

**AUTOCANADA INC.**

**ANNUAL MEETING OF SHAREHOLDERS**

TO BE HELD ON FRIDAY, MAY 9, 2014 AT 10 A.M.

TO BE HELD AT: AUTOCANADA CORPORATE HEAD OFFICE,  
EDMONTON, ALBERTA

**NOTICE OF MEETING AND  
MANAGEMENT INFORMATION CIRCULAR**

DATED: APRIL 4, 2014

## Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS .....	1
SOLICITATION, APPOINTMENT, AND REVOCATION OF PROXIES.....	2
VOTING OF PROXIES .....	2
BENEFICIAL SHAREHOLDERS .....	3
CERTAIN REFERENCES AND GLOSSARY .....	4
VOTING SHARES AND PRINCIPAL HOLDERS THEREOF .....	4
RECEIPT OF FINANCIAL STATEMENTS .....	4
ELECTION OF DIRECTORS .....	5
APPOINTMENT OF AUDITORS .....	10
PARTICULARS OF OTHER MATTERS TO BE ACTED UPON .....	10
COMPENSATION DISCUSSION AND ANALYSIS .....	11
COMPENSATION OF DIRECTORS .....	22
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS .....	24
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS .....	24
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....	24
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON .....	24
STATEMENT OF CORPORATE GOVERNANCE .....	25
ADDITIONAL INFORMATION .....	25
APPENDIX A – GLOSSARY .....	A-1
APPENDIX B – STATEMENT OF CORPORATE GOVERNANCE PRACTICES .....	B-1
APPENDIX C – MANDATE FOR THE BOARD OF DIRECTORS OF AUTOCANADA INC. AND GENERAL AUTHORITY GUIDELINES .....	C-1

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT AN ANNUAL MEETING** of holders of common shares of AutoCanada Inc. (the “Company”) will be held at the **AutoCanada Corporate Head Office, Suite 200 – 15505 Yellowhead Trail NW, Edmonton, AB T5V 1E5** at 10:00 a.m. (Mountain Time), on Friday, May 9, 2014, for the following purposes:

1. To receive the financial statements of the Company for the financial year ended December 31, 2013 and the report of the auditor thereon.
2. To elect the board of directors of the Company for the ensuing year.
3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as the auditor of the Company for the ensuing year and to authorize the board of directors of the Company to fix the auditor’s remuneration.
4. To transact such other business as may be properly brought before the meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the Information Circular dated April 4, 2014 accompanying this Notice and forming part hereof.

Only Shareholders of record at the close of business on April 4, 2014 are entitled to notice of and to attend and vote at the Meeting or any adjournment thereof.

DATED this 4<sup>th</sup> day of April, 2014.

### **BY ORDER OF THE BOARD OF DIRECTORS**

*“Gordon R. Barefoot”*

(signed) Gordon R. Barefoot, Lead Director

### **IMPORTANT**

**It is desirable that as many shares as possible be represented at the meeting. If you do not expect to attend and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. All proxies, to be valid, must be received by Valiant Trust Company, Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, AB T2P 1T1, Attention: Proxy Department, by fax at 403-233-2857, or by Internet voting at <https://proxy.valianttrust.com>; at least forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Lead Director of the meeting in his discretion, and the Lead Director is under no obligation to accept or reject any particular late proxy.**

## **MANAGEMENT INFORMATION CIRCULAR**

(Containing information as at April 4, 2014 unless indicated otherwise)

### **SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by the management of AutoCanada Inc. (the “**Company**” or “**ACI**”) for use at the annual meeting (the “**Meeting**”) of holders (the “**Shareholders**”) of common shares of the Company (“**ACI Shares**”) to be held at the **AutoCanada Corporate Head Office, Suite 200 – 15505 Yellowhead Trail NW, Edmonton, AB T5V 1E5** at 10:00 a.m. (Mountain time), on Friday, May 9, 2014, or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may be solicited personally, by telephone or by other means of communication by the Management of the Company and by the directors, officers and regular employees of the Company. The foregoing persons will not be specifically remunerated for such solicitation. All costs of solicitation of proxies by or on behalf of Management will be borne by the Company.

### **APPOINTMENT OF PROXIES**

**The persons named in the accompanying form of proxy (“Form of Proxy”) are directors of the Company (“Directors”). A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent that Shareholder at the Meeting has the right to do so, either by inserting the desired person’s name in the blank space provided in the Form of Proxy or by completing another proper Form of Proxy.**

A Form of Proxy must be in writing and signed by the Shareholder or by the Shareholder’s attorney duly authorized in writing or, if the Shareholder is a body corporate or association, under its seal or by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing. If the Form of Proxy is executed by an attorney, evidence of the attorney’s authority must accompany the Form of Proxy. A proxy will not be valid unless the completed Form of Proxy is received by Valiant Trust Company, Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary AB T2P 1T1, Attention: Proxy Department, by fax at 403-233-2857, or by Internet voting at <https://proxy.valianttrust.com>; not less than 48 hours (excluding Saturdays, Sundays and Holidays) before the commencement of the Meeting, or any adjournment thereof.

#### *Voting by Internet*

AutoCanada Shareholders may use the internet site at [www.valianttrust.com](http://www.valianttrust.com) to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access the web site and will be prompted to enter their Control Number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than 10:00 A.M. (Mountain Time) on Wednesday, May 7, 2014 or 48 hours prior to the time of any adjournment of the Meeting. The website may be used to appoint a proxy holder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. Please note that if a Shareholder appoints a proxy holder and submits their voting instructions and subsequently wishes to change their appointment, a Shareholder may resubmit their proxy and/or voting direction, prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previous proxies submitted will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

### **REVOCATION OF PROXIES**

A Shareholder who has given a Form of Proxy may revoke it by an instrument in writing that is signed and delivered to Valiant Trust Company in the manner as described above so as to arrive at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the Form of Proxy is to be used, or to the chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner provided by law. A revocation of a Form of Proxy does not affect any matter on which a vote has been taken prior to the revocation.

## VOTING OF PROXIES

**The representatives designated in the enclosed Form of Proxy will vote or withhold from voting the Shares in respect of which they are appointed proxy on any ballot that may be called for in accordance with the instructions of the Shareholder as indicated on the Form of Proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. Where no choice is specified in the Form of Proxy, such Shares will be voted “for” the matters described therein and in this Information Circular.**

The enclosed Form of Proxy confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the Director representatives designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, the Directors know of no such amendment, variation or other matter which may be presented to the Meeting.

## BENEFICIAL SHAREHOLDERS

These meeting materials are being sent to both registered and non-registered Shareholders. If you are a non-registered Shareholder and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary/broker holding on your behalf.

Shareholders whose Shares are not registered in their own name are referred to in this Information Circular as **“Beneficial Shareholders”**. Applicable regulatory policy requires intermediaries/brokers to whom meeting materials have been sent to seek voting instructions from Beneficial Shareholders in advance of Shareholders’ meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the Form of Proxy supplied to a Beneficial Shareholder by its broker is identical to that provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. (**“Broadridge”**). Broadridge typically prepares a special voting instruction form, mails those forms to the Beneficial Shareholders and asks for appropriate instructions respecting the voting of Shares to be represented at the Meeting. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge’s dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Shares held by them. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Shares directly at the Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Shares voted. Beneficial Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to properly vote their Shares at the Meeting.

**Beneficial Shareholders cannot be recognized at the Meeting for purposes of voting their Shares in person or by way of depositing a Form of Proxy. If you are a Beneficial Shareholder and wish to vote in person at the Meeting, please see the voting instructions you received or contact your intermediary/broker well in advance of the Meeting to determine how you can do so.**

**Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered Shareholder, should enter their own names in the blank space on the form of proxy or voting instruction form provided to them and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.**

**Beneficial Shareholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their Shares voted at the Meeting.**

### **CERTAIN REFERENCES AND GLOSSARY**

In this Information Circular, unless the context otherwise requires, references to “AutoCanada”, “we”, “us”, “our” or similar terms refer to the Company together with AutoCanada Holdings Inc., the Partnership, the Dealer LPs (as defined in the Glossary) and any other franchised automobile dealership owned by the foregoing parties. The disclosure contained in this Information Circular is presented on the basis that we own and operate the business that was previously owned by Canada One Auto Group Ltd. (“CAG”).

The Glossary attached as Appendix “A” contains definitions of terms used in this Information Circular.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As of April 4, 2014, 21,925,930 common shares were issued and outstanding. On all matters to be considered and acted upon at the Meeting, holders of common shares are entitled to one vote for each common share held.

The Board of Directors (the “Board”) has fixed April 4, 2014, as the record date (the “Record Date”) for determining which Shareholders are entitled to receive notice of the Meeting. A shareholder of record at the close of business on April 4, 2014, shall be entitled to vote the common share registered in such shareholder’s name on that date, except to the extent that (a) such person transfers his common shares after the Record Date; and (b) the transferee of those common shares produces properly endorsed share certificates or otherwise establishes his ownership to the common shares, and makes a demand to the registrar and transfer agent of the Company, not later than 10 days before the Meeting, that his name be included on the Shareholders’ list.

To the knowledge of the Directors, no person beneficially owns, directly or indirectly, or controls or directs Voting Shares carrying more than 10% of the voting rights attached to any class of voting securities, other than:

<b>Name</b>	<b>Class and Number of Securities<sup>(3)</sup></b>	<b>Percentage of Class</b>	<b>Percentage of Voting Shares</b>
Canada One Auto Group Ltd. and its subsidiaries <sup>(1)(2)</sup>	4,963,488 Shares	22.6%	24.7%
Fidelity	2,430,425 Shares	11.1%	11.1%

**Notes:**

- (1) Patrick J. (Pat) Priestner holds 87.6% of the outstanding voting securities of CAG, and therefore controls and directs the 4,963,488 Shares owned by CAG and its subsidiaries. The remaining 12.4% of the outstanding voting securities of CAG and its subsidiaries are held by employees of AutoCanada or employees of dealerships operated by AutoCanada.
- (2) During 2011, CAG announced an internal restructuring whereby 894,012 Shares of AutoCanada Inc. were transferred to an entity wholly owned by a former shareholder of CAG. Under the terms of the transfer, fifty percent of such shares cannot be sold until January 1, 2015, and further, under a voting trust arrangement, the voting rights related to such shares shall continue to be exercised by CAG until such time as such shares are transferred by the current owner to a third party. At the record date of April 4, 2014, CAG exercised voting control over 447,006 of the shares owned by a third party.
- (3) The information as to the class and number of voting securities owned, directly or indirectly, or controlled or directed has been based upon information provided by CAG and reports filed on the System for Electronic Disclosure by Insiders (SEDI) at [www.sedi.ca](http://www.sedi.ca) or reports filed pursuant to National Instrument 62-103 at [www.sedar.com](http://www.sedar.com).

### **RECEIPT OF FINANCIAL STATEMENTS**


The Directors have approved the audited financial statements of ACI for the year ended December 31, 2013, copies of which are delivered herewith to the registered shareholders of the Corporation.

## ELECTION OF DIRECTORS

The number of Directors to be elected at annual meetings is determined from time to time by resolution of the Directors, such number being not more than ten and not less than three. The term of office of each of the present Directors expires at the close of the Meeting. It is proposed that six directors be elected to the Meeting will hold office for a term expiring at the close of the next annual general meeting of Shareholders or until their successors are appointed, unless his or her office is vacated earlier in accordance with the *Canada Business Corporations Act*.

In the following table, for each person proposed to be nominated for election as a Director, is stated his name, province, and country of residence, the period or periods during which he has served as a Director, his principal occupation, the number of Shares beneficially owned, directly or indirectly, or controlled or directed by him, and the number of securities under share-based awards granted to the individual, as at the date hereof:

GORDON R. BAREFOOT



**Age:** 62

**British Columbia, Canada**

**Director since:** 2009 (former Trustee of the Fund and Trust from 2006 to 2009)

**Independent**

**Current occupation:**  
President, Cabgor Management Inc., a management consulting company

**Previous occupation:**  
Senior Vice-President and Chief Financial Officer, Terasen Inc., a natural gas distributor

Board/Committee Membership as at December 31, 2013		2013 Attendance	2013 Attendance (Total)	Value of Total Compensation Earned in 2013 (\$)		
Board (Lead Director)		6 of 6	100%	98,500		
Audit (Chair)		4 of 4	100%			
Securities Held <sup>(1)</sup> as at December 31, 2013 (at Market Value of \$45.89 per Common Share)						
Year	Shares (#)	DSUs (#)	Total Shares and DSUs (#)	Total Market Value of Shares and DSUs (\$)	Minimum SOG (\$)	Meets Requirements
2013	9,000	1,926	10,926	501,394	40,000	Yes
2012	9,000	540	9,540	146,439	40,000	Yes
2011	9,000	-	9,000	57,600	40,000	Yes
2010	9,000	-	9,000	42,300	40,000	Yes
Other Public Company Board/Committee Memberships in the Past Five Years						
Company		Type of Company		Committee(s)/Positions		
Corix Infrastructure Inc.		Private		Board Chair, Audit Committee Chair, Compensation Committee Member		
Institute for Health System Transformation & Sustainability		Private		Board Director, Audit Committee Chair		
ISE Limited		Public (TSX)		Board Director		
Fraser Health		Private		Board Director		
EarthFirst Canada Inc.		Formerly Public (TSX)		Board Director, Compensation Committee Member		
S.S. Lootah		Private		Board Director		

**CHRISTOPHER D. CUMMING****Age:** 43**British Columbia, Canada****Director since:** 2011**Independent****Current occupation:**

President, Evident Capital Corp, an investment management company


**Previous occupation:**

Vice-President, Phillips, Hager &amp; North Investment Management Ltd.

Board/Committee Membership as at December 31, 2013			2013 Attendance	2013 Attendance (Total)	Value of Total Compensation Earned in 2013 (\$)	
Board			6 of 6	100%	72,500	
Audit			4 of 4	100%		
Compensation			2 of 2	100%		
Governance and Compensation <sup>a</sup>			2 of 2	100%		
<sup>a</sup> The combined Governance and Compensation Committee effective since Q2 2013 Meetings						
Securities Held <sup>(1)</sup> as at December 31, 2013 (at Market Value of \$45.89 per Common Share)						
Year	Shares (#)	DSUs (#)	Total Shares and DSUs (#)	Total Market Value of Shares and DSUs (\$)	Minimum SOG (\$)	Meets Requirements
2013	1,325,000	3,684	1,328,684	60,973,309	40,000	Yes
2012	1,325,000	1,002	1,326,002	20,354,131	40,000	Yes
2011	1,325,000	-	1,325,000	8,480,000	40,000	Yes
Other Public Company Board/Committee Memberships in the Past Five Years						
Company			Type of Company		Committee(s)/Positions	
Highland Therapeutics Inc.			Private		Board Director	





PATRICK J. PRIESTNER						
		<b>Age:</b> 58			<b>Current occupation:</b> Chief Executive Officer, AutoCanada Inc.	
		<b>Alberta, Canada</b>				
		<b>Director since:</b> 2009 (former Chair of the Board of Directors of AutoCanada GP Inc. from 2006 to 2009)			<b>Previous occupations:</b> President and Dealer Principal, Canada One Auto Group	
		<b>Not Independent</b>				
Board/Committee Membership as at December 31, 2013		2013 Attendance		2013 Attendance (Total)	Value of Total Compensation Earned in 2013 (\$)	
Board (Chair of the Board)		6 of 6		100%	Not eligible	
Securities Held <sup>(1)</sup> as at December 31, 2013 (at Market Value of \$45.89 per Common Share)						
Year	Shares (#)	RSUs (#)	Total Shares and RSUs (#)	Total Market Value of Shares and RSUs (\$)	Minimum SOG (\$)	Meets Requirements
2013	4,963,488 <sup>(2)</sup>	39,640	5,003,128	229,593,544	N/A	N/A
2012	8,413,488	31,105	8,444,593	129,624,501	N/A	N/A
2011	8,413,488	-	8,413,488	53,846,323	N/A	N/A
2010	9,307,500	-	9,307,500	43,745,250	N/A	N/A
Other Public Company Board/Committee Memberships in the Past Five Years						
Company		Type of Company		Committee(s)/Positions		
Rocky Mountain Dealerships Inc.		Public (TSX)		Board Director, Audit Committee		

**MICHAEL ROSS****Age:** 63**Alberta, Canada****Director since:** 2009 (former Trustee of the Fund and Trust from 2007 to 2009)**Independent****Current occupation:**

President, M. H. Ross Management Ltd., a management consulting company

**Previous occupation:**

Chief Executive Officer, Conroy Ross Partners, a business advisory company

Board/Committee Membership as at December 31, 2013		2013 Attendance		2013 Attendance (Total)	Value of Total Compensation Earned in 2013 (\$)	
Board		6 of 6		100%	83,500	
Compensation (Chair)		2 of 2		100%		
Nominating and governance		2 of 2		100%		
Governance and Compensation <sup>a</sup>		2 of 2		100%		
Audit <sup>b</sup>		2 of 2		100%		
<sup>a</sup> The combined Governance and Compensation Committee effective since Q2 2013 Meetings.						
<sup>b</sup> Subsequent to the meetings held on May 7, 2012, Mr. Ross commenced membership on the Audit Committee.						
Securities Held <sup>(1)</sup> as at December 31, 2013 (at Market Value of \$45.89 per Common Share)						
Year	Shares (#)	DSUs (#)	Total Shares and DSUs (#)	Total Market Value of Shares and DSUs (\$)	Minimum SOG (\$)	Meets Requirements
2013	17,000	3,583	20,583	944,554	40,000	Yes
2012	17,000	1,037	18,037	276,868	40,000	Yes
2011	17,000	-	17,000	108,800	40,000	Yes
2010	10,000	-	10,000	47,000	40,000	Yes
Other Public Company Board/Committee Memberships in the Past Five Years						
Company		Type of Company		Committee(s)/Positions		
Fountain Tire		Private		Board Director, Human Resources Committee (Chair)		
Camex Equipment		Private		Board Director		
Norseman		Private		Board Director		
FYi Doctors		Private		Board Director, Governance and Compensation Committee (Chair)		
Weatherhaven		Private		Board Director		

**Notes:**

- (1) This information has been based upon information furnished by the individual and upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca and is as of December 31, 2013.
- (2) Patrick J. (Pat) Priestner holds 87.6% of the outstanding voting securities of CAG, and therefore controls and directs the 4,963,488 Shares owned by CAG in its wholly owned subsidiaries. The remaining 12.4% of the outstanding voting securities of CAG are held by employees of AutoCanada Inc. or employees of dealerships operated by AutoCanada Inc.
- (3) Thomas L. Orysiuk holds 2.2% of the outstanding voting securities of CAG.
- (4) These Shares are registered in the name of Mr. Orysiuk's wife, Heidi Orysiuk.

**Unless such authority is withheld, the representatives named in the accompanying Form of Proxy intend to vote for the election of the nominees whose names are set forth herein.**

*Majority Voting Policy*

The Board has adopted a policy which requires that any nominee for election as a director who receives a greater number of votes "withheld" than votes "for" his or her election as a director shall submit his or her resignation to the Board for consideration forthwith following the shareholders annual meeting. This policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected. The Board shall consider the resignation and determine whether or not to accept the

resignation within 90 days of the applicable meeting and a press release shall be issued by the Company announcing the Board's determination. Any director who tenders his or her resignation shall not participate in any meetings to consider whether the resignation shall be accepted.

#### *Corporate Cease Trade Order or Bankruptcies*

Other than as set forth below, none of those persons who are proposed directors of the Company is, or has been within the past ten years:

- a) a director or chief executive officer or chief financial officer of any company, including the Company, that while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or was subject to an event that resulted, after the proposed director ceased to be a director or chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- b) a director or executive officer of any company, including the Company, that while acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Barefoot was a Director of EarthFirst Canada Inc. until mid-November 2009. EarthFirst Canada Inc. sought creditor protection in November 2008 and through a court approved process successfully settled with creditors in November 2009. Effective March 2, 2010, EarthFirst Canada Inc. amalgamated with Maxim Power Corp. In addition, Mr. Barefoot was previously a Director of ISE Limited and resigned from this position in February of 2011. ISE Limited was a Cayman Island corporation with an operating company in San Diego, United States. In 2010, ISE Limited was delisted as it sought creditor protection under Chapter 11. The assets of ISE Limited have since been sold and the corporation is in the process of being wound-up.

To the knowledge of the Directors, no proposed Director or a holding company of such proposed Director, has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has become subject to or instituted any proceedings, arrangement or compromise with creditors, or has had a receiver, receiver manager or trustee appointed to hold assets of the proposed Director or the assets of the proposed Director's holding company.

To the knowledge of the Directors, no proposed Director, or a holding company of such proposed Director, has been subject to: (i) any penalties imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed Director.

### **APPOINTMENT OF AUDITORS**

At the Meeting, the Shareholders will be called upon to appoint PricewaterhouseCoopers LLP, Chartered Accountants, as our auditors, to hold office until our next annual general meeting, at a remuneration to be fixed by the Directors. **Unless such authority is withheld, the representatives named in the accompanying Form of Proxy intend to vote for the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as our auditors, to hold office until our next annual general meeting, at a remuneration to be fixed by the Directors.**

### **PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

The Directors know of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of the Director representatives named in the Form of Proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

Under applicable securities legislation, the Company is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”) and the Company’s three most highly compensated executive officers (other than the CEO and CFO) whose total compensation exceeds \$150,000 (the “NEOs”).

The compensation discussion and analysis (“CD&A”) is intended to provide Shareholders with an understanding of the Company’s approach to compensation, including a description of the decisions and processes involved, the different components of the Company’s program, what the Company paid NEOs for the financial year ended December 31, 2013, and why. The NEOs for the financial year ended December 31, 2013 were:

- Patrick Priestner, Chief Executive Officer (the “CEO”)
- Thomas Orysiuk, President and Chief Financial Officer (the “President”)
- Stephen Rose, Senior Vice-President, Sales, Marketing, and Corporate Operations (the “SVP”)
- Jeffery Christie, Vice-President, Finance (“VP Finance”)

For purposes of this Compensation Discussion and Analysis, members of the “senior leadership team” consist of the CEO, President, SVP and VP Finance.

In 2013, the Governance and Compensation Committee (the “Committee”) engaged Mercer, an external executive compensation consultant, to provide information and advice on the Company’s executive compensation program. The following represents the scope of work performed by Mercer as part of their review:

1. Assess the competitiveness of current compensation arrangements provided to senior executive positions;
2. Conduct a review of ACI’s short-term incentive plan; and
3. Complete a review of ACI’s long-term incentive plan.

In assessing the competitiveness of the current compensation arrangements, Mercer utilized a benchmarking group of companies.

To maintain objectivity, the Committee did not direct Mercer to perform the above services in any particular manner or under any particular method. The Committee has evaluated the consultant report as part of its annual work plan. As well, the Committee Chair reviewed and approved all invoices from the consultant. During the 2013 and 2014 fiscal years, a total of \$43,567 was paid in fees to Mercer associated with this assignment.

All of the recommendations and decisions regarding the amount and form of executive and director compensation are the Committee’s responsibility and may reflect factors and considerations other than the information and advice provided by Mercer.

### Executive Compensation Philosophy

The Company recognizes the critical importance that a highly engaged leadership team plays in the creation of sustained shareholder value. Through its compensation programs, the Company is able to attract, motivate and retain the caliber of executives needed in a highly competitive marketplace. The Company’s current executive compensation programs are designed to:

- attract and retain high caliber executives who can advance the Company’s strategy in a competitive environment;
- motivate executives to act in the best interests of the shareholders and other key stakeholders through performance-based compensation;

- reward executives for demonstrated leadership and the achievement of strategic corporate objectives; and
- provide market competitive compensation for delivering on the Company's goals with increased compensation opportunity for exceptional results.

The Committee is responsible for reviewing the implications of risks associated with the Company's compensation policies and practices and reporting any identified risks that are reasonably likely to have a material adverse effect on the Company. The Committee considers the balance between long term objectives and short term financial goals incorporated into the Company's executive compensation program and whether or not executives are potentially encouraged to expose the Company to inappropriate or excessive risk. The Company's executive compensation program has been structured similarly among all of the members of the Company's senior leadership team and the Board has the discretion to award incentives based on long-term objectives that may have an impact on short-term financial targets. Furthermore, the Company's executive compensation program includes a maximum annual payout limit. As at the date of this management information circular, the Committee has not identified any risks relating to the Company's compensation policies that are reasonably likely to have a material adverse effect on the Company.

### **Trading Policy**

The Company maintains a comprehensive disclosure and trading policy ("Joint Disclosure, Confidentiality, Trading and Anti-Hedging Policy"). The Joint Disclosure, Confidentiality, Trading and Anti-Hedging Policy specifically restricts any policy participant from purchasing financial instruments, including, for greater clarity, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in the market value of ACI securities or share-based or option-based awards granted by ACI as compensation or held, directly or indirectly, by the policy participant. In addition, subject to certain limited exceptions, the *Canada Business Corporations Act* prohibits a director or officer of ACI or its subsidiaries or a person employed or retained by ACI from knowingly selling securities of ACI, directly or indirectly, where such person does not own or has not fully paid for the securities being sold or from knowingly selling a call or buying a put in respect of securities of ACI.

### **Role and Composition of the Governance and Compensation Committee**

The Board of Directors of the Company has delegated to the Governance and Compensation Committee (the "Committee") responsibility for setting and implementing compensation policy for the Company's senior leadership team. The Committee consists of three independent directors of AutoCanada Inc. The Committee is comprised of Michael Ross who is the Chair of the Committee, Dennis Desrosiers and Chris Cumming, all of whom are independent Directors of the Company within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the "Governance Disclosure Rule"). The Board of Directors believes that the Committee collectively has the knowledge, experience and background in executive compensation and human resources matters required to fulfill its mandate. The Committee has a formal mandate and a detailed annual work plan, both of which are reviewed and updated annually.

The President and VP Finance assist the CEO in developing and presenting to the Committee all of management's recommendations and supporting material pertaining to the compensation of the senior leadership team. In addition, the President and VP Finance will work with the Chair of the Committee to prepare materials for each meeting of the Committee. The CEO is invited to attend all regular meetings of the Committee, and an in camera session, during which management is not in attendance, is held during each Committee meeting. The Committee met four times during the fiscal year, and submitted its recommendations with respect to compensation for the Company's senior leadership team to the Board of Directors.

## Executive Compensation

The focus of the compensation framework is to reflect the company's pay-for-performance philosophy, with a portion of annual compensation at-risk. The senior leadership team has the opportunity to receive a competitive level of total compensation provided that the Company achieves its performance targets.

To determine the appropriate compensation mix, the Committee considers the executive's ability to affect the Company's results over the longer term, the compensation mix for similar positions in the Company's comparator groups, and local market practice. At the senior leadership team level, a much higher proportion of total compensation is at-risk and tied to the Company's mid to long-term performance.

## Annual Compensation Review Process

Each year, the Committee reviews the total compensation for the Company's senior leadership team, which includes the CEO, President, SVP, and VP Finance. The determination of performance-based compensation for the senior leadership team begins with a review of the performance against objectives as set out at the beginning of the fiscal year and the competitive market data for each role. The CEO assesses the sustained individual performance and anticipated future potential of each member (other than himself) of the senior leadership team and recommends the appropriate compensation package for each of these members. The Committee then reviews these recommendations. When the Committee is satisfied that the appropriate pay-for-performance linkage has been achieved, it recommends the compensation awards to the full Board of Directors for approval.

The Chair of the Committee reviews the performance and market data for the CEO and develops a recommendation that is then reviewed and discussed with the Committee. The Committee submits its recommended compensation package for the CEO to the full Board of Directors of AutoCanada Inc. for approval. At no point in the process does the CEO have a role in recommending his own compensation.

## Components of Executive Compensation

To ensure the Company's compensation programs are competitive to the market and its peer group, the Company engaged an external consulting firm, Mercer, to provide information in support of the annual executive compensation review. Mercer provides data on the total compensation offered for similar positions in companies of similar size and scope to the Company. On March 20, 2014 the Board approved a revised executive compensation program which was effective January 1, 2014. The components of the Company's compensation package for the senior leadership team, and the descriptions of the key attributes of the programs are outlined below. Only members of the senior leadership team participate in the Hybrid Incentive Plan.

<i>Base Salary</i>	Compensates executives for the leadership and specific skills needed to fulfill their responsibilities.
<i>Hybrid Incentive Plan</i>	Rewards executives for their contribution to the achievement of annual financial and non-financial goals by providing performance-based bonuses and links the long term interests of executives and shareholders by rewarding executives for achieving the goals of the Company by awarding long-term equity-based incentives.

## Base Salary

Individual executive salaries are typically set with a view towards offering market-competitive fixed compensation in order to attract and retain leaders with the appropriate skill sets. The Committee, following discussions with the CEO makes an annual recommendation to the Board for each member of the senior leadership team's annual salary, taking into consideration market comparators for the executive's position, the experience, knowledge and performance of the executive and the total compensation packages of the executives. There are no annual inflationary or automatic adjustments to executive salaries; however executive salaries will continue to be reviewed on an annual basis to ensure alignment with the market.

## Hybrid Incentive Plan

The Hybrid Incentive Plan (“HIP”) provides the senior leadership team with appropriate short-term and long-term incentives in connection with achieving performance-based goals outlined in the plan. The HIP uses a performance curve to determine the amount of performance-based compensation to award each member of the senior leadership team, based on achieving and exceeding annual targets set by the Board. The following table displays the target incentive in 2014 for the senior leadership team, based on achieving the corporate performance targets determined by the Board:

NEO	Annual Incentive Plan	Equity-Based Incentive Plan
CEO	80% of base salary	40% of base salary
President	80% of base salary	40% of base salary
SVP	80% of base salary	40% of base salary
VP Finance	33% of base salary	17% of base salary

The incentive amount paid to executives can range between 0% of the target incentive, if performance is below the minimum level, 100% of the target incentive if the performance meets the targeted level, and 200% of the target incentive when the performance exceeds the maximum level. The target incentive is determined based on a weighted scale of corporate performance targets.

As noted above, the incentive awards for each member of the senior leadership team are split between an annual cash payout and an equity incentive component. These two components of the HIP are referred to as the Annual Incentive Plan (the “AIP”) and the Equity-Based Incentive Plan (the “EIP”) and are described in further detail below.

*Annual Incentive Plan* – The annual incentive plan aims to enhance the link between pay and performance by aligning the financial and operational interest and motivations of the Company’s senior leadership team with the annual financial returns of the Company. It is designed to motivate management to work toward common annual performance objectives while acknowledging and rewarding individual goal achievement. The plan provides total cash compensation to the senior leadership team that is greater than the median of the companies of similar size and scope where exceptional performance in excess of target objectives is attained. The plan also provides total cash compensation to the senior leadership team that is below the market median in cases where performance objectives are not attained. Details of the senior leadership team’s performance under the AIP are discussed under “2013 Incentive Plan Performance”. The following table displays the weighting for corporate performance targets under the AIP for the 2014 fiscal year for the senior leadership team as determined by the Committee:

Component	Weighting
Adjusted free cash flow per share	40%
Adjusted gross profit	30%
Discretionary	30%

*Equity-Based Incentive Plan* – The equity-based incentive compensation plan is designed to recognize and reward the impact of longer-term strategic actions undertaken by the senior leadership team and align the interests of the Company’s senior leadership team and its shareholders. The program is designed to focus management on successfully implementing the continuing strategic plan of the Company, improve retention of key members of the senior leadership team and attract talented individuals to the Company. In 2011, the Committee formalized an appropriate equity-based incentive compensation plan referred to as the Share Unit Plan for Employees of AutoCanada Inc. or the “Share Unit Plan”. The Share Unit Plan allows for the Committee to grant performance-based share units (“PSUs”) or restricted share units (“RSUs”) to employees of AutoCanada. As such, for the equity-based incentive portion of the executive compensation plan, the senior leadership team receives RSUs equal to the total award for the fiscal year divided by the market price of ACI Shares on the date of grant. The RSUs vest evenly on each anniversary of the grant date over three years of continuous employment by each member of the senior leadership team. Executives may elect to receive up to 40% of the award in cash at the vesting date, but will receive a minimum of 60% of the award in the form of ACI Shares. In 2012, the Company established a share purchase trust (“Trust”) to purchase ACI Shares from the market prior to vesting of RSUs in order to reduce the risk of share price appreciation or depreciation between the time of grant and the time of settlement. Upon vesting, the Company will direct the Trust to settle the RSU awards in ACI Shares with the executives. RSUs are entitled to accumulate



dividends until they vest. Additional RSUs earned by executives as dividends are paid based on the amount of dividend per ACI Share multiplied by the number of unvested RSUs at the date the dividends are paid. Dividends earned on the RSUs by executives are reinvested to purchase more RSUs. The following table displays the weighting for corporate performance targets under the EIP for the 2014 fiscal year for the senior leadership team as determined by the Committee:

Component	Weighting
Adjusted earnings per share	70%
Discretionary	30%

### 2013 Incentive Plan Performance

The table below details the targeted compensation for the senior leadership team for the 2013 fiscal year as determined by the Committee:

NEO	Base Salary	AIP Target %	AIP Target Bonus	EIP Target %	EIP Target Bonus	Total Target Compensation
CEO	550,000	80%	440,000	40%	220,000	1,210,000
President	512,500	80%	410,000	40%	205,000	1,127,500
SVP	357,500	80%	286,000	40%	143,000	786,500
VP Finance	160,000	33%	53,280	17%	26,720	240,000

In 2013, if 100% of the corporate performance targets were achieved and 100% of the discretionary component was awarded by the Committee, the CEO, President, SVP, and VP Finance would be entitled to the total target compensation above. As noted above, a performance curve is used to determine payouts and can range between 0% and 200% of the target incentive amount based on under or over achievement of the corporate performance targets.

As noted above, the HIP was revised in 2014 to incorporate new corporate performance targets and weighting for such targets. The HIP for the 2013 fiscal year incorporated the same corporate performance targets and weighting for both the AIP and the EIP. The following table displays the previous weighting for corporate performance targets which was used in determining executive compensation for the 2013 fiscal year for the senior leadership team as determined by the Committee:

Component	Weighting
Adjusted free cash flow	40%
Adjusted return on capital	30%
Discretionary	30%

The adjusted free cash flow component is based on the Company's adjusted free cash flow (as defined in our Management's Discussion and Analysis for the year ended December 31, 2013 available on [www.sedar.com](http://www.sedar.com)). For purposes of the Hybrid Incentive Plan, the adjusted free cash flow amount excludes amounts accrued under the Hybrid Incentive Plan and removes compensation expense related to the Hybrid Incentive Plan, share-based payments, amortization of prepaid rent and income taxes paid from the calculation of "cash flow from operating activities before changes in non-cash working capital". For purposes of the Hybrid Incentive Plan, the Committee had set a target of \$30,150,000 for the 2013 fiscal year. Management achieved \$46,685,000 of adjusted free cash flow as calculated under the Hybrid Incentive Plan or 155% of target.

The adjusted return on capital component is based on the Company's adjusted return on capital (as defined in our Management's Discussion and Analysis for the year ended December 31, 2013 available on [www.sedar.com](http://www.sedar.com)). For purposes of the Hybrid Incentive Plan, the adjusted return on capital amount excludes amounts accrued under the Hybrid Incentive Plan. For purposes of the Hybrid Incentive Plan, the Committee had set a target of 22.22% adjusted return on capital for the 2013 fiscal year. Management achieved 28.67% of adjusted return on capital as calculated under the Hybrid Incentive Plan or 129% of target.

The discretionary component is awarded by the Committee based on a number of non-financial factors. Based on the performance of management against these factors, the Committee awarded 200% of the discretionary component to the CEO, President, SVP, and VP Finance.

As discussed above, the fiscal 2013 financial results of the Company exceeded targets set by the Committee which resulted in compensation earned by the NEOs in excess of the targeted compensation. The following table outlines the achievement levels of each target and the resulting payout percentage used in determining the Hybrid Incentive Plan amount for the CEO, President, SVP and VP Finance:

Component	Achievement to Target	Payout %	Weighting	Weighted Average Payout %	Total HIP Payout %
Adjusted free cash flow	155%	200%	40%	80%	189%
Adjusted return on capital	129%	165%	30%	49%	
Discretionary	N/A	200%	30%	60%	

Based on the financial performance in 2013 and achievement of results in excess of targets, the senior leadership team earned the following under the executive compensation plan:

NEO	Base Salary	AIP Payout % (rounded)	AIP Bonus Earned	EIP Payout % (rounded)	EIP Bonus Earned	Total Compensation under Plan
CEO	550,000	189%	833,440	189%	416,720	1,800,160
President	512,500	189%	776,610	189%	388,310	1,677,420
SVP	357,500	189%	541,740	189%	270,870	1,170,100
VP Finance	160,000	189%	100,920	189%	50,610	311,530

### ACI Stock Option Plan

Effective December 31, 2009, as part of the conversion to a corporation, the Company established the ACI Stock Option Plan under which options (“Options”) may be granted to our directors, officers, employees and consultants (“Participants”), in order to provide an opportunity for these individuals to increase their proprietary interest in our long-term success.

Pursuant to the ACI Stock Option Plan, ACI may issue up to and including 10% of its issued and outstanding ACI Shares (on a non-diluted basis) as Options. The aggregate number of ACI Shares reserved for issuance to insiders pursuant to Options or other security based compensation arrangements of ACI shall not at any time exceed 10% of the total number of ACI Shares then outstanding, and the aggregate number of ACI Shares reserved for issuance to any one person shall not at any time exceed 5% of the total number of ACI Shares then outstanding. The issuance of ACI Shares to insiders of ACI pursuant to Options or any other security based compensation arrangements shall not exceed more than 10% of the total number of ACI Shares outstanding within a one year period and the issuance of ACI Shares to any one insider and such insider’s associates shall not exceed more than 5% of the total number of ACI Shares outstanding within a one year period.

Pursuant to the ACI Stock Option Plan, the Board shall make all necessary or desirable determinations regarding the granting of Options to Participants and may take into consideration the present and potential contributions of a particular Participant to the success of ACI and any other factors which it may deem proper and relevant. The exercise price of each Option is determined by the Board and shall not be lower than the closing price of the ACI Shares on the TSX immediately preceding the date of grant.

Subject to earlier termination as described below, each Option and all rights thereunder granted pursuant to the ACI Stock Option Plan shall expire on the date determined by the Board, provided that the duration of an Option shall not be less than one (1) year or exceed ten (10) years. Unless otherwise specified by the Board, Options will vest as to 1/3 after each of the first, second and third anniversaries of the grant of the Option.

Vested Options may be exercised no later than 120 days following the date a person ceases to be an eligible Participant, unless such person ceases to be an eligible Participant due to termination of employment for cause or

due to the breach, expiry or termination of a consulting agreement, in which case no Options may be exercised following the date of termination. If the cessation of office, directorship, employment or consulting arrangement is by reason of death, vested Options may be exercised by the successors of the deceased within a maximum period of 120 days following such death, unless extended by the Board to a maximum of one year in total, subject to the expiry date of such Option. Where the Option expires or is deemed to expire during a black-out period (as determined by the policies of ACI) or within ten (10) business days from the date that any black-out period ends, the Option shall not be deemed to expire until the day that is ten (10) business days from the last day of the black-out period. Options are non-transferable except to the extent the rights of an optionee pass to another person upon death by will or pursuant to the laws of descent and distribution.

The Option Plan provides Participants with a cash surrender right which entitles the Participant, subject to the Company's discretion, to surrender to the Company unexercised options that are vested and receive payment in cash of an amount equal to the excess of the fair market value of the ACI Shares that may be purchased pursuant to the surrendered Options over the exercise price of the Options.

The Board may in its discretion amend the Option Plan and may amend the terms and conditions of options granted pursuant to the Option Plan, without Shareholder approval. Without limiting the generality of the foregoing, the Board may amend the Option Plan without Shareholder approval if the amendment:

- is for the purpose of curing any ambiguity, error or omission in the Option Plan or to correct or supplement any provision of the Option Plan that is inconsistent with any other provision of the Option Plan;
- is necessary to comply with applicable law or the requirements of any stock exchange on which the ACI Shares are listed;
- is an amendment to the Option Plan respecting administration and eligibility for participation under the Option Plan;
- changes the terms and conditions on which Options may be granted pursuant to the Option Plan including the provisions relating to vesting provisions and the period during which an Option may be exercised;
- changes the termination provisions of an Option or the Option Plan which does not entail an extension beyond the original expiry date;
- is an amendment of the cashless exercise feature, payable in cash or securities which provides for a full deduction of the number of underlying securities from the Option Plan; or
- is an amendment to the Option Plan of a "housekeeping nature",

provided that the amendment does not change the number of ACI Shares issuable under the Option Plan, add any form of financial assistance by the Company, change the class of eligible Participants to the Option Plan, extend the term of Options held by insiders or reduce the exercise price of Options held by insiders. Amendments are subject to any required approval of any regulatory authority or stock exchange.

There are currently an aggregate of 21,925,930 ACI Shares outstanding. Therefore, a maximum of 2,192,593 ACI Shares are reserved for issuance under the ACI Stock Option Plan. This number may increase if and as the issued and outstanding ACI Shares increases.

Currently, no stock options have been issued and there are no plans to issue stock options at this time.

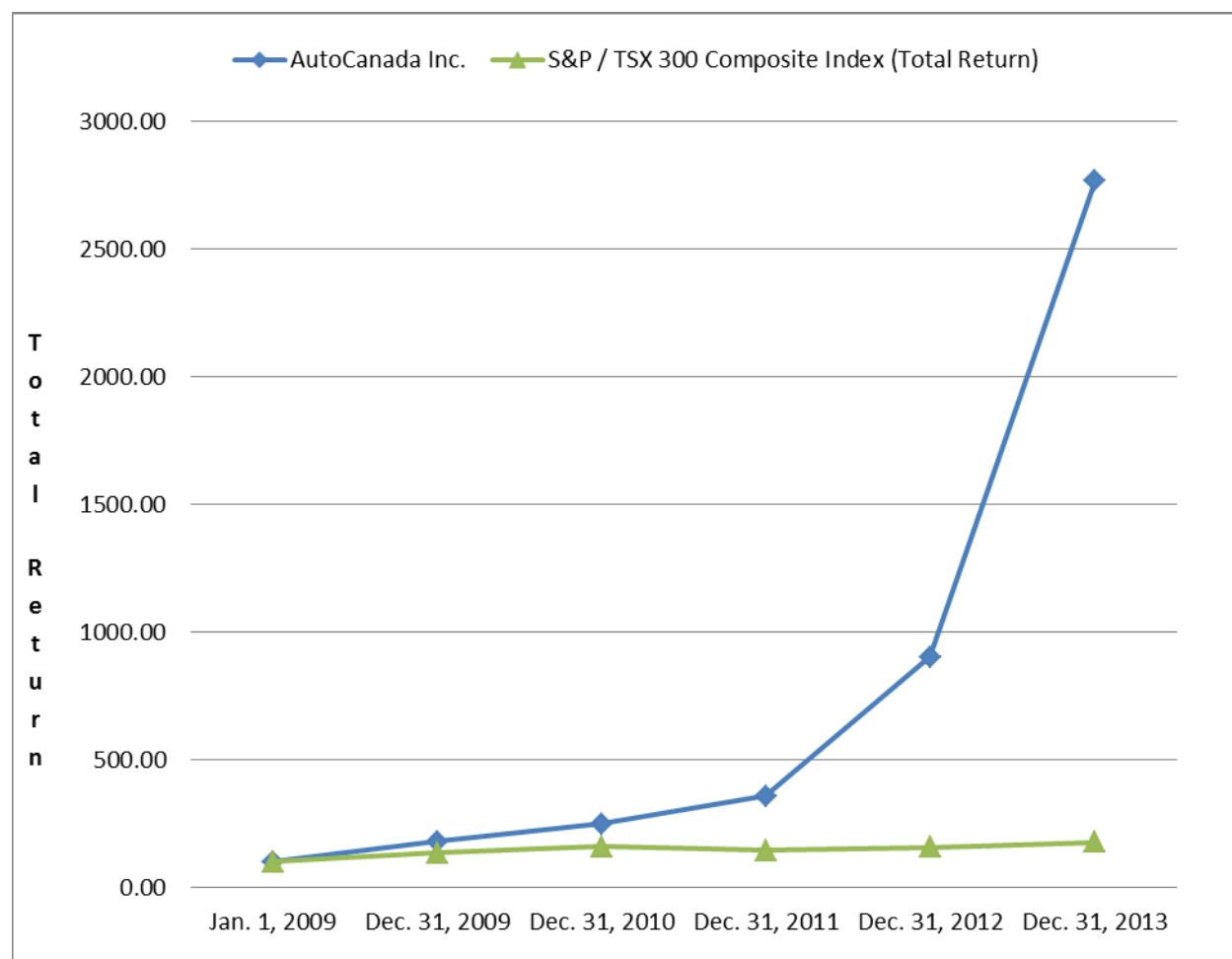
## Related Compensation Plans

Certain individuals (the “Optionees”) have been granted an option to acquire Class B non-voting common shares (“B Shares”) in a subsidiary of CAG (“Subco”), an insider of the Company, in recognition of past service. Once an Optionee exercises its option and receives Class B Shares, the Optionee (now “Shareholder”) enters into a unanimous shareholder agreement with the other shareholders and Subco which provides that under certain circumstances, Subco or the Shareholder, as the case may be, may effect the repurchase by the Subco from the Shareholder of the Subco B Shares. Where such a repurchase is effected, the purchase price payable by Subco to repurchase its shares from the Shareholders is generally payable by delivering one ACI Share for each Subco B Share that is repurchased. To make that payment, Subco will deliver the appropriate number of ACI Shares to the Shareholder. Pursuant to the unanimous shareholders agreement, a portion of the dividends received from ACI by Subco in respect of its Shares will be distributed to the holders of B Shares.

Steve Rose, a Named Executive Officer was granted 100,000 options and is a holder of 58,994 B Shares.

## Performance Graph

The Board recognizes that in a cyclical industry such as the retail automotive industry, AutoCanada’s focus is on long-term shareholder value growth. The following chart compares the cumulative total shareholder return, including the reinvestment of distributions, from January 1, 2009 to the end of the most recently completed financial year on December 31, 2013 for \$100 invested in the Shares of ACI with the cumulative total return from the S&P/TSX 300 Composite Index (Total Return). The Board believes that the trend in executive compensation as noted on the following page appropriately reflects the trend in performance of the Company.



*Performance Graph Values:*

	Jan 1, 2009	Dec 31, 2009	Dec 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013
AutoCanada Inc. (Total Return)	\$100	\$179.84	\$247.52	\$357.93	\$902.07	\$2,767.31
S&P/TSX 300 Composite Index (Total Return)	\$100	\$135.05	\$158.83	\$145.00	\$155.42	\$175.61

## Actual Values:

	Jan 1, 2009	Dec 31, 2009	Dec 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013
AutoCanada Inc.	\$2.25	\$3.50	\$4.70	\$6.40	\$15.35	\$45.89
S&P/TSX 300 Composite Index	8,987.70	11,746.11	13,443.22	11,955.09	12,433.53	13,621.55

**Summary Compensation Table**

The table below summarizes the compensation earned in respect of the last three fiscal years by each individual who during fiscal 2013 served as the CEO, the Chief Financial Officer and the most highly compensated executive officers of the Company that earn more than \$150,000 per year (the "NEOs").

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	SHARE-BASED AWARDS <sup>(1)</sup> (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION		ALL OTHER COMPENSATION <sup>(2)</sup> (\$)	TOTAL COMPENSATION (\$)
				ANNUAL INCENTIVE PLANS (\$)	LONG-TERM INCENTIVE PLANS (\$)		
Patrick J. (Pat) Priestner Chief Executive Officer	2013	550,000	416,720	833,440	-	78,355	1,878,515
	2012	475,000	339,500	679,000	-	29,528	1,523,028
	2011	478,125	296,780	593,560	-	57,862	1,426,327
Tom Orysiuk President & Chief Financial Officer	2013	512,500	388,310	776,610	-	29,921	1,707,341
	2012	475,000	339,500	679,000	-	33,900	1,527,400
	2011	466,667	282,530	565,060	-	30,533	1,344,790
Steve Rose Senior Vice-President, Sales, Marketing and Corporate Operations	2013	357,500	270,870	541,740	-	40,972	1,211,072
	2012	350,000	218,890	406,510	-	32,379	1,007,779
	2011	346,875	182,160	338,290	-	28,454	895,779
Jeffery Christie Vice-President, Finance	2013	160,000	50,610	100,920	-	15,631	327,161
	2012	150,000	-	40,000	-	14,494	204,494
	2011	125,000	-	25,000	-	15,050	165,050

**Notes:**

- (1) Mr. Orysiuk and Mr. Rose were granted 8,247 and 3,505 RSU units respectively on March 17, 2011. On March 17, 2011 the market value of AutoCanada Inc. shares (on the TSX) was \$4.85 per share. Mr. Priestner, Mr. Orysiuk and Mr. Rose were granted 29,978, 28,538, and 18,400 RSU units respectively on March 22, 2012. On March 22, 2012 the market value of AutoCanada Inc. shares was \$9.90 per share. Mr. Priestner, Mr. Orysiuk and Mr. Rose were granted 18,001, 18,001, and 11,606 RSU units respectively on March 26, 2013. The market value on March 26, 2013 was \$18.86 per share. Mr. Priestner, Mr. Orysiuk, Mr. Rose, and Mr. Christie were granted 8,229, 7,668, 5,349, and 999 RSU units respectively on March 20, 2014. The market value at that time was \$50.64 per share.
- (2) All other compensation includes the taxable benefit for usage of Company vehicles.

## Incentive Plan Awards

### *Outstanding Share-Based Awards*

The following table sets forth information in respect of all share-based awards outstanding at the end of the financial year ended December 31, 2013 to the NEOs of the Company.

NEO	Number of share-based awards that have not vested (#)	Market value of share-based awards that have not vested <sup>(1)</sup> (\$)	Market value of vested share-based awards not paid out or distributed <sup>(1)</sup> (\$)
Patrick J. Priestner	39,640	1,819,098	Nil
Tom Orysiuk	41,793	1,917,863	Nil
Steve Rose	26,247	1,204,455	Nil
Jeffery Christie	Nil	Nil	Nil

**Notes:**

- (1) Market value for RSUs is calculated based on the closing price of the Company's common shares on the TSX on December 31, 2013 of \$45.89 per share.

### *Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth information relating to the value vested or earned during the Company's financial year ended December 31, 2013 in respect of share-based awards and non-equity incentive plan compensation for NEOs of the Company.

NEO	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Patrick J. Priestner	Nil	132,736	833,440
Tom Orysiuk	Nil	253,933	776,610
Steve Rose	Nil	146,131	541,740
Jeffery Christie	Nil	NIL	100,920

## Termination of Employment, Change in Responsibilities and Employment Contracts

*Patrick J. (Pat) Priestner, Chief Executive Officer.* The employment agreement with Mr. Priestner is for a five year term ending on November 23, 2017, but may be terminated by Mr. Priestner upon three months' notice. Effective January 1, 2014, Mr. Priestner is paid an annual salary of \$750,000 plus incentive awards determined under the Hybrid Incentive Plan discussed above. In the event we terminate the employment of Mr. Priestner without cause, we will pay Mr. Priestner, for 12 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 contains confidentiality, non-solicitation and non-competition covenants by Mr. Priestner, which continue for three years after Mr. Priestner ceases to be employed by us.

*Tom Orysiuk, President and Chief Financial Officer.* The employment agreement with Mr. Orysiuk is for an indefinite term but may be terminated on three months' notice. Effective January 1, 2014, Mr. Orysiuk is paid an annual salary of \$545,000 plus incentive awards determined under the Hybrid Incentive Plan discussed above. In the event we terminate the employment of Mr. Orysiuk without cause, we will pay Mr. Orysiuk, 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. Orysiuk will be entitled to continued employment benefits for a term of 24 months. The employment agreement contains confidentiality, non-solicitation and non-competition agreements by Mr. Orysiuk which will continue for 24 months after such person ceases to be employed by us.

*Steve Rose, Senior Vice President, Sales, Marketing and Corporate Operations.* The employment agreement with Mr. Rose is for an indefinite term but may be terminated on three months' notice. Effective January 1, 2014, Mr. Rose is paid an annual salary of \$380,000 plus incentive awards determined under the Hybrid Incentive Plan. In the event we terminate the employment of Mr. Rose without cause, we will pay Mr. Rose, 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. Rose will be entitled to continued employment benefits for a term of 24 months. The employment agreement contains confidentiality, non-solicitation and non-competition agreements by Mr. Rose which will continue for 24 months after such person ceases to be employed by us.

*Jeffery Christie, Vice-President, Finance.* The employment agreement with Mr. Christie is for an indefinite term but may be terminated without notice. Effective January 1, 2014, Mr. Christie is paid an annual salary of \$180,000 plus incentive awards determined under the Hybrid Incentive Plan. In the event we terminate the employment of Mr. Christie without cause, we will pay Mr. Christie an amount equal to his annual salary. The employment agreement also contains change of control provisions similar to the other members of the senior leadership team.

The following table summarizes the payments that would be received by each Executive in each circumstance where the Executive ceases to be employed by ACI on December 31, 2013. The amounts are in excess of the amount currently payable to executives under the Annual Incentive Plan for the fiscal 2013 year. The amounts shown in the table are calculated based on positions held, and the terms applicable, as at December 31, 2013.

Name and Principal Position	Termination for Cause (\$)	Termination Other than for Cause (\$)	Change of Control (\$)	Retirement (\$)	Resignation (\$)	Death or Disability (\$)
<b>Pat Priestner</b> <i>Chief Executive Officer</i>						
Lump-sum Payment	-	575,000	1,709,330	-	-	-
Accelerated RSU Vesting	-	773,136	1,819,098	1,293,976	-	1,819,098
Total	-	1,348,136	3,528,428	1,293,976	-	1,819,098
<b>Tom Orysiuk</b> <i>President and Chief Financial Officer</i>						
Lump-sum payment	-	1,050,000	1,616,710	-	-	-
Accelerated RSU Vesting	-	895,970	1,917,863	1,381,843	-	1,917,863
Total	-	1,945,970	3,534,573	1,381,843	-	1,917,863
<b>Steve Rose</b> <i>Senior Vice-President, Sales, Marketing and Corporate Operations</i>						
Lump-sum payment	-	720,000	1,079,005	-	-	-
Accelerated RSU Vesting	-	545,443	1,204,455	863,717	-	1,204,455
Total	-	1,265,443	2,283,460	863,717	-	1,204,455
<b>Jeff Christie</b> <i>Vice President, Finance</i>						
Lump-sum payment	-	100,000	-	-	-	-
Accelerated RSU Vesting	-	-	-	-	-	-
Total	-	100,000	-	-	-	-

Except as described above, there is no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive any payment from us or our subsidiaries, including periodic payments or instalments, in the event of the resignation, retirement or any other termination of the Named Executive Officer's employment, a change of control of us or any of our subsidiaries or a change in the Named Executive Officer's responsibilities following a change in control.

## COMPENSATION OF DIRECTORS

### Compensation of Directors

Compensation for Directors is currently \$40,000 per Director per year and \$2,000 per Director for each meeting of the Directors attended in person. The Lead Director of the Board receives additional compensation of \$15,000 per year. The Chairs of the Audit Committee and Governance and Compensation Committee each receive additional compensation of \$10,000 per year. Directors receive \$1,000 for each meeting of the Directors attended by telephone if more than 6 hours and \$750 if less than 6 hours. We reimburse Directors for out of pocket expenses for attending meetings. Directors also participate in our insurance and indemnification arrangements. No Director compensation is paid to Directors who are members of management of the Company. If deemed appropriate by the Directors, special committees of the Directors may be established for certain purposes, the compensation of the members thereof to be at the discretion of the Board. Each Director is an eligible participant in the ACI Incentive Stock Option Plan (the “Plan”) and may be awarded options as further compensation.

In 2012, the Board of Directors approved the Deferred Share Unit Plan (“DSU Plan”) for eligible Directors. The DSU Plan allows the eligible Board Directors to elect to receive up to 100% of total Directors’ compensation, excluding the Deferred Share Unit Retainer (“DSU Retainer”), in the form of Deferred Share Units (“DSUs”). The DSU retainer was approved by the Board of Directors in 2012, in addition to compensation noted above, to each eligible Board Director, which must be fully paid in the form of DSUs. The amount of the DSU retainer is \$20,000 per eligible Director per year. The purpose of the DSU Plan and the DSU Retainer is to provide eligible directors with the opportunity to participate in the long-term success of ACI and to promote a greater financial interest of Directors in the Company.

The following table sets forth all compensation paid for the most recently completed financial year of the Company to each of the Directors, other than Directors who are classified as NEO’s in the Executive compensation section, in their capacities as Directors.

NAME	CASH FEES EARNED (\$)	SHARE- BASED AWARDS (\$)	OPTION- BASED AWARDS (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$)	ALL OTHER COMPENSATION (\$)	TOTAL COMPENSATION (\$)
Gordon Barefoot	60,750	37,750	-	-	-	98,500
Michael Ross	16,000	67,500	-	-	-	83,500
Dennis DesRosiers	29,000	44,500	-	-	-	73,500
Robin Salmon <sup>(1)</sup>	18,500	10,333	-	-	-	28,833
Christopher Cumming	-	72,500	-	-	-	72,500

**Notes:**

(1) Mr. Salmon resigned as a member of the Board of Directors effective May 7, 2013.

The aggregate amount earned by the Directors as compensation, in their capacity as such, during the financial year ended December 31, 2013 was \$356,833. The aggregate amount we reimbursed the Directors for out of pocket expenses incurred to attend meetings during the financial year ended December 31, 2013 was \$21,306.



## Incentive Plan Awards

### *Outstanding Share-Based Awards*

The following table sets forth information in respect of all share-based awards outstanding at the end of the financial year ended December 31, 2013 to the directors of the Company.

Director	Number of share-based awards that have not vested (#)	Market value of share-based awards that have not vested <sup>(2)</sup> (\$)	Market value of vested share-based awards not paid out or distributed <sup>(2)</sup> (\$)
Gordon Barefoot	1,926	88,384	Nil
Michael Ross	3,583	164,424	Nil
Dennis DesRosiers	2,153	98,801	Nil
Robin Salmon <sup>(1)</sup>	838	38,456	Nil
Christopher Cumming	3,684	169,059	Nil

**Notes:**

- (1) Mr. Salmon resigned as a member of the Board of Directors effective May 7, 2013.  
 (2) Value is calculated based on the closing price of the Company's common shares on the TSX on December 31, 2013 of \$45.89 per share.

### *Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth information relating to the value vested or earned during the Company's financial year ended December 31, 2013 in respect of share-based awards and non-equity incentive plan compensation for the directors of the Company.

Director	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Gordon Barefoot	Nil	Nil	Nil
Michael Ross	Nil	Nil	Nil
Dennis DesRosiers	Nil	Nil	Nil
Robin Salmon <sup>(1)</sup>	Nil	Nil	Nil
Christopher Cumming	Nil	Nil	Nil

**Notes:**

- (1) Mr. Salmon resigned as a member of the Board of Directors effective May 7, 2013.  
 (2) Value is calculated based on the closing price of the Company's common shares on the TSX on December 31, 2013 of \$45.89 per share.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides details on securities authorized for issuance under the Company's equity compensation plans as at December 31, 2013:

Equity Compensation Plans	Securities to be issued upon exercise of outstanding options, warrants and rights		Weighted average exercise price of outstanding options, warrants and rights	Securities remaining available for future issuance under equity compensation plans		Aggregate to be issued upon exercise plus available for issuance	
	#	% of outstanding common		#	% of outstanding common	#	% of outstanding common
ACI Incentive Stock Option Plan	Nil	Nil	Nil	2,192,593	10.0%	2,192,593	10.0%

No options have been granted under the Plan. See "Executive Compensation – ACI Stock Option Plan" for a description of the material features of the Plan.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is, or at any time during our most recently completed financial year was, a Director or executive officer, as applicable, of us, no proposed nominee for election as a Director of us, and no associate of any such Director, executive officer or proposed Director is, or at any time during our most recently completed financial year was, indebted to (i) us or any of our subsidiaries, or (ii) another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by us or any of our subsidiaries, other than routine indebtedness.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth below, no informed person of the Company, nor any proposed Director, nor any associate or affiliate of any informed person or proposed Director, has any material interest, direct or indirect, in any transaction since the commencement of our last financial year or in any proposed transaction which has materially affected or would materially affect us or any of our subsidiaries.

In November of 2013, the Company purchased eleven dealership real estate properties from Canada One Auto Group for a total purchase price of \$57.8 million, plus transaction costs and taxes. The purchase was financed with the Company's non-revolving term facility and revolving operating facility with HSBC. The Company had previously been leasing the properties and decided to purchase the properties as a means to better control the properties and achieve cash flow savings. The purchase of the real estate also had no impact on general repairs and maintenance expense, insurance or property taxes associated with the buildings as the Company was responsible for these expenses under its previous lease agreements.

The transaction was reviewed and evaluated by a special committee created by the Board of Directors known as the Real Estate Committee. The Real Estate Committee, which is comprised of independent members of the Board of Directors, were directly responsible for the review and evaluation of the potential real estate purchase and directly negotiated with CanadaOne Auto Group as to the terms of the purchase agreement. Canada One Auto Group is a related party of the Company, as it is a significant shareholder of the Company and it is controlled by Patrick Priestner, the Chairman and CEO of the Company.

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

To the knowledge of the management of the Corporation, other than as set forth elsewhere in this Information Circular, no person who has been a Director or executive officer of the Company at any time since the beginning of our last financial year, nor any proposed nominee for election as a Director, nor any associate or affiliate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities or

otherwise, in any matter to be acted upon at the Meeting other than the election of Directors or the appointment of auditors.

### **STATEMENT OF CORPORATE GOVERNANCE**

A discussion of our governance system within the context of *National Instrument 58-101 - Disclosure of Corporate Governance Practices* is attached to this Information Circular as Appendix “B”.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information in respect of ACI’s audit committee is contained in our annual information form for our most recently completed financial year under the caption “Audit Committee Information”. Additional financial information is provided in our audited consolidated financial statements and management’s discussion and analysis for our most recently completed financial year. A copy of our financial statements and management’s discussion and analysis is available upon written request to our Secretary at 15505 Yellowhead Trail, Edmonton, Alberta, T5V 1E5.

## APPENDIX A - GLOSSARY

“**Broadridge**” means Broadridge Financial Services, Inc.;

“**ACI**” or the “**Company**” means AutoCanada Inc., a corporation incorporated under the CBCA;

“**ACI Share**” means a common share in the capital of ACI;

“**ACI Stock Option Plan**” means the stock option plan of ACI;

“**Affiliate**” has the meaning provided for in the CBCA;

“**AutoCanada**” means the Company and its interests in its subsidiaries, the Holding LPs, the Dealer LPs and any other franchised automobile dealership owned or operated by the foregoing parties or COAG;

“**Beneficial Shareholder**” means Shareholders who do not hold their Shares in their own name;

“**Board**” means the board of directors of ACI;

“**CAG**” means Canada One Auto Group Ltd. and its subsidiaries which include Crosstown Land Holdings Ltd.; 1288530 Alberta Ltd.; and DP Amalco Ltd.;

“**CBCA**” means the *Canada Business Corporations Act* and the regulations thereto, as amended;

“**CDS**” means The CDS Clearing and Depository Services 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’s franchised automobile dealerships, as well as activities ancillary thereto;

“**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;

“**Shareholders**” means the holders of ACI Shares;

“**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;

“**TSX**” means the Toronto Stock Exchange.

## APPENDIX B - STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board considers good governance to be central to ACI and our subsidiaries', effective and efficient operation and we are committed to reviewing and adapting our governance practices so that they meet ACI, and our subsidiaries', changing needs and to ensure compliance with regulatory requirements.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT		OUR CORPORATE GOVERNANCE PRACTICES	
1	Board of Directors		
(a)	Disclose the identity of Directors who are independent.	Gordon Barefoot, Dennis DesRosiers, Michael Ross and Christopher Cumming are all independent Directors of ACI.	
(b)	Disclose the identity of Directors who are not independent, and describe the basis for that determination.	The Board has determined that Pat Priestner and Tom Orysiuk are not independent directors, as independence is defined in <i>Multilateral Instrument 52-110 - Audit Committees</i> , as each is an officer of AutoCanada Inc.	
(c)	Disclose whether or not a majority of Directors are independent. If a majority of Directors are not independent, describe what the Board does to facilitate its exercise of independent judgement in carrying out its responsibilities.	A majority of the Directors are independent.	
(d)	If a Director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the Director and the other issuer.	Directors who are presently a director of another reporting issuer are as follows:	
		Director	Name of Reporting Issuer
		Gordon Barefoot	none
		Dennis DesRosiers	none
		Michael Ross	none
		Christopher Cumming	none
		Patrick Priestner	Rocky Mountain Dealerships Inc.
	Thomas Orysiuk	none	
(e)	Disclose whether or not the independent Directors hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	Mr. Priestner and Mr. Orysiuk, who are members of management and are non-independent directors, are excluded from a portion of each regularly scheduled meeting of the Board.  The Board held all six (6) regularly scheduled meetings in 2013.	
(f)	Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and	Gordon Barefoot is the independent Lead Director of the Board of ACI. The Lead Director's roles and responsibilities are outlined in our Terms of Reference for the Chair of the Board of Directors of ACI and include working with the subsidiaries and various limited	

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.	partnerships, monitoring investments of ACI, including ACI's investment in its subsidiaries and various limited partnerships, and managing relations with Shareholders, other stakeholders and the public.
(g) Disclose the attendance record of each Director for all board meetings held since the beginning of the issuer's most recently completed financial year.	The Directors held six regular meetings in 2013. Meeting attendance is disclosed for each Director under the "Election of Directors" section above.
2. Board Mandate  Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The text of the mandate of the Board of Directors of ACI (entitled "Mandate for the Board of Directors of ACI"), is attached to this information circular as Appendix "C".
3. Position Descriptions  (a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	A written position description is included in the applicable Terms of Reference for the Chair of the Board of ACI.  No written position descriptions for chairs of our committees have been developed; however each such chair is aware that they are obliged to conduct the affairs of the Board or the committee, as the case may be, so as to meet their respective obligations pursuant to each of their separate mandates or charters.
(b) Disclose whether or not the Board and Chief Executive Officer have developed a written position description for the Chief Executive Officer. If the Board and Chief Executive Officer have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the Chief Executive Officer.	The Board and the Chief Executive Officer have developed terms of reference for the Chief Executive Officer, which include a written position description for the Chief Executive Officer. The Board has also developed terms of reference for the President, which includes a written position description for the President.
4. Orientation and Continuing Education  (a) Briefly describe what measures the Board takes to orient new directors regarding	
(i) the role of the Board, its committees and its directors, and	The Board has adopted a Directors Information Manual which contains, among other things, the mandates of the Board and committee charters for each of the committees of the Board. This manual has been reviewed by the directors, and a copy of the manual has been provided to each of the directors.
(ii) the nature and operation of the issuer's business.	The Chief Executive Officer and President review with the Board at each meeting the nature and operations of our business. The Board meets with other members of our senior management periodically to review each of their specific operations.
(b) Briefly describe what measures, if any, the Board	Members of the Board are encouraged to participate in

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p>takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>seminars and other continuing education programs for directors. The auditors periodically review at meetings of the audit committee the emerging standards for corporate governance, and the Board meets with our independent counsel to review the governance practices of the directors and the obligations of the Board.</p>
<p>5. Ethical Business Conduct</p> <p>(a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:</p>	<p>We have adopted a written code of ethical business conduct applicable to our directors, officers and employees, including the officers and employees of our related dealerships.</p>
<p>(i) disclose how a person or company may obtain a copy of the code;</p>	<p>The code is available at the Canadian Securities Administrator's System for Electronic Dissemination and Retrieval (SEDAR) at <a href="http://www.sedar.com">www.sedar.com</a> and on our website at <a href="http://www.autocan.ca">www.autocan.ca</a>. It is entitled Code of Conduct, AutoCanada Inc.</p>
<p>(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and</p>	<p>A copy of the code of conduct is provided to each of our directors, officers and employees, including the officers and employees of our related dealerships, and each is requested to certify that he/she has read the code. A copy of the code is provided to each new director, officer or employee, including the new officers and employees of our related dealerships.</p>
<p>(iii) provide a cross-reference to any material change report(s) filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>No material change reports have been filed by us since the beginning of our most recently completed financial year that pertains to the conduct of a director or executive officer that constitutes a departure from the code.</p>
<p>(b) Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>A director is required to disclose to the Board information regarding any transaction or agreement in respect of which a director or executive officer has a material interest and to abstain from voting on any matter in respect of such transaction or agreement in which the director has an interest. The Board may request the director to recuse himself from the portion of any meeting at which such transaction or agreement is discussed.</p> <p>All non-management directors are subject to the Company's policy with respect to non-management director's interests in auto dealerships, whereby non-management directors shall not invest directly or indirectly in any automotive dealership enterprise without prior express approval of the Board.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	<p>The Board encourages and promotes a culture of ethical business conduct by requiring each of the Chief Executive Officer and the President to conduct himself in a manner that exemplifies ethical business conduct.</p> <p>In addition, our directors, officers and employees, including the officers and employees of our related dealerships are required to certify that they have read the code of conduct.</p> <p>The members of our committees are entitled to engage an outside advisor at our expense in appropriate circumstances.</p>
<p>6. Nomination of Directors</p> <p>(a) Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>The governance and compensation committee of ACI surveys existing directors regarding new candidates as part of an annual assessment of the constitution of the Board. The chair of the governance and compensation committee meets with candidates in person or by phone and management meets in person with the candidates. Candidates are evaluated by the governance and compensation committee and management based on the perceived needs of the current Board members.</p>
<p>(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.</p>	<p>The governance and compensation committee is composed of three independent directors.</p>
<p>(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>The charter of the governance and compensation committee delineates the responsibilities, powers and operation of the committee when discharging its duties as a nominating committee. The committee meets regularly.</p>
<p>7. Compensation</p> <p>(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.</p>	<p>The Board determined the compensation for the directors with reference to market rates for such services. The charter of the governance and compensation committee includes responsibility to review and recommend adjustments for compensation to directors as warranted in the future. Compensation for the CEO and officers of AutoCanada is to be approved by the Board, taking into consideration any recommendations by the governance and compensation committee.</p>



CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.	The governance and compensation committee of the Board is composed entirely of independent directors.
(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The charter of the governance and compensation committee of the Board delineates the responsibilities, powers and operation of the committee when discharging its duties as a compensation committee, and the committee has followed this charter in discharging its responsibilities, powers and operations. The committee meets regularly.
8. Other Board Committees  If the Board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.	ACI has a disclosure committee, comprised of Patrick Priestner, Tom Orysiuk and Steve Rose. The function of the disclosure committee is to ensure that all written and oral communications to the public or to regulators are timely and accurate and to assist ACI with its disclosure controls and procedures.
9. Assessments  Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.	Each individual director provides an annual self-assessment to the chair of the governance and compensation committee. The chair then reviews the assessments and provides to each individual specific recommendation for improvement. Implementation of such recommendations is overseen by the chair.

## **APPENDIX C - MANDATE FOR THE BOARD OF DIRECTORS OF AUTOCANADA INC.**

The term "ACI" or the "Company" refers to AutoCanada Inc., the term "Board" refers to the board of directors of ACI and the term "Governance Agreements" refers to the corporate bylaws of ACI.

The Board is elected by the shareholders and is responsible for the stewardship of the affairs of the Company. The Board seeks to discharge such responsibility by reviewing and discussing the strategies and plans of management ("Management") of the Company and its subsidiaries and supervising Management, monitoring the performance of the Company.

The Board is responsible for establishing and maintaining a culture of integrity in the conduct of the affairs of the Company and by overseeing and monitoring Management to ensure a culture of integrity is maintained. The Board seeks to discharge this responsibility by satisfying itself as to the integrity of the senior management of the Company, and by overseeing and monitoring Management to ensure a culture of integrity is maintained.

Although directors may be nominated or elected by shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Company and its shareholders must be paramount at all times.

### **DUTIES OF DIRECTORS**

The Board discharges its responsibilities directly and through its committees, the Audit Committee and the Governance and Compensation Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. In addition to the Board's primary role of overseeing the affairs of the Company, principal duties include, but are not limited to the following categories:

#### **Oversight Responsibility**

1. The Board has the responsibility for approving the appointment of the Chairman and the Chief Executive Officer and any other officers of the Company (collectively, the "Officers"), and approving the compensation of the Chairman of the Board, Chief Executive Officer and other officers and employees of the Company following a review of the recommendations of the Governance and Compensation Committee.
2. The Board has delegated authority to the Chief Executive Officer for the overall management and operations of the Company, to ensure the long term success of the Company. The Chief Executive Officer will work in conjunction with the Chairman or Lead Director on strategy related issues to ensure the long term success of the Company. This delegation is subject to the General Authority Guidelines in Schedule "A" that require either prior authorization by the Board or periodic review by the Board in respect of specified matters.
3. The Board may from time to time delegate authority to the Officers, subject to specified limits. Matters that are outside the scope of the authority delegated to the Officers and material transactions are reviewed by and subject to the prior approval of the Board.

#### **Monitoring of Financial Performance and Other Financial Reporting Matters**

4. The Board has oversight responsibility for reviewing and questioning the strategies and plans of the Company.
5. The Board has oversight responsibility for reviewing systems for managing the principal risks of the Company's business including insurance coverage, conduct of material litigation and the effectiveness of internal controls.
6. The Board is responsible for considering appropriate measures it may take if the performance of the Company falls short of their goals or other special circumstances warrant.
7. The Board shall be responsible for approving the unaudited financial statements and the notes of the Company, and shall be responsible to review the consolidated financial statements of the Company and shall provide its recommendation for approval of such consolidated financial statements to the Audit Committee.

8. The Board is responsible for reviewing and approving material transactions involving the Company, including the payment of dividends, acquisitions and dispositions of material assets by the Company and material expenditures by the Company.
9. The Board is responsible for reviewing and directing how the Company will exercise its voting and managerial rights in respect of matters relating to the Company.
10. The Board has responsibility for effectively monitoring the principal risks of the Company.

#### **Board Organization**

11. The Board will respond to recommendations received from its committees but retains the responsibility for managing its own affairs by giving approval for its composition, the selection of the Chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
12. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and Management, the approval of interim financial results, the conduct of performance evaluations and oversight of internal control systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

#### **Policies and Procedures**

13. The Board is responsible for:
  - a. approving and monitoring compliance with all significant policies and procedures by which the Company is operated;
  - b. approving policies and procedures designed to ensure that the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
  - c. enforcing obligations of the directors respecting confidential treatment of the Company's proprietary information and Board deliberations.
14. The Board has approved a Joint Disclosure Policy respecting communications to the public.

#### **Communications and Reporting**

15. The Board is responsible for:
  - a. overseeing the accurate reporting of the financial performance of the Company to its shareholders, on a timely and regular basis;
  - b. overseeing that the financial results of the Company are reported fairly and in accordance with generally accepted accounting standards;
  - c. ensuring the integrity of the internal control and management information systems of the Company; and
  - d. taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Company comply with its timely disclosure obligations.

**SCHEDULE A to APPENDIX C****(MANDATE FOR THE BOARD OF DIRECTORS OF AUTOCANADA INC.)****AUTOCANADA INC.  
GENERAL AUTHORITY GUIDELINES****AUTHORITY OF THE MANAGEMENT**

The Company may have a Chairman/Lead Director and may have a Chief Executive Officer.

The Chief Executive Officer is responsible for overall management and operations of the Company. The Chief Executive Officer will work in conjunction with the Chairman/Lead Director on strategy related issues to ensure the long term success of the Company.

This responsibility is subject to the provisions of applicable law, the articles and by-laws of the Company and any particular direction or resolution of the Board of Directors, except for the following matters that require the specific authorization of the Board or a Board committee. In addition, certain matters identified below will be subject to periodic review by the Board or a Board committee.

The delegation contemplated by these guidelines shall include the authority to establish areas of responsibility and limits of authority for members of management of the Company and its subsidiaries.

**MATTERS REQUIRING DIRECTORS OR COMMITTEE OF DIRECTORS APPROVAL OR REVIEW****I. Organizational Changes and Policy**

1. Subject to the discretionary limits set out in paragraphs 6, 7 and 8 below, approve major changes to the organization of the Company or their respective subsidiaries, such as the creation or divestiture of investments or acquisitions.
2. Approve the adoption of or changes to Company policies with application to the conduct of directors, including the Joint Disclosure Policy of the Company.
3. Review of adherence to the policies of the Company.
4. Approve any proposed changes to the Company's articles or by-laws.

**II. Budgets, Plans and Commitments**

5. Review and approve the annual budget of the Company.
6. Approve any capital commitments in any year not contained in the approved budget of the Company over \$300,000 in aggregate ("Capital Commitment Approval Threshold").
7. Approve any single capital commitment for an acquisition or acquisitions exceeding \$2,000,000 (inclusive of related store development costs), in aggregate ("Acquisition Approval Threshold").
8. Approve any single divestiture of more than \$2,000,000 ("Divestiture Approval Threshold").
9. Approve long range business planning in accordance with the policies of the Company.
10. Approve major agreements or long-term leases outside the ordinary course of business of the Company, including, without limitation, approving all related party agreements and or related party leases.

### III. Financial and Corporate

11. Approve the annual audited financial statements of the Company.
12. Approve the interim financial statements of the Company.
13. Approve the dividend policy of the Company, including approving declaration of dividends.
14. Approve changes in authorized capital, issuance or repurchase of shares, debt securities and related prospectuses or trust indentures, if any.
15. Generally review operating and financial performance relative to budgets and objectives.
16. Review significant changes in accounting practices or policies.
17. Approve all borrowing, hedging, credit agreements, amendments to credit agreements, and the granting of guarantees and/or letters of credit outside the ordinary course of business or pursuant to related party agreements and/or leases.
18. Review significant changes in accounting practices or policies.

### IV. External Auditors of the Fund

19. Approve appointment of external auditors, establishment of their fees and annual audit plan.
20. Review independence of external auditors.
21. Review findings of external audit review and Management's response.
22. Risk Management.
23. Review the Company's risk management and insurance coverage.
24. Review the Company's conduct of litigation that could materially affect the financial condition of the Company.
25. Review effectiveness of internal control procedures.

### V. Management and Human Resources

26. Approve appointment or removal of the Chief Executive Officer, the Chairman, the Chief Operations Officer and the Chief Financial Officer ("**Senior Executives**");
27. Confirm appointments of other officers.
28. Evaluate performance of the Chairman and the Chief Executive Officer
29. Approve compensation for the Chairman and the Chief Executive Officer and other Senior Executives and review performance.
30. Approve contracts with Senior Executives including special termination provisions or payments.
31. Approve adoption of share purchase or other share based compensation arrangements, if any.
32. Approve short-term and long-term incentive plan criteria, targets and awards, if any, in so far as such plans are a direct activity of the Company.
33. Review Senior Executive succession plans.