

WESTERNO ONE EQUITY
WESTERNO ONE EQUITY INCOME FUND

WESTERNO ONE EQUITY INCOME FUND

Annual Information Form

For the year ended December 31, 2008

March 31, 2009

TABLE OF CONTENTS

CERTAIN REFERENCES	I
FORWARD LOOKING STATEMENTS	I
NON-GAAP MEASURES	II
DATE OF INFORMATION	III
GLOSSARY OF TERMS	1
OUR STRUCTURE	5
GENERAL DEVELOPMENT OF OUR BUSINESS	8
BUSINESS OF WESTERNONE EQUITY	9
OUR BUSINESSES	15
FINANCING	32
CAPITAL STRUCTURE	34
WESTERNONE EQUITY INCOME FUND	39
WESTERNONE EQUITY OPERATING TRUST	53
WESTERNONE EQUITY LP	57
BUSINESS LPS	60
WESTERNONE EQUITY GP	62
RISK FACTORS	63
DISTRIBUTIONS	73
MARKET FOR SECURITIES	75
TRUSTEES, DIRECTORS AND MANAGEMENT	75
LEGAL PROCEEDINGS	79
TRANSFER AGENT AND REGISTRAR	79
MATERIAL CONTRACTS	79
INTERESTS OF EXPERTS	80
AUDIT COMMITTEE INFORMATION	80
ADDITIONAL INFORMATION	81
SCHEDULE A	S-1

CERTAIN REFERENCES

In this annual information form (“AIF”), unless the context otherwise requires, references to “we”, “us”, “our” or similar terms refer to WesternOne Equity Income Fund (“**WesternOne Equity**”) (either alone or together with its direct and indirect subsidiaries).

FORWARD LOOKING STATEMENTS

Forward-looking statements are included in this AIF, 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.

These statements reflect current expectations of management regarding future events and operating performance as of the date of this AIF. 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: reliance on key personnel, financial health of WesternOne Equity’s subsidiaries and their related cash flows, failure to realize anticipated benefits of acquisitions, regulation, 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 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 WesternOne Equity, dilution, leverage and restrictive covenants, investment eligibility, impact of changes to tax treatment of income trusts or dividend tax credits, taxation of WesternOne Equity and WesternOne Equity LP, 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. Refer to the “Risk Factors” section below.

Although the forward-looking statements contained in this AIF are based upon what WesternOne Equity’s management believes to be reasonable assumptions, WesternOne Equity 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 WesternOne Equity. 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 WesternOne Equity operates, and speak only as of the date of this discussion. These forward-looking statements are made as of the date of this AIF and WesternOne Equity assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required by applicable law.

NON-GAAP MEASURES

In addition to financial measures prescribed by GAAP, certain non-GAAP measures are used in this AIF. These measures include EBITDA and cash available for distribution.

References to WesternOne Equity’s “EBITDA” for any period are to WesternOne Equity’s net income for such period before interest, income taxes, depreciation, amortization, accretion, loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap, 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 WesternOne Equity intends to distribute a substantial portion of its available cash on an ongoing basis, 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 WesternOne Equity’s ability to generate, and from which to make adjustments to determine, its cash available for distribution.

References to “cash available for distribution” are to cash available for distribution to Unitholders in accordance with the distribution policies of WesternOne Equity described in this AIF. Cash available for distribution is presented in this AIF as WesternOne Equity intends to make monthly cash distributions and it is therefore a useful financial measure as an indication of WesternOne Equity’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 WesternOne Equity relative to the price of the Units, WesternOne Equity believes that cash available for distribution is a useful supplemental measure that may assist prospective investors to assess an investment in Units.

“Adjusted net income” is not a recognized measure under GAAP. Adjusted net income is net income adjusted for charges relating to asset impairment, loss on financial derivatives relating to the recording of the fair market value of the fixed interest swap, future income taxes, and non-recurring expenses. Adjusted net income is used to compare WesternOne Equity’s current and prior years’ profitability on a consistent basis.

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

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2008, unless otherwise indicated.

GLOSSARY OF TERMS

“**Acquisition Criteria**” has the meaning ascribed to it under “Business of WesternOne Equity – Acquisition Criteria”;

“**adjusted net income**” has the meaning ascribed to it under “Non-GAAP Measures”;

“**Administration Agreement**” means the administration agreement between WesternOne Equity, the Trust and WesternOne Equity LP dated August 15, 2006;

“**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;

“**Book-Entry System**” means a book-based system administered by CDS;

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

“**C&N**” means the business currently owned by WEQ C&N Rentals LP;

“**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 The Canadian Depository for Securities Limited;

“**Closing**” means the closing of the Initial Public Offering on August 15, 2006;

“**Davis SureFire**” means the business currently owned by WEQ Heat & Propane LP;

“**Deerfoot**” means the business currently owned by WEQ Deerfoot Rentals LP;

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

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

“**exchangeable units**” means units of a Business LP that may be issued to a vendor of a business as part of the acquisition of such business by the Business LP;

“**film industry**” means the film and television production industry;

“**fully-diluted**” in respect to the number of securities of any person to be issued and outstanding at such time means the number of such securities of such person that would be issued and outstanding at such time if all rights to acquire or be issued such securities under all issued and outstanding rights of conversion, exchange, issue or purchase has been exercised at such time, other than securities that would be issued under any incentive unit option plan;

“**Fund Declaration of Trust**” means the declaration of trust by which WesternOne Equity 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;

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

“**Initial Public Offering**” means the offering of 4,571,429 Units at \$3.50 per Unit and 100,000 Series A Debentures at \$100.00 per Series A Debenture issued and sold by WesternOne Equity on July 31, 2006 pursuant to the Prospectus;

“**Investment Agreement**” means the investment agreement between WesternOne Equity, the Trust, WesternOne Equity LP, WesternOne Equity GP, WEQ Production Equipment LP, and WEQ Production Equipment GP Inc., dated August 15, 2006;

“**IPO Agents**” means, collectively, Blackmont Capital Inc., Dundee Securities Corporation and Sora Group Wealth Advisors Inc.;

“**June 2007 Offering**” means the offering of 4,500,000 Units at \$4.00 per Unit issued and sold by WesternOne Equity on June 1, 2007 pursuant to the June 2007 Short Form Prospectus;

“**June 2007 Offering Agents**” means, collectively, Blackmont Capital Inc., Dundee Securities Corporation, Canaccord Capital Corporation, Raymond James Ltd., HSBC Securities (Canada) Inc. and Sora Group Wealth Advisors Inc.;

“**June 2007 Over-Allotment Option**” means the option granted by WesternOne Equity to the June 2007 Offering Agents to purchase up to 675,000 additional Units at \$4.00 per Unit, exercisable for a period of 30 days from the closing of the June 2007 Offering on June 1, 2007;

“**June 2007 Short Form Prospectus**” means the final short form prospectus of WesternOne Equity dated May 25, 2007;

“**LP Units**” means the limited partnership units of WesternOne Equity LP designated as LP Units and having the attributes described in the Prospectus;

“**Old Country Rentals**” means the business currently owned by WEQ Old Country Rentals LP;

“**Ordinary Resolution**” means a resolution passed by a majority of the votes cast at a meeting of the Voting Unitholders;

“**Over-Allotment Option**” means the option granted by WesternOne Equity to the IPO Agents to purchase up to 457,142 additional Units at \$3.50 per Unit, exercisable for a period of 30 days from the Closing;

“**Participant**” means a participant in the CDS depository service;

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

“**platform business**” means a business that is an industry leader, with strong existing management and in-depth industry knowledge;

“**Production Equipment**” means the business currently owned by WEQ Production Equipment LP;

“**Prospectus**” means the final prospectus of WesternOne Equity dated July 31, 2006;

“**Redemption Date**” has the meaning ascribed thereto under “WesternOne Equity Income Fund — Redemption at the Option of Unitholders”;

“**Redemption Price**” has the meaning ascribed thereto under “WesternOne Equity Income Fund — Redemption at the Option of Unitholders” unless the context requires otherwise;

“**Senior Security**” has the meaning set forth in the Series A Trust Indenture;

“**Series A Debenture**” means a \$100 principal amount of 9% convertible Series A Debenture issued by WesternOne Equity pursuant to the Series A Trust Indenture;

“**Series A Trust Indenture**” means the trust indenture entered into by WesternOne Equity and the Indenture Trustee dated August 15, 2006, providing for the issuance of the Series A Debentures;

“**Series 1 Trust Notes**” means the series 1 notes of the Trust issued under the Trust Note Indenture;

“**Series 2 Trust Notes**” means the series 2 notes of the Trust issued under the Trust Note Indenture;

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

“**Special Voting Units**” means Units that may be issued in connection with the issuance of exchangeable units, to represent voting rights in WesternOne Equity that accompany exchangeable units;

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

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

“**Trust**” means 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 Note Indenture**” means the note indenture governing the Trust Notes between the Trust and Computershare Trust Company of Canada dated August 15, 2006;

“**Trust Notes**” means, collectively, the Series 1 Trust Notes and the Series 2 Trust Notes;

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

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

“**Trust’s Trustees**” means the trustees of the Trust;

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

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

“**Units**” means units of WesternOne Equity;

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

“**Voting Units**” means Units;

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

“**WesternOne Equity**” means WesternOne Equity Income Fund and, where the context requires it, includes its interests in the Trust, WesternOne Equity LP, WesternOne Equity GP and any other direct or indirect subsidiaries;

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

“**WesternOne Equity Option Plan**” means the incentive unit option plan of WesternOne Equity known as the WesternOne Equity 2006 Incentive Unit Option Plan; 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, customer deposits and unearned revenue at such time.

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders.

All dollar amounts set forth in this AIF are in Canadian dollars, except where otherwise indicated.

OUR STRUCTURE

WesternOne Equity Income Fund

WesternOne Equity 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. WesternOne Equity has been formed to acquire and hold Trust Units and all of the outstanding shares of WesternOne Equity GP.

WesternOne Equity Operating Trust

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 is a limited partner of WesternOne Equity LP, owning 100% of WesternOne Equity LP. All of the Trust Units are held by WesternOne Equity.

WesternOne Equity LP

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, directly or indirectly, in each of the Business LPs. Currently the existing Business LPs are WEQ Production Equipment LP, WEQ Old Country Rentals LP, WEQ C&N Rentals LP, WEQ Deerfoot Rentals LP and WEQ Heat & Propane LP.

WesternOne Equity GP Inc.

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, directly and indirectly, of the general partner of any Business LP.

WEQ Production Equipment LP

WEQ Production Equipment LP is a limited partnership formed under the laws of the Province of Manitoba on June 15, 2006. It was formed to acquire the assets of Production Equipment Rentals Company.

WEQ Production Equipment GP Inc.

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.

WEQ Old Country Rentals LP

WEQ Old Country Rentals LP is a limited partnership formed under the laws of the Province of Manitoba on April 20, 2007. It was formed to acquire the assets of Old Country Rentals Ltd.

WEQ Old Country Rentals GP Inc.

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

WEQ C&N Rentals LP is a limited partnership formed under the laws of the Province of Manitoba on August 27, 2007. It was formed to acquire the assets of C&N Motors Ltd.

WEQ C&N Rentals GP Inc.

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

WEQ Deerfoot Rentals LP is a limited partnership formed under the laws of the Province of Manitoba on January 25, 2008. It was formed to acquire the assets of Deerfoot Equipment Rental Inc.

WEQ Deerfoot Rentals GP Inc.

WEQ Deerfoot Rentals GP Inc. is a corporation incorporated under the CBCA on January 24, 2008. WEQ Deerfoot Rentals GP Inc. is the general partner of WEQ Deerfoot Rentals LP.

WEQ Heat & Propane LP

WEQ Heat & Propane LP is a limited partnership formed under the laws of the Province of Manitoba on August 26, 2008. It was formed to acquire the assets of Sure-Fire Propane Ltd. and Davis Heater Service Ltd.

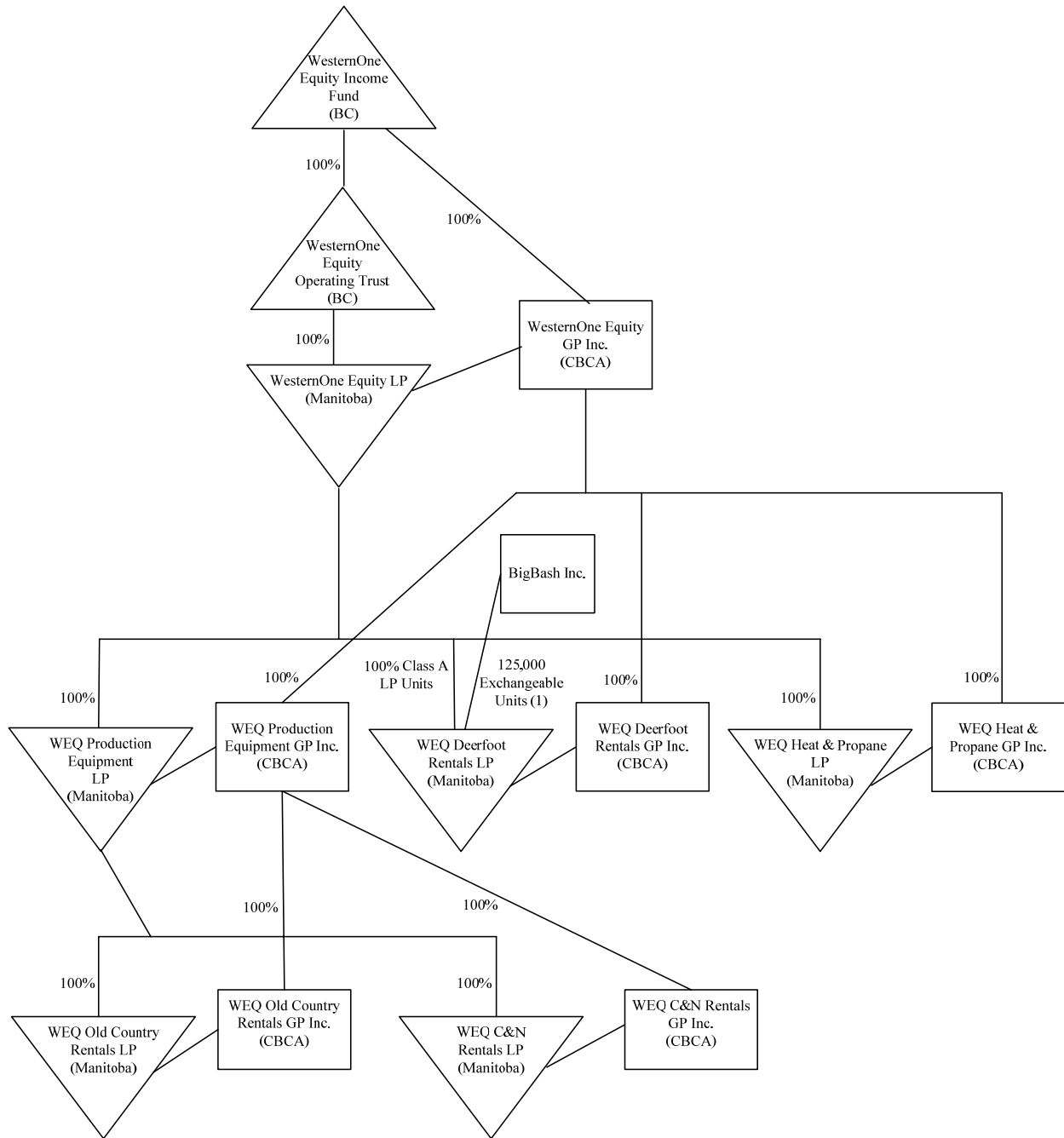
WEQ Heat & Propane GP Inc.

WEQ Heat & Propane GP Inc. is a corporation incorporated under the CBCA on August 26, 2008. WEQ Heat & Propane GP Inc. is the general partner of WEQ Heat & Propane LP.

Principal and Head Offices

The principal and head offices of WesternOne Equity are located at Suite 910, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.

Current WesternOne Equity Organizational Structure



⁽¹⁾ Exchangeable for 125,000 units of WesternOne Equity Income Fund.

GENERAL DEVELOPMENT OF OUR BUSINESS

History

WesternOne Equity was established in order to seek out and acquire equipment and infrastructure-related businesses located primarily in western Canada in order to generate stable and growing distributions to Unitholders as well as to achieve overall capital appreciation.

On August 15, 2006, WesternOne Equity completed the Initial Public Offering of 4,571,429 Units at a price of \$3.50 per Unit, and 100,000 Series A Debentures at a price of \$100 per Series A Debenture, to raise aggregate gross proceeds of \$26.0 million. Prior to the Initial Public Offering, WesternOne Equity did not have a business or material assets. WesternOne Equity used the proceeds of the Initial Public Offering, together with proceeds from credit facilities, to acquire the assets of Production Equipment Rentals Company. On August 31, 2006, WesternOne Equity completed an additional sale of 238,621 Units pursuant to the exercise of the Over-Allotment Option by the IPO Agents.

On May 25, 2007, WesternOne Equity filed a short form prospectus, and on June 1, 2007, WesternOne Equity closed a new offering of Units under this short-form prospectus, whereby WesternOne Equity issued 4,500,000 Units at \$4.00 per Unit for gross proceeds of \$18.0 million. In addition, the June 2007 Offering Agents purchased 675,000 Units, pursuant to the June 2007 Over-Allotment Option. WesternOne Equity received gross proceeds of \$2.7 million.

On June 1, 2007, pursuant to an acquisition agreement dated April 25, 2007, WesternOne Equity, through its indirect subsidiary, WEQ Old Country Rentals LP, purchased the assets of Old Country Rentals Ltd. for \$8.0 million, which consisted of a combination of cash and the issuance of 150,000 Units at a deemed price of \$3.00 per Unit.

On January 2, 2008, WesternOne Equity completed the purchase of the assets of C&N Motors Ltd. for \$2.2 million (after post-closing adjustments and excluding direct acquisition costs), with an additional earn-out provision of up to \$0.3 million based on future earnings of C&N. C&N is located in Comox in central Vancouver Island, British Columbia and has been a major equipment rental, sales and repair business in that region for over 25 years.

On February 15, 2008, WesternOne Equity completed the purchase of the assets of Deerfoot Equipment Rental Inc. for \$13.2 million (after post-closing adjustments and excluding direct acquisition costs), which consisted of a combination of cash, debt financing, and the issuance of 125,000 exchangeable units of WEQ Deerfoot Rentals LP convertible to Units of WesternOne Equity on a one-for-one basis. Deerfoot is located in Calgary, Alberta and is a major provider of rented heaters, generators and compact construction equipment to homebuilders and commercial builders in that region and in Lethbridge, Alberta.

On May 15, 2008, WesternOne Equity received approval for the listing of its Units and Series A Debentures on the Toronto Stock Exchange (the “**Exchange**”). The graduation of trading of WesternOne Equity’s Units and Series A Debentures, from the TSX Venture Exchange to the Exchange, commenced on May 20, 2008.

On June 6, 2008, Deerfoot officially launched their second location in Lethbridge, Alberta under the Volvo Rents franchise operation in an effort to expand WesternOne Equity’s market in the construction, infrastructure and agricultural sectors surrounding southern Alberta.

On July 3, 2008, WesternOne Equity announced its new brand initiative in British Columbia with the launch of WesternOne Rentals & Sales, creating a streamlined and unified presence in the British Columbia equipment rentals and sales market for its three British Columbia Platform businesses: Production Equipment, Old Country Rentals and C&N (see “Structure of Our Business” below).

On October 1, 2008, WesternOne Equity, through one of its indirect subsidiaries, completed the purchase of the assets of SureFire Propane Ltd. and Davis Heater Service Ltd., collectively an equipment rental, construction

heat and propane distribution business with locations in Edmonton and Calgary, Alberta. The purchase price was \$23.0 million (after post-closing adjustments and excluding direct acquisition costs) and was financed through the credit facilities described in “Financing – Bank Loans” below. This acquisition of a market leader in the northern Alberta equipment rental, construction heat and propane distribution industry for over 30 years enables WesternOne Equity to increase its presence in Alberta’s construction and infrastructure markets. It also further geographically and seasonally diversifies WesternOne Equity’s revenue streams.

On December 16, 2008, WesternOne Equity filed a short-form prospectus and on December 23, 2008, WesternOne Equity completed an offering, in which it sold 1,322,500 Units (including 172,500 Units from the exercise of an over-allotment option) at a price of \$3.50 per Unit through a syndicate of underwriters. The offering resulted in total gross proceeds of \$4.63 million.

On December 31, 2008, WesternOne Equity entered into an amended credit facility with its principal lender (the “**Bank**”). WesternOne Equity reduced overall debt by \$8.4 million through paydown of part of the acquisition loan pertaining to the acquisition of the assets and the business of Davis SureFire. Borrowing under the credit facility will bear interest at the Bank’s prime rate plus a range of 1.2% to 1.5%, or a stamping fee with a range of 2.7% to 3.0% above the Bank’s banker’s acceptance rate. The covenants were also amended to exclude the ratio of debt to tangible net worth, set the minimum current ratio of 1.15 to 1.0 for the year ended December 31, 2008 and 1.25 to 1.0 for periods subsequent to the year ended December 31, 2008, restrict increases in distributions to Unitholders and future acquisitions without the prior written consent of the Bank, and require a repayment of \$4.60 million by December 30, 2010. See “Financing – Bank Loans” below for details.

On February 19, 2009, WesternOne Equity completed a private placement financing, in which WesternOne Equity sold 558,659 Units at a price of \$3.80 per Unit, for gross proceeds of \$2.12 million.

BUSINESS OF WESTERNOE EQUITY

WesternOne Equity

WesternOne Equity seeks to acquire businesses with a proven track record, an opportunity for growth, and whose management wishes to continue to operate the business going forward. In some situations, the business owners may acquire an equity interest in WesternOne Equity, thereby aligning their interests with those of WesternOne Equity.

Investment Approach

WesternOne Equity is guided by an investment approach that favours growth through the acquisition of suitable platform businesses and then continuing to build revenues and earnings within these businesses. Value will be created by solid management, operational excellence, optimal capital structures and a sound, long-term growth program for the businesses. By being proactive in its investments and focussed on these key items, WesternOne Equity seeks to achieve significant long-term appreciation in the value of the Units.

Growth Strategy

WesternOne Equity’s growth strategy involves the following key areas:

- *Accretive Acquisitions* – WesternOne Equity intends to continue to seek out and acquire new platform businesses in a variety of industries that are consistent with its business strategy and which compliment any existing portfolio businesses, at valuations that are accretive to Unitholders.
- *Growth Through Acquisitions* – By combining WesternOne Equity’s network of contacts in the western Canadian marketplace with the in-depth industry knowledge and contacts of its portfolio businesses management, WesternOne Equity works to grow the portfolio businesses through add-on acquisitions of competitors and other complementary businesses.
- *Organic Growth* – WesternOne Equity works with its platform acquisitions to build upon their track record of internal growth and improve profitability.

Selection of businesses is prioritized by the ability to implement WesternOne Equity's investment approach and generate value-added returns to WesternOne Equity and its Unitholders. To achieve these returns, WesternOne Equity operates in much the same fashion as private equity firms with the exception of the high level of debt these groups typically place on their businesses, which can limit growth and create undue risk. WesternOne Equity's returns are instead derived from growth and operating improvements, not excessive financial leverage. With this type of conservative capital structure, management of the platform businesses is allowed to keep their attention focussed on operations.

WesternOne Equity intends to add to its platform acquisitions by acquiring smaller "add-on" businesses in the same industries, the owners of which typically have no succession plan. Management believes there continue to be a significant number of these opportunities in western Canada and that they are in a position to offer owners of these businesses an exit strategy that can be tailored to their individual circumstances. WesternOne Equity will acquire from 51% to 100% of the ownership of each such business, utilizing a combination of cash, debt and Units for acquisitions. This approach enables WesternOne Equity and selling business owners to structure the most efficient exit strategy from both a tax and operational viewpoint.

Acquisition Criteria

Within the parameters set by the investment approach, WesternOne Equity focuses on acquiring a portfolio of platform businesses predominantly in equipment and infrastructure related industries that address the industrial, consumer and other markets which meet WesternOne Equity's acquisition criteria (the "**Acquisition Criteria**") as set forth below:

- *Western Canada Focus* – WesternOne Equity focuses on acquisition opportunities located primarily in western Canada where WesternOne Equity's extensive network of relationships and geographic proximity will allow it to be most effective in sourcing new acquisitions and in working with the businesses post-acquisition. While the economic downturn is posing some challenges to the business environment in western Canada, particularly due to the decline in the price of commodities and the residential construction sector, WesternOne Equity sees that its primary markets in the infrastructure and construction sectors in western Canada may benefit from the rollout of infrastructure projects from economic stimulus packages announced by the federal and various provincial governments. The potential benefit stems from WesternOne Equity's existing network of operations, developed through accretive acquisitions.

WesternOne Equity is positioned to identify acquisition opportunities in western Canada by leveraging its strong network of relationships through its well-connected management team, board of directors and network advisors. Through this network, WesternOne Equity has been able to identify and complete off-market acquisitions. By avoiding a competitive bidding process, these off-market transactions are typically completed at valuations that are more accretive to WesternOne Equity, thus maximizing overall returns to Unitholders.

The management team and a majority of the directors and Trustees are located in western Canada, making post-acquisition management of the acquired businesses more efficient and effective. By being located near the acquired businesses, WesternOne Equity is better able to monitor its investments while allowing managers of acquired businesses easier access to the knowledge, advice and support of WesternOne Equity.

- *Growth Opportunities with Stable Cash Flows* – WesternOne Equity seeks to acquire platform businesses that have a history of stable cash flows and that offer growth opportunities either through the acquisition or consolidation of other complementary businesses, or through expansion and organic growth.

WesternOne Equity works to grow its acquired businesses through identifying and implementing operational improvements and continuing their historical growth, both internally and through add-on acquisitions. Management believes that acquiring add-on acquisitions, which are smaller businesses within the same industry as platform businesses, will expand product offerings, leverage economies of scale and enable management to realize the savings and growth which it believes will result in more profitable businesses.

WesternOne Equity also pursues growth through industry consolidation. Consolidation can be considered a subset of outsourcing, in which larger industries look for strength in their outsourcing partners, strength not available from smaller independent operators. Management expects these smaller firms will find it more difficult in the future to compete on a stand-alone basis in an increasingly competitive environment and will need to consolidate to create larger, more efficient businesses in order to be able to compete and to service their customers who are also consolidating and seeking more efficient suppliers. In many cases, efficiencies of combining facilities or capabilities enable a business to become leaner and stronger.

- *Strong Market Share Positions* – Acquisition targets are typically be leaders in their markets with strong and growing market share positions in a well defined market, a long-term or loyal customer base and a dedicated group of employees. Acquiring a market leader helps WesternOne Equity pursue additional add-on acquisitions of smaller, independent businesses operating in the same industry as the platform business. Being the dominant player in a market typically provides a more stable position for the business which in turn helps to ensure stability of cash flows for distribution to Unitholders.
- *Mid-Market Capitalization* – WesternOne Equity seeks primarily to acquire businesses with trailing EBITDA of between \$3.0 million and \$10.0 million. WesternOne Equity has chosen to focus on such businesses as they typically embody many of the other facets of the Acquisition Criteria. In particular, mid-market businesses are frequently privately owned, in the early or middle stages of growth while requiring additional capital to continue and/or accelerate the growth opportunities, have stable historical cash flows, and have strong and committed management teams. Additionally, mid-market businesses are frequently overlooked by larger acquisition funds or private equity groups and thus offer less competition for WesternOne Equity in their identification and acquisition, which may result in returns to Unitholders.
- *Strong Committed Management Team* – WesternOne Equity’s goal is to be partners with and not just owners of its acquired businesses. WesternOne Equity’s role is not to manage the day-to-day operations of the acquired business, but to offer strategic advice, provide growth capital and to assist in further add-on acquisitions. As such, WesternOne Equity looks for targets that have strong, experienced management teams who have in-depth knowledge of their business and industry and who are committed to the continuing growth and development of their business.
- *Privately Owned* – WesternOne Equity predominantly focuses on privately owned businesses that are experiencing succession or transitional issues, or that require additional capital in order to finance their ongoing growth. Management believes that by focusing on these privately owned businesses it can achieve returns for Unitholders as there is typically less competition when acquiring private businesses, thus reducing the risk of inflated prices caused by multiple bidders or public auctions. In addition, a “private company discount” can sometimes be applied to the valuation, thus improving the overall return to WesternOne Equity.

While the focus will primarily be on privately owned businesses, sometimes the listed trading price of listed securities of public companies and trusts are unjustly penalized by the public markets for a variety of reasons, including short-term earnings disappointments and overall depressed market conditions. These firms can be undervalued as compared to their private counterparts and can provide an attractive and accretive acquisition opportunity. Advantageous transactions also arise from acquiring non-core divisions of larger businesses who are focusing on their core competencies. Most businesses today are focusing on their core skills and strategic goals as they manage for greater profitability and growth. This trend has led businesses to divest non-core business lines as well as shed assets such as manufacturing and distribution facilities. This trend generates opportunities for WesternOne Equity as businesses look to increase value by disposing of non-core operations and redeploying resources. Many of these non-core divisions are neglected by senior management and on acquisition can be revitalized by providing existing management with proper incentives and bringing in new team members to increase cash flow and decrease inefficiency.

Target Industries

WesternOne Equity does not invest in real estate (other than when it is part of the business operations), technology or start-up ventures. Targeted industries are predominantly equipment and infrastructure related but may also include, without limitation:

- logistics and distribution;
- outsourcing;
- manufacturing;
- financial and other services; and
- businesses operating in markets with the potential for strong demographic growth.

Management believes that these industries offer acquisition opportunities while also offering strong growth potential necessary to produce attractive returns to Unitholders.

Operating Philosophy

WesternOne Equity follows a simple operating philosophy with its businesses:

- *Hands-Off Management* – WesternOne Equity does not control the day-to-day operations of its acquired businesses, leaving it instead to existing management teams.
- *Strategic Overview* – While day-to-day operations are controlled by the management of the individual businesses, WesternOne Equity oversees all major strategic and capital allocation and expenditure decisions.

Benefits to Business Owners

Management believes that business owners are attracted to WesternOne Equity for any or all of the following reasons:

- *Liquidity and Diversity* – By divesting some or all of their ownership in their business for either cash or equity in WesternOne Equity, they are able to monetize some value while diversifying their financial holdings.
- *Maintenance of Business Legacy* – When WesternOne Equity acquires a business, it attempts to retain the management and employees. In many situations, this also allows the implementation of an effective succession plan for business owners.
- *Lower Cost of Capital* – WesternOne Equity's access to the public markets may provide its acquired businesses with a lower cost of capital. The acquired businesses may also have access to banking facilities at WesternOne Equity's level which may provide them with better financing rates and additional flexibility.

Governmental Regulations

Our business operations are subject to federal, provincial and local laws governing matters such as environmental and workers' health and safety matters associated with the storage, distribution and handling of products for sale and the disposal of materials and by-products of the servicing of repair equipment, the operation of its facilities (including accessibility for disabled people), as well as wages, consumer protection, consumer finance, protection of privacy, advertising, competition and insurance and vehicle licensing. Management of each of our businesses believes it is in material compliance with all such laws.

Environmental Matters

WesternOne Equity is subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water, the storage of petroleum substances and chemicals, the handling and disposal of wastes and the remediation of contamination. WesternOne Equity's businesses generate, use, handle and dispose of hazardous or toxic substances and wastes, particularly within its parts and service centre operations.

Pursuant to these laws, provincial environmental agencies have established approved methods for handling, storage, treatment, transportation and disposal of regulated substances and wastes with which we must comply.

WesternOne Equity also involves the use of above ground and underground storage tanks. Under applicable laws and regulations, WesternOne Equity is responsible for the use, maintenance and abandonment of its regulated storage tanks and for remediation of subsurface soils and groundwater impacted by releases from existing or abandoned storage tanks. In addition to these regulated tanks, WesternOne Equity owns, operates or has otherwise closed in-place other underground and above ground devices or containers that may not be classified as regulated, which could or may have released stored materials into the environment, thereby potentially obligating us to clean up any contaminated soils or groundwater resulting from such releases.

WesternOne Equity is also subject to laws and regulations governing remediation of contamination at or from its facilities or to which it sends hazardous or toxic substances or wastes for treatment, recycling or disposal.

Environmental laws and regulations are very complex and it has become difficult for businesses that routinely handle hazardous and non-hazardous wastes to achieve and maintain full compliance with all applicable environmental laws. From time to time WesternOne Equity experiences incidents and encounters conditions that will not be in compliance with environmental laws and regulations. However it has not been subject to any material environmental liabilities in the past and it does not anticipate that any material environmental liabilities will be incurred in the future. Nevertheless, environmental laws and regulations and their interpretation and enforcement are changed frequently and management believes that the trend of more expansive and stricter environmental legislation and regulations is likely to continue. There can be no assurance that compliance with environmental laws or regulations or the future discovery of unknown environmental conditions will not require additional expenditures, or that such expenditures would not be material. See “Risk Factors – Risks Related to the Business LPs – Environmental Regulation and Health and Safety Matters”.

Acquisition Process

WesternOne Equity operates under a defined process that enables the efficient and effective management of the due diligence and acquisition process. This process has five primary steps: (i) screening of a target; (ii) pre-acquisition due diligence; (iii) acquisition due diligence; (iv) closing of the acquisition; and (v) post-closing support and growth.

- *Screening of a Target* – WesternOne Equity prefers to acquire businesses other than pursuant to an auction process. While it may participate in a limited number of auctions, WesternOne Equity will not become involved in the bidding wars. It instead focuses on acquiring businesses through privately negotiated transactions.

Sourcing privately negotiated transactions typically comes from management, Trustees, directors and network advisors, each of whom have a broad external network, including investment bankers, lawyers, business brokers, accountants, corporate development officers and other private equity investors. They also represent successful, closely held, private businesses.

Management believes owners of these businesses usually need more than simply an exit strategy. They typically have members of their family working in the business and have developed close relationships with many long-term employees. They want to know they are leaving their business in the hands of an ethical and well connected group, not with a large multi-national company where the identity they spent years building can be erased along with the security of employment for the employees of the business. Management further believes that it is in the unique situation of being able to provide the new base from which many of these privately held businesses can continue to grow.

Potential targets are first reviewed to ensure they are consistent with the Acquisition Criteria and can be acquired at a reasonable purchase price. WesternOne Equity polls its network to discuss the suitability of potential acquisitions and their fit with the Acquisition Criteria. Significant consideration is given to synergies and organic growth potential and early accretion to cash available for distribution.

- *Pre-Acquisition Due Diligence* – Prior to entering into formal discussions with a target business or their advisors, WesternOne Equity conducts initial due diligence of the business and its industry by reviewing industry research on the firm and its competitors and conferring with WesternOne Equity’s network on industry fundamentals and related information. For example, when approached with an opportunity to acquire a firm that derives the majority of its revenues from construction, WesternOne Equity’s network within the construction industry is contacted to discuss the trends in construction, any projected changes in technology and the overall climate of the industry. In addition, research reports on any public comparables are reviewed. WesternOne Equity needs to ensure that the target business itself, and the industry it operates in, possesses long-term viability.
- *Acquisition Due Diligence* – Prior to meeting with ownership and management of a target business, a detailed time and responsibilities schedule is drawn up which includes internal and external professionals and advisors. WesternOne Equity meets with the ownership and management team, reviews their financial and operating plan and enters into detailed discussions on their strategic goals. In addition, the professionals on the team, in consultation with the Trustees and directors, discuss management’s expectation for compensation in the future.

The entire due diligence process usually determines the structure of the transaction. Key factors influencing structure include the review of the management team and their operational plan, with particular emphasis on capital expenditure requirements necessary to meet the plan’s targets and to remain competitive in the industry as a whole. The process continues with full legal and financial due diligence and culminates in the preparation of an internal acquisition memorandum (the “**Internal Acquisition Memorandum**”), a comprehensive summary of the target business.

- *Closing of the Acquisition* – Directors at WesternOne Equity GP are kept apprised of the transaction on an ongoing basis throughout the due diligence process. With the completion of the Internal Acquisition Memorandum, the transaction team typically makes a presentation to all directors at an investment approval meeting. Only after review and approval by the directors would the transaction team be authorized to proceed with the closing process and the ultimate acquisition of the business.

During the closing period, WesternOne Equity, along with the vendors, lawyers, accountants and other intermediaries, work in frequent communication to ensure a successful and timely closing.

- *Post-Closing Support and Growth* – WesternOne Equity acquires businesses to a great extent based on the management in place and does not interfere with their daily operation of the business, but rather acts as counsel to them. WesternOne Equity works with management at each of the acquired businesses to assist them in creating value by building revenue and cash flow. This may include diversifying revenue sources and/or geographic focus within western Canada, acquiring add-on businesses and evaluating operations to determine areas for cost reductions and efficiency improvements in working capital and fixed assets. WesternOne Equity works with its platform management teams to ensure that suitable capital is readily available for profitable investment in their businesses, for both organic growth and add-on acquisitions. WesternOne Equity plays a leading role in instigating, reviewing and assisting in acquisitions when pursuing add-on and consolidation strategies. In addition, all of its businesses continue to have access to the significant knowledge base and relationships of WesternOne Equity’s other platform businesses and its Trustees, directors and network advisors.

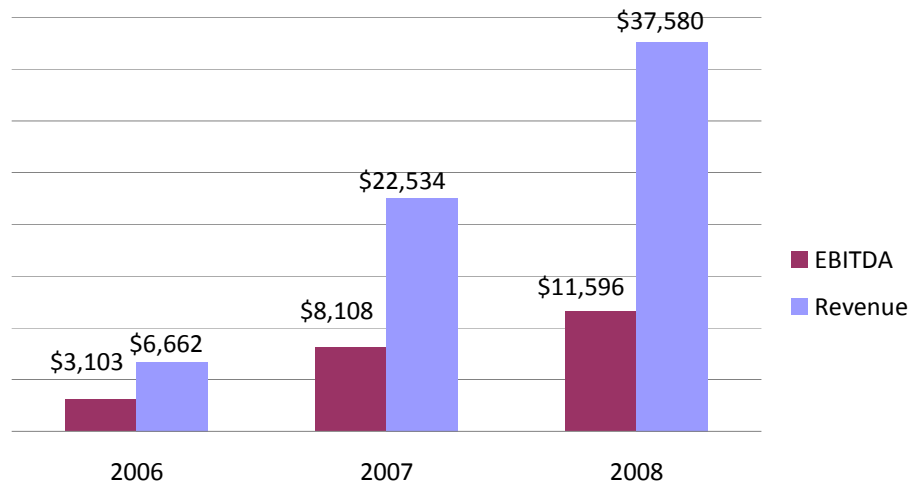
To ensure an alignment of interest with its senior management team at each business, WesternOne Equity may, from time to time, provide team members with equity ownership through the WesternOne Equity Option Plan, as well as incentives based on the achievement of financial targets within their individual businesses. These two methods of compensation, in addition to competitive base salaries, provide management teams with an incentive to see WesternOne Equity succeed, while still receiving the bulk of their compensation as a direct result of their own performance in their business. The compensation committee of the board of directors oversees and approves of all incentive based compensation programs.

OUR BUSINESSES

Operating Results for the Year Ended December 31, 2008

WesternOne Equity’s total revenue for the year ended December 31, 2007 was \$37.6 million, compared to \$22.5 million in 2007. This is equivalent to a growth of 66.8%, or \$15.1 million. EBITDA for the year ended December 31, 2007 was \$11.6 million, compared to \$8.1 million in 2007. This is equivalent to a growth of 43.0%, or \$3.5 million.

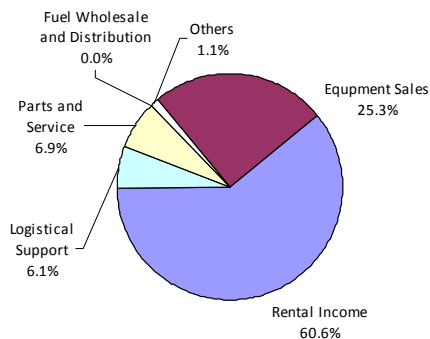
Revenue and EBITDA Growth - FY 2006⁽¹⁾, 2007 and 2008 (\$000’s)



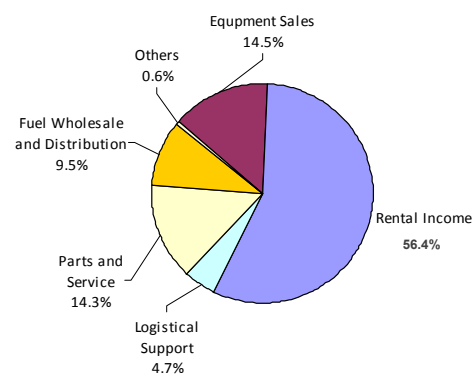
⁽¹⁾ In 2006 WesternOne Equity operated for 201 days, between its inception on June 14, 2006 and December 31, 2006.

Our businesses currently consist of five principal sources of revenue from their customers: (i) equipment rentals; (ii) equipment sales; (iii) logistical support; (iv) parts and service; and (v) fuel wholesale and distribution which was added to our businesses after we acquired the assets and business of Davis SureFire on October 1, 2008. The following chart illustrates the revenue contribution of each source for the years ended December 31, 2007 and 2008.

FY 2007 Revenue by Type



FY 2008 Revenue by Type



WesternOne Equity reported strong growth in sales, gross profit and EBITDA (for definition see “Non-GAAP Measures” above) in 2008. The strong growth in earnings, largely due to the acquisition of businesses during the year, enhanced WesternOne Equity’s unitholders’ value by generating incremental cash flow which resulted in a payout percentage of 66.7% for the three months ended December 31, 2008 and 82.1% for the twelve months ended December 31, 2008.

Summary Financial Overview	Three months ended December 31			Year ended December 31		
	2008	2007	2006	2008	2007	2006 ⁽⁷⁾
(\$000's, except unit amounts)						
Revenue	\$ 13,448	\$ 6,089	\$ 4,300	\$ 37,580	\$ 22,534	\$ 6,662
Cost of sales	(4,532)	(1,387)	(1,243)	(11,521)	(6,666)	(1,540)
Gross profit	8,916	4,702	3,057	26,059	15,868	5,122
<i>Gross margin</i>	66.3%	77.2%	71.1%	69.3%	70.4%	76.9%
Operating Expenses ⁽¹⁾	(4,862)	(2,336)	(1,330)	(14,463)	(7,760)	(2,019)
EBITDA ⁽²⁾	4,054	2,366	1,727	11,596	8,108	3,103
Interest Expense ⁽³⁾	(902)	(409)	(342)	(2,262)	(1,223)	(497)
Amortization, accretion and others ⁽⁴⁾	(2,395)	(675)	(578)	(6,039)	(3,015)	(1,078)
Impairment of assets	(3,515)	—	—	(3,566)	—	—
Income before future income taxes	(2,758)	1,282	807	(271)	3,870	1,528
Future income tax (expense)/recoveries	2,220	1,452	-	1,750	1,452	-
Net income	\$ (538)	\$ 2,734	\$ 807	\$ 1,479	\$ 5,322	\$ 1,528
Adjustments:						
Impairment of assets	3,515	—	—	3,566	—	—
Loss on derivatives	416	—	—	575	—	—
Future income tax recoveries	(2,220)	(1,452)	—	(1,750)	(1,452)	—
Non-recurring expenses	27	—	—	186	—	—
Adjusted net income ⁽²⁾⁽⁵⁾	\$ 1,200	\$ 1,282	\$ 807	\$ 4,056	\$ 3,870	\$ 1,528
Basic weighted avg income/(loss) per Unit	\$ (0.04)	\$ 0.23	\$ 0.13	\$ 0.12	\$ 0.56	\$ 0.30
Diluted weighted avg income/(loss) per Unit	(0.04)	0.21	0.12	0.12	0.53	0.25
Basic weighted avg income/(loss) per Unit - adjusted	0.10	0.11	0.13	0.34	0.41	0.30
Diluted weighted avg income/(loss) per Unit - adjusted	0.09	0.11	0.12	0.32	0.41	0.25
Total Assets	\$ 87,655	\$ 51,849	\$ 33,205	\$ 87,655	\$ 51,849	\$ 33,205
Distributable cash generated ⁽²⁾	\$ 2,799	\$ 2,084	\$ 1,374	\$ 8,778	\$ 6,939	\$ 2,376
Distributable cash per Unit ⁽⁶⁾	0.2314	0.1774	0.2143	0.7361	0.7325	0.3707
Distributions declared	1,867	1,762	913	7,209	5,498	1,318
Distributions declared per Unit	0.1500	0.1500	0.1424	0.6000	0.5666	0.2056
Payout percentage	66.7%	84.5%	66.5%	82.1%	79.2%	55.5%

⁽¹⁾ Excludes items relating to interest, amortization, accretion, loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap, foreign exchange gains/losses, and impairment of assets.

⁽²⁾ See definition of EBITDA, Adjusted net income and Distributable Cash under “Non-GAAP Measures”.

⁽³⁾ Net of interest income.

⁽⁴⁾ Includes amortization, accretion, loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap, and foreign exchange gains/losses.

⁽⁵⁾ Net income adjusted for impairment of assets, loss on financial derivatives relating to the recording of the fair market value of the fixed interest swap, future income taxes, and non-recurring expenses relating to re-branding.

⁽⁶⁾ Calculated based on weighted average number of Units.

⁽⁷⁾ For the 201-day period ended December 31, 2006.

Selected Quarterly Financial Information

in \$000's except per Unit amounts (unaudited)	Q4 '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07
Revenue	\$ 13,448	\$ 8,813	\$ 7,952	\$ 7,367	\$ 6,089	\$ 6,650	\$ 6,046	\$ 3,748
Cost of sales	(4,532)	(2,537)	(2,258)	(2,195)	(1,387)	(1,832)	(2,450)	(996)
Gross profit	8,916	6,276	5,694	5,172	4,702	4,818	3,596	2,752
Gross margin	66.3%	71.2%	71.6%	70.2%	77.2%	72.4%	59.5%	73.4%
Operating expenses	(4,862)	(3,418)	(3,359)	(2,823)	(2,336)	(2,029)	(1,671)	(1,724)
EBITDA ⁽¹⁾	\$ 4,054	\$ 2,858	\$ 2,335	\$ 2,349	\$ 2,366	\$ 2,789	\$ 1,925	\$ 1,028
Net Income/(Loss)	\$ (538)	\$ 623	\$ 655	\$ 740	\$ 2,734	\$ 1,644	\$ 844	\$ 100
Distributable cash generated ⁽¹⁾	\$ 2,799	\$ 2,126	\$ 1,873	\$ 1,980	\$ 2,084	\$ 2,328	\$ 1,629	\$ 899
Distributable cash per Unit ⁽²⁾	0.2314	0.1784	0.1589	0.1677	0.1774	0.2115	0.2034	0.1402
Distribution declared	\$ 1,867	\$ 1,790	\$ 1,781	\$ 1,771	\$ 1,762	\$ 1,762	\$ 1,164	\$ 809
Distribution per Unit	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1400	0.1266
Coverage ratio ⁽³⁾	1.50	1.19	1.05	1.12	1.18	1.32	1.40	1.11
Payout percentage ⁽³⁾	66.7%	84.2%	95.1%	89.5%	84.5%	75.7%	71.4%	90.1%

⁽¹⁾ See definition of EBITDA and Distributable cash under “Non-GAAP Measures” above.

⁽²⁾ Calculated based on weighted average number of Units.

⁽³⁾ Amounts calculated using distributable cash and distributions declared for the related period, not on per Unit amounts.

Structure of Our Businesses

WesternOne establishes its platform businesses based on market, industry or geographic boundaries. Our businesses currently consist of two geographic platforms — one based in British Columbia and one in Alberta:

British Columbia Platform:

This platform currently includes the following Business LPs:

- WEQ Production Equipment LP;
- WEQ Old Country Rentals LP; and
- WEQ C&N Rentals LP.

Alberta Platform:

This platform currently includes the following Business LPs:

- WEQ Deerfoot Rentals LP; and
- WEQ Heat & Propane LP.

Platform Growth Strategy

Management believes that it can pursue various growth opportunities in both the near and longer term, including the following:

- *Leverage Existing Infrastructure* – WesternOne Equity continues to use its capital assets to facilitate growth through the efficient use of financial leverage. WesternOne Equity also continues to capitalize on the industry experience and knowledge of its people to create and maintain efficient logistics models to develop additional market opportunities, increase utilizations and gain market share.
- *Expand Product and Service Offerings* – WesternOne Equity continues to expand its product and service offerings within the large industrial equipment and general rental markets, along with its fuel wholesale and distribution services, to better serve its customers and increase its revenue per customer with minimal additional investment in capital expenditures.
- *Geographically Expand Operations* – WesternOne Equity’s management and financing abilities allow it to grow its existing and future businesses within, and beyond, current geographical markets using accretive acquisitions, developing sub-dealer relationships, leveraging existing product lines and customer base, and establishing new branches under existing operating banners. Management believes geographic expansion for our existing businesses is most likely to continue to occur in interior British Columbia, Alberta, and in urban areas of Saskatchewan.
- *Utilizing Industry Expertise* – The acquisitions and internal growth of WesternOne Equity continue to increase the industry knowledge and expertise of its businesses through the addition of experienced management and the support network available within WesternOne Equity.
- *Accretive Acquisitions* – WesternOne Equity intends to continue to grow through a disciplined acquisition program. Management believes there remain a significant number of available acquisition opportunities within western Canada.

Overview of WEQ Production Equipment LP

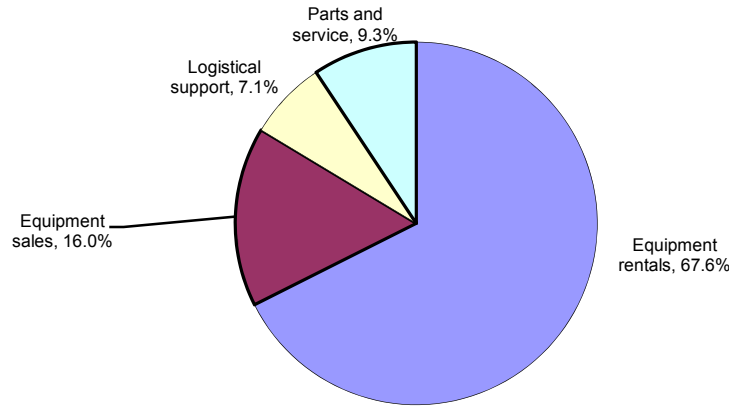
On August 15, 2006, WEQ Production Equipment LP purchased the assets of Production Equipment Rentals Company. Production Equipment specializes in renting, selling and servicing quality high reach and material handling equipment and providing logistical support to its customers in British Columbia. It is one of the largest operators engaged in this segment of the equipment market in British Columbia, offering high reach and material handling equipment rentals, sales and servicing to the contractor/construction industry, film industry and service and maintenance industries, in addition to government agencies and special events.

Production Equipment represents all major North American manufacturers of high reach and material handling equipment for rental and sales purposes, owns more than 600 various rental machines and services a broad spectrum of customers.

Sources of Revenue

Production Equipment currently has four principal sources of revenue from its customers: (i) equipment rentals; (ii) equipment sales; (iii) logistical support; and (iv) parts and service. The following chart illustrates the revenue contribution of each source for the year ended December 31, 2008:

Production Equipment Revenue by Source for the Year Ended December 31, 2008



Suppliers

Production Equipment represents all major North American high reach and material handling equipment manufacturers for rental and sales purposes, including:

Manufacturer	Description
Genie Industries	With offices worldwide, Genie Industries manufactures material lifts, aerial work platforms, trailer-mounted booms and light towers, scissor lifts and self-propelled telescopic and articulating booms. Genie Industries is a division of TEREX Corporation (NYSE: TEX).
JLG Industries Inc.	JLG, a wholly-owned subsidiary of Oshkosh Corporation (NYSE:OSK), is a leading producer of access equipment (aerial work platforms and telehandlers) and highway-speed telescopic hydraulic excavators. JLG brands purchased by Production Equipment include JLG and Gradall. Production Equipment is JLG Industries Inc.'s recommended supplier of extendable reach forklifts in British Columbia. Production Equipment is JLG Industries Inc.'s distributor in British Columbia for JLG/Gradall telescoping handlers, which enables it to offer JLG/Gradall financing and provide authorized warranty service.
Skyjack Inc.	Skyjack, a wholly-owned subsidiary of Linamar Corporation (TSX: LNR), is located in Guelph, Ontario. It is a leader in the scissor lift work platform sector of the high reach equipment lift industry.
Snorkel International	Snorkel is a world-wide supplier of high quality industrial maintenance and construction high reach equipment including self-propelled booms, articulating booms and telescoping booms, aerial lifts, and self-propelled-scissor-lift.

Customers

Production Equipment employs a sales team focused on establishing and maintaining customer relationships. Customers are provided with an information package which includes rental, sales and freight rates, and brochures with product descriptions and specifications. Under the unified brand name, “WesternOne Rentals & Sales” that was launched in July 2008 for the British Columbia Platform, Production Equipment maintains a website to showcase its products and services (www.westernone.ca). Management believes its relationships with customers are the key driver of sales. Production Equipment has also established a high profile in the community by sponsoring certain charities and events through donations of equipment and staff time.

Production Equipment has more than 600 rental machines available to its customers, including boom lifts, scissor lifts, straight mast forklifts, telescoping fork lifts (handlers) and personnel and material lifts. It operates service and delivery trucks to ensure on-time delivery and strong customer service. It employs a service team that is factory-trained with specialized experience servicing high reach and material handling equipment, and is on call 24 hours a day, seven days a week.

High reach and material handling equipment services a broad spectrum of industries. At any point in time, Production Equipment has a diverse base of customers in the contractor/construction industry, film industry and service and maintenance industries, in addition to government agencies and special events co-ordinators, with no one customer representing more than 6% of total revenue.

Strengths of Production Equipment

- *Product Offerings* – Production Equipment represents all major North American manufacturers of high reach and material handling equipment. It offers its customers a broad range of equipment for rent and sale, as well as a variety of associated services. Management’s experience in the equipment rental and sales industries, as well as its knowledge and understanding of its customers’ operations and equipment requirements, has enabled Production Equipment to align its products and services with the specific and evolving needs of its customers. Production Equipment supplies a more diverse selection of high reach and material handling equipment than its competition. Management believes the assembly of an equipment fleet equivalent to that of Production Equipment’s poses a significant barrier to entry to new competitors.
- *Unique Approach to Customer Service* – Recognizing the importance of customer relationships to the continued success in its market segments, Production Equipment has a customer-first approach to business and strives to ensure that each of its customers enjoys excellent service every time they rent or purchase equipment. Production Equipment offers on-site service to its customers’ locations, 24 hours a day, seven days a week. It is also able to meet the precise timing for the delivery of equipment that some customers require, especially in the film industry.
- *Diverse, Loyal and Growing Customer Base* – Production Equipment has a broad base of active customers and long standing relationships in the contractor/construction industry, film industry, service and maintenance industries, and with government agencies and special events co-ordinators. These relationships have resulted in a diverse customer base. Management believes that this diversity reduces its exposure to any one group of customers and industry specific cycles. Furthermore, the knowledge and experience of Production Equipment’s sales team and their longstanding customer relationships enhance customer loyalty and drive recurring sales. These customers value the high level of service and logistical capabilities Production Equipment offers, which results in ongoing referrals of new customers it receives from the existing customer base.

Management

Production Equipment’s management has a combined 110 years of experience with equipment rentals, sales and service. Management believes they have the most experienced high reach and material handling equipment management team in the markets in which Production Equipment operates. The relationships with suppliers that management has fostered and developed over the course of their careers offers a significant competitive advantage that cannot readily be duplicated.

Production Equipment’s senior management has been instrumental in its growth and is compensated, to a significant extent, on the basis of the financial performance of the business. The compensation of sales personnel is also, to a significant extent, on the basis of the financial performance of the business.

Ron McAleer, Vice President of Operations, has been with Production Equipment for five years and has over 28 years of management experience in the equipment rental business with both large and medium size companies, having managed both single and multi-location branch operations. In addition to Production Equipment, Mr. McAleer oversees the operations of all member businesses within our British Columbia Platform. Mr. McAleer was an area manager for United Rentals Inc. from 2000 to 2004, with overall responsibility for branches in Vancouver and surrounding areas, including responsibility for revenue, growth and profitability.

Steve Taylor, Vice President of Sales, has been with Production Equipment for nine years and has over 29 years experience in the equipment rental and sales business. In addition to Production Equipment, Mr. Taylor oversees the sales and marketing function of all member businesses within the British Columbia Platform. Prior to joining Production Equipment, Mr. Taylor was with Skyreach Inc. from 1994 to 1999 and was the Vancouver branch manager from 1998 to 1999. From 1988 to 1992, Mr. Taylor was in construction sales which involved a number of different types of machines including the Gradall Telescoping Forklift and Hitachi excavators. Mr. Taylor is very involved with the film industry in British Columbia and sits on a number of boards and committees which allows him to remain current with industry developments.

Bill Lake, CGA, Controller, has been with Production Equipment since March 2007, and has over 26 years of experience as a controller and senior operations manager. Mr. Lake is responsible for the finance and administrative functions and information technology of all member businesses within our British Columbia Platform.

Employees

Production Equipment currently has 36 full-time employees, excluding senior management. The number of employees by function is as follows:

Sales	8
Parts and Service	15
Logistical Support	9
Office/Administration	4

Management believes Production Equipment enjoys excellent employee relations and has experienced very little turnover.

Production Equipment provides group insurance benefits to all employees and a defined contribution pension plan on behalf of its unionized employees through contributions to the Operating Engineers Pension Plan (based on a rate per hour worked by unionized employees). It does not provide a pension plan for its salaried employees. 20 employees are members of the International Union of Operating Engineers. Production Equipment has a good relationship with its unionized employees and has never experienced a strike, lock-out or other labour disturbance. The current collective agreement came into effect on July 1, 2007 and expires June 30, 2010.

Facilities

Production Equipment’s central facility is located in Port Coquitlam, British Columbia. It consists of a two-acre secured site for equipment storage, including a concrete wash base with environmental protection features. The site has a 12,000 square foot covered services area with eight service bays. In addition, there is 3,600 square feet of administration offices, including a training area. The entire facility is fully secured with an electric perimeter fence and an alarm system that requires card access. The business has been located on the same site since it was founded in 1998. The current lease for this site expires in November 2011.

To address the ongoing need to deploy rental equipment to the core areas of the Greater Vancouver Regional District, Production Equipment also maintains a satellite deployment centre in Burnaby, British Columbia through leasing a 14,000 square foot location to ensure timely deliveries of rental equipment. The lease in this property is for five years and expires in March 2013.

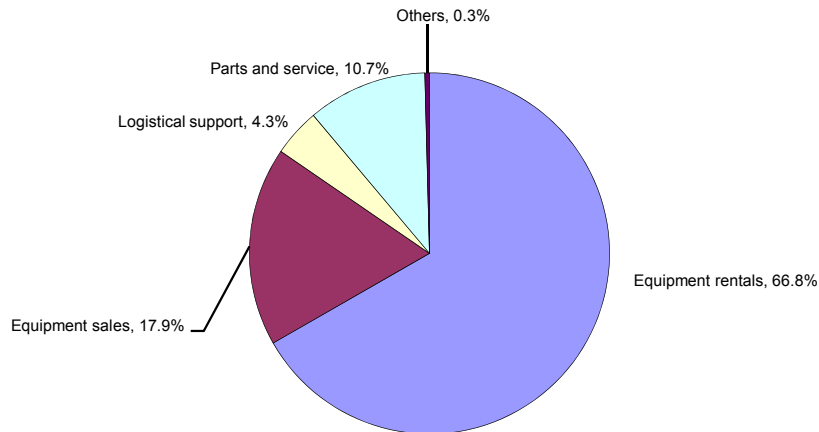
Overview of WEQ Old Country Rentals LP

On June 1, 2007, WEQ Old Country Rentals LP purchased the assets and business of Old Country Rentals Ltd. This business has been operating for more than 45 years, and is one of the largest and most diversified equipment rental, sales and service businesses on Vancouver Island. Its two current locations, one near Victoria’s core and the other located in the centre of the Saanich Peninsula, serve the greater Victoria region. Old Country Rentals has a broad base of active customers and long-standing relationships in the construction, vessel maintenance, property management, government and other key industries.

Sources of Revenue

Old Country Rentals currently has four principal sources of revenue from its customers: (i) equipment rentals; (ii) equipment sales; (iii) logistical support; and (iv) parts and service. The following chart illustrates the revenue contribution of each source for the year ended December 31, 2008:

Old Country Rentals Revenue by Source for the Year Ended December 31, 2008



Suppliers

Old Country Rentals has built strong relationships with its suppliers for many years. This network has allowed Old Country Rentals to access equipment on shorter notice and introduce new items to the marketplace on a timely basis. Old Country Rentals carries equipment from major North American manufacturers for rental and sale, including:

Manufacturer	Description
Honda Power Equipment	Honda Power Equipment, a division of American Honda Motor Co., Ltd. (NYSE: HMC) manufactures and markets a complete range of outdoor power equipment, including generators, lawnmowers, pumps, general purpose engines, snow blowers, tillers and trimmers for commercial, rental and residential applications.
STIHL	STIHL Limited is the Canadian subsidiary of ANDREAS STIHL AG & Co. KG, one of the world's leading manufacturers of chainsaws and handheld power tools for professionals in the forestry, agriculture, landscaping and construction industry, as well as general tools for homeowners.
Mancorp Industrial Sales	Mancorp Industrial Sales Ltd. provides quality equipment through wholesale distribution and industrial supplies to the construction, mining, forestry, municipal, manufacturing and transportation industries in western Canada. Equipment sold includes pressure washers, air compressors, airless paint sprayers, water pumps, generators, industrial vacuums, log splitters and wood chippers, mini-skid loaders, waste oil heaters and boilers. Mancorp's industrial supply division also provides safety supplies, abrasives & cutting tools, hand & power tools, material handling, shop supplies and a variety of consumables used by today's work force.

Customers

Old Country Rentals provides a full service offering to customers and its employees are skilled in maintaining good customer relations. This ability is demonstrated by the length of time significant contracts have been maintained. For example, Old Country Rentals has provided equipment to various shipyards and the Department of National Defence for approximately 30 years. Operating as part of the unified brand name, "WesternOne Rentals & Sales", Old Country Rentals' products and services are described on the main website for the British Columbia Platform (www.westernone.ca).

Each contract is specific to the needs of the customer and it is the flexibility which maintains customer loyalty. In addition, Old Country Rentals is not reliant on any particular customer, with the top 10 clients representing less than 40% of the total rental revenue in 2008.

Strengths of Old Country Rentals

- *An Established Presence and Reputation* – Old Country Rentals provides WesternOne Equity with a well-established presence in Vancouver Island's retail rental, sales and service business segment, along with a strong reputation of quality services and dedication to customer satisfaction.
- *Expanded Geographic Market and Business Network* – Old Country Rentals' strong presence on Vancouver Island allowed WesternOne Equity to extend its businesses from the Greater Vancouver Regional District (served by Production Equipment) into this market with greater efficiency. This efficiency was further facilitated by the launch of the unified brand name, "WesternOne Rentals & Sales" in the British Columbia Platform.

Management

Old Country Rentals has a strong and experienced management team, which has a combined 141 years of experience with equipment rentals, sales and services. The relationships with customers that management has fostered and developed over the years create a significant competitive advantage that cannot be readily duplicated.

Wayne Chow, General Manager, has been involved in all aspects of Old Country Rentals' business over his 36 years of experience within the organization. Mr. Chow oversees the operations, including equipment rentals and services, as well as retail sales and merchandising, of both locations on southern Vancouver Island.

Employees

Old Country Rentals currently has 28 full-time equivalent employees, excluding senior management. The number of employees by function is as follows:

Sales	7
Parts and Service	14
Logistical Support	5
Office/Administration	2

Old Country Rentals provides group insurance benefits and a defined contribution pension plan to all its full-time employees. 14 of the existing employees are members of the International Union of Operating Engineers. Old Country Rentals has a good relationship with its unionized employees and has never experienced a strike, lock-out or other labour disturbance. The current collective agreement came into effect on March 1, 2006 and expired February 28, 2009. Discussions between the management and the union are currently ongoing.

Facilities

Old Country Rentals has two locations in the greater Victoria region in southern Vancouver Island, British Columbia. The facility located in the Saanich Peninsula area is approximately 10,000 square feet, housing a rental counter/showroom area, warehouse areas for rental and resale inventory, a service shop with three heated bays, a parts counter with parts room storage behind and administration offices. The drive-through paved secure yard also includes a covered wash bay. The second facility is located near the core of Victoria. It is a 4,700 square foot building with a mix of retail space and warehouse storage set on a 7,600 square foot concrete covered yard complete with loading bays and a wash bay area. The current lease agreement covers both operating locations, and is for the 10-year period commencing June 1, 2007 and ending May 31, 2017, with two five-year renewal options.

Overview of WEQ C&N Rentals LP

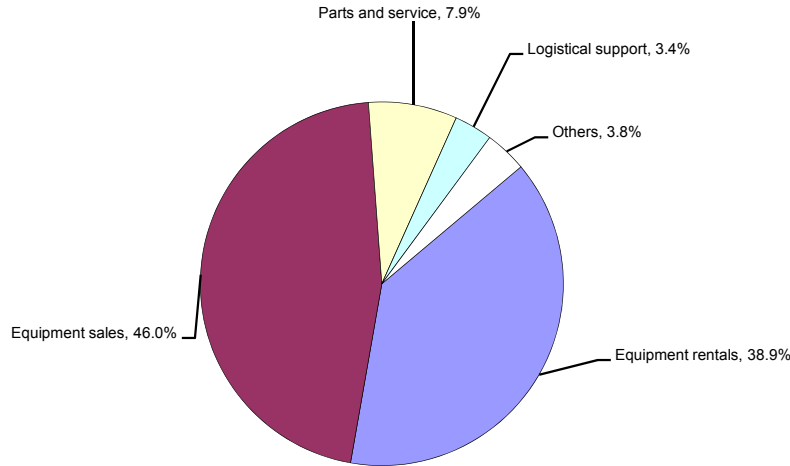
On January 2, 2008, WEQ C&N Rentals LP completed the purchase of the assets of C&N Motors Ltd. The purchase price was \$2.2 million, after post-closing adjustments and excluding direct acquisition costs. The acquisition agreement included an earn-out provision of up to \$0.3 million based on future earnings of C&N.

C&N is located in central Vancouver Island, British Columbia and has been operating for more than 25 years. It is one of the most diversified equipment rental, sales and service businesses in the Comox Valley area, serving the community with major rental equipment including boom and scissor lifts, bobcats, and excavators, as well as general rentals such as compressors, pressure washers, compactors, generators, heaters, electric tools, etc.

Sources of Revenue

C&N currently has four principal sources of revenue from its customers: (i) equipment rentals; (ii) equipment sales; (iii) parts and service; and (iv) logistical support. The following chart illustrates the revenue contribution of each source for the year ended December 31, 2008:

C&N Revenue by Source for the Year Ended December 31, 2008



Suppliers

C&N has developed strong relationships with its suppliers for many years. This network has allowed C&N to access equipment on shorter notice and introduce new items to the marketplace on a timely basis. C&N carries equipment from major North American manufacturers for rental and sale, including:

Manufacturer	Description
Honda Power Equipment	Honda Power Equipment, a division of American Honda Motor Co., Ltd. (NYSE: HMC) manufactures and markets a complete range of outdoor power equipment, including general purpose engines, generators, lawnmowers, pumps, snow blowers, tillers and trimmers for commercial, rental and residential applications.
STIHL	STIHL Limited is the Canadian subsidiary of ANDREAS STIHL AG & Co. KG, one of the world’s leading manufacturers of chainsaws and handheld power tools for professionals in the forestry, agriculture, landscaping and construction industry, as well as general tools for homeowners.
Bobcat	Bobcat Company is one of the world’s leaders in the engineering, manufacturing and marketing of compact industrial, construction and agri-business equipment, attachments and related services.
John Deere	Deere & Company (NYSE: DE) is one of the world’s leading manufacturers of construction equipment, as well as equipment used in lawn, grounds and turf care, such as ride-on lawn mowers, string trimmers, chainsaws and snowthrowers. The company is also a leading global supplier of agricultural machinery.

Customers

C&N has fostered strong relationships in the community and developed long-term customer relationships, through its diversified rental equipment offering, strong retail product knowledge and reliable services. Customers expect excellent instruction on use of equipment, and the rental staff is trained in the safe usage of boom and scissor lifts, excavators, as well as other smaller, general tools. Operating as part of the unified brand name “WesternOne Rentals & Sales”, C&N products and services are described on the main website for the British Columbia Platform (www.westernone.ca).

C&N has a broad base of active customers and long-standing relationships with construction companies, forestry companies, farms, municipal governments and independent general contractors.

Strengths of C&N

- *An Established Presence in the Community* – C&N has been serving customers of all sizes in the Comox Valley for 25 years. C&N’s ability to position itself as an established member of the community that offers reliable equipment rentals, sales and services is a key success factor in maintaining long-term relationships with customers in the region.
- *A Strategic Location to Extend Market Reach* – C&N is strategically located on central Vancouver Island, and serves an important role of extending WesternOne Equity’s market reach from Old Country Rentals’ operation in the greater Victoria district of southern Vancouver Island.
- *Proximity to Major Highway* – C&N is located near the Island Highway which connects all major cities and townships from north to south of Vancouver Island. This enables C&N to service customers in an expanded area, which includes Campbell River and Nanaimo and covers central and northern Vancouver Island.

Management

Mark Hedican, WEQ C&N Rentals LP’s General Manager, has been the manager of C&N Motors Ltd. for the past 15 years. Prior to operating C&N Motors Ltd. he founded and operated a family business and engaged in building roads for the logging industry on Vancouver Island and on mainland coasts of British Columbia. As a General Manager of C&N, Mr. Hedican oversees all aspects of the day-to-day operations of the business as well as the strategic planning necessary for the ongoing growth in the business.

Employees

C&N Rentals currently has 11 full-time employees, excluding senior management. The number of employees by function is as follows:

Sales	3
Parts and Service	4
Logistical Support	1
Office/Administration	3

C&N provides group insurance benefits to all its full-time employees.

Facilities

C&N has two locations in central Vancouver Island. The facility in the Township of Comox is approximately 4,500 square feet, housing a showroom area, warehouse areas for rental and resale inventory, a service shop, a rental/parts counter with parts storage and administration offices. The secure yard also includes a wash bay and additional uncovered storage. The second location in the City of Courtenay (about 8 km from the Comox facility) is located on the North Island Highway bypass with easy access to the surrounding commercial area and the communities to the south and north of Courtenay. It consists of one acre of land, a 2,500 square foot warehouse storage building with three bays, a mezzanine level, and a small dry room. The current lease agreement for the Comox location is for a 5-year period commencing Jan 1, 2008 and ending Dec 31, 2012, with the option to renew the lease for four terms of five years. WEQ C&N Rentals LP, through its general partner, owns the property in Courtenay.

Overview of WEQ Deerfoot Rentals LP

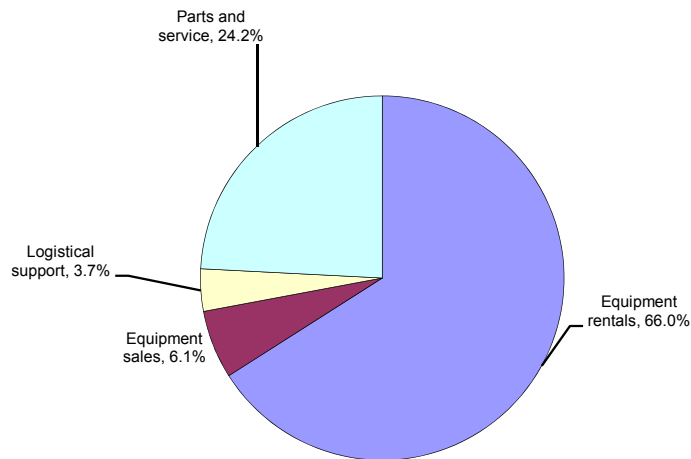
On February 15, 2008, WEQ Deerfoot Rentals LP completed the purchase of the assets of Deerfoot Equipment Rental Inc. The purchase price was \$13.2 million, after post-closing adjustments and excluding direct acquisition costs. The purchase price consisted of a combination of cash, debt financing under an existing credit facility and the issuance of 125,000 exchangeable units of WEQ Deerfoot Rentals LP convertible to Units on a one-for-one basis.

Deerfoot is a provider of rented heaters, generators, compact construction and general equipment rentals, sales and repairs to homebuilders and commercial builders, and has been operating in the Calgary, Alberta region since 1998. In 2005, Deerfoot became a Volvo Rents franchise location in Calgary, providing the business with access to strong operational support from the Volvo Rents franchise network, a proven template approach to opening new branch locations, and name brand recognition. In June 2008, Deerfoot officially opened another Volvo Rents franchise location in Lethbridge, Alberta.

Sources of Revenue

Deerfoot currently has four principal sources of revenue from its customers: (i) equipment rentals; (ii) equipment sales; (iii) logistical support; and (iv) parts and service. The following chart illustrates the revenue contribution of each source for the year ended December 31, 2008:

Deerfoot Revenue by Source for the Year Ended December 31, 2008



Suppliers

As a Volvo Rents franchisee, Deerfoot uses Volvo construction equipment for its compact construction fleet (skid steers, excavators, backhoes and compaction). Volvo equipment is well respected for its performance, safety and operator comfort. Deerfoot carries equipment from major North American manufacturers for rental and sale, including:

Manufacturer	Description
Volvo Rents	Since 2001, Volvo Rents has been building a worldwide system of franchised rental businesses providing small-to-medium sized construction equipment and an extensive inventory of tools for virtually every need in the commercial, industrial and consumer/homeowner marketplace. The equipment available for Volvo Rents franchisees includes construction equipment products manufactured by Volvo including compact wheel loaders, excavators, backhoes, skid steer loaders and compaction equipment.
L. B. White	L. B. White Company is one of the world's leading manufacturers of heating equipment for over 50 years, delivering a full line of quality forced air, radiant and spot heating solutions for agriculture, construction, hospitality and greenhouse environments.
Sure Flame	Based in Alberta, Sure Flame Products is a well-known leader in the construction heater industry in western Canada. The product line includes propane and natural gas construction heaters, hand-held propane torches, and fans.
Multiquip	Multiquip Inc. is a world leader in manufacturing and distribution of light- and medium-sized equipment lines for construction professionals around the globe. Its extensive product line includes rammers, rollers, plate compactors and other compaction equipment, portable lighting, concrete and masonry pumping, cutting, placing and finishing equipment, dewatering pumps, generators and welders.

Customers

Deerfoot is a significant supplier of rental equipment to the homebuilding industry in Calgary, doing business with over 80 homebuilders. Throughout this economic downturn, Deerfoot is focussed on (i) maintaining market share with homebuilders; and (ii) achieving high fleet utilization and gain market share with medium sized contractors and non-residential builders by offering competitive pricing while maintaining high service levels. Deerfoot is also focussing on selected niches: small aerial, diesel generators, and construction heat to medium and large construction companies. Deerfoot's customer base is sufficiently diverse that the loss of a single customer would not significantly impact the business. No single customer accounts for more than 7% of revenues. Deerfoot also provides equipment to industrial and landscaping customers. Deerfoot maintains a website to showcase its products and services (www.deerfoot.ca).

Strengths of Deerfoot

- *Superior Name and Reputation* – As a Volvo Rents franchisee, Deerfoot has name recognition and reputation for a focus on safety, reliability and expertise and superior customer support. In addition, WesternOne Equity can leverage this relationship to set up future franchise operations in other parts of western Canada, as evidenced in the opening of our Lethbridge location in June 2008.
- *Accretive Growth to Yield Stable Year-round Cash Flow* – Deerfoot is a leading provider of construction – related heaters in the Calgary region. This contributes a stable revenue stream as well as operating cash flows to WesternOne Equity during the winter months, and thus complements the slower winter rental activities in WesternOne Equity's other equipment rental and service businesses under the British Columbia Platform.
- *Ability to Leverage Other Products to Facilitate Growth* – The market share maintained by Deerfoot enables us to leverage product offerings from WesternOne Equity's other businesses, specifically, fuel wholesale and distribution from Davis SureFire (see "Overview of WEQ Heat & Propane LP" below) to generate additional revenue without significant capital outlays.

Management

Deerfoot has a strong and experienced management team which has remained with the business subsequent to the acquisition. As with WesternOne Equity's other platform businesses, the relationships with customers that management has fostered and developed over the course of their careers with Deerfoot offer a significant competitive advantage that cannot be readily duplicated.

Geoff Shorten, Deerfoot's President since 2003, has experience in creating, developing and marketing new businesses. Mr. Shorten has worked with many companies by helping them to successfully design products, create business plans, raise funds and bring their products to market.

Nicholas Ehizojie, CGA, Controller, joined Deerfoot in April 2008. Mr. Ehizojie is responsible for the finance and administrative functions and information technology of all member businesses within WesternOne Equity's Alberta Platform.

Employees

Deerfoot currently has 23 full-time employees, excluding senior management. The number of employees by function is as follows:

Sales	6
Parts and Service	7
Logistical Support	5
Office/Administration	5

Deerfoot provides a comprehensive benefit plan for its employees including an RRSP plan with matching contributions from WEQ Deerfoot Rentals LP, supplemental health care, life insurance, dental, and short-term disability coverage. None of the employees are unionized.

Facilities

Deerfoot operates in a 11,500 sq ft leased facility which is situated on a 1.5 acre property in southwest Calgary. This new building is purpose-designed as a state of the art equipment rental facility, with indoor washbays, covered loading areas, two story display space and full maintenance facilities. A unique feature is the covered loading areas, providing protection from rain and snow, as well as providing a large south west facing balcony area which will be used for customer events. The lease on this property is for 15 years with two five-year renewal options. Deerfoot's branch in Lethbridge, officially opened in June 2008, operates in a 4,200 sq ft leased facility which is designed for equipment rental activities and has been enhanced to include a mobile wash-rack system. The lease on this property is for three years with one five-year renewal option.

Overview of WEQ Heat & Propane LP

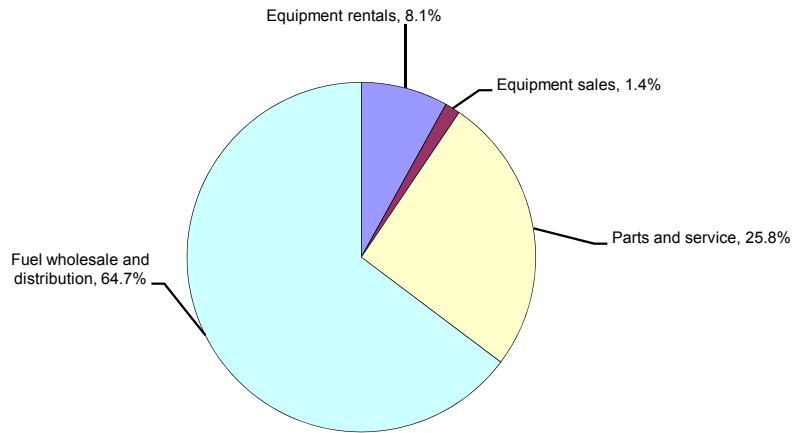
On October 1, 2008, WEQ Heat & Propane LP completed the purchase of the assets and the businesses of Sure-Fire Propane Ltd. and Davis Heater Service Ltd. The purchase price was \$23.0 million, after post-closing adjustments and excluding direct acquisition costs.

Davis SureFire is a market leader in the northern Alberta equipment rental, construction heat and propane distribution industry for over 30 years. The primary business activity consists of (i) rental and servicing of heater equipment; (ii) wholesale and distribution of propane and related accessories; and (iii) retail sale of propane and other fuels. Through this acquisition, WesternOne Equity increased its presence in northern Alberta's construction and infrastructure markets and further geographically and seasonally diversified WesternOne Equity's revenue streams.

Sources of Revenue

Davis SureFire currently has four principal sources of revenue from its customers: (i) equipment rentals; (ii) equipment sales; (iii) parts and service; and (iv) fuel wholesale and distribution. The following chart illustrates the revenue contribution of each source for the three months ended December 31, 2008, since WesternOne Equity's acquisition on October 1, 2008:

Davis SureFire Revenue by Source for the Three Months Ended December 31, 2008



Suppliers

Over its operating history Davis SureFire has developed strong relationships with its key suppliers. These relationships have been fostered through the consistency in Davis SureFire's purchasing requirements and the timeliness of its account payments. This network has allowed Davis SureFire to access equipment and fuels on shorter notice and introduce new items to the marketplace on a timely basis. Davis SureFire carries equipment from major North American manufacturers for rental and sale, and purchases fuels from major oil and gas companies, including:

Manufacturer/ Fuel Supplier	Description
Sure Flame	Based in Alberta, Sure Flame Products is a well-known leader in the construction heater industry in western Canada. The product line includes propane and natural gas construction heaters, hand-held propane torches and fans.
Maxfield Inc.	The products of Maxfield Inc. include propane equipment (storage bullets, vaporizer packages, dispenser packages, load-out facilities, pump packages, LPG baffle tanks and compressor packages), custom pressure vessels, compressed gas equipment and pressurized cargo tankers to transport propane and other liquid chemicals.
Imperial Oil	Imperial Oil (TSX: IMO) is one of the largest producers of crude oil and refiner and leading marketer of petroleum in Canada. Imperial Oil is a major provider of Canada's primary energy supply, with its operation of "Esso" retail outlets all over the country.
BP Canada Energy Resources	Operating as a Canadian subsidiary of BP p.l.c. (NYSE: BP), a global supplier of fuel for transportation, energy for heat and light, retail services, and petrochemical products. BP Canada Energy Resources is a major producer of natural gas and related products in Canada, and is an operator of pipelines, storage, terminals, fractionation, gathering and processing facilities.
Keyera Energy Partnership	Keyera Facilities Income Fund (TSX: KEY.UN) is a leading operator of natural gas gathering and processing, natural gas liquids and crude oil processing, transportation and storage, and marketer of propane, natural gas liquids and butane in Canada.

Customers

Davis SureFire is a leading supplier of heater equipment and wholesaler of fuels to the construction, infrastructure and industrial sectors. Through its fuel outlets under the trade name, "Propane Shack", Davis SureFire's customer base has expanded to the retail level. Davis SureFire's customer base is sufficiently diverse that the loss of a single customer would not significantly impact the business. No single customer accounts for more than 6% of revenues.

Strengths of Davis SureFire

- *Strong Reputation for Exceptional Customer Service* – Over 30 years, Davis SureFire has built a strong reputation for customer service and is a leading supplier of the construction and industrial heating market in the greater Edmonton area. Furthermore, Davis SureFire has compiled a significant list of long-standing clients including many of the largest construction and industrial contractors operating in the area. Due to an emphasis on service, customers of Davis SureFire are willing to pay a premium price over and above the high volume, low quality service of other equipment rental providers.
- *High Barrier for Entry for New Competitors* - While there are numerous market participants in the equipment rental business, including some large multinational corporations, only a small number of companies specialize in providing heater equipment and most of these competitors are small and restricted in their geographic reach. Management believes new competitors face a high barrier for entry due to the need for technical expertise and to a long-standing loyal customer base.
- *Potential to Leverage Existing Network of Product Offerings and Customer Base for Expansion* – Davis SureFire offers additional products and services to WesternOne Equity's existing platform businesses, further diversifying our product offerings and customer base. Through integration, our businesses in other geographical areas such as southern Alberta can benefit from the expanded product lines and customer base to facilitate growth in a cost effective manner.

- *Diversification of revenue stream and earnings* – The addition of Davis SureFire to the Alberta Platform further diversifies WesternOne Equity’s revenue and cash flow streams seasonally, thereby complementing the slower winter rental activity in WesternOne Equity’s other equipment rental and service businesses under the British Columbia Platform.

Management

Davis SureFire has a strong and experienced management team which has remained with the business subsequent to the acquisition. As with WesternOne Equity’s other platform businesses, the relationships with customers that management has fostered and developed over the course of their careers with Davis SureFire offer a significant competitive advantage that cannot be readily duplicated.

Gary Toronchuk, Davis SureFire’s General Manager since 1994, has diverse experience in operating the equipment rental and fuel wholesale and distribution businesses as he has been involved in a variety of sales, service and logistic positions within the company since 1978. As the General Manager, Mr. Toronchuk oversees all aspects of the day-to-day operations of the business, fosters strong customer and supplier relationships, and undertakes strategic planning necessary for the ongoing growth in the business.

Employees

Davis SureFire currently has 32 full-time employees, excluding senior management. The number of employees by function is as follows:

Sales	5
Parts and Service	3
Logistical Support	18
Office/Administration	6

None of the Davis SureFire’s employees are unionized.

Facilities

Davis SureFire currently uses five locations for its equipment rental and fuel wholesale and distribution businesses: four in Edmonton, Alberta and one in Calgary, Alberta. All locations are leased for five years with the term ending in 2013, with two five-year renewal options.

The main administrative building is 6,400 sq ft and is situated on 1.6 acres land in Edmonton. The building also includes an equipment service area. Davis SureFire also utilizes a storage lot for fuel tanks which is adjacent to the main building and measures 2.6 acres. The location has indoor facilities for heater equipment storage. Davis SureFire operates its fuel retail business at two locations in Edmonton. The location leased in Calgary is on 0.6 acres of land and is used for storage of delivery vehicles and fuel tanks and for its operation in that area.

FINANCING

Bank Loans

A single Canadian chartered bank (the “**Bank**”) has made an operating loan and capital loans available to WesternOne Equity.

The Bank has provided WesternOne Equity with a \$4.75 million operating loan on an interest only basis, which is payable upon demand. The operating loan is at the Bank’s prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured by 50% of inventory and 75% of acceptable accounts receivable (as defined in the operating loan agreement), minus priority claims.

The Bank has also approved capital and acquisition loans for WesternOne Equity up to \$37.3 million. The capital and acquisition loans are repayable on demand and unless and until demanded, in monthly instalments, with interest at the Bank's prime rate plus a range of 1.2% to 1.5% or the Bank's banker's acceptance rate plus a stamping fee with a range of 2.7% to 3.0%, secured by a general security agreement. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants specifying a minimum current ratio of 1.15 to 1.0 for the year ended December 31, 2008 and 1.25 to 1.0 for subsequent periods, a maximum funded debt to earnings (as defined in the credit facility agreement) ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, and a restriction on increasing distributions per Unit to Unitholders and future acquisitions without the prior written consent of the Bank. WesternOne Equity is also required to repay \$4.6 million of the outstanding acquisition loans by December 30, 2010.

On July 2, 2008, WesternOne Equity entered into an interest rate swap with the Bank. The swap has a three-year term, a notional value of \$9.3 million at the commencement of the swap, and a fixed rate of 4.08% plus a stamping fee of 3.0% as at December 31, 2008. WesternOne Equity has not applied hedge accounting to this swap, and as a result recorded a financial derivative liability of \$0.5 million at December 31, 2008. WesternOne Equity marks the value of this derivative to market every quarter, and any resulting gains/losses are recorded in net income.

Assuming that the contractual requirements of the capital loans are met, and the demand feature is not exercised by the Bank, the minimum repayments required are as follows:

2009	\$4,792,299
2010	8,519,014
2011	6,584,321
2012	4,236,610
2013	11,873,061

Floor Plan Financing

WesternOne Equity is provided an option by a financing company to finance certain items of its new equipment for resale under a wholesale line of credit, also known as floor plan financing.

WesternOne Equity's floor plan financing agreement provides financing by way of advances of up to 100% of the manufacturer's net invoice on the purchase of new equipment. Advances are necessary because equipment generally requires payment in advance of being shipped. The floor plan financing is available from the date of purchase until the time that the equipment is sold, up to 12 months, with a provision for extension at the lender's prime rate plus 2.00% per annum. The lender also assists WesternOne Equity in the sale of new equipment by providing certain customers with financing on new equipment purchases at competitive rates.

The floor plan financing is secured by a security interest over the financed assets. At December 31, 2008, \$0.4 million of the Business LPs' equipment for resale was financed under the floor plan financing agreement.

Leases and Equipment Financing

The Business LPs also entered into various operating and capital leases and equipment financing arrangements to help finance some of the rental equipment and operating assets. The annual minimum repayments as at December 31, 2008 are as follows:

	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Equipment Financing</u>	<u>Total</u>
2009.....	\$632,816	\$169,483	\$92,031	\$894,330
2010.....	542,761	84,775	67,896	695,432
2011.....	343,502	—	27,864	371,366
2012.....	208,575	—	—	208,575
2013.....	76,113	—	—	76,113

CAPITAL STRUCTURE

The following table sets out the consolidated capitalization of WesternOne Equity as at the date of this AIF:

<u>Security</u>	<u>Authorized</u>	<u>Number Issued⁽²⁾</u>
Units	Unlimited	13,775,524
Special Voting Units	Unlimited	—
Series A Debentures	Unlimited	97,019
Exchangeable Units ⁽¹⁾	Unlimited	125,000

⁽¹⁾ Issued by a subsidiary indirectly controlled by WesternOne Equity on February 15, 2008, in connection with the acquisition of the assets and the business of Deerfoot Equipment Rental Inc. The exchangeable units have no voting rights but have economic rights equivalent to Units, and are exchangeable to the Units on a one-for-one basis.

⁽²⁾ As of the date of this AIF, WesternOne Equity has raised total gross proceeds of \$43,562,653 of Units and \$9,701,000 of Series A Debentures (excluding offering costs).

Units

WesternOne Equity is authorized to issue an unlimited number of Trust Units of one class designated as the Units, each of which represents a Unitholder's proportionate undivided beneficial interest in WesternOne Equity. See "WesternOne Equity Income Fund – Units".

Special Voting Units

WesternOne Equity is authorized to issue an unlimited number of Special Voting Units in connection with or in relation to securities that are, directly or indirectly, exchangeable for Units, in each case for the sole purpose of providing voting rights at WesternOne Equity level to the holders of such securities. See "WesternOne Equity Income Fund – Units".

Series A Debentures

The following is a brief summary of certain attributes and characteristics of the Series A Debentures and certain principal provisions which have been incorporated into the Series A Trust Indenture. The following does not purport to be complete and for full particulars, reference should be made to the Series A Trust Indenture.

General

The aggregate principal amount of Series A Debentures were issued under and secured by the Series A Trust Indenture entered into among WesternOne Equity and the Indenture Trustee. The Series A Debentures were issued at an issue price of \$100. The fees of the Indenture Trustee for the administration of the Series A Trust Indentures are paid by WesternOne Equity. The Series A Debentures are available in fully registered form only and

in minimum denominations of \$100 (and integral multiples of \$100 thereafter). The following terms are subject in their entirety to the terms and conditions of the Senior Security.

Computershare Trust Company of Canada serves as the Indenture Trustee with respect to the Series A Debentures. It also serves as the Trustee under the Trust Note Indenture. In the event that Trust Notes are issued by the Trust, Computershare Trust Company of Canada may be in a position of conflict with respect to its duties as the Trustee under the Trust Note Indenture and as the Indenture Trustee.

Covenant

The Series A Debentures are a direct obligation of WesternOne Equity and WesternOne Equity covenants to pay principal and interest thereon when due.

Realization

The Indenture Trustee is required to realize against the assets charged by the Series A Trust Indenture (the “**Trust Assets**”) upon any prescribed default of WesternOne Equity in accordance with the terms of the Series A Trust Indenture.

Interest

The Series A Debentures bear interest from the date of Closing at the rate of 9% per annum calculated semi-annually, not in advance. Interest on the Series A Debentures is payable semi-annually.

Term

The Series A Debentures are dated the date of issue and will mature on the fifth anniversary of Closing.

Forced Conversion at Maturity at Fund’s Option

At maturity, WesternOne Equity is required to repay the outstanding principal amount of the Series A Debentures along with any accrued or unpaid interest, or at WesternOne Equity’s sole option upon providing not less than 30 days’ notice and not more than 60 days’ notice, the Series A Debentures will be converted into such number of Units as is determined by dividing the principal amount of Series A Debentures plus accrued and unpaid interest by the value of Units obtained by calculating 95% of the weighted average trading price of the Units during the prior 20 consecutive days that the Units traded on the Exchange or TSX.

Security

The Series A Debentures are secured, subject only to Senior Security and permitted encumbrances and to the reservation of the last day of the term of any lease, under the Series A Trust Indenture, by a floating charge to and in favour of the Indenture Trustee the undertaking and all the property and assets of WesternOne Equity.

The Series A Debentures rank senior to the Units, pari passu in all respects with any other Series A Debentures issued from time to time and are subordinate only to Senior Security.

Sale

The Series A Trust Indenture contains provisions whereby WesternOne Equity is permitted to sell, transfer or assign in the ordinary course of business assets owned by it or any part or parts thereof or an interest therein without any consent or approval of the holders of Series A Debentures or the Indenture Trustee.

Defeasance

The Series A Trust Indenture contains provisions stipulating that if WesternOne Equity (i) pays the holders of Series A Debentures the principal and interest on the Series A Debentures and all other sums payable by WesternOne Equity under the Series A Trust Indenture; (ii) keeps, performs and observes its covenants in the Series A Debentures and in the Series A Trust Indenture; and (iii) requests in writing that its covenants and the security interest created by the Series A Trust Indenture become null and void; then the covenants of WesternOne Equity and the security interest will cease and become null and void, and the assets will revert to WesternOne Equity without the necessity of any release, acquittance, reconveyance, re-entry or other act or formality whatsoever.

Conversion

The Series A Trust Indenture contains provisions whereby the holders of Series A Debentures are permitted to convert all or any part of the principal of, and accrued interest on, the Series A Debentures held by them into Units at the conversion price of \$4.20 per Unit at any time prior to the maturity of the Series A 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. In order to convert the Series A Debentures, a holder of Series A Debentures must present the Series A Debentures for conversion to the Indenture Trustee in accordance with the terms of the Series A Debentures.

Redemption

WesternOne Equity may not redeem the Series A Debentures at any time before the date that is two years and a day following the issue date. At any time after the second anniversary of the issue date of the Series A Debentures, on not more than 60 days' notice and not less than 30 days' notice, WesternOne Equity may redeem the Series A Debentures at a price equal to the principal amount thereof plus accrued and unpaid interest up to but excluding the date of redemption, provided that the current market price (defined as "the weighted average trading price of the Units on the Exchange for the 20 consecutive trading days ending on the fifth trading day preceding such date") of the Units on the day preceding the date on which notice of redemption is given is at least 125% of the conversion price.

Non-Resident Ownership Restrictions

No Units will be issued pursuant to the conversion of all or part of the Series A Debentures and no Series A Debentures will be issued if any such issuance of Units or Series A 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 Series A Debentures are resident. If WesternOne Equity 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, WesternOne Equity may make a public announcement thereof and will notify the Indenture Trustee in writing and the Indenture Trustee will not accept a subscription for Series A Debentures from or issue or register a transfer of Series A 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, WesternOne Equity may send a notice to non-resident holder of Series A Debentures, chosen in inverse order to the order of acquisition or registration or in such a manner as WesternOne Equity may consider equitable and practicable, requiring them to sell their Series A Debentures or a portion thereof within a specified period of not more than 60 days. If the holders of Series A Debentures receiving such notice have not sold the specified number of Series A Debentures or provided WesternOne Equity with satisfactory evidence that they are not non-residents and do not hold their Series A Debentures for the benefit of non-residents within such period, WesternOne Equity may sell such Series A Debentures on behalf of such holders of Series A Debentures to a person or persons that are not non-residents and, in the interim, all rights attaching to such Series A Debentures (including any right to receive payments of interest) will be immediately suspended and the rights of any such holders of Series A Debentures in respect of such Series A Debentures will be limited to receiving the net proceeds of sale (net of any withholding tax).

Certain Covenants of WesternOne Equity

Among other things, WesternOne Equity covenants in the Series A Trust Indenture substantially to the effect that, so long as any of the Series A Debentures remain outstanding:

- (a) WesternOne Equity 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 WesternOne Equity as the Indenture Trustee may reasonably require for the performance of its duties thereunder;
- (b) WesternOne Equity 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 the rate of 2% per month from 30 days after the date of the invoice from the Indenture Trustee to WesternOne Equity 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 Series A 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 Series A Trust Indenture will be in the course of administration by or under the direction of the court;
- (c) WesternOne Equity will not, without the prior approval of the holders of Series A 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 WesternOne Equity, at any time when WesternOne Equity is in arrears of payment of any principal or interest outstanding on the Series A Debentures;
- (d) WesternOne Equity will furnish to the Indenture Trustee sufficient copies of all interim reports to Unitholders, annual reports, financial statements, and the report, if any, of WesternOne Equity's auditors thereon, which are furnished to the holders of Units to enable the Indenture Trustee to forward to all holders of Series A Debentures (at WesternOne Equity's expense) a copy of such documents;
- (e) In order to prevent any accumulation after maturity of unpaid interest, WesternOne Equity will not directly or indirectly extend or assent to the extension of time for payment of any interest upon any Series A 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 Series A Debentures or in any other manner;
- (f) WesternOne Equity 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 WesternOne Equity's assets;
- (g) WesternOne Equity will observe and comply in all respects with all governing laws and other requirements relating to the assets (including without limitation, applicable statutes, regulations, orders and restrictions relating to environmental standards or controls or to energy regulations);
- (h) WesternOne Equity will ensure that all covenants, conditions, stipulations and provisos contained in the Series A Trust Indenture and the Series A Debentures are duly performed;
- (i) WesternOne Equity will maintain or cause to be maintained (to the extent that the nature of its interest permits) the assets in good standing, free and clear of any liens, charges and encumbrances that rank or are capable of ranking prior to or pari passu with the charges created by the Series A Trust Indenture, other than Senior Security and permitted encumbrances;

- (j) WesternOne Equity will promptly notify the holders of Series A Debentures of any material adverse change in its investments;
- (k) WesternOne Equity 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;
- (l) WesternOne Equity will cause all necessary and proper steps to be taken diligently to protect and defend the 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;
- (m) WesternOne Equity will maintain with financially sound and reputable insurers, insurance with respect to the 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
- (n) WesternOne Equity will use its best efforts to maintain the listing of the Units and Series A Debentures on the Exchange and any other stock exchanges upon which they may become listed.

Events of Default

The Series A Trust Indenture provides that the security for the Series A Debentures will become enforceable upon, among other things, the occurrence of any of the following events (each an “**Event of Default**”):

- (a) if WesternOne Equity makes default in payment of the principal on any Series A Debenture when the same becomes due and payable under any provision thereof or of the Series A Debentures;
- (b) if WesternOne Equity makes default in payment of any interest due on any Series A 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 WesternOne Equity 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 WesternOne Equity, or appointing a receiver or receiver-manager of any substantial part of the property of WesternOne Equity or ordering the winding-up or liquidation of its affairs;
- (d) if a resolution is passed for the winding-up or liquidation of WesternOne Equity except in the course of carrying out or pursuant to a transaction with respect to which the conditions of the Series A Trust Indenture with respect to successor entities are duly observed and performed, or if WesternOne Equity 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 WesternOne Equity, or WesternOne Equity 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 WesternOne Equity 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 WesternOne Equity will neglect to observe or perform any other covenant or condition contained in the Series A Trust Indenture on its part to be observed or performed and, after a notice in writing has been given by the Indenture Trustee to WesternOne Equity specifying such default and requiring WesternOne Equity to rectify the same (which said notice may be given by the Indenture Trustee upon receipt of a request from a holder of Series A Debentures as contemplated by the Series A Trust Indenture), WesternOne Equity will fail to make good such default within a period of 30 days, unless the Indenture Trustee (having regard to the subject matter of the default) will have 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 Series A 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 Series A 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 therefore, 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 Series A 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.

WESTERNONE EQUITY INCOME FUND

General

WesternOne Equity is an unincorporated, open-ended trust governed by the laws of the Province of British Columbia and the Fund Declaration of Trust. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Fund Declaration of Trust, which summary does not purport to be complete. Reference should be made to the Fund Declaration of Trust for a complete description of the Units and the full text of its provisions. See "Material Contracts".

Activities of WesternOne Equity

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

- (a) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of any person, including securities of the Trust, WesternOne Equity LP, WesternOne Equity GP or any of their respective subsidiaries, and such other investments as the Trustees determine;

- (b) temporarily holding cash in interest-bearing accounts, short term government debt or short term investment grade corporate debt or money market mutual funds for the purposes of paying the expenses and liabilities of WesternOne Equity, paying amounts payable by WesternOne Equity in connection with the redemption of any Voting Units or other securities of WesternOne Equity, and making distributions to Unitholders;
- (c) issuing Units and other securities of WesternOne Equity (including securities convertible into or exchangeable for Units or other securities of WesternOne Equity, or warrants, options or other rights to acquire Units or other securities of WesternOne Equity) as described in Section 3.3 of the Fund Declaration of Trust, for the purposes of: (i) obtaining funds to conduct the activities of WesternOne Equity, including raising funds for acquisitions and development; (ii) satisfying any non-cash distribution; or (iii) implementing any distribution reinvestment plans, incentive option plans or other compensation plans, if any, established by WesternOne Equity, the Trust, WesternOne Equity GP, WesternOne Equity LP, or their respective subsidiaries;
- (d) issuing debt securities (including debt securities convertible into, or exchangeable for, Units or other securities of WesternOne Equity) or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security;
- (e) guaranteeing the payment of any indebtedness, liability or obligation of the Trust, WesternOne Equity LP, WesternOne Equity GP or any other subsidiary or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the assets of WesternOne Equity as security for such guarantee, and subordinating its rights under the Trust Notes to other indebtedness;
- (f) disposing of all or any part of the assets of WesternOne Equity;
- (g) issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by WesternOne Equity;
- (h) repurchasing securities issued by WesternOne Equity, including Units and Special Voting Units, for cancellation subject to the provisions of the Fund Declaration of Trust and applicable laws;
- (i) satisfying the obligations, liabilities or indebtedness of WesternOne Equity;
- (j) retaining the services of WesternOne Equity LP or any other person to perform certain of the Trustees' functions and responsibilities;
- (k) entering into and performing its obligations under the Investment Agreement, Administration Agreement and such other agreements as are contemplated by the Prospectus, the Initial Public Offering or are ancillary thereto; and
- (l) undertaking all other usual and customary actions for the conduct of the activities of WesternOne Equity in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Fund Declaration of Trust,

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

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

Units

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

An unlimited number of Special Voting Units may also be issued pursuant to the Fund Declaration of Trust. Special Voting Units may be issued in series and will only be issued in connection with or in relation to securities that are, directly or indirectly, exchangeable for Units, in each case for the sole purpose of providing voting rights at WesternOne Equity level to the holders of such securities. Such securities may be issued, for example, should WesternOne Equity acquire a business where the selling owner seeks to retain an indirect interest in the business for a period of time, subject to conversion of that ownership interest into Units at a later time. The Special Voting Units will not be entitled to any beneficial interest in any distribution from WesternOne Equity whether of net income, net realized capital gains or other realized amounts or in the net assets of WesternOne Equity in the event of a termination or winding up of WesternOne Equity. WesternOne Equity will redeem Special Voting Units at the option of the holder at any time for no consideration.

No certificates will be issued for fractional Units and fractional Units will not entitle the holders thereof to vote.

Issuance and Transfer of Units

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

Except as set out in this paragraph, Units may be transferred by the holder without restriction by WesternOne Equity. The Trustees may refuse to allow the issue or register the transfer of any Units, where such issuance or transfer would, in their opinion, adversely affect the treatment of WesternOne Equity or the entities in which it directly or indirectly invests under applicable Canadian tax legislation or their qualification to carry on any relevant business. See “WesternOne Equity Income Fund — Limitation on Non-Resident Ownership”.

Trustees

WesternOne Equity will have a minimum of three Trustees and a maximum of ten Trustees, the majority of whom must be residents of Canada (within the meaning of the Tax Act). The nominees for election as Trustees will be determined by the nominating and governance committee of WesternOne Equity.

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

- supervising the activities and managing the investments and affairs of WesternOne Equity;
- acting for, voting on behalf of and representing WesternOne Equity as a holder of Trust Units and Trust Notes, the shares of WesternOne Equity GP and other securities held by WesternOne Equity;
- maintaining records and providing reports to Unitholders;
- effecting payments of cash available for distribution from WesternOne Equity to Unitholders;
- using reasonable commercial efforts to ensure that WesternOne Equity qualifies at all times as a “mutual fund trust” under the Tax Act; and
- voting in favour of WesternOne Equity nominees to serve as directors of WesternOne Equity GP.

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

Any Trustee may resign upon ten days’ written notice to WesternOne Equity, and a Trustee appointed by the Voting Unitholders may be removed by an Ordinary Resolution and the vacancy created by the removal or resignation must be filled at the same meeting, failing which it may be filled by the affirmative vote of a quorum of the Trustees.

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

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

Distributions

WesternOne Equity intends to continue to make monthly distributions of a substantial portion of its available cash to Unitholders. The amount of WesternOne Equity’s cash available for distribution will be equal to the distributions on or in respect of Trust Units owned by WesternOne Equity less: (i) administrative expenses and other obligations of WesternOne Equity; (ii) amounts that may be paid by WesternOne Equity in connection with

any cash redemptions or repurchases of Units; (iii) interest arising from WesternOne Equity's debt service obligations on indebtedness, if any; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of WesternOne Equity, that have been or are reasonably expected to be incurred in the activities and operations of WesternOne Equity (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the cash available for distribution of WesternOne Equity).

WesternOne Equity may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of WesternOne Equity for such year as is necessary to ensure that WesternOne Equity will not be liable for ordinary income taxes under the Tax Act in such year.

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

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

WesternOne Equity's policy is to make monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions will be paid on or about the 15th day following the end of each month. See "Distributions — Distribution Policy".

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

Redemption at the Option of Unitholders

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

- (a) 90% of the "market price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "**Redemption Date**"); and
- (b) 100% of the "closing market price" on the Redemption Date.

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

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;
- (b) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (c) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking prices of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

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

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;
- (b) an amount equal to the closing price of a Unit on the principal market or exchange, if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;
- (c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or
- (d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

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

- (a) the total amount payable by WesternOne Equity in respect of those Units and all other Units tendered for redemption in the same calendar month will not exceed \$50,000 (the “**Monthly Limit**”), provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;
- (b) at the time the Units are tendered for redemption, the outstanding Units will be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and
- (c) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten day trading period ending on the Redemption Date.

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

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

Repurchase of Units

WesternOne Equity will be allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Meetings of Voting Unitholders

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

- the election or removal of Trustees;
- the appointment or removal of the auditors of WesternOne Equity;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of WesternOne Equity;
- the approval of amendments to the Fund Declaration of Trust (but only in the manner described below under “WesternOne Equity Income Fund — Amendments to the Fund Declaration of Trust”);
- the termination of WesternOne Equity;
- the sale of all or substantially all of the assets of WesternOne Equity;

- the exercise of certain voting rights attached to the securities of the Trust, WesternOne Equity LP and WesternOne Equity GP held by WesternOne Equity or any of their respective subsidiaries that are directly or indirectly owned or controlled subsidiaries of WesternOne Equity LP, WesternOne Equity GP or the Trust (see “WesternOne Equity Income Fund — Exercise of Certain Voting Rights Attached to Securities of the Trust, WesternOne Equity GP and WesternOne Equity LP”);
- the ratification of any Unitholder rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, incentive Unit option plan or other Unit compensation plans contemplated by the Fund Declaration of Trust requiring Voting Unitholder approval;
- the dissolution of WesternOne Equity prior to the end of its term; and
- any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Voting Unitholders for their approval,

provided that the Voting Unitholders will not pass any resolution that would cause WesternOne Equity, the Trust, WesternOne Equity GP, WesternOne Equity LP or their respective subsidiaries to breach the terms of the Partnership Agreement or that would result in WesternOne Equity not being considered a “mutual fund trust” for purposes of the Tax Act.

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

A resolution removing nominees of WesternOne Equity to serve as Trustees or with respect to the exercise of certain voting rights attached to the securities of the Trust, WesternOne Equity GP, WesternOne Equity LP or any of their respective subsidiaries that are directly or indirectly owned or controlled by WesternOne Equity, a resolution required by securities law, stock exchange rules or other laws or regulations requiring a simple majority of Voting Unitholders, and a resolution removing Trustees appointed by the Voting Unitholders, or removing the auditors of WesternOne Equity, must be passed by an Ordinary Resolution. The balance of the foregoing matters must be passed by a Special Resolution.

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

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a person appointed as a proxy for a Voting Unitholder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in total at least 10% of the votes attached to all outstanding Voting Units will constitute a quorum for the transaction of business at all meetings.

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

Limitation on Non-Resident Ownership

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

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

Amendments to the Fund Declaration of Trust

The Fund Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Voting Unitholders by a Special Resolution.

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

- (a) which are required for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over WesternOne Equity, including ensuring that WesternOne Equity continues to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (b) which provide additional protection or added benefits for the Voting Unitholders;
- (c) to remove any conflicts or inconsistencies in the Fund Declaration of Trust or to make minor corrections which are necessary or desirable and not prejudicial to the Voting Unitholders; and
- (d) which are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over WesternOne Equity.

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

Term of WesternOne Equity

WesternOne Equity has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on June 14, 2006. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of WesternOne Equity, the Trustees are obligated to commence to wind-up the affairs of WesternOne Equity so that it will terminate, on the expiration of the term. At any time prior to the expiry of the term of WesternOne Equity, the Voting Unitholders may by Special Resolution require the Trustees to commence the termination, liquidation or winding-up of the affairs of WesternOne Equity.

The Fund Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of WesternOne Equity, the Trustees will give notice thereof to the Voting Unitholders, which notice will designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees will proceed to wind-up the affairs of WesternOne Equity as soon as may be reasonably practicable and for such purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting

Unitholders, sell and convert into money Trust Units and all other assets comprising WesternOne Equity in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate WesternOne Equity. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of WesternOne Equity and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining proceeds of the sale of the Trust Units and other assets together with any cash forming part of the assets of WesternOne Equity among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Trust Units or other assets which comprise part of WesternOne Equity by the date set for termination, the Trustees may distribute the remaining Trust Units or other assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

Take-over Bids

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

The Partnership Agreement provides that if a non-exempt take-over bid from a person acting at arm's length to holders of LP Units (or any associate or affiliate thereof) is made for the Units and a contemporaneous identical offer is not made for LP Units held by persons other than WesternOne Equity (in terms of price, timing, proportion of securities sought to be acquired and conditions, provided that the offer for LP Units may be conditional on Units being taken up and paid for under the take-over bid), then, provided that: (i) not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid from and after the date of first take-up of Units under the said take-over bid in excess of the foregoing threshold; and (ii) the take-over bid is not for any and all Units tendered or is not structured such that holders of LP Units can exchange into Units conditional on take-up, LP Units held by persons other than WesternOne Equity will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of LP Units will receive 1.1 Units for each Unit that the holder would otherwise have received. The distribution rights attaching to LP Units will also not be adjusted until the exchange right is actually exercised.

Exercise of Certain Voting Rights Attached to Securities of the Trust, WesternOne Equity GP and WesternOne Equity LP

The Fund Declaration of Trust provides that the Trustees must not, without the approval of the Voting Unitholders by a Special Resolution, vote any securities of any subsidiary, including the Trust or WesternOne Equity GP held by the Trust, nor permit any subsidiary, including the Trust to vote any securities of any subsidiary, including WesternOne Equity LP to authorize:

- any sale, lease or other disposition of all or substantially all of the direct or indirect assets of any subsidiary, including the Trust, WesternOne Equity GP, WesternOne Equity LP except (i) in conjunction with an internal reorganization or, (ii) pursuant to a good faith charge, pledge, mortgage, lien, security interest or other encumbrance granted by any of them over their respective property in the ordinary course of their respective business, or (iii) any charge, pledge, mortgage, lien, security interest or other encumbrance, granted by the Trust over any of the Trust Assets as contemplated by the Fund Declaration of Trust pursuant to any guarantee or as financial assistance in respect of any obligation of any of them;
- any amalgamation, arrangement, merger or capital reorganization of any subsidiary, including the Trust, WesternOne Equity GP, WesternOne Equity LP or any other affiliate of the Trust with any other entity, except in conjunction with an internal reorganization;

- the winding-up or dissolution of any subsidiary, including the Trust, WesternOne Equity GP, WesternOne Equity LP, or any other affiliate of the Trust prior to the end of the term of the Trust, except in conjunction with an internal reorganization;
- any material amendment to the Trust Note Indenture other than in contemplation of a further issue of Trust Notes or in conjunction with an internal reorganization; or
- any material amendment to the constating documents of the Trust, WesternOne Equity GP, WesternOne Equity LP or any other affiliate of the Trust to change the authorized Units, share capital or partnership interests, as applicable, in any manner that may be prejudicial to the Trust or the Unitholders.

Information and Reports

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

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

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

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

- to the extent WesternOne Equity does not do so, issue a press release and deliver to WesternOne Equity for filing a material change report in respect of any material change in WesternOne Equity LP's affairs;
- provide to WesternOne Equity the information that would be required to be included in an annual information form or any other report or document required to be filed with the securities regulatory authorities as if WesternOne Equity LP was a reporting issuer in each of the provinces of Canada; and
- to the extent that WesternOne Equity does not prepare financial statements including WesternOne Equity LP's results of operations, deliver to WesternOne Equity quarterly unaudited and annual audited financial statements for filing with the securities regulatory authorities in those provinces of Canada where WesternOne Equity is a reporting issuer and delivery to WesternOne Equity's registered and beneficial Unitholders in accordance with applicable securities laws.

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

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

The Trustees, the Trust's Trustees, the directors and senior officers of subsidiaries of WesternOne Equity are required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Units, and LP Units.

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

- treat WesternOne Equity LP as a subsidiary of WesternOne Equity; however, if GAAP prohibits the consolidation of financial information of WesternOne Equity LP and WesternOne Equity, for as long as WesternOne Equity LP and any of its significant business interests represent significant assets of WesternOne Equity, WesternOne Equity will provide Unitholders with separate consolidated financial statements for WesternOne Equity LP and its significant business interests;
- take appropriate measures to require each person who would be an insider of WesternOne Equity LP or WesternOne Equity GP if WesternOne Equity LP or WesternOne Equity GP, as the case may be, were a reporting issuer to (a) file insider reports about trades in Units (including securities which are exchangeable for Units), and (b) comply with statutory prohibitions against insider trading; and
- annually certify that it has complied with this undertaking, and file this certification on the System for Electronic Document Analysis and Retrieval (SEDAR) concurrently with the filing of its annual financial statements.

Book-Entry Only System

Book-Entry Form Depository Service

Except as otherwise provided in this AIF, the Units and the Series A Debentures are issued in "book-entry only" form and must be purchased or transferred through participants ("**Participants**") in the depository service of CDS, which include securities brokers and dealers, banks and trust companies. Except as otherwise provided in this AIF, no Unitholder or holder of Series A Debentures is entitled to a certificate or other instrument from WesternOne Equity or CDS evidencing ownership, and no Unitholder or holder of Series A Debentures is shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Holders will receive a customer confirmation of purchase from the registered dealer from which the Units or Series A Debentures purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Units or Series A Debentures.

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

Transfer of Units

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

Payments of Distributions and Interest

Payments of distributions on each Unit or interest on the Series A Debentures will be made by WesternOne Equity to CDS or its nominee, as the case may be, as the registered owner of the Units and Series A Debentures and WesternOne Equity understands that such payments will be forwarded by CDS or its nominee, as the case may be, to Participants. As long as CDS or its nominee is the registered owner of the Units and the Series A Debentures, CDS or its nominee, as the case may be, will be considered the sole owner of the Units and the Series A Debentures for the purpose of making payment of any distribution or interest in respect of the Units and Series A Debentures to CDS or its nominee.

Ability to Pledge Units and Series A Debentures

The ability to pledge a Unit or Series A Debenture or otherwise take action with respect to such interest (other than through a Participant) may be limited due to the lack of a physical certificate.

Conflicts of Interest Restrictions and Provisions

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

Rights of Unitholders

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

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

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or

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

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

Financial Year End

The fiscal year end of WesternOne Equity is December 31.

Administration of WesternOne Equity and the Trust

WesternOne Equity LP acts as the administrator of WesternOne Equity and the Trust pursuant to the terms of the Administration Agreement.

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

The Administration Agreement has an initial term of ten years and will automatically renew for successive five year terms unless terminated by any of the parties at least 12 months prior to the expiry of the initial or any renewal term. The Administration Agreement may be terminated by any of the parties in the event of the insolvency or receivership of another party or may be terminated by any of the parties in the event of the insolvency or receivership of another party or in the case of default by one of the other parties in the performance of a material obligation under the Administration Agreement, as the case may be, (other than as a result of the occurrence of a force majeure event) which is not remedied within 30 days after written notice thereof has been delivered.

Under the Administration Agreement, WesternOne Equity and the Trust bear their own administration costs and expenses and reimburse WesternOne Equity LP for all costs and expenses incurred by WesternOne Equity LP relating to the management, administrative and support services provided to WesternOne Equity and the Trust, respectively. No fees are charged by WesternOne Equity LP in providing these services.

WESTERNOE EQUITY OPERATING TRUST

The Trust Declaration of Trust contains provisions substantially similar to those of the Fund Declaration of Trust. The principal differences between the Trust Declaration of Trust and the Fund Declaration of Trust are those described below. The description below is a summary only and is qualified in its entirety by reference to the full text of the Trust Declaration of Trust and the Fund Declaration of Trust. See “Material Contracts”.

General

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

Trustees

Under the Fund Declaration of Trust, each Trustee also serves as one of the Trust’s Trustees. See “WesternOne Equity Income Fund — Trustees”.

Restrictions on Trust’s Trustees Powers

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

- (a) take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require a resolution passed by a majority of the votes cast at a meeting of the holders of Trust Units had the Trust been a reporting issuer (or the equivalent) in the jurisdictions in which WesternOne Equity is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading; and
- (b) subject to certain exceptions, appoint or change the auditors of the Trust.

Furthermore, the Trust Declaration of Trust provides that the Trust’s Trustees may not, without a resolution passed by at least 66²/₃% of the votes cast at a meeting of the holders of Trust Units:

- (a) take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require a resolution passed by at least 66²/₃% of the votes cast at a meeting of the holders of Trust Units had the Trust been a reporting issuer (or the equivalent) in the jurisdictions in which WesternOne Equity is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading;
- (b) amend the Trust Declaration of Trust except in certain limited circumstances similar to those under which the Fund Declaration of Trust may be amended without consent of Voting Unitholders;
- (c) amend the Trust Note Indenture other than in contemplation of a further issuance of Trust Notes;
- (d) sell, lease or exchange all or substantially all of the property of the Trust other than in the ordinary course of business or in connection with an internal reorganization;
- (e) authorize the termination, liquidation or winding-up of the Trust, other than at the end of the term of the Trust; or

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

Redemption Right

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

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

Where:

- (i) A is the cash Redemption Price per Unit calculated as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units;
- (ii) B is the aggregate number of Units outstanding as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units;
- (iii) C is the aggregate of any indebtedness held by or owed to WesternOne Equity and the fair market value of any other assets or investments held by WesternOne Equity (other than Trust Units) as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units;
- (iv) D is the aggregate unpaid liabilities of WesternOne Equity (prior to the redemption of Units on such date) as at the close of business on the date the Trust Units were so tendered for redemption; and
- (v) E is the aggregate number of Trust Units outstanding held by WesternOne Equity as of the close of business on the date Trust Units were so tendered for redemption by a holder of Trust Units.

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

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

Distributions

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

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

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

Any income of the Trust which is unavailable for cash distribution will, to the extent necessary to ensure that the Trust does not have any income tax liability under Part I of the Tax Act, be distributed to the holders of Trust Units in the form of additional Trust Units. The value of each Trust Unit so issued will be equal to the Redemption Price thereof. The Trust Declaration of Trust provides that immediately after any pro rata distribution of Trust Units in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each holder of Trust Units will hold after consolidation the same number of Trust Units as the holder held before the non-cash distribution.

Trust Notes

The following is a summary of the material attributes and characteristics of Trust Notes, which may be issued by the Trust under the Trust Note Indenture. This summary is qualified in its entirety by reference to the provisions of the Trust Note Indenture, which contains a complete statement of those attributes and characteristics. See "Material Contracts".

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

Trust Notes will be reserved by the Trust to be issued exclusively to holders of Trust Units as full or partial payment of the Redemption Price of Trust Units.

Computershare Trust Company of Canada serves as the Trustee under the Trust Note Indenture. It also serves as the Indenture Trustee with respect to the Series A Debentures. In the event that Trust Notes are issued by the Trust, Computershare Trust Company of Canada may be in a position of conflict with respect to its duties as the Trustee under the Trust Note Indenture and as the Indenture Trustee.

Interest and Maturity

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

Payment upon Maturity

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

Redemption

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

Ranking and Subordination

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

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

Default

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

- (a) default in payment of the principal amount of the Trust Notes when the same becomes due and payable and the continuation of such default for a period of 90 days;
- (b) default in payment of any interest due on any Trust Notes and continuation of such default for a period of 90 days;
- (c) default in the observance or performance of any other covenant or condition of the Trust Note Indenture and continuance of such default for a period of 90 days after notice in writing has been given to the Trust's Trustees specifying such default and requiring the Trust to rectify the same; and
- (d) certain events of dissolution, bankruptcy, insolvency, liquidation, reorganization or other similar proceedings relative to the Trust.

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

Trust Unit Certificates

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

Meetings of Unitholders

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

WESTERNOE EQUITY LP

The following is a summary of the material attributes and characteristics of WesternOne Equity LP and the LP Units that are issued under the Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the Partnership Agreement, which contains a complete statement of those attributes and characteristics. See "Material Contracts".

General

WesternOne Equity LP is a limited partnership established under the laws of the Province of Manitoba to carry on the business of indirectly investing in and owning platform businesses, as well as activities ancillary thereto.

General Partners

WesternOne Equity GP is the general partner of WesternOne Equity LP. See "WesternOne Equity GP — General".

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

Withdrawal or Removal of WesternOne Equity GP

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

WesternOne Equity GP may not be removed as general partner of WesternOne Equity LP unless: (i) WesternOne Equity GP has committed a material breach of the Partnership Agreement, which breach has continued for 30 days after notice, and that removal is also approved by a resolution of holders of at least 66 $\frac{2}{3}$ % of the LP Units voted on such resolution; or (ii) the shareholders or directors of WesternOne Equity GP pass a resolution in

connection with the bankruptcy, dissolution, liquidation or winding-up of WesternOne Equity GP, or WesternOne Equity GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner with the same ownership and governance structure at the relevant time agrees to act as general partner under the Partnership Agreement.

Capitalization

WesternOne Equity LP may issue an unlimited number of LP Units to any person. The Partnership Agreement authorizes WesternOne Equity GP to cause WesternOne Equity LP to issue additional LP Units for any consideration and on any terms and conditions as are established by WesternOne Equity GP.

As at December 31, 2008, WesternOne Equity LP has issued and outstanding partnership interests consisting of 5,288,786 LP Units to the Trust and a general partner interest held by WesternOne Equity GP.

Ranking

Advances and distributions on the LP Units are made, subject to the general partner's aggregate 0.005% interest in the following order: firstly, on the LP Units in the amount equal to the outlays and expenses made or incurred by WesternOne Equity and the Trust in the administration and management of WesternOne Equity and the Trust (including audit costs and costs of reporting to Unitholders) (the "**Fund Priority Distribution**") and thereafter on the LP Units in an equal amount per unit.

Distributions

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

Available cash will represent, in general, all of WesternOne Equity LP's cash, after satisfaction of:

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

The amount advanced or distributed from time to time by WesternOne Equity LP on interests in WesternOne Equity LP, including the LP Units is determined by the board of directors of WesternOne Equity GP as the general partner of WesternOne Equity LP.

Allocation of Net Income and Losses

The income of WesternOne Equity LP for each fiscal year is allocated first as to the holders of LP Units in an amount equal to the Fund Priority Distribution and the remained as to 0.005% thereof to the partner holding general partnership interests and as to 99.995% thereof, to partners holding LP Units.

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

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

Income and loss of WesternOne Equity LP for accounting purposes is allocated to each partner in the same manner as income or loss is allocated for tax purposes.

The fiscal year end of WesternOne Equity LP is December 31.

Limited Liability

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

Transfer of LP Units

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

Amendment

The Partnership Agreement may be amended with the prior consent of the holders of at least 66²/₃% of the LP Units voted on the amendment at a duly constituted meeting or by a written resolution of partners holding more than 66²/₃% of the LP Units entitled to vote at a duly constituted meeting, except for certain amendments, which require unanimous approval of holders of LP Units, including amendments that: (i) alter the ability of the limited partners to remove WesternOne Equity GP as general partner involuntarily; (ii) change the liability of any limited partner; (iii) change the right of a holder of LP Units to vote at any meeting; or (iv) change WesternOne Equity LP from a limited partnership to a general partnership.

Notwithstanding the foregoing,

- no amendment which would adversely affect the interests, rights and obligations of WesternOne Equity GP, as general partner, may be made without its consent;
- no amendment which would adversely affect the interests, rights and obligations of any particular partner without similarly affecting the interests, rights and obligations of all other partners may be made without the consent of that partner; and
- WesternOne Equity GP may make amendments to the Partnership Agreement to reflect: (i) a change in the name of WesternOne Equity LP or the location of the principal place of business of WesternOne Equity LP or the registered office of WesternOne Equity LP; (ii) a change in the governing law of WesternOne Equity LP to any other province of Canada; (iii) the admission, substitution, withdrawal or removal of limited partners in accordance with the Partnership Agreement; (iv) a change that, as determined by WesternOne Equity GP, is reasonable and necessary or appropriate to qualify or continue the qualification of WesternOne Equity LP as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by WesternOne Equity GP, is reasonable and necessary or appropriate to enable WesternOne Equity LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Partnership Agreement which may be defective or inconsistent with any other provision contained in the Partnership Agreement or which should be made to make the Partnership Agreement consistent with the disclosure set out in the Prospectus.

Meetings

WesternOne Equity GP may call meetings of partners is required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding LP Units.

BUSINESS LPS

Each platform business owned by WesternOne Equity LP is held by a separate Business LP.

General Partner

A wholly-owned subsidiary of WesternOne Equity GP is a general partner of each Business LP.

As general partner of the Business LPs, each such subsidiary has exclusive authority to manage the business and affairs of the Business LPs, to make all decisions regarding the business of the Business LPs and to bind Business LPs. The authority and power vested in each such subsidiary to manage the business and affairs of the Business LPs includes all authority necessary or incidental to carry out the objects, purposes and business of the Business LPs. WesternOne Equity GP nominates the directors of the general partner for each Business LP, which may include at least one manager from the underlying platform business.

Capitalization

All of the limited partnership interests in each Business LP is held, directly or indirectly, by WesternOne Equity LP, except in those circumstances when a minority interest in the Business LP may be held by a selling business owner or a senior employee responsible for that business. For example, in connection with the acquisition of a platform business, WesternOne Equity LP may negotiate arrangements with the selling business owner whereby the selling business owner retains an indirect interest in the platform business for a period of time following the acquisition. Under these circumstances, the selling business owner would be issued Partnership Units of the Business LP that would entitle the selling business owner to receive a portion of the Business LP's income. The terms of these arrangements may contemplate that the right of the selling business owner to receive the selling business owner's share of the Business LPs' income be subordinated to the right of WesternOne Equity LP to receive the Business LPs' income unless certain income distribution levels were satisfied by the Business LP, and that following a certain period of time and/or upon certain aggregate distribution thresholds being satisfied, the selling business owner would be entitled to cause the selling business owner's Partnership Units of the Business LP to be exchanged for Units of WesternOne Equity.

Distributions

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

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

- general and administrative expenses and other expense obligations;
- debt service obligations on indebtedness of the Business LP;
- working capital requirements of the Business LP; and
- any other amounts that WesternOne Equity GP may consider reasonably necessary for the payment of any liability or expense that has been or is reasonably expected to be incurred in the activities or operations of the Business LP, for reasonable reserves (including amounts on account of working capital and capital expenditures and to stabilize distributions).

The amount distributed from time to time by any Business LP is determined by the board of directors of its general partner.

Allocation of Net Income and Losses

The income and loss of the Business LPs for each fiscal year, including income or loss for tax purposes is allocated, as to 0.005% thereof, to the general partner thereof and, as to 99.995% thereof, to the partners holding Partnership Units.

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

Limited Liability

Each Business LP operates in a manner as to ensure to the greatest extent possible the limited liability of all limited partners. Under the *Partnership Act* (Manitoba), a limited partner of a Business LP may lose its limited liability if it takes an active part in the business of the Business LP and is liable as if it were a general partner, to any person with whom it deals on behalf of the Business LP and who does not know that it is a limited partner, for all

debts of the Business LP and in certain other circumstances. If limited liability is lost by reason of the negligence of the general partner in performing its duties and obligations under the Partnership Agreement of the Business LP, the general partner will agree to indemnify each limited partner against all claims arising from assertions that its liability is not limited as intended by the Partnership Agreement. However, since the general partner is not likely to have any significant assets or financial resources, this indemnity may be of nominal value.

WESTERNOE EQUITY GP

General

WesternOne Equity GP is a corporation incorporated under the CBCA and acts as general partner of WesternOne Equity LP and holder the shares of the general partner of each Business LP. WesternOne Equity owns all of the outstanding common shares of WesternOne Equity GP.

The interest of WesternOne Equity GP in WesternOne Equity LP is 0.005%. It is not expected that WesternOne Equity GP will acquire any assets or properties other than its interest in WesternOne Equity LP and the shares of the general partners of the Business LPs and, accordingly, it is not expected to have any material income or assets.

Directors

The Trustees will elect the directors of WesternOne Equity GP. WesternOne Equity GP will appoint the directors of the general partners of the Business LPs.

Share Capital

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

Functions and Power of WesternOne Equity GP

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

Withdrawal or Removal of WesternOne Equity GP

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

WesternOne Equity GP may not be removed as general partner of WesternOne Equity LP unless: (i) WesternOne Equity GP has committed a material breach of the Partnership Agreement, which breach has continued for 30 days after notice, the removal is approved by a resolution of holders of at least 66²/₃% of the LP Units voted on such resolution, and such resolution also admits a new general partner as a replacement to the WesternOne

Equity GP; or (ii) the shareholders or directors of WesternOne Equity GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of WesternOne Equity GP, or WesternOne Equity GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner with the same ownership and governance structure at the relevant time agrees to act as general partner under the Partnership Agreement.

RISK FACTORS

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

Risks Related Generally to WesternOne Equity

- *General Economic Conditions* – WesternOne Equity's business is subject to changes in national, North American and global economic conditions, including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. Changes in any of the above economic conditions could have a material adverse effect on WesternOne Equity's business, financial condition, results of operations and cash flows.
- *Current Economic Conditions* - Current 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.
- *Financial Health of Business LPs and Cashflows* – WesternOne Equity is entirely dependent on the operations and assets of the Business LPs through its indirect ownership interests. WesternOne Equity's ability to make regular distributions to Unitholders is dependent on the cashflow generated by the Business LPs. This is affected by the profitability, fluctuations in working capital, margin sustainability and capital expenditures of the Business LPs. Although the Business LPs intend to distribute their cash available for distribution, there can be no assurance regarding the amounts of income to be generated by the Business LPs and amounts paid to WesternOne Equity. The failure of any Business LP to make its anticipated distributions could adversely impact WesternOne Equity's financial condition and cash flows and therefore distributions to Unitholders.
- *Reliance on Key Personnel* – The success of WesternOne Equity depends on the abilities, experience, efforts and industry knowledge of their respective senior management and other key employees, including its ability to retain and attract skilled management and employees. The loss of the services of key personnel could have a material adverse effect on WesternOne Equity's business, financial condition, results of operations or future prospects, particularly since it does not typically enter into non-competition arrangements with senior management and other key employees. In addition, the growth plans described in this AIF may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. WesternOne Equity may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance WesternOne Equity will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

- *Failure to Realize Anticipated Benefits of Acquisitions* – WesternOne Equity’s future growth depends in large part on its ability to acquire additional businesses, manage expansion, control costs in its operations and consolidate businesses into its organization. In pursuing a strategy of acquiring other businesses, WesternOne Equity faces risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring significantly higher capital expenditures and operating expenses, failing to integrate the operations and personnel of the acquired businesses, entering new unfamiliar markets, incurring undiscovered liabilities at acquired businesses, disrupting WesternOne Equity’s ongoing business, diverting WesternOne Equity’s management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees, suppliers and customers as a result of changes in management, causing increased expenses for accounting and computer systems and incorrectly valuing acquired entities.

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

- *Growth Initiatives* – WesternOne Equity’s ability to successfully grow through add-on acquisitions will be dependent on a number of factors, including: the identification of suitable acquisition targets in both new and existing markets; the negotiation of purchase agreements on satisfactory terms and prices; securing attractive financing arrangements; and the integration of newly acquired operations into the existing business. Any acquisition will involve a number of risks, including: the inability to integrate the operations, personnel and information systems of the acquired business; the potential acquisition of previously undisclosed liabilities; and the potential disruption of WesternOne Equity’s ongoing business and the diversion of management’s attention from its day-to-day operations. An unsuccessful acquisition could have a material adverse impact on WesternOne Equity, its results of operations and financial condition. For greater certainty, no Unitholder approvals will be required for subsequent investments. Unitholders are totally dependent upon management, directors and Trustees in making investment decisions. The Trustees have a fiduciary duty to ensure that all investments are made in the best interests of Unitholders.
- *Competition* – There can be no assurances that WesternOne Equity will be able to successfully compete against its respective competitors or that such competition will not have a material adverse effect on its businesses, financial condition, results of operations and cash flows and therefore distributions to Unitholders. Existing or future competitors may also compete with WesternOne Equity for acquisition candidates, which may increase acquisition prices and reduce the number of suitable acquisition candidates. If WesternOne Equity is not able to compete effectively in this regard, its future growth may be negatively impacted.
- *Regulation* – WesternOne Equity is subject to a variety of federal, provincial and local laws, regulations and guidelines and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on WesternOne Equity’s business, financial condition, results of operations and cash flows. Although such expenditures historically have not been material, such laws and regulations are subject to change. Accordingly, it is impossible for WesternOne Equity to predict the cost or impact of such laws and regulations on their respective future operations.

Risks Related to the Business LPs

- *Sensitivity to General Economic Conditions and Levels of Economic Activity* – The equipment rental and sales industries in Canada have historically been subject to cyclical variations in the general economy regarding future economic prospects. The Business LPs' revenues are impacted by the health of the economy in Canada as a whole and in the regional markets in which it operates. A decline in the general economic conditions in Canada or in the regions in which the Business LPs operate could adversely affect the overall demand for equipment and therefore impact it and result in a decrease in revenue, a decline in operating results and a deterioration in financial condition.

As the Business LPs' rentals and sales of their equipment are primarily with the contractor/construction and film industries, demand for its products is particularly dependent upon the level of activity in these market segments. The level of activity in both of these segments depends on many factors, including levels of unemployment, shifting demographic trends, gross domestic product growth, available financing, consumer confidence and other general economic conditions. A decline in economic activity may lead to a decrease in the demand for the equipment rented or sold by the Business LPs and/or the rental rates that they can charge to their customers. Any such decrease could adversely affect the Business LPs' business, financial condition, liquidity and operating results.

- *Financing Constraints* – The indebtedness represented by the operating loan, floor plan financing, credit facility for equipment purchases and capital leases that WesternOne Equity uses to finance the Business LPs' new equipment inventories and rental fleet acquisitions could limit the future availability of debt financing to fund acquisitions. An extension to the acquisition loan under the existing credit facility agreement may not be available to WesternOne Equity on favourable terms from its current or other lenders. We may be required to use available cash or other sources of debt or equity financing. Using cash to complete acquisitions may substantially impact WesternOne Equity's operating or financial flexibility. If WesternOne Equity is unable to obtain financing on acceptable terms, we may be required to reduce the scope of our presently anticipated expansion and the current level of distributions, which may materially and adversely affect our growth strategy as well as the Unit price traded in the Exchange.

The existing credit facility agreement contains a number of financial covenants that require WesternOne Equity to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facility agreement could result in acceleration of the relevant indebtedness.

- *Supply Disruptions* – Various businesses of WesternOne Equity are dependent on the steady supply of fuels for their business operations with respect to fuel sales, equipment rentals and general logistics. Potential disruptions of fuel supply from the existing suppliers could negatively impact WesternOne Equity's revenues and operating results if WesternOne Equity fails to secure alternate fuel supplies.
- *Seasonality* – The Business LPs' revenues and operating results have historically varied somewhat throughout the year. Demand for equipment is generally lower in British Columbia during the winter from December through March when adverse weather conditions negatively impact construction activity in particular. Conversely, activity levels in construction heater rentals and related fuel supply in Alberta are typically strong during this period due to the cold weather. From April through July the demand for equipment increases and is strongest from August through November, while construction heater rentals and fuel supply activities decline due to the warm weather, until October when business volume resumes as winter approaches. While certain of the Business LPs' variable costs can be managed to match seasonal patterns, a significant portion of its costs are fixed and cannot be adjusted for seasonality. The fluctuation in the Business LPs' quarterly results of operations may require that they rely on lines of credit for working capital financing at certain times of the year. There can be no assurance that such financing will be available to the Business LPs when required or on commercially favourable or otherwise satisfactory terms.
- *Growth Initiatives* – The Business LPs' abilities to successfully grow their businesses through add-on acquisitions will be dependent on a number of factors, including: the identification of suitable acquisition targets in both new and existing markets; the negotiation of purchase agreements on satisfactory terms and

prices; securing attractive financing arrangements; and the integration of newly acquired operations into the existing business. Any acquisition will involve a number of risks, including: the inability to integrate the operations, personnel and information systems of the acquired business; the potential acquisition of previously undisclosed liabilities; and the potential disruption of the Business LPs' ongoing businesses and the diversion of management's attention from its day-to-day operations. An unsuccessful acquisition could have a material adverse impact on the Business LPs' businesses, results of operations and financial conditions.

In addition, the Business LPs' abilities to successfully expand through opening new branches will be dependent upon many factors, including its ability to: negotiate acceptable lease terms for additional sites in both new and existing markets; effectively hire, train, manage and retain qualified personnel; create brand awareness in new markets; and successfully enter and compete in new geographic markets in which we have no previous experience.

- *Competition* – The equipment rental and sales industries in British Columbia and Alberta are highly fragmented and highly competitive. In the contractor/construction, film, service and maintenance, government and special event segments, the Business LPs compete with larger companies with operations across Canada, the United States and overseas. These companies specialize in commercial equipment rentals and sales, and may have greater financial resources than WesternOne Equity does and may rent and sell many of the same products carried by the Business LPs. Certain competitors in the equipment rental and sales segments are directly affiliated with original equipment manufacturers, which provides them with discounted equipment pricing and co-branding privileges. Other large competitors may enjoy lower equipment acquisition costs than the Business LPs as a result of volume purchase discounts.

In connection with the rental of equipment, the Business LPs also face competition from smaller companies that operate with few locations. At the locations where they operate, the Business LPs face competition in the contractor/construction industry from diversified companies such as United Rentals Inc., Reliable Rentals Inc., CAT the Rental Store (a division of Finning International Inc.), and Hertz Equipment Rentals Corp., each of which have strong purchasing power, financial resources, marketing capabilities and strong brand recognition.

The Business LPs may in the future encounter increased competition from existing competitors or new entrants into the markets in which the Business LPs currently operates. Competitive pressures could adversely affect revenue and operating results by decreasing rental and sales volumes, depressing the prices that can be charged to customers or negatively impacting the Business LPs' market shares. Competitors with greater financial resources may have a competitive advantage by being able to sustain reduced rental rates and competitive pricing for longer periods and by being able to offer a broader range of rental equipment.

Management believes that price is one of the primary competitive factors in the equipment rental and sales industries. From time to time, the Business LPs or their competitors may attempt to compete aggressively by lowering rates. To the extent that the Business LPs lower rates in an attempt to increase or retain market share, operating margins may be adversely impacted. In some cases, the Business LPs may not be able to match larger competitors' rate reductions because of their greater financial resources. If the Business LPs do not match competitors' rate reductions, we may lose market share, resulting in decreased revenue and cash flow.

Existing or future competitors may also compete with the Business LPs for new locations or acquisition candidates, which may increase acquisition prices and reduce the number of suitable expansion locations or acquisition candidates. If the Business LPs are not able to compete effectively in this regard, our future growth may be negatively impacted.

- *Labour Shortages* – The Business LPs' operations depend on their abilities to attract, develop and retain knowledgeable and skilled personnel. In addition, as the Business LPs continue to pursue their growth strategies, their future performance will depend, in part, on their abilities to attract, develop and retain

highly qualified employees in all areas of their businesses. Competition for highly skilled management, sales, and technical personnel is intense, particularly in certain geographic areas where the Business LPs operate. Although the Business LPs have historically succeeded in attracting and retaining skilled employees and actively manages its human resource risks, there can be no assurance that they will continue to be successful in their efforts. Any failure by the Business LPs to attract or retain qualified employees could have a material adverse effect on the Business LPs' businesses, financial conditions and results of operations.

- *Employee Relations* – Some of the Business LPs' employees are unionized and new or modified collective bargaining agreements were recently concluded. There can be no assurance that there will not be a labour conflict that could lead to an interruption or stoppage in the Business LPs' operations. Any labour disruption or work stoppage could adversely affect the ability of the Business LPs to conduct their operations and have a material adverse effect on their abilities to carry out their obligations on their businesses, results from operations and financial conditions.
- *Interest Rates* – The Business LPs may finance purchases of new and, to a lesser extent, used equipment inventory through debt under which it is charged interest at floating rates. As a result, the Business LPs' debt service expenses may rise with increases in interest rates. Rising interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of the Business LPs' businesses, particularly new and used equipment sales, because many of their customers finance their equipment purchases. As a result, rising interest rates may have the effect of simultaneously increasing our costs and reducing its revenues.
- *Resale of Rental Equipment* – The Business LPs dispose of their used rental equipment in the ordinary course of business. If prices for such equipment decline or new products and technologies emerge, the Business LPs may not realize the level of proceeds upon the sale of such equipment as was anticipated, which could negatively impact their results of operations and cash flow. A significant reduction in cash flow could impact the Business LPs' abilities to purchase new rental fleet and thus put them at a competitive disadvantage. In addition, if it is necessary for the Business LPs to retain pieces of equipment for longer periods of time, such equipment will likely require additional repair and maintenance, and therefore be available for rent for shorter periods of time, thus negatively impacting the rental rates and revenue of such equipment, and negatively impacting the cash flow.
- *Equipment Availability* – The Business LPs rely on a stable supply of equipment to carry out their operations. They source products from various suppliers on an ongoing basis at negotiated prices and generally do not enter into long-term contracts that guarantee availability or price. Significant increases in the purchase price of the equipment rented by them, the unavailability of such equipment or increases in lead times for the procurement of such equipment resulting from increased demand, natural disasters, delays in suppliers obtaining raw production materials, plant shutdowns or labour disputes could have a material adverse effect on their business, financial conditions and results of operations.
- *Environmental Regulation and Health and Safety Matters* – The Business LPs are subject to federal, provincial and local laws and regulations governing occupational health and safety and environmental protection. These laws regulate matters such as wastewater, stormwater, solid and hazardous waste and materials, and air quality. Under these laws, the Business LPs may be liable for, among other things, the costs of investigating and remediating contamination at their sites, adjacent sites as well as sites to which the Business LPs sent hazardous waste for disposal or treatment, regardless of fault, and fines and penalties for non-compliance.

The Business LPs use hazardous materials such as solvents to clean and maintain their inventory of rental equipment, and generate and dispose of waste products such as used motor oil, radiator fluid and solvents. The Business LPs may be liable under federal, provincial and local laws for environmental contamination at facilities where such waste is or has been disposed. Management believes that the Business LPs currently conducts their operations in material compliance with all applicable laws and regulations.

Environmental and safety requirements may become more stringent or be interpreted and applied more stringently in the future. Any such changes or interpretations, or the identification of currently unknown adverse environmental conditions, could cause the Business LPs to incur substantial additional and unanticipated environmental compliance or remediation costs or penalties related to violations of these laws and regulations, and thus adversely impact our operating results and financial condition. See “Business of WesternOne Equity – Government Regulations” and “Environmental Matters”.

- *Import Product Restrictions and Foreign Trade Risks* – A significant portion of the Business LPs’ businesses involve the rentals or sales of equipment, parts or equipment composed of parts that are manufactured outside Canada. As a result, the Business LPs’ operations will be subject to customary risks of importing merchandise, including fluctuations in the relative values of currencies, import duties, exchange controls, trade restrictions, work stoppages and general political and socio-economic conditions in foreign countries. Canada, or the countries from which the Business LPs’ products are imported may, from time to time, impose new quotas, duties, tariffs or other restrictions, or adjust presently prevailing quotas, duties or tariffs, which may affect their operations and their abilities to purchase imported equipment and/or parts at reasonable prices.
- *Insurance Coverage* – The Business LPs maintain insurance coverage in respect of their potential liabilities, including theft and the accidental loss of value of its assets from risks, in amounts, with such insurers, and on such terms as the Business LPs consider appropriate, taking into account all relevant factors. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods, that may be uninsurable or not economically insurable. The Business LPs will use their discretions in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on their assets and the businesses at reasonable costs and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of the lost investments. Certain factors also might make it unattractive to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds the Business LPs would receive might not be adequate to recover their economic position with respect to such properties. There are no assurances that the Business LPs’ insurance coverage will continue to be available to them on reasonable terms, including reasonable premium, deductible and co-insurance requirements, or that the Business LPs’ insurer will not disclaim coverage of any future claim. The Business LPs’ businesses, financial conditions, liquidity and results of operations could be materially adversely affected if any of the foregoing developments were to occur.
- *Dependence on Existing Sites* – The Business LPs currently conduct their businesses at their respective premises, which are also used to store and service their equipment. A fire or any other destructive event would materially and adversely affect the business as equipment off-site during such an event would not have a site to return to for servicing or subsequent rentals. Furthermore, any event which would restrict access to the Business LPs’ sites, including, without limitation, a work stoppage, would have a similar effect.
- *Dependence on Information Systems and Technology* – Information systems are an important part of the Business LPs’ business processes, including marketing their products and services, managing inventory, co-ordinating logistical support, and managing finance functions. In addition, management relies on information systems to analyze the Business LPs’ operating performance on an ongoing basis and to aid in the preparation of budgets and forecasts. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the Business LPs’ businesses, financial conditions and results of operations.

Risks Related to Structure of WesternOne Equity

- *Dependence upon WesternOne Equity LP to Fund Cash Distributions* – WesternOne Equity is an unincorporated, open-ended trust that will ultimately be entirely dependent on the operations and assets of WesternOne Equity LP. Cash distributions to Unitholders will ultimately be dependent on, among other

things, the ability of WesternOne Equity LP to make cash available for distributions. WesternOne Equity's ability to make cash distributions or other payments or advances will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of WesternOne Equity LP, including restrictive covenants in the credit facility agreement.

- *Cash Distributions and Not Guaranteed and Will Fluctuate with Business Performance* – Although WesternOne Equity intends to distribute the cash distributions ultimately received by WesternOne Equity upon the LP Units, less expenses and amounts, if any, paid by WesternOne Equity in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the business of WesternOne Equity LP or ultimately distributed to WesternOne Equity. WesternOne Equity's ability to make cash distributions, and the actual amount distributed, will ultimately be entirely dependent on the operations and assets of WesternOne Equity LP, and will be subject to various factors including its financial performance, its obligations under the applicable credit facility, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements.
- *Distributions are Discretionary* – WesternOne Equity is not obligated to pay distributions on the Units. The payment of distributions is at the sole discretion of the Trustees and the Trust Trustees and the board of directors of WesternOne Equity LP, and they may decide to eliminate or reduce any distributions paid on the Units, or retain cash otherwise available for distribution for investment in WesternOne Equity's business. Any reduction or elimination of distributions could cause the market price of the Units to decline and could further cause the Units to become less liquid, which may result in losses to Unitholders.
- *Nature of the Units* – Securities like the Units share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the business of WesternOne Equity LP and should not be viewed by investors as direct securities of WesternOne Equity LP. The Units represent a fractional interest in WesternOne Equity. WesternOne Equity's primary assets will be Trust Units and Trust Notes. The price per Unit is a function of anticipated distributable income, interest rates and other factors.
- *Limited Liability* – The Fund Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of WesternOne Equity. In addition, under the *Income Trust Liability Act* (British Columbia), Unitholders are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Trustees. This statute has not yet been judicially considered and it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. In addition, Unitholders who are resident in jurisdictions which have not enacted legislation similar to the British Columbia legislation may not be entitled to the protection of the British Columbia legislation.
- *Unpredictability and Volatility of Unit Prices* – The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, monthly distributions, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of the Units regardless of WesternOne Equity's operating performance. There can be no assurance that the price of the Units will remain at current levels. The annual yield on the Units as compared to the annual yield on other financial instruments may also influence the price of Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.
- *Attributes of Securities Distributed on Redemption of Units of Termination of WesternOne Equity* – Upon termination of WesternOne Equity, the Trustees may distribute the Trust Units and Trust Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. Upon redemption of Units, the Trustees may distribute Trust Notes directly to Unitholders, subject to obtaining all required regulatory approvals and complying with the terms of such approvals. There is currently no market for the Trust Units and Trust Notes. In addition, Trust Units and Trust Notes are not freely tradable or listed on any stock exchange and no established market is expected to develop for the Trust Units and Trust Notes. See

“WesternOne Equity Income Fund — Term of WesternOne Equity” and “— Redemption at the Option of Unitholders”. Securities so distributed may not be qualified investments for funds governed by Plans, depending on the circumstances at the time.

- *Dilution* – The Fund Declaration of Trust authorizes WesternOne Equity to issue an unlimited number of Units for that consideration and on those terms and conditions as will be established by the Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. In addition, WesternOne Equity LP is permitted to issue additional LP Units for any consideration and on any terms and conditions.
- *Leverage and Restrictive Covenants* – The ability of WesternOne Equity LP to make advances and distributions to the Trust and ultimately to WesternOne Equity to enable WesternOne Equity to make distributions to Unitholders or to make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of WesternOne Equity (including the Series A Debentures and the credit facility). The degree to which WesternOne Equity LP is leveraged could have important consequences to the Unitholders including:
 - WesternOne Equity LP’s ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
 - a significant portion of WesternOne Equity LP’s cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations;
 - certain borrowings will be at variable rates of interest, which exposes WesternOne Equity LP to the risk of increased interest rates; and
 - WesternOne Equity LP may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures.
- *Investment Eligibility* – There can be no assurance that the provisions of the Tax Act with respect to the eligibility of the Units for Plans will not change, or that the Units and Series A Debentures will continue to be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.
- *Income Tax Matters*

Proposed Income Tax Changes to Taxation of Income Trusts

On October 31, 2006 the Minister of Finance (Canada) announced proposed changes to the taxation of certain publicly-traded trusts and partnerships and their unitholders. These changes (the “**SIFT Rules**”), were enacted and became law on June 22, 2007. The SIFT Rules apply, in the case of trusts, to a trust that is resident in Canada for purposes of the Tax Act, and the units of which are listed on a stock exchange or other public market (a specified investment flow-through trust, or “SIFT trust”). In the case of a SIFT trust the units of which were already publicly traded on October 31, 2006, which includes WesternOne Equity, the SIFT Rules generally will not take effect until January 1, 2011, provided the trust does not exceed “normal growth” before then. On December 15, 2006 the Minister of Finance issued guidelines with respect to what would be considered “normal growth” for this purpose, which guidelines were effectively incorporated by reference into the Tax Act when the SIFT Rules were enacted.

Under the SIFT Rules, commencing January 1, 2011, WesternOne Equity will become subject to tax on its income and taxable capital gains from dispositions, that is paid or payable to Unitholders, at a rate equal to the then prevailing corporate income tax rate (currently set at 27.0% for 2011 and 25.5% thereafter). Distributions of such income to Unitholders would be treated as dividends paid by a taxable Canadian corporation. This will result in WesternOne Equity’s income being subject to the tax, and distributions of such income by WesternOne Equity to its Unitholders being treated as dividends paid by a taxable Canadian corporation. Returns of capital by WesternOne Equity to its Unitholders would not be affected by the SIFT Rules and would continue to be taxed in the same manner as currently.

It is not expected that WesternOne Equity will become subject to the SIFT Rules until 2011. However, when the SIFT Rules commence to apply to WesternOne Equity, such rules are expected to result in adverse tax consequences to WesternOne Equity and Unitholders and may impact cash distributions from WesternOne Equity. Furthermore, the SIFT Rules may reduce the value of the Units, which would be expected to increase the cost to WesternOne Equity of raising capital in the public capital markets.

As noted above, WesternOne Equity could become subject to the SIFT Rules before 2011 if it experiences growth, other than "normal growth", before that time. Under the "normal growth" guidelines, WesternOne Equity will be considered to have experienced only "normal growth" if its issuances of new equity (which for this purpose includes trust units and debt that is convertible into trust units, but does not include non-convertible debt) do not exceed, for each of the intervening periods set forth below, a safe harbour measured by reference to WesternOne Equity's market capitalization as of the end of trading on October 31, 2006 (measured solely by the value of WesternOne Equity's issued and outstanding publicly-traded Trust units as of that date). The Trust's market capitalization as of October 31, 2006 was \$22.44 million. The intervening periods and their respective safe harbour amounts are as follows:

Time Period	Safe Harbour Amount
November 1, 2006 to December 31, 2007	Greater of \$50 million or 40% of October 31, 2006 Market Capitalization
January 1, 2008 to December 31, 2008	Greater of \$50 million or 20% of October 31, 2006 Market Capitalization
January 1, 2009 to December 31, 2009	Greater of \$50 million or 20% of October 31, 2006 Market Capitalization
January 1, 2010 to December 31, 2010	Greater of \$50 million or 20% of October 31, 2006 Market Capitalization

The "normal growth" guidelines provide that these annual safe harbour amounts are cumulative, and that replacing debt that was outstanding as of October 31, 2006 with new equity, whether through a debenture conversion or otherwise, will not be considered growth for these purposes.

Taxation of WesternOne Equity and Partnership

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

Nature of Distributions

Unlike interest payments on an interest-bearing security, distributions by income trusts on trust units (including those of WesternOne Equity) are, for Canadian tax purposes, composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable "returns of capital"). The composition for tax purposes of those cash distributions may change over time, thus affecting the after-tax return to Unitholders. Therefore, a Unitholder's rate of return over a defined period may not be comparable to the rate of return on a fixed-income security that provides a return on capital

over the same period. This is because a Unitholder may receive distributions that constitute a return of capital (rather than a return on capital) to some extent during the relevant period. Returns on capital are generally taxed as ordinary income, dividends or taxable capital gains in the hands of a Unitholder while returns of capital are generally non-taxable to a Unitholder (but reduce a Unitholder's adjusted cost base in the Unit for tax purposes). Unitholders are advised to consult their own tax advisors with respect to the implications of the distinction discussed above in their own circumstances.

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

- *Limitations on Future Growth and Cash Flow* – The payout by WesternOne Equity of substantially all of WesternOne Equity's operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit WesternOne Equity's future growth and cash flow.
- *Restrictions on the Ownership of Units by Non-Residents of Canada* – The Fund Declaration of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning either more than 49% of the Units (on a non-diluted and a fully-diluted basis). If the Trustees become aware that non-resident Unitholders beneficially own more than 40% of the Units, WesternOne Equity may impose restrictions that may limit (or inhibit the exercise of) the rights of certain non-residents of Canada, including U.S. persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and adversely affect the liquidity and market value of the Units held by the public.
- *Indemnities under Acquisition Agreements* – In connection with the acquisitions undertaken by the Business LPs, the Business LPs obtained certain representations and warranties from the selling owners, among others, respecting the business and assets. If such representations and warranties were incorrect in any material respect, the Business LPs would be required to make a claim under the indemnities received from the selling owners. There is no assurance that the Business LPs would be successful in pursuing any such claim. The discovery of any material liabilities for which indemnities were not obtained from the selling owners could have an adverse effect on WesternOne Equity's results of operation, financial condition or future prospects.

Pursuant to the acquisition agreements relating to the acquisitions undertaken by the Business LPs, the selling owners agreed to indemnify the Business LPs in respect of the inaccuracy of representations and warranties of the selling owners contained in those agreements, subject to the limitations contained in those agreements. There is no restriction on the use of the cash proceeds received directly or indirectly by the selling owners pursuant to the acquisition agreements or on the ability of the selling owners or their shareholders to dispose of their assets which may limit the recourse available to the Business LPs against the selling owners. As such, there can be no assurance that the Business LPs will be able to obtain any amount of any claim for indemnification made by them against the selling owners. Furthermore, there can be no assurance as to the sufficiency of the assets of the selling owners to satisfy any judgements obtained against them in connection with a claim for indemnification under the acquisition agreements.

- *Unitholders are not afforded Certain Statutory Rights* – Purchasers of Units are cautioned that, although WesternOne Equity is a legal entity, it is not regulated by established corporate law and Unitholders' rights are governed by the specific provisions of the Fund Declaration of Trust, which addresses such items as the nature of the Units, the entitlement of Unitholders to cash distributions, restrictions respecting non-resident holdings, meetings of Unitholders, delegation of authority, administration, governance and liabilities and duties of the Trustees to Unitholders. Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights of dissent. See "WesternOne Equity Income Fund — Rights of Unitholders". As well, under certain existing legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies*

Creditors Arrangement Act (Canada), WesternOne Equity is not a legally recognized entity within the definitions of these statutes. In the event of insolvency or restructuring of WesternOne Equity, the rights of Unitholders will be different from those of shareholders of an insolvent or restructuring corporation.

DISTRIBUTIONS

Distribution Policy

We have made, and intend to continue to make, distributions of our available cash to the maximum extent possible to Unitholders. We intend to make equal monthly cash distributions to Unitholders of record on the last business day of each month, less amounts we estimate will be required for expenses, cash redemptions or repurchases of Units, any tax liability, other of our obligations and any reasonable reserves established by us. The distributions will be paid on or about the 15th day following the end of each month. We may make additional distributions in excess of the monthly distributions during the year, as we see fit, in our sole discretion. See “WesternOne Equity Income Fund — Distributions”.

We announced on March 7, 2007 a 10.2% increase in cash distributions, increasing the monthly distribution from \$0.0408 to \$0.045 per Unit effective March 1, 2007 (equivalent to \$0.54 per Unit on an annualized basis).

We announced on June 20, 2007 a 11.1% increase in cash distributions, increasing the monthly distribution from \$0.045 to \$0.05 per Unit (equivalent to \$0.60 per Unit on an annualized basis).

Historical Distributions

We have declared payable the following cash distributions since the Initial Public Offering of WesternOne Equity in August 2006 to Unitholders:

<u>Period</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Distribution Per Unit</u>	<u>Amount</u>	<u>Units Outstanding</u>
August 2006 ⁽¹⁾	August 31, 2006	September 15, 2006	\$0.0224	\$143,585	6,410,050
September 2006	September 29, 2006	October 16, 2006	\$0.0408	\$261,530	6,410,050
October 2006	October 31, 2006	November 15, 2006	\$0.0408	\$261,530	6,410,050
November 2006	November 30, 2006	December 15, 2006	\$0.0408	\$261,530	6,410,050
December 2006	December 29, 2006	January 15, 2007	\$0.0608	\$389,731	6,410,050
Total 2006			\$0.2056	\$1,317,906	
January 2007	January 31, 2007	February 15, 2007	\$0.0408	\$261,530	6,410,050
February 2007	February 28, 2007	March 15, 2007	\$0.0408	\$261,530	6,410,050
March 2007	March 30, 2007	April 16, 2007	\$0.0450	\$288,452	6,410,050
April 2007	April 30, 2007	May 15, 2007	\$0.0450	\$288,452	6,410,050
May 2007	May 31, 2007	June 15, 2007	\$0.0450	\$288,452	6,410,050
June 2007	June 29, 2007	July 16, 2007	\$0.0500	\$586,751	11,735,050
July 2007	July 31, 2007	August 15, 2007	\$0.0500	\$587,184	11,743,675
August 2007	August 31, 2007	September 17, 2007	\$0.0500	\$587,184	11,743,675
September 2007	September 28, 2007	October 15, 2007	\$0.0500	\$587,184	11,743,675
October 2007	October 31, 2007	November 15, 2007	\$0.0500	\$587,184	11,743,675
November 2007	November 30, 2007	December 15, 2007	\$0.0500	\$587,184	11,743,675
December 2007	December 31, 2007	January 15, 2008	\$0.0500	\$587,184	11,743,675
Total 2007			\$0.5666	\$5,498,271	
January 2008	January 31, 2008	February 15, 2008	\$0.0500	\$587,309	11,746,175
February 2008	February 29, 2008	March 17, 2008	\$0.0500	\$587,309	11,746,175
March 2008	March 31, 2008	April 15, 2008	\$0.0500	\$587,309	11,746,175
April 2008	April 30, 2008	May 15, 2008	\$0.0500	\$587,309	11,746,175
May 2008	May 31, 2008	June 16, 2008	\$0.0500	\$587,593	11,751,863
June 2008	June 30, 2008	July 15, 2008	\$0.0500	\$587,593	11,751,863
July 2008	July 31, 2008	August 15, 2008	\$0.0500	\$590,303	11,806,061
August 2008	August 29, 2008	September 15, 2008	\$0.0500	\$590,303	11,806,061
September 2008	September 30, 2008	October 15, 2008	\$0.0500	\$590,303	11,806,061
October 2008	October 31, 2008	November 14, 2008	\$0.0500	\$592,251	11,845,025
November 2008	November 28, 2008	December 15, 2008	\$0.0500	\$594,718	11,894,365
December 2008	December 31, 2008	January 15, 2009	\$0.0500	\$660,843	13,216,865
Total 2008			\$0.6000	\$7,143,143	

⁽¹⁾ Commencing August 15, 2006, the date of the Initial Public Offering.

On February 19, 2009, WesternOne Equity completed a private placement of 558,659 Units, at \$3.80 per Unit for gross proceeds of \$2,122,904.

WesternOne Equity declared monthly distributions of \$0.0500 per Unit for the months of January, February and March, 2009, for total distributions of \$2,038,396.

As at the date of this AIF, the total number of Units outstanding is 13,775,524 Units.

MARKET FOR SECURITIES

Trading Price and Volume

Units

The Units commenced trading on the TSX Venture Exchange on August 15, 2006 and then graduated to trade on the Toronto Stock Exchange (the “**Exchange**”) on May 20, 2008. The Units are listed and posted for trading on the Exchange under the symbol WEQ.UN. The following table sets forth certain trading information for the Units on the Exchange for the most recently completed financial year:

	Month	High	Low	Close	Volume
2008	January	4.19	3.00	3.99	872,946
	February	4.05	3.53	4.05	264,885
	March	4.15	3.92	4.15	205,843
	April	4.70	4.00	4.50	370,874
	May	4.96	4.50	4.95	331,268
	June	5.05	4.65	4.90	231,775
	July	4.95	4.32	4.59	201,095
	August	4.71	4.05	4.47	116,126
	September	4.75	3.90	4.18	584,250
	October	4.44	3.50	3.96	572,095
	November	3.98	3.10	3.70	356,760
	December	3.90	3.20	3.55	139,639

Debentures

The Debentures commenced trading on the TSX Venture Exchange on August 15, 2006 and then graduated to trade on the Exchange under the symbol WEQ.DB on May 20, 2008. The following table sets forth certain trading information for the Debentures on the Exchange for the most recently completed financial year:

	Month	High	Low	Close	Volume
2008	January	103.00	102.50	102.50	136,000
	February	102.50	97.51	99.00	124,500
	March	102.00	101.50	101.50	11,000
	April	105.00	103.00	104.20	101,000
	May	113.00	107.00	113.00	252,300
	June	111.02	111.00	111.00	76,000
	July	113.00	100.02	107.50	203,100
	August	108.50	102.00	102.50	72,000
	September	104.02	100.00	100.00	643,000
	October	102.52	90.00	91.00	876,000
	November	94.00	80.02	83.00	656,000
	December	88.00	80.01	82.00	160,000

TRUSTEES, DIRECTORS AND MANAGEMENT

WesternOne Equity’s Trustees, directors and management team have a breadth of experience in corporate finance, private equity and asset management. The team is well connected in the Western Canadian market with ties to business owners in a variety of sectors.

The following table sets forth the name, province or state and country of residence, position with us, principal occupation during the five preceding years and period of service for each of our Trustees and directors and executive officers:

Name and Province or State and Country of Residence	Position	Principal Occupation
ROBERT W. KING ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾ British Columbia, Canada	Trustee and Director	President, King Pacific Capital Corporation
T. RICHARD TURNER ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁸⁾ British Columbia, Canada	Trustee and Director	President and Chief Executive Officer, TitanStar Capital Corp.
DARREN T. LATOSKI ⁽¹⁾⁽²⁾ British Columbia, Canada	Trustee, Director and Chief Executive Officer	Chief Executive Officer, WesternOne Equity; President, Sunstone Realty Advisors Inc.
DOUGLAS R. SCOTT ⁽¹⁾⁽⁴⁾⁽⁵⁾ British Columbia, Canada	Trustee	Consultant
STEPHEN J. EVANS ⁽³⁾ British Columbia, Canada	Director	Managing Director, Sunstone Realty Advisors Inc.
JON A. GORDON ⁽³⁾⁽⁶⁾ New York, U.S.A.	Director	Co-Managing Partner, Palladian Capital Partners, LLC
CARLOS YAM British Columbia, Canada	Chief Financial Officer	Chief Financial Officer, WesternOne Equity
ROBERT J. HIBBERD British Columbia, Canada	Vice President, Acquisitions	Vice President, Acquisitions, WesternOne Equity

(1) Trustee since June 14, 2006.

(2) Director since June 8, 2006.

(3) Director since June 15, 2006.

(4) Member of the audit committee of WesternOne Equity.

(5) Member of the nominating and governance committee of WesternOne Equity.

(6) Member of the compensation committee of WesternOne Equity LP.

(7) Robert King served as a director of Redekop Properties Inc. (“Redekop”) from March 1997 to June 2001. Redekop was formerly listed on the TSX. On December 4, 2000, Redekop and certain affiliated companies applied for and were granted a protective order under the *Companies’ Creditors Arrangement Act* (Canada). On February 9, 2001, Redekop and an affiliated company applied for, and received, a stay order under the *Companies’ Creditors Arrangement Act* (Canada). A monitor was appointed to monitor the business and financial affairs of Redekop while the stay order remained in effect. On March 2, 2001, the British Columbia Supreme Court dismissed an application by Redekop and its affiliates for an order entitling Redekop to file a plan of arrangement under the *Companies’ Creditors Arrangement Act* (Canada). In dismissing the application, the Court withdrew the protective order previously granted to Redekop and its affiliates. On or about March 5, 2001, Montreal Trust Company of Canada filed a Notice of Intention to Enforce Security against Redekop under the *Bankruptcy and Insolvency Act* (Canada). Mr. King resigned from the board of directors of Redekop prior to the commencement of proceedings under the *Bankruptcy and Insolvency Act* (Canada).

(8) Trustee since May 13, 2008.

The following are brief profiles of our Trustees, directors and executive officers:

Darren T. Latoski, Chief Executive Officer, Trustee & Director. Mr. Latoski is currently the President of Sunstone Realty Advisors Inc. (“Sunstone”). Sunstone has raised in excess of \$258 million in its private equity real estate funds and acquired more than \$453 million in assets since 2002. Sunstone achieved annual returns of 23.5% and 35% for its initial two funds which have been fully wound-up. In 2007, Mr. Latoski started the Pure Industrial Real Estate Trust (“PIRET”) which has raised over \$28 million on the TSX Venture Exchange and has acquired over \$69 million in income producing properties. He serves as acting Chief Executive Officer and Trustee of PIRET. From 1997 to 2001, Mr. Latoski was the Vice-President of Macluan Capital Corporation, a Vancouver based private equity firm. He held primary responsibility for relationship management of intermediaries and other professionals along with co-ordination of due diligence and post transaction monitoring. During the years 1990 through 1997 he was a principal of a group of private businesses in connection with the identification, refurbishment and sale of 15

condominium projects located in British Columbia and Alberta, representing 2,073 residential units, for total gross sale proceeds of \$199.5 million. From 1995 to present, Mr. Latoski has been a strategic advisor to high net worth individuals. Mr. Latoski holds an MBA from Simon Fraser University.

Robert W. King, Trustee and Director. Mr. King is President of King Pacific Capital Corporation, a financial services company involved in mortgage finance and real estate investment. Mr. King is also a principal of Westbridge Capital Group, a full-service commercial mortgage brokerage company. From August 1992 to January 1996 Mr. King was employed by Jagger Grierson Financial Corporation as a commercial mortgage broker. From March 2006, Mr. King has served on the Board of Directors of Wall Financial Corporation, a real estate investment and development company whose shares are listed for trading on the Toronto Stock Exchange. From December 2002, to July 2007, Mr. King served on the Board of Directors of Prescient NeuroPharma Inc., a company whose shares are listed for trading on the Exchange. From February 2004 to November 2007, Mr. King has also served on the Board of Directors of PlanetOut Inc., an online media company whose shares are listed for trading on the Nasdaq Stock Market, and is a Trustee of Pure Industrial Real Estate Trust whose shares are listed for trading on the TSX Venture Exchange. Mr. King earned his MBA from Dalhousie University in 1992 and a Bachelor of Arts from the University of British Columbia in 1989..

Douglas R. Scott, Trustee. Mr. Scott is currently a financial consultant. He serves as a Trustee of TSX Venture Exchange listed Pure Industrial Real Estate Trust. Previously, he was the Chief Financial Officer of First Majestic Corp. and First Silver Reserve Inc. Mr. Scott has a Bachelor of Commerce Degree with Distinction from the University of Alberta and is a Chartered Accountant (Alberta) with more than 30 years of professional experience. Mr. Scott was Vice President and Chief Financial Officer of Coast Wholesale Appliances Income Fund and its predecessor from 2003 to 2005, and was instrumental in its 2005 initial public offering. In addition, Mr. Scott was a partner with FinancExec Associates, working primarily in the roles of director and chief financial officer for a number of large to medium-sized public and private companies.

T. Richard Turner, Trustee and Director. Since 1995, Richard Turner has served as the President and Chief Executive Officer of TitanStar Investment Group Inc., a private company engaged in the provision of private equity capital to mid-market businesses and capital for real estate developments and acquisitions. His current board positions include Board Chair and Director of the Insurance Corporation of British Columbia; Trustee of Sun Gro Horticultural Income Fund and Board Chair and Director of its operating subsidiary, Sun Gro Horticultural Canada Inc.; Board Chair and Trustee of Pure Industrial Real Estate Trust; Board Chair, President and Chief Executive Officer of DVPC Inc. a Capital Pool Corporation; and Director of Sora Group Wealth Advisors Inc. Mr. Turner is also a Director of the Organizing Committee of the Vancouver 2010 Olympic and Paralympic Winter Games (VANOC) and serves as Chair of the Audit Committee; Governor of the B.C. Business Council; and a past Chair and Governor of the Vancouver Board of Trade. From 1988 to 2005, Mr. Turner served as a Director, President and Chief Executive Officer of the operating subsidiary of IAT Air Cargo Facilities Income Fund, a business which is involved in the development and management of real estate at airports. Mr. Turner also served as Board Chair and Director of the British Columbia Lottery Corporation from 2001 to 2005. He also serves as the Honorary Consul for the Hashemite Kingdom of Jordan in Vancouver. In 2003, Mr. Turner received H.R.H. Queen Elizabeth's Golden Jubilee Award for public service in Canada. Mr. Turner holds a Bachelor of Commerce in Finance from the University of British Columbia and is a Member of the Institute of Corporate Directors.

Stephen J. Evans, Director. Mr. Evans is the Chief Operating Officer of and indirectly owns 50% of the shares in Sunstone. Since 2002, Sunstone, and its predecessors, have raised over \$258 million in equity and have participated in the negotiation, acquisition and asset management of over \$453 million in property interests. Mr. Evans continues his active role in the management of the business of Sunstone Realty, with a focus on enhancing the value of the acquired properties on behalf of the investors. Mr. Evans serves as acting Chief Financial Officer and Trustee of PIRET. Mr. Evans is also a Trustee of IAT Air Cargo Facilities Income Fund.

Jon A. Gordon, Director. Mr. Gordon has over 20 years of experience in investment banking and private equity. He is currently the founder and co-managing partner of Palladian Capital Partners, LLC, a private equity investment firm. From 1999 to 2002, Mr. Gordon was Managing Director of Lehman Brothers' Transaction Development Group. During his tenure, he initiated several mergers and acquisitions assignments with financial sponsors and executed transactions totalling over \$2 billion. Prior to Lehman Brothers, from 1997 to 1999, Mr. Gordon was a Director in the M&A department at Credit Suisse First Boston ("CSFB") where he provided M&A

coverage for financial sponsors. At CSFB he executed over \$3 billion of M&A transactions. Previously, Mr. Gordon was also a Vice President at Lehman Brothers in 1996, and a Director in investment banking at Furman Selz Inc. from 1989 to 1996, where he provided a broad range of corporate finance services to mid-market companies. Mr. Gordon is a Trustee of PIRET. Mr. Gordon is a graduate of Harvard College where he received an AB magna cum laude and an MBA with distinction from Harvard Business School.

Carlos Yam, Chief Financial Officer. From 2003 to 2007, Mr. Yam was a Director of Financial Planning of Intrawest ULC (formerly Intrawest Corp.). Mr. Yam was primarily responsible for the business planning and budgeting functions of the company's real estate division, and was instrumental in the company's strategic review process in 2006 which later led to the sale of the company. From 1998 to 2003, Mr. Yam worked in the Business Assurance and Financial Advisory Services groups of PricewaterhouseCoopers LLP in Vancouver. His experience included working with public companies and private businesses to perform acquisition, divestiture, refinancing, forensic and litigation support, and audit-related services. Mr. Yam has a Bachelor of Business Administration from Simon Fraser University. Mr. Yam is also a CA (British Columbia) and US CPA (Illinois).

Robert J. Hibberd, Vice-President, Acquisitions. From 2004 to 2006, Mr. Hibberd was an independent financial consultant, specializing in corporate finance advisory and public company transactions. Prior to this, Mr. Hibberd was an Assistant Vice President – Corporate Finance & Investment Banking with PricewaterhouseCoopers Corporate Finance Inc. His experience included working with public companies and private businesses to identify and manage suitable potential purchasers, sellers, investors and related opportunities, with a strong emphasis on income fund transactions. Mr. Hibberd is a CA (British Columbia), a US CPA (Illinois), a Certified Management Consultant (Honour Roll) with the Canadian Association of Management Consultants, and is qualified as a General Securities Principal with the National Association of Securities Dealers (NASD). He also holds a Bachelor of Arts with Honours from the University of Toronto.

Each of the Trustees of WesternOne Equity holds office for a term expiring at the close of the next annual meeting of Unitholders or until their successors are appointed, unless his or her office is earlier vacated in accordance with the Fund Declaration of Trust. Each of the directors of WesternOne Equity GP holds office for a term expiring not later than the close of the next annual meeting of the shareholders.

Security Holdings of the Trustees, Directors and Officers

As of the date of this AIF, as a group, the Trustees and the directors and executive officers of WesternOne Equity own, directly or indirectly, or exercise control or direction over, a total of 1,686,200 Units, representing 12.2% of the then issued and outstanding Units.

Corporate Cease Trade Orders or Bankruptcies

Unless otherwise disclosed in this AIF, to the knowledge of the Trustees, no Trustee, director or officer of WesternOne Equity, or Unitholder holding a sufficient number of securities of WesternOne Equity to affect materially the control of WesternOne Equity, is, or within the ten years prior to the date hereof, has been, a trustee, director or officer of any other issuer that, while that person was acting in that capacity: (i) was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to; or (iii) instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

Unless otherwise disclosed in this AIF, to the knowledge of the Trustees, no Trustee and no director or officer of WesternOne Equity has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of the Trustees, no Trustee, director or officer of WesternOne Equity, or Unitholder holding a sufficient number of Units of WesternOne Equity to affect materially the control of WesternOne Equity, or a personal holding company of any such persons has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Conflicts of Interest

Other than disclosed herein, to the knowledge of the Trustees, there are no existing or potential material conflicts of interest among us and a Trustee or a director or officer of WesternOne Equity.

LEGAL PROCEEDINGS

We are not aware of any legal proceedings to which we are a party, or by which any of our property is subject, which would be material to us. Nor are we aware of any such proceedings being contemplated.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Computershare Investor Services Inc., and the transfer agent and registrar for the Series A Debentures is Computershare Trust Company of Canada, at their principal offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts entered into that are material and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect are as follows:

- (a) the Investment Agreement dated August 15, 2006 among WesternOne Equity, the Trust, WesternOne Equity LP, WesternOne Equity GP, WEQ Production Equipment LP, and WEQ Production Equipment GP Inc.;
- (b) the Fund Declaration of Trust, described under “WesternOne Equity Income Fund”;
- (c) the Series A Trust Indenture, described under “Capital Structure”;
- (d) the Administration Agreement, described under “WesternOne Equity Income Fund - Administration of WesternOne Equity and the Trust”;
- (e) the Trust Declaration of Trust, described under “WesternOne Equity Operating Trust”;
- (f) the Trust Note Indenture, described under “WesternOne Equity Operating Trust”;
- (g) the Partnership Agreement, described under “WesternOne Equity LP”;
- (h) the limited partnership agreement of WEQ Production Equipment LP;
- (i) the WesternOne Equity Option Plan; and
- (j) the acquisition agreement dated September 12, 2008 among WEQ Heat & Propane LP, Davis Heater Service Ltd., Sure-Fire Propane Ltd. and others.

INTERESTS OF EXPERTS

The auditors of WesternOne Equity were Meyers Norris & Penny LLP, 96 Wallace Street, Nanaimo, British Columbia, V9R 5L5 from January 1, 2008 to July 22, 2008. The auditors of WesternOne Equity were changed to KPMG LLP, 777 Dunsmuir Street, PO Box 10426 Pacific Centre, Vancouver, British Columbia, V7Y 1K3 from July 23, 2008 to present. As of February 27, 2009, the date of KPMG LLP auditors' report on WesternOne Equity's audited consolidated financial statements for the period ended December 31, 2008, the partners did not own any of our outstanding Units.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The terms of reference of the audit committee of WesternOne Equity are attached as Schedule A to this AIF.

Composition of the Audit Committee

The audit committee of WesternOne Equity currently consists of Douglas R. Scott (Chair), Robert W. King and T. Richard Turner.

Each member of the audit committee of WesternOne Equity is financially literate, as such term is defined in *National Instrument 52-110-Audit Committees*. Each member of the audit committee of WesternOne Equity is independent, as such term is defined in *National Instrument 52-110-Audit Committees*.

Relevant Education and Experience

See the biographies of WesternOne Equity's Trustees for each member of the audit committee in "Trustees, Directors and Management" for a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

Prior Approval Policies and Procedures

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

- (a) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by WesternOne Equity and its subsidiaries to WesternOne Equity's external auditor during the fiscal year in which the services are provided;
- (b) WesternOne Equity or its subsidiary, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- (c) the services are promptly brought to the attention of the audit committee of WesternOne Equity and approved, prior to the completion of the audit, by the audit committee of WesternOne Equity or by one or more of its members to whom authority to grant such approvals had been delegated by the audit committee of WesternOne Equity.

External Auditor Service Fees

The following table sets forth, by category, the fees billed by KPMG LLP, WesternOne Equity's auditors, for the period ended December 31, 2008:

Fee category	2008
Audit fees, December 31 audit	\$127,000
Audit-related fees, review of September 30, 2008 and 2007 interim consolidated financial statements	\$40,150
Non-audit related fees, assistance with short-form prospectus filed on December 16, 2008	\$43,000
Tax fees	\$22,000
Total	\$232,150

“**Audit fees**” and “**Audit-related fees**” include all fees paid to KPMG LLP for the audit of the annual consolidated financial statements and other services in connection with regulatory filings.

“**Tax fees**” include all fees for tax compliance, tax advice and tax planning and advisory services.

ADDITIONAL INFORMATION

Additional information relating to us may be found on SEDAR at www.sedar.com. Additional information, including trustees', directors', and officers' remuneration and indebtedness, principal holders of our securities, and securities authorized for issuance under equity compensation plans, as applicable, will be contained in our information circular for our annual meeting of Unitholders that involves the election of Trustees scheduled for April 17, 2009. Additional financial information is provided in our audited consolidated financial statements and management's discussion and analysis for our most recently completed financial year.

SCHEDULE A

TERMS OF REFERENCE AUDIT COMMITTEE WESTERNOE EQUITY INCOME FUND (the “Fund”)

A. PURPOSE

The Trustees shall appoint an audit committee (the “**Committee**”) of WesternOne Equity to assist the Trustees in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of WesternOne Equity, WesternOne Equity Operating Trust, WesternOne Equity GP Inc., WesternOne Equity LP and any other subsidiaries (collectively, the “**WesternOne Equity Entities**”), the adequacy of internal accounting controls and procedures, and the quality and integrity of the financial statements of the WesternOne Equity Entities. In addition, the Committee is responsible for directing the auditors’ examination of specific areas, for the selection of the independent auditors of the WesternOne Equity Entities and for the approval of all non-audit services for which the auditors of the WesternOne Equity Entities may be engaged.

B. STRUCTURE AND OPERATIONS

The Committee shall be comprised of three members, each of whom shall be a Trustee of WesternOne Equity and a majority of whom shall be “independent” within the meaning of *National Instrument 52-110 – Audit Committees* (“**NI 52-110**”).

Each member of the Committee shall satisfy the “financial literacy” requirement of NI 52-110, by having the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the financial statements of WesternOne Equity.

The members of the Committee shall be annually appointed by the Trustees and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Trustees.

C. CHAIR OF THE COMMITTEE

Unless the Trustees elect a Chair of the Committee, the members of the Committee shall designate a Chair by the majority vote of the full Committee membership.

The Chair of the Committee shall:

- (a) Call and conduct the meetings of the Committee;
- (b) Be entitled to vote to resolve any ties;
- (c) Prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;
- (d) Review with the Chief Financial Officer (“**CFO**”) and the auditors for WesternOne Equity any matters referred to the Chair by the CFO or the auditors of WesternOne Equity;
- (e) Appoint a secretary, who need not be a member of the Committee, to take minutes of the meetings of the Committee; and

- (f) Act in a manner so that the Committee meetings are conducted in an efficient, effective and focused manner.

D. MEETINGS

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management and the external auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. The Committee may meet privately with outside counsel of its choosing and the CFO, as necessary. In addition, the Committee shall meet with the external auditors and management quarterly to review WesternOne Equity's financial statements in a manner consistent with that outlined in these Terms.

The Committee may invite to its meetings any Trustees, directors of WesternOne Equity GP Inc., management of WesternOne Equity LP and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, shall constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

The Committee shall maintain minutes or other records of meetings and activities of the Committee.

Notice of the time and place of every meeting shall be given in writing or electronic communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

E. RESPONSIBILITIES, DUTIES, AUTHORITY

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in these Terms. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Trustees from time to time related to the purposes of this Committee.

The Committee in discharging its oversight role is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention. In addition, the Committee shall have the authority to communicate directly with external and internal auditors of WesternOne Equity.

The Committee shall be given full access to the Trustees, management of WesternOne Equity LP, employees of WesternOne Equity LP directly and indirectly responsible for financial reporting, and independent accountants, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the Trustees.

The Committee shall be responsible for assessing the range of risks that the Trustees shall focus on, and shall make recommendations to the Trustees about how appropriate responsibilities for continuing to identify, monitor and manage these risks are to be delegated.

In addition, the Committee shall encourage continuous improvement of, and foster adherence to, WesternOne Equity's financial policies, procedures and practices at all levels in the organization, and provide an avenue of communication among the independent auditors, management and the Trustees.

Absent actual knowledge to the contrary (which shall promptly be reported to the Board), each member of the Committee shall be entitled to rely on: (i) the integrity of those persons or organizations within and outside WesternOne Equity from which it receives information; (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (iii) representations made by management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to WesternOne Equity Entities.

F. SPECIFIC RESPONSIBILITIES AND ACTIVITIES

1. Document Reports/Reviews

- (a) *Annual Financial Statements.* The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination:
- (i) the annual audited consolidated financial statements;
 - (ii) the external auditor's review of the annual consolidated financial statements and their report;
 - (iii) any significant changes that were required in the external audit plan;
 - (iv) any significant issues raised with management during the course of the audit, including any restrictions on the scope of activities or access to information; and
 - (v) those matters related to the conduct of the audit that are required to be discussed under generally accepted auditing standards applicable to WesternOne Equity.

Following completion of the matters contemplated above, the Committee shall make a recommendation to the Trustees with respect to the approval of the annual financial statements with such changes contemplated and further recommended, as the Committee considers necessary.

- (b) *Interim Financial Statements.* The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination, the interim unaudited consolidated financial statements of WesternOne Equity, including a discussion with the external auditors of those matters required to be discussed under generally accepted auditing standards applicable to WesternOne Equity.
- (c) *Management's Discussion and Analysis.* The Committee shall review with management and the external auditors, both together and separately prior to public dissemination, the annual and interim Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**").
- (d) *Approval of Annual MD&A, Interim Financial Statements and Interim MD&A.* The Committee shall make a recommendation to the Trustees with respect to the approval of the annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary. In addition, the Committee shall approve the interim financial statements and interim MD&A of WesternOne Equity, if the Trustees have delegated such function to the Committee. If the Committee has not been delegated this function, the Committee shall make a recommendation to the Trustees with respect to the approval of the interim financial statements and interim MD&A with such changes contemplated and further recommended as the Committee considers necessary.

- (e) *Press Releases.* With respect to press releases by WesternOne Equity:
 - (i) The Committee shall review WesternOne Equity’s financial statements, MD&A and annual and interim earnings press releases before WesternOne Equity publicly discloses this information.
 - (ii) The Committee shall review with management, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any “pro forma” or “adjusted non-GAAP” information) as well as financial information and earnings guidance provided to analysts and rating agencies.
- (f) *Reports and Regulatory Returns.* The Committee shall review and discuss with management, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of WesternOne Equity as may be specified by law.
- (g) *Other Financial Information.* The Committee shall review the financial information included in any prospectus, annual information form or information circular with the management and the external auditors, both together and separately, prior to public dissemination, and shall make a recommendation to the Trustees with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

2. Financial Reporting Processes

- (a) *Establishment and Assessment of Procedures.* The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of WesternOne Equity and assess the adequacy of these procedures annually.
- (b) *Application of GAAP.* The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgements made by management, and their selection of accounting principles reflect an appropriate application of generally accepted accounting principles.
- (c) *Practices and Policies.* The Committee shall review with management and the external auditors, together and separately, the principal accounting practices and policies of WesternOne Equity.

3. External Auditors

- (a) *Oversight and Responsibility.* In respect of the external auditors of WesternOne Equity:
 - (i) The Committee shall recommend to the Trustees the external auditors nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for WesternOne Equity; and the compensation of the external auditors.
 - (ii) The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for WesternOne Equity, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- (b) *Reporting.* The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.

- (c) *Performance and Review.* The Committee shall annually review the performance of the external auditors and recommend to the Trustees the appointment of the external auditors or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for WesternOne Equity.
- (d) *Annual Audit Plan.* The Committee shall review with the external auditors and management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit.
- (e) *Non-Audit Services*
 - (i) "Non-audit services" means all services performed by the external auditors other than audit services. The Committee shall pre-approve all non-audit services to be provided to the WesternOne Equity Entities by WesternOne Equity's external auditor and permit all non-audit services, other than non-audit services where:
 - (A) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the WesternOne Equity Entities to WesternOne Equity's external auditor during the fiscal year in which the services are provided;
 - (B) the WesternOne Equity Entities did not recognize the services as non-audit services at the time of the engagement; and
 - (C) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals had been delegated by the Committee.
 - (ii) The Committee may delegate to one or members of the Committee the authority to grant such pre-approvals for non-audited services. The decisions of such member(s) regarding approval of non-audit services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval.
 - (iii) The Committee shall adopt specific policies and procedures for the engagement of the non-audit services if:
 - (A) the pre-approval policies and procedures are detailed as to the particular services;
 - (B) the Committee is informed of each non-audit service; and
 - (C) the procedures do not include delegation of the Committee's responsibilities to management.
- (f) *Independence Review.* The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing WesternOne Equity. At least annually, the Committee shall receive from and review with the external auditors, their written statement delineating all relationships with WesternOne Equity and, if necessary, recommend that the Trustees take appropriate action to satisfy themselves of the external auditors' independence and accountability to the Committee.

4. Reports to Board of Trustees

- (a) *Reports.* In addition to such specific reports contemplated elsewhere in these Terms, the Committee shall report regularly to the Trustees regarding such matters, including:
 - (i) with respect to any issues that arise with respect to the quality or integrity of the financial statements of WesternOne Equity, compliance with legal or regulatory requirements by WesternOne Equity, or the performance and independence of the external auditors of WesternOne Equity;
 - (ii) following meetings of the Committee; and
 - (iii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.
- (b) *Recommendations.* In addition to such specific recommendations contemplated elsewhere in these Terms, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Trustees may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

5. Whistle-Blowing

- (a) *Procedures.* The Committee shall establish procedures for:
 - (i) the receipt, retention and treatment of complaints received by WesternOne Equity regarding questionable accounting, internal accounting controls, or auditing matters; and
 - (ii) the confidential, anonymous submission by employees and of concerns regarding questionable accounting or auditing matters.
- (b) *Notice to Employees.*
 - (i) To comply with the above, the Committee shall ensure each of the WesternOne Equity Entities advises all employees, by way of a written code of business conduct and ethics (the "**Code**"), or if such Code has not yet been adopted by the respective board, by way of a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the WesternOne Equity Entities, or their external auditors is strongly encouraged to report such concerns by way of communication directly to the Chair. Matters referred may be done so anonymously and in confidence.
 - (ii) None of the WesternOne Equity Entities shall take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting, or auditing matters. Any such reprisal shall itself be considered a very serious breach of this policy.
 - (iii) All reported violations shall be investigated by the Committee following rules of procedure and process as shall be recommended by outside counsel.

6. General

- (a) *Access to Counsel.* The Committee shall periodically review with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements, WesternOne Equity's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

- (b) *Hiring of Partners and Employees of External Auditors.* The Committee shall annually review and approve WesternOne Equity's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of WesternOne Equity.
- (c) *General.* The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Trustees, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

G. ANNUAL PERFORMANCE REVIEW

1. Evaluation

- (a) The Committee shall perform a review and evaluation, annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with these Terms. In addition, the Committee shall evaluate, annually, the adequacy of these Terms and recommend any proposed changes to the Trustees.
- (b) The Committee shall annually review transactions involving directors and officers, including a review of travel expenses and entertainment expenses, related party transactions and any conflicts of interests.
- (c) Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and management.

H. AGENDA

Attached to these Terms is the forward agenda for the Audit Committee.

WESTERNOE EQUITY INCOME FUND

Audit Committee Forward Agenda

Meeting Timing	March	May	August	November
<i>Agenda Item</i>				
A. Financial Reporting Control Systems				
(i) Review reports from senior officers outlining changes in financial risks.	X	X	X	X
(ii) Review management letter of external auditor and the WesternOne Equity Entities' responses to suggestions made.	X			
(iii) Review any new appointments to senior positions with financial reporting responsibilities.	X	X	X	X
(iv) Obtain assurance from both internal and external auditors regarding the overall control environment and the adequacy of accounting system controls.	X	X	X	X
(v) Review financial statement certification process and disclosure controls and procedures.				X
(vi) Review procedures for receipt and treatment of complaints regarding accounting controls or auditing matters and confidential, anonymous submission of concerns regarding accounting or auditing matters.			X	
(vii) Receive and review external auditors' report on critical accounting policies.	X			
B. Interim Financial Statements				
(i) Review interim financial statements prior to their release and recommend their approval to the Trustees.	X	X	X	X
(ii) Review management's discussion and analysis and associated press releases, accompanying interim financial statements.	X	X	X	X

Meeting Timing	March	May	August	November
Agenda Item				
C. Annual Financial Statements and Other Financial Information				
(i) Review any changes in accounting policies or financial reporting requirements that may affect the current year's financial statements.	X	X	X	X
(ii) Obtain summaries of significant transactions and other potentially difficult matters whose treatment in the annual financial statements merits advance consideration.	X	X	X	X
(iii) Obtain draft annual financial statements in advance of the committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by officers.	X			
(iv) Review summary of the status of any material pending or threatened litigation, claims and assessments.	X	X	X	X
(v) Discuss the annual financial statements and the auditors' report thereon in detail with officers and the auditors.	X			
(vi) Review critical accounting policies, alternative treatments of financial information and material communication between management and external auditors.	X	X	X	X
(vii) Review the annual report and other annual public information documents, including management's discussion and analysis and earnings press release.	X			
(viii) Provide to the Trustees a recommendation as to whether the annual financial statements should be approved.	X			
(ix) Review risk management plans and insurance programs.		X		
(x) Review hedging programs and policies.		X		
(xi) Assess adequacy of disclosure controls and procedures.				X

Meeting Timing	March	May	August	November
Agenda Item				
D. External Audit Terms of Reference, Reports, Planning and Appointment.				
(i) Review the audit plan with the external auditors.				X
(ii) Discuss in private with the external auditors matters affecting the conduct of their audit and other corporate matters.	X	X	X	X
(iii) Recommend the retention or replacement of the external auditors. If there is a plan to change auditors, review all issues related to the change and the steps planned for an orderly transition.	X			
(iv) Assess independence of external auditors. Ensure rotation of lead or coordinating audit partner having primary responsibility for the audit as required by law.	X			
(v) Review and approve engagement of external auditors for non-audit services.	X	X	X	X
(vi) Review and recommend for approval to the Trustees the terms of engagement and the remuneration of the external auditor.	X			
(vii) Review hiring policies regarding employees of external auditor.				X
E. Internal Audit Reports and Planning				
(i) Review the summary report of the internal audit function for the past year.	X			
(ii) Review planned activities and resources of the internal audit function for the coming year.		X		
F. Governance Matters				
(i) Review Audit Committee terms of reference.				X
(ii) Review key accounting and finance policies.				X
G. Material Disclosure Documents				
(i) Review the contents of any material disclosure document prior to their release and recommend their approval to the Trustees.	X	X	X	X