retain professional management is a distinct advantage of the multi-location automobile dealership model. Multi-location automobile dealership operators with sufficient scale are able to employ skilled professionals to focus within the four inter-related business operations (new vehicle sales, used vehicle sales, parts, service and collision repair and finance and insurance) and to provide support to dealer principals and their staff at each location. Economies of scale and knowledge, including sharing of best practices and understanding national trends, are utilized to ensure that each aspect of the dealership operates at levels that might otherwise be hard to achieve without the benefits of the multi-location automobile dealership model.

### Comparison with the U.S. Retail Automotive Industry

The retail automotive industry in the United States is significantly larger than that of Canada, with over 21,500 franchised automobile dealerships generating total sales in 2004 of US$714 billion and with average sales per dealership of approximately 750 vehicles. While the Canadian retail automotive industry shares much in common with the industry in the United States, including the manner in which it has been developed, structured and governed by automobile manufacturers, there are features that distinguish the Canadian industry from that of the United States. These differences are primarily reflected in the prevalence of publicly traded franchised automobile dealership groups, the penetration of the multi-location automobile dealership model and the sales mix of vehicles sold.

#### *Publicly Traded Franchised Automobile Dealerships and the Multi-Location Automobile Dealership Model*

The multi-location automobile dealership model is still at a relatively early stage in Canada as compared to the United States. Management believes that the Fund, with 14 franchised automobile dealerships and approximately 19,000 new and used vehicles sold in 2005, is one of the largest franchised automobile dealership groups in Canada. By comparison, according to WARD's DealerBusiness, 94 of the top 100 largest multi-location automobile dealership groups in the United States are private companies that have on average 13 franchised automobile dealerships.

The consolidation of the U.S. retail automotive industry increased substantially in the latter half of the 1990s as a number of sizeable franchised automobile dealerships or groups of dealerships accessed the public equity markets in order to execute a growth through acquisition strategy. As shown in the table below, most of these companies have significantly increased their number of dealerships and total vehicles sold since their initial public offerings.

| | At time of IPO | | | As at December 31, 2005 | | CAGR[(1)] | |
|---|---|---|---|---|---|---|---|
| | Year of IPO | Number of Dealerships | Retail Vehicles Sold | Number of Dealerships | Retail Vehicles Sold | Number of Dealerships | Retail Vehicles Sold |
| AutoNation, Inc.[(2)] | 1996 | 19 | n/a | 269 | 627,011 | 34.2% | n/a |
| Lithia Motors, Inc. | 1996 | 8 | 7,859 | 94 | 103,333 | 31.5% | 29.4% |
| United Auto Group, Inc. | 1996 | 20 | 59,418 | 172 | 259,594 | 26.0% | 15.9% |
| Group 1 Automotive, Inc. | 1997 | 30 | 38,598 | 95 | 194,394 | 14.9% | 19.7% |
| Sonic Automotive, Inc. | 1997 | 23 | 37,681 | 151 | 212,149 | 26.2% | 21.2% |
| Asbury Automotive Group, Inc. | 2002 | 91 | 166,848 | 90 | 166,136 | –0.3% | –0.1% |

Source: Company disclosure

Notes:
(1) Compound annual growth rate from date of IPO to December 31, 2005.
(2) Year of IPO represents the initial year of reported auto retailing revenue by a predecessor to AutoNation, Inc. The predecessor did not publicly disclose retail vehicles sold.

### *Consumer Preferences*

Consumers in the United States are more likely to purchase large vehicles and luxury vehicles than are Canadians, who are more likely to purchase minivans and smaller vehicles such as subcompact and compact automobiles. Differences in consumer preferences result from a number of factors, such as geographic and climate, as well as taxes on both vehicles and gasoline.

The table below shows the differences in consumer purchases of vehicles in Canada and the United States for 2003.

**Consumer Vehicle Purchases — Canada and the United States (2003)**

| | Canada | U.S. |
|---|---|---|
| **Passenger Automobiles** | | |
| Subcompact | 7.9% | 3.1% |
| Compact | 46.7% | 26.8% |
| Sport | 4.0% | 5.7% |
| Intermediate | 33.0% | 46.5% |
| Luxury | 4.7% | 8.7% |
| Luxury High | 3.0% | 7.0% |
| Luxury Sport | 0.7% | 2.2% |
| **Total** | 100% | 100% |

| | Canada | U.S. |
|---|---|---|
| **Minivans, Light Trucks and SUVs** | | |
| Small pickup | 4.1% | 7.7% |
| Compact Sport Utility | 15.2% | 13.6% |
| Minivan | 30.4% | 13.1% |
| Intermediate Sport Utility | 13.7% | 18.1% |
| Large Pickup | 27.1% | 27.1% |
| Large Van | 3.4% | 3.9% |
| Large Sport Utility | 3.3% | 12.2% |
| Luxury Sport Utility | 2.8% | 4.3% |
| **Total** | 100% | 100% |

Source: DesRosiers

While there are differences between the Canadian and U.S. markets within the categories of passenger automobiles and minivans, light trucks and SUVs, the mix of these sales is similar. Minivan, light truck and SUV sales represent approximately half of all vehicles sold in North America.

The sales mix between passenger automobiles and minivans, light trucks and SUVs differs regionally within both Canada and the United States. The following table illustrates the differences, by province in Canada, based on 2005 light vehicle sales.

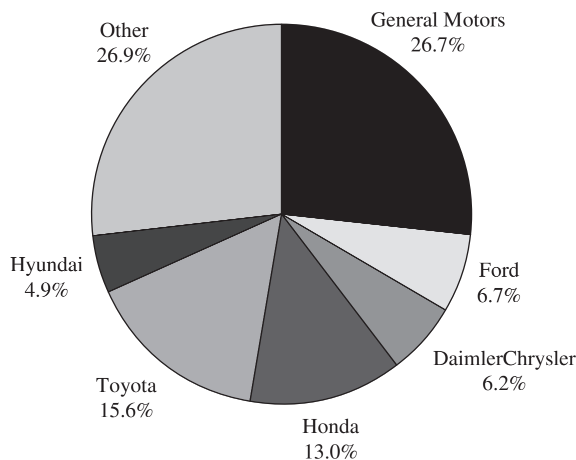
**Provincial New Light Vehicle Sales Mix by Type**
(for the 12 month period ended September 30, 2005)

| Province | Passenger Automobiles | | Minivans, Light Trucks and SUVs | | Total |
|---|---|---|---|---|---|
| British Columbia | 93,421 | 51% | 89,486 | 49% | 182,907 |
| Alberta | 80,035 | 38% | 131,710 | 62% | 211,745 |
| Saskatchewan | 14,434 | 37% | 24,346 | 63% | 38,780 |
| Manitoba | 20,497 | 46% | 24,260 | 54% | 44,757 |
| Ontario | 311,671 | 52% | 286,219 | 48% | 597,890 |
| Quebec | 261,649 | 66% | 135,406 | 34% | 397,055 |
| New Brunswick | 18,590 | 56% | 14,666 | 44% | 33,256 |
| Nova Scotia | 26,473 | 58% | 18,991 | 42% | 45,464 |
| Prince Edward Island | 2,933 | 59% | 2,050 | 41% | 4,983 |
| Newfoundland | 13,373 | 55% | 10,838 | 45% | 24,211 |
| **Total** | 843,076 | 53% | 737,972 | 47% | 1,581,048 |

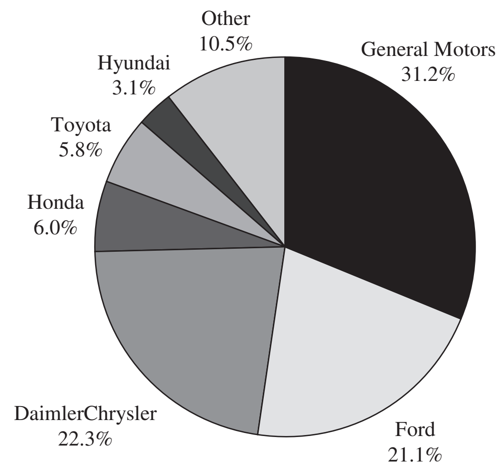
Source: CADA

As shown in the charts below, General Motors, Ford and DaimlerChrysler represent approximately 40% of the Canadian passenger automobile market, but over 70% of the minivan, light truck and SUV market. As a consequence, these manufacturers have a stronger market presence in those regions in which minivans, light trucks and SUVs are more popular.

**Canadian Passenger Automobile Market Share by Manufacturer (2005)**




**Canadian Minivan, Light Truck and SUV Market Share by Manufacturer (2005)**



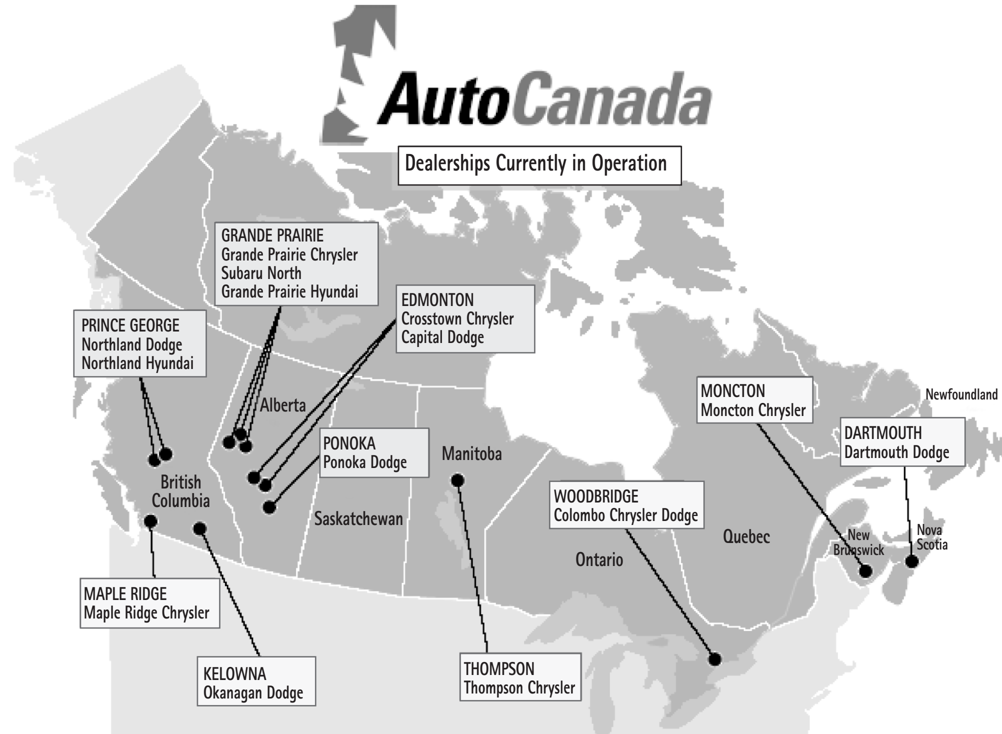

Source: The Globe and Mail

## OUR BUSINESS

### Overview

We are one of Canada's largest multi-location automobile dealership groups, with 14 franchised dealerships in six provinces. In 2005, the franchised automobile dealerships we now own sold approximately 19,000 vehicles and processed approximately 204,000 service and collision repair orders in our 223 service bays. We intend to continue to grow principally through the acquisition of additional franchised automobile dealerships and by opening new franchised automobile dealerships.

The following map shows the locations of our franchised automobile dealerships at the end of 2005.

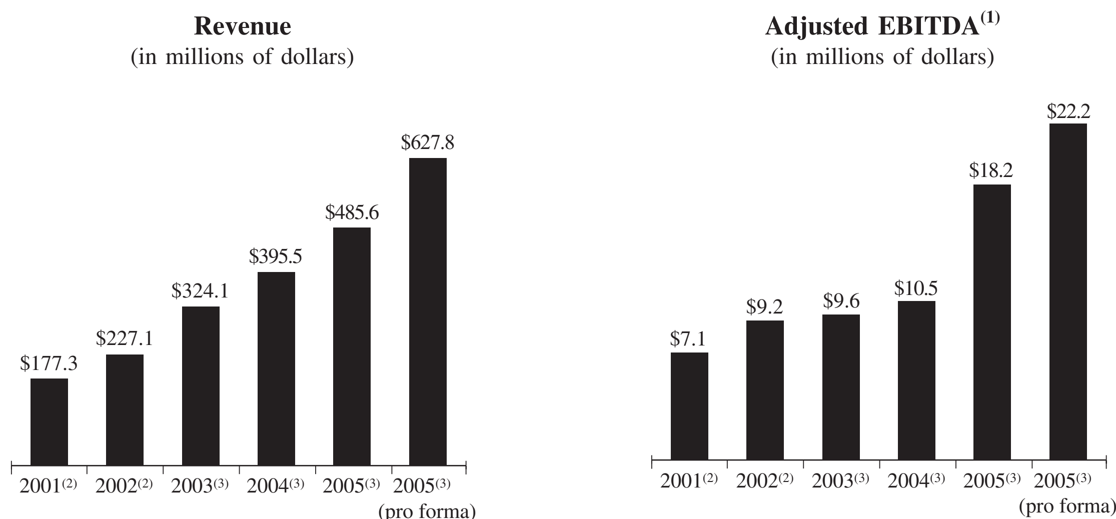



Our founder and Chief Executive Officer, Patrick Priestner, has been directly involved in the retail automotive industry since 1974. He was one of the founders of a predecessor to CAG when, in 1993, it purchased a franchised automobile dealership in Edmonton, Alberta that had been in business since 1952. 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.

We currently sell new vehicles manufactured by DaimlerChrysler (under the brand names ''Chrysler'', ''Jeep'' and ''Dodge''), Hyundai and Subaru. Vehicles manufactured by DaimlerChrysler represented approximately 95% of our total new vehicle sales in 2005. 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 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 2001.




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 ''About This Prospectus — Non-GAAP Measures''.

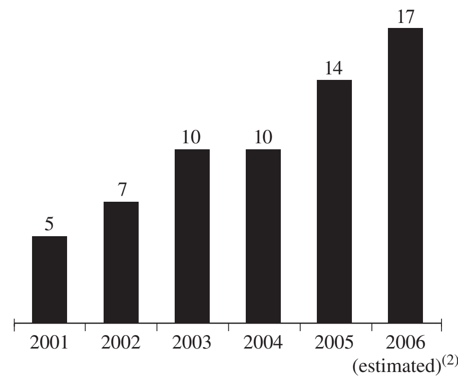
(2) Revenue and Adjusted EBITDA information for our fiscal years prior to our fiscal year ended December 31, 2003 is based upon management calculations derived from the unaudited combined financial statements of CAG for those years.

(3) Revenue information for our fiscal years ended December 31, 2003, 2004 and 2005 is derived from the audited combined financial statements of CAG contained elsewhere in this prospectus. Adjusted EBITDA for these years has been determined in the manner referred to in Note 1. Pro forma revenue and Adjusted EBITDA information for 2005 has been determined on the basis that we owned and operated Colombo and Maple Ridge (which we acquired in 2005) for all of 2005. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information''.

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.

Since 2001, we have grown by acquiring and successfully integrating the operations of eight existing franchised automobile dealerships. We also focus on organic growth. See ''Our Growth Strategy — Organic Growth''. In addition, on April 20, 2005, we opened our Grande Prairie Hyundai dealership, the first of five new dealerships which we have recently been awarded by various automobile manufacturers.

**Number of CAG Franchised Automobile Dealerships at Year End(1)**




Notes:

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

(2) 2006 (estimated) includes three new franchised automobile dealerships that we expect to open in the summer and fall of 2006 and does not include dealerships we may purchase. We also expect to open another new franchised automobile dealership in 2007.

Five of our dealerships were named to DaimlerChrysler's 2005 President's Club, which recognizes the top 25 DaimlerChrysler dealerships in Canada by volume of new vehicle sales.

## Our Strengths

We believe our principal competitive strengths, which will 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. For example, 58% of our new vehicle sales mix is minivans, light trucks and SUVs, which is considerably higher than the national

average of only 47% of new vehicle sales in these categories, but reflects consumer preferences in the regional markets in which we operate.

According to The Polk Report, sales of Dodge, Jeep and Chrysler vehicles represented 13.3% of total new vehicle sales in Canada in 2005.

As the following table illustrates, in all of the markets in which we own a DaimlerChrysler franchised automobile dealer, the local market share of new Dodge, Jeep and Chrysler vehicle sales exceeded the national average in 2005.

| | Local Market Share of Dodge, Jeep and Chrysler Vehicles (by new vehicle registrations) in 2005 | |
|---|---|---|
| **Market** | **Percentage of market share** | **Percentage point difference from Canadian market share of 13.3%** |
| Edmonton, Alberta | 15.7% | +2.4% |
| Grande Prairie, Alberta | 23.4% | +10.1% |
| Ponoka, Alberta | 26.9% | +13.6% |
| Maple Ridge, British Columbia | 22.3% | +9.0% |
| Okanagan, British Columbia | 13.4% | +0.1% |
| Prince George, British Columbia | 22.4% | +9.1% |
| Thompson, Manitoba | 23.2% | +9.9% |
| Woodbridge (Toronto West), Ontario | 19.4% | +6.1% |
| Moncton, New Brunswick | 14.1% | +0.8% |
| Halifax, Nova Scotia | 17.6% | +4.3% |

Source: Polk Report

### *Integration of Acquisitions and Improvement of Business Performance*

Since 2001, we have acquired and successfully integrated eight franchised automobile dealerships and opened one Open Point. 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. For the five acquisitions we completed in 2002 and 2003, we have increased the total gross profits by approximately 82% from the year preceding the acquisition to our 2005 fiscal year end. 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 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 the rights to open five new franchised automobile dealerships that have been awarded to us. 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 2005 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 2005, the average absorption rate of our dealers, excluding the dealerships we acquired in 2005, was approximately

95%. By comparison, according to CADA, fewer than 10% of all franchised automobile dealers in Canada achieved an absorption rate of 90% or more in 2004.

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 (Bob) 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. Our nine senior executives, who average 19 years of automotive industry experience, have full oversight of the operations of our franchised automobile dealerships. A number of our senior executives gained their automotive experience in senior positions with DaimlerChrysler. See ''Trustees, Directors and Management — 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 49.6% interest in our business. At Closing, Mr. Priestner has an ownership interest in our business of 37.2%; Mr. Clark has an ownership interest of 3.7%; and our other senior management has an ownership interest of 8.7% (in all cases on a fully-diluted basis excluding options granted at Closing). 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 the Fund.

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 (including the right to purchase Units at the issue price at Closing) to our senior management and others. At Closing, we expect our compensation committee to approve the grant of options to purchase a total of 759,638 Units (equivalent to 3.75% of the outstanding Units and Exchangeable Units in aggregate) to members of our senior management team (other than Mr. Priestner), trustees, directors and certain dealer principals. See ''Executive Compensation — AutoCanada 2006 Incentive Unit Option Plan''.

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. See ''Executive Compensation — Dealer Principal Compensation Arrangements''. The compensation of department managers and salespeople is similarly based upon departmental profitability and individual performance, respectively. Approximately 88% of the compensation earned by our dealer principals and sales force in 2005 was earned through performance-based bonuses and commissions.

## 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 will also continue to seek opportunities to open 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 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 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 acquisition opportunities in both our existing markets as well as markets where we do not currently own dealerships. By acquiring 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 entered into a non-binding letter of intent to acquire a Ford Motor Company of Canada, Ltd. (‘‘Ford’’) franchised automobile dealership located in Western Canada. Completion of this acquisition is subject to a number of conditions including the completion of our satisfactory due diligence inquiries and approval by Ford of the acquisition and other matters.

We have been able to acquire franchised automobile dealerships at prices ranging from book value to four times EBITDA. The price depends upon a number of factors, including the performance of the dealership and our assessment of our ability to increase gross profits and net income from the acquired dealership.

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 and the ability to participate in initiatives developed by our Business Development Centre.

The following table summarizes the improvements in gross profits that we have been able to achieve after completing an acquisition.

| Year of Acquisition | Name of Dealer | Gross Profit: In Year Preceding Acquisition | Gross Profit: In 2005 | Gross Profit: Increase |
|---|---|---|---|---|
| | | (in thousands of dollars) | | |
| 2002 | Northland Dodge | 3,912 | 11,957 | 206% |
| 2002 | Dartmouth Dodge[1] | 3,344 | 5,404 | 62% |
| 2003 | Capital Dodge | 7,818 | 10,818 | 38% |
| 2003 | Thompson Chrysler | 1,193 | 2,246 | 88% |
| 2003 | Okanagan Dodge | 2,721 | 4,209 | 55% |
| **Total** | | 18,988 | 34,634 | 82% |

Note:

(1) We have owned 50% of Dartmouth Dodge since 2002 and we purchased the remaining 50% in February, 2006.

### *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 2001 to 2005.

| | Same Store Growth Summary[1] Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2005 Compared to 2004 | 2004 Compared to 2003 | 2003 Compared to 2002 | 2002 Compared to 2001 | 2001 Compared to 2000 |
| **Revenue** | | | | | |
| New Vehicles | 15.2% | 11.7% | (4.5)% | (1.6)% | 1.2% |
| Used Vehicles | 12.9% | 5.9% | 3.4% | 8.6% | 2.4% |
| Finance and Insurance | 29.5% | 10.0% | 3.9% | 8.4% | (3.7)% |
| Parts, Service and Collision Repair | 4.7% | 4.8% | 13.3% | 9.5% | 9.4% |
| **Total** | **13.8%** | **9.1%** | **0.1%** | **2.6%** | **2.1%** |
| **Gross Profit** | | | | | |
| New Vehicles | 19.0% | 13.5% | (9.0)% | 1.6% | 18.9% |
| Used Vehicles | 33.2% | 4.0% | 9.5% | 17.7% | 9.0% |
| Finance and Insurance | 34.9% | 11.6% | (0.7)% | 6.5% | (5.1)% |
| Parts, Service and Collision Repair | 17.2% | 2.2% | 8.9% | 18.1% | 11.2% |
| **Total** | **24.4%** | **7.5%** | **2.1%** | **10.3%** | **7.7%** |
| **Number of Dealerships Included** | **9** | **6** | **5** | **4** | **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 automobile manufacturers.

In June, 2002 Hyundai awarded us the right to open a new Hyundai franchised automobile dealership in Grande Prairie, Alberta. This dealership opened on April 20, 2005. For the approximate eight months it was open in 2005, it sold 402 new vehicles and generated Adjusted EBITDA of $1.1 million.

We have entered into letters of intent with Hyundai and two other automobile manufacturers for four new Open Points, each of which is to be located in a major metropolitan market in Western Canada. We expect to open three of these Open Points by the fall of 2006 and the fourth by the summer of 2007. Based on our experience with how long it takes new franchised automobile dealerships in similarly populated locations and with identical brands to become fully performing, we expect the sustainable new vehicle sales from these Open Points to total approximately 4,200 per year by the time that they have been operating for three years. By way of comparison, we sold 9,195 new vehicles in 2005 on a pro forma basis. We are also in active dialogue with certain automobile manufacturers about potential additional Open Points.

The time at which these Open Points will actually open is dependent upon a number of factors including: 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 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 14 franchised automobile dealerships 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 six dealerships in Alberta, 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 six of our 14 franchised automobile dealerships 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 will 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.

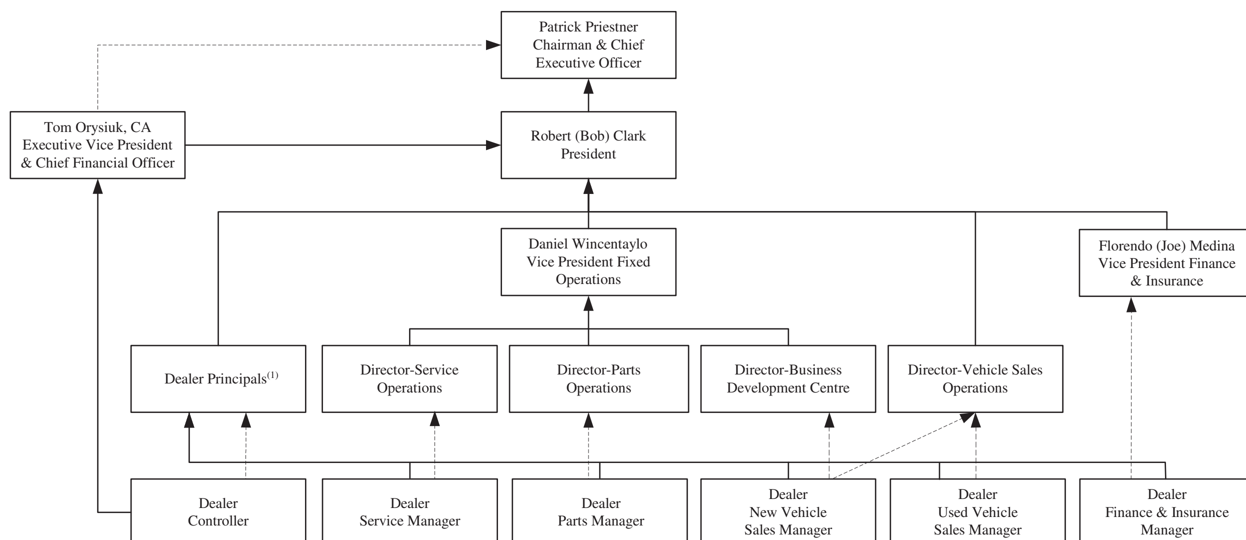
- *Inventory Management* — Operating a number of franchised automobile dealerships allows us to share market information and quickly identify any changes in consumer buying patterns.

- *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.

The following chart illustrates our organizational structure and the relationships between our dealer principals, including their key managers, and the head office group.



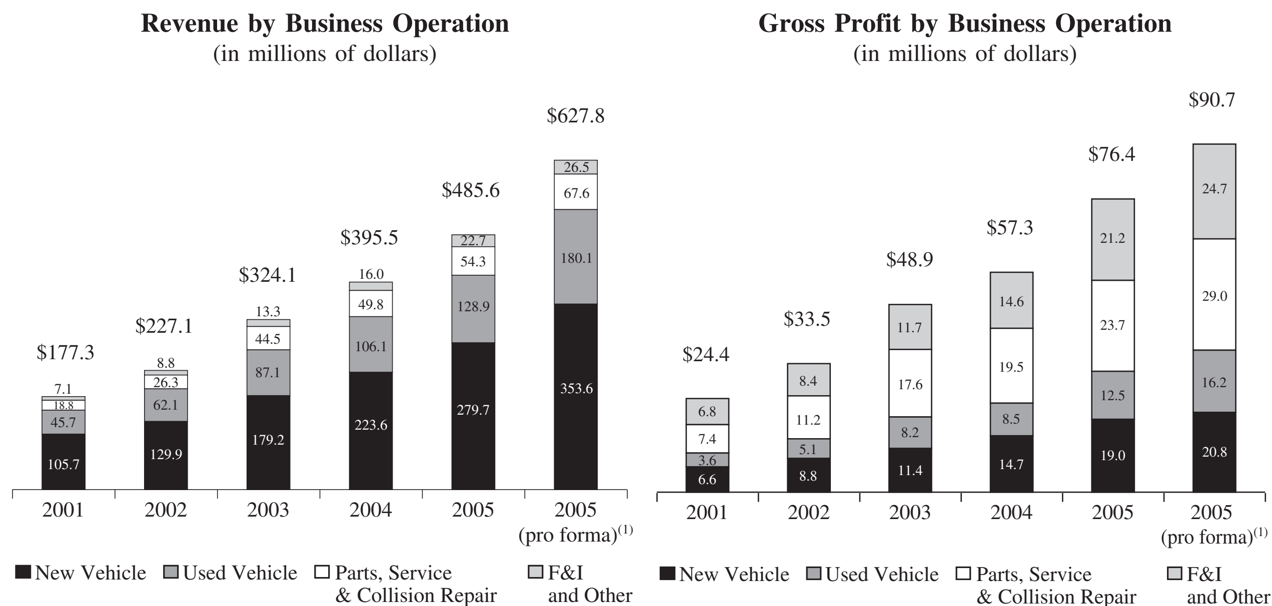

Note:

(1) Each franchised automobile dealership location has a Dealer Principal, to which a Dealer Service Manager, Dealer Parts Manager, Dealer New Vehicle Sales Manager, Dealer Used Vehicle Sales Manager and Dealer Finance and Insurance Manager report. Each Dealer Principal at a franchised automobile dealership must be approved by the automobile manufacturer. The Dealer Controllers at each of our dealerships report directly to the head office finance group.

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 will 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 2001.




Note:

(1) Pro forma revenue and gross profit information for 2005 has been determined on the basis that we owned and operated Colombo and Maple Ridge (which we acquired in 2005) for all of 2005. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information''.

*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:

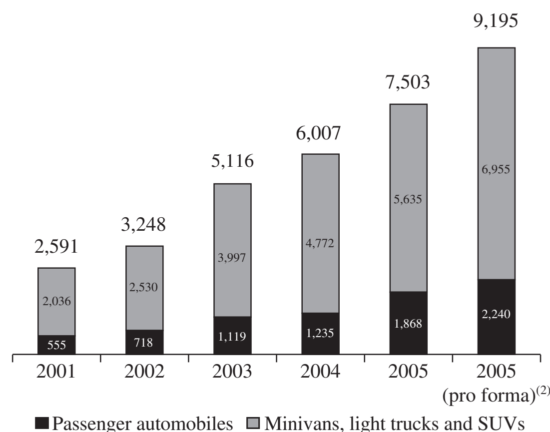
- resale of any trade-in vehicle purchased by the dealer;
- sale of third party finance or lease transactions and vehicle service and insurance contracts in connection with the retail sale; and
- service and repair of the vehicle during and after the warranty period.

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 2005, only 1.3% 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.

(2) Pro forma retail new vehicle sales information for 2005 has been determined on the basis that we owned and operated Colombo and Maple Ridge (which we acquired in 2005) for the whole of 2005. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information''.

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.

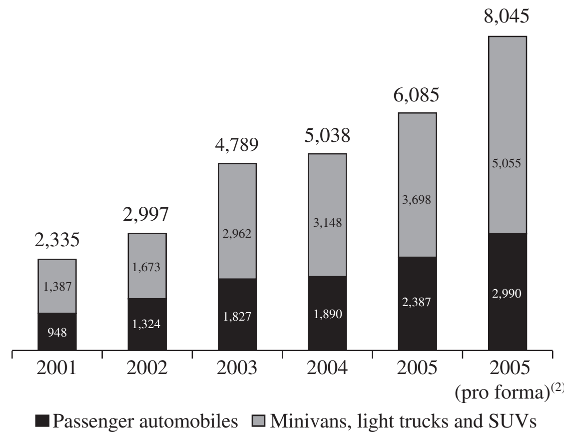
In 2005, our ratio of retail used vehicle sales to retail new vehicle sales was approximately 0.9 to 1, substantially higher than the 2005 industry average of 0.6 to 1 (source: CADA). We intend to maintain our ratio by maintaining a high quality inventory of used vehicles, providing competitive prices 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.

(2) Pro forma retail used vehicle sales information for 2005 has been determined on the basis that we owned and operated Colombo and Maple Ridge (which we acquired in 2005) for the whole of 2005. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information''.

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 either sold to an outside dealer or offered at auction. During 2005, approximately 60% of our used vehicle sales were made to retail buyers. 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 11.2% of our total revenues and 31.0% of our total gross profits in 2005. 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 just over 70% in 2004, with fewer than 10% of dealerships generating an absorption rate of 90% or more. In 2005, the average absorption rate of our dealerships, excluding the dealerships we acquired in 2005, was approximately 95%.

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 approximately 78% of the retail vehicles we sold in 2005, 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.

Approximately 40% of purchasers of our vehicles also purchase one or more of these products.

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.

On February 1, 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. See ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA''.

***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 six to eight weeks from the time of placing our order. We generally 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 expect inventory levels will likely decrease in the next few years as Canadian franchised automobile dealers follow the movement towards lowering new

vehicle inventories led by the six public U.S. franchised automobile dealership groups and other leading private multi-location retailers.

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 will often take a customer's previously owned vehicle as partial consideration. If the used vehicle fits our criteria for used vehicle inventory, we will 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 will 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*

In 2003, we implemented a Business Development Centre with the objective of processing our customer satisfaction surveys and managing incremental revenue potential. We utilize customer relationship management (''CRM'') software to increase customer loyalty and satisfaction and reduce marketing costs by redirecting expenditures from mass media to targeted communications. CRM allows us to capture a greater percentage of our targeted households' vehicle spending.

CRM is particularly effective in the retail automotive industry given high customer (household) lifetime value, coupled with the industry's historic focus on short-term transactions as opposed to long-term customer retention. In addition to driving incremental new and used purchases over a multi-year period for a given household, we can benefit

from incremental finance and insurance purchases and greater service expenditures, particularly post-warranty. We also believe that profitability varies dramatically by customer segment, as it does in most retail sectors; thus, we expect to benefit from initiatives that successfully target higher value segments.

Our Business Development Centre employs ten individuals and is responsible for the marketing activities of all of our franchised automobile dealerships. This centre makes follow up telephone calls, sends letters to our customers and tracks prospective customers.

***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 Business Development Centre helps oversee and share creative materials and general marketing best practices amongst our dealers. Our total marketing expense was $6.9 million for the year ended December 31, 2005.

***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 intend to 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 on a network of server computers and work stations. The flexible nature of our installed network allows for accumulation, processing and distribution of information using ADP Inc. (''ADP'') and The Reynolds and Reynolds Company (''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, 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 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 are considering 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 would 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, seven 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, 2005 was approximately $3.27 million, of which $1.13 million was paid to affiliates of CAG.

The following table shows the location of our dealerships and their relative size both in number of vehicles sold over the past year and number of service bays.

| Franchised Automobile Dealership Name and Location | Automobile Manufacturer Represented | Year Established | Year Acquired by Us | Vehicle Sales (2005)[1] | | | Number of Service Bays |
|---|---|---|---|---|---|---|---|
| | | | | New[2] | Used[3] | Total | |
| **Alberta** | | | | | | | |
| Crosstown Chrysler, Edmonton[4] | DaimlerChrysler | 1951 | 1994 | 1,937 | 1,570 | 3,507 | 47 |
| Ponoka Dodge, Ponoka[4] | DaimlerChrysler | 1975 | 1998 | 247 | 152 | 399 | 10 |
| Capital Dodge, Edmonton | DaimlerChrysler | 1978 | 2003 | 1,453 | 932 | 2,385 | 27 |
| Grande Prairie Chrysler, Grande Prairie[4] | DaimlerChrysler | 1986 | 1998 | 1,196 | 741 | 1,937 | 20 |
| Subaru North, Grande Prairie[4] | Subaru | 1995 | 1998 | 74 | 0 | 74 | 2 |
| Grande Prairie Hyundai, Grande Prairie[4] | Hyundai | 2005 | n/a | 402 | 226 | 628 | 4 |
| **British Columbia** | | | | | | | |
| Maple Ridge Chrysler, Maple Ridge | DaimlerChrysler | 1975 | 2005 | 1,386 | 1,509 | 2,895 | 18 |
| Okanagan Dodge, Kelowna | DaimlerChrysler | 1985 | 2003 | 488 | 371 | 859 | 12 |
| Northland Dodge, Prince George[4] | DaimlerChrysler | 1990 | 2002 | 1,216 | 893 | 2,109 | 18 |
| Northland Hyundai, Prince George | Hyundai | 1990 | 2005 | 124 | 80 | 204 | 4 |
| **Manitoba** | | | | | | | |
| Thompson Chrysler, Thompson | DaimlerChrysler | 1974 | 2003 | 138 | 89 | 227 | 7 |
| **Ontario** | | | | | | | |
| Colombo Chrysler Dodge, Woodbridge | DaimlerChrysler | 1998 | 2005 | 1,005 | 643 | 1,648 | 17 |
| **New Brunswick** | | | | | | | |
| Moncton Chrysler, Moncton[4] | DaimlerChrysler | 1986 | 2001 | 881 | 488 | 1,369 | 16 |
| **Nova Scotia** | | | | | | | |
| Dartmouth Dodge, Dartmouth[5] | DaimlerChrysler | 1970 | 2002 | 686 | 351 | 1,037 | 21 |
| **Total** | | | | **11,233** | **8,045** | **19,278** | **223** |

Notes:

(1) This information has been determined on the basis that we owned the franchised automobile dealerships acquired or opened by us in 2005 and February, 2006 for all of 2005.

(2) Includes fleet sales.

(3) Excludes wholesale sales.

(4) Leased from affiliates of CAG.

(5) 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 Hyundai and two other automobile manufacturers to open four Open Points, each of which is to be located in a major metropolitan market in Western Canada. See ''Our Growth Strategy — New Locations for Franchised Automobile Dealerships (Open Points)''.

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 December, 2006 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 from arm's length third parties as at December 31, 2005. In certain instances more than one lease is in place for a facility.

| Years to Expiry | Number of Leases |
|---|---|
| 0 to 5 | 7 |
| 6 to 10 | 2 |
| Over 10 | 1 |

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, 2005 we employed approximately 865 individuals.

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

| Function | Number |
|---|---|
| Head office and Business Development Centre | 15 |
| Management (including dealer principals) | 126 |
| Sales | 221 |
| Parts, service and collision repair | 197 |
| Administrative | 137 |
| Other | 169 |

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 expires on December 31, 2006. 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, 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. While there are agreements in place with DaimlerChrysler and Hyundai relating to our ownership and related restrictions, we do not expect to enter into similar agreements with Subaru, or one of the automobile manufacturers who has awarded us an Open Point, until after Closing. There can be no assurance that we will be able to secure these agreements 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 74 vehicles in 2005, 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.

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 a DaimlerChrysler franchised automobile dealership if this would result in the total sales of new DaimlerChrysler vehicles from our DaimlerChrysler dealerships comprising more than the following percentages of total sales of new DaimlerChrysler vehicles: 5% of sales in Canada; 15% of sales in any province; and 30% of sales in a major metropolitan market (as defined in the agreement). The number of sales is based upon the annual average of new automobile and light truck sales over the preceding 36 month period. At December 31, 2005, our annual average sales of new DaimlerChrysler vehicles over the preceding 36 months comprised 4.4% of national sales, 10.4% of sales in Alberta and 36.5% 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 (the ''NADAP 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 2002 for a five year term. We anticipate that the program will be renewed in 2006, as the second five year term of the program is set to expire.

### Dealership Code of Conduct

We are currently in the process of developing and implementing a code of conduct that will reflect 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 will deal with, among other things, advertising standards, clarity of pricing, sales techniques and standards, customer relationships and other matters. The code of conduct will apply to all of our directors, officers and employees. Our code of conduct will set policies and standards that go beyond mere compliance with the minimum legal standards.

### 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 will 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 36 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. See ''Funding and Related Transactions — Investment and Acquisition Agreement''. In addition, each of our leases with affiliates of CAG provides that the landlord is responsible to remediate, and to indemnify and save us harmless in respect of the environmental condition of the leased location existing at Closing.

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 court application, which raises serious questions about the decision, including issues as to the procedure adopted by the Registrar, the nature of the evidence and the fines imposed, seeks to have the decision quashed.

**Our Intellectual Property and Proprietary Rights**

Registration of the trademark ''AutoCanada'' and the corresponding logo have been applied for in Canada by Canada One Auto Group Ltd. This trademark and other trademarks, trade names and various domain names, including

autocan.ca, autocanada.net and autocanada.biz, will be transferred to us at Closing. See ''Funding and Related Transactions''.

## CAPITAL EXPENDITURES

As we lease all of our franchised automobile dealership facilities, we do not incur capital costs in connection with the construction of the buildings and other improvements at our facilities. We intend to continue our policy of leasing our dealership facilities.

Our capital expenditures are allocated between two categories: earning enhancing and maintenance. Capital expenditures will vary with the number and the size of our dealerships.

The table below sets out the historical amounts and types of our capital expenditures for our past three fiscal years.

| | Fiscal Year Ended December 31[1] | | | |
|---|---|---|---|---|
| | 2005 pro forma[2] (unaudited) | 2005 | 2004 | 2003 |
| | (in thousands of dollars) | | | |
| Earning enhancing capital expenditures[3] | 1,280 | 1,213 | 105 | 177 |
| Maintenance capital expenditures[4] | 792 | 677 | 597 | 884 |
| Total capital expenditures | 2,072 | 1,890 | 702 | 1,061 |
| Repair and maintenance expenditures[5] | 965 | 645 | 658 | 677 |

Notes:

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

(2) Pro forma information for 2005 has been determined on the basis that we owned and operated Colombo and Maple Ridge (which we acquired in 2005) for the whole of 2005. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information''.

(3) In 2005, we spent $187,000 for the development of our Grande Prairie Hyundai dealership which opened on April 20, 2005 and $648,000 for the relocation of Grande Prairie Chrysler.

(4) Maintenance capital expenditures may be broadly categorized as follows:

| | Fiscal Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2005 pro forma[2] (unaudited) | 2005 | 2004 | 2003 |
| | (in thousands of dollars) | | | |
| Furniture and fixtures | 296 | 273 | 378 | 422 |
| Machinery and equipment | 255 | 255 | 165 | 314 |
| Computer equipment | 149 | 85 | 26 | 50 |
| Leasehold improvements and other | 92 | 64 | 28 | 98 |
| **Total** | **792** | **677** | **597** | **884** |

(5) These amounts are expensed as incurred and are therefore reflected in our net income and Adjusted EBITDA.

Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems.

Management expects that our maintenance capital expenditures should average $950,000 per year for the foreseeable future for the 14 dealerships which we currently own.

## 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, 2005 the amount owed by us under our floor plan financing with Chrysler Financial was approximately $98 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. The notes payable for used vehicles bear interest at Royal Bank of Canada's prime rate plus 1.0% per annum (6.0% at December 31, 2005). 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 | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| | (in thousands of dollars) | | |
| Floor plan interest | 4,040 | 2,699 | 2,740 |
| Floor plan credits | (2,973) | (2,727) | (2,136) |
| Net floor plan cost | 1,067 | (28) | 604 |

Our inventory on hand, for dealerships we owned for the entire fiscal year, averaged 76.4 days in 2005, compared to an average of 79.0 and 69.6 days in 2004 and 2003, respectively.

**Credit Facility**

We have entered into the 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, the ''Credit Facility''). The Credit Facility, which is subject to the satisfaction of certain customary terms and conditions, will be in place on Closing. At Closing, we expect to draw 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 will be primarily used for used vehicles, parts inventory and general corporate purposes, including financing the costs incurred in equipping our Open Points, or in purchasing new equipment for our existing dealerships. Amounts drawn on the Credit Facility to assist in acquisitions will be available 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. No amount relating to the $50 million credit facility is expected to be drawn at Closing.

The amount of the Credit Facility for working capital and acquisitions that is available at any time is to be 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 pro forma consolidated financial statements contained in this prospectus, at December 31, 2005 the amount of the Credit Facility available to us for working capital and acquisitions would have been approximately $42.4 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 Closing, 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, 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.

## CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the consolidated capitalization of the Fund both before and after giving effect to the Offering (assuming no exercise of the Over-Allotment Option).

| Designation | Authorized | As at March 31, 2006 | As at March 31, 2006 after giving effect to the Offering |
|---|---|---|---|
| Units[1][2] | Unlimited | $ 10.00<br>(1 Unit) | $194,047,300<br>(20,257,000 Units) |
| Working capital & acquisition credit facility | $ 50,000,000 | — | — |
| Floor plan financing credit facility | $183,125,000 | — | $98,023,000 |

Notes:

(1) The Fund was initially settled on January 4, 2006.

(2) Sufficient Units will be reserved for issuance to satisfy the Fund's obligations to issue Units in connection with the exchange rights held by holders of Exchangeable Units in accordance with the terms of such units. See ''Retained Interest and Exchange Rights — Exchange Rights''. Holders of Exchangeable Units will be issued Special Voting Units entitling them to vote at all meetings of the Fund as if the Exchangeable Units had been exchanged for Units.

## EBITDA, ADJUSTED EBITDA AND ESTIMATED CASH AVAILABLE FOR DISTRIBUTION

Set out below is our calculation of our EBITDA, Adjusted EBITDA and estimated cash available for distribution. EBITDA, Adjusted EBITDA and our estimate of cash available for distribution are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, our EBITDA, Adjusted EBITDA and our estimate of cash available for distribution 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 and our estimate of cash available for distribution should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of our performance or as an alternative to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. We define our EBITDA and Adjusted EBITDA under ''About This Prospectus — Non-GAAP Measures''.

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 which are detailed under ''Reconciliation of Historical Results to EBITDA and Adjusted EBITDA''. These adjustments include the elimination of certain shareholder remuneration paid by CAG as a private company to its shareholders, 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.

We have calculated our Adjusted EBITDA based upon our EBITDA for the periods set forth below. Because we intend to distribute a substantial portion of our available cash on an ongoing basis (after providing for certain amounts described below and other items described in ''Distribution Policy'') and since EBITDA is a metric used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that, in addition to net earnings or loss, EBITDA is a useful supplemental measure from which to make adjustments to determine our estimated cash available for distribution.

Upon completion of the Offering and the transactions described under ''Funding and Related Transactions'', we incur general, administrative and other costs, and earn income, that will differ from those contained in the audited combined financial statements of CAG or unaudited pro forma consolidated financial statements of the Fund that are contained elsewhere in this prospectus. Management has made assumptions in determining our Adjusted EBITDA and in preparing the summary of our estimated cash available for distribution which management believes are reasonable and supportable and which reflect our planned course of action given management's judgment as to the most probable set of economic conditions. In addition, in calculating our estimated cash available for distribution, we intend to continue to make maintenance capital expenditures consistent with CAG's past practice. Although management does not have firm commitments for all of the expenses and expenditures referred to below and, accordingly, the complete financial effects of all of those expenses and expenditures are not finally and exactly determinable, management believes (on the basis of its experience and past practices) that our Adjusted EBITDA and estimated cash available for distribution (including the adjustments required to determine our Adjusted EBITDA and cash available for distribution) represents a reasonable estimate of what our Adjusted EBITDA and cash available for distribution would have been for the year ended December 31, 2005, had we been in existence during the whole of this period and had we acquired Colombo, Maple Ridge and the other 50% of Dartmouth Dodge, opened Grande Prairie Hyundai and completed the transactions described under ''Funding and Related Transactions'' at the beginning of this period.

**Our Adjusted EBITDA and estimated cash available for distribution are not forecasts or projections of future results. The actual results of our operations for any period will likely vary from the amounts of our Adjusted EBITDA and estimated cash available for distribution and such variation may be material.** Management believes that the principal factors that may cause actual results of operations to vary include: our ability to maintain profitability and manage growth, changes in economic conditions, the level of competition we face and the other risks and uncertainties described elsewhere in this prospectus. See ''About This Prospectus — Forward Looking Statements'' and ''Risk Factors''.

### Reconciliation of Historical Results to EBITDA and Adjusted EBITDA

The following table reconciles our EBITDA and Adjusted EBITDA to net income, shown on the audited combined financial statements of CAG and the unaudited pro forma consolidated financial statements of the Fund for the periods indicated.

| | Fiscal Year Ended December 31[1] | | | |
|---|---|---|---|---|
| | 2005 pro forma[2] (unaudited) | 2005 | 2004 | 2003 |
| | (in thousands of dollars) | | | |
| Net income (loss) for the year | 16,825 | 724 | 20 | (1,002) |
| Adjustments to net income: | | | | |
| Amortization | 3,277 | 1,728 | 1,525 | 1,402 |
| Interest expense, other than interest on floor plan financing[3] | — | 775 | 671 | 604 |
| Income taxes[4] | — | 774 | 367 | 182 |
| Non-controlling interest[5] | — | 52 | 9 | (98) |
| EBITDA[6] | 20,102 | 4,053 | 2,592 | 1,088 |
| Adjustments to EBITDA | | | | |
| Shareholder remuneration[7] | — | 14,046 | 7,830 | 8,290 |
| Incremental compensation to be paid to dealer principals based on revised compensation structure[8] | — | (1,709) | (943) | (818) |
| Incremental commissions for insurance contracts based on new agreement with supplier[9] | 1,259 | 1,008 | 895 | 1,012 |
| Incremental Adjusted EBITDA relating to dealership opened in April 2005[10] | 566 | 566 | — | — |
| Incremental Adjusted EBITDA relating to dealership for which we recently purchased remaining 50%[11] | 289 | 289 | 167 | 111 |
| Gain on disposal of assets | (24) | (24) | (51) | (86) |
| Adjusted EBITDA[6] | 22,192 | 18,229 | 10,490 | 9,597 |

Notes:

(1) The information set forth in this table, other than the adjustments described in Notes 8, 9, 10 and 11 below and EBITDA and Adjusted EBITDA (which are non-GAAP measures), is derived from CAG's audited combined financial statements, the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus and, in the case of the column headed ''pro forma'', as set forth in Note 2.

(2) The amounts shown under the column headed ''pro forma'' include the amounts in respect of Colombo and Maple Ridge as if these businesses had been owned by us for all of 2005 and the adjustments to our net income and the net income of Colombo and Maple Ridge shown on the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus. We acquired Colombo and the business and related operating assets of Maple Ridge on December 1, 2005.

(3) These amounts relate to debt not being assumed by us.

(4) Our income for tax purposes will be allocated to our Unitholders and holders of our Exchangeable Units, and we will not pay income taxes.

(5) These amounts relate to non-controlling interests in CAG.

(6) EBITDA and Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

(7) These amounts represent certain shareholder remuneration paid by CAG as a private company which will not be paid by us following Closing. Shareholders of CAG include senior management of CAG and the dealer principals.

(8) Effective at Closing, the compensation arrangements for our dealer principals will provide for either a base salary plus a bonus equal to 15% of the annual EBITDA of the dealer principal's dealership or a base salary plus a distribution equal to 15% of the annual EBITDA from the Dealer LP that owns and operates the dealership managed by the dealer principal. These amounts have been reflected in our pro forma financial statements. See ''Executive Compensation — Dealer Principal Compensation Arrangements''. The amounts in the 2005, 2004 and 2003 years represent the compensation that would have been paid to them had our Dealer Principal Compensation Arrangements been in effect for those periods.

(9) We receive commissions on life, dismemberment and disability insurance contracts sold by us to customers who purchase new and used vehicles from us. Prior to January 1, 2006, we also participated in the underwriting profits or losses from these insurance contracts. Effective on January 1, 2006, the insurer of these contracts pays us higher commission rates at the time of sale and we no longer participate in the underwriting profits and losses. The amount of up front commissions 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. These amounts represent the commissions that we would have received from the sale of these insurance contracts for the periods indicated, at the commission rates to be effective on and after January 1, 2006, in excess of the amounts of commissions and underwriting profits reflected in CAG's audited combined financial statements and the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus for those periods.

(10) These amounts represent the Adjusted EBITDA that we estimate we would have generated had we operated Grande Prairie Hyundai for all of 2005. We opened Grande Prairie Hyundai in April, 2005. As we only operated Grande Prairie Hyundai for eight months, these amounts may not reflect the results of a full year of operations.

| **Grande Prairie Motor Holdings Ltd.** | **Fiscal Year Ended December 31, 2005** |
|---|---|
| | (in thousands of dollars) |
| Net loss | (11) |
| Adjustments to net income | |
| Amortization | 24 |
| Income taxes[4] | 7 |
| EBITDA[6] | 20 |
| Adjustments to EBITDA | |
| Shareholder remuneration[7] | 1,311 |
| Minority partnership distribution based on revised compensation structure[8] | (200) |
| Adjusted EBITDA[6] | 1,131 |
| Number of months open | 8 |
| Estimated Adjusted EBITDA for Grande Prairie Hyundai for four months not in operation | 566 |

(11) These amounts represent the Adjusted EBITDA that we estimate we would have generated had we owned 100% of Dartmouth Dodge for the periods indicated. We have owned 50% of Dartmouth Dodge since 2002 and we purchased the remaining 50% in February, 2006.

| **Dartmouth Dodge Chrysler Jeep (1991) Inc.** | **Fiscal Year Ended December 31** | | |
|---|---|---|---|
| | **2005** | **2004** | **2003** |
| | (in thousands of dollars) | | |
| Net income (loss) | 310 | 12 | (226) |
| Adjustments to net income | | | |
| Amortization | 157 | 139 | 153 |
| Interest expense, other than interest on floor plan financing[3] | 55 | 49 | 55 |
| Income taxes[4] | — | 16 | 16 |
| EBITDA[6] | 522 | 216 | (2) |
| Adjustments to EBITDA | | | |
| Compensation to be paid to dealer principal based on revised compensation structure[8] | (78) | (32) | — |
| Adjusted EBITDA[6] | 444 | 184 | (2) |
| Less amounts included in audited financial statements | (155) | (17) | 113 |
| Estimated Adjusted EBITDA for Dartmouth Dodge not included in our financial statements | 289 | 167 | 111 |

### Summary of Estimated Cash Available for Distribution

| | Estimated Cash Available for Distribution (2005)[1] |
|---|---|
| | (in thousands of dollars, except per Unit amount) |
| Adjusted EBITDA[2] | 22,192 |
| Management believes that the following adjustments are required to determine cash available for distribution: | |
| Maintenance capital expenditures[3] | (950) |
| Additional general, administrative and other expenses, net of expenses to be eliminated[4] | (985) |
| Estimated cash available for distribution | 20,257 |
| Estimated cash available for distribution per Unit | 1.00 |

Notes:

(1) Assumes that we were in existence for the whole of the period indicated and that the transactions described under ''Funding and Related Transactions'' had been completed at the beginning of this period. Our Adjusted EBITDA and cash available for distribution for this period is not necessarily indicative of our Adjusted EBITDA and cash available for distribution or results of operations to be expected in any given 12 month period. The information assumes that all of the Exchangeable Units have been exchanged for Units and the resulting indirect ownership by the Fund of 100% of our business.

(2) This amount has been determined by making the adjustments to net income set out on page 59. 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 ''About This Prospectus — Non-GAAP Measures''.

(3) During 2005, 2004 and 2003 we incurred maintenance capital expenditures of $677,000, $597,000 and $884,000 respectively. Management expects that these maintenance capital expenditures should average $950,000 per year for the 14 dealerships we currently own. These amounts are exclusive of repair and maintenance expenditures which are expensed as incurred and totalled $645,000, $658,000 and $677,000 in 2005, 2004 and 2003, respectively. See ''Capital Expenditures''.

(4) Management estimates that we will incur, after Closing, additional general and administrative expenses on a continuing basis relating to managing a public issuer that were not incurred by CAG as a private company, increased base compensation to our executive officers and certain other management employees and incremental lease expense relating to our head office, and that we will eliminate certain costs that were incurred by CAG as a private company.

The additional general and administrative expenses are estimated to total $627,000 and include the costs of ongoing financial and other disclosure to our Unitholders, audit and other expenses relating to our financial statements in excess of those incurred by CAG as a private company, legal fees in reviewing our governance procedures and related documentation, investor relations expenses, Trustees' and directors' fees and insurance, stock exchange, securities commission and transfer agency fees and other related expenses. The estimates of these incremental expenses were determined through consultation by management with external third parties with specific knowledge of these costs, based on estimates provided by service providers, preliminary contractual arrangements, expenses in similar offering transactions, and comparisons with historical expenses. These estimates are subject to the risks that most of these expenses are not based upon fixed price contracts and may vary with the degree of complexity encountered by us in becoming a public issuer. See ''Risk Factors — Risks Related to Our Structure and the Offering — New Requirements as a Public Issuer''.

The increased base compensation to our executive officers totals $620,000. See ''Executive Compensation''.

The incremental lease expense relating to our head office totals $44,000.

The costs incurred by CAG as a private company that are non-recurring or that will be eliminated after Closing total $306,000 and includes use of company vehicles by family members, telephone charges and club memberships. Also included in this amount are expenses incurred by the previous owners of Colombo and Maple Ridge relating to certain one-time expenses.

Management believes that the method of determining our cash available for distribution presented in this prospectus is comparable to cash flows from operating activities before taxes, certain interest expenses, certain non-recurring expenses and changes in working capital. However, our method of determining cash available for distribution is derived from Adjusted EBITDA, which is derived from EBITDA and net income (a measure recognized under GAAP) for the fiscal year ended December 31, 2005, as opposed to cash flows from operating activities because it is the underlying performance of our business that must be maintained in order to fund our distributions. In addition, only a pro forma statement of operations (and not a pro forma statement of cash flows) of the Fund is available.

In order to be able to make the determinations and assumptions set out above and to understand the potential resultant effects on our cash available for distribution, management undertook several steps, including reflecting on its experience in the industry and operating the business, holding internal discussions, reviewing its financial statements and consulting with its advisors.

## DISTRIBUTION POLICY

We intend to distribute a substantial portion of our available cash to our Unitholders.

The actual amount that we will distribute to our Unitholders will be 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, 2005, we intend to pay monthly distributions of $0.0833 per Unit ($1.00 per Unit per annum). Distributions will be 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. We intend to pay an initial cash distribution of $0.0564 per Unit on or about June 15, 2006 in respect of the period from Closing to May 31, 2006 (assuming Closing occurs on May 11, 2006). See ''AutoCanada Income Fund — Distributions''.

We may make additional distributions in excess of the regular monthly distributions made during a year.

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

*The following discussion and analysis should be read in conjunction with the audited combined financial statements and related notes thereto contained elsewhere in this prospectus. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Certain dollar amounts in this discussion and analysis have been rounded as indicated. The fiscal year of each of CAG, Colombo and Maple Ridge ends on December 31 in each year and all amounts are in Canadian dollars.*

*This discussion and analysis contains forward looking statements. Please see ''About this Prospectus — Forward Looking Statements'' for a discussion of the risks, uncertainties and assumptions relating to these statements. This discussion and analysis also makes reference to certain non-GAAP measures such as EBITDA and Adjusted EBITDA to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. See ''About This Prospectus — Non-GAAP Measures'' and ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution''.*

### Overview

We are one of Canada's largest multi-location automobile dealership groups, operating 14 franchised dealerships in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2005, the franchised automobile dealerships we now own sold approximately 19,000 vehicles and processed approximately 204,000 service and collision repair orders in our 223 service bays.

We have grown, and intend to continue to grow, our business through the acquisition of underperforming franchised automobile dealerships, the acquisition of profitable franchised automobile dealerships in key markets, the organic growth of our existing dealerships and the opening of new franchised automobile dealerships, or Open Points.

Following the acquisition of our new dealerships, we have been able to increase gross profits by realizing synergies and operating efficiencies that have enabled us to, among other things, reduce selling, general and administrative (''SG&A'') expenses as a percentage of gross profits and increase the volume of retail vehicle sales.

#### *Revenues*

Our revenues are derived from the following four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance.

We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle retailed (''PVR''), our parts, service and collision repair based on aggregate gross profit, and finance and insurance based on gross profit PVR.

### *Gross Profit*

While new vehicle sales are our most important source of revenue, they generally result in lower gross margins than used vehicle sales, parts, service and collision repair operations and finance and insurance sales. Our overall gross profit margins increase as revenues from our higher margin operations increase relative to revenues from lower margin operations.

### *Absorption Rate*

One of the key metrics that we use to analyze the profitability of our business is absorption rate. This metric represents the percentage of a dealership's fixed costs that are covered by the gross profits of parts, service and collision repair. Excluding dealerships acquired by us in 2005, our absorption rate was approximately 95% in 2005 and approximately 92% in 2004. By comparison, according to CADA, fewer than 10% of all franchised automobile dealers in Canada achieved an absorption rate of 90% or more in 2004.

### *Selling, General and Administrative Expenses*

SG&A expenses consist primarily of fixed and incentive-based compensation, advertising, rent, insurance, utilities and other customary operating expenses. A significant portion of our selling expense is variable (such as sales commissions) or controllable (such as advertising), which allows us to adapt our cost structure in response to trends in our business. We evaluate commissions paid to our sales force as a percentage of retail vehicle gross profit and all other SG&A expenses in the aggregate as a percentage of total gross profit.

## Recent Events

### *Acquisitions*

*Northland Hyundai*

On April 29, 2005, we purchased 100% of the net assets of Mini-Tune (Prince George) Ltd. (renamed Northland Motor Holdings Ltd. (''Northland'') following the acquisition) for total cash consideration of $631,000. This acquisition has been accounted for using the purchase method and CAG's combined financial statements include Northland's operating results for the period subsequent to April 29, 2005. Northland operates a Hyundai dealership in Prince George, British Columbia.

*Colombo Chrysler*

On December 1, 2005, we purchased 100% of the shares and shareholder loans of Colombo for total cash consideration of $4.1 million. A further $1.3 million of contingent consideration is payable by CAG upon the occurrence of certain future events. The Fund will not assume any liability arising from CAG's obligation to pay this contingent consideration. This acquisition has been accounted for using the purchase method and CAG's combined financial statements include operating results of Colombo subsequent to November 30, 2005. Colombo operates a DaimlerChrysler dealership in Woodbridge, Ontario.

*Maple Ridge Chrysler*

On December 1, 2005, we purchased 100% of the net operating assets of Maple Ridge for total cash consideration of $7.0 million. An additional $2.5 million of contingent consideration is payable by CAG over a period of seven years subject to Maple Ridge achieving predefined net operating profit levels. A further $2.5 million is payable by CAG upon the occurrence of certain future events. The Fund will not assume any liability arising from CAG's obligation to pay this contingent consideration. The acquisition has been accounted for using the purchase method and CAG's combined financial statements include operating results of Maple Ridge subsequent to November 30, 2005. Maple Ridge operates a DaimlerChrysler dealership in Maple Ridge, British Columbia.

The table below shows selected financial and operating information for the 11 month periods ended November 30, 2005 and 2004 for Maple Ridge and November 30, 2005 for Colombo.

| | Maple Ridge | | Colombo |
|---|---|---|---|
| | 11 Month Period Ended November 30 | | |
| | 2005 | 2004 | 2005 |
| | (unaudited) (in thousands of dollars, except for vehicles sold) | | |
| **Sales** | | | |
| Vehicles | 78,579 | 72,378 | 49,493 |
| Parts, service & collision repair | 5,716 | 5,383 | 7,529 |
| Other | 605 | 738 | 299 |
| | 84,900 | 78,499 | 57,321 |
| **Cost of Sales** | | | |
| Vehicles | 74,088 | 67,683 | 45,603 |
| Parts, service & collision repair | 3,465 | 3,239 | 4,413 |
| Other | — | — | 289 |
| | 77,553 | 70,922 | 50,305 |
| **Gross Profit** | 7,347 | 7,577 | 7,016 |
| **Vehicles Sold** | | | |
| New vehicles[1] | 1,269 | 1,229 | 876 |
| Used vehicles[2] | 1,360 | 1,103 | 600 |
| | 2,629 | 2,332 | 1,476 |

Notes:

(1) New vehicles sold include fleet sales.

(2) Used vehicles sold exclude wholesale sales.

*Dartmouth Dodge*

On February 27, 2006, we purchased the remaining 50% interest of a DaimlerChrysler dealership in Dartmouth, Nova Scotia that we had jointly owned with DaimlerChrysler and operated since January 31, 2002. We paid total cash consideration of approximately $523,000 for this interest. Prior to our purchase of the remaining 50% interest, the results of this dealership had been accounted for using the equity method. In 2005, the Dartmouth dealership had gross profit of $5.4 million and Adjusted EBITDA of $0.4 million.

*Other*

We have entered into a non-binding letter of intent to acquire a Ford franchised automobile dealership located in Western Canada. Completion of this acquisition is subject to a number of conditions including the completion of our satisfactory due diligence inquiries and approval by Ford of the acquisition and other matters.

***Open Points***

On April 20, 2005, we opened a new Hyundai dealership in Grande Prairie, Alberta. In addition, we have entered into letters of intent with Hyundai and two other automobile manufacturers to open four new franchised automobile dealerships in Western Canada. We expect to open the last of these four dealerships by the summer of 2007. Based on our experience, we expect the sustainable new vehicle sales from these four Open Points to total approximately 4,200 per year once they have become fully performing.

No fee was paid by us to any automobile manufacturer to obtain the franchise rights for these new dealerships and, because we lease our dealership facilities, we do not incur capital costs in connection with the construction of Open Point facilities. Based on management's experience, Open Points are generally fully performing within one to three years, depending on the automobile manufacturer and location.

***Dealership Relocation***

In May 2005, we relocated our Grande Prairie Chrysler dealership from a two acre site to a six acre site adjacent to our new Grande Prairie Hyundai dealership. This location provides us with greater visibility and drive-by traffic. Our showroom on the new site can hold up to 15 vehicles, whereas the old facility could only showcase two vehicles.

### *Insurance Income*

We offer various third party insurance products for each new and used vehicle that we sell. Under the agreement we have had with the supplier of these products we received a commission at the time the contract was placed and participated in future underwriting profits and losses, which were recognized during the life of the contract. Under this agreement, underwriting profits were determined semi-annually by our insurance supplier and the insurance supplier declared a dividend payable to us representing our share of underwriting profits. On February 1, 2006, we entered into a new agreement with our insurance supplier, which became effective January 1, 2006. Under this agreement we no longer participate in underwriting profits or losses but instead receive a higher up front commission when the insurance contract is initially sold by us. The amount of up front commissions we earn under the new agreement is similar to the aggregate amount of commissions and underwriting profits we would have earned over the period of a contract under the prior agreement. See ''Our Business — Our Operations''.

### *Planned Dealership Relocation and Facility Upgrade*

We have agreed with Hyundai to relocate and upgrade our Northland Hyundai dealership in Prince George, British Columbia on a lot adjacent to our existing DaimlerChrysler dealership, which is modelled after our successful experience with adjacent dealerships in Grande Prairie, Alberta. We will lease this facility from a related party and relocate in the fall of 2006.

## Selected Financial and Operating Information

The following selected financial data has been derived from, and should be read in conjunction with, the audited combined financial statements of CAG and notes thereto and the unaudited pro forma consolidated financial statements of the Fund and notes thereto contained elsewhere in this prospectus.

| | Fiscal Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2005 | 2005 | 2004 | 2003 |
| | pro forma[1] (unaudited) | | | |
| | (in thousands of dollars, except margins and operating data) | | | |
| **Income Statement Data** | | | | |
| Revenue | 627,794 | 485,573 | 395,548 | 324,085 |
| New vehicles | 353,546 | 279,744 | 223,591 | 179,171 |
| Used vehicles | 180,146 | 128,907 | 106,103 | 87,073 |
| Parts, service & collision repair | 67,575 | 54,330 | 49,835 | 44,514 |
| Finance & insurance and other | 26,527 | 22,592 | 16,019 | 13,327 |
| Gross profit | 90,722 | 76,359 | 57,260 | 48,916 |
| New vehicles | 20,790 | 18,970 | 14,702 | 11,395 |
| Used vehicles | 16,197 | 12,493 | 8,536 | 8,232 |
| Parts, service & collision repair | 29,074 | 23,706 | 19,473 | 17,563 |
| Finance & insurance and other | 24,661 | 21,190 | 14,549 | 11,726 |
| *Gross margin* | 14.5% | 15.7% | 14.5% | 15.1% |
| Sales, general & administrative expenses | 67,070 | 55,650 | 44,986 | 37,280 |
| Floor plan interest expense | 4,548 | 4,040 | 2,699 | 2,740 |
| Other interest expense | 232 | 775 | 671 | 604 |
| Net income (loss) | 16,825 | 724 | 20 | (1,002) |
| EBITDA[2] | 20,102 | 4,053 | 2,592 | 1,088 |
| Adjusted EBITDA[2] | 22,192 | 18,229 | 10,490 | 9,597 |
| **Balance Sheet Data** | | | | |
| Inventories | 96,206 | 96,206 | 85,334 | 63,090 |
| Total assets | 306,677 | 169,855 | 127,407 | 98,954 |
| Floor plan notes payable | 98,023 | 98,023 | 85,299 | 60,848 |
| Total liabilities | 112,630 | 170,108 | 128,353 | 99,630 |
| **Operating Data**[3] | | | | |
| Vehicles (new and used) sold | 19,278 | 15,173 | 11,941 | 10,734 |
| New retail vehicles sold | 9,195 | 7,503 | 6,007 | 5,116 |
| New fleet vehicles sold | 2,038 | 1,585 | 896 | 829 |
| Used retail vehicles sold | 8,045 | 6,085 | 5,038 | 4,789 |
| Number of service & collision repair orders completed | 203,602 | 171,007 | 165,652 | 149,710 |
| Absorption rate[4] | n/a | 95.3% | 92.0% | 91.4% |
| Number of franchised automobile dealerships at year end | 14 | 14 | 10 | 10 |
| Number of service bays at year end | 223 | 223 | 174 | 174 |
| Same store sales growth[5] | n/a | 13.8% | 9.1% | 0.1% |
| Same store gross profit growth[5] | n/a | 24.4% | 7.5% | 2.1% |

Notes:

(1) The amounts shown under the column headed ''pro forma'' include amounts in respect of Colombo and Maple Ridge as if these businesses had been owned by us for all of 2005 and the adjustments to our net income and the net income of Colombo and Maple Ridge shown on the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus. We acquired Colombo and the business and related operating assets of Maple Ridge on December 1, 2005.

(2) EBITDA and Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See ''EBITDA, Adjusted EBITDA and Estimated Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA''.

(3) Operating data includes 100% of Dartmouth Dodge, of which we have owned 50% since 2002 and purchased the remaining 50% in February, 2006.

(4) Excluding the dealerships we acquired in 2005.

(5) 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. See ''Our Business — Our Growth Strategy — Organic Growth''.

## Results of Operations

### *Fiscal Year Ended December 31, 2005 Compared to Fiscal Year Ended December 31, 2004*

*Sales*

During the fiscal year ended December 31, 2005, our total sales increased by 22.8% to $485.6 million. Approximately 38.7% of this increase was the result of sales at the four new dealerships that we opened or acquired during 2005.

The following table summarizes our results on a same store basis for the nine dealerships we owned and operated for all of 2005 and 2004.

**Same Store Sales and Vehicles Sold**

| | 2005 | 2004 | % Change |
|---|---|---|---|
| | (in thousands of dollars, except for vehicles sold) | | |
| **Revenue Source** | | | |
| New vehicles | 257,705 | 223,646 | 15.2% |
| Used vehicles | 119,817 | 106,103 | 12.9% |
| Parts, service & collision repair | 52,200 | 49,835 | 4.7% |
| Finance & insurance and other | 19,999 | 15,447 | 29.5% |
| **Total** | **449,721** | **395,031** | **13.8%** |
| New vehicles sold | 7,630 | 6,352 | 20.1% |
| Used vehicles sold | 5,236 | 4,705 | 11.3% |
| **Total** | **12,866** | **11,057** | **16.4%** |

Each of our four revenue sources experienced increases in 2005, primarily as a result of the significant growth in the number of vehicles we sold. Our new and used vehicle sales increased by 20.1% and 11.3%, respectively, primarily as a result of the strength of the economies in the markets in which we operate, changes in dealer principals at our Northland Dodge and Capital Dodge dealerships, the relocation of our Grande Prairie Chrysler dealership, the addition of key personnel to strengthen our centralized management structure and the expansion of our Business Development Centre.

At the beginning of the year, the nearest DaimlerChrysler dealership to our Dartmouth Dodge dealership closed, which enabled us to increase our revenues at the Dartmouth dealership compared to 2004.

During the year, our average selling price per new vehicle retailed decreased by 4.1%, largely as a result of an increase in the proportion of entry level passenger vehicles and base model minivans sold in 2005 compared to 2004. The average selling price per used vehicle retailed increased by 1.5%, largely as a result of a continued focus on our strategy of purchasing low mileage late model vehicles from manufacturers' closed auctions.

Our finance and insurance and other revenue increased by 29.5% in 2005, primarily as a result of increases in both the number of vehicles we sold and finance and insurance revenue PVR. Our finance and insurance revenue PVR increased by 15% as a result of a number of initiatives that we introduced in 2005, including enhanced training, standardized selling practices and expanding our range of finance and insurance products. These initiatives were initially developed and implemented at our Crosstown Chrysler dealership, which resulted in a significant improvement in finance and insurance revenue for 2005.

*Gross profit*

During the fiscal year ended December 31, 2005 our gross profit increased by 33.4% to $76.4 million. Approximately 26.7% of this increase was the result of the four new dealerships that we opened or acquired during 2005.

The following table summarizes our results on a same store basis by revenue source for the nine dealerships we owned and operated for all of 2005 and 2004.

**Same Store Gross Profit and Gross Margin Percentage**

| | Gross Profit | | | Gross Margin % | | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | % Change | 2005 | 2004 | Difference |
| | (in thousands of dollars) | | | | | |
| **Revenue Source** | | | | | | |
| New vehicles | 17,505 | 14,705 | 19.0% | 6.8% | 6.6% | 0.2% |
| Used vehicles | 11,372 | 8,536 | 33.2% | 9.5% | 8.0% | 1.5% |
| Parts, service & collision repair | 22,816 | 19,473 | 17.2% | 43.7% | 39.1% | 4.6% |
| Finance & insurance and other | 18,744 | 13,923 | 34.9% | 93.9% | 90.1% | 3.8% |
| **Total** | **70,468** | **56,637** | **24.4%** | **15.7%** | **14.3%** | **1.4%** |

During the year our same store new vehicle gross profit increased by 19.0% to $17.5 million. The most significant factor that contributed to this increase was a 20.1% increase in the number of same store new vehicles retailed during the year.

Our used vehicle same store gross profits increased by 33.2% to $11.4 million. The most significant factors that contributed to this increase were an 11.3% increase in the number of same store used vehicles retailed during the year and a 19.7% increase in gross profits PVR.

The increase in our same store new and used vehicle sales contributed to the increase in our same store parts, service and collision repair gross profits and our same store finance and insurance gross profits.

Management believes that the key factors contributing to the increase in our same store gross profits were an increase in the number of new and used vehicles we sold, our successful integration of underperforming dealerships that were acquired in 2002 and 2003, the reorganization of head office in 2003 to provide for the systematic management of our business including the utilization of budgeting and benchmarking, our continual analysis and adoption of best practises at the dealership level and the strength of the economies in the markets in which we operate.

*Selling, general & administrative expenses*

During the fiscal year ended December 31, 2005, our SG&A expenses increased by 23.7% to $55.7 million due to our increased vehicle sales and the four new dealerships that we opened or acquired during 2005. In 2005, our SG&A as a percentage of gross profit decreased from 78.6% to 72.9%.

Our SG&A expenses as a percentage of gross profit were higher in 2004 because of initiatives we undertook in 2004 to increase management and staff at our major dealerships in order to take advantage of anticipated sales opportunities arising from forecast increases in vehicle sales. Our SG&A expenses as a percentage of gross profit decreased in 2005 because of increases in operating efficiencies and economies of scale.

*Adjusted EBITDA*

During the fiscal year ended December 31, 2005, our Adjusted EBITDA increased by 73.8% to $18.2 million. Management believes the following table summarizes the key factors that contributed to this increase. Each of these factors is described in more detail above.

| | Adjusted EBITDA |
|---|---|
| | (in thousands of dollars) |
| 2004 Adjusted EBITDA | 10,490 |
| Increase in Adjusted EBITDA from: | |
| Inclusion of dealerships opened or acquired during the year | 1,471 |
| Relocation of and improved results at Grande Prairie Chrysler | 1,251 |
| Improved results at Dartmouth Dodge | 522 |
| Improved results at Northland Dodge | 1,153 |
| Improved results at Crosstown Chrysler | 2,706 |
| Other | 636 |
| 2005 Adjusted EBITDA | 18,229 |

*Interest expense*

During the fiscal year ended December 31, 2005, our interest expense increased by 42.9% to $4.8 million.

The increase in our interest expense was caused by increased levels of floor plan financing due to our decision to carry higher inventory levels throughout the year. We increased our inventory levels in 2005 in response to a request by DaimlerChrysler that we support its aggressive inventory and sales business plan in connection with the largest product renewal in its history. In return for supporting their request, DaimlerChrysler provided us with additional advertising contributions, a favourable model mix and dealer specific sales incentive programs that we believe provided us with incremental sales growth and resulted in a net contribution to us in 2005.

During 2005 and 2004 our net floor plan costs were as follows:

| | 2005 | 2004 |
|---|---|---|
| | (in thousands of dollars) | |
| Floor plan interest | 4,040 | 2,699 |
| Floor plan credits | (2,973) | (2,727) |
| Net floor plan cost | 1,067 | (28) |

*Net income*

During the fiscal year ended December 31, 2005, our net income increased from $20,000 to $724,000. As a private company, it has been CAG's policy to declare annual shareholder bonuses to reduce taxable income.

***Fiscal Year Ended December 31, 2004 Compared to Fiscal Year Ended December 31, 2003***

*Sales*

During the fiscal year ended December 31, 2004, our total sales increased by 22.1% to $395.5 million. Approximately 67.0% of this increase was the result of sales at the three dealerships that we acquired during 2003.

The following table summarizes our results on a same store basis for the six dealerships we owned and operated for all of 2004 and 2003.

**Same Store Sales and Vehicles Sold**

| | 2004 | 2003 | % Change |
|---|---|---|---|
| | (in thousands of dollars, except for vehicles sold) | | |
| **Revenue Source** | | | |
| New vehicles | 158,120 | 141,564 | 11.7% |
| Used vehicles | 77,852 | 73,510 | 5.9% |
| Parts, service & collision repair | 35,146 | 33,547 | 4.8% |
| Finance & insurance and other | 11,381 | 10,351 | 10.0% |
| **Total** | **282,499** | **258,972** | **9.1%** |
| New vehicles sold | 4,453 | 4,221 | 5.5% |
| Used vehicles sold | 3,498 | 3,379 | 3.5% |
| **Total** | **7,951** | **7,600** | **4.6%** |

Our total same store revenue increased by 9.1%, primarily as a result of the increase in the number of vehicles we sold and an increase in the average selling price of the vehicles. Our new and used vehicle sales increased by 5.5% and 3.5%, respectively, primarily as a result of the strength of the economies in the markets in which we operate, an increase in full-size truck and small utility segment sales, partially offset by a decrease in small car sales.

During the year, our average selling price per new vehicle retailed increased by 5.9%, largely because of the strong performance of the more expensive Ram Trucks introduced by DaimlerChrysler. Our average selling price per

used vehicle retailed increased by 2.3%, largely because we adopted new policies and processes during 2004 to increase sales of more expensive ‘‘nearly-new’’ and certified pre-owned vehicles.

Our finance and insurance and other revenues increased by 10.0% in 2004, primarily because of a 7.7% increase in finance and insurance revenue PVR as a result of improved sales procedures.

*Gross profit*

During the fiscal year ended December 31, 2004, our gross profit increased by 17.1% to $57.3 million. Approximately 63.5% of this increase was the result of the three new dealerships that we acquired during 2003.

The following table summarizes our results on a same store basis by revenue source for the six dealerships we owned and operated for all of 2004 and 2003.

**Same Store Gross Profit and Gross Margin Percentage**

| | Gross Profit | | | Gross Margin % | | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | % Change | 2004 | 2003 | Difference |
| | (in thousands of dollars) | | | | | |
| **Revenue Source** | | | | | | |
| New vehicles | 10,333 | 9,101 | 13.5% | 6.5% | 6.4% | 0.1% |
| Used vehicles | 6,743 | 6,486 | 4.0% | 8.7% | 8.8% | (0.1)% |
| Parts, service & collision repair | 13,441 | 13,150 | 2.2% | 38.2% | 39.2% | (1.0)% |
| Finance & insurance and other | 10,176 | 9,120 | 11.6% | 89.4% | 88.1% | 1.3% |
| **Total** | **40,693** | **37,857** | **7.5%** | **14.4%** | **14.6%** | **(0.2)%** |

During the year, our same store new vehicle gross profit increased by 13.5% to $10.3 million. The components of this increase include a 7.6% increase in new vehicle gross profits PVR, and a 5.5% increase in the number of same store new vehicles retailed.

Our used vehicle same store gross profits increased by 4.0% to $6.7 million. This increase largely results from a 3.5% increase in same store used vehicles retailed.

*Selling, general & administrative expenses*

During the fiscal year ended December 31, 2004, our SG&A expenses increased by 20.7% to $45.0 million due to our increased vehicle sales and the three new dealerships that we acquired during 2003. Our SG&A expenses as a percentage of gross profit increased from 76.2% to 78.6% as a result of inefficiencies at our Northland Dodge and Moncton Chrysler dealerships, which were subsequently addressed.

*Adjusted EBITDA*

During the fiscal year ended December 31, 2004, our Adjusted EBITDA increased by 9.3% to $10.5 million.

*Interest expense*

During the fiscal year ended December 31, 2004, our interest expense increased by 0.8% to $3.4 million. During 2004 and 2003 our net floor plan costs were as follows:

| | 2004 | 2003 |
|---|---|---|
| | (in thousands of dollars) | |
| Floor plan interest | 2,699 | 2,740 |
| Floor plan credits | (2,727) | (2,136) |
| Net floor plan cost | (28) | 604 |

*Net Income*

During the fiscal year ended December 31, 2004, our net income increased to $20,000 from a loss of $1.0 million. As a private company, it has been CAG's policy to declare annual shareholder bonuses to reduce taxable income.

**Seasonality and Quarterly Fluctuations**

As the following table shows, based on an average of our 2005, 2004 and 2003 results, our sales of new and used vehicles vary quarterly.

| | New Vehicle Sales | Used Vehicle Sales |
|---|---|---|
| First Quarter | 20% | 24% |
| Second Quarter | 28% | 27% |
| Third Quarter | 30% | 26% |
| Fourth Quarter | 22% | 23% |

Our sales have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our financial performance is generally less strong during the first and fourth quarters than during the other quarters of each fiscal year.

The timing of our acquisitions may also cause substantial fluctuations in operating results from quarter to quarter.

**Sensitivity**

Our financial performance is dependent in part upon new vehicle sales. Based on our historical financial data, management estimates that an increase or decrease of one new retail vehicle sold (and the associated finance and insurance income on the sale) would result in a corresponding increase or decrease in our estimated cash available for distribution of approximately $1,500. This analysis does not take into account any operating strategies which we may employ in response to changing trends in vehicle sales.

**Liquidity and Capital Resources**

We have historically utilized cash flows from operations to maintain our operations, repay long-term debt, purchase property and equipment and pay our shareholders. We maintain credit facilities to fund acquisitions and manage our working capital requirements. We will not assume CAG's obligations under its outstanding loans (other than in respect of floor plan financing).

CAG has a $2.7 million demand operating credit facility with Chrysler Financial, on which CAG had drawn $1.1 million as at December 31, 2005 ($1.0 million as at December 31, 2004 and 2003). CAG also has a $0.5 million demand operating credit facility with a Canadian chartered bank that was unused as at December 31, 2005, 2004 and 2003.

The following table provides an overview of our cash flows from operating, investing and financing activities for the years ended 2005, 2004 and 2003.

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2005 | 2004 | 2003 |
| | (in thousands of dollars) | | |
| **Net inflow (outflow) of cash related to:** | | | |
| Operations | 4,425 | 4,139 | (1,326) |
| Investing | (13,023) | (2,054) | (6,626) |
| Financing | 10,812 | 130 | 7,662 |

As a private company, it has been CAG's policy to declare annual shareholder bonuses to reduce taxable income, thereby reducing reported cash flow from operations.

During the year ended December 31, 2005, we incurred $11.5 million of net bank indebtedness for financing purposes. Our investing activities included $11.0 million in business acquisition costs and $1.9 million in purchases of property and equipment and a decrease of $0.4 million in restricted cash. CAG financed the December 1, 2005 acquisitions of Maple Ridge and Colombo by drawing on CAG's Chrysler Financial credit facilities with the approval of Chrysler Financial. As a result of drawing on these facilities CAG's working capital is currently below the minimum amounts required under Chrysler Financial's credit facility agreement. CAG has obtained a waiver from Chrysler Financial with respect to this non-compliance. On Closing CAG intends to repay all of its non-floor plan financing debt from the cash portion of the purchase price it will receive for the CAG assets.

During the year ended December 31, 2004, we repaid $1.9 million of long term debt on a net basis. Our investing activities included $0.7 million in purchases of property and equipment and an increase of $1.4 million in restricted cash.

During the year ended December 31, 2003, we incurred $1.8 million of net bank indebtedness for financing purposes and $6.0 million was advanced from related parties. Our investing activities included $4.4 million in business acquisition costs and $1.1 million in purchases of property and equipment and an increase of $1.4 million in restricted cash.

During 2005, the automobile manufacturers represented by us required us to maintain an aggregate minimum net working capital of approximately $17.4 million and one automobile manufacturer represented by us required us to maintain minimum inventories of vehicles and parts manufactured by it of approximately $2.4 million. For 2006, the same manufacturers require us to maintain an aggregate minimum net working capital of approximately $24.2 million and the one manufacturer requires us to maintain minimum inventories of at least $4.5 million. At December 31, 2005, before giving effect to the Offering and the transactions contemplated herein, our net working capital was approximately $16.8 million and the inventories retained by us totalled approximately $3.8 million.

***Credit Facilities***

We have entered into the 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. The Credit Facility, which is subject to the satisfaction of certain customary terms and conditions, will be in place on Closing. At Closing, we expect to draw 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 will be primarily used for used vehicles, parts inventory and general corporate purposes, including financing the costs incurred in equipping our Open Points, or in purchasing new equipment for our existing dealerships. Amounts drawn on the Credit Facility to assist in acquisitions will be available 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. No amount relating to the $50 million credit facility is expected to be drawn at Closing.

The portion of the Credit Facility to finance working capital and acquisitions is to have a term of three years with annual one year extensions at the discretion of Chrysler Financial. Advances under this portion of the Credit Facility are repayable without any pre-payment penalties or bonus (subject to normal breakage costs) and will bear interest at a floating rate plus an applicable spread.

See ''Financing — Credit Facility''.

***Interest Rate Sensitivity***

CAG's floor plan notes payable, short-term indebtedness and certain long-term debt bear interest at floating rates, thus exposing CAG to interest rate fluctuations. At December 31, 2005, the increase or decrease in net earnings before income taxes for each one percent change in interest rates on floating rate debt amounted to $1.1 million (2004 — $0.9 million; 2003 — $0.6 million).

### *Credit Risk*

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

### *Capital Expenditures*

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, service vehicles, computer hardware and computer software expenditures. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems. See ''Capital Expenditures''.

Our future growth is dependent on our ability to acquire and integrate additional dealerships and to successfully operate existing dealerships. Management believes that our cash flow generated from operations, together with working capital availability under our Credit Facility, is sufficient to fund our debt service, working capital requirements and capital spending.

### *Contractual Obligations*

As of December 31, 2005, CAG had the following contractual obligations:

| | Total | Less than 1 Year | 1 to 3 Years | 4 to 5 Years | After 5 Years |
|---|---|---|---|---|---|
| | | (in thousands of dollars) | | | |
| Operating leases | 794 | 383 | 390 | 21 | — |
| Real property leases | 17,562 | 3,735 | 4,980 | 4,041 | 4,806 |
| Obligations under capital lease | 139 | 60 | 57 | 22 | — |
| Long term debt | 18,771 | 6,001 | 12,709 | 61 | — |

### *Off Balance Sheet Arrangements*

CAG has not entered into any off balance sheet arrangements.

## Related Party Transactions

Note 18 to the audited combined financial statements of CAG summarizes the transactions between CAG and its related parties. These transactions are, primarily, advances to or from related parties, management fees received from companies under common control and rents paid to companies under common control. Except for the rents to be paid by us to affiliates of CAG, these transactions will not continue after Closing, and we will not assume the liabilities of CAG to related parties, except in respect of the rents referred to in the next paragraph.

We lease seven of our existing 14 locations from affiliates of CAG. The total rent paid by us to these affiliates in 2005 and 2004 was $1,129,000 and $1,028,000 respectively. We have received advice from a national real estate appraisal company that the aggregate of the market rents at January 1, 2006 of each of our facilities leased from affiliates of CAG is not materially different that the rents paid by us for these locations in each of the last three years.

## Financial Instruments

CAG's financial instruments include cash and cash equivalents, accounts receivable, due from related parties, short term indebtedness, accounts payable and accrued liabilities, floor plan notes payable, shareholder bonuses payable, income taxes payable, due to related parties, long term debt, and obligations under capital lease. The fair value of these instruments are considered to approximate their carrying value due to their short-term maturities, variable rates of interest or ability of prompt liquidation, except as noted in the audited combined financial statements of CAG contained elsewhere in this prospectus. These financial instruments are subject to credit risk and interest rate risk, as described in those financial statements.

For a detailed description of financial instruments, see Note 21 (''Financial Instruments'') in the audited combined financial statements of CAG contained elsewhere in this prospectus.

## Critical Accounting Policies and Estimates

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

Our significant accounting policies are described in Note 2 (''Significant Accounting Policies'') of the audited combined financial statements of CAG contained elsewhere in this prospectus. The policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

### *Inventory Valuation*

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

### *Finance and Insurance Commission Reserve*

We may be required to pay back a portion of the commissions earned from the sale of third party finance and insurance products in the event of early contract termination by customers. The revenue from financing fees and commissions are recorded at the time of sale of the vehicles and are recorded as part of the new or used vehicle sales price. A reserve for future repayments is established at the time the sale is made. Our process for establishing the reserve carefully considers our historical repayment percentages and the timing of such repayments.

## Changes in Accounting Policies and Initial Adoption

### *Consolidation of Variable Interest Entities (''VIEs''), AcG-15*

In June 2003, the Canadian Institute of Chartered Accountants (''CICA'') issued a new accounting guideline which requires the consolidation of VIEs by the primary beneficiary. Revisions to this guideline were published by the CICA in August, 2004 to harmonize with the U.S. VIE accounting standard. A VIE is an entity where: (a) its equity investment at risk is insufficient to permit the entity to finance its activities without additional subordinated support from others and/or where certain essential characteristics of a controlling financial interest are not met; and (b) it does not meet specified exemption criteria. The primary beneficiary is the enterprise that will absorb or receive the majority of the VIE's expected losses, expected residual returns, or both. This guideline was adopted by CAG effective for its 2005 fiscal year. CAG completed its full review regarding this guideline and has determined it does not have any VIEs.

### *Financial instruments*

On January 27, 2006, the CICA issued a number of new Handbook Sections that expand on Handbook Section 3860 (''Financial Instruments — Disclosure and Presentation'') by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies accounting and presentation for hedges and financial instrument gains and losses.

At present, CAG's most significant financial instruments are cash, floor plan notes payable, long term debt and shareholder bonuses payable. This new standard is not expected to have a significant impact on CAG's financial statements.

## Risks and Uncertainties

We are subject to a number of risks in addition to the normal business risks associated with the retail automotive industry. A significant change in competition from one or more competitors in any of the geographic areas where our operations are located, as well as competition from other franchised automobile dealerships, changes in the financial health of our automobile manufacturers, changes in the quality of vehicles supplied by our automobile manufacturers,

dependence on key personnel, changes in labour relations and changes in tax legislation, or any of the other factors described under ''Risk Factors'', could have a material effect on our financial performance.

Sales of vehicles (particularly new vehicles) have historically fluctuated with general macroeconomic conditions, including: (i) employment rates; (ii) consumer confidence; (iii) availability of consumer credit; and (iv) petroleum prices. Although changes in these conditions may impact our new vehicle sales, management believes that the associated risks are mitigated by our variable cost structure and our regional diversity. Furthermore, when our retail new vehicle sales have declined we have historically experienced increases in our used vehicle sales, and in our parts, service and collision repair operations. Over the short term, new vehicle sales may also vary due to a variety of factors such as advertising campaigns that are offered by manufacturers, the introduction of new vehicle models, local competition and weather.

Interest rates over the past several years have been at historical lows. Management believes that a modest increase in interest rates would not significantly impact customer overall buying patterns, as increases in interest rates do not dramatically impact the monthly payments of a financed vehicle. For example, the monthly payment for a typical vehicle financing transaction in which a customer finances $25,000 at 6.0% over 60 months increases by approximately $6.00 with each 50 basis point increase in interest rates. Management believes that any potential negative impact on vehicle sales as a result of increases in interest rates tends to be partially offset by an increase in the proportion of vehicles leased since leasing a vehicle reduces the customer's monthly payments.

**Outlook**

We intend to continue to grow our cash flow through continued growth in same store gross profit and operating results, acquisitions and the planned opening of three Open Points by the fall of 2006.

Management intends to increase same store sales growth and realize further operating efficiencies and synergies by continuing to implement standardized operating policies at our most recent acquisitions including Maple Ridge Chrysler, Colombo Chrysler Dodge and Northland Hyundai. Management believes that new vehicle launches by our automobile manufacturers in 2006 will provide us with opportunities to increase sales. We have identified potential acquisitions that would be accretive to our existing operations and complement our growth model and strategies. We plan to open three Open Points in Western Canada by the fall of 2006 and a fourth Open Point by the summer of 2007. Management expects these Open Points to benefit from strong brand acceptance, continued economic expansion and our recent expertise gained from the successful opening of Grande Prairie Hyundai in 2005.

## TRUSTEES, DIRECTORS AND MANAGEMENT

### Trustees, Directors and Officers

Our Trustees are Gordon Barefoot, R.E.T. (Rusty) Goepel and Robin (Rob) Salmon, who are also trustees of the Trust. Our directors are Messrs. Barefoot, Goepel and James (Jim) Peters. Patrick Priestner and Robert (Bob) Clark will be appointed as directors following Closing. Each of Messrs. Barefoot, Goepel, Salmon and Peters is ''independent'' within the meaning of the guidelines for corporate governance adopted by the securities commissions of several provinces of Canada. The Trustees do not comprise more than 50% of the directors of AutoCanada GP.

The following table sets out, for each of the Trustees and each of the directors, executive officers and other senior management personnel of AutoCanada GP who will be appointed following Closing, the person's name, municipality of residence, positions with the Fund, AutoCanada GP and/or the Partnership, as the case may be, and principal occupation. The term of office for each of the Trustees will expire at the first annual meeting of Voting Unitholders, and the term of office of the directors of AutoCanada GP will expire at the same time.

| Name and Municipality of Residence | Position | Principal Occupation |
|---|---|---|
| Gordon R. Barefoot[(1)(2)(5)]<br>Surrey, British Columbia | Trustee and Director | Consultant |
| R.E.T. (Rusty) Goepel[(1)(2)(5)]<br>Vancouver, British Columbia | Trustee and Director | Senior Vice President,<br>Raymond James Ltd. |
| Robin (Rob) Salmon[(1)(5)]<br>Edmonton, Alberta | Trustee | Consultant |
| James (Jim) Peters[(2)(5)]<br>Burnaby, British Columbia | Director | Retired |
| Patrick J. (Pat) Priestner[(3)(4)(5)]<br>Edmonton, Alberta | Director and Chief Executive Officer | Chief Executive Officer, CAG |
| Robert A. (Bob) Clark[(3)(4)(5)]<br>Edmonton, Alberta | Director and President | President, CAG |
| Tom Orysiuk[(3)(4)(5)]<br>Edmonton, Alberta | Executive Vice President and Chief Financial Officer | Executive Vice President and Chief Financial Officer, CAG |
| Daniel M. (Dan) Wincentaylo[(3)(4)(5)]<br>Edmonton, Alberta | Vice President, Fixed Operations | Vice President, Fixed Operations, CAG |
| Florendo (Joe) Medina[(3)(4)(5)]<br>Edmonton, Alberta | Vice President, Finance and Insurance | Vice President, Finance and Insurance, CAG |
| Artur Angielski[(4)]<br>Edmonton, Alberta | Director of Vehicle Sales Operations | Director, Vehicle Sales Operations, CAG |
| Brian Telford[(4)]<br>Edmonton, Alberta | Director of Parts Operations | Director, Parts Operations, CAG |
| Douglas B. Purdy[(4)]<br>Edmonton, Alberta | Director of Service Operations | Director, Service Operations, CAG |
| Daniel K. Laporte[(4)]<br>Edmonton, Alberta | Director of Business Development Centre | Director, Business Development Centre, CAG |

Notes:

(1) To be appointed to the audit committee and nominating and governance committee of the Fund following Closing.

(2) To be appointed to the compensation committee of the Partnership following Closing.

(3) To be appointed as a director or officer of AutoCanada GP following Closing.

(4) To become senior management employee of AutoCanada GP following Closing.

(5) On Closing, excluding the Exchangeable Units, the Trustees, directors and senior officers, as a group, will hold, directly or indirectly, less than one percent of the Units on a fully-diluted basis.

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 July, 2001 and since June, 1996, Mr. Purdy was the Fixed Operations Manager for an Edmonton-based automobile dealer.

A voting agreement to be entered into on Closing 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***

We have a balanced management team that has both extensive retail and corporate automotive industry experience, coupled with strong marketing, operational and financial management backgrounds:

*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 Canada 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.

*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.

*Artur Angielski, Director, Vehicle Sales Operations.* Mr. Angielski joined us in 1997 and became our Director of Vehicle Sales Operations in June, 2005. Prior thereto, Mr. Angielski was the Used Vehicle Manager at Crosstown Motors Ltd. Mr. Angielski has over 15 years of experience in the automotive industry.

*Brian Telford, Director, Parts Operations.* Mr. Telford joined us in 1995 as Parts Manager and was promoted to Director of Parts Operations for all of CAG in 2002. Mr. Telford has 25 years experience in the retail automotive parts and service sector, including over 20 years in a management capacity. Mr. Telford has been the dealership council representative for Chrysler Canada/DaimlerChrysler since 1995 and has received numerous parts awards presented by DaimlerChrysler since 1989.

*Douglas B. Purdy, Director, Service Operations.* Mr. Purdy joined us as our Service Manager in 2001 and recently attained the position of Director of Service Operations. Prior thereto, Mr. Purdy was the Fixed Operations Manager for an Edmonton-based automobile dealer. With over 24 years of extensive automotive experience, Mr. Purdy has held positions of senior management in both vehicle sales and service.

*Daniel K. Laporte, Director, Business Development Centre.* Mr. Laporte joined us in 2000 and has served in various capacities, including most recently, General Sales Manager Used. Prior thereto, Mr. Laporte spent over ten years with DaimlerChrysler where he held several different positions including: Plant Supervisor; District Manager Parts; Sales & Service; and Western Remarketing Manager. Mr. Laporte has over 16 years of automotive industry experience.

***Trustees and Directors***

*Gordon R. Barefoot, Trustee and Director.* Mr. Barefoot was, until November, 2005, the Senior Vice President, Finance & Chief Financial Officer of Terasen Inc. (formerly called BC Gas Inc.), where he served in various senior executive positions since July, 1998, including Corporate Development, Strategic Planning and Multi-Utility Services. Mr. Barefoot serves on the board of directors of Vancouver Community College and Stressgen Biotechnologies Inc. where he is chair of the audit committee. Mr. Barefoot also serves as a director of a number of private companies including CustomerWorks and Fairbanks Sewer and Water Inc. 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 industries including utilities, education, healthcare, mining, retail, transportation, forestry and financial services. Mr. Barefoot received a BCom (Hons.) from the University of Manitoba in 1973 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 both the Business Council of British Columbia and Yellow Point Equity Partners, and he is 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 Premium Brands Ltd. 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 was the Chief Financial Officer of ViRexx from September, 2001 until November, 2005. Mr. Salmon was also a director of ViRexx until 2004 and as 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 above.

*Robert A. (Bob) Clark, Director.* See above.

## Governance of the Fund

The Trustees will appoint an audit committee and a nominating and governance committee consisting of all of the Trustees. The directors of AutoCanada GP will appoint a compensation committee consisting of the three directors who are ''independent'' within the meaning of applicable securities laws.

### *Audit Committee*

The audit committee will assist the Trustees in fulfilling their responsibilities of oversight and supervision of our accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of our financial statements. In addition, the audit committee will be responsible for directing the auditors' examination of specific areas, for the selection of our independent auditors and for the approval of all non-audit services for which our auditors may be engaged. All members of the audit committee will be financially literate within the meaning of applicable securities laws.

The audit committee will be responsible for monitoring compliance with a Code of Conduct and Ethical Behaviour to be adopted by the Trustees and the board of directors of AutoCanada GP and for establishing a procedure for the anonymous and confidential receipt and treatment of concerns or complaints received regarding accounting and related financial reporting matters (a ''whistle blowing procedure'').

### *Compensation Committee of the Partnership and Nominating and Governance Committee of the Fund*

Among other things, the compensation committee of the Partnership will:

- review and make recommendations to the board of directors of AutoCanada GP concerning the appointment of officers of the Partnership;
- review and make recommendations to the board of directors of AutoCanada GP concerning our compensation policies;
- annually review the Chief Executive Officer's goals and objectives for the upcoming year, provide an appraisal of the Chief Executive Officer's performance and review his compensation;
- make recommendations concerning the remuneration of Trustees and directors and officers; and
- administer and make recommendations regarding the operation of our AutoCanada Option Plan and any other employee incentive plans.

The nominating and governance committee of the Fund will be responsible for developing our approach to governance issues, filling vacancies among the Trustees and directors and periodically reviewing the effectiveness of the Trustees and directors and the contribution of individual Trustees and directors.

The nominating and governance committee of the Fund will also be responsible for adopting and periodically reviewing and updating our written disclosure policy. This policy will, among other things:

- articulate our legal obligations and those of our Trustees, directors, officers and employees with respect to the disclosure of material information;
- identify our spokespersons who will be the only persons authorized to communicate with third parties such as analysts, media and investors;
- provide guidelines on the disclosure of forward-looking information;
- require advance review by our senior executives of any selective disclosure of financial information to ensure the information is not material, to prevent the selective disclosure of material information and to ensure that, if a non-permitted selective disclosure does occur, a news release is issued immediately; and
- establish ''black-out'' periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes, during which periods we and our Trustees, directors, officers, employees and consultants may not purchase or sell Units.

## Remuneration of Trustees and Directors

Initial compensation for Trustees and directors will be $20,000 per Trustee or director per year and $1,000 per Trustee or director for each meeting of the Trustees or directors attended in person. The Chair of the Board of directors and the Chair of the Audit Committee will each receive additional compensation of $5,000 per year. Trustees and directors will receive $500 for each meeting of the Trustees or directors attended by telephone. We will also reimburse Trustees and directors for out of pocket expenses for attending meetings. Trustees and directors will participate in the insurance and indemnification arrangements described below under ''Insurance Coverage for Trustees and directors and Indemnification''. No Trustee or director compensation will be paid to Trustees or directors who are members of management of the Partnership and no Trustee or director will receive additional compensation for acting as a Trust Trustee or as a director of AutoCanada GP (other than for fees for attending board or committee meetings that do not run consecutively with meetings of the Trustees or directors).

## Liability of Trustees

The Declaration of Trust contains customary provisions limiting the liability of the Trustees. The Trustees will not be liable to any Unitholder or any other person, in tort, contract or otherwise, for: any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed; any depreciation of, or loss to, the Fund incurred by reason of the sale of any asset; the loss or disposition of money or securities; any action or failure to act of any other person to whom the Trustees have delegated any of their duties under the Declaration of Trust; or any other action or failure to act (including failure to compel in any way any former Trustee to redress any breach of trust or any failure by any person to perform its duties under or delegated to it, under the Declaration of Trust), unless, in each case, such liabilities arise out of a breach of the Trustees' standard of care, diligence and skill or breach of the restrictions on the Trustees' powers as set out in the Declaration of Trust. If the Trustees have retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties under the Declaration of Trust, the Trustees may act or refuse to act based on the advice of such expert, advisor or legal counsel, and the Trustees will not be liable for and will be fully protected from any loss or liability occasioned by any action or refusal to act based on the advice of such expert, advisor or legal counsel. In the exercise of the powers, authorities or discretion conferred on the Trustees under the Declaration of Trust, the Trustees are and will be conclusively deemed to be acting as Trustees of the Fund's assets and will not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgements, costs, charges or expenses against or with respect to the Fund or the Fund's assets.

## Insurance Coverage for Trustees and Directors and Indemnification

We will obtain or cause to be obtained a policy of insurance for the Trustees and for the trustees, directors and officers of our subsidiaries. The initial aggregate limit of liability applicable to the Trustees, Trust Trustees, directors and officers under the policy will be $30 million. Under the policy, each entity will have reimbursement coverage to the extent that it has indemnified the trustees, directors and officers of our subsidiaries. The policy will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Fund, the Trust, AutoCanada GP, the Partnership and any of their respective subsidiaries and their respective trustees, directors and officers. The total limit of liability will be shared among the Fund, the Trust, AutoCanada GP, the Partnership and their respective subsidiaries and their respective trustees, directors and officers so that the limit of liability will not be exclusive to any one of the entities or their respective trustees, directors and officers.

The by-laws of AutoCanada GP provide for the indemnification of its directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations. The Declaration of Trust and the Trust Declaration of Trust also provide for the indemnification of the Trustees, Trust Trustees and officers of the Fund and the Trust, respectively, from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table provides a summary of the compensation earned in respect of CAG's fiscal years ended in 2005, 2004 and 2003 by each of CAG's Chief Executive Officer, Chief Financial Officer and the three next most highly compensated executive officers (the ''Named Executive Officers'') of CAG (based upon the compensation earned by such individuals in their capacities as officers of CAG during such fiscal years). We did not employ a Chief Financial Officer from August, 2004 until November, 2005.

| Name and Principal Position | Fiscal Year of CAG ended December 31 | Salary ($) | Bonus[1] ($) | All other Compensation ($) | Total ($) |
|---|---|---|---|---|---|
| Patrick J. (Pat) Priestner | 2005 | 165,000 | — | 25,637 | 190,637 |
| Chief Executive Officer | 2004 | 165,000 | — | 11,331 | 176,331 |
| | 2003 | 165,000 | — | 10,954 | 175,954 |
| Robert A. (Bob) Clark[2] | 2005 | 165,000 | — | 22,857 | 187,857 |
| President | 2004 | 96,250 | — | 11,359 | 107,609 |
| | 2003 | — | — | — | — |
| Tom Orysiuk[3] | 2005 | 17,077 | 10,000 | — | 27,077 |
| Executive Vice President and Chief Financial Officer | 2004 | — | — | — | — |
| | 2003 | — | — | — | — |
| Daniel M. (Dan) Wincentaylo | 2005 | 165,000 | — | 38,244 | 203,244 |
| Vice President | 2004 | 165,000 | — | 29,206 | 194,206 |
| | 2003 | 165,000 | — | 27,737 | 192,737 |
| Florendo (Joe) Medina | 2005 | 165,000 | — | 29,134 | 194,134 |
| Vice President | 2004 | 165,000 | — | 29,106 | 194,106 |
| | 2003 | 165,000 | — | 28,240 | 193,240 |

Notes:

(1) Bonuses paid to Messrs. Priestner, Clark, Wincentaylo and Medina in each of these fiscal years were shareholder bonuses and will not be paid by us following Closing. See the audited combined financial statements of CAG contained elsewhere in this prospectus.

(2) Mr. Clark joined us as our President in June, 2004.

(3) Mr. Orysiuk joined us as our Chief Financial Officer in November, 2005.

The following table shows the indirect ownership of our Units (and the percentage) held by each of our Named Executive Officers at Closing, on a fully-diluted basis, excluding options granted at Closing.

| Named Executive Officer | Number of Units Indirectly Held | Percentage of Total Number of Units (fully-diluted) |
|---|---|---|
| Patrick J. (Pat) Priestner, Chief Executive Officer | 7,535,625 | 37.2% |
| Robert A. (Bob) Clark, President | 753,563 | 3.7% |
| Daniel M. (Dan) Wincentaylo, Vice President | 753,563 | 3.7% |
| Florendo (Joe) Medina, Vice President | 1,004,749 | 5.0% |

Note:

(1) All of these Units are held by CAG, and the indirect ownership is based upon the percentage of the common shares of CAG held by each of the Named Executive Officers.

### Executive Employment Agreements

In connection with the Offering, we will enter into executive employment agreements with our Chief Executive Officer and President, as well as each of our Vice Presidents, as summarized below.

*Patrick J. (Pat) Priestner, Chief Executive Officer.* The employment agreement with Mr. Priestner will be for an indefinite term but may be terminated by Mr. Priestner upon six months notice. Mr. Priestner will be paid an annual salary of $300,000 plus a bonus, if any, determined under the AutoCanada Incentive Bonus Plan. In the event we terminate the employment of Mr. Priestner without cause, we will pay Mr. Priestner, for 24 months, the monthly average of the total base salary paid to him in our fiscal year immediately preceding the date of his termination. In addition, Mr. Priestner will be entitled to continue his employee benefits for a term of 12 months. The employment agreement will contain confidentiality, non-solicitation and non-competition covenants by Mr. Priestner, which will continue for three years after Mr. Priestner ceases to be employed by us.

*Robert A. (Bob) Clark, President.* The employment agreement with Mr. Clark will be for an indefinite term but may be terminated by Mr. Clark upon six months notice. Mr. Clark will be paid an annual salary of $300,000 plus a bonus, if any determined under the AutoCanada Incentive Bonus Plan. In the event we terminate the employment of Mr. Clark without cause, we will pay Mr. Clark, for 36 months, the monthly average of the total base salary paid to him in our fiscal year immediately preceding the date of his termination. In addition, Mr. Clark will be entitled to continue his employee benefits for a term of 12 months. The employment agreement will contain confidentiality, non-solicitation and non-competition covenants by Mr. Clark, which will continue for three years after Mr. Clark ceases to be employed by us.

*Tom Orysiuk, Executive Vice President and Chief Financial Officer, Daniel M. (Dan) Wincentaylo, Vice President and Florendo (Joe) Medina, Vice President.* The employment agreements with our Vice Presidents will be for indefinite terms but may be terminated by a Vice President on three months notice. The annual base salaries to be paid to our Vice Presidents are: Mr. Orysiuk, $180,000; Mr. Wincentaylo, $165,000; and Mr. Medina, $165,000 plus, in each case, a bonus, if any, determined under the AutoCanada Incentive Bonus Plan. In the event we terminate the employment of a Vice President without cause, we will pay the Vice President, for between 12 and 18 months, the monthly average of the total base salary paid to the Vice President in our fiscal year immediately preceding the date of termination. In addition, the Vice President will be entitled to continue employment benefits for a term of 12 months. In addition, the employment agreement will contain confidentiality, non-solicitation and non-competition agreements by the Vice President, which will continue for 12 to 18 months after the Vice President ceases to be employed by us.

Under the non-solicitation covenant, the employee will agree not to solicit our employees, customers or suppliers. Under the non-competition covenant, the employee will also agree not to be involved in, or have an interest in, the retail automobile dealership business for the period stipulated in the particular agreement.

**AutoCanada Incentive Bonus Plan**

We have established a bonus plan for our senior management employees. The purpose of this bonus plan is to reward our senior management employees for their participation in our success and provide an incentive to them to continue to maximize our profitability and distributions to our Unitholders.

Pursuant to the AutoCanada Incentive Bonus Plan, annual bonuses may be paid to our senior management employees based upon increases in our cash available for distribution for a year over a specified base amount, and for accretive acquisitions completed by us, or upon other financial metrics. No amounts are payable (other than to Tom Orysiuk) under the plan unless our cash available for distributions for any year exceeds our estimated cash available for distribution for 2005.

**Dealer Principal Compensation Arrangements**

At Closing, we will enter into agreements with each of the dealer principals (each, a ''Dealer Principal Compensation Arrangement''). These agreements will provide for the compensation for each dealer principal (with the exception of the dealer principal for our Crosstown Chrysler dealership, which is largely managed by our head office staff). This compensation will consist of a base salary, plus in the case of most of our dealer principals, an incentive bonus equal to 15% of the annual EBITDA of the dealer principal's franchised automobile dealership for each of our fiscal years ending December 31, before deduction of the incentive bonus. The base salary is to be payable monthly in arrears. Advances of the incentive bonus are to be paid quarterly based upon the EBITDA of the dealer principal's franchised automobile dealership for the preceding quarter, and adjusted following the publication of our annual audited financial statements.

Our other dealer principals (who are responsible for our Hyundai dealerships) will each hold a 15% interest in the Dealer LP that owns the respective dealership. We may acquire, and the dealer principal may require us to acquire, this interest at a fixed price if the dealer principal's employment with us is terminated for any reason.

In the event we terminate the employment of a dealer principal without cause, we will pay the dealer principal, for between 12 to 18 months, the monthly amount of the base salary earned by the dealer principal in our fiscal year immediately preceding the date of termination and continue the employee benefits for the same period.

The agreements with each of our dealer principals will contain confidentiality, non-solicitation and non-competition covenants, which will continue for between 12 to 18 months after the dealer principal ceases to be employed by us. Under the non-solicitation covenant, the dealer principal will agree not to solicit our employees, customers or suppliers. Under the non-competition covenant, the dealer principal will also agree not to be involved in, or have an interest in, any business that competes with our business for a period of between 12 to 18 months following termination of employment.

**AutoCanada 2006 Incentive Unit Option Plan**

We expect that our Trustees will adopt the AutoCanada 2006 Incentive Unit Option Plan (the ''AutoCanada Option Plan'') prior to Closing. Under the AutoCanada Option Plan, options to purchase our Units may be granted to our Trustees and to the directors, officers and employees of, and service providers to, AutoCanada GP and the Partnership. The purpose of the AutoCanada Option Plan is to provide such eligible participants with compensation opportunities that will encourage ownership of Units, enhance our ability to attract, retain and motivate key personnel, and reward directors, officers, employees and service providers for significant performance and growth in our cash flow.

***Units Reserved***

We will reserve an aggregate of 1,519,275 Units for issuance under the AutoCanada Option Plan representing 7.5% of the Units to be issued and outstanding at Closing on a fully-diluted basis. The number of Units in respect of which options may be granted under the AutoCanada Option Plan may be increased, decreased or fixed by our Trustees, as permitted under the applicable rules and regulations of the regulatory authorities to which we are subject. Upon the expiration, termination or surrender of an option which has not been exercised in full, the number of Units reserved for issuance under that option which have not been issued will become available for issue for the purpose of additional options which may be granted under the AutoCanada Option Plan. In addition, the number of Units: (i) reserved for issuance to any one person shall not in aggregate exceed 5%; (ii) reserved for issuance at any time, under all security based compensation arrangements of the Fund, shall not in aggregate exceed 10%; or (iii) issued within any one year period, under all security based compensation arrangements of the Fund, shall not exceed 10%; in each case, of the total number of Units outstanding immediately prior to the issuance of such Units or grant of options on a diluted basis, as if all Exchangeable Units of the Fund issued and outstanding at such time had been exchanged for Units, but before giving effect to the conversion or exchange of other securities into or for Units. The number of Units covered by each outstanding option shall be proportionally adjusted for any increase or decrease in the number of issued Units and Exchangeable Units resulting from a subdivision, consolidation, reclassification, capital reorganization or similar change in Units (other than a consolidation of our Units immediately following a distribution in Units in lieu of a cash distribution).

***Administration***

The Trustees administer the AutoCanada Option Plan. The Trustees will make decisions relating to the AutoCanada Option Plan based on recommendations of the compensation committee of the Partnership.

***Eligibility***

Our Trustees and the directors, officers, employees and service providers of AutoCanada GP, the Partnership or our affiliates, or other persons as the Trustees may approve, are eligible to participate in the AutoCanada Option Plan.

***Grant and Exercise of Options***

Subject to the terms of the AutoCanada Option Plan, the Trustees may grant to any eligible person one or more options as it deems appropriate. The Trustees may also impose such limitations or conditions on the exercise or vesting of any option as they deem appropriate.

The exercise price for options granted under the AutoCanada Option Plan is the fair market value of such Units at the time of grant as determined by the Trustees, provided that such price may not be less than the lowest price permitted under the applicable rules and regulations of all regulatory authorities to which we are subject, including stock exchanges. Participants in the AutoCanada Option Plan may pay the exercise price by cash, bank draft or certified cheque, or by such other consideration as the Trustees may permit. The AutoCanada Option Plan also provides that an optionee may, at the Unitholder's election and with the agreement of the Trustees, in lieu of exercising any options, surrender the options to the Partnership, which will pay the optionee the difference between the current market price of the Units on the date of surrender and the exercise price for the Units under the options being surrendered.

An option will expire on the date determined by the Trustees and specified in the option agreement pursuant to which such option is granted, which date shall not be later than the tenth anniversary of the date of grant, or such earlier date as may be required by applicable, law, rules or regulations, including those of any exchange or market on which the Units are listed or traded.

The Trustees may determine the periods over which options granted under the AutoCanada Option Plan are to vest, including the portion of the options that will vest in any period, and conditions upon which the options vest or may be exercised, including the requirement that the amount of the cash distributions of the Fund in any period meet thresholds determined by the Trustees at the time any options are granted.

If an optionee ceases to be an eligible participant for any reason other than death or termination for cause, the option will expire on the date determined by the Trustees and specified in the option agreement, which date will not be later than three months after the date on which the optionee ceased to be an eligible participant. If the optionee's status as a Trustee or as a director, officer, employee or service provider to AutoCanada GP or the Partnership is terminated for cause, the option shall terminate immediately. In the event that the optionee dies before otherwise ceasing to be a Trustee or as a director, officer, employee or service provider to AutoCanada GP or the Partnership, or before the expiration of the option following such a termination, the option will expire one year after the date of death, or on such other date determined by the Trustees and specified in the option agreement. Notwithstanding the foregoing, except as expressly permitted by the Trustees, all options granted but not vested under the AutoCanada Option Plan will not vest on or after the date upon which the optionee ceases to be eligible to participate in the AutoCanada Option Plan.

***Change in Control***

In the event of a merger or acquisition transaction that results in a change of control of the Partnership (directly or by a change of control of the Fund), the Trustees may, at their option, take any of the following actions: (i) determine the manner in which all unexercised option rights granted under the AutoCanada Option Plan will be treated, including the acceleration of such options; (ii) offer any participant under the AutoCanada Option Plan the opportunity to obtain a new or replacement option, if applicable; or (iii) convert for, or into, any other security or any other property or cash, any option that is still capable of being exercised.

***Transferability***

Options granted under the AutoCanada Option Plan are not transferable or assignable and may be exercised only by the optionee, subject to exceptions in the event of the death or disability of the optionee.

***Amendments or Termination***

The AutoCanada Option Plan will terminate on April 30, 2016. Our Trustees have the right at any time to suspend, amend or terminate the AutoCanada Option Plan subject to certain exceptions.

***Grants at Closing***

At Closing, we expect that our Trustees will grant options to purchase a total of 759,638 Units (approximately 50% of the Units reserved for issuance under the AutoCanada Option Plan) under the AutoCanada Option Plan to the officers and employees of the Partnership at the price at which the Units are to be issued in the Offering. No options

will be granted to our Chief Executive Officer, Patrick Priestner. The numbers of Units for which options are intended to be granted are as follows:

| Position | Number of Units under Options to be Granted | Percentage of Options Granted |
|---|---|---|
| Executive Management including Named Executive Officers | 360,828 | 47.5% |
| Senior Management | 360,828 | 47.5% |
| Independent Trustees and Directors | 37,982 | 5.0% |

One third of these options vest on the first, second and third anniversary of Closing and expire on the fifth anniversary of Closing. These options may be exercised by an optionee only if, at the time of exercise, the total amount of the cash available for distributions per Unit for the 12 month period ended immediately preceding the time of exercise is at least $1.20 per Unit on a fully-diluted basis (which amount is the estimated cash available for distribution per Unit for 2005 plus $0.20 per Unit) subject to adjustment in the event of any increase or decrease in the number of issued Units and Exchangeable Units resulting from a subdivision, consolidation, reclassification, capital reorganization or similar change in Units (other than a consolidation of our Units immediately following a distribution in Units in lieu of a cash distribution).

### Pension Plan

We do not have a pension plan.

## FUNDING AND RELATED TRANSACTIONS

### Closing Transactions

Our business is currently operated by CAG.

Through a series of transactions to be completed on or prior to Closing and pursuant to the terms of the Investment and Acquisition Agreement, the Fund will, indirectly through the Dealer LPs, acquire all of the assets and undertaking of CAG related to the business of AutoCanada in consideration for approximately $102.1 million and the issue of Exchangeable Units representing an approximate 49.6% indirect interest in the Fund ($109.8 million and approximately 45.8% if the Over-Allotment Option is exercised in full).

The following is a summary of the principal transactions that will take place in connection with the completion of the Offering and the indirect acquisition of the assets and undertaking of CAG by the Fund:

1. Before Closing: (i) the Fund will capitalize the Trust with a nominal amount and subscribe for shares of AutoCanada GP for a nominal amount; (ii) the Trust and AutoCanada GP will establish the Partnership, with AutoCanada GP as the sole general partner; and (iii) the Partnership and AutoCanada GP will establish each of the Dealer LPs, with wholly owned subsidiaries of AutoCanada GP as the sole general partners.
2. The Fund will use the proceeds of the Offering of $102.1 million to capitalize the Trust by subscribing for Trust Units.
3. The Trust will use the proceeds from the issuance of the Trust Units to subscribe for 10,209,500 LP Units for $102.1 million.
4. The Partnership will use the proceeds from the issuance of the LP Units to subscribe for limited partnership units of each of the 14 Dealer LPs for $102.1 million in total.
5. The Dealer LPs will use a portion of the proceeds from the issuance of their limited partnership units to pay, directly or indirectly, the Underwriters' fee and the expenses of the Offering (estimated to be $8.5 million). The Dealer LPs will use the balance of such proceeds to pay the cash portion of the purchase price for the franchised automobile dealerships owned by CAG. The balance of the purchase price will be paid by: (i) the issuance of limited partnership units of the Dealer LPs to CAG; and (ii) the assumption by the Dealer LPs of certain liabilities of CAG (including floor plan notes payable, obligations under capital leases, accounts payable and accrued liabilities of CAG at the Closing, other than amounts due from related parties).

6. CAG will transfer the limited partnership units in each Dealer LP to the Partnership in exchange for 10,047,500 Exchangeable Units issued to CAG. CAG will become the administrative general partner of the Partnership. See ''AutoCanada LP — General Partners''.

As a result of the foregoing transactions, CAG will receive approximately $102.1 million ($109.8 million if the Over-Allotment Option is exercised in full) before deducting the fees and expenses incurred in respect of the Offering and hold approximately 49.6% (approximately 45.8% if the Over-Allotment Option is exercised in full) of the outstanding Partnership Units, represented by Exchangeable Units. These Partnership Units are exchangeable, at the option of CAG, into 10,047,500 Units (9,281,785 Units if the Over-Allotment Option is exercised in full), subject to adjustment in certain events. See ''Retained Interest and Exchange Rights''.

The cash portion of the purchase price under the Investment and Acquisition Agreement will be subject to customary working capital adjustments. CAG will also make an additional $3.0 million working capital contribution for the benefit of the Fund at Closing. CAG will also agree to indemnify us for expenses of this Offering (exclusive of the Underwriters' fee) in excess of $2.4 million and pay to us an amount equal to all transfer taxes incurred in the transfer of the assets and properties of CAG to the Dealer LPs.

If the Over-Allotment Option is exercised, the Fund will use the proceeds received (net of the costs and expenses incurred by us) to acquire additional Trust Units from the Trust. The Trust will, in turn, use the proceeds received from the Fund to subscribe for additional LP Units of the Partnership which will, in turn, use the proceeds received from the Trust to redeem Exchangeable Units held by CAG.

**Investment and Acquisition Agreement**

We will enter into an investment and acquisition agreement to be dated on or before the Closing Date (the ''Investment and Acquisition Agreement'') with CAG and the Principal Shareholders. The Investment and Acquisition Agreement will provide for, among other things, completion of the transactions described under ''Closing Transactions'' above. See ''Material Contracts''.

The Investment and Acquisition Agreement will contain customary representations and warranties and related indemnities from CAG and from the Principal Shareholders in our favour. These representations and warranties will address various matters relating to CAG and its business and the assets and undertaking being transferred to the Dealer LPs and the Partnership, and will also include a representation and warranty that this prospectus does not contain any misrepresentation (as that term is defined in the *Securities Act* (Alberta)), subject to an exception for portions of this prospectus purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert.

The Investment and Acquisition Agreement also contains an indemnity by CAG and the Principal Shareholders to 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. This indemnity specifically requires CAG to: (i) pay for the costs of Phase II environmental assessments and other similar environmental assessments, sampling or monitoring at those locations for which the environmental consultants recently engaged by CAG have recommended that such assessments, sampling or monitoring be conducted; and (ii) hold an equity interest in the Fund (on a fully-diluted basis) of at least 20% until the existing environmental conditions at the locations being leased or acquired by us have been remediated in accordance with applicable environmental laws and regulations or the directors of AutoCanada GP (other than the directors nominated by CAG) have determined that our liability in respect of the existing environmental condition of these locations has been eliminated in all material respects or CAG has provided security (which may include insurance) for the indemnification obligations of CAG in respect of its environmental indemnity and obligations in an amount satisfactory to such directors. The indemnity in respect of the existing environmental condition will continue until these conditions have been remediated, the directors of CAG have made the determination referred to above or the security referred to above has been provided.

The aggregate maximum liability of CAG and the Principal Shareholders under its representations, warranties and indemnities will be limited, without duplication, to 100% of the aggregate amount received by it in connection with the completion of the Offering (including the value at Closing of the Exchangeable Units). The Principal Shareholders will

not be liable under their representations, warranties and indemnities except to the extent the assets of CAG are insufficient to satisfy our claim. The maximum liability of any Principal Shareholder under its representations, warranties and indemnities will be limited, without duplication, to the amount (including the fair market value of any property) distributed or paid by CAG after the Closing directly or indirectly to any Principal Shareholder as a dividend or other distribution or payment. There can be no assurance of recovery by us from CAG or any Principal Shareholder for breaches of their representations, warranties or indemnities.

All claims under the representations, warranties and indemnities (except those relating to working capital and expenses of this Offering) will be subject to an aggregate deductible of $250,000.

The representations and warranties of CAG and the Principal Shareholders will survive the Closing until the 90th day after the date on which the Fund's audited consolidated financial statements for the year ended December 31, 2007 are publicly disclosed, except for: (i) certain representations and warranties relating to corporate matters and title to the purchased assets which will survive indefinitely; (ii) certain representations and warranties relating to taxes which will survive until the 90th day following expiry of any applicable assessment or reassessment period; (iii) representations and warranties regarding environmental matters which will survive for the period set forth above; and (iv) the ''prospectus disclosure'' representation referred to above which will survive for a period of three years following the Closing.

CAG and each of the Principal Shareholders will enter into confidentiality, non-solicitation and non-competition agreements with us which will apply while CAG is entitled to appoint at least one Trustee, and for two years thereafter. Under the non-competition agreement, CAG and Patrick Priestner will agree not to be involved in, or have a direct or indirect interest in, any business that competes with our business and each of the Principal Shareholders will not be involved in, or have a direct or indirect interest in the retail automotive dealership business for the period of the agreements.

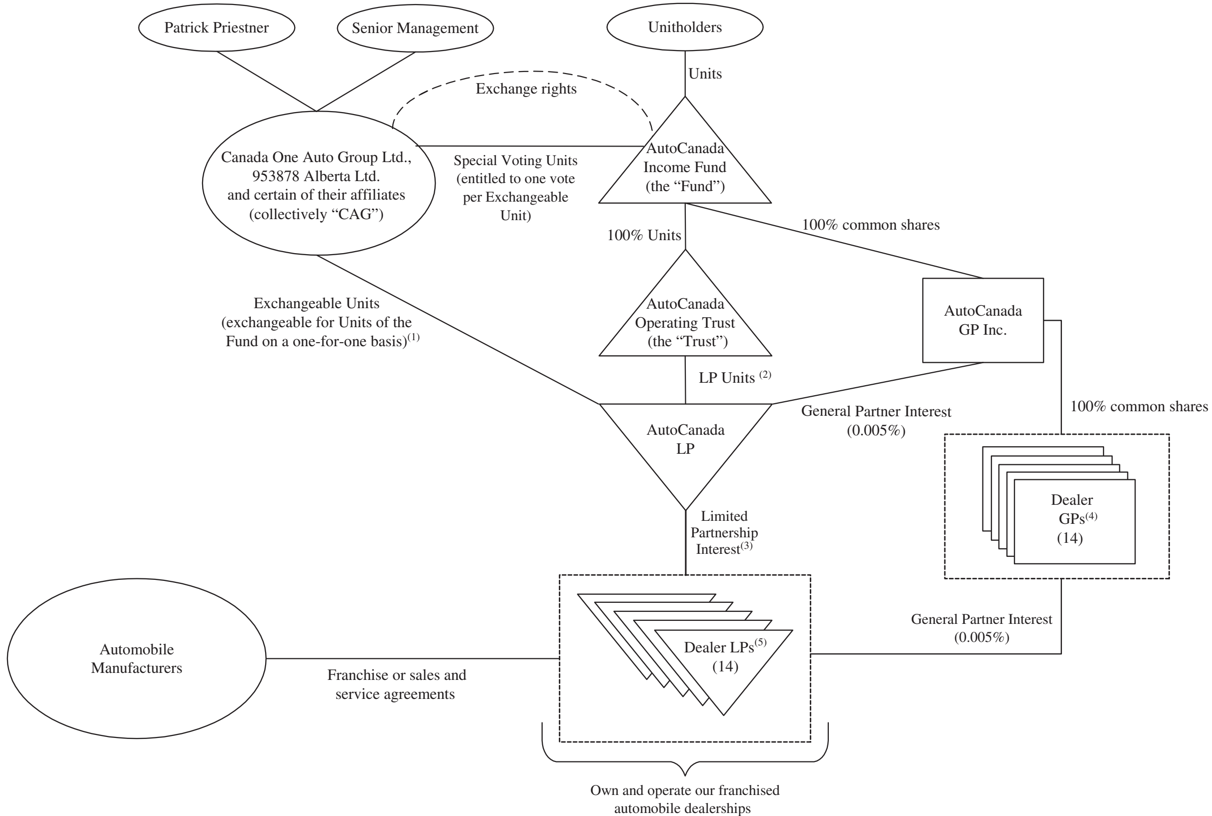
You will not have a direct statutory right of action against CAG, except for a claim against Canada One Auto Group Ltd. or 953878 Alberta Ltd. and Patrick Priestner as ''promoters'' (as that term is defined under applicable securities laws), or the Principal Shareholders. Except for a claim against the ''promoters,'' your sole remedy against CAG and the Principal Shareholders will be through the exercise by us of our rights under the Investment and Acquisition Agreement to claim for indemnification in respect of a breach of the representations and warranties in that agreement by CAG and the Principal Shareholders, subject to the limitations described above.

The completion of the transactions contemplated by the Investment and Acquisition Agreement will be conditional upon, among other things, the completion of the Offering and the receipt of certain consents.

If the transactions contemplated by the Investment and Acquisition Agreement are not completed as contemplated by the Investment and Acquisition Agreement, the Fund will refund to purchasers the consideration paid in respect of the Units offered under this prospectus.

## Structure Following Closing

The following chart illustrates the structure of AutoCanada following Closing. See ''Funding and Related Transactions'' and ''The Fund, AutoCanada Operating Trust, the Partnership and AutoCanada GP''.




Notes:

(1) Represents an approximate 49.6% interest in AutoCanada LP (approximately 45.8% assuming exercise in full of the Over-Allotment Option).

(2) Represents an approximate 50.4% interest in AutoCanada LP (approximately 54.2% assuming exercise in full of the Over-Allotment Option).

(3) Represents a 99.995% interest in most of the Dealer LPs, and an 84.995% interest in the other Dealer LPs that have dealership agreements with Hyundai, where the dealer principal of the dealership holds the remaining 15% interest.

(4) Each Dealer GP is the general partner of a Dealer LP with the exclusive authority to manage that Dealer LP. 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.

(5) Each Dealer LP is a limited partnership formed to own and operate a franchised automobile dealership.

# RETAINED INTEREST AND EXCHANGE RIGHTS

## Retained Interest

Following completion of the Offering, CAG will hold 10,047,500 Exchangeable Units (9,281,785 Exchangeable Units if the Over-Allotment Option is exercised in full) in the aggregate which, after giving effect to the exchange of the Exchangeable Units for Units, represent approximately 49.6% of the issued and outstanding Units (approximately 45.8% if the Over-Allotment Option is exercised in full). Pursuant to the terms of the Exchangeable Units, holders of Exchangeable Units will at any time after Closing be entitled 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 will 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. On Closing, the Fund, the Trust, the Partnership, AutoCanada GP, CAG and Mr. Priestner will enter into the Exchange Agreement, which will provide 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 will agree with the Fund and the Partnership that, until the fifth anniversary of the Closing, CAG will not without the prior written consent of DaimlerChrysler, 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, 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.

This prospectus also qualifies the distribution of the exchange rights referred to above.

### *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 will 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. It is intended that the Fund will qualify as a ''unit trust'' and a ''mutual fund trust'' for the purposes of the Tax Act, although the Fund will not be 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 owing 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 are contemplated by this prospectus and/or the Offering or are 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 will not be 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 will be issued in conjunction with, and will not be transferable separately from, the Exchangeable Units (or other exchangeable securities) to which they relate. Conversely, the Special Voting Units will automatically be transferred upon a transfer of the associated Exchangeable Units or other exchangeable securities. Each Special Voting Unit will entitle 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 will be issued for fractional Units and fractional Units will 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'' and ''Certain Canadian Federal Income Tax Considerations''.

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**

Following Closing, the Fund will 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). On Closing, there will be three Trustees, who will be ''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 Trustees, will be determined by the Nominating and Governance Committee of the Fund (See ''Trustees, Directors and Management'').

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 will supervise the investments and conduct the affairs of the Fund and will be 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 Unitholders 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 will 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 will be 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 will not 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 will act honestly and in good faith with a view to the best interests of the Fund and in connection with that duty will 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 will be 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 intends to make monthly distributions of a substantial portion of its available cash to Unitholders. The amount of the Fund's available cash will be 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 intends to make monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions will be paid on or about the 15th day following the end of each month. The initial cash distribution for the period from the Closing to May 31, 2006 is expected to be paid on or before June 15, 2006 and is estimated to be $0.0564 per Unit (assuming that the Closing occurs on May 11, 2006), representing a monthly cash distribution of $0.0833 per Unit or an annual cash distribution of $1.00 per Unit. The amount of subsequent monthly cash distributions to Unitholders is expected to be $0.0833 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 will be 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. See ''Certain Canadian Federal Income Tax Considerations''.

**Redemption at the Option of Unitholders**

Units are redeemable at any time on demand by the Unitholders. As the Units will be 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. See ''Certain Canadian Federal Income Tax Considerations''.

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. See ''Certain Canadian Federal Income Tax Considerations''.

**Repurchase of Units**

The Fund will be 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 will be 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 the affirmative vote of the holders of not less than 66⅔% of the Voting Units who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the holders of not less than 66⅔% of the Voting Units entitled to vote on such resolution (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, will be entitled to make certain amendments to the Declaration of Trust, including amendments:

(i) made prior to or concurrently with the Closing of the Offering, provided that such amendments do not conflict with or are not inconsistent, in each case, in any material respect, with the description of the Declaration of Trust in this prospectus;

(ii) 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;

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

(iv) 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;

(v) 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

(vi) 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 will provide 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 will furnish 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 will be 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 will 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, following the Closing and 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 annual information form and other reports of the Partnership will be 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 will be delivered by the Fund to its Unitholders concurrently with the financial statements of the Fund for the corresponding period. AutoCanada LP will provide 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 will provide to the Trustees (and their agents) the certifications required by applicable law.

In future interim and annual filings, the Fund will include 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 will be provided on a comparative basis in future interim and annual management discussion and analysis.

The chief executive officer and chief financial officer of the Partnership will 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 will 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 will be 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, following Closing and 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 will be issued in ''book-entry only'' form and must be purchased or transferred through participants (''CDS Participants'') in the depository service of The Canadian Depository for Securities Limited or a successor (collectively, ''CDS''), which include securities brokers and dealers, banks and trust companies. At Closing, the Fund will cause a global certificate or certificates representing the Units to be delivered to, and registered in the name of, CDS or its nominee. 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 will be 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 or its nominee will be effected only through records maintained by CDS or its nominee 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 or its nominee will be made by the Fund to CDS or its nominee, as the case may be, as the registered Unitholder of the Units and the Fund understands that such payments (except payments in the form of additional Units) will be forwarded by CDS or its nominee, as the case may be, to CDS Participants. As long as CDS or its nominee is the registered owner of the Units, CDS or its nominee, as the case may be, 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 or its nominee.

### *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**

Following the completion of the Offering, the rights of the Unitholders will be 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's, 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 will be December 31 in each year.

**Administration of the Fund and the Trust**

The Partnership will act 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 will provide 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 will have 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 will bear their own administration costs and expenses and will 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 will 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 Trustees of the Trust (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 66⅔% 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 66⅔% 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 will be 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 will also be 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 intends to make monthly cash distributions of its cash available for distribution. The amount of cash to be distributed monthly per Trust Unit to the Trust Unitholders will be 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 will be payable to holders of record of Trust Units on the last business day of each month and will be paid within 15 days following each month end. The cash distributions payable by the Trust are intended to be 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 will be issuable in Canadian currency. Trust Notes are issuable 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 will be 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 will provide 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 will be 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 that will be issued under the Partnership Agreement. See ''Material Contracts''.

## 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 will be a general partner of the Partnership. See ''AutoCanada GP — General''. In addition, Canada One Auto Group Ltd. will be an 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 Canada One Auto Group Ltd. 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.

Canada One Auto Group Ltd., as administrative general partner of the Partnership, will be actively engaged in the administration of the business of the Partnership, be responsible for, and have authority in, assisting AutoCanada GP in the administration of the business and affairs of the Partnership as required by AutoCanada GP, and will perform such additional specific duties in connection with the business of the Partnership as may be delegated to it by AutoCanada GP. Canada One Auto Group Ltd. will provide ongoing and regular consultation and management services to the Partnership as to the operation and management of its business. Canada One Auto Group Ltd. will 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 66⅔% 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 will be indirectly exchangeable into Units in accordance with their terms. Exchangeable Units will have economic and voting rights that are equivalent to LP Units in all other respects. Additionally, Exchangeable Units held by CAG will be accompanied by Special Voting Units that will entitle the holder 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''.

Initially, the Partnership will have issued and outstanding partnership interests consisting of 10,209,500 LP Units (10,975,215 LP Units if the Over-Allotment Option is exercised in full) held by the Trust and 10,047,500 Exchangeable Units (9,281,785 Exchangeable Units if the Over-Allotment Option is exercised in full) held by CAG, a general partner interest held by AutoCanada GP and an administrative general partner interest held by Canada One Auto Group Ltd.

### Ranking

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

Advances and distributions on the Partnership Units will be 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, intends to cause 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 will be made on or about the 15th day following the end of each month. Distributions on Partnership Units are intended to be 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 will represent, 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 will be 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 will be 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 will first be allocated to the holders of the LP Units in the amount equal to the Fund Priority Distribution (if any). Thereafter, any remaining income will be 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 will be December 31.

**Limited Liability**

The Partnership will operate 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 Management — 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 Management — 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 66⅔% of the Partnership Units voting on the amendment at a duly constituted meeting or by a written resolution of partners holding more than 66⅔% of the Partnership Units entitled to vote at a duly constituted meeting (a ''Partnership Special Resolution''), 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 Canada One Auto Group Ltd. 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 66⅔% 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 66⅔% 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 or which should be made to make the Partnership Agreement consistent with the disclosure set out in this prospectus.

**Meetings**

AutoCanada GP may call meetings of partners and will be 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 will be held by a separate Dealer LP, which will enter 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

A wholly owned subsidiary of AutoCanada GP, will be a general partner of each Dealer LP. 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 subsidiary 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 will be held, directly or indirectly, by the Partnership, except for 15% interests in the Dealer LPs that own our Hyundai dealerships which will be 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 intend to cause the Dealer LPs to distribute to the Partnership a substantial portion of their respective available cash as set out below. Distributions will be made on or about the 15th day following the end of each month. Distributions to the Partnership are intended to be 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 will consist, 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 will be 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 will be December 31.

### Limited Liability

Each Dealer LP will operate 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. Following Closing, the Fund will own 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 will elect the directors of AutoCanada GP. Under the voting agreement referred to under ''Trustees, Directors and Management — 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 will not comprise a majority of AutoCanada GP's directors.

Auto Canada GP will appoint 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.

## PRINCIPAL UNITHOLDERS

The following table shows the name and information about the securities of the Fund directly or indirectly beneficially owned by each person who, as at the Closing Date, will be the owner of record or who, to the knowledge of the Fund, will own beneficially, directly or indirectly, more than 10% of any class or series of voting securities of the Fund. The information set forth in the following table is presented on a pro forma basis assuming the exchange of Exchangeable Units held by CAG for Units of the Fund and no exercise of the Over-Allotment Option.

| Name | Number of Units of the Fund Owned(1) | Percentage Owned(1) |
|---|---|---|
| CAG(2) | 10,047,500 | 49.6% |

Notes:

(1) If the Over-Allotment Option is exercised in full, CAG will own 9,281,785 Exchangeable Units exchangeable for Units, representing approximately 45.8% of the issued and outstanding Units after giving effect to the exchange.

(2) The equity shares of CAG are held, on a fully-diluted basis, by Patrick Priestner (75.0%), Robert Clark (7.5%), Daniel Wincentaylo (7.5%) and Florendo Medina (10.0%).

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated May 3, 2006 (the ''Underwriting Agreement'') among the Fund, the Trust, the Partnership, AutoCanada GP, CAG and the Principal Shareholders and the Underwriters, the Fund has agreed to sell and the Underwriters have agreed to purchase 10,209,500 Units, as principals, on the Closing Date, subject to the conditions stipulated in the Underwriting Agreement, at a price of $10.00 per Unit payable in immediately available funds. The Underwriting Agreement provides that the Underwriters will be paid a fee of $0.60 per Unit purchased by the public in consideration for services performed in connection with the Offering.

Prior to the Offering, there was no market through which the Units could be sold. Accordingly, the terms of the Offering were established through negotiation between the Fund, CAG and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at the discretion of the Underwriters on the basis of their assessment of the state of the financial markets. The Underwriting Agreement provides that the Underwriters may also terminate their obligations thereunder in certain stated circumstances and upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all offered Units that they have obliged themselves to purchase if any of the Units are purchased under the Underwriting Agreement.

Each of the Fund, the Trust, the Partnership, AutoCanada GP, CAG and the Principal Shareholders has agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian provincial securities legislation, and to contribute to any payments the Underwriters may be required to make in respect thereof. Each of CAG and the Principal Shareholders has provided the Underwriters with the same representations and warranties that they provided to us in the Investment and Acquisition Agreement and has agreed to indemnify the Underwriters in respect of any inaccuracy in such representations and warranties. The liability of each of CAG and the Principal Shareholders in respect of the inaccuracy in such representations and warranties in the Underwriting Agreement is subject to the same limitations, deductibles and thresholds as are contained in the Investment and Acquisition Agreement with respect to the inaccuracy of the representations and warranties given by them in the Investment and Acquisition Agreement, without duplication. See ''Funding and Related Transactions — Investment and Acquisition Agreement''.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice.

The Fund has granted to the Underwriters, for a period of 30 days following the Closing, the Over-Allotment Option to purchase up to 765,715 additional Units at the price of $10.00 per Unit payable in immediately available funds against delivery of such additional Units, to cover over-allotments and for market stabilization purposes, if any. If the Over-Allotment Option is exercised, the Underwriters will receive a fee of $0.60 per additional Unit purchased pursuant to such option. This prospectus also qualifies the distribution of the Units issuable upon exercise of the Over-Allotment Option and subsequent issue of the Units issuable upon exercise of that option. This prospectus also qualifies the distribution of the exchange rights which form part of the Exchangeable Units described under ''Retained Interest and Exchange Rights — Exchange Rights'' and the distribution of Special Voting Units and, in this regard, CAG will release the Underwriters from liabilities arising from statutory rights of action in connection with the distribution of such exchange rights and the Special Voting Units under this prospectus.

During a period ending 180 days from the Closing Date, each of the Fund, CAG, the senior officers of AutoCanada and each Principal Shareholder will not offer, sell or issue for sale or resale any Units (other than pursuant to the exercise of the Over-Allotment Option) or financial instruments or securities convertible into, or exercisable or exchangeable for, Units or agree to, or announce, any such offer, sale or issuance, without the prior written consent of RBC Dominion Securities Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any states in the U.S. and, subject to certain exemptions, may not be offered or sold or otherwise transferred or disposed of in the U.S. The Underwriters have agreed that they will not offer or sell the Units within the U.S. except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in accordance with Rule 144A under the U.S. Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of the Offering, an offer or sale of Units within the U.S. by a dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

Pursuant to a rule of the Ontario Securities Commission, the Underwriters may not, until the selling process ends and all stabilization arrangements relating to the Units are terminated, bid for or purchase Units. The foregoing restriction is subject to exceptions. Such exceptions include a bid or purchase in connection with market stabilization or market balancing activities on the TSX where the bid or purchase is for the purpose of maintaining a fair and orderly market in the Units, subject to certain price requirements, and a bid or purchase made on behalf of a customer where the order was not solicited. A policy statement of the Autorité des marchés, Québec, contains provisions similar to the

Ontario Securities Commission rule. Pursuant to the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Closing is expected to take place on May 11, 2006 or on any other date which may be agreed upon, but no later than June 9, 2006.

## PRIOR ISSUANCES

The only issuance of securities by the Fund in the 12 months prior to the date of this prospectus was the issuance of one Unit to the settlor thereof at a price equal to the offering price hereunder of $10.00.

## USE OF PROCEEDS

Assuming no exercise of the Over-Allotment Option, the estimated net proceeds of the Offering, after deducting the Underwriters' fee and the expenses of the Offering, estimated to be $8.5 million, will be $93.6 million. These proceeds will be used by the Fund to subscribe for Trust Units. The Trust will in turn subscribe for LP Units. The Partnership will use these funds to subscribe for limited partnership units of each of the 14 Dealer LPs. The Dealer LPs will use the proceeds from the issuance of their limited partnership units to pay: (i) the cash portion of the purchase price for the assets and undertaking of CAG; and (ii) directly or indirectly, the Underwriters' fee and the expenses of this Offering. See ''Funding and Related Transactions''.

If the Over-Allotment Option is exercised in full, the additional proceeds received will be used by the Fund to subscribe for additional Trust Units. The Trust will, in turn, use the proceeds from the subscription to: (i) directly or indirectly, pay the expenses incurred in respect of the issue of the Units issued upon exercise of the Over-Allotment Option; and (ii) to redeem Exchangeable Units held by CAG.

The acquisition of the assets and undertaking of CAG by the Dealer LPs will be effected on a partially tax-deferred basis under the Tax Act. Accordingly, the Dealer LPs' cost for tax purposes of the assets and undertaking will be less than the purchase price thereof.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Farris, Vaughan, Wills & Murphy LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is, as of the date of this prospectus, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Unitholder who acquires Units pursuant to the Offering 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 prospectus, the provisions of the Tax Act and the regulations under the Tax Act in force at the date of this prospectus, counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency and certificates delivered by the Fund and certain of the Underwriters as to certain factual matters. This summary takes into account all specific proposals (the ''Tax 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 prospectus. There can be no assurance that any of the Tax 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 prospectus.

**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 will qualify as a ''mutual fund trust'' as defined in the Tax Act on completion of the Offering, will elect to be deemed to be a mutual fund trust from the date it is established until completion of the Offering and will thereafter continuously qualify as a mutual fund trust 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 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. See ''— Possible Amendments to the Tax Act'' below.

#### *Tax-Exempt Unitholders*

Units will be 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 will be 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 will include 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 will not be 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, will be 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, will generally be 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 will be 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 will be deductible by the Fund.

Counsel has been advised that 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. Counsel can provide no opinion in this regard.

**Taxation of the Trust**

The taxation year of the Trust is the calendar year. The Trust will be taxable on its income determined under Part I of the Tax Act for each taxation year, which will include 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 will generally be 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, will generally be payable in the year to the Fund and will generally be 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. Counsel has been advised by the Fund that the Fund does not expect the Trust to be liable for any material amount of tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

**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 will be 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 this 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 will be 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, will be 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 will generally be 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 will depend, 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 will not be 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 will not generally be 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 will be 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 will include 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 will be 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 will generally be 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 may generally be 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) will be liable for an additional refundable tax of 6⅔% 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.

### *Possible Amendments to the Tax Act*

In recent years, a variety of proposals have been tabled which, if enacted, would change the Canadian federal income tax treatment of ''mutual fund trusts'' in certain respects, or of certain holders of units of mutual fund trusts and which, if enacted, would cause the tax consequences described above to be materially and adversely different in certain respects.

On October 31, 2003, the Department of Finance released, for public comment, proposed amendments to the Tax Act that related to the deductibility of interest and other expenses (''Deductibility Amendments'') for income tax purposes for taxation years commencing after 2004. In general, the current version of the Deductibility Amendments may deny the realization of losses in respect of a business or property in a year if, in that year, it is not reasonable to expect that the taxpayer will realize a cumulative profit from that business or property for the period in which the taxpayer has carried on, and can reasonably be expected to carry on, that business, or has held, and can reasonably be expected to hold, that property.

On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to the Deductibility Amendments would be released for comment at an early opportunity and that this alternative proposal would address concerns raised during the consultation process on the Deductibility Amendments. No such proposal has been publicly released.

On March 23, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion (the ''2004 Notice'') which included a proposal to amend the Tax Act to subject a trust governed by a registered pension plan, a pension corporation and various tax-exempt pension investment corporations (''Designated Taxpayers'') to a special tax where, at the end of a month that ends after 2004, the Designated Taxpayer holds ''restricted investment property'' and, in general terms, the cost amount to the Designated Taxpayer of all such ''restricted investment property'' exceeds 1% of the cost amount to it of all of its properties. For this purpose, ''restricted investment property'' includes units and debt of a ''business income trust'' and interests in and debt of certain entities which hold units or debt of business income trusts.

A ''business income trust'' means a unit trust (other than an exempt trust) any unit of which is listed on a prescribed stock exchange where 50% or more of the fair market value of the trust's property is attributable to debt issued by, or participating interests in, an entity in respect of which the trust has a significant interest.

The 2004 Notice also included a proposal to amend the Tax Act to subject a Designated Taxpayer to a special tax where, in general terms, the Designated Taxpayer and entities with which it does not deal at arm's length hold more than 5% of the units of a class of a business income trust. The Trust would constitute a ''business income trust'' and the Units would constitute ''restricted investment property'' under the 2004 Notice. However, on May 18, 2004, the Minister of Finance (Canada) announced that the implementation of amendments proposed in the 2004 Notice was suspended pending further consultation with interested parties, following which further legislative proposals would be announced.

On September 16, 2004, the Minister of Finance (Canada) released draft amendments (''MFT Amendments'') to the Tax Act under which 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 where more than 10% (based upon fair market value) of the trust's property at any time is taxable Canadian property or certain other types of property. If the MFT Amendments were enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of the Units were to be held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to be a ''mutual fund trust''. If the Fund ceases to qualify as a ''mutual fund trust'' under the Tax Act, then the income tax considerations described above would be materially and adversely different in certain respects. The MFT Amendments do not currently provide any means of rectifying a loss of mutual fund trust status.

The December 6, 2004 Notice of Ways and Means Motion to implement the tax proposals contained in the 2004 Federal Budget did not contain the MFT Amendments and the Department of Finance indicated in a concurrent press release that further discussions would be pursued with the private sector in this regard.

On September 8, 2005, the Department of Finance released a consultation paper on tax and other issues related to certain flow-through entities (''FTEs''), which include, for example, publicly listed limited partnerships and income funds such as the Fund, and invited interested parties to make submissions prior to December 31, 2005. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that the CRA would postpone providing advance tax rulings respecting FTEs pending these consultations.

On November 23, 2005, the Minister of Finance (Canada) announced the premature end of this consultation process. No legislative amendments were proposed to change the taxation of income funds. Instead, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion that proposed to enhance the federal dividend gross-up and tax credit mechanism applicable to certain eligible dividends payable by corporations resident in Canada after 2005. In addition, the Minister of Finance (Canada) announced that the CRA would resume providing advance tax rulings in respect of FTEs. The May 2, 2006 federal budget proposes to enact the enhancement to the federal dividend and gross-up tax credit mechanisms.

There are no assurances that a tax on income funds or other changes in tax legislation adverse to income funds or to the holders of units of income funds will not be proposed and enacted.

## RISK FACTORS

**The following are certain factors relating to our business that you should carefully consider before deciding whether to purchase Units. The following information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing throughout this prospectus. Additional risks and uncertainties not presently known to us, or that CAG or we currently deem immaterial, may also impair our operations. If any such risks actually occur, our business, financial condition, liquidity and results of operations could be materially and adversely affected and our ability to make distributions on the Units could be materially and adversely affected.**

### 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 ''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 will involve the sale of vehicles, parts or vehicles containing parts that are manufactured outside Canada. As a result, our operations will be 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. Six of our dealerships are located in Alberta (Edmonton, Grande Prairie and Ponoka) and four of our dealerships are located in British Columbia (two in Prince George and one in each of Kelowna and Maple Ridge). Our other dealerships are located in Thompson, Manitoba, Woodbridge, Ontario, Moncton, New Brunswick and Dartmouth, Nova Scotia. Because ten of our 14 dealerships 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 ''Our Business — Governmental Regulations'' and ''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, 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 Facilities for acquisition purposes. See ''Financing — Credit Facility''. 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 ''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 the fifth anniversary of the Closing, 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 ''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 his 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, we do not expect to enter into similar agreements with Subaru, or one of the automobile manufacturers who has awarded us an Open Point, until after Closing. There can be no assurance that we will be able to secure these agreements 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 74 vehicles in 2005, 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. See ''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 95% of our total new vehicle sales and 96% of our new sales revenues in 2005. Accordingly, we are particularly susceptible to the overall sales and acceptance of vehicles manufactured by DaimlerChrysler.

## Risks Related to Our Structure and the Offering

### *Dependence upon the Partnership to Fund Cash Distributions*

The Fund is an unincorporated, open-ended trust that will ultimately be entirely dependent on the operations and assets of the Partnership. Cash distributions to Unitholders will ultimately be 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 will be 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, will ultimately be entirely dependent on the operations and assets of the Partnership, and will be subject to various factors including its financial performance, its obligations under the applicable 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 will be 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.

***Absence of a Prior Public Market***

Prior to the Offering, there has been no public market for the Units. The initial public offering price has been determined by negotiation between CAG, the Underwriters and the Fund and is based on several factors and may bear no relationship to the price at which the Units will trade in the public market subsequent to the Offering. See ''Plan of Distribution''.

***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 will 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.

***New Requirements as a Public Issuer***

As a public issuer with listed equity securities, we will need to comply with new 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. Preparing to comply and complying with new statutes, regulations and requirements will occupy a significant amount of the time of our board of directors, management and our officers, will increase our costs and expenses, and may divert management's attention from other business concerns. We will need to:

- create or articulate the roles and duties of our board of directors, our board committees and management;
- institute a more comprehensive compliance function;
- establish new internal policies, such as those relating to disclosure controls and procedures and insider trading;
- create 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;
- involve and retain to a greater degree outside counsel and accountants in the above activities; and
- implement 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 will be 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 will be 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 Facility''.

***Substantial Interest of CAG***

Upon completion of the Offering, CAG will own 49.6% (45.8% if the Over-Allotment Option is exercised in full) of our outstanding Units on a fully-diluted basis. In addition, CAG 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.

***Future Sales of Units by CAG***

Upon Closing, CAG will hold all of the Exchangeable Units, representing in aggregate approximately 49.6% (approximately 45.8% if the Over-Allotment Option is exercised in full) 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***

*Changes in Legislation*

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.

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which materially and adversely affects Unitholders. If the Fund ceases to qualify as a ''mutual fund trust'' under the Tax Act, the income tax considerations relating to the Fund and Unitholders would be materially and adversely different in certain respects.

To the extent that changes are made, the income tax considerations described under the heading ''Certain Canadian Federal Income Tax Considerations'' could be materially and adversely different in certain respects.

See ''Certain Canadian Federal Income Tax Considerations — Taxation of Unitholders — Possible Amendments to the Tax Act''.

*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 will make 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 will agree 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 they Exchangeable Units be exchanged, which, pursuant to an agreement with the Underwriters, cannot be disposed of prior to 180 days after the Closing without the consent of RBC Dominion Securities Inc. on behalf of the Underwriters) 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 will also agree 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.

Although Canada One Auto Group Ltd., 953878 Alberta Ltd. and Patrick Priestner have signed this prospectus as ''promoters'' under applicable Canadian securities laws, following the Closing CAG may not necessarily have material assets. See ''Purchasers' Statutory Rights''. As a result, any exercise of the purchasers' statutory rights against Canada One Auto Group Ltd., 953878 Alberta Ltd. or Patrick Priestner as promoters under this prospectus may provide limited incremental economic value relative to the purchasers' statutory rights against the Fund.

***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 will 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.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this prospectus, none of our Trustees, directors or senior officers and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect us. See ''Our Business — Locations'', ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Financial and Operating Information'' and ''Funding and Related Transactions — Closing Transactions''.

## MATERIAL CONTRACTS

The only material contracts entered into by the Fund or by the Partnership during the past two years or to which the Fund or the Partnership will become a party on or prior to the Closing, other than in the ordinary course of business, are as follows:

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

(ii) the Credit Agreement described under ''Financing — Credit Facility'';

(iii) the voting agreement referred to under ''Trustees, Directors and Management — Trustees, Directors and Officers'';

(iv) the Investment and Acquisition Agreement, described under ''Funding and Related Transactions'';

(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, described under ''Plan of Distribution''.

Copies of the foregoing documents may be examined during normal business hours at our office located at 10835 120th Street, Edmonton, Alberta, T5H 3P9, Edmonton, Alberta, and will be available on the Internet at www.sedar.com following Closing.

## EXPERTS

Certain legal matters relating to the issue and sale of Units offered hereby will be passed upon on behalf of the Fund and CAG by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. Certain legal matters relating the Investment and Acquisition Agreement will be passed upon on behalf of CAG by Fraser, Milner, Casgrain LLP.

## LEGAL PROCEEDINGS

Management is not aware of any legal proceedings of a material nature to which either the Fund, the Partnership or CAG is a party or of which any of their respective property is the subject matter.

## PROMOTERS

Canada One Auto Group Ltd., 953878 Alberta Ltd. and Patrick Priestner may be considered to be promoters of the Fund by reason of their initiative in organizing the business and affairs of the Fund.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund and CAG for its fiscal year ended December 31, 2005 are PricewaterhouseCoopers LLP, Chartered Accountants, Edmonton, Alberta.

The auditors of CAG for its fiscal years ended December 31, 2004 and 2003 are BDO Dunwoody LLP of Winnipeg, Manitoba.

The auditors of Maple Ridge Chrysler (1972) Ltd. are Andrews Brown Maroney, Chartered Accountants of Maple Ridge, British Columbia.

The auditors of Colombo Chrysler Jeep Dodge Inc. for the eleven month period ended November 30, 2005 and the year ended December 31, 2004 are Deloitte & Touche LLP of Toronto, Ontario.

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.

## PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

## GLOSSARY OF TERMS

''**absorption rate**'' is the ratio of the gross profits of a franchised automobile dealership from parts, service and collision repair to the fixed operating costs of the dealership.

''**Adjusted EBITDA**'' has the meaning ascribed thereto under ''About This Prospectus — Non-GAAP Measures''.

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

''**AutoCanada**'' means the Fund and its interests in the Trust, the Partnership, AutoCanada GP and the Dealer LPs.

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

''**AutoCanada Incentive Bonus Plan''** means the bonus plan described under ''Executive Compensation — AutoCanada Incentive Bonus Plan''.

''**AutoCanada Option Plan**'' means the incentive unit option plan described under ''Executive Compensation — 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. and 953878 Alberta Ltd., each Alberta corporations that are under common control, and certain of their respective affiliates.

''**CAGR**'' means compound annual growth rate.

''**capital gains refund**'' has the meaning ascribed thereto under ''Certain Canadian Federal Income Tax Considerations — Taxation of the Fund''.

''**cash available for distribution**'' has the meaning ascribed thereto under ''About This Prospectus — Non-GAAP Measures''.

''**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.).

''**Closing**'' means the closing of the Offering and the transactions contemplated by the Investment and Acquisition Agreement.

''**Closing Date**'' means May 11, 2006 or any other date agreed upon by the Fund and the Underwriters, but not later than June 9, 2006.

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

''**Credit Agreement**'' means the credit agreement we have entered into with Chrysler Financial.

''**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. See ''Financing — Credit Facility''.

''**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 we will enter into with each of the dealer principals at Closing.

‘‘**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.

‘‘**DesRosiers**’’ means DesRosiers Automotive Consultants Inc.

‘‘**EBITDA**’’ has the meaning ascribed thereto under ‘‘About This Prospectus — Non-GAAP Measures’’.

‘‘**Exchange Agreement**’’ means the exchange agreement to be entered into between the Fund, the Trust, the Partnership, AutoCanada GP, CAG and Mr. Priestner on or before the Closing Date.

‘‘**Exchangeable Units**’’ means the Exchangeable Units of the Partnership having the attributes described in this prospectus.

‘‘**fiscal year**’’ means, in the case of CAG, the fiscal year ending on December 31 in each year.

‘‘**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.

‘‘**GAAP**’’ means generally accepted accounting principles in Canada.

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

‘‘**Investment and Acquisition Agreement**’’ means the investment and acquisition agreement to be entered into between the Fund, the Trust, the Partnership, AutoCanada GP, the Dealer LPs, CAG and the Principal Shareholders on or before the Closing Date.

‘‘**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 prospectus.

‘‘**Maple Ridge**’’ means Maple Ridge Chrysler (1972) Ltd.

‘‘**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.

‘‘**Offering**’’ means the offering of Units to be issued and sold by the Fund pursuant to this prospectus.

‘‘**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, exercisable for a period of 30 days from Closing.

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

‘‘**Partnership Agreement**’’ means the Partnership limited partnership agreement to be dated on or before the Closing Date.

‘‘**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’’.

‘‘**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 Unitholders of not less than 66⅔% of the Units and Special 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 Unitholders of not less than 66⅔% of the Voting Units entitled to vote on such resolution.

‘‘**Special Voting Unitholders**’’ means Unitholders of Special Voting Units.

‘‘**Special Voting Units**’’ means the 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 be amended, supplemented or restated from time to time.

‘‘**Trust Note Indenture**’’ means the note indenture to be entered into between the Trust and Computershare Fund Company of Canada dated the Closing Date governing the Trust Notes.

‘‘**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.

‘‘**U.S. Securities Act**’’ means the *United States Securities Act of 1933*, as amended.

‘‘**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.

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## AUDITORS' CONSENTS

### Consent of PricewaterhouseCoopers LLP

We have read the prospectus of AutoCanada Income Fund (the ''Fund'') dated May 3, 2006 relating to the issue and sale of trust units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Trustees of the Fund on the balance sheet of the Fund as at March 31, 2006. Our report is dated May 1, 2006, (except as to note 3, which is as of May 3, 2006).

We also consent to the use in the above-mentioned prospectus of our report to the directors of Canada One Auto Group on the balance sheet of the company as at December 31, 2005 and the statements of operations, deficit and cash flows for the year then ended. Our report is dated February 24, 2006 (except as to note 24, which is as of May 3, 2006).

(Signed) ''PricewaterhouseCoopers LLP''
Chartered Accountants

Edmonton, Alberta
May 3, 2006

### Consent of BDO Dunwoody LLP

We have read the prospectus of AutoCanada Income Fund (the ''Fund'') dated May 3, 2006 qualifying the distribution of units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of Canada One Auto Group (formerly Crosstown Motors Group) (the ''Company'') on the balance sheets of the Company as at December 31, 2004; and the statements of income and retained earnings and of cash flows for the years ended December 31, 2004 and 2003. Our report is dated January 14, 2006 (except as to note 24 which is as of May 3, 2006).

(Signed) ''BDO Dunwoody LLP''
Chartered Accountants

Winnipeg, Manitoba
May 3, 2006

### Consent of Andrews Brown Maroney, Chartered Accountants

We have read the prospectus of AutoCanada Income Fund (the ''Fund'') dated May 3, 2006 qualifying the distribution of units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of Maple Ridge Chrysler (1972) Ltd. (the ''Company'') on the balance sheets of the Company as at December 31, 2004 and 2003; and the statements of operations and retained earnings and of cash flows for the years ended December 31, 2004 and 2003. Our report is dated May 16, 2005.

(Signed) ''Andrews Brown Maroney''
Chartered Accountants

Maple Ridge, British Columbia
May 3, 2006

**Consent of Deloitte & Touche LLP**

We have read the prospectus of AutoCanada Income Fund (the ''Fund'') dated May 3, 2006 qualifying the distribution of units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of Colombo Chrysler Jeep Dodge Inc. (the ''Company'') on the balance sheets of the Company as at November 30, 2005 and December 31, 2004; and the statements of operations and retained earnings and of cash flows for the eleven month period ended November 30, 2005 and the year ended December 31, 2004. Our report is dated January 6, 2006.

(Signed) ''Deloitte & Touche LLP''

Chartered Accountants

Toronto, Ontario
May 3, 2006

## AUDITORS' REPORT

To the Trustees of
AutoCanada Income Fund

We have audited the balance sheet of **AutoCanada Income Fund** as at March 31, 2006. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Fund as at March 31, 2006 in accordance with Canadian generally accepted accounting principles.

(Signed) ''PricewaterhouseCoopers LLP''

Charted Accountants

Edmonton, Alberta
May 1, 2006
(except as to note 3, which is as of May 3, 2006)

**AutoCanada Income Fund**
**Balance Sheet**
**As at March 31, 2006**

| | $ |
|---|---|
| **Assets** | |
| **Cash** | 10 |
| **Unitholders' Equity** | |
| **Unitholders' equity (note 2)** | 10 |
| **Subsequent events (note 3)** | |

**Approved by the Trustees**

(Signed) ''Gordon R. Barefoot'', Trustee

(Signed) ''Ruston E.T. Goepel'', Trustee

## 1 The Fund

AutoCanada Income Fund (the ''Fund'') is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and a Declaration of Trust dated January 4, 2006. The Fund has been created to invest in the franchised automobile dealership industry through an indirect acquisition of substantially all of the assets and undertakings of Canada One Auto Group (''CAG'') and such other investments as the Trustees may determine. Income tax obligations related to the allocation of taxable income of the Fund are obligations of the Unitholder.

There has been no activity in the Fund between January 4, 2006 and March 31, 2006. Accordingly, the statements of operations and cash flows have not been presented.

## 2 Unitholders' Equity

An unlimited number of Units and Special Voting Units may be created and issued pursuant to the Declaration of Trust. Each Unit, not including Special Voting Units, is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts and in the net assets of the Fund in the event of termination or winding up of the Fund. Units and Special Voting Units entitle the holders thereof to one vote for each whole Unit or Special Voting Unit held at all meetings of Voting Unitholders.

AutoCanada LP, a limited partnership controlled by the Fund, will issue Exchangeable Units in connection with the proposed transactions described in note 3. Exchangeable Units will be entitled to distributions equivalent to those for Units of the Fund. The Exchangeable Units will be classified as equity of the Fund because the Exchangeable Units will be entitled to receive distributions of earnings economically equivalent to distributions received by Units of the Fund and the holders of the Exchangeable Units will only be able to dispose of the Exchangeable Units by exchanging them for Units of the Fund.

The holders of the Exchangeable Units will be issued Special Voting Units of the Fund which entitle the holders thereof to vote in all votes of Voting Unitholders as if they were the holders of the number of Units that they would receive if all Exchangeable Units were exchanged for Units.

## 3 Subsequent Events

a) The Fund filed a prospectus dated May 3, 2006 relating to the initial public offering of Units of the Fund (the ''Offering'').

Concurrent with the closing of the Offering, the Fund will use the gross proceeds of the Offering of $102,095,000 to capitalize the AutoCanada Operating Trust (the ''Trust'') by subscribing for Trust Units for $102,095,000.

The Fund will subscribe for shares of AutoCanada GP Inc. (''AutoCanada GP'') for a nominal amount. Along with the Trust, AutoCanada GP established AutoCanada LP, a limited partnership (the ''Partnership''). The Trust will use the proceeds from the issuance of the Trust Units to subscribe for 10,209,500 LP Units of the Partnership for $102,095,000.

The Partnership will use the funds from the issuance of LP Units to subscribe for limited partnership units of each of 14 Dealer LPs. The Dealer LPs, in turn, will use the proceeds from the issuance of their limited partnership units to pay: (i) the cash portion of the purchase price for the assets and undertakings of CAG; and (ii) directly or indirectly, the Underwriters' fee and other expenses of the Offering (estimated to be $8.5 million). As additional consideration for the assets and undertakings of CAG, the Dealer LPs will also issue limited partnership units to CAG and assume certain liabilities of CAG. The Partnership will issue Exchangeable Units to CAG as consideration for the transfer to it of the limited partnership units of the Dealer LPs issued to CAG.

b) On May 3, 2006 Chrysler Financial agreed to provide the Partnership and its subsidiaries (''AutoCanada LP'') a new Credit Facility which consists of a revolving term facility (''Revolving Facility'') and a revolving demand instalment floorplan facility (''Floorplan Facility'').

The amount of the Revolving Facility available is based on certain assets (the ''borrowing base'') and a percentage of earnings before interest, taxes, depreciation, and amortization (EBITDA) of AutoCanada LP, up to a maximum amount of $50 million, and is available to finance working capital and the acquisition of automobile dealerships. The Revolving Facility matures three years from May 3, 2006 and bears interest at Royal Bank of Canada (''RBC'') prime rate for amounts borrowed not exceeding the borrowing base and RBC prime rate plus 0.75% for amounts borrowed in excess of the borrowing base. The Revolving Facility provides for a commitment fee of 0.25% of any unused portion and a draw fee of 1.5% of any amount borrowed, both payable quarterly in arrears. The revolving Floorplan Facility available is $183.125 million and it bears interest at RBC prime rate less 0.25%, payable monthly in arrears.

Both the Revolving Facility and the Floorplan Facility require maintenance of certain financial covenants and are collateralized by a general security agreement consisting of a first security interest on all present and future property. The credit facility may in certain circumstances restrict the ability of AutoCanada LP to pay distributions if the payment would result in a default under the Credit Facility.

**Auditors' Report**

**To the Directors of**
**Canada One Auto Group**

We have audited the combined balance sheet of **Canada One Auto Group** as at December 31, 2005 and the combined statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures have been audited by another auditor and a qualified opinion with respect to opening inventories has been issued on the financial statements as at and for the year ended December 31, 2004.

(Signed) ''PricewaterhouseCoopers LLP''
**Chartered Accountants**
Edmonton, Alberta

February 24, 2006 (except as to note 24, which is as of May 3, 2006)

**Auditors' Report**

**To the Directors of**
**CANADA ONE AUTO GROUP (formerly Crosstown Motors Group)**

We have audited the combined balance sheet of **CANADA ONE AUTO GROUP (formerly Crosstown Motors Group)** as at December 31, 2004 and the combined statements of operations and deficit, and cash flows for the years ended December 31, 2004 and 2003. These combined financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because we were appointed auditor of the company during 2005, we were not able to observe the counting of physical inventories at the beginning of the 2003 year and at the end of 2003 year, nor satisfy ourselves concerning those inventory quantities by alternative means, however we were able to satisfy ourselves regarding inventory quantities as at December 31, 2004 through subsequent inspection. Since opening and closing inventories enter into the determination of income and cash flows, we were unable to determine whether adjustments to cost of sales, income taxes, net income (loss) for the year, opening retained earnings and cash provided by operations might be necessary for the years ended December 31, 2004 and 2003.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine opening and closing 2003 inventory quantities as described in the preceding paragraph, the combined financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and the results of its operations and cash flows for the years ended December 31, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

(Signed)
Chartered Accountants
''BDO Dunwoody LLP''

Winnipeg, Manitoba

January 14, 2006 (except as to note 24 which is as of May 3, 2006)

## CANADA ONE AUTO GROUP

## COMBINED BALANCE SHEETS
As at December 31, 2005 and 2004
(expressed in Canadian dollar thousands)

| | 2005 | 2004 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 9,707 | 7,493 |
| Restricted cash (note 4) | 2,952 | 3,388 |
| Accounts receivable | 27,578 | 13,538 |
| Inventories (note 5) | 96,206 | 85,334 |
| Prepaid expenses | 532 | 484 |
| Due from related parties (note 18(b)) | 3,206 | 429 |
| | 140,181 | 110,666 |
| **Investments** (note 6) | 1,016 | 861 |
| **Property and equipment** (note 7) | 9,819 | 5,205 |
| **Intangible assets** (note 8) | 5,304 | 2,484 |
| **Goodwill** | 6,486 | 2,603 |
| **Other assets** | 81 | 48 |
| **Due from related parties** (note 18(b)) | 5,546 | 5,540 |
| **Deferred transaction costs** | 1,422 | — |
| | 169,855 | 127,407 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Short-term indebtedness (note 9) | 1,082 | 1,000 |
| Accounts payable and accrued liabilities | 14,474 | 6,953 |
| Floor plan notes payable (note 10) | 98,023 | 85,299 |
| Shareholder bonuses payable | 14,798 | 7,852 |
| Income taxes payable | 530 | 132 |
| Due to related parties (note 18(c)) | 13,321 | 16,620 |
| Preferred shares (note 14) | 7,312 | 1,813 |
| Current portion of long-term debt (note 12) | 6,001 | 1,680 |
| Current portion of obligations under capital lease (note 13) | 47 | 127 |
| | 155,588 | 121,476 |
| **Long-term debt** (note 12) | 12,770 | 5,587 |
| **Obligations under capital lease** (note 13) | 74 | 88 |
| **Due to related parties** (note 18(c)) | 296 | 328 |
| **Future income tax liabilities** (note 11) | 1,006 | 552 |
| **Non-controlling interest** | 374 | 322 |
| | 170,108 | 128,353 |
| **Commitments** (note 15) | | |
| **SHAREHOLDERS' DEFICIENCY** | | |
| **Share capital** (note 17) | 1 | 1 |
| **Contributed surplus** (note 17) | 991 | 784 |
| **Deficit** | (1,245) | (1,731) |
| | (253) | (946) |
| | **169,855** | **127,407** |

**Approved by the Board of Directors**

(Signed) ''Patrick J. Priestner'', Director

(Signed) ''Robert A. Clark'', Director

**CANADA ONE AUTO GROUP**

**COMBINED STATEMENTS OF DEFICIT**

For the years ended December 31, 2005, 2004 and 2003
(expressed in Canadian dollar thousands)

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| | $ | $ | $ |
| **Balance — Beginning of year** | (1,731) | (1,621) | (619) |
| Net income (loss) for the year | 724 | 20 | (1,002) |
| Dividends paid | (238) | (130) | — |
| **Balance — End of year** | (1,245) | (1,731) | (1,621) |

**CANADA ONE AUTO GROUP**

**COMBINED STATEMENTS OF OPERATIONS**
For the years ended December 31, 2005, 2004 and 2003
(expressed in Canadian dollar thousands)

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| | $ | $ | $ |
| **Revenue** | | | |
| Vehicles | 429,884 | 344,537 | 278,239 |
| Parts, service and collision repair | 54,330 | 49,835 | 44,514 |
| Other | 1,359 | 1,176 | 1,332 |
| | 485,573 | 395,548 | 324,085 |
| **Cost of sales** | 409,214 | 338,288 | 275,169 |
| **Gross profit** | 76,359 | 57,260 | 48,916 |
| **Expenses** | | | |
| Selling, general and administrative | 55,650 | 44,986 | 37,280 |
| Shareholder bonuses | 14,046 | 7,830 | 8,290 |
| Interest (note 19) | 4,815 | 3,370 | 3,344 |
| Amortization | 1,728 | 1,525 | 1,402 |
| | 76,239 | 57,711 | 50,316 |
| **Income (loss) before other income, non-controlling interest and income taxes** | 120 | (451) | (1,400) |
| **Other income** | | | |
| Dividends from cost investment | 1,225 | 773 | 491 |
| Income (loss) from equity investment | 181 | 23 | (95) |
| Gain on disposal of assets | 24 | 51 | 86 |
| | 1,430 | 847 | 482 |
| **Income (loss) before income taxes and non-controlling interest** | 1,550 | 396 | (918) |
| **Non-controlling interest's share of loss (income)** | (52) | (9) | 98 |
| **Income (loss) before income taxes** | 1,498 | 387 | (820) |
| **Income taxes** (note 11) | | | |
| Current | 683 | 218 | 341 |
| Future | 91 | 149 | (159) |
| | 774 | 367 | 182 |
| **Net income (loss) for the year** | 724 | 20 | (1,002) |

## CANADA ONE AUTO GROUP

## COMBINED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2005, 2004 and 2003
(expressed in Canadian dollar thousands)

| | 2005 | 2004 | 2003 |
|---|---|---|---|
| | $ | $ | $ |
| **Cash provided by (used in)** | | | |
| **Operating activities** | | | |
| Net income (loss) for the year | 724 | 20 | (1,002) |
| Items not affecting cash | | | |
| Amortization | 1,728 | 1,525 | 1,402 |
| Gain on disposal of assets | (24) | (51) | (86) |
| (Income) loss from equity investment | (181) | (23) | 95 |
| Non-controlling interest | 52 | 9 | (98) |
| Future income taxes | 91 | 149 | (159) |
| | 2,390 | 1,629 | 152 |
| Net change in non-cash operating working capital balances | 2,035 | 2,510 | (1,478) |
| | 4,425 | 4,139 | (1,326) |
| **Investing activities** | | | |
| Business acquisitions (note 3) | (10,982) | — | (4,443) |
| Proceeds on sales of shares in subsidiary | — | — | 309 |
| Purchase of property and equipment | (1,890) | (702) | (1,061) |
| Purchase of other assets | (25) | — | — |
| Proceeds on sale of property and equipment | 72 | 12 | 1 |
| Proceeds on sale of other assets | 3 | 58 | 17 |
| Deferred transaction costs | (637) | — | — |
| Restricted cash (note 4) | 436 | (1,422) | (1,449) |
| | (13,023) | (2,054) | (6,626) |
| **Financing activities** | | | |
| Proceeds from short-term indebtedness | 82 | — | — |
| Contribution to related party (note 17) | 191 | (160) | — |
| Proceeds from long-term debt | 14,641 | 822 | 3,763 |
| Repayment of long-term debt | (3,136) | (2,747) | (1,979) |
| Repayment of obligations under capital lease | (115) | (80) | (147) |
| Advances (to) from related parties | (509) | 2,425 | 6,024 |
| Proceeds from issuance of share capital | 71 | — | 1 |
| Dividends paid | (238) | (130) | — |
| Redemption of share capital | (175) | — | — |
| | 10,812 | 130 | 7,662 |
| **Increase (decrease) in cash** | 2,214 | 2,215 | (290) |
| **Cash and cash equivalents — Beginning of year** | 7,493 | 5,278 | 5,568 |
| **Cash and cash equivalents — End of year** | 9,707 | 7,493 | 5,278 |

**Supplementary information** (note 23)

## CANADA ONE AUTO GROUP

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2005, 2004 and 2003
(expressed in Canadian dollar thousands)

### 1 Nature of operations and basis of presentation

These financial statements are a combination of the operations of Canada One Auto Group Ltd. and 953878 Alberta Ltd. (collectively ''CAG'' or ''Canada One Auto Group'') that will, upon the completion of the transaction described in note 24(b), be acquired indirectly by AutoCanada Income Fund. These operations are under common control. All significant intercompany transactions and balances have been eliminated.

The assets, liabilities and operations of the following Canada One Auto Group Ltd. subsidiaries are included in these combined financial statements:

| | |
|---|---|
| Crosstown Motors (1982) Ltd. | 100% owned |
| Northland Dodge Chrysler Ltd. | 100% owned |
| Thompson Chrysler Inc. | 100% owned |
| Grande Prairie Motor Holdings Ltd. | 75% owned |
| Moncton Chrysler Ltd. | 100% owned |
| Okanagan Dodge Chrysler Ltd. | 75% owned |
| Ponoka Chrysler Ltd. | 73% owned |
| Dartmouth Motor Holdings Ltd. | 100% owned |
| Northland Motor Holdings Ltd. | 100% owned |
| Grande Prairie Chrysler Ltd. | 75% owned |

The assets, liabilities and operations of the following 953878 Alberta Ltd. subsidiaries are included in these combined financial statements.

| | |
|---|---|
| Capital Dodge Chrysler Jeep Ltd. | 100% owned |
| Colombo Chrysler Jeep Dodge Inc. | 100% owned |
| Maple Ridge Chrysler (1972) Ltd. | 100% owned |

CAG is engaged in the operation of franchised automobile dealerships in British Columbia, Alberta, Manitoba, Nova Scotia and New Brunswick. CAG offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after market products. CAG also arranges financing and insurance for vehicle purchases through third-party finance and insurance sources.

### 2 Significant accounting policies

These combined financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of combined financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Revenue recognition

*Vehicles, Parts, Service and Collision Repair*

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

*Finance and Insurance*

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

CAG also receives commissions for facilitating the sale of third-party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract and CAG is entitled to the commission. CAG is not the obligor under any of these contracts. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions CAG

receives may be charged back to CAG based on the terms of the contracts. The revenue CAG records relating to commissions is net of an estimate of the amount of chargeback CAG will be required to pay. This estimate is based upon CAG's historical chargeback experience arising from similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products.

*Lease Revenue*

Lease revenue is recognized on a straight-line basis over the term of the related lease agreement as amounts become due.

(b) Business combinations

Business combinations are accounted for using the purchase method of accounting. The purchase price for an acquisition is allocated to the related net identifiable assets based on their estimated fair market values.

(c) Cash and cash equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and amounts with Chrysler Financial Canada (''CFC'') with a term of maturity of 90 days or less at the date of acquisition.

(d) Accounts receivable

Accounts receivable includes amounts due from contracts-in-transit, commercial service and parts, fleet vehicle and warranty and rebate receivables. Contracts-in-transit are amounts due from financing institutions, usually within ten days, on retail finance contracts from vehicle sales. Commercial service and parts receivables are due from customers that maintain fleets of vehicles. Fleet vehicle receivables are due on sales of vehicles to commercial customers. Warranty and rebate amounts are due from the manufacturer or the warranty company. CAG evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience.

(e) Inventories

New, used and demonstrator vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. Parts and accessories inventories are valued at the lower of cost and net realizable value. Inventories of parts and accessories are accounted for using the ''first-in, first-out'' method. Other inventories, which primarily include rental and service vehicles, are recorded on a specific item basis at the lower of cost and net realizable value.

In determining net realizable value for new vehicles, CAG primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, CAG considers recent market data and trends such as loss histories along with the current age of the inventory. Parts inventories are primarily assessed considering excess quantity and continued usefulness of the part. The risk of loss in value related to parts inventories is minimized since excess or obsolete parts can generally be returned to the manufacturer.

(f) Property and equipment

Property and equipment are initially recorded at cost. Other than as noted below, amortization on the property and equipment is provided for over the estimated useful life of the assets on the declining balance basis at the following annual rates:

| | |
|---|---|
| Machinery and equipment | 20% |
| Furniture and fixtures | 20% |
| Computer equipment | 30% |
| Office equipment | 20% |
| Company vehicles | 30% |

Leasehold improvements are amortized using the straight-line method over the lease term. The cost of lease vehicles less their estimated net realizable value at the end of the lease term is amortized on a straight-line basis over the term of the individual lease contracts.

Leases that transfer substantially all of the benefits and risks of ownership of the property to CAG are accounted for as capital leases. At the time a capital lease is entered into an asset is recorded together with its related long-term obligation. Equipment under capital lease is recorded at cost and is amortized using the same rates as purchased equipment.

(g) Accounting for the impairment of long-lived assets

Long-lived assets, including identifiable intangibles with a finite life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Identifiable intangibles with an indefinite life are reviewed for impairment on an annual basis. Recoverability of assets to be held and used is assessed by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed by sale are reported at the lower of carrying amount or fair value less costs to sell.

(h) Investments

Investment in a private company in which CAG does not have significant influence or control, is recorded at cost. As a result, dividend income is recorded when received or receivable. Investment in a private company in which CAG has significant influence is accounted for using the equity method. Investments are written down to fair market value if a decline in value is other than temporary in nature.

Through its arrangement with General Life Insurance Ltd. (''GLIC'') (note 6), CAG participates in the underwriting profits earned on life, dismemberment and disability insurance contracts sold by CAG. These profits are recorded as dividend income when they are received or become receivable.

(i) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to CAG's reporting units that are expected to benefit from the business combination.

Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination as described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price.

(j) Intangible assets

The principal identifiable intangible assets are rights under franchise agreements with automobile manufacturers. Franchise agreements are expected to continue for an indefinite period. Where these agreements do not have indefinite terms, CAG anticipates and has generally experienced routine renewals without substantial cost and material modifications. As the franchise agreements will contribute to cash flows for an indefinite period, the carrying amount of franchise rights is not amortized.

CAG assesses the carrying value of these unlimited life intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recorded when it is determined that the carrying amount is not recoverable and exceeds its fair value.

(k) Non-controlling interest

Non-controlling interest is calculated as the non-controlling party's interest in the net income of Grande Prairie Motor Holdings Ltd., Okanagan Dodge Chrysler Ltd., Ponoka Chrysler Ltd. and Grande Prairie Chrysler Ltd.

(l) Income taxes

CAG follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, future income tax assets, including unused tax losses, are subject to a valuation allowance and recognized only to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

(m) Variable interest entities

On January 1, 2005, CAG adopted CICA Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG-15) which provides guidance for applying the principles in CICA 1590, Subsidiaries, and CICA 3055, Interests in Joint Ventures to Variable Interest Entities (''VIEs''). AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. AcG-15 defines the Primary Beneficiary as the entity that is exposed to a majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual returns, or both. The Primary Beneficiary is required to consolidate the VIE. In addition, AcG-15 prescribes certain disclosures for VIEs that are not consolidated but in which CAG has a significant variable interest. The adoption of this standard had no material impact on the combined financial statements.

(n) Deferred transaction costs

Transaction costs incurred by the company are being deferred when the transaction is considered likely to occur (note 24(b)).

## 3 Business acquisitions

(a) On February 1, 2003, CAG purchased 100% of the shares of Okanagan Dodge Chrysler Ltd., which was then called Gateway Ventures Ltd. (''Okanagan''), for total cash consideration of $1,652. The acquisition has been accounted for using the purchase method and the combined financial statements include operating results of Okanagan.

CAG's interest in the net assets acquired at fair value is as follows:

| | $ |
|---|---|
| Current assets | 6,968 |
| Property and equipment | 312 |
| Other assets | 91 |
| Intangible assets | 505 |
| Current liabilities | (6,291) |
| Long-term liabilities | (50) |
| Future income taxes | (102) |
| Net identifiable assets acquired | 1,433 |
| Goodwill | 219 |
| | 1,652 |

(b) On April 1, 2003, CAG purchased 100% of the shares of Bolle Investments Ltd. (''Bolle'') and 586725 Alberta Ltd. (''586725'') for total cash consideration of $3,050 and vendor financing of $450. In combination, Bolle and 586725 owned 100% of Capital Plymouth Chrysler Inc. (''Capital''). Effective January 1, 2004, Bolle, 586725 and Capital were amalgamated to form Capital Dodge Chrysler Jeep Ltd. The acquisition has been accounted for using the purchase method and the combined financial statements include operating results of the acquired companies subsequent to April 1, 2003.

CAG's interest in the net assets acquired at fair value is as follows:

| | $ |
|---|---|
| Current assets | 15,678 |
| Property and equipment | 580 |
| Intangible assets | 1,410 |
| Future income taxes | 53 |
| Current liabilities | (14,288) |
| Long-term liabilities | (1,239) |
| Net identifiable assets acquired | 2,194 |
| Goodwill | 1,306 |
| | 3,500 |

(c) On July 31, 2003, CAG purchased 100% of the shares of Thompson Chrysler Inc. (''Thompson'') for total cash consideration of $450. The acquisition has been accounted for using the purchase method and the combined financial statements include operating results of Thompson subsequent to July 31, 2003.

CAG's interest in the net assets acquired at fair value is as follows:

| | $ |
|---|---|
| Current assets | 2,676 |
| Property and equipment | 817 |
| Current liabilities | (2,168) |
| Long-term liabilities | (886) |
| Net identifiable assets acquired | 439 |
| Goodwill | 11 |
| | 450 |

(d) Also in 2003, CAG acquired additional interests in two subsidiaries for total consideration of $115. The net assets acquired in these transactions were $82 and the increase in goodwill was $33. These acquisitions have been accounted for as step purchases using the purchase method and the combined financial statements reflect these purchases subsequent to the dates of acquisition.

(e) In 2004, CAG acquired the minority interest in a subsidiary for nominal consideration. The net liabilities assumed in this transaction were $122 and the increase in goodwill was $31. This acquisition has been accounted for as a step purchase using the purchase method and the combined financial statements reflect the purchase subsequent to the date of acquisition.

(f) On April 29, 2005, CAG purchased 100% of the net assets of Mini-Tune (Prince George) Ltd. (''Mini-Tune'') for total cash consideration of $631. The acquisition has been accounted for using the purchase method and the combined financial statements include operating results of Mini-Tune, which was renamed Northland Motor Holdings Ltd., subsequent to April 29, 2005.

CAG's interest in the net assets acquired at fair value is as follows:

| | $ |
|---|---|
| Current assets | 329 |
| Property and equipment | 100 |
| Net identifiable assets acquired | 429 |
| Goodwill | 202 |
| | 631 |

(g) On December 1, 2005, CAG purchased 100% of the shares and shareholder loans of Colombo Chrysler Jeep Dodge Inc. (''Colombo'') for total cash consideration of $4,076. The acquisition has been accounted for using the purchase method and the combined financial statements include operating results of Colombo subsequent to November 30, 2005.

Included in the purchase agreement is $1,300 of consideration that is contingent upon the occurrence of certain future events. This contingency cannot be determined beyond a reasonable doubt at the balance sheet date and thus will be recognized as an additional cost of the purchase as it is resolved.

CAG's interest in the net assets acquired at fair value is as follows:

| | $ |
|---|---|
| Current assets | 8,849 |
| Property and equipment | 1,013 |
| Other assets | 10 |
| Future income taxes | 21 |
| Intangible assets | 1,160 |
| Current liabilities | (6,876) |
| Future income taxes | (378) |
| Net identifiable assets acquired | 3,799 |
| Goodwill | 277 |
| | 4,076 |

(h) On December 1, 2005, CAG purchased 100% of the net operating assets of Maple Ridge Chrysler (1972) Ltd. (''Maple Ridge'') for total cash consideration of $7,500. On closing there was a deficiency in the agreed net assets in the amount of $507, thus reducing the total consideration paid to $6,993. The acquisition has been accounted for using the purchase method and the combined financial statements include operating results of Maple Ridge subsequent to November 30, 2005.

Included in the purchase agreement is up to $5,000 of contingent consideration. $2,500 is contingent consideration upon the occurrence of certain future events and up to an additional $2,500 of contingent consideration is payable over a period of seven years from the date of acquisition, subject to Maple Ridge achieving predefined net operating profit levels. Such additional consideration will be satisfied in additional cash consideration. These contingencies cannot be determined beyond a reasonable doubt at the balance sheet date and thus will be recognized as an additional cost of the purchase as they are resolved.

CAG's interest in the net assets acquired at fair value is as follows:

| | $ |
|---|---|
| Current assets | 14,716 |
| Property and equipment | 3,067 |
| Intangible assets | 1,660 |
| Current liabilities | (15,854) |
| Net identifiable assets acquired | 3,589 |
| Goodwill | 3,404 |
| | 6,993 |

## 4 Restricted cash

Restricted cash must be maintained with CFC by CAG to be sufficient to remit the Goods and Services Tax (''GST'') associated with the new vehicle inventory financed by CFC.

## 5 Inventories

| | 2005 | 2004 |
|---|---|---|
| | $ | $ |
| New vehicles | 69,940 | 68,064 |
| Demonstrator vehicles | 4,527 | 3,980 |
| Used vehicles | 16,965 | 9,701 |
| Parts and accessories | 4,774 | 3,589 |
| | 96,206 | 85,334 |

## 6 Investments

| | 2005 | 2004 |
|---|---|---|
| | $ | $ |
| General Life Insurance Company Ltd.(i) | 7 | 7 |
| Dartmouth Dodge Chrysler Jeep (1991) Inc.(ii) | 1,009 | 854 |
| | 1,016 | 861 |

(i) The investment in GLIC is recorded at cost and consists of 35 common voting shares and 100 non-voting participating common shares.

(ii) The investment in Dartmouth Dodge Chrysler Jeep (1991) Inc. (''DDCI''), a Nova Scotia company, consists of 5,000 voting common shares representing 100% of the common shares and 50% of the paid up capital. CAG has significant influence over this entity and thus it is accounted for using the equity method.

## 7 Property and equipment

| | 2005 | | |
|---|---|---|---|
| | Cost | Accumulated amortization | Net |
| | $ | $ | $ |
| Leasehold improvements | 2,988 | 1,221 | 1,767 |
| Machinery and equipment | 6,327 | 4,250 | 2,077 |
| Furniture and fixtures | 3,982 | 2,400 | 1,582 |
| Computer equipment | 2,081 | 1,579 | 502 |
| Company vehicles | 1,123 | 448 | 675 |
| Lease vehicles | 4,650 | 1,470 | 3,180 |
| Other capital assets | 36 | — | 36 |
| | 21,187 | 11,368 | 9,819 |

| | 2004 | | |
|---|---|---|---|
| | Cost | Accumulated amortization | Net |
| | $ | $ | $ |
| Leasehold improvements | 1,038 | 646 | 392 |
| Machinery and equipment | 3,960 | 2,701 | 1,259 |
| Furniture and fixtures | 2,640 | 1,554 | 1,086 |
| Computer equipment | 1,472 | 1,077 | 395 |
| Company vehicles | 1,768 | 717 | 1,051 |
| Lease vehicles | 1,722 | 736 | 986 |
| Other capital assets | 36 | — | 36 |
| | 12,636 | 7,431 | 5,205 |

Included in lease vehicles above are vehicles earning rental income. Rental income for the year totalled $810 (2004 — $722; 2003 — $796).

## 8 Intangible assets

Intangible assets are unlimited life manufacturer franchise rights acquired on business combinations. The following is a continuity.

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| Opening balance | 2,484 | 2,484 |
| Additions (note 3) | 2,820 | — |
| Ending balance | 5,304 | 2,484 |

## 9 Short-term indebtedness

CAG has operating lines of credit up to a maximum of $2,700 with CFC. As of December 31, 2005, CAG had drawn $1,082 on these operating lines of credit (2004 — $1,000). These operating lines of credit are repayable on demand and bear interest at Royal Bank of Canada prime rate plus 0.25% per annum (5.25% at December 31, 2005) and are collateralized by a security interest in the assets of CAG.

The HSBC Bank of Canada has granted CAG a $500 operating loan facility. Interest at HSBC's prime lending rate is payable monthly on any outstanding balance. Amounts drawn on the facility are repayable on demand and are collateralized by a security interest in the assets of CAG, an assignment of insurance proceeds and a guarantee by a company under common control. The HSBC credit facility was unused as at December 31, 2005 and 2004.

## 10 Floor plan notes payable

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| CFC lien notes payable — new vehicles | 88,138 | 79,268 |
| CFC lien notes payable — demonstrator vehicles | 4,439 | 4,033 |
| CFC lien notes payable — used vehicles | 5,446 | 1,998 |
| | 98,023 | 85,299 |

The floor plan notes finance CAG's vehicle inventory. 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 prime less 0.25%. The notes payable for used vehicles bear interest at Royal Bank of Canada prime plus 1% per annum (6.0% at December 31, 2005). The floor plan notes payable are collateralized by CAG's accounts receivable, new, used and demonstrator vehicle inventory and first fixed and floating charge over the assets of CAG.

## 11 Income taxes

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial Statutory income tax rates to income before income taxes.

| | 2005<br>$ | 2004<br>$ | 2003<br>$ |
|---|---|---|---|
| Income (loss) before income taxes | 1,498 | 387 | (821) |
| Statutory income tax rate | 34.3% | 33.8% | 36.9% |
| Expected income taxes (recovery) | 514 | 131 | (303) |
| Increase in taxes resulting from | | | |
| Non-deductible differences | 43 | 106 | 193 |
| Capital taxes | 193 | 217 | 173 |
| Reassessment | — | — | 161 |
| Change in enacted tax rates | 15 | (72) | (14) |
| Tax effect of non-controlling interest | 18 | 3 | (36) |
| Other | (9) | (18) | 8 |
| Actual income tax expense | 774 | 367 | 182 |

The nature and amounts of items giving rise to CAG's future income tax assets and liabilities are as follows:

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| Future income tax assets | | |
| Non-capital loss carry forwards | 127 | 240 |
| Other | 246 | 380 |
| | 373 | 620 |
| Future income tax liabilities | | |
| Investments | 425 | 485 |
| Property and equipment | 346 | 309 |
| Intangible assets | 608 | 378 |
| | 1,379 | 1,172 |
| Net future income tax liability | (1,006) | (552) |

CAG has non-capital losses for income tax purposes totalling $368 which may be carried forward and used to reduce taxable income in future years. Of these losses, $274 expires in 2014 and $94 expires in 2015.

## 12 Long-term debt

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| CFC capital loans, repayable in monthly instalments of $3 to $20 plus interest at 5.32% to 6.45%(i) | 14,899 | 5,183 |
| CFC equipment loans, repayable in monthly instalments of $1 (2004 — $2) plus interest from Royal Bank of Canada prime to 8.5%, collateralized by the related equipment | 2 | 21 |
| CFC lease contracts, repayable over 24 to 48 month terms with interest from 0% to 7.95%(ii) | 3,064 | 1,323 |
| Demand notes payable(iii) | 806 | 540 |
| Note payable, unsecured, bearing interest at 10%, repaid during the year | — | 200 |
| | 18,771 | 7,267 |
| Less: Current portion | 6,001 | 1,680 |
| | 12,770 | 5,587 |

(i) The CFC capital loans are repayable on demand or on a specified date and are collateralized by a security interest in all of the assets of CAG, a fixed and floating charge over the assets of CAG and guarantees from a company under common control. CFC has waived its right to demand payment on these loans until January 1, 2007. Under the terms of the financing arrangements with CFC, CAG is required to meet certain financial covenants. As at December 31, 2005, CAG was not in compliance with all of its financial covenants. CFC has provided a waiver to CAG and as a result will not demand repayment until January 1, 2007 in connection with the non-compliance.

(ii) The lease contracts are collateralized by the related lease contract and lease vehicles with a carrying value of $3,180 (2004 — $987) which are pledged as collateral.

(iii) These notes are unsecured and entitle the holder to a minimum of 5% and a percentage of annual taxable income paid out as interest to the holder, determined annually by management. The creditors have waived their right to demand repayment until January 1, 2007.

Principal repayments for the next five years are as follows:

| | $ |
|---|---|
| 2006 | 6,001 |
| 2007 | 12,160 |
| 2008 | 549 |
| 2009 | 61 |
| 2010 | — |

## 13 Obligations under capital lease

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| Obligations under capital lease are repayable in monthly instalments of $9 plus interest from 4.9% to 11.7%, | 121 | 215 |
| Less: Current portion | 47 | 127 |
| | 74 | 88 |

Obligations under capital lease are collateralized by the related computer equipment with a net book value of $138 (2004-$215).

The future minimum lease payments for the next five years are as follows:

| | $ |
|---|---|
| 2006 | 60 |
| 2007 | 29 |
| 2008 | 28 |
| 2009 | 20 |
| 2010 | 2 |
| | 139 |
| Imputed interest | (18) |
| | 121 |

**14 Preferred shares**

The preferred shares are non-voting, redeemable at the option of CAG and the holder, carry a discretionary dividend and are non-participating. There are 6,739,750 preferred shares outstanding (2004-1,091,580) with a redemption value of $7,312 (2004-$1,813). As at December 31, 2005, there are no scheduled redemptions of the preferred shares.

**15 Commitments**

CAG leases all of the lands and buildings used in its franchised automobile dealership operations from related parties (see note 18(a)), DaimlerChrysler Canada Ltd. and other third parties. CAG also leases various office equipment. The minimum annual lease payments for the next five years and thereafter are as follows:

| | $ |
|---|---|
| 2006 | 4,118 |
| 2007 | 2,972 |
| 2008 | 2,398 |
| 2009 | 2,139 |
| 2010 | 1,923 |
| Thereafter | 4,806 |
| Total | 18,356 |

**16 Contingencies**

(a) CAG has jointly guaranteed the indebtedness of a company under common control. The amount outstanding as at December 31, 2005, which is the subject of the guarantees, is $22,547 (2004-$14,710).

(b) CAG is contingently liable for the outstanding contract balance due on vehicles sold and subsequently financed. In the event payment is required under this guarantee, CAG retains the right to reacquire the vehicle from the customer. As at December 31, 2005 this amount is $791 (2004-$774).

(c) CAG is party to a number of disputes and lawsuits in the normal course of business. Management is confident that the ultimate liability arising from these matters will have no material impact on the financial statements.

(d) CAG's operations are subject to federal, provincial and local environmental laws and regulations in Canada. While CAG has not identified any costs likely to be incurred in the next several years, based on known information for environmental matters, CAG's ongoing efforts to identify potential environmental concerns in connection with the properties it leases may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws or remediating contamination cannot be reasonably estimated at the balance sheet date due to lack of technical information, absence of third party claims, the potential for new or revised laws and regulations and the ability to recover costs from any third parties. Thus the likelihood of any such costs or whether such costs would be material cannot be determined at this time.

## 17 Share capital and contributed surplus

Authorized

Canada One Auto Group Ltd.

Unlimited number of Class A voting, common shares
Unlimited number of Class B voting, common shares (none-outstanding)
Unlimited number of Class C non-voting, common shares (none-outstanding)
Unlimited number of Class D non-voting, common shares (none-outstanding)
Unlimited number of Class E voting, preferred shares (none-outstanding)
Unlimited number of Class F non-voting, preferred shares
Unlimited number of Class G non-voting, preferred shares

953787 Alberta Ltd.

Unlimited number of Class A voting common shares
Unlimited number of Class B voting, common shares (none-outstanding)
Unlimited number of Class C non-voting, common shares (none-outstanding)
Unlimited number of Class D non-voting, common shares (none-outstanding)
Unlimited number of Class E voting, preferred shares (none-outstanding)
Unlimited number of Class F non-voting, preferred shares (none-outstanding)

Issued

| | 2005 $ | 2004 $ |
|---|---|---|
| Share capital | | |
| Canada One Auto Group Ltd. | | |
| 1,052,595 Class A voting | — | — |
| 953878 Alberta Ltd. | | |
| 1,000 Class A voting | 1 | 1 |
| | 1 | 1 |
| Contributed surplus | | |
| Balance — Beginning of year | 784 | 943 |
| Contribution to (from) related party | 191 | (160) |
| Redemption of preferred shares at a discount to redemption value | 15 | — |
| | 991 | 784 |

See note 14 in connection with issued preferred shares of CAG.

## 18 Related party transactions and balances

(a) The following summarizes CAG's related party transactions and balances not disclosed elsewhere:

| | 2005 $ | 2004 $ |
|---|---|---|
| Management fees paid to (received from) from companies under common control | — | (213) |
| Rent paid to companies under common control | 1,129 | 1,028 |
| | 1,129 | 815 |

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Due from related parties

| | 2005 $ | 2004 $ |
|---|---|---|
| Current | | |
| Advances to preferred shareholders(iv) | 3,206 | 429 |
| Long-term | | |
| Priestner Land Holdings Ltd.(i) | — | 311 |
| Dartmouth Dodge Chrysler (1991) Inc.(ii) | 250 | 250 |
| Advances to non-controlling shareholders(iii) | 305 | 311 |
| Advances to common shareholder(iii) | 26 | — |
| Crosstown Land Holdings Ltd.(v) | 4,965 | 4,668 |
| | 5,546 | 5,540 |

(i) The advance is to a company controlled by a shareholder and director of CAG. The amount is unsecured, non-interest bearing and has no fixed terms of repayment. Priestner Land Holdings Ltd. was amalgamated with Crosstown Land Holdings effective January 1, 2005.

(ii) These advances are due from a company over which CAG has significant influence (note 6). The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(iii) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(iv) The amounts are due on demand, non-interest bearing, but become interest bearing at 7% after demand, and are collateralized by the related preferred shares in CAG (note 14) and any other shareholder loans due to the preferred shareholder from CAG.

(v) The advance is to a company controlled by a common shareholder and director of CAG. The amount is unsecured, non-interest bearing and has no fixed terms of repayment. As repayment is not expected within one year, the amount is classified as long-term.

(c) Due to related parties

| | 2005<br>$ | 2004<br>$ |
|---|---|---|
| Current | | |
| Crosstown Land Holdings Ltd.[(i)] | 787 | — |
| Priestner Land Holdings Ltd.[(i)] | — | 494 |
| 963145 Alberta Ltd.[(i)] | 1,246 | — |
| Dartmouth Dodge Chrysler (1991) Inc.[(ii)] | 3 | — |
| Advances from preferred shareholders[(iii)] | 57 | 350 |
| Advances from non-controlling shareholders[(iii)] | 496 | 330 |
| Advances from common shareholders[(iii)] | 10,732 | 15,446 |
| | 13,321 | 16,620 |
| Long-term | | |
| Advances from common shareholder[(iv)] | 296 | 328 |

(i) These are advances from companies controlled by a shareholder and director of CAG. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Priestner Land Holdings Ltd. was amalgamated with Crosstown Land Holdings Ltd. effective January 1, 2005.

(ii) These advances are due to a company over which CAG has significant influence (note 6). The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(iii) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(iv) These notes are unsecured, due on demand and entitle the holder to minimum of 5% and a percentage of annual taxable income paid out as a bonus to the holder based on performance. The creditors have waived their right to demand repayment until January 1, 2007.

**19 Interest**

| | 2005<br>$ | 2004<br>$ | 2003<br>$ |
|---|---|---|---|
| Floor plan notes payable | 4,040 | 2,699 | 2,740 |
| Long-term debt | 645 | 518 | 442 |
| Obligations under capital lease | 18 | 36 | 29 |
| Other | 112 | 117 | 133 |
| | 4,815 | 3,370 | 3,344 |

**20 Economic dependence**

CAG purchases substantially all new vehicles and parts and accessories from DaimlerChrysler Canada Ltd.

**21 Financial instruments**

CAG's financial instruments include cash and cash equivalents, accounts receivable, due from related parties, short term indebtedness, accounts payable and accrued liabilities, floor plan notes payable, shareholder bonuses payable, income taxes payable, due to related parties, long-term debt and obligations under capital lease. It is management's opinion that CAG is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as described below.

**Interest rate risk**

CAG's floor plan notes payable as described in note 10, short-term indebtedness as described in note 9, and certain long-term debt as described in note 12, bear interest with floating rates over prime, thus exposing CAG to interest rate fluctuations. At December 31, 2005, the increase or decrease in net earnings before income taxes for each one percent change in interest rates on floating rate debt amounts to $1,098 (2004 — $870; 2003 — $632).

### Credit risk

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

### Fair values

The carrying amount of cash and cash equivalents, accounts receivable, floor plan notes payable, short term indebtedness accounts payable and accrued liabilities, shareholder bonuses payable and income taxes payable approximate their fair value either due to their relatively short-term maturities or interest rates which approximate market rates. The fair value of due from related parties and due to related parties cannot be determined due to the fact that these instruments do not have specified terms and no active market exists for these instruments. The carrying values of long-term debt and obligations under capital lease approximate their fair values as the interest rates affecting these amounts approximate the market rates. It is not practicable to estimate the fair value of GLIC common shares because it is a private company.

## 22 Segment information

CAG's management evaluates performance and allocates resources based on the operating results of the individual dealerships. All of the individual dealerships sell new and used vehicles, arrange financing, vehicle service, and insurance contracts, provide maintenance and repair services and sell replacement parts. The dealerships are similar in that they deliver the same products and services to a common customer group, their customers are generally individuals, they follow the same procedures and methods in managing their operations, and they operate in similar regulatory environments. However, each dealership has sufficiently similar economic characteristics to allow CAG to be aggregated into one reportable segment.

## 23 Supplementary information

| | 2005<br>$ | 2004<br>$ | 2003<br>$ |
|---|---|---|---|
| Cash interest paid | 4,574 | 3,307 | 2,526 |
| Cash income taxes paid | 311 | 302 | 156 |
| Cash income taxes received | 25 | 31 | 64 |
| Transfer of inventory to property and equipment | 4,214 | 1,175 | 961 |
| Transfer of property and equipment to inventory | 1,641 | 644 | 490 |

## 24 Subsequent events

a) On February 27, 2006, CAG purchased 100% of the preferred shares of Dartmouth Dodge Chrysler Inc. (''DDCI'') from DaimlerChrysler Canada Inc. for the amount of $500 in cash. The acquisition of the preferred shares will be accounted for using the purchase method. The purchase results in CAG owning 100% of DDCI. CAG is in the process of finalizing its measurement and valuation of the net assets acquired, including the identification of goodwill and intangible assets; thus the allocation of the purchase price is subject to the completion of this process.

b) Subsequent to year end an internal reorganization was undertaken whereby common shares were converted into fixed value preferred shares and additional common shares. No cash consideration was paid with respect to these transactions.

c) On May 3, 2006, AutoCanada Income Fund (the ''Fund'') filed a prospectus relating to the initial public offering of units of the Fund (the ''Offering''). The Fund is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and a Declaration of Trust dated January 4, 2006. The Fund has been created to invest in the franchised automobile dealership business, through an indirect acquisition of the controlling interest in substantially all of the assets of CAG.

## AUDITORS' REPORT

To the Director of
MAPLE RIDGE CHRYSLER (1972) LTD.

We have audited the balance sheet of Maple Ridge Chrysler (1972) Ltd. as at December 31, 2004 and 2003 and the statements of operations and retained earnings and of cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of operations and cash flows of the Company for the years ended December 31, 2004 and 2003 in accordance with Canadian generally accepted accounting principles.

(Signed) ''Andrews Brown Maroney''
Chartered Accountants

Maple Ridge, British Columbia

May 16, 2005

**MAPLE RIDGE CHRYSLER (1972) LTD.**

**BALANCE SHEETS**
As at November 30, 2005 and 2004 and December 31, 2004 and 2003
(expressed in Canadian dollar thousands)

| | November 30, 2005 | November 30, 2004 | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| | $ (unaudited) | $ (unaudited) | $ | $ |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | 258 | 29 | 83 | 16 |
| Short-term deposits | — | 70 | 70 | 121 |
| Accounts receivable (note 4) | 2,277 | 5,090 | 4,845 | 3,003 |
| Inventories (note 5) | 14,045 | 16,170 | 19,164 | 13,158 |
| Prepaid expenses | 159 | 43 | 84 | 72 |
| | 16,739 | 21,402 | 24,246 | 16,370 |
| **Due from related parties** (note 6) | 3,855 | 3,892 | 3,905 | 3,519 |
| **Property and equipment** (note 7) | 830 | 801 | 840 | 399 |
| **Revenue vehicles** (note 8) | 2,273 | 3,384 | 3,298 | 2,977 |
| | 23,697 | 29,479 | 32,289 | 23,265 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Bank indebtedness (note 9) | — | 607 | 1,271 | 777 |
| Floorplan financing (note 10) | 12,660 | 14,927 | 18,223 | 11,982 |
| Line of credit (note 11) | — | 537 | 508 | — |
| Accounts payable and accrued liabilities | 1,509 | 2,297 | 1,932 | 1,506 |
| Bonus payable | 1,955 | 2,596 | 2,736 | 1,913 |
| Corporate income tax payable | — | — | — | 26 |
| Customer deposits | 224 | 497 | 403 | 169 |
| Current portion of long-term debt | 731 | 979 | 986 | 753 |
| | 17,079 | 22,440 | 26,059 | 17,126 |
| **Long-term debt** (note 12) | 1,295 | 2,080 | 1,932 | 1,894 |
| **Due to shareholder** | 3,514 | 3,138 | 2,475 | 2,468 |
| **Future income tax** (note 13) | 268 | 269 | 270 | 243 |
| | 5,077 | 5,487 | 4,677 | 4,605 |
| **SHAREHOLDER'S EQUITY** | | | | |
| **Share capital** (note 14) | 60 | 60 | 60 | 60 |
| **Retained earnings** | 1,481 | 1,492 | 1,493 | 1,474 |
| | 1,541 | 1,552 | 1,553 | 1,534 |
| | 23,697 | 29,479 | 32,289 | 23,265 |

**Approved by the Director**

(Signed) ''Richard P. Moore'', Director

**MAPLE RIDGE CHRYSLER (1972) LTD.**

**STATEMENTS OF RETAINED EARNINGS**

For the 11-month periods ended November 30, 2005 and 2004 and for the years ended December 31, 2004 and 2003
(expressed in Canadian dollar thousands)

| | November 30, 2005 | November 30, 2004 | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| | $ (unaudited) | $ (unaudited) | $ | $ |
| **Balance — Beginning of year** | 1,493 | 1,474 | 1,474 | 1,446 |
| Net income (loss) for the year | (12) | 18 | 19 | 28 |
| Dividends | — | — | — | — |
| **Balance — End of year** | 1,481 | 1,492 | 1,493 | 1,474 |

## MAPLE RIDGE CHRYSLER (1972) LTD.

### STATEMENTS OF OPERATIONS

For the 11-month periods ended November 30, 2005 and 2004 and for
the years ended December 31, 2004 and 2003
(expressed in Canadian dollar thousands)

| | November 30, 2005 | November 30, 2004 | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| | $ (unaudited) | $ (unaudited) | $ | $ |
| **Sales** | 84,900 | 78,499 | 86,231 | 71,454, |
| **Cost of sales** | 77,553 | 70,922 | 77,802 | 64,341 |
| **Gross profit** | 7,347 | 7,577 | 8,429 | 7,113 |
| **Expenses** | | | | |
| Selling, administrative and general | 4,031 | 3,582 | 4,131 | 3,976 |
| Amortization | 698 | 792 | 866 | 641 |
| Interest | 316 | 197 | 239 | 237 |
| Executive management salaries and bonuses | 2,317 | 2,961 | 3,146 | 2,160 |
| | 7,362 | 7,532 | 8,382 | 7,014 |
| **Income (loss) before income taxes** | (15) | 45 | 47 | 99 |
| **Income taxes** | | | | |
| Current | — | — | — | 26 |
| Future (note 13) | (3) | 27 | 28 | 45 |
| **Net income (loss) for the period** | (12) | 18 | 19 | 28 |

**MAPLE RIDGE CHRYSLER (1972) LTD.**

**STATEMENTS OF CASH FLOWS**
For the 11-month periods ended November 30, 2005 and 2004 and for the years ended December 31, 2004 and 2003
(expressed in Canadian dollar thousands)

| | November 30, 2005 | November 30, 2004 | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| | $ (unaudited) | $ (unaudited) | $ | $ |
| **Cash provided by (used in)** | | | | |
| **Operating activities** | | | | |
| Net (loss) income for the year | (12) | 18 | 19 | 28 |
| Adjustments for items not involving cash: | | | | |
| Amortization | 698 | 792 | 866 | 641 |
| Future income taxes | (3) | 27 | 28 | 45 |
| | 683 | 837 | 913 | 714 |
| Change in non-cash working capital (note 15) | 157 | 186 | 347 | 408 |
| | 840 | 1,023 | 1,260 | 1,122 |
| **Investing activities** | | | | |
| Acquisition of revenue vehicles | (904) | (1,719) | (1,561) | (1,741) |
| Proceeds from sale of revenue vehicles | 1,323 | 598 | 463 | 497 |
| Acquisition of property, plant and equipment | (81) | (479) | (530) | (237) |
| | 338 | (1,600) | (1,628) | (1,481) |
| **Financing activities** | | | | |
| Advances from shareholder | 1,040 | 670 | 6 | 549 |
| Advances to related parties | 49 | (373) | (386) | (3,487) |
| Repayment of long-term debt | (891) | — | — | — |
| Proceeds from long-term debt | — | 412 | 270 | 820 |
| | 198 | 709 | (110) | (2,118) |
| **Net change in cash and cash equivalents** | 1,376 | 132 | (478) | (2,477) |
| **Cash and cash equivalents at the beginning of the period** | (1,118) | (640) | (640) | 1,837 |
| **Cash and cash equivalents at the end of the period** (note 16) | 258 | (508) | (1,118) | (640) |
| **Supplementary information** | | | | |
| Cash interest paid | 310 | 191 | 231 | 229 |
| Cash income taxes paid | — | 26 | 26 | 66 |

# MAPLE RIDGE CHRYSLER (1972) LTD.

## NOTES TO FINANCIAL STATEMENTS

For the 11-month periods ended November 30, 2005 and 2004 and for the years ended December 31, 2004 and 2003
(expressed in Canadian dollar thousands)

### 1. Financial Statement Presentation:

These financial statements represent the results of its operations for the 11 months ended November 30, 2005 with comparative figures for the 11 months ended November 30, 2004 and the results of operations for the year ended December 31, 2004 with comparative figures for the year ended December 31, 2003.

### 2. Significant Accounting Policies:

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**Inventory**

Inventory is valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

Used vehicle inventory includes parts and labour required to render the vehicle in saleable condition.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Amortization is recorded on the following basis and at the following annual rates, except during the year of acquisition when one-half the annual rate is used:

| | | |
|---|---|---|
| Computer equipment | 4 years | Straight-line |
| Furniture and signs | 20% | Declining-balance |
| Leasehold improvements | 15 years | Straight-line |
| Service and parts equipment | 20% | Declining-balance |

**Income Taxes**

The future income tax asset and liability method of accounting for income taxes is used, and future income tax liabilities and future income tax assets are recorded on temporary differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, the future benefits of income tax assets including unused tax losses are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These standards also require that the future income tax assets and liabilities be measured using enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized.

**Revenue Vehicles**

Revenue vehicles are recorded at cost and amortized on a straight-line basis over the term of the lease to their estimated residual value.

**Revenue Recognition**

Revenue from vehicle sales is recognized upon the delivery, passage of title, signing of the sales contract and approval of financing or receipt of payment. Revenue from the sale of parts and service repairs is recognized upon delivery of the parts to the customer or at the time the vehicle service is completed. Lease revenue is recorded on a straight-line basis over the term of the lease.

### 3. Financial Instruments:

**Fair Values**

Unless otherwise noted, cash, accounts receivable, corporate income taxes, prepaid expenses, bank indebtedness, floorplan financing, accounts payable and accrued liabilities, customer deposits, amounts due to R.P.M. Holdings Ltd., long-term debt and amounts due to shareholder are stated at amounts that approximate their book value.

**Liability Risk**

The company has minimal risk on the finance contracts payable due to the excess of market value of the units financed and contracts in transit over the related liability. The company has minimal risk on the long-term debt payable due to the excess of market value over the related

liability. The company does not have significant risk for the repayment of advances from its shareholder because the shareholder has agreed not to demand payment until January 1, 2006.

**Concentration of Credit Risk**

The company does not have sufficient exposure to any individual customer. It maintains an ongoing assessment of its accounts. It also has a diverse customer base which minimizes the concentration of credit risk.

**Interest Rate Risk**

The company's bank financing is related to the bank's prime lending rate and is therefore subject to interest rate risk, which will affect the company's income. The company does not use derivative instruments to reduce its exposure to interest rate risk.

**Economic Dependence Risk**

The company is an independently owned Chrysler dealership. All new vehicles and most of the automotive replacement parts are purchased from DaimlerChrysler Canada Inc. and, therefore, the company is economically dependent on the manufacturer.

**4. Accounts Receivable:**

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| Trade | $1,057 | $2,423 | $1,325 | $1,383 |
| Contracts in transit | 920 | 2,223 | 2,909 | 1,155 |
| Factory claims | 300 | 444 | 611 | 465 |
| | $2,277 | $5,090 | $4,845 | $3,003 |

**5. Inventory:**

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| New vehicles | $10,853 | $11,808 | $14,661 | $ 9,211 |
| Used vehicles | 2,582 | 3,473 | 3,715 | 2,921 |
| Demonstrators | 230 | 534 | 340 | 589 |
| Parts and other | 380 | 355 | 448 | 437 |
| | $14,045 | $16,170 | $19,164 | $13,158 |

**6. Due from Related Parties:**

The advances to these companies are unsecured, non-interest bearing and without specific repayment terms. The company has indicated that it will not request payment of these amounts within the next fiscal year, consequently, these amounts have been classified as non-current assets in the accompanying financial statements.

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| Select Towing Ltd. | $ — | $ 37 | $ 38 | $ 37 |
| R.M. Marine Sales Ltd. | 3,855 | 3,855 | 3,855 | 3,468 |
| R.P.M. Holdings Ltd. | — | — | 12 | 14 |
| 509690 BC Ltd. | — | — | — | — |
| | $3,855 | $3,892 | $3,905 | $3,519 |

**7. Property, Plant and Equipment:**

| | Cost | Accumulated Amortization | November 30, 2005 (unaudited) Net Carrying Value | November 30, 2004 (unaudited) Net Carrying Value | December 31, 2003 Net Carrying Value | December 31, 2003 Net Carrying Value |
|---|---|---|---|---|---|---|
| Computer equipment | $ 266 | $ 243 | $ 23 | $ 29 | $ 29 | $ 51 |
| Furniture and signs | 460 | 360 | 100 | 104 | 101 | 113 |
| Leasehold improvements | 754 | 82 | 672 | 632 | 676 | 193 |
| Service and parts equipment | 588 | 553 | 35 | 36 | 34 | 42 |
| | $2,068 | $1,238 | $830 | $801 | $840 | $399 |

**8. Revenue Vehicles:**

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| Cost | $3,221 | $ 4,506 | $ 4,470 | $3,678 |
| Accumulated amortization | (948) | (1,122) | (1,172) | (701) |
| | $2,273 | $ 3,384 | $ 3,298 | $2,977 |

**9. Bank Indebtedness:**

The bank operating line of credit bears interest at prime plus 0.5% and is secured by a general security agreement, priority agreement between the company, DaimlerChrysler Financial Services Canada Inc., assignment of insurance and unlimited guarantees of the shareholder and related company.

**10. Floorplan Financing:**

These loans are set by specific new vehicles in inventory and contracts in transit receivables. Interest payments are due monthly at approximately bank prime rate less 0.05%.

**11. Line of Credit:**

DaimlerChrysler Services Canada Inc. has provided the company with a line of credit of $2,000. As at November 30, 2005, the company has drawn nil (November 30, 2004 — $537) on this credit facility and is making monthly principal payments of nil (November 30, 2004 — $29). As at December 31, 2004, the company has drawn $508 (2003 — NIL) on this credit facility and is making monthly principal payments of $29.

**12. Long-Term Debt:**

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| DaimlerChrysler Financial Services Canada Inc. loan fluctuates in relation to charges on revenue vehicles, interest variable between nil and 7.95% per annum and secured by specific charges on revenue vehicles | $2,026 | $3,059 | $2,918 | $2,647 |
| Less: current portion | 731 | 979 | 986 | 753 |
| | $1,295 | $2,080 | $1,932 | $1,894 |

Required principal payments on long-term debt in each of the next four years are as follows:

| | |
|---|---|
| 2006 | $731 |
| 2007 | 759 |
| 2008 | 467 |
| 2009 | 69 |

**13. Income Taxes:**

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to income before income taxes due to the following:

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| Provision for (recovery of) taxes at statutory rates | $ (5) | $ 16 | $ 17 | $ 35 |
| Increase (decrease) in taxes resulting from: | | | | |
| Items amortized for income tax purposes at rates that differ from accounting purposes | 3 | (27) | (28) | (45) |
| Items not deductible for income tax purposes | 2 | 11 | 11 | 12 |
| Operating loss carried forward | — | — | — | (2) |
| Large corporation tax | — | — | — | 26 |
| | $— | $ — | $ — | $ 26 |

The appropriate tax effect of each type of temporary difference that gives rise to the company's future tax liabilities (assets) are as follows:

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| Capital cost allowance in excess of amortization | $ 3 | $(27) | $(28) | $(45) |

**14. Share Capital:**

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| **Authorized:** | | | | |
| 200,000 Common shares, par value $1 | | | | |
| **Issued and fully paid:** | | | | |
| 60,101 Common shares | $60 | $60 | $60 | $60 |

**15. Changes in Non-Cash Working Capital:**

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| Accounts receivable | $ 2,568 | $(2,087) | $(1,842) | $ 961 |
| Inventory | 5,119 | (3,012) | (6,005) | (2,459) |
| Prepaid expenses | (75) | 28 | (12) | (51) |
| Floorplan financing | (5,563) | 2,944 | 6,241 | 2,370 |
| Line of credit | (508) | 537 | 508 | — |
| Accounts payable and accrued liabilities | (423) | 791 | 425 | (383) |
| Bonus payable | (781) | 683 | 823 | 123 |
| Corporate income taxes receivable | — | (26) | (26) | (37) |
| Customer deposits | (180) | 328 | 235 | (116) |
| | $ 157 | $ 186 | $ 347 | $ 408 |

**16 Cash and Cash Equivalents:**

| | November 30, 2005 (unaudited) | November 30, 2004 (unaudited) | December 31, 2004 | December 31, 2003 |
|---|---|---|---|---|
| Cash | $258 | $ 29 | $ 83 | $ 16 |
| Short-term investments | — | 70 | 70 | 121 |
| Bank indebtedness | — | (607) | (1,271) | (777) |
| | $258 | $(508) | $(1,118) | $(640) |

**17 Related Party Transactions:**

R.P.M. Holdings Ltd., R.M Marine Sales Ltd., 509690 B.C. Ltd. and Select Towing Ltd. are controlled by the shareholder of the company.

In addition to information disclosed elsewhere in these financial statements, the following related party transactions occurred during the year:

***R.P.M. Holdings Ltd.***

Premises rent — these payments are in the ordinary course of business.

| | |
|---|---|
| For the 11 months ending November 30, 2005 | $660 |
| For the 11 months ending November 30, 2004 | $580 |
| For the 12 months ending December 31, 2004 | $640 |
| For the 12 months ending December 31, 2003 | $600 |

***Shareholder***

It is the company's policy to bonus out the taxable income each year to the sole shareholder. The management bonuses amount to:

| | |
|---|---|
| For the 11 months ending November 30, 2005 | $1,955 |
| For the 11 months ending November 30, 2004 | $2,596 |
| For the 12 months ending December 31, 2004 | $2,736 |
| For the 12 months ending December 31, 2003 | $1,913 |

**18 Subsequent Event:**

Subsequent to the period end, the net operating assets of the company were sold to 953878 Alberta Ltd.

## AUDITORS' REPORT

To the Directors of
COLOMBO CHRYSLER JEEP DODGE INC.

We have audited the balance sheets of Colombo Chrysler Jeep Dodge Inc. as at November 30, 2005, and December 31, 2004 and the statements of operations and retained earnings and of cash flows for the eleven month period ended November 30, 2005 and the year ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and December 31, 2004 and the results of operations and cash flows of the Company for the eleven month period ended November 30, 2005 and the year ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

(Signed) ''Deloitte & Touche LLP''
Chartered Accountants

Toronto, Ontario

January 6, 2006

**COLOMBO CHRYSLER JEEP DODGE INC.**

**BALANCE SHEETS**

(expressed in Canadian dollar thousands)

| | November 30, 2005 | December 31, 2004 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash | $ 717 | $ 269 |
| Accounts receivable | 1,300 | 1,660 |
| Income taxes recoverable | — | 22 |
| Inventories (Note 3) | 6,799 | 8,491 |
| Prepaid expenses | 33 | 33 |
| | 8,849 | 10,475 |
| DUE FROM RELATED ENTERPRISE (Note 4) | — | 449 |
| CAPITAL ASSETS (Note 5) | 491 | 562 |
| INVESTMENT | 10 | 10 |
| FUTURE INCOME TAXES (Note 10) | 10 | 24 |
| | $9,360 | $11,520 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued charges (Note 7) | $1,115 | $ 1,772 |
| Income taxes payable | 121 | — |
| Wholesale notes payable (Note 8) | 5,615 | 7,870 |
| | 6,851 | 9,642 |
| NOTES PAYABLE (Note 9) | 1,976 | 1,753 |
| | 8,827 | 11,395 |
| **SHAREHOLDERS' EQUITY** | | |
| SHARE CAPITAL (Note 11) | 1 | 1 |
| RETAINED EARNINGS | 532 | 124 |
| | 533 | 125 |
| | $9,360 | $11,520 |

APPROVED BY THE BOARD

Signed ''Patrick J. Priestner'', Director

## COLOMBO CHRYSLER JEEP DODGE INC.

## STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(expressed in Canadian dollar thousands)

| | Eleven month period ended November 30, 2005 | Year ended December 31, 2004 |
|---|---|---|
| REVENUES | | |
| Vehicles | $49,493 | $50,747 |
| Parts, service and collision repair | 7,529 | 8,183 |
| Other | 299 | 124 |
| | 57,321 | 59,054 |
| COST OF GOODS SOLD | 50,305 | 52,380 |
| GROSS MARGIN | 7,016 | 6,674 |
| EXPENSES | | |
| Selling, general and administrative | 5,581 | 5,472 |
| Amortization of capital assets | 173 | 237 |
| Write-off of capital assets | — | 48 |
| Interest (Note 14) | 380 | 421 |
| Shareholder remuneration | 309 | 563 |
| | 6,443 | 6,741 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 573 | (67) |
| INCOME TAXES (RECOVERY) (Note 10) | | |
| Current | 151 | (3) |
| Future | 14 | (8) |
| | 165 | (11) |
| NET EARNINGS (LOSS) | 408 | (56) |
| RETAINED EARNINGS, BEGINNING OF PERIOD | 124 | 180 |
| RETAINED EARNINGS, END OF PERIOD | $ 532 | $ 124 |

## COLOMBO CHRYSLER JEEP DODGE INC.

## STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars thousands)

| | Eleven month period ended November 30, 2005 | Years ended December 31, 2004 |
|---|---|---|
| **NET (INFLOW) OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES** | | |
| OPERATING | | |
| Net earnings (loss) | $ 408 | $ (56) |
| Items not affecting cash | | |
| Amortization of capital assets | 173 | 237 |
| Write-off of capital assets | — | 48 |
| Future income taxes | 14 | (8) |
| | 595 | 221 |
| Changes in non-cash operating working capital items | | |
| Accounts receivable | 360 | 273 |
| Income taxes recoverable | 22 | 3 |
| Inventories | 1,692 | (65) |
| Accounts payable and accrued charges | (657) | 211 |
| Income taxes payable | 121 | — |
| Wholesale notes payable | (2,255) | (634) |
| | (122) | 9 |
| INVESTING | | |
| Purchase of capital assets | (101) | (4) |
| Due from related enterprise | 449 | (276) |
| | 348 | (280) |
| FINANCING | | |
| Increase in notes payable | 222 | 242 |
| **NET CASH INFLOW (OUTFLOW)** | 448 | (29) |
| **CASH POSITION, BEGINNING OF PERIOD** | 269 | 298 |
| **CASH POSITION, END OF PERIOD** | $ 717 | $ 269 |
| SUPPLEMENTARY FINANCIAL INFORMATION | | |
| Interest paid | $ 383 | $ 398 |
| Income taxes paid | $ 50 | $ 26 |

## COLOMBO CHRYSLER JEEP DODGE INC.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended November 30, 2005 and the year ended December 31, 2004
(expressed in Canadian dollar thousands)

### 1. Nature of Business

Colombo Chrysler Jeep Dodge Inc. (the ''Company'') is a private company incorporated under the Ontario Business Corporations Act, which operates a Chrysler automotive dealership in Woodbridge, Ontario.

### 2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP'') and reflect the following significant accounting policies:

***Inventories***

Vehicle inventories are valued at the lower of specific cost and net realizable value. Inventories of parts and accessories are valued at the lower of cost and net realizable value, with cost generally being determined on a first-in, first-out basis.

***Capital assets***

Capital assets are recorded at cost. Amortization is calculated on a declining-balance basis at the following rates per annum except as stated below:

| | |
|---|---|
| Service equipment | 20% |
| Parts and accessories equipment | 20% |
| Furniture, signs and equipment | 20% |
| Computer hardware and software | 3 years straight-line |
| Leasehold improvements | term of the lease |

***Impairment of long-lived assets***

The Company has adopted the Canadian accounting standard for impairment of long-lived assets, which requires that an impairment loss should be recognized when events or circumstances indicate that the carrying amount of the long-lived asset is not recoverable or exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.

***Investment***

The investment is recorded at cost.

***Income taxes***

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the periods in which the differences are expected to reverse.

***Revenue recognition***

(a) Vehicle, parts and service

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

(b) Finance and insurance

The Company arranges financing for customers through various financial institutions and receives a commission from the lender equal to either the difference between the interest rates charged to customers and the interest rates set by the financing institution or a flat fee.

The Company also receives commissions for facilitating the sale of third-party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions the Company receives may be charged back to the Company. The revenue the

Company records relating to commissions are net of estimates of the amount of chargebacks the Company may be required to pay. Such estimates are based on historical experience arising from such contracts.

***Guarantees***

The Company has adopted Accounting Guideline 14, — disclosure of guarantees — (''AcG-14''), which addresses the disclosure to be made by a guarantor in its annual financial statements about its obligations under guarantees.

The Company has disclosed the information relating to its guarantees in Note 17.

***Management's use of estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The items requiring the use of management estimates are the determination of the allowance for doubtful accounts and inventory obsolescence.

**3. Inventories**

| | November 30, 2005 | December 31, 2004 |
|---|---|---|
| Vehicles | | |
| New cars and trucks | $ 5,022 | $ 6,054 |
| Demonstrators | 438 | 720 |
| Used cars and trucks | 874 | 1,202 |
| Parts and accessories | 465 | 515 |
| | $ 6,799 | $ 8,491 |

**4. Due from Related Enterprise**

Amounts due from related enterprise, an enterprise effectively controlled by two shareholders of the Company are non-interest bearing and unsecured. The amount was repaid in the current year. In the prior year it was not the Company's intention to demand payment in the ensuing fiscal year and therefore the amount had been classified as non-current.

**5. Capital Assets**

| | November 30, 2005 | | |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Service equipment | $ 820 | $ 621 | $ 199 |
| Parts and accessories equipment | 94 | 75 | 19 |
| Furniture, signs and equipment | 178 | 135 | 43 |
| Computer hardware and software | 203 | 119 | 84 |
| Leasehold improvements | 509 | 363 | 146 |
| | $ 1,804 | $ 1,313 | $ 491 |

| | December 31, 2004 | | |
|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value |
| Service equipment | $ 819 | $ 577 | $ 242 |
| Parts and accessories equipment | 93 | 70 | 23 |
| Furniture, signs and equipment | 182 | 127 | 55 |
| Computer hardware and software | 216 | 157 | 59 |
| Leasehold improvements | 481 | 298 | 183 |
| | $ 1,791 | $ 1,229 | $ 562 |

**6. Credit Facilities**

The Company has established operating credit facilities with Chrysler Financial Canada, a division of DaimlerChrysler Services Canada Inc. (''Chrysler''). The credit facilities bear interest at rates dependent upon the trade credit facility utilized and are secured by the following:

- A general security agreement over all assets of the Company;
- Inventory and lease financing security agreement;

- A debenture in the amount of $18,000 in favour of Chrysler; and
- Subordination and postponement of claims of the shareholders and a company controlled by a shareholder.

A maximum of $9,900 is available to the Company under the terms of its trade credit facilities which bear interest at the following annual rates:

| Trade Credit Facilities | Interest Rate |
|---|---|
| Operating | Variable rate plus 1/4% per annum |
| Flooring — new | Bank prime rate less 1/4% per annum |
| Flooring — used | Bank prime rate less 1/4% per annum |

Under the terms of the financing agreement with Chrysler, the Company and its related parties (the ''Group''), as described in Note 13, are required to maintain a consolidated tangible net worth of $4,000,000. As at November 30, 2005, the Group was in compliance with this covenant of their financing agreement. As at December 31, 2004, the Group was not in compliance with this covenant of their financing agreement.

## 7. Accounts Payable and Accrued Charges

| | November 30, 2005 | December 31, 2004 |
|---|---|---|
| Trade | $ 537 | $ 689 |
| Wages, payroll deductions and other accruals | 386 | 390 |
| Bonus payable | — | 438 |
| Sales and other taxes | 192 | 255 |
| | $1,115 | $1,772 |

## 8. Wholesale Notes Payable

Wholesale notes payable as at November 30, 2005 are shown net of a $900 (December 31, 2004 — $600) bulk floor plan payment.

Wholesale notes payable as at November 30, 2005 are secured by lien notes on the new and used vehicle inventories and demonstrators with a book value of $6,334 (December 31, 2004 — $7,975), bear interest at various rates and are payable to Chrysler.

Included in interest for the eleven month period ended November 30, 2005, is interest expense of $311 (year ended December 31, 2004 — $360) related to these obligations (Note 14).

## 9. Notes Payable

Notes are payable to the shareholders, bearing interest at bank prime rate less 1/2% per annum, secured by a shared second charge on the assets of the Company, with no fixed terms of repayment. It is not the intention of the shareholders to demand payment of the notes payable in the ensuing fiscal year and therefore the amount has been classified as long-term.

Included in interest for the eleven month period ended November 30, 2004 is interest expense of $69 (year ended December 31, 2004 — $61) related to these obligations (Note 14).

## 10. Income Taxes

A reconciliation between the Company's statutory and effective rate is as follows:

| | November 30, 2005 | December 31, 2004 |
|---|---|---|
| Statutory rate | 36.12% | 36.12% |
| Permanent differences | 0.42% | (2.27)% |
| Large corporation tax | — | — |
| Other | (7.79)% | (17.73)% |
| Effective tax rate | 28.75% | 16.12% |

The tax effect of significant temporary differences is as follows:

| | November 30, 2005 | December 31, 2004 |
|---|---|---|
| Future income tax assets | | |
| Capital assets | $10 | $12 |
| Intangible assets | — | 12 |
| | $10 | $24 |

**11. Share Capital**

Authorized

Unlimited number of preferred shares, non-voting, redeemable, having a non-cumulative dividend at rates as determined at the discretion of the board of directors

Unlimited number of common shares

| | November 30, 2005 | December 31, 2004 |
|---|---|---|
| Issued | | |
| 1,000 common shares | $1 | $1 |

**12. Commitments**

The Company is obligated to the following minimum lease payments under operating leases for its business premises and computer equipment as follows:

| | |
|---|---|
| 2006 | $529 |
| 2007 | 393 |
| 2008 | 3 |
| 2009 | 1 |
| | $926 |

**13. Related Party Transactions**

During the eleven month period ended November 30, 2005 and the year ended December 31, 2004, the Company entered into the following transactions with various companies under common shareholder control:

| | Eleven Month Period Ended November 30, 2005 | Year Ended December 31, 2004 |
|---|---|---|
| Ontario Chrysler Jeep Dodge Inc. | | |
| Sales | $2,351 | $2,421 |
| Purchases | $3,928 | $3,197 |
| Team Chrysler Jeep Dodge Inc. | | |
| Sales | $1,016 | $1,325 |
| Purchases | $ 889 | $1,625 |

As at November 30, 2005 accounts receivable and accounts payable include no amounts receivable or payable with respect to the above (December 31, 2004 — $1 receivable and — $23 payable).

All transactions with the above-related companies are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**14. Interest**

| | November 30, 2005 | December 31, 2004 |
|---|---|---|
| Wholesale notes payable | $311 | $360 |
| Notes payable | 69 | 61 |
| | $380 | $421 |

**15. Economic Dependence**

The Company purchases substantially all of its new vehicle inventory as well as its parts and accessories inventory from DaimlerChrysler Canada Ltd.

## 16. Financial Instruments

***Fair value***

The fair value of all financial assets and liabilities approximate their carrying value based on management estimates.

***Credit risk***

The Company is subject to risk of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its customers. As at November 30, 2005, 49% (December 31, 2004 — 55%) of the trade accounts receivable balance was due from two customers (December 31, 2004 — three customers).

***Interest rate risk***

The Company has interest borrowings for which general rate fluctuations apply. The Company does not use derivative instruments to mitigate its interest rate risk.

## 17. Guarantees

The Company adopted the Canadian accounting guideline AcG-14, which requires the disclosures of guarantees.

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. The Company's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

(a) The Company has provided indemnities under lease agreements for the use of its operating facility. Under the terms of these agreements the Company agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and or officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability, insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.

(c) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

## 18. Subsequent Event

On December 1, 2005 all of the outstanding shares in the Company were purchased by Canada One Auto Group. The Company will continue to operate under the same name.

**Compilation Report**

**To the Trustees of**
**AutoCanada Income Fund**

We have read the accompanying unaudited pro forma consolidated balance sheet of **AutoCanada Income Fund** (the ''Fund'') as at December 31, 2005 and the unaudited pro forma consolidated statement of operations for the year ended December 31, 2005, and have performed the following procedures:

1. Compared the figures in the column in the unaudited pro forma consolidated balance sheet captioned ''AutoCanada Income Fund'' to the audited balance sheet of the Fund as at March 31, 2006, and found them to be in agreement.

2. Compared the figures in the column in the unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statement of operations captioned ''Canada One Auto Group'' to the audited combined financial statements of Canada One Auto Group (''CAG'') for the year ended December 31, 2005, and found them to be in agreement.

3. Compared the figures in the column in the unaudited pro forma consolidated statement of operations captioned ''Colombo Chrysler Jeep Dodge Inc.'' and ''Maple Ridge Chrysler (1972) Ltd.'' to the audited financial statements of Colombo Chrysler Jeep Dodge Inc. and the unaudited financial statements of Maple Ridge Chrysler (1972) Ltd., respectively and found them to be in agreement.

4. Made enquiries of certain officials of the Fund who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the unaudited pro forma adjustments; and

   (b) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with requirements of the various securities commissions and similar regulatory authorities in Canada.

   The officials:

   (a) described to us the basis for determination of the unaudited pro forma adjustments, and

   (b) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various securities commissions and similar regulatory authorities in Canada.

5. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the unaudited pro forma adjustments.

6. Recalculated the application of the unaudited pro forma adjustments to the aggregate of the amounts in the columns in the unaudited pro forma consolidated balance sheet captioned ''AutoCanada Income Fund'' and ''Canada One Auto Group'' and found the amounts in the column in the unaudited pro forma consolidated balance sheet captioned ''AutoCanada Income Fund Pro Forma Consolidated'' to be arithmetically correct.

7. Recalculated the application of the unaudited pro forma adjustments to the aggregate of the amounts in the columns in the unaudited pro forma consolidated statement of operations for the year ended December 31, 2005, captioned ''Canada One Auto Group'', ''Colombo Chrysler Jeep Dodge Inc.'' and ''Maple Ridge Chrysler (1972) Ltd.'' and found the amounts in the column in the unaudited pro forma consolidated statement of operations captioned ''AutoCanada Income Fund Pro Forma Consolidated'' to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the unaudited pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) ''PricewaterhouseCoopers LLP''
**Chartered Accountants**

Edmonton, Alberta

May 3, 2006

## AUTOCANADA INCOME FUND

## PRO FORMA CONSOLIDATED BALANCE SHEET

**(Unaudited — See Compilation Report)**

As at December 31, 2005

(expressed in Canadian dollar thousands)

| | AutoCanada Income Fund | Canada One Auto Group | Pro Forma Adjustments | Note | AutoCanada Income Fund Pro Forma Consolidated |
|---|---|---|---|---|---|
| | $ | $ | $ | | $ |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | — | 9,707 | 3,000 | 3(a) | 12,707 |
| Restricted cash | — | 2,952 | — | 3(d)(e) | 2,952 |
| Accounts receivable | — | 27,578 | — | 3(d) | 27,578 |
| Inventories | — | 96,206 | — | 3(d) | 96,206 |
| Prepaid expenses | — | 532 | — | 3(d) | 532 |
| Due from related parties | — | 3,206 | (3,206) | 3(e) | — |
| | — | 140,181 | (206) | | 139,975 |
| **Investments** | — | 1,016 | — | 3(d) | 1,016 |
| **Property and equipment** | — | 9,819 | 2,620 | 3(d) | 12,439 |
| **Intangible assets** | — | 5,304 | 72,496 | 3(d) | 77,800 |
| **Goodwill** | — | 6,486 | 68,880 | 3(d) | 75,366 |
| **Other assets** | — | 81 | — | 3(d) | 81 |
| **Due from related parties** | — | 5,546 | (5,546) | 3(e) | — |
| **Deferred transaction costs** | — | 1,422 | (1,422) | 3(d) | — |
| | — | 169,855 | 136,822 | | 306,677 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Short-term indebtedness | — | 1,082 | (1,082) | 3(e) | — |
| Accounts payable and accrued liabilities | — | 14,474 | — | 3(d) | 14,474 |
| Floor plan notes payable | — | 98,023 | — | 3(d)(g) | 98,023 |
| Shareholder bonuses payable | — | 14,798 | (14,798) | 3(e) | — |
| Income taxes payable | — | 530 | (530) | 3(e) | — |
| Due to related parties | — | 13,321 | (13,321) | 3(e) | — |
| Minority partnership interest | — | — | 12 | 3(f) | 12 |
| Preferred shares | — | 7,312 | (7,312) | 3(e) | — |
| Current portion of long-term debt | — | 6,001 | (6,001) | 3(e) | — |
| Current portion of obligations under capital lease | — | 47 | — | | 47 |
| | — | 155,588 | (43,032) | | 112,556 |
| **Long-term debt** | — | 12,770 | (12,770) | 3(e) | — |
| **Obligations under capital lease** | — | 74 | — | 3(d) | 74 |
| **Due to related parties** | — | 296 | (296) | 3(e) | — |
| **Future income tax liabilities** | — | 1,006 | (1,006) | 3(e) | — |
| **Non-controlling interest** | — | 374 | (374) | 3(e) | — |
| | — | 170,108 | (57,478) | | 112,630 |
| **UNITHOLDERS' EQUITY (DEFICIT)** | | | | | |
| **Trust Units** | — | — | 97,800 | 3(b)(c) | 97,800 |
| **AutoCanada LP Exchangeable Units** | — | — | 96,247 | 3(b)(c) | 96,247 |
| **Share capital** | — | 1 | (1) | 3(e) | — |
| **Contributed surplus** | — | 991 | (991) | 3(e) | — |
| **Equity (deficit)** | — | (1,245) | 1,245 | 3(e) | — |
| | — | (253) | 194,300 | | 194,047 |
| | — | 169,855 | 136,822 | | 306,677 |

**AUTOCANADA INCOME FUND**

**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**
**(Unaudited — See Compilation Report)**
For the year ended December 31, 2005
(expressed in Canadian dollar thousands)

| | AutoCanada Income Fund | Canada One Auto Group | Colombo Chrysler Jeep Dodge Inc. | Maple Ridge Chrysler (1972) Ltd. | Pro Forma Adjustments | Note | AutoCanada Income Fund Pro Forma Consolidated |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | | $ |
| **Revenue** | | | | | | | |
| Vehicles | — | 429,884 | 49,493 | 78,383 | — | | 557,760 |
| Parts, service and collision repair | — | 54,330 | 7,529 | 5,716 | — | | 67,575 |
| Other | — | 1,359 | 299 | 801 | — | | 2,459 |
| | | 485,573 | 57,321 | 84,900 | — | | 627,794 |
| **Cost of sales** | — | 409,214 | 50,305 | 77,553 | — | | 537,072 |
| **Gross profit** | — | 76,359 | 7,016 | 7,347 | — | | 90,722 |
| **Expenses** | | | | | | | |
| Selling, general and administrative | — | 55,650 | 5,581 | 4,030 | 1,809 | 4(f) | 67,070 |
| Shareholder remuneration | — | 14,046 | 309 | 2,317 | (16,672) | 4(e) | — |
| Minority partnership interest | — | — | — | — | 200 | 4(g) | 200 |
| Interest | — | 4,815 | 380 | 316 | (731) | 4(b) | 4,780 |
| Amortization | — | 1,728 | 173 | 698 | 678 | 4(a) | 3,277 |
| | — | 76,239 | 6,443 | 7,361 | (14,716) | | 75,327 |
| **Income (loss) before other income, non-controlling interest and income taxes** | — | 120 | 573 | (14) | 14,716 | | 15,395 |
| **Other income** | | | | | | | |
| Dividends from cost investments | — | 1,225 | — | — | — | | 1,225 |
| Income from equity investment | — | 181 | — | — | — | | 181 |
| Gain on disposal of assets | — | 24 | — | — | — | | 24 |
| | | 1,430 | — | — | — | | 1,430 |
| **Income (loss) before income taxes and non-controlling interest** | — | 1,550 | 573 | (14) | 14,716 | | 16,825 |
| **Non-controlling interest's share of income (loss)** | — | (52) | — | — | 52 | 4(d) | — |
| **Income (loss) before income taxes** | — | 1,498 | 573 | (14) | 14,768 | | 16,825 |
| **Income taxes** | | | | | | | |
| Current | — | 683 | 151 | — | (834) | 4(c) | — |
| Future | — | 91 | 14 | (2) | (103) | 4(c) | — |
| | | 774 | 165 | (2) | (937) | | — |
| **Net income (loss) for the year** | — | 724 | 408 | (12) | 15,705 | | 16,825 |

# AutoCanada Income Fund

## Notes to Pro Forma Consolidated Financial Statements
## (Unaudited — See Compilation Report)
December 31, 2005
(expressed in Canadian dollar thousands)

**1 The Fund**

AutoCanada Income Fund (the ''Fund'') is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and the Fund Declaration of Trust. The Fund has been created to invest in the franchised automobile dealership industry through an indirect acquisition of substantially all of the assets and undertakings of Canada One Auto Group (''CAG'') and such other investments as the Trustees may determine. Income tax obligations related to the income of the Fund are expected to be allocated to the Unitholders and the fund will not pay income tax.

**2 Basis of Presentation and Proposed Transactions**

The accompanying unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statement of operations of the Fund (collectively the ''pro forma consolidated financial statements'') have been prepared by management of the Fund using the accounting principles disclosed in the combined financial statements of CAG.

The pro forma consolidated financial statements may not be indicative of the financial position and results of operations that would have occurred if the transactions had taken place on the dates indicated or of the financial position or operating results which may be obtained in the future. The pro forma consolidated financial statements are not a forecast or projection of future results. The actual financial position and results of operations of the Fund for any period following the closing of the transactions contemplated by these pro forma consolidated financial statements will likely vary from the amounts set forth in the pro forma consolidated financial statements and such variation may be material.

The pro forma consolidated financial statements should be read in conjunction with the audited consolidated balance sheet of the Fund as at March 31, 2006 and the audited combined financial statements of CAG for the year ended December 31, 2005. The Fund has no historical operations, having just been established on January 4, 2006. The pro forma consolidated financial statements have been prepared from information derived from the historical financial statements and the adjustments and assumptions outlined below.

The unaudited pro forma consolidated balance sheet of the Fund as at December 31, 2005 has been prepared from information derived from the following:

(i) the audited combined balance sheet of CAG as at December 31, 2005;

(ii) the audited balance sheet of the Fund as at March 31, 2006.

The unaudited pro forma consolidated statement of operations of the Fund for the year ended December 31, 2005 has been prepared from information derived from the following:

(i) the audited combined statement of operations of CAG for the year ended December 31, 2005;

(ii) the audited statement of operations of Colombo Chrysler Jeep Dodge Inc. (''Colombo'') for the eleven months ended November 30, 2005; and

(iii) the unaudited statement of operations of Maple Ridge Chrysler (1972) Ltd. (''Maple Ridge'') for the eleven months ended November 30, 2005.

The accounting policies applied in the preparation of the pro forma consolidated financial statements are consistent with the accounting policies of CAG.

The Fund has filed a prospectus for an initial public offering of its units (the ''Offering'') and the following transactions will be carried out before closing in connection with the Offering:

(a) The Fund will capitalize the AutoCanada Operating Trust (the ''Trust'') with a nominal amount and subscribe for shares of AutoCanada GP Inc. (''AutoCanada GP'') for a nominal amount. The Trust and AutoCanada GP established the AutoCanada LP partnership (the ''Partnership''), with AutoCanada GP as the sole general partner.

(b) CAG will acquire the 49.6% non-controlling interest in the Fund referred to in note 24(c) to the combined financial statements of CAG contained elsewhere in this prospectus.

(c) The Fund will use the proceeds of the Offering of $102,095 to capitalize the Trust by subscribing for Trust Units of the Trust.

(d) The Trust will use the proceeds from the issuance of the Trust Units to subscribe for 10,209,500 LP Units of the Partnership for $102,095.

(e) The Partnership will use the proceeds from the issuance of LP Units to subscribe for limited partnership units of each of the Dealer LPs for $102,095.

(f) The Dealer LPs will acquire the assets and undertaking of CAG related to the business of CAG and use the proceeds from the issuance of their limited partnership units as follows:

(i) to pay the cash portion of the purchase price for the assets and undertakings of CAG ($93,572); and

(ii) to pay, directly or indirectly, the Underwriters' fee and the estimated expenses of the Offering ($8,523).

The Dealer LPs will pay the balance of the consideration for the assets and undertaking of CAG by issuing limited partnership units to CAG and assuming certain liabilities of CAG.

(g) The Partnership will issue Exchangeable Units to CAG as consideration for the transfer of the limited partnership units in the Dealer LPs issued to CAG. The Exchangeable Units represent the 49.6% interest described in note 2(b) above.

## 3 Unaudited Pro Forma Consolidated Balance Sheet of the Fund

The following assumptions and adjustments have been made to reflect the proposed transactions described in note 2 as if the transactions had occurred on December 31, 2005:

(a) Cash received and paid in connection with the transactions described in (b), (c) and (d) below.

(b) The issuance of 102,209,500 Units for total proceeds of $102,095 on closing of the Offering.

(c) The payment by the Partnership, directly or indirectly, of the underwriters' fee and other costs of the Offering, estimated to be $8,523.

(d) Purchase accounting — Acquisition

The acquisition will be accounted for using the purchase method and in accordance with Abstract 151 of the Emerging Issues Committee of the Canadian Institute of Chartered Accountants with the assets acquired and liabilities assumed recorded at preliminary estimates of fair value. The final allocation of the purchase price will be based on the assets acquired and liabilities assumed at the effective date of the Acquisition based upon internal and/or independent asset valuations. Accordingly, the actual amounts for each of the assets and liabilities may vary from the pro forma amounts and the variations may be material.

| | |
|---|---|
| Consideration | |
| Cash from the Offering | $102,095 |
| Issuance of exchangeable LP Units | 100,475 |
| Estimated cost of offering | (8,523) |
| Total purchase price | $194,047 |
| Allocated as follows: | |
| Net working capital | 27,419 |
| Long-term assets | 13,536 |
| Long-term liabilities | (74) |
| Intangible assets | 77,800 |
| Goodwill | 75,366 |
| | $194,047 |

Net working capital acquired in the acquisition includes cash, accounts receivable, inventories, prepaid expenses, accounts payable and accrued liabilities, floor plan notes payable, and the current portion of capital leases.

(e) To reflect the net assets of CAG that will not be included in the net assets acquired by the Fund as described in note 3(d).

(f) To reflect dealer principals minority partnership interest in certain franchised automotive dealerships that will be in effect at Closing.

(g) At Closing, we expect to draw an amount on the floor plan facility sufficient to pay CAG the aggregate amount of CAG's floor plan financing outstanding.

## 4 Unaudited Pro forma Consolidated Statements of Operations of the Fund

The pro forma consolidated statements of operations of the Fund have been prepared assuming that the Fund was in operation during the year ended December 31, 2005 and as if the proposed transactions described in note 2 had occurred at January 1, 2005. The unaudited pro forma consolidated statements of operations of the Fund reflect the following assumptions and adjustments to the revenue and expenses of the Fund:

(a) Amortization expense related to the fair value adjustment of $3,606 would increase as a result of the purchase accounting described in note 3(d) by $678 for the year ended December 31, 2005.

(b) Interest expense on long-term debt will be eliminated in connection with the adjustment described in note 3(e) for the year ended December 31, 2005.

(c) The reversal of current and future income taxes of $937 for the year ended December 31, 2005 reflecting that income tax obligations related to the allocation of taxable income by the Fund to Unitholders. The Fund does not anticipate it will pay income taxes.

(d) The reversal of income attributable to non-controlling interests of $52 for the year ended December 31, 2005 relating to interests which will be acquired by CAG in connection with the Acquisition.

(e) The reversal of shareholder remuneration of $16,672 for the year ended December 31, 2005 to directors, officers and dealer principals relating to existing shareholder compensation arrangements that will be terminated in connection with the Offering.

(f) $1,809 of incentive compensation paid to dealer principals for the year ended December 31, 2005 to reflect additional amounts that would be paid to dealer principals based on compensation arrangements that will exist on Closing.

(g) To reflect $200 of distributions that would be payable to dealer principals who will have a minority partnership interest in certain franchised automotive dealerships at Closing.

## CERTIFICATE OF THE FUND AND THE PROMOTERS

Dated: May 3, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act,* 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act,* 1990 (Newfoundland and Labrador) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

AUTOCANADA INCOME FUND

By: (Signed) GORDON R. BAREFOOT
Trustee

By: (Signed) RUSTON E. T. GOEPEL
Trustee

**The Promoters**

CANADA ONE AUTO GROUP LTD.

By: (Signed) PATRICK J. PRIESTNER
Chief Executive Officer

953878 ALBERTA LTD.

By: (Signed) PATRICK J. PRIESTNER
Chief Executive Officer

(Signed) PATRICK J. PRIESTNER

## CERTIFICATE OF THE UNDERWRITERS

Dated: May 3, 2006

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act,* 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act,* 1990 (Newfoundland and Labrador) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

**RBC DOMINION SECURITIES INC.**

By: (Signed) J. CRAIG DUDRA

**SCOTIA CAPITAL INC.**

By: (Signed) DAVID BUSTOS

**BMO NESBITT BURNS INC.**

By: (Signed) JAMIE ROGERS

**CIBC WORLD MARKETS INC.**

By: (Signed) ALAN C. WALLACE

**RAYMOND JAMES LTD.**

By: (Signed) IAN G. MACKAY