NOVEMBER 2008

KeyStone's
Small-Cap Stock Report

The Power of Independent Insight

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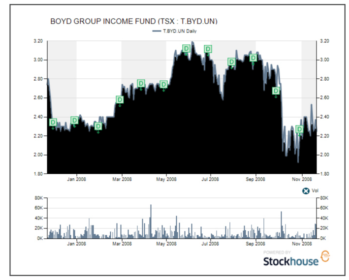
Initial Coverage: The Boyd Group Income Fund

Price: $ 2.30
Symbol: BYD.UN:TSX
Near term: BUY (FOCUS BUY)
Long term: BUY (FOCUS BUY)

Summary

Boyd Group Income Fund, through its operating company The Boyd Group Inc. and its subsidiaries, is the largest operator of automotive collision repair service centres in Canada and is among the largest multi-site collision repair companies in North America. The company currently operates locations in the four western Canadian provinces and seven U.S. states. Boyd carries on business in Canada under the trade names "Boyd Autobody & Glass" and "Service Collision Repair Centre." In the U.S, Boyd operates primarily under "Gerber Collision & Glass" and "Gerber National Glass Services." Specifically, Boyd provides collision repair services to insurance companies, individual vehicle owners, as well as fleet and lease customers; with a high percentage of the company's revenue being derived from insurance-paid collision repair services. Over its latest quarter, 34.1% of total revenues were derived from Canadian sales and 65.9% of total revenues were derived from U.S. sales.

Subscriptions



The Boyd Group Income Fund — Current Price: $2.30

BYD.UN:TSX — **RECOMMENDATION: BUY (FOCUS BUY)**

Shares Outstanding 11,204,191
Fully Diluted Shares Outstanding 12,213,804

SELECTED QUARTERLY DATA

Income Statement	Q3 2008	Q3 2007
Revenues	$51,254,184	$45,915,571
Net Earnings	$1,823,944	$1,284,453
EPS	$0.16	$0.11
Fully Diluted EPS	$0.15	$0.11
FCF	$2,213,454	$2,094,215
FCF/Share	$0.20	$0.19

Balance Sheet	Q3 2008	Q3 2007
Current Assets	$28,440,794	$28,148,479
Total Assets	$76,870,081	$75,175,076
Current Liabilities	$29,745,158	$30,546,423
Long-Term Debt	$13,921,574	$13,203,273
Total Liabilities	$58,075,809	$64,575,163
Shareholders' Equity	$18,794,272	$10,599,913

SELECTED ANNUAL DATA

Income Statement	2007	2006
Revenues	$197,560,724	$183,082,611
Net Earnings	$3,535,206	$(20,385,310)
EPS	$0.32	$(1.82)
Fully Dilluted EPS	$0.29	$(1.67)
FCF	$6,515,430	$6,507,624
FCF/Share	$0.58	$0.58

Balance Sheet		
Total Assets	$75,175,076	$84,652,861
Total Liabilities	$64,575,163	$78,704,625
Working Capital	$(2,397,944)	$(4,123,998)
Long Term Debt	$13,203,273	$17,362,426
Book Value	$10,599,913	$5,948,236
ROE	33%	-343%

Summary of Operations

Boyd Group Income Fund, through its operating company The Boyd Group Inc. and its subsidiaries, is the largest operator of automotive collision repair service centres in Canada and is among the largest multi-site collision repair companies in North America. The company currently operates locations in the four western Canadian provinces and seven U.S. states. Boyd carries on business in Canada under the trade names "Boyd Autobody & Glass" and "Service Collision Repair Centre." In the U.S, Boyd operates primarily under "Gerber Collision & Glass" and "Gerber National Glass Services." Specifically, Boyd provides collision repair services to insurance companies, individual vehicle owners, as well as fleet and lease customers; with a high percentage of the company's revenue being derived from insurance-paid collision repair services. Over its latest quarter, 34.1% of total revenues were derived from Canadian sales and 65.9% of total revenues were derived from U.S. sales.

Financial Highlights & Key Areas of Growth

Just over four years ago, increased competition, over aggressive expansion, and poor cost containment resulted in downward pressure on margins, goodwill right-downs and the resulting negative earnings, which caused Boyd to experience a rapid decline in operations and unit price. At one point, the company's units, which traded over the ten-dollar mark at the beginning of 2004, dropped precipitously below the $1.00 mark. During that time, the company cut their distributions and took large goodwill impairment charges. However, over the past two years the company has been hard at work moving back into profitability, gaining market share and considerably strengthening its balance sheet. Utilizing the company's positive cash flow to pay down debt, total debt outstanding has decreased from $41.0 million at December 31, 2006, to $33.0 million at September 30, 2007, and to $21.50 million as at September 30, 2008. The pay down was initially aided by the rise in the Canadian dollar, as the company held U.S.-dollar dominated debt. In addition, the company exercised its right to pay on $2.3 million of debentures and compel the conversion of two series of convertible debentures with a principal total of $1.7 million. Over the past year, the debt pay down was the result of prudent fiscal management and strong internal cash generation.

Over its most recently completed Q3 ended September 30, 2008, Boyd reported revenues increased 11.6% to $51.3 million, after adjusting for the effect of discontinued operations. This increase resulted from same store sales growth (both in Canada and the U.S.) as well as new sales generated from one U.S. start-up (which began operations in late 2007), one Canadian start-up, three additional U.S. start-ups, and a glass repair and replacement services business located in Texas (all of which commenced operations in 2008); this contributed $3.1 million, or 6.8%, offset by the negative effect of translating U.S. revenues at lower exchange rates. Same store sales increased $2.3 million, or 5.1%, for the period ended September 30, 2008, after excluding the effect of foreign currency translation. Gross Margin was $22.5 million, or 43.9% of sales, for the three months ended September 30, 2008, an increase from $20.1 million, or 43.7% of sales, for the same period in 2007. Net Earnings, after discontinued operations, for the three months ended September 30, 2008, increased to $1.8 million, or 3.6% (Basic Earnings Per Unit and Class A Common Share was $0.151 per unit) of sales, when compared to earnings of $1.0 million, or 2.2% (Basic Earnings Per Unit and Class A Common Share was $0.096 per unit) of sales, last year. The increase in earnings was primarily due to the same store sales growth for the quarter (in both Canada and the

RATINGS

VALUE	
EPS (TTM)	$0.58
P/E (TTM)	3.95
PEG Ratio (TTM)	n/a
P/S (TTM)	0.14
P/FCF (TTM)	3.3
EV/EBITDA (TTM)	3.3
BV/Share	1.54
	4.5

GROWTH	
Revenues	6%
FCF	6%
EPS	n/a
	3.5

RISK/LIQUIDITY	
D/E	0.74
Current Ratio	0.96
SGR	n/a
	3.5
	3.83

Company Contact Info

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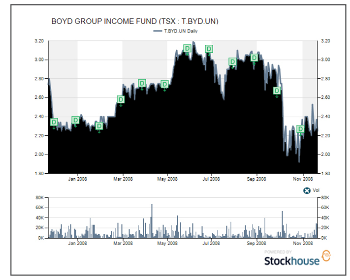
Phone: 204-895-1244



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additional sales from new start-up locations, and lower interest costs.

Conclusion

We have been suitably impressed with the turnaround Boyd has implemented over the past three years since the company became over extended and less than mindful on the cost side. In fact, since the start of 2007 (under two years), the company has managed to cut its total debt outstanding in half, reinstate regular cash distributions, increase same store sales, and grow cash flow significantly. Today, the company continues to work to increase sales, reduce operating costs, increase operating margins, and develop other organic growth strategies. Specifically in terms of growth, Boyd expects to continue expanding operations in both the U.S. and Canada by opening between four to six new start-up facilities each year, for the foreseeable future. As a result of the ongoing improvement in financial performance and progress made in improving its balance sheet, monthly distributions and dividends of $0.015 were reinstated commencing December 2007. Distributions and dividends were increased to $0.01625 commencing April 2008, subsequently increased to $0.0175 commencing July 2008, increased to $0.01875 commencing October 2008, and then at the most recent board meeting increased to $0.02 commencing January 2009. Currently, this annualized distribution of $0.24 represents a very conservative annualized payout ratio estimated to be in the 25% range (many funds payout between 80-95%), a sustainable level that allows for continued balance sheet improvement. Management has stated that the Fund will continue to closely monitor its payout ratio and will continue to take into account the current and prospective performance of its business; with the objective of continuing to increase cash distributions while maintaining a conservative payout ratio that will provide for the necessary flexibility to fund cash taxes starting in 2011. The Fund's objective is to be in a position to maintain the 2010 level of cash distributions to shareholders in 2011, despite the cash taxes that will then be payable by the Fund. Despite the low payout ratio, based on its current unit price, Boyd's yield of around 11% is attractive, and given the recent history of increases, stands a good chance of being increased in the coming years ahead of 2011. In these uncertain times, we continue to like companies that pay us to hold their shares or units. In the case of Boyd, using the rule of 72 (72/Current yield – 72/11 = 6.54 years), even if the company's units trade sideways or go down from here in the near term, it will take approximately 6.5 years for Boyd to pay you back your initial investment in the form of distributions.

While not recession proof (no company truly is), we believe Boyd's business is more resistant to a prolonged economic downturn as the majority of the company's revenue is derived from insurance-paid collision repair services. Consumers paying insurance premiums are likely to have the necessary body and glass work done, regardless of the economic conditions; as the premiums have been paid and in many cases it is necessary to continue to drive. We also like the Boyd story because the basic earnings numbers look attractive. Boyd's PE multiple based on continued operation is currently south of 4, its price-to-sales is a paltry 0.14, and its EV/EBITDA is 3.32. Based on that, the company's continued positive outlook, and the fact we like to get paid for holding a security in the current market, we are reiterating our BUY recommendation on Boyd and adding the company to our FOCUS BUY list.

RATINGS

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BV (BV/Share): Book value (book value per share)
Book value per common share calculated as total shareholder's equity less preferred equity, and divided by the number of common shares outstanding. Should the company decide to dissolve, the book value per common share indicates the dollar value remaining for common shareholders after all assets are liquidated and all creditors are paid.

D/E: Debt-to-equity ratio
A measure of a company's financial leverage calculated by dividing long term debt by shareholders equity. It indicates what proportion of equity and debt the company is using to finance its assets.

Current ratio
One of many ratios designed to evaluate short-term liquidity of a company. Calculated as current assets divided by current liabilities, this ratio gauges the level of cash resources relative to current liabilities as a measure of cash obligations.

EBITDA
Earnings before interest, taxes, depreciation, and amortization. EBITDA is calculated as revenue minus expenses (excluding tax, interest, depreciation, and amortization).

EPS: Earnings per share
A company's earnings available to common shareholders, also known as net income or net profit, divided by the number of shares outstanding.

EV: Enterprise value
Enterprise value is calculated as market capitalization less cash and equivalents, plus debt. Evaluation of EV relative to the company's trailing EBITDA is used in identifying potential takeover targets.

FCF: Free cash flow
Capital expenditures are subtracted from cash flow from operating activities to arrive at free cash flow, which intends to measure the cash available to a company after making all cash outlays necessary to maintain existing productive capacity (as measured by capital expenditures on a company's cash flow statement).

Net working capital
A measure of the company's ability to carry on its normal business comfortably and without financial stringency, to expand its operations without the need of new financing, and to meet emergencies and losses. Calculated by deducting current liabilities from the current assets.

P/B: Price-to-book ratio
Calculated as a stock's market value (current closing price) divided by its latest quarter's book value. While a lower P/B ratio could mean that the stock is undervalued, it could also serve as a sign of weak fundamentals, and as with most ratios, this varies a fair amount by industry.

PEG ratio
The price/earnings to growth, or PEG ratio is calculated as P/E ratio divided by a company's annual EPS growth. The PEG ratio is used to determine a stock's value while taking into account earnings growth.

P/FCF: Price-to-free cash flow ratio
Calculated as a company's current share price divided by its free cash flow per share (i.e., free cash flow divided by the number of company's shares outstanding) over the last four quarters (called "TTM," or "trailing 12 months" calculation). It is a measure of the market's expectations regarding a firm's future financial health.

P/S: Price-to-sales ratio
It is calculated as a stock's current market price divided by its sales (revenue) per share. When calculating this ratio, we use the company's revenue from its latest four quarters, or on a TTM basis.

ROE: Return on equity
A measure of a corporation's profitability, calculated as net income divided by shareholder's equity. ROE is often useful in comparing the profitability of a company to other firms in the same industry.

Featured companies in KeyStone's Small-Cap Stock Report are evaluated on a scale of 1 to 5 on each of the following criteria:

Value: 1 - poor investment value
5 - excellent investment value

Growth: 1 - poor growth potential
5 - excellent growth potential

Risk/Liquidity: 1 - high exposure to liquidity concerns
5 - low exposure to liquidity concerns

Overall: 1 - poor fundamental characteristics
5 - excellent fundamental characteristics

Disclosure					
Stock Holding				Other	
Companies	KeyStone	KeyStone Employees	Related Companies	Investment Banking Client	Related Company Business Relationship
The Boyd Group Income Fund.	NO	NO	NO	NO	NO

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