

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

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of WesternOne Equity Income Fund, Suite 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2, Telephone (604) 678-4042, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

February 16, 2010



\$24,000,000

24,000 Debentures

This short form prospectus qualifies the distribution of \$24,000,000 of 8.5% convertible unsecured subordinated debentures (the "**Debentures**") of WesternOne Equity Income Fund (the "**Fund**") at a price of \$1,000 per Debenture pursuant to an underwriting agreement dated February 5, 2010 (the "**Underwriting Agreement**") among the Fund and Dundee Securities Corporation, National Bank Financial Inc., Canaccord Financial Ltd., Raymond James Ltd. and HSBC Securities (Canada) Inc. (the "**Underwriters**"). The Fund is an unincorporated, open-ended limited purpose trust formed to indirectly acquire and hold securities of WesternOne Equity LP (the "**Partnership**"). The Fund's long-term objective is to provide Unitholders with stable cash distributions from investments in a diversified portfolio of equipment rental, fuel distribution and infrastructure related businesses that are based primarily in Western Canada.

The Debentures bear interest at an annual rate of 8.5% per annum payable semi-annually in arrears on June 30 and December 31 of each year. The Debentures will mature on December 31, 2015 (the "**Maturity Date**"). Each Debenture will be convertible into Units at the option of the holder at a conversion price of \$5.25 per Unit (the "**Conversion Price**") at any time prior to the maturity of the Debentures except in respect of the 15 days before an interest payment date or the maturity date, subject to anti-dilution provisions which provide for adjustment to the Conversion Price in certain circumstances including a subdivision, redivision, reduction, combination or consolidation of the Units or conversion of the Fund from an income trust to another corporate entity.

The Debentures will be direct obligations of the Fund and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all senior indebtedness of the Fund.

The Fund may not redeem the Debentures prior to December 31, 2013 (the "**First Call Date**"). On or after the First Call Date and prior to December 31, 2014, the Debentures will be redeemable in whole or in part from time to time at the Fund's option at par plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Toronto Stock Exchange (the "**Exchange**") during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2014, the Debentures will be redeemable at the Fund's option at any time at par plus accrued and unpaid interest. See "Details of the Offering – Debentures" and "Canadian Federal Income Tax Considerations – Taxation of Holders of Debentures".

Subject to any required regulatory approval and provided no Event of Default has occurred, the Fund has the option, upon not more than 60 nor less than 40 days' prior notice, to satisfy its obligations to pay on redemption or maturity, the principal amount of and premium (if any) on the Debentures, in whole or in part, by delivering freely tradeable Units. Any accrued and unpaid interest will be paid in cash.

In such event, payment will be satisfied by delivering for each \$1,000 due, that number of freely tradeable Units obtained by dividing \$1,000 by 95% of the volume-weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or maturity, as the case may be. See "Details of the Offering – Debentures".

The Exchange has conditionally approved the listing of the Debentures under the symbol WEQ.DB.B and the Units issuable upon conversion, redemption or repayment thereof. Listing is subject to the Fund fulfilling all of the requirements of the Exchange.

There is currently no market through which the Debentures may be sold and purchasers may not be able to sell the Debentures purchased under this short form prospectus.

The outstanding Units of the Fund are traded on the Exchange under the symbol WEQ.UN. On February 1, 2010, the business day immediately preceding the date of the announcement of the Offering, the closing price of the Units on the Exchange was \$4.50 per Unit, and on February 12, 2010, the last business day prior to the filing of this short form prospectus, the closing price of the Units on the Exchange was \$4.43 per Unit.

	Price: \$1,000 per Debenture		
	Price to Public⁽¹⁾	Underwriters' Fee⁽²⁾	Net Proceeds to the Fund⁽³⁾
Per Debenture	\$1,000	\$50.00	\$950.00
Total	\$24,000,000	\$1,200,000	\$22,800,000

⁽¹⁾ The offering price of the offered Debentures was determined by negotiation between the Underwriters and the Fund.

⁽²⁾ The Fund has granted to the Underwriters an over-allotment option, exercisable for a period of 30 days from the closing of the Offering (the "Closing"), to purchase up to an additional 3,600 Debentures sold hereunder on the same terms as set out above solely to cover over-allotments, if any (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full, the total aggregate "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Fund" in respect of the sale of Debentures will be \$27,600,000, \$1,380,000 and \$26,220,000, respectively. This short form prospectus qualifies the distribution of the Over-Allotment Option and the Debentures issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

⁽³⁾ Before deducting expenses of the Offering which are estimated to be \$250,000. The Partnership will pay these expenses and the Underwriters' fee from the proceeds of the Offering indirectly received by it.

An investment in the Debentures and the Units underlying the Debentures is subject to a number of risks. See "Risk Factors" for a more complete discussion of these risks as well as the Fund's assessment of those risks and their potential consequences.

The earnings coverage ratio in respect of the Fund's indebtedness for the 12 months ended December 31, 2008 and the 12 months ended September 30, 2009 after giving effect to the issuance of the Debentures and other items is less than one-to-one.

A holder of Debentures will be required to include in computing its income for a taxation year, interest on the Debentures.

A holder of Debentures who converts a Debenture into Units pursuant to the conversion privilege may realize a capital gain or capital loss on the conversion. The holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired and the amount of any cash received in lieu of fractional Units.

A Unitholder will generally be required to include, in computing the Unitholder's income for the year, the amount of net income, and the taxable portion of the net realized capital gains of the Fund, that is paid or payable to the Unitholder in the year whether in cash or in Units. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of the Fund's net income and net realized capital gains will not result in an inclusion in income but will reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit held as capital property would otherwise be less than zero, the Unitholder will be deemed to have realized a capital

gain equal to the negative amount. A Unitholder who disposes of Units held as capital property (on redemption or otherwise) will realize a capital gain to the extent that the proceeds of disposition exceed the adjusted cost base of such Units and any reasonable costs of disposition. Prospective purchasers of Debentures should consult their tax advisors regarding the tax implications of an investment in Debentures. See “Canadian Federal Income Tax Considerations”.

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which may be fully or partially taxable or may be tax-deferred). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. The Fund anticipates that all or substantially all of the monthly distributions will be taxed as ordinary income in the hands of a Unitholder.

On June 22, 2007, Bill C-52, an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007, received royal assent. Bill C-52 included legislative provisions previously released on December 21, 2006, providing for a tax on certain income earned by a “specified investment flow-through” (“SIFT”) trust or partnership, as well as generally taxing the taxable distributions received by investors from such entities as taxable dividends. These provisions do not apply to an income trust, the units of which were publicly listed as of October 31, 2006, until 2011, subject to compliance with the Normal Growth Guidelines, as discussed further herein. See “Canadian Federal Income Tax Considerations – SIFT Measures” and “Risk Factors”.

The Fund qualifies as a “mutual fund trust” as defined under the Tax Act but is not a “mutual fund” as defined under applicable securities legislation. The Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. The Fund has not applied for a stability rating from an independent rating agency.

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters on behalf of the Fund by Farris, Vaughan, Wills & Murphy LLP and as to certain legal matters on behalf of the Underwriters by Lawson Lundell LLP. The Fund has been advised by the Underwriters that, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The following table sets out the options that have been issued to the Underwriters and which are outstanding:

<u>Underwriters’ Position</u>	<u>Maximum Number of Securities Available</u>	<u>Exercise Period / Acquisition Date</u>	<u>Exercise Price</u>
Over-allotment option	3,600 Debentures	30 days after Closing	\$1,000
Total securities under option	3,600 Debentures	30 days after Closing	\$1,000

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book-entry certificate representing the Debentures will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited with CDS on Closing. The date of Closing is expected to occur on or about February 23, 2010, or such later date as the Fund and the Underwriters may agree, but in any event not later than March 19, 2010. The purchaser of Debentures will receive only a customer confirmation from a registered dealer that is a participant in the CDS depository service and from or through which the Debentures are purchased.

The Canadian chartered bank affiliate of HSBC Securities (Canada) Inc. has made credit facilities available to the Business LPs. Accordingly, under applicable securities laws, the Fund may be considered a “connected issuer” to HSBC Securities (Canada) Inc. See “Plan of Distribution”.

No person is authorized by the Fund to provide any information or to make any representation other than as contained in this short form prospectus in connection with the issue and sale of the securities offered hereunder.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada except Quebec. Copies of the documents incorporated herein by reference or a copy of the permanent information record may be obtained on request without charge from the Chief Financial Officer of WesternOne Equity Income Fund, Suite 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 or by accessing the disclosure documents available through the Internet on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com.

The following documents of the Fund, filed with the securities commissions or similar authorities in each of the provinces of Canada except Quebec, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the business acquisition report of the Fund dated November 6, 2008 respecting the acquisition of the assets and business of Davis Heater Service Ltd. and Sure-Fire Propane Ltd.;
- (b) the annual information form of the Fund dated March 31, 2009 (including the documents incorporated by reference therein) for the period ended December 31, 2008;
- (c) the information circular of the Fund dated March 17, 2009 issued in connection with the annual meeting of the Unitholders held on April 17, 2009;
- (d) the audited consolidated financial statements of the Fund for the period ended December 31, 2008, together with the auditors’ report thereon and the notes thereto;
- (e) the audited consolidated financial statements of the Fund for the period ended December 31, 2007, together with the auditors’ report thereon and the notes thereto;

- (f) management's discussion and analysis for the period ended December 31, 2008;
- (g) the unaudited interim consolidated financial statements of the Fund as at and for the three and nine month periods ended September 30, 2009, other than the notice of no auditor review of interim financial statements on page 2 of such statements; and
- (h) management's discussion and analysis for the periods ended September 30, 2009.

Any material change reports (excluding confidential material change reports), business acquisition reports, interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations in respect of the periods covered by such interim or annual financial statements and management information circulars (excluding those portions that are not required pursuant to National Instrument 44-101 of the Canadian Securities Administrators to be incorporated by reference herein) and all other documents of the type required by National Instrument 44-101 of the Canadian Securities Administrators, which are filed by the Fund with a securities commission or similar authority in any of the provinces of Canada after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any such modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be considered in its unmodified or superseded form to constitute part of this short form prospectus; rather only such statement as so modified or superseded shall be considered to constitute part of this short form prospectus.

Neither the Fund nor the Underwriters have provided, or otherwise authorized any other person to provide, investors with information other than as contained or incorporated by reference in this short form prospectus. If an investor is provided with different or inconsistent information, he or she should not rely on it.

NON-GAAP MEASURES

In addition to financial measures prescribed by Canadian generally accepted accounting principles ("GAAP") certain non-GAAP measures are used in this short form prospectus. These measures include "EBITDA", "Adjusted EBITDA" and "cash available for distribution".

References to the Fund's EBITDA for any period are to the Fund's net income for such period before interest expense, taxes, depreciation, amortization, accretion, gains/losses on financial derivatives relating to the changes in the fair market value of financial derivatives, foreign exchange gains/losses, and write-down of fleet assets, intangible assets and goodwill, in each case to the extent reflected in such net income. EBITDA is a metric used by many investors to determine the ability of an issuer to generate cash from operations. As the Fund intends to distribute a substantial portion of its available cash on an ongoing basis (after providing for certain amounts described elsewhere in this short form prospectus), it believes that, in addition to net income or loss and statements of cash flows, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate, and from which to make adjustments to determine, its cash available for distribution.

The Fund has used Adjusted EBITDA as the basis for the analysis of its past financial performance. References to Adjusted EBITDA are to EBITDA after adjusting for various non-recurring or other items. Adjusted EBITDA is a measure that the Fund believes facilitates the comparability of the results of historical periods and the analysis of its financial performance.

References to cash available for distribution are to cash available for distribution to Unitholders in accordance with the distribution policies of the Fund described in this short form prospectus. Cash available for distribution is presented in this short form prospectus as the Fund intends to continue to make monthly cash distributions and it is therefore a useful financial measure as an indication of the Fund's ability to make such distributions. It is also a measure generally used by income funds in Canada as an indicator of financial performance. As one of the factors that may be considered relevant by prospective investors is the cash available to be distributed by the Fund relative to the price of the Units, management believes that cash available for distribution is a useful supplemental measure that may assist prospective investors to assess an investment in Units.

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

FORWARD LOOKING STATEMENTS

Forward looking statements are included in this short form prospectus, which involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These forward looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements included or incorporated by reference in this short form prospectus include, but are not limited to, statements with respect to: the intention of the Fund to continue to make monthly cash distributions, the use of proceeds from the Offering, the potential purchase of the assets of the Target Business, the outlook of the Fund's business and the Western Canadian economy, the performance characteristics of the Fund's assets, the supply and demand for products and services, expectations regarding the ability to raise capital, the Fund's ability to fund debt maturities, the ability to meet current and future obligations, the impact of the SIFT Measures on the Fund, management's assessment of future plans and operations, and the Fund's disclosure controls and procedures and internal controls over financial reporting.

These statements reflect current expectations of management regarding future events and operating performance as of the date of this short form prospectus. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements, including, but not limited to, the following factors: current economic conditions, failure to access financing, credit facility risk, trading prices for the Debentures, prior ranking indebtedness, SIFT Measures and level of distributions, conversion following certain transactions, adverse weather conditions, discontinuation of tax incentives, reliance on key personnel, financial health of Business LPs and their related cash flows, failure to realize anticipated benefits of acquisitions, laws and regulations, general economic conditions and levels of economic activity, sensitivity to general economic conditions and levels of economic activity, current financial conditions, growth initiatives, competition, interest rates, labour shortages, employee relations, seasonality, resale of rental equipment, equipment availability, supply disruptions, environmental regulation and health and safety matters, import product restrictions and foreign trade risks, financing constraints, insurance coverage, dependence on existing sites, dependence on information systems and technology, dependence upon WesternOne Equity LP to fund cash distributions, cash distributions are not guaranteed and will fluctuate with the performance of subsidiaries, distributions are discretionary, nature of the Units, limited liability, unpredictability and volatility of Unit prices, attributes of securities distributed on redemption of Units and termination of the Fund, dilution, leverage and restrictive covenants, investment eligibility, impact of changes to tax treatment of income trusts or dividend tax credits, taxation of the Fund and Partnership, nature of distributions, limitations on future growth and cash flow, restrictions on the ownership of units by non-residents of Canada, indemnities under acquisition agreements and Unitholders are not afforded certain statutory rights. A description of

these factors can be found under “Risk Factors”. Furthermore, the Closing could be delayed if the Fund is not able to obtain the necessary regulatory and stock exchange approvals on the timelines that it has planned. The Offering will not be completed at all if these approvals are not obtained or some other condition to the Closing is not satisfied. Accordingly, there is a risk that the Offering will not be completed within the anticipated time or at all.

Although the forward looking statements contained in this short form prospectus are based upon what the Fund’s management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements reflect management’s current beliefs and are based on information currently available to the Fund. They reflect current assumptions regarding future events and operating performance including, without limitation, stability in the economy in Western Canada, interest rates and the equipment rental and sales and fuel wholesale markets in which the Fund operates, and speak only as of the date of this short form prospectus. These forward looking statements are made as of the date of this short form prospectus and the Fund assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required by applicable law.

ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy LLP, counsel to the Fund, and of Lawson Lundell LLP, counsel to the Underwriters, provided that the Fund is a mutual fund trust under the Tax Act and the Units are listed on a designated stock exchange in Canada at the time of Closing, the Debentures and the Units issuable pursuant to the exercise of the Debentures, if issued at the time of Closing, will be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (other than a deferred profit sharing plan to which payments are made by the Fund or an employer with which the Fund does not deal at arm’s length), registered education savings plans, registered disability savings plans and tax free savings accounts (“**TFSA**s”), each as defined in the Tax Act (collectively, the “**Plans**”) on that date.

Notwithstanding the foregoing, if the Debentures or Units are “prohibited investments” for the purposes of a TFSA, the holder of such account will be subject to penalty taxes as set out in the Tax Act. Provided that the holder of a TFSA deals at arm’s length with the Fund for purposes of the Tax Act, and does not hold a “significant interest” (within the meaning of the Tax Act) in the Fund or any corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act, the Debentures and the Units will not be “prohibited investments” for such TFSA for purposes of the Tax Act. Holders of a TFSA should consult their own tax advisors in this regard.

COMMONLY USED TERMS

In this short form prospectus the following words and phrases have the following meanings unless the context otherwise requires:

“**Adjusted EBITDA**” has the meaning ascribed to it under “Non-GAAP Measures”;

“**affiliate**” 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;

“**allowable capital loss**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**Business LP**” means a limited partnership established to carry on the business of owning and operating a business acquired by WesternOne Equity LP, as well as activities ancillary thereto;

“**cash available for distribution**” has the meaning ascribed to it under “Non-GAAP Measures”;

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

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**Closing**” means the closing of the Offering;

“**Conversion Price**” means the conversion price of \$5.25 per Unit;

“**CRA**” means Canada Revenue Agency;

“**Debenture**” means a \$1,000 principal amount of 8.5% convertible unsecured subordinated Debentures issued by the Fund under this short form prospectus;

“**Debenture Indenture**” means the indenture to be entered into between the Fund and the Indenture Trustee dated the date of Closing, governing the Debentures;

“**EBITDA**” has the meaning ascribed to it under “Non-GAAP Measures”;

“**Event of Default**” has the meaning ascribed to it under “Details of the Offering”;

“**Exchange**” means the Toronto Stock Exchange;

“**Exchangeable Unit**” means an exchangeable unit of WEQ Deerfoot Rentals LP that is convertible into a Unit on a one-for-one basis;

“**Existing Trust**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**First Call Date**” means December 31, 2013;

“**Fund**” means WesternOne Equity Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of British Columbia;

“**Fund capital gains refund**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**Fund Declaration of Trust**” means the declaration of trust by which the Fund is governed, dated June 14, 2006, as it may be amended, supplemented or restated from time to time;

“**GAAP**” means generally accepted accounting principles in Canada;

“**GDP**” means gross domestic product;

“**Holder**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**Indenture Trustee**” means Computershare Trust Company of Canada;

“**KPMG**” means KPMG LLP;

“**LOI**” has the meaning ascribed to it under “Recent Developments”;

“**Maturity Date**” means December 31, 2015;

“**New Parent Corporation**” has the meaning ascribed to it under “Details of the Offering”;

“**non-deductible distributions amount**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**Normal Growth Guidelines**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**Offering**” means the offering of Debentures issued and sold by the Fund pursuant to this short form prospectus;

“**Over-Allotment Option**” means the option granted by the Fund to the Underwriters to purchase up to 3,600 additional Debentures, exercisable for a period of 30 days from the Closing;

“**Partnership**” means WesternOne Equity LP, a limited partnership established under the laws of the Province of Manitoba;

“**Partnership Agreement**” means the WesternOne Equity LP limited partnership agreement between WesternOne Equity GP and the Trust dated June 15, 2006;

“**Partnership Units**” means units representing an interest as a limited partner of a Business LP, including limited partnership units and, if applicable, exchangeable units;

“**Plans**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**Securities**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**Series A Debenture**” means a \$100 principal amount of 9% convertible Series A Debenture issued by the Fund;

“**SIFT**” means specified investment flow-through;

“**SIFT Amendments**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**SIFT Measures**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**SIFT Partnership**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**SIFT Reorganization**” has the meaning ascribed to it under “Details of the Offering”;

“**SIFT Rules**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**SIFT Tax**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**SIFT Trust**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**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;

“**Target Business**” has the meaning ascribed to it under “Recent Developments”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

“**taxable capital gain**” has the meaning ascribed to it under “Canadian Federal Income Tax Considerations”;

“**TFSAs**” means tax free savings accounts;

“**Trust**” means WesternOne Equity Operating Trust, an unincorporated, open-ended limited purpose trust established under the laws of the Province of British Columbia;

“**Trust Declaration of Trust**” means the declaration of trust pursuant to which the Trust is governed, dated June 14, 2006, as the same may be amended, supplemented or restated from time to time;

“**Trust Notes**” means the Series 1 and the Series 2 notes of the Trust issued under a note indenture between the Trust and Computershare Trust Company of Canada dated August 15, 2006;

“**Trust Units**” means units of the Trust;

“**Trustee**” or “**Trustees**” means the trustees of the Fund or any one of them;

“**Underwriters**” means, collectively, Dundee Securities Corporation, National Bank Financial Inc., Canaccord Financial Ltd., Raymond James Ltd. and HSBC Securities (Canada) Inc.;

“**Underwriting Agreement**” means the underwriting agreement dated February 5, 2010 between the Fund, WesternOne Equity GP, WEQ Production Equipment GP Inc., WEQ Deerfoot Rentals GP Inc., WEQ Heat & Propane GP Inc. and the Underwriters;

“**Unitholders**” means the holders of Units;

“**Units**” means units of the Fund;

“**Western Canada**” means the provinces of British Columbia, Alberta, and Saskatchewan;

“**WesternOne Equity**” means the Fund and its interests in the Trust, WesternOne Equity LP, WesternOne Equity GP and any other subsidiaries;

“**WesternOne Equity GP**” means WesternOne Equity GP Inc., a corporation incorporated under the CBCA; and

“**working capital**” means at any time, the excess of the sum of accounts receivable, inventory and prepaid expenses over the sum of accounts payable and accrued liabilities, deferred warranty revenue and customer deposits at such time.

**THE FUND, THE TRUST, THE PARTNERSHIP,
WESTERNOE EQUITY GP AND THE BUSINESS LPS**

The Fund was established on June 14, 2006 and is an unincorporated, open-ended trust governed by the laws of the Province of British Columbia and by the Fund Declaration of Trust. The Fund has been formed to acquire and hold Trust Units and all of the outstanding shares of WesternOne Equity GP.

The Trust was established on June 14, 2006 and is an unincorporated, open-ended trust governed by the laws of the Province of British Columbia and by the Trust Declaration of Trust. It also owns all of the limited partnership interest of WesternOne Equity LP. All of the Trust Units are held by the Fund.

WesternOne Equity LP is a limited partnership formed under the laws of the Province of Manitoba on June 15, 2006. WesternOne Equity LP was created to acquire and hold all, or in some cases, a majority of the Partnership Units in each of the Business LPS. WesternOne Equity LP holds all of the Partnership Units of WEQ Production Equipment LP and WEQ Heat & Propane LP, and a majority of the Partnership Units in WEQ Deerfoot Rentals LP. WesternOne Equity GP is a corporation incorporated under the CBCA on June 8, 2006. WesternOne Equity GP is the general partner of WesternOne Equity LP and holds the shares of the general partners of WEQ Production Equipment GP Inc., WEQ Heat & Propane GP Inc and WEQ Deerfoot GP Inc.

WEQ Production Equipment LP is a limited partnership formed under the laws of the Province of Manitoba on June 15, 2006. WEQ Production Equipment LP holds all of the Partnership Units of WEQ Old Country Rentals LP and WEQ C & N Rentals LP. WEQ Production Equipment GP Inc. is a corporation incorporated under the CBCA on June 8, 2006. WEQ Production Equipment GP Inc. is the general partner of WEQ Production Equipment LP and holds all the shares of WEQ Old Country Rentals GP Inc. and WEQ C & N Rentals GP Inc.

WEQ Old Country Rentals LP is a limited partnership formed under the laws of the Province of Manitoba on April 20, 2007. WEQ Old Country Rentals GP Inc. is a corporation incorporated under the CBCA on April 19, 2007. WEQ Old Country Rentals GP Inc. is the general partner of WEQ Old Country Rentals LP.

WEQ C&N Rentals LP is a limited partnership formed under the laws of the Province of Manitoba on August 27, 2007. WEQ C&N Rentals GP Inc. is a corporation incorporated under the CBCA on August 23, 2007. WEQ C&N Rentals GP Inc. is the general partner of WEQ C&N Rentals LP.

WEQ Deerfoot Rentals LP is a limited partnership formed under the laws of the Province of Manitoba on January 25, 2008. WEQ Deerfoot Rentals GP Inc. is a corporation incorporated under the CBCA on January 25, 2008. WEQ Deerfoot Rentals GP Inc. is the general partner of WEQ Deerfoot Rentals LP.

WEQ Heat & Propane LP is a limited partnership formed under the laws of the Province of Manitoba on August 26, 2008. WEQ Heat & Propane GP Inc. is a corporation incorporated under the CBCA on August 19, 2008. WEQ Heat & Propane GP Inc. is the general partner of WEQ Heat & Propane LP.

The principal and head offices of the Fund, the Trust, WesternOne Equity LP and WesternOne Equity GP are located at Suite 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. The principal and head offices of WEQ Production Equipment LP, WEQ Production Equipment GP Inc., WEQ Old Country Rentals LP, WEQ Old Country Rentals GP Inc., WEQ C&N Rentals LP and WEQ C&N Rentals GP Inc. are located at 1156 Kingsway, Port Coquitlam, British Columbia V3C 3Y9. The principal and head offices of WEQ Deerfoot Rentals LP, WEQ Deerfoot Rentals GP Inc., WEQ Heat & Propane LP and WEQ Heat & Propane GP Inc. are located at 4380 104 Avenue SE Calgary, Alberta T2C 1R7.

BUSINESS OF WESTERNOE EQUITY

WesternOne Equity is a leading independent equipment and fuel distribution solutions provider with six locations in British Columbia and four locations in Alberta. WesternOne Equity services a diversified array of industries in Western Canada, consisting primarily of industrial, commercial and infrastructure construction. WesternOne Equity also services the residential and institutional construction, government, agriculture, film production and shipyards industries.

WesternOne Equity has a rental fleet of over 8,000 pieces of equipment representing 27 major brands. WesternOne Equity's equipment rental fleet consists of material handling equipment, light construction equipment, heaters, generators, pumps and general tools.

The Western Canadian economy has generally out-paced the rest of Canada with respect to growth in gross domestic product ("GDP"), employment, consumer spending and population in recent years. According to Statistics Canada, from 2000 to 2008, Western Canada's GDP has grown at an average rate of 2.9% per year, compared to 2.0% for the rest of Canada. Management believes that Western Canada will continue to outpace the rest of Canada in terms of economic growth in the coming years.

For a more detailed description of the business of the Fund, investors should refer to pages 9-14 under the heading "Business of WesternOne Equity" of the annual information form of the Fund for the period ended December 31, 2008 which is incorporated by reference herein.

RECENT DEVELOPMENTS

In January 2010, the Fund announced that it has signed a letter of intent (the "LOI") for the purchase of 100% of the assets of a rental, sales, service and transport business specializing in aerial and material-handling equipment (the "Target Business"). The Target Business is independently owned, and operates from a base in Calgary with operations covering central and southern Alberta. It operates a fleet of over 450 aerial and material-handling machines and is estimated by its management to earn approximately \$3.15 million EBITDA based on unaudited financial information. The LOI contemplates WesternOne Equity paying at closing a purchase price of \$13.5 million, which is subject to post-closing adjustments. This transaction will be financed using a combination of existing cash and debt and is expected to be completed, subject to due diligence and other customary conditions, by the end of March 2010.

The LOI is non-binding, meaning that either the owners of the Target Business or WesternOne Equity could change their minds about completing the transaction and the other party would have no recourse. Management of WesternOne Equity is very careful when considering the acquisition of a new business. Management typically delays entering into a binding acquisition agreement until it is relatively sure it has conducted enough due diligence to be confident that the prospects of the business are in keeping with the representations of the owner(s). Management has recently engaged a major accounting firm to proceed with an audit and has commenced other due diligence. Should the results of the audit and due diligence processes be favourable to management, legal counsel will be instructed in the weeks ahead to draft an acquisition agreement that would bind the parties once executed. Even after any binding acquisition agreement is executed by the parties, purchase of the Target Business by WesternOne Equity remains subject to several conditions including a review of environmental reports for the properties where the Target Business operates to ensure no material contamination issues and successful negotiation with landlords to assign the leases of the Target Business and with key suppliers and employees of the Target Business.

Further details of this proposed transaction will be announced by the Fund upon the entering into of a formal acquisition agreement and after the completion of the transaction. For the reasons outlined above, there is no guarantee that the transaction will be completed within the estimated time period or at all.

DETAILS OF THE OFFERING

Debentures

The following is a brief summary of all material attributes and characteristics of the Debentures and certain principal provisions which will be incorporated into the Debenture Indenture. The following does not purport to be complete and for full particulars, reference should be made to the Debenture Indenture.

General

The Offering consists of 24,000 Debentures at a price of \$1,000 per Debenture. The aggregate principal amount of Debentures will be issued under the Debenture Indenture to be entered into among the Fund and the indenture trustee, being Computershare Trust Company of Canada (the "Indenture Trustee"). The Debentures will

be issued at an issue price of \$1,000. The fees of the Indenture Trustee for the administration of the Debenture Indenture will be paid by the Fund. The Debentures will be available in fully registered form only and in minimum denominations of \$1,000 (and integral multiples of \$1,000 thereafter).

Covenant

The Debentures will be a direct obligation of the Fund and the Fund will covenant to pay principal and interest thereon when due.

Interest

The Debentures will bear interest from the date of Closing at the rate of 8.5% per annum calculated semi-annually, not in advance. Interest on the Debentures will be payable semi-annually.

Term

The Debentures will be dated the date of issue and will mature on December 31, 2015.

Unit Payment Option

Subject to any required regulatory approval and provided no Event of Default has occurred, the Fund has the option, upon not more than 60 nor less than 40 days' prior notice, to satisfy its obligations to pay on redemption or maturity, the principal amount of and premium (if any) on the Debentures, in whole or in part, by delivering freely tradeable Units. Any accrued and unpaid interest will be paid in cash.

In such event, payment will be satisfied by delivering for each \$1,000 due, that number of freely tradeable Units obtained by dividing \$1,000 by 95% of the volume-weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or maturity, as the case may be.

Unit Interest Payment Option

The Fund may elect from time to time, without limitation, and subject to any required regulatory approval, in accordance with applicable securities laws, and provided that no Event of Default has occurred, to satisfy all or part of its interest payment obligations by delivering sufficient freely tradeable Units for sale, in which event holders of Debentures will be entitled to receive a cash payment equal to the interest owed, from the proceeds of the sale of the requisite number of Units.

Conversion

The Debentures will be convertible at the holder's option into fully paid Units at any time prior to the close of business on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of \$5.25 per Unit, being a ratio of approximately 190.4762 Units per \$1,000 principal amount of Debentures. The Conversion Price shall be subject to standard anti-dilutive provisions. Holders converting their Debentures will receive accrued and unpaid interest thereon to the date of conversion.

Redemption

The Debentures will not be redeemable before the First Call Date. On and after the First Call Date and prior to December 31, 2014, the Debentures will be redeemable in whole or in part from time to time at the Fund's option at par plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and after December 31, 2014, the Debentures will be redeemable at the Fund's option at any time at par plus accrued and unpaid interest. The Fund shall provide not more than 60 nor less than 30 days' prior notice of redemption.

Change of Control

Upon a change of control involving the acquisition of voting control or direction over 66 2/3% or more of the Units, other than pursuant to a SIFT Reorganization, the Fund shall be required to make an offer to purchase the Debentures then outstanding at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment to all senior obligations of the Fund, and more particularly as will be set forth in the Debenture Indenture.

Purchase for Cancellation

The Fund will have the right at any time to purchase the Debentures in the market, by tender, or by private contract.

SIFT Reorganization

The Debenture Indenture will provide that the Fund is entitled to undertake a tax reorganization of the Fund in response to the announcement by the Minister of Finance (Canada) on October 31, 2006 relating to the taxation of income trusts in Canada (a "**SIFT Reorganization**") and that, as part of any SIFT Reorganization of the Fund:

- (a) the Fund shall be entitled to assign its rights and obligations under the Debenture Indenture and the Debentures to a parent corporation (a "**New Parent Corporation**") emerging from the SIFT Reorganization (which may be a successor entity of the Fund or which may be the parent entity of which the Fund is a direct or indirect wholly-owned subsidiary), or to a corporation that is a wholly-owned subsidiary of the Fund; and
- (b) the Fund may be dissolved (and, if considered appropriate, any subsidiary thereof) as part of any such SIFT Reorganization, and the Fund shall be entitled to take all internal reorganization steps, whether by plan of arrangement or otherwise, as necessary to complete the SIFT Reorganization,

provided that (among other provisos as set out in the Debenture Indenture) (a) the Unitholders immediately before the SIFT Reorganization becomes effective hold not less than 66 2/3% of the outstanding equity securities of the New Parent Corporation immediately after the SIFT Reorganization becomes effective, and (b) no material adverse Canadian taxable event or consequence will result to any holder of Debentures solely by virtue of such SIFT Reorganization.

In connection with a SIFT Reorganization, the Debentures may become debentures of the New Parent Corporation having substantially the same terms as the Debentures, without the consent of any holders of Debentures.

Non-Resident Ownership Restrictions

No Units will be issued pursuant to the conversion of all or part of the Debentures and no Debentures will be issued if any such issuance of Units or Debentures would result in persons who are non-residents holding or beneficially owning more than 49% of the Units (on either a basic or fully-diluted basis).

In addition, the Indenture Trustee may require declarations as to the jurisdictions in which holders or beneficial owners of the Debentures are resident. If the Fund becomes aware that 49% of the Units (on either a basic or fully-diluted basis) then outstanding are held, or may be held, for the benefit of non-residents or that such a situation is imminent, the Fund may make a public announcement thereof and will notify the Indenture Trustee in writing and the Indenture Trustee shall not accept a subscription for the Debentures from or issue or register a transfer of the Debentures to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Trustee determines that more than 49% of the Units (on either a basic or fully-diluted basis) are held for the benefit of non-residents, the Fund may send a notice to non-resident holder of the Debentures, chosen in inverse order to the order of acquisition or registration or in such a manner as the Fund may

consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not more than 60 days. If the holders of the Debentures receiving such notice have not sold the specified number of Debentures or provided the Fund with satisfactory evidence that they are not non-residents and do not hold their Debentures for the benefit of non-residents within such period, the Fund may sell such Debentures on behalf of such holders of the Debentures to a person or persons that are not non-residents and, in the interim, all rights attaching to such Debentures (including any right to receive payments of interest) will be immediately suspended and the rights of any such holders of Debentures in respect of such Debentures will be limited to receiving the net proceeds of sale (net of any withholding tax).

Certain Covenants of the Fund

Among other things, the Fund will covenant in the Debenture Indenture substantially to the effect that, so long as any of the Debentures remain outstanding:

- (a) The Fund will carry on and conduct its business in a proper and efficient manner and at all reasonable times it will furnish or cause to be furnished to the Indenture Trustee or its duly authorized agent or attorney such information relating to the business of the Fund as the Indenture Trustee may reasonably require for the performance of its duties thereunder;
- (b) The Fund will pay the Indenture Trustee's reasonable remuneration for services thereunder and will repay to the Indenture Trustee on demand all moneys which will have been paid by the Indenture Trustee with interest at a rate per annum equal to the then current rate charged by the Indenture Trustee from 30 days after the date of the invoice from the Indenture Trustee to the Fund with respect to such expenditure until repayment, and such moneys and the interest thereon, including the Indenture Trustee's remuneration, will be payable out of any funds coming into the possession of the Indenture Trustee in priority to any of the Debentures or interest thereon. The said remuneration will continue to be payable until the trusts thereof be finally wound up and whether or not the trusts of the Debenture Indenture will be in the course of administration by or under the direction of the court;
- (c) The Fund will not, without the prior approval of the holders of the Debentures given by extraordinary resolution, call for redemption or purchase for cancellation or make or declare any capital distribution with respect to any Units of the Fund, at any time when the Fund is in arrears of payment of any principal or interest outstanding on the Debentures;
- (d) The Fund will furnish to the Indenture Trustee sufficient copies of all interim reports to Unitholders, annual reports, financial statements, and the report, if any, of the Fund's auditors thereon, which are furnished to the holders of Units to enable the Indenture Trustee to forward to all holders of the Debentures (at the Fund's expense) a copy of such documents;
- (e) In order to prevent any accumulation after maturity of unpaid interest, the Fund will not directly or indirectly extend or assent to the extension of time for payment of any interest upon any Debentures and it will not directly or indirectly be or become a party to or approve any such arrangement by purchasing or funding any interest on the Debentures or in any other manner;
- (f) The Fund will diligently preserve such rights, powers, privileges, franchises and goodwill as are necessary or advisable, and such qualifications to do business and own property in all jurisdictions in which such qualification is necessary or advisable, in respect of the Fund's assets;
- (g) The Fund will observe and comply in all respects with all governing laws and other requirements relating to its assets (including without limitation, applicable statutes, regulations, orders and restrictions relating to environmental standards or controls or to energy regulations);
- (h) The Fund will ensure that all covenants, conditions, stipulations and provisos contained in the Debenture Indenture and the Debentures are duly performed;
- (i) The Fund will promptly notify the holders of the Debentures of any material adverse change in its investments;

- (j) The Fund will pay and discharge or cause to be paid and discharged, promptly when due, all taxes, assessments and governmental charges or levies imposed upon it in respect of the assets or upon the income or profits therefrom as well as all claims of any kind (including claims for labour, materials, supplies and rent) which, if unpaid, might become a lien thereupon; providing however, that it will not be required to pay or cause to be paid any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof will concurrently be contested in good faith by appropriate proceedings diligently conducted;
- (k) The Fund will cause all necessary and proper steps to be taken diligently to protect and defend its assets and the proceeds thereof against any material adverse claim or demand, including without limitation, the employment or use of counsel for the prosecution or defence of litigation and the contest, settlement, release or discharge of any such claim or demand;
- (l) The Fund will maintain with financially sound and reputable insurers, insurance with respect to its assets against such liabilities, casual risks and contingencies and in such types and amounts as is customary in the case of corporations holding assets of a similar nature and similarly situated; and
- (m) The Fund will use its best efforts to maintain the listing of the Units and the Debentures on the Exchange and any other stock exchanges upon which the Units may become listed.

Events of Default

The Debenture Indenture will provide that the occurrence of any of the following events will constitute an Event of Default (each an “**Event of Default**”):

- (a) if the Fund makes default in payment of the principal on any Debenture when the same becomes due and payable under any provision thereof or of the Debentures;
- (b) if the Fund makes default in payment of any interest due on any Debenture and such default continues for a period of 30 days;
- (c) if a decree or order of a court having jurisdiction in the premises is entered adjudging the Fund a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against all or any substantial part of the property of the Fund, or appointing a receiver or receiver-manager manager of or of any substantial part of the property of the Fund or ordering the winding-up or liquidation of its affairs;
- (d) if a resolution is passed for the winding-up or liquidation of the Fund except in the course of carrying out or pursuant to a transaction with respect to which the conditions of the Debenture Indenture with respect to successor entities are duly observed and performed, or if the Fund institutes proceeds to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws or consents to the filing of any such petition, or if a receiver or receiver-manager is appointed over all or any substantial part of the property of the Fund, or if the Fund makes a general assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes;
- (e) if an Event of Default, as defined in any indenture or instrument under which the Fund has or will thereafter have outstanding any indebtedness for borrowed money which matures by its terms, or which is renewable at the option of the payor, to a date more than 18 months after the creation, assumption or guarantee thereof, will happen and be continuing and such indebtedness will have been accelerated so that an amount in excess of \$200,000 will be or become due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration will not be rescinded or annulled, or such Event of Default under such indenture or instrument will not be remedied or cured, whether by payment or otherwise, or waived by the holders of such indebtedness, within 10 days after such acceleration will have occurred; or
- (f) if the Fund neglects to observe or perform any other covenant or condition contained in the Debenture Indenture on its part to be observed or performed and, after a notice in writing has been

given by the Indenture Trustee to the Fund specifying such default and requiring the Fund to rectify the same (which said notice may be given by the Indenture Trustee upon receipt of a request from a holder of the Debentures as contemplated by the Debenture Indenture), the Fund fails to make good such default within a period of 30 days, unless the Indenture Trustee (having regard to the subject matter of the default) has agreed to a longer period, and in such event, within the period agreed to by the Indenture Trustee.

Upon the happening of any Event of Default:

- (a) the holders of not less than 51% of the principal amount of the Debentures then outstanding will have the power (in addition to the powers exercisable by extraordinary resolution) by requisition in writing to instruct the Indenture Trustee to waive any Event of Default and the Indenture Trustee will thereupon waive the Event of Default upon such terms and conditions as will be prescribed in such requisition; and
- (b) the Indenture Trustee, so long as it has not become bound to declare the principal of and interest on the Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, will have power to waive any Event of Default if, in the Indenture Trustee's opinion, the same will have been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Indenture Trustee in the exercise of its discretion, upon such terms and conditions as the Indenture Trustee may deem advisable;

provided that no act or omission either of the Indenture Trustee or of holders of the Debentures in the premises will extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

Units

An unlimited number of Units may be issued pursuant to the Fund Declaration of Trust. Full particulars of the Units are set forth on pages 41–46 under the heading “WesternOne Equity Income Fund” of the annual information form of the Fund for the period ended December 31, 2008 which is incorporated by reference herein.

DISTRIBUTION HISTORY

The Fund has a policy of distributing cash to the holders of Units on a monthly basis. Full particulars of the distribution policy are set forth on pages 73-74 under the heading “Distributions” of the annual information form of the Fund for the period ended December 31, 2008 which is incorporated by reference herein. The current monthly distribution per Unit is \$0.05 or \$0.60 per annum.

The following table sets out the per Unit amount of monthly cash distributions paid by the Fund since January 2009:

Period⁽¹⁾	Record Date	Payment Date	Distribution Per Unit	Amount
January 2009	January 30, 2009	February 16, 2009	\$0.0500	\$660,843
February 2009	February 27, 2009	March 16, 2009	\$0.0500	\$688,776
March 2009	March 31, 2009	April 15, 2009	\$0.0500	\$688,776
April 2009	April 30, 2009	May 15, 2009	\$0.0500	\$688,776
May 2009	May 29, 2009	June 15, 2009	\$0.0500	\$688,776
June 2009	June 30, 2009	July 15, 2009	\$0.0500	\$688,776
July 2009	July 31, 2009	August 17, 2009	\$0.0500	\$689,010
August 2009	August 31, 2009	September 15, 2009	\$0.0500	\$691,932
September 2009	September 30, 2009	October 15, 2009	\$0.0500	\$691,932
October 2009	October 30, 2009	November 16, 2009	\$0.0500	\$691,932
November 2009	November 30, 2009	December 15, 2009	\$0.0500	\$691,932
December 2009	December 31, 2009	January 15, 2010	\$0.0500	\$691,932
January 2010	January 29, 2010	February 16, 2010	\$0.0500	\$691,932
Total				\$8,945,325

⁽¹⁾ On February 11, 2010, the Fund declared a distribution of \$692,473 payable on March 15, 2010 to Unitholders of record as of February 26, 2010.

PRIOR SALES

The Fund has issued the following Units and securities that are convertible into Units in the 12 month period preceding the date of this short form prospectus:

Date ⁽¹⁾	Number of Units or Amount of Series A Debentures Issued	Issue Price	Type of Issuance
July 24, 2009	4,685 Units	\$3.50	Exercise of Agents' Option
August 17, 2009	58,425 Units	\$3.50	Exercise of Agents' Option
February 19, 2009	558,659 Units	\$3.80	Private Placement of Units

⁽¹⁾ The Fund has recently received notices to partially convert the Series A Debentures in the aggregate principal amount of \$45,000, plus accrued interest, to 10,817 Units at a conversion price of \$4.20 per Unit. The Units will be issued by the end of February 2010.

TRADING PRICE AND VOLUME

Until May 20, 2008, the Units and the Series A Debentures were traded on the TSX Venture Exchange. Since May 20, 2008, the Units and the Series A Debentures have been traded on the Exchange. The closing price range and trading volume of the Units and the Series A Debentures for each month from January 2009 to January 2010 and February 1, 2010 to February 12, 2010, as reported by the Exchange, as applicable, are set out below:

Units			
Price Range			
Month	High	Low	Total Volume
January 2009	\$4.50	\$3.35	277,988 Units
February 2009	\$4.13	\$3.40	322,171 Units
March 2009	\$3.74	\$3.32	295,952 Units
April 2009	\$3.84	\$3.40	177,066 Units
May 2009	\$4.00	\$3.35	211,110 Units
June 2009	\$3.87	\$3.50	214,543 Units
July 2009	\$3.80	\$3.55	197,292 Units
August 2009	\$3.99	\$3.73	245,949 Units
September 2009	\$4.19	\$3.90	379,929 Units
October 2009	\$4.16	\$4.01	356,242 Units
November 2009	\$4.18	\$3.05	556,540 Units
December 2009	\$4.21	\$3.90	159,123 Units
January 2010	\$4.89	\$4.00	264,545 Units
February 1-12, 2010	\$4.59	\$4.20	156,912 Units

Series A Debentures			
Price Range			
Month	High	Low	Total Volume
January 2009	\$97.00	\$75.02	920 Debenture units
February 2009	\$96.02	\$83.50	1,430 Debenture units
March 2009	\$86.00	\$82.00	620 Debenture units
April 2009	\$90.00	\$84.00	600 Debenture units
May 2009	\$96.00	\$90.00	510 Debenture units
June 2009	\$95.30	\$93.02	430 Debenture units
July 2009	\$97.50	\$93.00	770 Debenture units
August 2009	\$100.00	\$96.00	1,190 Debenture units
September 2009	\$99.01	\$98.00	330 Debenture units
October 2009	\$101.00	\$100.00	900 Debenture units
November 2009	\$101.50	\$100.00	950 Debenture units
December 2009	\$104.50	\$99.75	1,000 Debenture units
January 2010	\$104.03	\$101.50	1,390 Debenture units
February 1-12, 2010	\$104.02	\$104.00	750 Debenture units

USE OF PROCEEDS

The total net proceeds from the sale of the Debentures under this Offering are estimated to be approximately \$22,550,000 (or approximately \$25,970,000 if the Over-Allotment Option is exercised in full) after deducting the Underwriters' fee of \$1,200,000 (or \$1,380,000 if the Over-Allotment Option is exercised in full) and the expenses of the Offering estimated at \$250,000. The net proceeds of the Offering will be used for working capital requirements and for other trust purposes, including, among other uses, funding possible future acquisitions and repaying outstanding indebtedness. Aside from the possible acquisition disclosed under "Recent Developments", there are no agreements or understandings with respect to any of such possible uses of proceeds at this time. The Fund will retain broad discretion in allocating the net proceeds not applied in the manner set out above. The Fund's actual use of the net proceeds will vary depending on its operating and capital needs from time to time.

EARNINGS COVERAGE RATIO

After giving pro forma effect to the issuance of the Debentures to be distributed under this short form prospectus (including any Debentures issued pursuant to the exercise of the Over-Allotment Option) subsequent to the respective calculation periods as if the issuance and changes had occurred at the beginning of the respective calculation periods, and all servicing costs that have been, or are expected to be, incurred in connection therewith and after giving effect to this, the Fund's pro forma interest requirements for the 12 months ended December 31, 2008 and the 12 months ended September 30, 2009 were \$4.1 million and \$4.2 million, respectively, and its net income/(loss) before deducting interest and income taxes for such periods was \$2.3 million and a net loss of \$0.6 million, respectively, being approximately 0.56 and (0.15) times the Fund's pro forma interest requirements for such periods, respectively. The Fund would need to have a net income (before deducting interest and income taxes) of \$4.1 million for the 12 months ended December 31, 2008 and \$4.2 million for the 12 months ended September 30, 2009 in order to achieve a ratio of one-to-one in each of such periods.

The earnings coverage ratio in respect of the Fund's indebtedness for the 12 months ended December 31, 2008 and the 12 months ended September 30, 2009 after giving effect to the issuance of the Debentures and other items is less than one-to-one.

	Pro forma for the 12 months ended December 31, 2008	Pro forma for the 12 months ended September 30, 2009
Interest	4,147,004	4,208,725
Denominator for Earnings Coverage Ratio	4,147,004	4,208,725
Net Income/(Loss)	1,479,365	(379,332)
Interest Expense	2,610,440	3,106,707
Income Taxes/(Recoveries)	(1,749,766)	(3,365,604)
Numerator for Earnings Coverage Ratio	2,340,039	(638,229)
Earnings Coverage Ratio ⁽¹⁾⁽²⁾	0.56	(0.15)

⁽¹⁾ The earnings coverage ratios have been calculated including the accretion for the portion of the Debentures that are reflected in equity in the calculation of the Fund's interest obligations.

⁽²⁾ The earnings coverage ratios above have been calculated excluding the carrying charges for those debt securities reflected as current liabilities. If those debt securities had been classified in their entirety as long-term debt for the purposes of calculating the ratios, the entire amount of the annual carrying charges for such debt securities would have been reflected in the calculation of the interest obligations. The earnings coverage ratios for the periods referred to above, calculated as though those securities had been classified as long-term debt, would have been 0.43 and (0.11) for the 12 months ended December 31, 2008 and September 30, 2009, respectively.

CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets out the consolidated capitalization of the Fund both before and after giving effect to the Offering:

<u>Designation</u>	<u>Authorized</u>	<u>Outstanding at December 31, 2009 before giving effect to the Offering</u>	<u>Outstanding at December 31, 2009 after giving effect to the Offering</u>
		\$	\$
Units.....	unlimited	45,906,442 ⁽¹⁾ (13,838,634 Units)	45,906,442 ⁽¹⁾ (13,838,634 Units)
Series A Debentures.....	unlimited	9,701,900 ⁽²⁾	9,701,900 ⁽²⁾
Debentures	unlimited	-	24,000,000 ⁽³⁾⁽⁴⁾
Operating Loan	5,750,000	1,740,870	1,740,870
Capital Loans	11,087,881	10,247,836	10,247,836
Acquisition Loans	22,624,692	22,520,090	22,520,090

⁽¹⁾ Excludes cumulative issuance costs of \$4,438,048, and capital attributable to the issuance of Exchangeable Units for \$500,000 in connection with the acquisition of the assets and business of Deerfoot Equipment Rental Inc.

⁽²⁾ Excludes issuance costs of \$1,060,332. The amount includes both the debt and equity portion of the Series A Debentures.

⁽³⁾ Before any exercise of the Over-Allotment Option.

⁽⁴⁾ Excludes issuance costs of \$1,450,000. The amount includes both the debt and equity portion of the Debentures.

The Fund had a working capital deficiency of approximately \$27.4 million and \$30.7 million as at September 30, 2009 and December 31, 2008, respectively. The Fund's working capital includes items expected for normal operations, such as cash and cash equivalents, accounts receivable, inventories, prepaid expenses, deposits, operating loans, accounts payable and accrued liabilities, unearned revenue, as well as the current portion of capital lease obligation, equipment financing payable and term mortgage payable. As at September 30, 2009 and December 31, 2008, the working capital deficiency included approximately \$33.4 million and \$35.7 million, respectively, of capital and acquisition loans. The outstanding capital and acquisition loans as at September 30, 2009 were advanced from the Canadian chartered bank affiliate of HSBC Securities (Canada) Inc. with maturity dates ranging from December 2010 to July 2014. Since the capital and acquisition loans could be repayable on demand before their maturity dates, they are classified as current liabilities in the financial statements of the Fund. As at September 30, 2009, the Fund had made all payments related to the capital and acquisition loans according to the payment schedule of the Canadian chartered bank affiliate of HSBC Securities (Canada) Inc. and the Fund was in compliance with its covenants. For the 9 months ended September 30, 2009, the Fund generated approximately \$10.4 million of cash from operating activities. The Fund does not anticipate any problems in meeting future obligations as they become due given the level of funds from its operations.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Fund has agreed to issue and sell, and the Underwriters have agreed to purchase on the date of Closing, subject to the terms and conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of the Fund by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Underwriters by Lawson Lundell LLP, 24,000 Debentures at a price of \$1,000 per Debenture for total consideration of \$24,000,000. The offering price for the Debentures was determined by negotiation between the Underwriters and the Fund. The Fund has agreed to pay the Underwriters a commission of 5% of the gross proceeds from the sale of the Debentures, being an aggregate of \$1,200,000. The Underwriters will also be reimbursed for certain expenses incurred in connection with the Offering. The Fund has also granted to the Underwriters, for a period of 30 days following the Closing, the Over-Allotment Option to purchase up to 3,600 additional Debentures at a price of \$1,000 per Debenture payable in immediately available funds against delivery of such additional Debentures, to cover over-allotments and for market stabilization purposes, if any. If the Over-Allotment Option is exercised, the Underwriters will receive a fee of \$50.00 per additional Debenture purchased pursuant to such Option. The Offering is not being made to residents of Quebec.

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

This short form prospectus qualifies the distribution of the Debentures and the Over-Allotment Option as well as the Debentures issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters' over-allotment position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. The Units issuable upon conversion of the Debentures will be issued under exemptions from the prospectus requirement of applicable securities laws, and will not be subject to any hold periods mandated by applicable securities laws.

Each of the Fund, the Trust, the Partnership and WesternOne Equity GP has agreed to indemnify the Underwriters and each of their directors, officers, employees and agents against certain liabilities including, without limitation, civil liabilities under Canadian provincial securities legislation and to contribute to any payments the Underwriters may be required to make in respect thereof.

During a period ending 120 days after the date of the Closing, each of the Fund and the directors, Trustees and senior officers of WesternOne Equity will not offer, sell or issue for sale or resale any Units (other than pursuant to the exercise of the Over-Allotment Option) or financial instruments or securities convertible into, or exercisable or exchangeable for, Units or agree to, or announce, any such offer, sale or issuance, without the prior written consent of Dundee Securities Corporation, on behalf of the Underwriters, which consent may not be unreasonably withheld.

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

Pursuant to policy statements of the securities regulatory authority in Ontario, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Debentures. These exceptions include a bid or purchase permitted under the rules of the applicable regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first mentioned exception, in connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Exchange has conditionally approved the listing of the Debentures under the symbol WEQ.DB.B and the Units issuable upon conversion, redemption or repayment thereof. Listing is subject to the Fund fulfilling all of the requirements of the Exchange.

There is currently no market through which the Debentures may be sold and purchasers may not be able to sell the Debentures purchased under this short form prospectus.

The Closing is expected to take place on February 23, 2010 or on any other date which may be agreed upon, but no later than March 19, 2010.

HSBC Securities (Canada) Inc. is a subsidiary of a Canadian chartered bank that has made credit facilities available to the Business LPs. Accordingly, under applicable securities laws, the Fund may be considered a "connected issuer" to HSBC Securities (Canada) Inc. As of February 1, 2010, approximately \$34.0 million has been advanced under such credit facilities to the Business LPs. The Business LPs are in compliance with the terms of such credit facilities and there has been no breach of the terms of such credit facilities since the date of execution of the agreements governing the credit facilities. The credit facilities are secured by a general security over the

Business LPs assets. Neither the financial position of the Fund nor the value of the security interest of the lender has deteriorated since the indebtedness under the credit facilities was incurred by the Business LPs.

The decision to issue the Debentures and the determination of the terms of the distribution were made through negotiation between the Fund and the Underwriters. The Canadian chartered bank of which HSBC Securities (Canada) Inc. is a subsidiary did not have any involvement in such decision or determination. As a consequence of the Offering, HSBC Securities (Canada) Inc. will receive its proportionate share of the Underwriters' Fee. Except to the extent that HSBC Securities (Canada) Inc. may receive a portion of the sales fees payable to the Underwriters as a result of sales of Debentures by HSBC Securities (Canada) Inc., proceeds from the Offering will not be applied for the benefit of HSBC Securities (Canada) Inc.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the view of KPMG, the Fund's tax advisor, and the opinion of Lawson Lundell LLP, counsel to the Underwriters, the following is a fair and reasonable summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to an individual, trust or a corporation who acquires Debentures pursuant to this Offering and who, for purposes of the Tax Act, at all relevant times, is resident in Canada, deals at arm's length and is not affiliated with the Fund and acquires and holds the Debentures and/or any Units acquired under the terms of the Debentures (collectively, the "Securities") as capital property (a "Holder").

The following summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Securities. The income and other tax consequences of acquiring, holding or disposing of the Securities will vary depending on the Holder's particular circumstances, including the province(s) or territory(ies) in which the Holder resides or carries on business. Accordingly, this summary is of a general nature and does not constitute, and should not be construed to constitute tax advice to any particular investor. Investors are therefore advised to consult their own tax advisors with respect to their individual circumstances. The Fund has not obtained, nor sought, an advance tax ruling from the CRA in respect of this Offering.

Generally, Securities will be considered to be capital property to a Holder provided that the Holder does not hold the Securities in the course of carrying on a business and has not acquired them in one or more transactions considered an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. These Holders should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to (a) a Holder that is a "financial institution" for purposes of the "mark-to-market" rules contained in the Tax Act or (b) a Holder that is a "specified financial institution" or (c) a Holder, an interest in which is a "tax shelter investment" (all within the meaning of the Tax Act). This summary does not address the tax considerations to a Holder borrowing money to acquire Securities. All such Holders should consult their own tax advisors to determine the tax consequences to them of acquiring, holding and disposing of Securities acquired pursuant to this Offering. This summary describes certain principal Canadian federal income tax considerations based on the application of specific provisions of the Tax Act to the transactions described in the Offering, and does not address any tax consequences which could arise as a result of any potential application of the general anti-avoidance rule contained in subsection 245(2) of the Tax Act to any particular transaction or series of transactions.

This summary is based upon the terms of this Offering, described in this short form prospectus, the provisions of the Tax Act as they currently exist and current published administrative practices of the CRA, and certificates delivered by the Fund to KPMG and Lawson Lundell LLP. This summary also takes into account all specific proposals announced by or on behalf of the Minister of Finance (Canada) before the date hereof. There can be no assurance that any proposals will be enacted in their current form or at all or that the CRA will not change its administrative and assessing practices.

In particular, this summary takes into account Bill C-52, which became law on June 22, 2007 (being deemed to have come into force on October 31, 2006), implementing certain amendments to the Tax Act (the "SIFT Rules") that change the federal income taxation of publicly-listed or traded trusts (such as income trusts and real

estate investment trusts) and partnerships, and their investors. Subsequently, Bill C-10 was introduced to clarify the SIFT Rules (the “**SIFT Amendments**”). Bill C-10 became law on March 12, 2009 and was deemed to come into force on October 31, 2006 (the SIFT Rules and SIFT Amendments are collectively referred to as the “**SIFT Measures**”).

This summary does not otherwise take into account or anticipate any changes in the law, whether by judicial, governmental or legislative decision or action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in the Offering. There can be no assurance that such changes, if made, might not be retroactive.

Status of the Fund

The Fund has advised counsel and KPMG that it qualifies as a mutual fund trust under the provisions of the Tax Act and has filed an election under the Tax Act to be deemed to qualify as a mutual fund trust from inception. The Fund has provided a certificate to support such facts. The balance of this summary assumes that the Fund qualifies as a mutual fund trust at all relevant times. If the Fund were not to qualify as a mutual fund trust, the federal income tax considerations described below would, in some respects, be materially different from those described in this summary, and in particular adverse consequences may arise including that (i) the Fund may become liable to pay certain additional tax liabilities (with the result that the amount of cash available for distribution by the Fund would be reduced and Holders of Debentures and Unitholders may otherwise be adversely affected), and, (ii) unless at such time the Units are listed on a designated stock exchange, the Securities will not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and registered disability savings plans, each as defined in the Tax Act (collectively, the “**Plans**”) on that date (with the result that a Plan or its annuitants may become liable to pay additional tax or penalties or may be otherwise adversely affected).

In order for the Fund to qualify as a mutual fund trust, it must satisfy certain requirements including requirements relating to the distribution of its Units and a requirement that it not be established or maintained primarily for the benefit of non-residents. This summary assumes that these requirements have been satisfied and will continue to be satisfied. If proposed amendments to the Tax Act released by the Department of Finance (“**Finance**”) on September 16, 2004 are enacted, as proposed, the Fund may cease to qualify as a “mutual fund trust” if, at any time after 2004, the fair market value of Units held by non-residents of Canada or partnerships that are not “Canadian partnerships” for the purposes of the Tax Act is more than 50% of the fair market value of all the outstanding Units. A partnership will be a “Canadian partnership” at a particular time only if all of its members are residents of Canada at that time. The Notice of Ways and Means Motion tabled by Finance on December 6, 2004 did not include these proposed amendments. On the same date, the government announced that further discussions with the private sector would take place. The issue of ownership of units of mutual fund trusts by non-resident persons and partnerships other than Canadian partnerships has not been addressed by Finance in any subsequent tax proposal.

SIFT Measures

The SIFT Measures apply to any SIFT and its investors, a SIFT being generally a Canadian resident trust (“**SIFT Trust**”) or partnership (“**SIFT Partnership**”), other than an excluded subsidiary entity (as defined in the Tax Act), “investments” in which are listed or traded on a stock exchange or other “public market”, and which holds “non-portfolio properties” (as defined in the Tax Act).

A public market is defined to include any trading system or other organized facility on which securities that are qualified for public distribution are listed or traded. Excluded from the definition, however, is any facility that operates solely to carry out the issuance of a security or its redemption, acquisition or cancellation by its issuer.

An investment is defined to include a property that is a security of the trust or partnership, but excludes “unaffiliated publicly-traded liabilities”, which means publicly-traded liabilities of the trust or partnership if, at that time, less than 10% of the total fair market value of all publicly-traded liabilities of the trust or partnership are held by persons or partnerships affiliated with the trust or partnership.

The effect of the SIFT Measures is that a SIFT Trust and a SIFT Partnership are subject to a special tax (“**SIFT Tax**”) on their non-portfolio earnings where such earnings are distributed or allocated to investors of the trust or partnership, respectively.

Certain distributions attributable to a SIFT Trust’s “non-portfolio earnings” (the “**non-deductible distributions amount**”) will not be deductible in computing a SIFT Trust’s income. The SIFT Trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. For those purposes, “non-portfolio earnings” generally includes income (other than certain dividends) from, or capital gains realized on, “non-portfolio properties”. The non-deductible distributions amount will also be included in computing income of the Unitholder for the purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act.

The “non-portfolio earnings” (as previously described for SIFT Trust) of a SIFT Partnership will not be allocable for tax purposes to the members of the partnership and the “taxable non-portfolio earnings” will be taxable to the SIFT Partnership at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Also, the SIFT Partnership is deemed to have received a taxable dividend from a taxable Canadian corporation equal to the taxable non-portfolio earnings less the applicable SIFT Tax and the taxable dividend is allocated to the members of the SIFT Partnership.

Generally, distributions paid by a SIFT as return of capital will not be subject to SIFT Tax.

While the SIFT Rules are now law, there can be no assurances that the treatment of SIFTs under the Tax Act will not be changed, or that administrative and assessing practices of CRA will not develop, in a manner which adversely affects the Fund or the Unitholders.

Pursuant to the SIFT Measures, from 2011, the Fund will constitute a SIFT and, as a result, the Fund will be subject to the SIFT Tax and the distributions of income to Unitholders will be treated as taxable dividends under the SIFT Measures. If the Fund does not comply with the Normal Growth Guidelines, which are described below, the Fund could be subject to the SIFT Tax prior to 2011.

Generally, there will be a four year transition period for income trusts, such as the Fund, the units of which were publicly traded as of October 31, 2006 (an “**Existing Trust**”), and the SIFT Tax will not apply until 2011. However, the SIFT Measures also indicate that there are circumstances under which an Existing Trust may lose its transitional relief, including any “undue expansion” of an Existing Trust (such as might be attempted through the insertion of a disproportionately large amount of additional capital). On December 15, 2006, Finance issued guidelines, subsequently amended on December 4, 2008, which established objective tests with respect to how much Existing Trusts are permitted to grow without jeopardizing their transitional relief (the “**Normal Growth Guidelines**”). The Normal Growth Guidelines indicate that no change will be recommended to the 2011 date in respect of any SIFT whose equity capital grows as a result of issuances of new equity (which includes units, debt that is convertible into units, and potentially other substitutes for such equity), before 2011, by an annual amount that does not exceed the greater of \$50 million and an objective “safe harbour” amount based on a percentage of the SIFT’s market capitalization as of the end of trading on October 31, 2006 measured in terms of the value of a SIFT’s issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into units of the SIFT (“**2006 Benchmark**”). The Normal Growth Guidelines provide that a SIFT’s safe harbour will be, for the period from November 1, 2006 to the end of 2007, 40% of the 2006 Benchmark, for the period from January 1, 2008 to December 3, 2008, 20% of the 2006 Benchmark, and from December 4, 2008 to the end of 2010, 40% of the 2006 Benchmark, together allowing growth of up to 100% over the four year transition period. The Fund has advised KPMG and counsel that the Fund’s market capitalization, determined in accordance with the Normal Growth Guidelines, was approximately \$22.4 million as at October 31, 2006. The Fund has further advised KPMG and counsel that the Offering should not cause, by itself, the Fund to be subject to the SIFT Tax prior to its 2011 taxation year. It is therefore assumed, for the purposes of this summary, that the Fund will not be subject to the SIFT Tax until January 1, 2011. However, under the SIFT Measures, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) before 2011, the Fund may become subject to the SIFT Tax prior to 2011. If the Fund is subject to the SIFT Tax, distributions of income from the Fund to the Unitholders will be treated as taxable dividends to the Unitholders. **No assurance can be provided that the SIFT Tax will not apply to the Fund prior to 2011.**

The remainder of this summary is subject to the SIFT Measures as discussed above.

Taxation of the Fund

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

The Fund will include in its income for each taxation year such amount of the Trust's income for tax purposes, including net taxable capital gains, as is paid or becomes payable to the Fund in the year in respect of the Trust Units. The Fund will not be subject to tax on any amount received as a return of capital from the Trust (provided that the capital returned, if any, does not exceed the cost amount of the Trust Units held by the Fund). In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses, if any, incurred by it for the purpose of earning income.

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

Under the Fund Declaration of Trust, an amount equal to all of the income (including taxable capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Fund, but excluding:

- (a) income and capital gains arising in connection with a distribution in specie of property of the Fund on redemption of Units which are paid or payable and designated by the Fund to redeeming Unitholders,
- (b) capital gains which may be offset by capital losses, if any, carried forward from prior years or if not so offset, the tax on which is recoverable by the Fund, or
- (c) income, which may be offset by non-capital losses if any, carried forward from prior years,

will be payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where the income of the Fund in a taxation year exceeds the monthly cash distributions for that year, such excess income will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

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

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

KPMG and counsel have been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act assuming the Fund will be in compliance with the “Normal Growth Guidelines” under the SIFT Measures and therefore the SIFT Tax will not apply to the Fund prior to 2011. From 2011, under the SIFT Measures, the SIFT Tax will apply to the Fund. KPMG and counsel can provide no assurance that the Fund will comply with the “Normal Growth Guidelines” under the SIFT Measures prior to 2011.

Taxation of the Trust and Partnerships

Taxation of the Trust

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

The Trust will generally be required to include in computing income for a particular taxation year its allocated share of the income or loss of the Partnership for the fiscal period of the Partnership ending on or before the year-end of the Trust. The Trust’s ability to deduct any losses allocated to it by the Partnership will be limited by certain rules under the Tax Act. The Trust may also realize a capital gain or loss on the disposition or deemed disposition of Partnership Units (including from any distribution *in specie* of Partnership Units), or upon the allocation of a capital gain or loss from the Partnership, as described below under “Taxation of the Partnership and the Business LPs”. Also, as described under “Taxation of the Partnership and the Business LPs” below, cash flow distributed by the Partnership to the Trust will be generally received free from tax, except to the extent that such distributions reduce the adjusted cost base of Partnership Units held by the Trust to a negative amount at the end of a fiscal year of the Partnership.

In computing its income for purposes of the Tax Act, the Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. The Trust will be entitled to deduct reasonable expenses incurred by it in the course of issuing Trust Units on a five-year straight line basis (subject to pro-rata for short taxation years).

Losses incurred by the Trust in a particular taxation year cannot be allocated to the Fund, but may be deducted by the Trust, in the case of non-capital losses in the particular year and in the ensuing twenty taxation years, and in the case of capital losses in the particular year and in any future taxation year to the extent of capital gains, in computing taxable income of the Trust in accordance with, and subject to, applicable provisions of the Tax Act.

The Trust Declaration provides that all or a portion of any income or taxable capital gain realized by the Trust as a result of that redemption may, at the discretion of the trustee of the Trust, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming unitholders, and thus generally deductible by the Trust in computing its income.

The SIFT Measures apply to a trust if it is a SIFT Trust (as defined under the Tax Act). A SIFT Trust is a trust that at any time in the taxation year of the trust is a Canadian resident trust and holds one or more non-portfolio properties and investments in the trust are listed or traded on a stock exchange or other public market. As investments in the Trust are not expected to be listed or traded on a stock exchange or other public market and the Trust should be an excluded subsidiary entity, the Trust should not be subject to tax under the SIFT Measures.

The Fund has advised KPMG and counsel that it does not expect the Trust to be liable for any material amount of tax under the Tax Act. KPMG and counsel can provide no views in this regard.

Taxation of the Partnership and the Business LPs

The fiscal period of the Partnership and each of the Business LPs is the calendar year. Each of the Partnership and the Business LPs is not subject to tax under the Tax Act. Each partner of the Partnership (including

the Trust) and the Business LPs is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of an underlying partnership for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. For this purpose, the income or loss of the Partnership or the particular Business LP must be computed for each fiscal year as if the Partnership or the particular Business LP was a separate person resident in Canada, and will be required to be allocated to partners on the basis of their respective shares of that income or loss as provided for in the particular limited partnership agreement, subject to certain provisions of the Tax Act in that regard.

Generally, cash distributions to a limited partner, including the Trust, in excess of the limited partner's share of the income and capital gains for a fiscal year will be treated for purposes of the Tax Act as a return of capital, which is not required to be included in the limited partner's income but will reduce the limited partner's adjusted cost base of its partnership units. If, as a result, the limited partner's adjusted cost base of its partnership units at the end of a fiscal year of the particular limited partnership would otherwise be a negative amount, the limited partner will be deemed to realize a capital gain equal to such amount, and the adjusted cost base of its partnership units will be nil immediately thereafter.

If the Partnership or the particular Business LP incurs losses for purposes of the Tax Act, a limited partner, including the Trust, will be entitled to deduct in the computation of its income for purposes of the Tax Act its share of any such losses for any fiscal year to the extent of that limited partner's "at-risk amount" in respect of the Partnership or Business LP. In general, the "at-risk amount" of a limited partner in respect of a limited partnership for any taxation year will be the adjusted cost base of the limited partner's partnership interest at the end of the year, plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to the limited partnership (or a person with whom it does not deal at arm's length), and less the amount of any benefit that the limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

The income for purposes of the Tax Act of the Partnership or Business LP must include its income from its businesses or investments, any taxable capital gains or recapture of capital cost allowance arising from dispositions of capital property and the entire amount of any gains from dispositions of properties that are not considered capital property of the Partnership or Business LP for purposes of the Tax Act. In computing its income or loss, the Partnership or Business LP may generally deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to applicable provisions of the Tax Act. The Partnership or Business LP may also deduct any expenses incurred by it in the course of the issuance of Partnership Units on a five-year straight line basis (subject to pro-ration for short taxation years).

In computing its income or loss the Partnership or Business LP may generally deduct a reasonable amount of interest paid in the year or (in the case of simple interest) payable in respect of the year pursuant to a legal obligation to pay interest on borrowed money used, and on amounts payable for property acquired, for the purpose of earning income from a business or property, including pursuant to the obligations to pay interest in respect of borrowings incurred for purpose of earning income. Compound interest is deductible only when actually paid.

The SIFT Measures apply to a partnership if it is a SIFT Partnership (as defined under the Tax Act). A SIFT Partnership is a partnership that at any time in the taxation year of the partnership is a Canadian resident partnership and holds one or more non-portfolio properties and investments in the partnership are listed or traded on a stock exchange or other public market. As investments in the Partnership and the Business LP are not expected to be listed or traded on a stock exchange or other public market and the Partnership and the Business LPs should be excluded subsidiary entities, the Partnership and the Business LPs should not be subject to tax under the SIFT Measures.

Taxation of Holders of Debentures

Interest on Debentures

A Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the

Debentures that accrues (or is deemed to accrue) to it to the end of the particular taxation year (or if the Holder disposes of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder of Debentures will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by such Holder in that taxation year (depending upon the method regularly followed by the Holder of Debentures in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year. However, such a Holder may be required to include in computing the Holder's income for a taxation year all interest (not otherwise required to be included in income) that accrues or is deemed to accrue on the Holder's Debentures to the end of any "anniversary day" (as defined in the Tax Act) in that year where payments under those Debentures are deferred as described under "Details of the Offering - Debentures".

The fair market value of the premium paid by the Fund to a Holder of Debentures will generally be deemed to be interest received at that time by such Holder if such premium is paid by the Fund because of the repayment by it to the Holder of Debentures before their maturity and to the extent that such premium can reasonably be considered to relate to, and does not exceed the value, of the interest that would have been paid or payable by the Fund on the Debentures for taxation years of the Fund ending after the conversion date. A Holder of Debentures that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6% on certain investment income for the year including interest.

Exercise of Conversion Privilege

A Holder of Debentures that converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the conversion and the amount of any cash received in lieu of fractional Units. The Holder of Debentures will realize a capital gain or capital loss computed as described below under "Dispositions of Debentures". The cost to the Holder of any Units must be averaged with the adjusted cost base of other Units held as capital property by the Holder for the purposes of calculating the adjusted cost base of such Units.

Redemption or Repayment of Debentures

If the Fund redeems a Debenture prior to maturity or repays a Debenture upon maturity and the Holder of Debentures does not exercise the conversion privilege prior to such redemption or repayment, the Holder of Debentures will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder of Debentures (other than the amount received on account of interest) on such redemption or repayment. If the Holder receives Units on redemption or repayment, the Holder will be considered to have proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional Units. The Holder of Debentures may realize a capital gain or capital loss computed as described below under "Dispositions of Debentures". The cost to the Holder of the Units so received will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the Holder of Units for the purpose of calculating the adjusted cost base of such Units.

Dispositions of Debentures

A disposition or deemed disposition by a Holder of Debentures will generally result in the Holder of Debentures realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition.

One-half of any capital gain realized by the Holder will be included in the Holder's income under the Tax Act for the year of disposition as a taxable capital gain. One-half of any capital loss realized on a disposition of a Debenture may be generally deducted only from taxable capital gains realized by the Holder in the year of

disposition, in the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act. A capital gain realized by a Holder who is an individual or trust (other than certain trusts) may give rise to a liability for alternative minimum tax. A “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6% on certain investment income for the year including taxable capital gains.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder’s income, except to the extent such amount was otherwise included in the Holder’s income, and will be excluded in computing the Holder’s proceeds of disposition of the Debenture. A Holder of a Debenture who has over accrued interest income will generally be entitled to a deduction in computing the Holder’s income for a taxation year in which a Debenture is disposed of (including on conversion) for an amount equal to such over accrued income.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise. In addition, any deduction or loss of the Fund for purposes of the Tax Act cannot be allocated to and treated as a loss of the Unitholders. Pursuant to the SIFT Measures, once the Fund becomes subject to the SIFT Tax (which is anticipated to be, subject to any “undue expansion”, deferred until January 1, 2011), taxable distributions from the Fund received by investors and paid from the Fund’s after tax income would generally be deemed to be received as a taxable dividend from a taxable Canadian corporation. Such dividend will be subject to the gross-up and dividend tax credit provisions (including the enhanced dividend tax credit regime to the extent such dividends are “eligible dividends” for purposes of that regime) in respect of Unitholders who are individuals. The dividend deemed to be paid by the Fund should be an “eligible dividend” and will therefore benefit from the enhanced gross-up and dividend tax credit rules of the Tax Act. To the extent that amounts are deemed to be taxable dividends under the SIFT Measures, the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction of such dividends in computing taxable income will be available to Unitholders that are corporations.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder’s income for the year and should not reduce the adjusted cost base of the Fund units held by a Unitholder. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder’s income for the year. However, where such other amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Units), the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil. The taxation of capital gains is described below under “Taxation of Capital Gains and Capital Losses”. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of calculating the adjusted cost base to a Unitholder of Units, when a Unit is acquired the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by Unitholder as capital property immediately before that acquisition.

Dispositions of Units

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

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

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

Taxation of Capital Gains and Capital Losses

One-half of any capital gain (“**taxable capital gain**”) realized by a Unitholder will generally be included in the Unitholder's income as a taxable capital gain in the year of disposition. One-half of any capital loss (“**allowable capital loss**”) generally may be deducted from taxable capital gains for the year of disposition. Any allowable capital losses in excess of taxable capital gains for the year of disposition may generally be carried back up to three years or forward indefinitely and deducted against net taxable capital gains in such other years to the extent and under the circumstances described in the Tax Act.

A Unitholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6-2/3% on its “aggregate investment income” for the year which will include an amount in respect of taxable capital gains.

Where a Unitholder is a corporation, the amount of any capital loss arising on the disposition of a Unit may be reduced by the amount of dividends from the Fund's subsidiaries, previously designated by the Fund to the Unitholder to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Units or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns Units. Unitholders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

The Tax Act provides for a special “alternative minimum tax” applicable to certain taxpayers including individuals and certain trusts, depending on the amount of their “adjusted taxable income”. In general terms, adjusted taxable income of a Unitholder who is an individual or a trust (and therefore the exposure of such Unitholder to liability for alternative minimum tax) must be increased by, among other things, a portion of any capital gains realized by such Unitholder on the disposition of Units and by any net income of the Fund paid or payable or deemed to be paid or payable to such Unitholder that is designated as a taxable dividend or that is deemed to be a taxable dividend or as a taxable capital gain.

RISK FACTORS

An investment in the securities offered under this short form prospectus involves a number of risks. Prior to making an investment in the Units, investors should carefully consider the risks described at pages 63-73 under the heading “Risk Factors” of the annual information form of the Fund for the period ended December 31, 2008 which is incorporated by reference herein.

In addition:

- (a) ***Current Economic Conditions.*** Current economic conditions at both a local and national level may impact customer demand for the Fund's products and services. Changes in interest rates, consumer and business confidence, corporate profits, credit conditions, foreign exchange, commodity prices and the level of government infrastructure spending may influence the Fund's customers' operating and capital spending, and therefore the Fund's revenues and results of operations. Although the Fund has attempted to address its exposure to business and industry cyclicalities by diversifying its operations by geography, product offerings and customer base, there can be no assurance that the Fund's results of operations, and the cash flows, will not be adversely affected by changes in economic conditions.
- (b) ***Failure to Access Financing.*** Recent financial conditions globally have been subject to unprecedented volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. WesternOne Equity's ability to maintain sufficient operating, capital and acquisition credit facilities may be adversely affected by these market conditions.
- (c) ***Credit Facility Risk.*** The Fund is required to comply with covenants under its credit facilities. In the event that the Fund does not comply with covenants under the credit facilities, the Fund's access to capital could be restricted or repayment could be required. The Fund routinely reviews the covenants based on actual and forecast results and has the ability to make changes to its operation plans and/or distribution policy to comply with covenants under the credit facilities.
- (d) ***Trading Prices for the Debentures.*** The Exchange has conditionally approved the listing of the Debentures under the symbol WEQ.DB.B and the Units issuable upon conversion, redemption or repayment thereof. Listing is subject to the Fund fulfilling all of the requirements of the Exchange. There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under the short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including the liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and the Fund's financial condition, historic financial performance and future prospects. Further, the holders of Units may suffer dilution if the Fund decides to redeem outstanding Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Units. See "Details of the Offering – Unit Payment Option".
- (e) ***Prior Ranking Indebtedness.*** The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Fund and its creditworthiness. In addition, the Debentures are unsecured obligations of the Fund and are subordinate in right of payment to all of the Fund's existing and future senior indebtedness. Therefore, if the Fund becomes bankrupt, liquidates its assets or enters into certain other transactions, the Fund's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding.
- (f) ***SIFT Measures and Level of Distributions.*** Under the SIFT Measures, which are discussed in further detail under "Canadian Income Tax Considerations", commencing January 1, 2011,

WesternOne Equity will become subject to tax on its income and taxable capital gains from dispositions, that are paid or payable to Unitholders, at a rate equal to the then prevailing corporate income tax rate. Distributions of such income to Unitholders would be treated as dividends paid by a taxable Canadian corporation, which will result in WesternOne Equity's income being subject to the tax. As a result, the Fund may not be able to maintain its current level of distributions.

- (g) ***Conversion Following Certain Transactions.*** In the case of certain transactions, each Debenture will become convertible into the securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future.
- (h) ***Adverse Weather Conditions.*** Adverse weather conditions may affect construction schedules. Prolonged rain, snowfall or extreme cold weather may shut down construction sites. This may reduce demand for equipment and propane usages, particularly in the areas of outdoor construction activity and space heating. As a result, the Fund's revenues and operating results may be negatively affected.
- (i) ***Discontinuation of Tax Incentives.*** Currently the Government of British Columbia provides refundable tax credits through the Production Services Tax Credit Program to accredited production corporations who produce accredited films or videos in British Columbia. These credits are available to both domestic and foreign producers. This creates an incentive for film productions in the province and fuels demand for associated products and services from businesses such as WesternOne Equity's Production Equipment Rentals, which is a major supplier of logistics equipment in the lower mainland of British Columbia. Unless the government continues such tax incentives with terms that are competitive compared to other jurisdictions such as Ontario and Quebec, it may affect the level of production activities in British Columbia. This may impact the Fund's revenues and operating results from this sector.

AUDITORS, TRANSFER AGENT, REGISTRAR AND TRUSTEE

The auditors of the Fund are KPMG LLP, Chartered Accountants, of Vancouver, British Columbia. KPMG was appointed as auditors of the Fund on July 23, 2008. Prior to that date, the auditors of the Fund were Meyers Norris Penny LLP, Chartered Accountants, of Nanaimo, British Columbia.

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal transfer offices in Vancouver, British Columbia and Toronto, Ontario. Computershare Trust Company of Canada is the trustee pursuant to the debenture indenture dated August 15, 2006, which provides for the issue of the Series A Debentures and will also serve as the trustee pursuant to the Debenture Indenture.

MATERIAL CONTRACTS

The only material contracts entered into, or to be entered into, by the Fund in connection with the Offering are:

- (a) the Underwriting Agreement, described under "Plan of Distribution"; and
- (b) the Debenture Indenture, described under "Details of the Offering".

Copies of the foregoing documents may be inspected during regular business hours at the offices of Farris, Vaughan, Wills & Murphy LLP, 25th Floor, 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3 until the expiry of the 30 day period following the date of the final short form prospectus and will also be at www.sedar.com following Closing (with the exception of the Debenture Indenture which will only be available after Closing).

LEGAL PROCEEDINGS

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

EXPERTS

The matters referred to under “Eligibility for Investment” and certain other legal matters relating to the Debentures offered by this short form prospectus will be passed upon at Closing on behalf of the Fund by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Underwriters by Lawson Lundell LLP. The matters referred to under “Canadian Federal Income Tax Considerations” will be passed upon at the date of closing on behalf of the Fund by KPMG LLP and on behalf of the Underwriters by Lawson Lundell LLP. As at the date hereof, the partners and associates of Farris, Vaughan, Wills & Murphy LLP and Lawson Lundell LLP collectively beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Fund. The partners of KPMG LLP do not own any of the outstanding securities of the Fund.

PURCHASER’S STATUTORY RIGHTS

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

AUDITORS' CONSENT

We have read the short form prospectus of WesternOne Equity Income Fund (the "Fund") dated February 16, 2010, relating to the sale and issue of Debentures of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of the Fund on the consolidated balance sheet of the Fund as at December 31, 2008 and the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the year ended December 31, 2008. Our report is dated February 27, 2009.

(Signed) KPMG LLP

Chartered Accountants

Vancouver, British Columbia
February 16, 2010

AUDITORS' CONSENT

We have read the short form prospectus of WesternOne Equity Income Fund (the "Fund") dated February 16, 2010 relating to the issue and sale of Debentures of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in this short form prospectus of our report to the unitholders of the Fund on the consolidated balance sheets of the Fund as at December 31, 2007 and 2006 and the statements of income and comprehensive income, unitholders' equity and cash flows for the year ended December 31, 2007 and the period from June 14, 2006 to December 31, 2006. Our report is dated January 31, 2008.

(Signed) Meyers Norris Penny LLP

Chartered Accountants

Nanaimo, British Columbia
February 16, 2010

AUDITORS' CONSENT

We have read the short form prospectus of WesternOne Equity Income Fund (the "Fund") dated February 16, 2010 related to the issue and sale of Debentures of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in this short form prospectus of our report to the directors of Davis Heater Service Ltd. and Sure-Fire Propane Ltd. (the "Companies") on the amended combined balance sheets of the Companies as at December 31, 2007 and 2006 and the amended combined statements of earnings, comprehension earnings and retained earnings and cash flow for the years then ended. Our report is dated September 11, 2008 (except as to Notes 13 and 14 which are as of October 16, 2008).

(Signed) Deloitte & Touche LLP

Chartered Accountants

Edmonton, Alberta
February 16, 2010

CERTIFICATE OF THE FUND

Dated: February 16, 2010

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except Quebec.

WESTERONE EQUITY INCOME FUND
by its attorney WesternOne Equity GP Inc.

By: (Signed) DARREN T. LATOSKI
Chief Executive Officer

By: (Signed) CARLOS YAM
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

By: (Signed) ROBERT W. KING
Director

By: (Signed) STEPHEN J. EVANS
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: February 16, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada except Quebec.

DUNDEE SECURITIES CORPORATION

NATIONAL BANK FINANCIAL INC.

By: (Signed) ONORIO LUCCHESI

By: (Signed) MICHAEL KLAX

CANACCORD FINANCIAL LTD.

By: (Signed) JUSTIN BOSA

RAYMOND JAMES LTD.

HSBC SECURITIES (CANADA) INC.

By: (Signed) IAN G. MACKAY

By: (Signed) NICOLE CATY