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PROSPECTUS

Initial Public Offering

July 31, 2006

WESTERNO ONE EQUITY
WESTERNO ONE EQUITY INCOME FUND

WesternOne Equity Income Fund

Offering of:

UNITS

\$16,000,000

(4,571,429 Units)

\$3.50 per Unit

- and -

5 YEAR, 9% SENIOR SECURED CONVERTIBLE DEBENTURES — SERIES A

\$10,000,000

\$100 per Series A Debenture

This prospectus qualifies the distribution of (i) \$16,000,000 of Units of WesternOne Equity Income Fund (the “Fund”) at a price of \$3.50 per Unit and (ii) and \$10,000,000 principal amount of five year 9% Senior Secured Convertible Debentures — Series A (the “Series A Debentures”) of the Fund to be issued pursuant to a trust indenture (the “Series A Trust Indenture”) made between the Fund and Computershare Trust Company of Canada (the “Indenture Trustee”) as indenture trustee. The Series A Debentures will bear interest at the rate of 9% per annum payable semi-annually in cash and will have a term of five years.

Each Series A Debenture will be convertible into Units at the option of the holder at a 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. See “Details of the Securities Offered — Series A Debentures” and “Certain Canadian Federal Income Tax Considerations — Taxation of the Holders of Series A Debentures”.

At maturity of the Series A Debentures, the Fund shall repay the outstanding principal amount of the Series A Debentures or, at the Fund’s sole option, upon providing notice to holders, the Series A Debentures shall be converted into such number of Units as is determined by dividing the outstanding principal amount of the Series A Debentures by the value obtained by calculating 95% of the weighted average trading price of the Units over the previous 20 consecutive days that the Units traded on the Exchange or the TSX. See “Details of the Securities Offered — Series A Debentures”.

The Fund was established pursuant to a declaration of trust dated June 14, 2006 (the “Declaration of Trust”). The Fund’s long-term objective is to provide Unitholders with stable cash distributions from investments in a diversified portfolio of businesses that are based primarily in Western Canada. The Fund is initially being established to acquire the assets and to carry on the business of Production Equipment Rentals Company (“Production Equipment”). See “Funding and Related Transactions” and “Use of Proceeds”. Production Equipment is a leading operator in renting, selling and servicing quality high reach and material handling equipment and in providing logistical support to its customers in British Columbia. It is a condition of the Agency Agreement between the Fund and Blackmont Capital Inc., Dundee Securities Corporation, and Sora Group Wealth Advisors Inc. (collectively, the “Agents”) that the acquisition of assets of Production Equipment be completed immediately following the closing of the Offering. In the event that the Offering is not achieved, subscription funds will be returned to subscribers, without interest.

The Fund has adopted a policy to distribute a substantial portion of its available cash to holders of Fund Units (“Unitholders”) as regular monthly distributions. Based in part on the Fund’s pro forma net income for the year ended March 31, 2006, the Fund has determined that it will pay initial monthly distributions of \$0.0408 per Unit (\$0.49 per Unit per annum). The pricing of the Fund’s Units was determined, in part, based upon an estimate of its cash available for distribution for the year ended March 31, 2006, as set out under “EBITDA, Adjusted EBITDA and Cash Available for Distribution — Summary of Estimated Cash Available for Distribution”.

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

It is important for investors to consider the particular risk factors that may affect the industries in which the Partnership currently operates and the structure of the Offering, and therefore the stability of the distributions to investors. See “Risk Factors” for a more complete discussion of these risks as well as the Fund’s assessment of those risks and their potential consequences.

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund (portions of which may be fully or partially taxable or may be tax deferred). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. The Fund anticipates that all or substantially all of the monthly distributions will be taxed as ordinary income in the hands of a Unitholder. Amounts in excess of the income of the Fund that are paid or payable by it to a Unitholder in a year are generally non-taxable to a Unitholder (but reduce the Unitholder’s cost base of the Unit for tax purposes). See “Certain Canadian Federal Income Tax Considerations”.

There is currently no market through which either the Units or the Series A Debentures may be sold and purchasers may not be able to resell either the Units or the Series A Debentures purchased under this prospectus.

The Exchange has conditionally approved the listing of Units under the symbol “WEQ.UN” and Series A Debentures under the symbol “WEQ.DB”, subject to the Fund fulfilling all of the requirements of the Exchange on or before September 10, 2006, including the distribution of Units and Series A Debentures to a minimum number of Unitholders and holders of Series A Debentures, respectively.

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of British Columbia. The Fund qualifies as a “mutual fund trust” as defined under the *Income Tax Act* (Canada) but is not a “mutual fund” as defined under applicable securities legislation. The Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. Neither the Units nor the Series A Debentures are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. The Fund has not applied for a stability rating from an independent rating agency. The return on an investor’s investment is not comparable to the return on investment in a fixed income security. The recovery of an investor’s initial investment is at risk, and the anticipated return on investment is based on many performance assumptions, including those described above.

In the opinion of counsel to the Fund and the Agents, the Units and the Series A Debentures will not be precluded as investments under certain statutes as set out under “Eligibility for Investment”.

Price: \$3.50 Per Unit

	<u>Price to the Public⁽¹⁾</u>	<u>Agents’ Fee⁽²⁾</u>	<u>Net Proceeds⁽³⁾</u>
Per Unit	\$3.50	\$0.245	\$3.255
Aggregate Offering ⁽⁴⁾	\$16,000,000	\$1,120,000	\$14,880,000

Price: \$100 per Debenture

	<u>Price to the Public⁽¹⁾</u>	<u>Agents’ Fee⁽²⁾</u>	<u>Net Proceeds⁽³⁾</u>
Per Series A Debenture	\$100.00	\$7.00	\$93.00
Aggregate Offering	\$10,000,000	\$700,000	\$9,300,000

Notes:

- (1) The price of the Units and the Series A Debentures has been determined by negotiation between the Agents (as defined herein) and the Fund.
- (2) As additional consideration, Blackmont Capital Inc. will be granted by the Fund an option to purchase up to an additional 228,571 Units at a \$3.50 per Unit and 5,000 Series A Debentures at \$100 per Series A Debenture (the “Agents’ Option”). The Agents’ Option will expire 36 months after the Closing Date. The distribution of the Agents’ Option is qualified by this prospectus. See “Plan of Distribution”.
- (3) Before deducting the expenses of the Offering, which are estimated to be approximately \$700,000. The Partnership will pay these expenses together with the Agents’ fee from the Proceeds of the Offering indirectly received by it.
- (4) The Fund has granted to the Agents an over-allotment option, exercisable for a period of 30 days from the closing of the Offering (the “Closing”), to sell up to an additional 457,142 Units sold hereunder on the same terms as set out above solely to cover over-allotments, if any (the “Over-Allotment Option”). If the Over-Allotment Option is exercised in full, the total aggregate “Price to the Public”, “Agents’ Fee” and “Net Proceeds” in respect of the sale of Units and Series A Debentures will be, \$27,600,000, \$1,932,000 and \$25,668,000, respectively. This prospectus qualifies the distribution of the Over-Allotment Option. See “Plan of Distribution”.

The Agents offer, on a best efforts basis, the Units and the Series A Debentures, subject to prior sale, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters on behalf of the Fund by Farris, Vaughan, Wills & Murphy LLP, as to certain legal matters on behalf of the Partners and Production Equipment by McQuarrie Hunter and as to certain legal matters on behalf of the Agents by Lawson Lundell LLP.

Subscriptions for Units and Series A Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Book-entry certificates representing the Units and the Series A Debentures will be issued in registered form to The Canadian Depository for Securities Limited (“CDS”) or its nominee and will be deposited with CDS on Closing. The date of Closing is expected to occur on or about August 10, 2006, or such later date as the Fund and the Agents may agree, but in any event not later than September 8, 2006. The purchasers of Units and the Series A Debentures will receive only a customer confirmation from a registered dealer that is a CDS Participant and from or through which the Units or Series A Debentures are purchased.

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

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ELIGIBILITY FOR INVESTMENT

In the opinion of Farris, Vaughan, Wills & Murphy LLP, counsel to the Fund, and of Lawson Lundell LLP, counsel to the Agents, provided that the Fund is a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act") at the time of Closing, the Units, if issued at the time of Closing, will be qualified investments under the Tax Act for funds governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (collectively, the "Plans") on that date. In addition, provided that the Fund qualifies as a mutual fund trust and the Units are listed on a prescribed stock exchange, the Series A Debentures will be qualified investments under the Tax Act for Plans other than a deferred profit sharing plan for which the Fund, or a corporation with which the Fund does not deal at arm's length, is the employer.

Recent legislation, with effect from January 1, 2005, has eliminated the limitations on the amounts of foreign property that may be held by pension funds and certain other tax-exempt persons or Plans. See "Certain Canadian Federal Income Tax Considerations" and "Risk Factors".

ABOUT THIS PROSPECTUS

Unless otherwise indicated, the disclosure contained in this prospectus assumes that: (i) the steps under the heading “Funding and Related Transactions” have been completed including, without limitation, the sale by the Fund of \$16.0 million of Units and \$10.0 million of Series A Debentures; (ii) the Fund owns and operates the business of Production Equipment; (iii) the Over-Allotment Option has not been exercised; and (iv) the Agents’ Option has not been exercised. Please refer to the “Glossary of Terms” at the end of this prospectus for a list of certain defined terms used herein.

This Offering is being undertaken on a best efforts basis by the Agents. The Agents have not made a firm commitment to the Fund that any minimum number of Units or Series A Debentures will be sold as part of the Offering. See “Plan of Distribution”.

Financial information and results for periods prior to the year ended March 31, 2004 have been generated from financial information prepared by management from the historical financial statements of Production Equipment, which have not been audited for the purposes of this prospectus.

References to “management” in this prospectus refer to the persons who are senior officers of the Fund and its affiliates, and, where the context requires, to those persons who will be WEQ Production Equipment LP’s senior officers following Closing and who are currently senior officers of Production Equipment. Statements made in this prospectus by management are made by these persons in their capacities as senior officers and not in their personal capacities.

The term “WesternOne Equity” refers to the Fund together with the Trust, WesternOne Equity GP, the Partnership, the Business LPs and related entities, unless the context otherwise refers to certain of these entities.

Forward Looking Statements

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

Market and Industry Data

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

Non-GAAP Measures

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

References to the Fund’s “EBITDA” for any period are to the Fund’s net income for such period before interest expense, taxes, depreciation and amortization, in each case to the extent reflected in such net income. EBITDA is a metric used by many investors to determine the ability of an issuer to generate cash from operations. As the Fund intends to distribute a substantial portion of its available cash on an ongoing basis (after providing for certain amounts described elsewhere in this prospectus), it believes that, in addition to net income or loss and statements of cash flows, EBITDA is a useful supplemental measure from which to determine the Fund’s ability to generate, and from which to make adjustments to determine, its cash available for distribution. See “EBITDA, Adjusted EBITDA and Cash Available for Distribution — Summary of Estimated Cash Available for Distribution”.

The Fund has used Adjusted EBITDA as the basis for the analysis of its past financial performance. References to Adjusted EBITDA are to EBITDA after adjusting for various non-recurring or other items which are detailed under “EBITDA, Adjusted EBITDA and Cash Available for Distributions — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA”. These adjustments reflect items of income and expense that will not be earned or incurred by the Fund after Closing. Substantially all of these adjustments are the result of the elimination of expenses paid by Production Equipment as a privately owned partnership on behalf of the Partners, and non-recurring consulting fees relating to the sale of the assets of Production Equipment. Adjusted EBITDA is a measure that the Fund believes facilitates the comparability of the results of historical periods and the analysis of its financial performance.

References to “cash available for distribution” are to cash available for distribution to Unitholders in accordance with the distribution policies of the Fund described in this prospectus. Cash available for distribution is presented in this prospectus as the Fund intends to make monthly cash distributions and it is therefore a useful financial measure as an indication of the Fund’s ability to make such distributions. It is also a measure generally used by income funds in Canada as an indicator of financial performance. As one of the factors that may be considered relevant by prospective investors is the cash available to be distributed by the Fund relative to the price of the Units, the Fund believes that cash available for distribution is a useful supplemental measure that may assist prospective investors to assess an investment in Units. The Fund’s method of determining cash available for distribution is derived from Adjusted EBITDA, which is derived from EBITDA and cash flows from operations (a measure recognized under GAAP) for the fiscal year ended March 31, 2006. See “EBITDA, Adjusted EBITDA and Cash Available for Distribution — Summary of Estimated Cash Available for Distribution”.

EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to the Fund’s. Investors are cautioned that EBITDA, Adjusted EBITDA and cash available for distribution should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Fund’s performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. For a reconciliation of EBITDA and Adjusted EBITDA to net income and cash flows from operations, based on the audited historical financial statements contained elsewhere in this prospectus presented in accordance with GAAP, see “EBITDA, Adjusted EBITDA and Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA” and “— Selected Financial and Operating Information”.

PROSPECTUS SUMMARY

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

WesternOne Equity Income Fund

The Fund is an unincorporated, open-ended trust governed by the laws of the Province of British Columbia and by the Declaration of Trust. The Fund was created to indirectly acquire and hold all of the LP Units of the Partnership and all of the outstanding shares of WesternOne Equity GP. The Partnership has been formed to acquire and hold all, or in some cases, a majority of the Partnership Units in each of the Business LPs.

Business of the Fund

The Fund has been formed to seek out and to acquire predominantly privately-owned small and mid-market businesses, located primarily in Western Canada, in order to generate stable distributions to Unitholders as well as overall capital appreciation.

The Fund will grow through:

- accretive acquisitions of businesses that meet its target acquisition criteria (see “Acquisition Criteria”);
- complementary acquisitions; and
- organic growth.

The Fund will seek acquisitions in a variety of industries including, but not limited to:

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

The Fund will not invest in real estate (other than when it is a part of the business operations), technology or start-up ventures.

The ultimate selection of acquisitions will be prioritized by the Fund’s ability to generate value-added returns to its Unitholders. To achieve these returns the Fund will operate in much the same fashion as successful private equity firms with the exception of the high level of debt such groups typically place on their businesses, which can limit growth and create undue risk. The Fund’s returns will instead be derived from growth and operating improvements, instead of excessive financial leverage. When selecting acquisition targets, the Fund will look for candidates who meet the Fund’s Acquisition Criteria including:

- Western Canada focus;
- history of stable cash flows;
- strong growth potential, both internally and through add-on acquisitions;
- strong market share position;
- committed management team;
- EBITDA of approximately \$3 million to \$10 million; and
- accretive to Unitholders.

The Fund’s business strategy allows the management of each acquired business to control the day-to-day activities of the business while the Fund oversees the strategic, investment and capital allocation decisions for the business. Since the Fund is acquiring businesses with an established history of growth and profitability, it believes that the existing management is well suited to continue this growth going forward.

The Fund has a strong executive team including Trustees, management and directors with a breadth of experience in corporate finance, private equity and asset management. The team has well-established connections in the Western Canadian marketplace, with ties to business owners in a variety of sectors. The Fund intends to establish a team of network advisors who will assist with identifying and reviewing potential business acquisitions and be available to the Fund to consult on an individual basis to draw on their individual expertise and knowledge base post-acquisition. The portfolio businesses will have a geographic focus primarily in the Western Canadian provinces of British Columbia, Alberta and Saskatchewan, where the Fund's extensive network of relationships and geographic proximity will allow it to be effective in sourcing new acquisitions and in working with businesses post acquisition.

Key Investment Highlights

- ***Attractive Yield*** — The Fund intends to pay Unitholders stable and growing cash distributions. The Fund initially expects to provide an annual yield of approximately 14.0%, which compares favourably to other similar funds.
- ***Initial Conservative Payout Ratio*** — The Fund has adopted a conservative payout ratio, which will be approximately 75%. In the future, the payout ratio will be determined at the discretion of the board of WesternOne Equity GP.
- ***Western Canada Focus*** — Since 1991, Western Canada has experienced an average GDP growth rate of 3.4%, compared to the national average of 2.8%. Management believes that these trends will continue in the coming years and thus will focus on acquiring businesses that are well positioned to take advantage of the region's strength and population trends. In addition, the Fund's extensive network of relationships and geographic proximity will allow it to be effective in sourcing new acquisitions and in working with the businesses post-acquisition.
- ***Experienced Management Team with Proven Track Record*** — The Fund's management team, directors, Trustees and network advisors consist of a group of experienced individuals with strong ties and personal networks in the Western Canadian marketplace. The Fund will leverage their skills and contacts to identify and complete acquisitions through privately negotiated transactions, which will help ensure transactions are completed at a valuation that is accretive to all Unitholders.
- ***Solid Initial Platform Acquisition*** — Contemporaneous with the Closing, the Fund will acquire the assets of an equipment rental, sales and service operation based in Vancouver, British Columbia. Production Equipment has over five years of sustained growth, increasing EBITDA at a compound annual rate of over 29%. See "Business of the Fund — Initial Platform Acquisition".
- ***Alignment of Management with Unitholders*** — The Trustees, directors and officers of the Fund will retain 17.1% on a fully-diluted basis of the outstanding Units of the Fund, thus ensuring that their interests and financial goals are aligned with those of the public Unitholders.
- ***Scalable Business Model*** — The Fund seeks to acquire businesses owned by successful owners. Through management's extensive network of contacts in the Western Canadian marketplace, the Fund has a wide source of additional acquisition candidates. The Fund is involved with all major strategic decisions relating to its acquired businesses, but allows the individual management of each business to continue to manage the day-to-day operations.
- ***Access to Successful Entrepreneurs*** — The Fund provides an opportunity for investors to access a variety of successful, growth oriented businesses which are run by successful business operators that would normally be available only to private investors. The Fund will continue to attract new business owners by offering them the opportunity to monetize some of their wealth and to gain access to growth capital while still maintaining an active role in their business.
- ***Dynamic Growth Model*** — The Fund has a dynamic growth strategy to increase cash available for distribution and achieve capital appreciation. This strategy includes:
 - ***Accretive Acquisitions*** — The Fund intends to continue to seek out and acquire new platform businesses at valuations that are accretive to Unitholders.
 - ***Growth Through Acquisitions*** — Platform businesses will grow through add-on acquisitions of competitors and other complimentary businesses within the same industry.

- *Organic Growth* — The Fund will work with its platform businesses to build upon their track record of internal growth and improving profitability.

Operating Philosophy

The Fund will focus on acquiring businesses owned by individuals or companies known to the Fund through its extensive network in Western Canada. The Fund 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 many situations, the business owner may retain an equity interest in the Fund, thereby aligning their interests with those of the Fund.

The Fund follows a simple operating philosophy with its businesses:

- *Hands-Off Management* — The Fund will not control the day-to-day operations of its acquired businesses, leaving this to the existing management teams.
- *Strategic Overview* — While day-to-day operations are controlled by the management of the individual businesses, the Fund will oversee all major strategic and capital allocation and expenditure decisions.

Benefits to Business Owners

Management believes that business owners will be attracted to the Fund for the following reasons:

- *Liquidity and Diversity* — By divesting some or all of their ownership in their business for either cash or equity in the Fund, they are able to monetize some value while diversifying their financial holdings.
- *Maintenance of Business Legacy* — When the Fund acquires a business, it will attempt to retain all management and employees which allows business owners the opportunity to sell their businesses while maintaining involvement and continuing on with their work. In many situations, this will also allow the implementation of an effective succession plan.
- *Lower Cost of Capital* — Subsequent to the Closing, the Fund'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 the Fund's level which may provide them with better financing rates and additional flexibility.

Selected Financial and Operating Information

The following selected financial and operating information of Production Equipment, other than as set forth in Note 1 below and other than the Operating Data shown below, has been derived from, and should be read in conjunction with, the audited historical financial statements of Production Equipment and notes thereto, the unaudited pro forma consolidated financial statements of Production Equipment and of the Fund and the notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

	Fiscal Year Ended March 31,			
	2006	2005	2004	
Pro forma⁽¹⁾				
(in thousands of dollars, except margins and operating data)				
Income Statement Data				
Revenue				
Equipment rental	9,990	9,990	6,607	6,516
Equipment sales	3,065	3,065	2,565	1,231
Logistical support ⁽²⁾	1,052	1,052	698	703
Parts and service	779	779	451	334
Total revenue	14,886	14,886	10,321	8,784
Cost of sales	4,397	4,397	3,132	2,592
Gross profit	10,489	10,489	7,189	6,192
Gross profit %	70.5%	70.5%	69.7%	70.5%
Operating expenses	7,205 ⁽⁶⁾	6,202	4,905	4,085
Net income	3,284	4,287	2,284	2,107
EBITDA ⁽³⁾	5,865	6,239	3,963	3,394
Adjusted EBITDA ⁽³⁾	5,865	6,348	4,074	3,430
Balance Sheet Data				
Inventory	751	751	761	272
Rental fleet ⁽⁴⁾	8,807	14,037	11,991	9,591
Total assets	31,589	17,221	14,373	11,172
Equipment related financing:				
Equipment payables	—	—	172	446
Floor plan payable	—	783	815	—
Capital leases and capital loans	6,500	8,841	7,903	5,424
Total equipment related financing	6,500	9,624	8,890	5,870
Operating Data				
Number of equipment rental items in fleet	558	558	483	332
Rental equipment utilization ⁽⁵⁾	70.5%	70.5%	74.4%	70.8%
Revenue growth	44.2%	44.2%	17.5%	n/a ⁽⁷⁾
Gross profit growth	45.9%	45.9%	16.1%	n/a ⁽⁷⁾

Notes:

- (1) The amounts shown under the column headed “Pro forma” include adjustments as detailed in the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus.
- (2) Disclosed as “Cartage” in the audited historical financial statements of Production Equipment contained elsewhere in this prospectus.
- (3) EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by generally accepted accounting principles in Canada (“GAAP”) and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to WesternOne Equity’s. See “EBITDA, Adjusted EBITDA and Cash Available for Distribution”.
- (4) At carrying value, including property and equipment under capital leases and capital loans.
- (5) Based on a five day work week.
- (6) Includes interest expense on capital loans for equipment purchases and Series A Debentures.
- (7) Comparable data is not available because in fiscal 2004 the year end was changed from December 31 to March 31.

Summary of EBITDA, Adjusted EBITDA and Cash Available for Distribution

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

The information contained in this summary of EBITDA, Adjusted EBITDA and cash available for distribution should be read together with the detailed disclosure and reconciliation of the Fund's net income, a GAAP measure, to EBITDA and Adjusted EBITDA, and to the detailed assumptions and related risks taken into account by the Fund in arriving at the estimate of its cash available for distribution, as set forth under "EBITDA, Adjusted EBITDA and Cash Available for Distribution".

Reconciliation of Historical Results to EBITDA and Adjusted EBITDA

The following table reconciles the Fund's EBITDA and Adjusted EBITDA to net income, shown in the audited historical financial statements and the unaudited pro forma consolidated financial statements of Production Equipment and of the Fund for the periods indicated.

	Fiscal Year Ended March 31,			
	2006	2005	2004	
	Pro forma ⁽¹⁾			
	(in thousands of dollars)			
Net income	3,284 ⁽⁴⁾	4,287	2,284	2,107
Adjustments to net income:				
Amortization	848	1,351	1,113	817
Interest expense	1,316 ⁽⁴⁾	601	566	470
Accretion and amortization relating to Series A Debentures	417	—	—	—
EBITDA ⁽²⁾	5,865	6,239	3,963	3,394
Adjustments to EBITDA:				
Partner expenses ⁽³⁾	—	36	36	36
Consulting fees	—	73	75	—
Adjusted EBITDA ⁽²⁾	5,865	6,348	4,074	3,430

Notes:

- (1) The amounts shown under the column headed "Pro forma" include adjustments as detailed in the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus.
- (2) EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by generally accepted accounting principles in Canada ("GAAP") and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to WesternOne Equity's. See "EBITDA, Adjusted EBITDA and Cash Available for Distribution".
- (3) Includes auto allowance and life insurance premiums that are non-recurring in nature and were paid on behalf of the Partners.
- (4) Includes interest expense on capital loans and Series A Debentures.

Summary of Estimated Cash Available for Distribution

	Fiscal Year Ended March 31, 2006
	(in thousands of dollars, except per Unit figures)
Cash flow from operations	4,928
Adjustments to cash flow from operations:	
Interest expense	601
Gain on sale of property and equipment	123
Net change in non-cash working capital balances	<u>587</u>
EBITDA ⁽¹⁾	6,239
Adjustments to EBITDA:	
Partner expenses ⁽²⁾	36
Consulting fees	<u>73</u>
Adjusted EBITDA ⁽¹⁾	6,348
Management believes that the following adjustments are required to determine cash available for distribution:	
Maintenance capital expenditures	(500)
Interest on Series A Debentures	(900)
Interest on equipment financing	(416)
Additional general, administrative and other costs	<u>(483)</u>
Estimated cash available for distribution	<u>4,049</u>
Estimated cash distributions	<u>3,024</u>
Estimated cash distributions per Unit ⁽³⁾	<u>0.49</u>
Coverage ratio	1.34x
Backup calculations:	
Additional general, administrative and other costs	
Director and Trustee fees	150
Incremental audit and legal expenses	115
CFO salary	80
Director and Officer insurance	76
Annual filing and listing expenses (including mailings)	37
Quarterly filing expenses	20
Meeting expenses	<u>5</u>
	<u>483</u>
Interest on Series A Debentures:	
Amount of Series A Debentures	10,000
Annual interest rate	<u>9.00%</u>
	<u>900</u>
Interest on equipment financing:	
Amount of equipment financing	6,500
Annual interest rate	<u>6.40%</u>
	<u>416</u>

Notes:

- (1) EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by generally accepted accounting principles in Canada ("GAAP") and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to WesternOne Equity's. See "EBITDA, Adjusted EBITDA and Cash Available for Distribution".
- (2) Includes auto allowance and life insurance premiums paid on behalf of the Partners.
- (3) Based on 6,171,429 Units outstanding upon completion of the Offering, which includes 1,600,000 Units outstanding prior to the Offering.

Summary of the Offering

Total Aggregate Financing Amount:	\$26,000,000
Securities to be Issued:	Aggregate of \$16,000,000 of Units; and \$10,000,000 principal amount of Series A Debentures.
Issue Price:	\$3.50 per Unit sold pursuant to the Offering; and \$100 per Series A Debenture.
Description of Units:	The Fund is authorized to issue an unlimited number of Units. Each Unit represents a Unitholder's proportionate undivided beneficial interest in the Fund. See "WesternOne Equity Income Fund — Units".
Description of Series A Debentures:	<p>Seniority: The Series A Debentures shall be a direct obligation of the Fund and rank senior to the Units and will be subordinate only to Senior Security.</p> <p>Term: 5 Years.</p> <p>Interest: 9% per annum, payable semi-annually.</p> <p>Conversion: Each Series A Debenture will be convertible into Units at the option of the holder 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.</p> <p>Forced Conversion at Maturity at Fund's Option: At maturity, the Fund shall repay the outstanding principal amount of the Series A Debentures, plus accrued and unpaid interest, or at the Fund's sole option, upon providing not less than 30 days' notice and not more than 60 days' notice, the Series A Debentures shall 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 on the Exchange or TSX during the prior 20 consecutive days on which Units are traded.</p> <p>Redemption: The Fund 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, the Fund 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 or the TSX 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.</p> <p>Security: The Series A Debentures will be 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 first floating charge to and in favour of the Indenture Trustee on the undertaking and all the property and assets of the Fund, both present and future, including, without limiting the generality of the foregoing, all real, personal, movable and immovable property now owned or hereafter acquired by the Fund and all its present and future revenues, incomes,</p>

moneys, rights, franchises, materials, supplies, book debts, accounts receivable, negotiable and non-negotiable instruments, judgments, securities, choses in action, lands, interests in lands and all other property and things of value of every kind and nature, tangible or intangible, legal or equitable of which the Fund may be possessed or to which it may be entitled or which may be acquired by the Fund. **The Series A Debentures shall rank senior to the Units, pari passu in all respects with any other Series A Debentures issued from time to time and will be subordinate only to Senior Security.**

Use of Proceeds:

The Fund will use the proceeds of the Offering to subscribe for units of the Trust (“Trust Units”). The Trust will, in turn, use these funds to subscribe for LP Units. The Partnership will use these funds to subscribe for units in WEQ Production Equipment LP, which will purchase the assets of Production Equipment. The Partnership will also pay the Agents’ fees and other expenses of the Offering. See “Funding and Related Transactions” and “Use of Proceeds”.

Over-Allotment Option:

The Fund has granted the Agents the Over-Allotment Option to purchase, for a period of 30 days following Closing, up to 457,142 additional Units at \$3.50 to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised, the Agents will receive a fee of \$0.245 per additional Unit purchased pursuant to such option. If the Over-Allotment Option is exercised, the Fund will use the additional proceeds received to subscribe for additional Trust Units. The Trust will, in turn, subscribe for additional LP Units. The Partnership will use the proceeds received for working capital purposes. See “Plan of Distribution” and “Funding and Related Transactions”.

Agents’ Option

Blackmont Capital Inc. will be granted an option to purchase, for additional consideration, that number of Units and principal amount of Series A Debentures equal to 5% of the Units and principal amount of Series A Debentures issued under the Offering at a price equal to the price under the Offering. These options will expire 36 months after the Closing Date.

Distribution Policy:

The Fund intends to adopt a policy to distribute a substantial portion of the Fund’s available cash to its Unitholders as regular monthly distributions.

The Fund’s initial distribution will be \$0.0408 per Unit per month (\$0.49 per annum) payable on or about the 15th day of each month to Unitholders of record at the end of the preceding month. The Fund intends to pay its first cash distribution of \$0.029 per Unit on or about September 15, 2006 in respect of the period from Closing to August 31, 2006. See “Distribution Policy”.

Governance:

The Fund’s business is operated by the Partnership. WesternOne Equity GP, as general partner of the Partnership, will be entitled to make any and all decisions regarding the business and affairs of the Partnership, subject to certain limitations set out under “WesternOne Equity Income Fund — Exercise of Certain Voting Rights Attached to Securities of the Trust, the Partnership and WesternOne Equity GP”.

Risk Factors:

An investment in the Units is subject to a number of risks that investors should carefully consider. The Fund’s income and cash distributions are not guaranteed and will be based indirectly upon the businesses acquired by it, which are susceptible to a number of risks. These risks, and other risks associated with an investment in the Units, include risks related to the

Fund's business and the industry in which it operates and risks associated with the structure of the Offering.

Risks related to the business and the industries in which the Fund operates include risks related to:

- WesternOne Equity, which include risks relating to: reliance on key personnel, financial health of Business LPs and cashflows, failure to realize anticipated benefits of acquisitions, regulation, general economic conditions, growth initiatives, and competition;
- Production Equipment, which include risks relating to: sensitivity to general economic conditions and levels of economic activity, the loss of tax credit incentives for the film industry, labour shortages, employee relations, competition, growth initiatives, seasonality, resale of rental equipment, interest rates, equipment availability, environmental regulation and health and safety matters, import product restrictions and foreign trade risks, financing constraints, insurance coverage, dependence on one site, dependence on information systems and technology, and inventory qualifications.

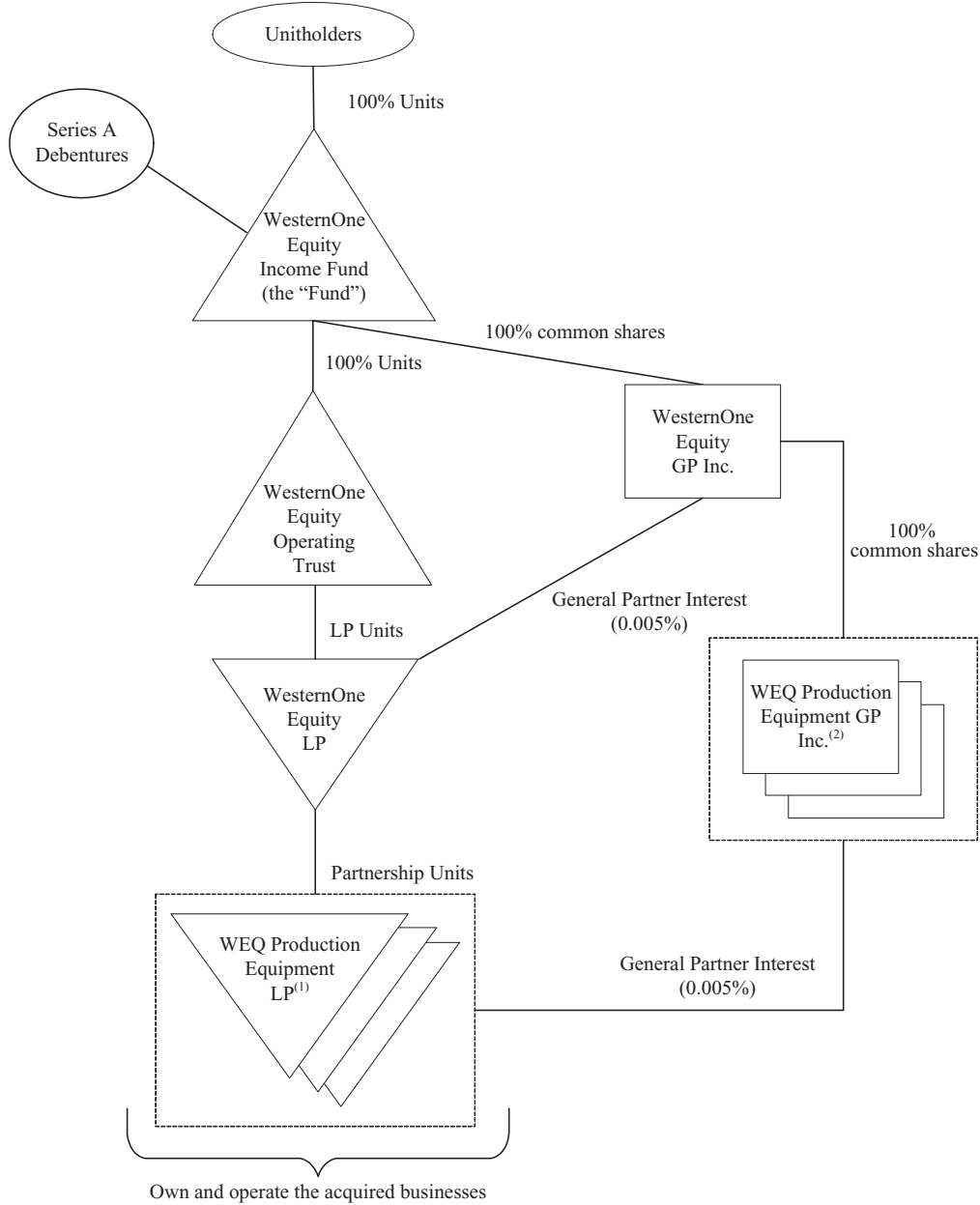
Risks related to the structure of the Offering include risks related to: dependence upon the Partnership to fund cash distributions; the fact that cash distributions are not guaranteed and will fluctuate with business performance; the fact that the Fund's distributions are discretionary; the nature of the Units; limited liability; absence of a prior public market; unpredictability and volatility of Unit prices; attributes of securities distributed on redemption of Units or termination of the Fund; dilution; new requirements as a public issuer; leverage and restrictive covenants; substantial interest of the Principal Unitholder; investment eligibility; income tax matters; limitations on future growth and cash flow; restrictions on the ownership of Units by non-residents of Canada; indemnities provided by Production Equipment and the Principal Unitholder; and the fact that Unitholders are not afforded certain statutory rights.

See "Risk Factors".

Structure Following Closing

On Closing the Fund will own, indirectly through the Trust, a 100% interest in the Partnership. The following chart illustrates the structure of WesternOne Equity following Closing. See “Funding and Related Transactions”.

WesternOne Equity Income Fund



Notes:

- (1) WEQ Production Equipment LP was formed to acquire the assets of Production Equipment from the Partners. A new Business LP will be formed for each additional business WesternOne Equity acquires.
- (2) WEQ Production Equipment GP Inc. was incorporated to be the general partner for WEQ Production Equipment LP and has the exclusive authority to manage it. A new subsidiary general partner will be incorporated for every Business LP formed.

THE FUND, THE TRUST, THE PARTNERSHIP, WESTERNO ONE EQUITY GP AND THE BUSINESS LPS

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

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. The Trust has been created to acquire and hold LP Units. See “WesternOne Equity Operating Trust”.

The Partnership is a limited partnership formed under the laws of the Province of Manitoba on June 15, 2006. The Partnership has been created to acquire and hold all, or in some cases, a majority of the Partnership Units in each of the Business LPs. The Partnership holds all of the Partnership Units of WEQ Production Equipment LP, which will acquire and hold the Production Equipment business at Closing. See “Funding and Related Transactions” and “WesternOne Equity LP”. WEQ Production Equipment LP is a limited partnership formed under the laws of the Province of Manitoba on June 15, 2006.

WesternOne Equity GP is a corporation incorporated under the *Canada Business Corporations Act* (the “CBCA”) on June 8, 2006. WesternOne Equity GP is the general partner of the Partnership, holds the shares of WEQ Production Equipment GP Inc., and will hold all of the shares of the general partner of any Business LP. See “WesternOne Equity GP”.

The principal and head offices of the Fund, the Trust, WesternOne Equity GP and the Partnership are located at Suite 910, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2. The principal and head office of WEQ Production Equipment LP and WEQ Production Equipment GP Inc. is located at 1156 Kingsway, Port Coquitlam, British Columbia V3C 3Y9.

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

BUSINESS OF THE FUND

The Fund

The Fund has been established to seek out and acquire predominantly privately owned businesses located primarily in the Western Canadian provinces of British Columbia, Alberta and Saskatchewan (in this prospectus, “Western Canada”), in order to generate stable and growing distributions to Unitholders as well as to achieve overall capital appreciation.

The Fund 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 many situations, the business owner may acquire an equity interest in the Fund, thereby aligning their interests with those of the Fund.

Investment Approach

The Fund will be 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, the Fund seeks to achieve significant long-term appreciation in the value of its Units.

Growth Strategy

The Fund’s growth strategy involves the following key areas:

- *Accretive Acquisitions* — The Fund 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 its existing portfolio businesses, at valuations that are accretive to Unitholders.
- *Growth Through Acquisitions* — By combining the Fund’s network of contacts in the Western Canadian marketplace with the in-depth industry knowledge and contacts of its portfolio businesses management, the

Fund will work to grow the portfolio businesses through add-on acquisitions of competitors and other complimentary businesses.

- *Organic Growth* — The Fund will work with its platform acquisitions to build upon their track record of internal growth and improving profitability.

Selection of businesses will be prioritized by the ability to implement the Fund's investment approach and generate value-added returns to the Fund and its Unitholders. To achieve these returns the Fund will operate in much the same fashion as successful 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. The Fund's returns will instead be derived from growth and operating improvements, not excessive financial leverage. With this type of conservative capital structure, management of the platform businesses will be allowed to keep their attention focussed on their operations.

The portfolio businesses will have a geographic focus primarily in Western Canada where the Fund's extensive network of relationships and geographic proximity will allow it to be effective in sourcing new acquisitions and in working with the businesses post-acquisition. The Fund 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 are a significant number of these opportunities in Western Canada and that they are well positioned to offer owners of these businesses an attractive exit strategy that can be tailored to their individual circumstances. The Fund will acquire from 51% to 100% of the ownership of each such business, utilizing a combination of cash and Units for acquisitions. This approach will enable the Fund 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, the Fund intends to acquire a portfolio of platform businesses in manufacturing, distribution, services and other industries that address the industrial, consumer and other markets which meet the Fund's acquisition criteria (the "Acquisition Criteria") as set forth below.

Western Canada Focus

The Fund will focus on acquisition opportunities located primarily in Western Canada where the Fund's extensive network of relationships and geographic proximity will allow it to be effective in sourcing new acquisitions and in working with the businesses post-acquisition. Western Canada has in recent years been the engine of growth for the Canadian economy. According to Statistics Canada, since 1991 Western Canada has experienced an average GDP growth rate of 3.4%, as compared to the national average of 2.8%. This growth has been fuelled by a combination of soaring revenues from oil and gas and other natural resources, from strong growth in both residential and non-residential construction and from steady increases in consumer spending and retail sales.

Management believes that these trends will continue in the coming years and with the initial platform business and primary focus on the Western Canadian region for new acquisitions and organic growth, the Fund is well positioned to benefit from the region's economic strength and population trends.

The Fund is well 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, the Fund will be able to identify and complete off-market acquisitions. By avoiding a competitive bidding process, these off-market transactions will be completed at valuations that are more accretive to the Fund, thus maximizing overall returns to Unitholders.

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

Growth Opportunities with Stable Cash Flows

The Fund will seek to acquire platform businesses that have a history of stable cash flows and that offer strong growth opportunities either through the acquisition or consolidation of other complementary businesses, or through expansion and organic growth.

The Fund will 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 significant savings and growth resulting in more profitable businesses.

The Fund will also pursue 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 independents. 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 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 stronger, leaner and larger.

Strong Market Share Positions

Acquisition targets will 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 will help the Fund 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 also 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

The Fund seeks primarily to acquire businesses with trailing EBITDA of between \$3 million and \$10 million. The Fund has chosen to focus on such businesses as they typically embody many of the other facets of its 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 the Fund in their identification and acquisition, which may result in superior returns to Unitholders.

Strong Committed Management Team

The Fund's goal is be partners with and not just owners of its acquired businesses. The Fund'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, the Fund will look 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

The Fund will predominantly focus 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 superior 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" is usually applied to the valuation, thus improving the overall return to the Fund.

While the Fund's 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 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 will generate opportunities for the Fund 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

The Fund will not invest in real estate (other than when it is part of the business operations), technology or start-up ventures. Targeted industries may include:

- infrastructure and construction;
- logistics and distribution;
- outsourcing;
- manufacturing;
- financial 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

The Fund follows a simple operating philosophy with its businesses:

- *Hands-Off Management* — The Fund will not control the day-to-day operations of its acquired businesses, leaving this to the existing management teams.
- *Strategic Overview* — While day-to-day operations are controlled by the management of the individual businesses, the Fund will oversee all major strategic and capital allocation and expenditure decisions.

Benefits to Business Owners

Management believes that business owners will be attracted to the Fund 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 the Fund, they are able to monetize some value while diversifying their financial holdings.
- *Maintenance of Business Legacy* — When the Fund acquires a business, it will attempt to retain all management and employees which allows ownership the opportunity to sell their businesses while maintaining involvement and continuing on with their work. In many situations, this will also allow the implementation of an effective succession plan.
- *Lower Cost of Capital* — Subsequent to the Closing, the Fund'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 the Fund's level which may provide them with better financing rates and additional flexibility.

Acquisition Process

The Fund 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

The Fund prefers to acquire businesses other than pursuant to an auction process. While it may participate in a limited number of auctions, the Fund will not become involved in the bidding wars that can result. It will instead focus on acquiring businesses through privately negotiated transactions.

Sourcing privately negotiated transactions will come 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 goodwill and reputation they spent years building can be erased along with the security of employment for the employees of the business. Management further believes that it will be 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 will first be reviewed to ensure they are consistent with the Fund's "Acquisition Criteria" and can be acquired at a reasonable purchase price. The Fund will poll its network to discuss the suitability of potential acquisitions and their fit with the Acquisition Criteria. Significant consideration will be 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, the Fund will conduct initial due diligence of the business and its industry by reviewing industry research on the firm and its competitors and conferring with the Fund'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, the Fund's network within the construction industry would be 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 would be reviewed. The Fund 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 will be drawn up which includes internal and external professionals and advisors. The Fund will then meet with the ownership and management team, review their financial and operating plan and enter into detailed discussions on their strategic goals. In addition, the professionals on the team, in consultation with the Trustees and directors, will discuss management's expectation for compensation in the future.

The entire due diligence process will determine the structure of the transaction. Key factors influencing structure would 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 will have been 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 would then make a presentation to all directors at an investment approval meeting. Only after review and approval by the directors will the transaction team be authorized to proceed with the closing process and the ultimate acquisition of the business.

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

Post-Closing Support and Growth

The Fund will be acquiring businesses to a great extent based on the management in place and does not intend to interfere with their operation of the business, but rather act as counsel to them. The Fund will work 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. The Fund will work 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. The Fund will play a leading role in instigating, reviewing and assisting in acquisitions when pursuing add-on and consolidation strategies. In addition, all of its businesses will have access to the significant knowledge base and relationships of the Fund'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, the Fund will provide them with equity ownership through the WesternOne Equity Option Plan, as well as incentives based on the achievement of financial targets within their individual businesses. See “Executive Compensation — WesternOne Equity 2006 Incentive Unit Option Plan”. These two methods of compensation, in addition to competitive base salaries, will provide management teams with an incentive to see the Fund 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 will oversee and approve all incentive based compensation programs.

Trustees, Directors, Management and Network Advisors

The Fund’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. See “Trustees, Directors and Management”.

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 \$90 million in its private equity real estate funds and acquired more than \$250 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. 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 J. Hibberd, Chief Financial Officer. Since 2004, Mr. Hibberd has been 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 Chartered Accountant (British Columbia), a Certified Public Accountant (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.

Robert W. King, Trustee and Director. Since 1995, Mr. King has been the President of King Pacific Capital Corporation, a private financial services firm actively involved in corporate finance, venture capital and real estate investments. Mr. King has also been a principal since 1995 of Westbridge Capital Group, a full service commercial mortgage brokerage firm. Mr. King sits on the boards of several private companies and the boards of TSX listed Wall Financial Corp. and NASDAQ listed Planetout Inc. Mr. King holds an MBA from Dalhousie University and a Bachelor of Arts from the University of British Columbia.

Douglas R. Scott, Trustee. Mr. Scott is currently the Chief Financial Officer of First Majestic Resource 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.

Stephen J. Evans, Director. Mr. Evans is currently the Managing Director and co-founder of Sunstone Realty Advisors Inc. and its related companies. From June 1987 to September 2001, Mr. Evans was the Vice President of England Securities Ltd., a real estate investment, development and management company. In his capacity as Vice President, Mr. Evans actively participated in the negotiation, acquisition and management by England Securities Ltd. of a number of real estate assets, throughout Canada and the United States, with an aggregate value in excess of \$280 million.

Jon A. Gordon, Director. Mr. Gordon has over 19 years of experience in investment banking. 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 acquisition ("M&A") 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 Mr. Gordon executed M&A transactions totalling over \$3 billion. 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 graduate of Harvard College where he received an AB magna cum laude and an MBA with distinction from Harvard Business School.

T. Richard Turner, Director. Since 1995, Mr. 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 trustee of Sunrise Senior Living REIT; trustee of Sun Gro Horticultural Income Fund and Board Chair and Director of its operating subsidiary Sun Gro Horticultural Canada Inc.; Director of Sora Group Wealth Advisors Inc.; and Board Chair and Director of the Insurance Corporation of British Columbia. Mr. Turner is also a Director of the Organizing Committee of the Vancouver 2010 Olympic and Paralympic Winter Games; Hearing Member of the Transportation Appeal Tribunal of Canada; Governor of the BC 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 until 2005. 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.

Network Advisors

The Fund intends to establish a team of network advisors, who will assist with identifying and reviewing potential business acquisitions.

The advisors will have experience across a broad range of industries and markets. The Fund plans to consult with the advisors on an individual basis to draw on their expertise and knowledge base, and also to identify additional niche industry experts and resources that may be useful to the Fund. The advisors will neither be officers nor directors and will not have any management or fiduciary obligations to the Fund. They will not advise the Fund whether to proceed with any specific transactions.

Western Canada Fundamentals

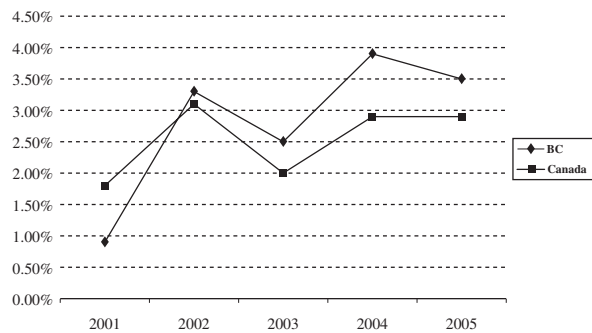
In recent years, Western Canada has been the engine of growth for the Canadian economy. According to Statistics Canada, since 1991 Western Canada has experienced an average GDP growth rate of 3.4%, as compared to the national average of 2.8%. This growth has been fuelled by a combination of soaring revenues from oil and gas and other natural resources, from strong growth in both residential and non-residential construction, and from steady increases in consumer spending and retail sales.

Management believes that these trends will continue in the coming years and with its initial platform business and primary focus on the Western Canada region for new acquisitions and organic growth, the Fund is well positioned to benefit from the region's economic strength and population trends.

British Columbia

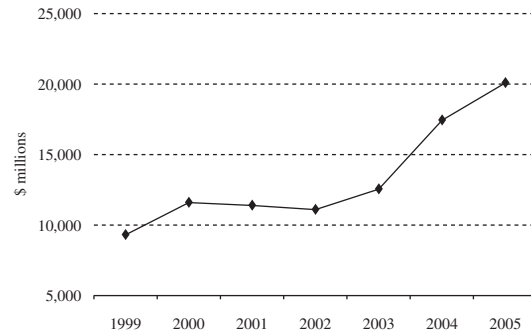
British Columbia's economy has continued to outpace the national average in recent years, as demonstrated by a 3.5% GDP growth rate in 2005 compared to 2.8% for all of Canada. This economic growth is second only to Alberta. British Columbia has experienced growth in a broad base of industry sectors, including natural resources, manufacturing, transportation, power generation and distribution, as well as film production.

British Columbia vs. Canada GDP Growth



Source: Statistics Canada

Growth in British Columbia Corporate Profits



Source: Statistics Canada

The construction industry in general has been extremely strong in British Columbia, with growth in both residential and non-residential construction. With the 2010 Winter Olympics in Vancouver and Whistler rapidly approaching, investment in the infrastructure to support the event is increasing, including the construction of event venues, accommodation for visitors and participants, and transportation services.

In addition to Olympic-related projects, construction of residential properties has also grown. Driven by low interest rates, increasing corporate profits and low unemployment, investment in residential construction rose by 8.6%, second only to Alberta.

With its available hydroelectric generation capacity, British Columbia has benefited from an increasing shortage of energy supplies in the United States, its largest customer for electricity exports. This growth has helped spur investment in generating assets as well as in transmission and distribution infrastructure.

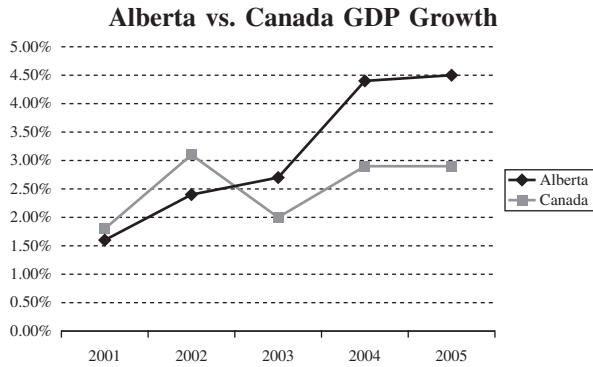
As the gateway for the import and export of products to and from Asian and Pacific countries, British Columbia has experienced significant expansion in its transportation and distribution sectors, in particular trucking, rail transportation and port services. This growth can be primarily attributed to China and India, among other countries, and their increasing demand for Canada's natural resources, including coal, copper, silver, gold, uranium and lumber.

According to the Province of British Columbia, Vancouver is North America's third largest film and television production centre. In 2005, there were 211 film and television productions filmed in British Columbia contributing over \$1 billion to the provincial and local economies. Management expects this production level to increase in 2006 as a result of attractive tax credits and other incentives offered by the Province.

The Conference Board of Canada forecasts that British Columbia's economic growth will continue to expand during 2006 at 3.3% as a result of 2010 Olympic-related construction, low unemployment and low interest rates continuing to spur residential construction, steady performance in film production and a growing need abroad for natural resources.

Alberta

Since 1991, Alberta has led Canada in terms of economic growth with an average real GDP growth rate of 3.6% as compared to the Canadian average of 2.8%. Alberta's resource based economy has been fuelled by record high prices for oil and gas and other natural resources. As world energy prices remain high, Alberta will continue to experience GDP growth rates higher than that of the other Canadian provinces. The Conference Board of Canada is forecasting 2006 GDP growth for Alberta of 3.7% versus 3.1% for Canada.



Source: Statistics Canada



Source: Statistics Canada

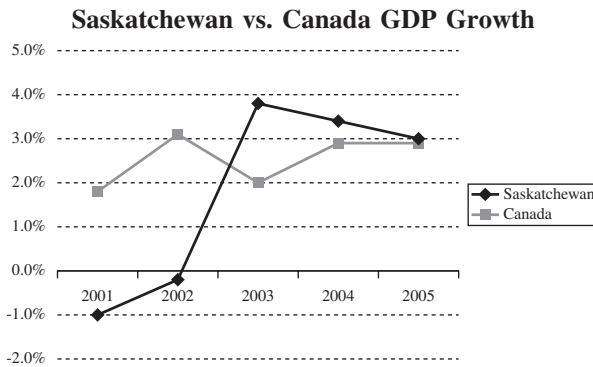
While the oil and gas sector has been the dominant engine for the recent growth in Alberta, other ancillary sectors such as construction and retail sales have also been robust. Between 2001 and 2005, corporate profits from the oil and gas industry and near record low interest rates helped drive up retail sales by an average annual rate of 7.9%, as compared to the Canadian average of 4.9%.

With five years of strong growth rates, Alberta's unemployment rate has dropped to 3.9%, compared to the Canadian average of 6.7%. To keep up with its growth rate, employers have had to pay a premium for skilled labour jobs in order to attract new workers from the rest of Canada and internationally. This inflow of workers has helped Alberta achieve a population growth rate of 1.6% between 2001 and 2005. Over the same period, the growth rate for Canada as a whole was 1.0%.

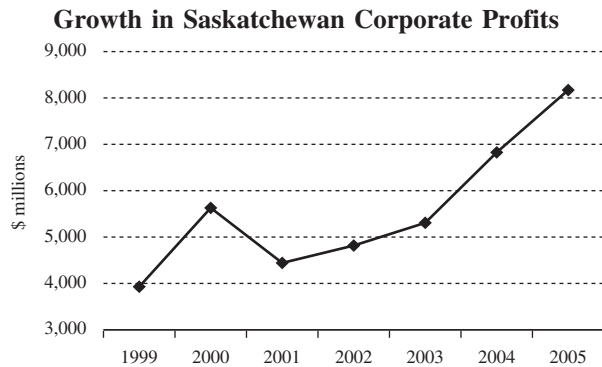
According to Statistics Canada, Alberta consistently records the highest levels of investment per capita in Canada. In 2005, a total of \$48.5 billion was invested and, according to Alberta Economic Development, \$52.3 billion of investment is projected for 2006.

Saskatchewan

Driven by strong natural resource prices, particularly in uranium and potash, Saskatchewan has outpaced the Canadian average GDP growth rate by nearly 15% since 2003. In 2005, Saskatchewan experienced GDP growth of 3.2% versus the Canadian average of 2.8%. As a result of higher energy costs for mining and manufacturing, as well as the cooling effect of rising interest rates on investment and consumer spending, the Conference Board of Canada forecasts Saskatchewan's growth to ease slightly to 2.4% in 2006.



Source: Statistics Canada



Source: Statistics Canada

While Saskatchewan has developed a strong diversified manufacturing industry and has a well established service sector, a key driver of recent growth has been the rapid increase in uranium prices. Uranium is a primary ingredient used to fuel nuclear reactors. After almost three decades with little focus or investment, nuclear energy is experiencing a resurgence as a result of increased world-wide demand for energy and increasing attention being paid to greenhouse gas emissions. Saskatchewan is well positioned to take advantage of this trend as it currently has the largest high-grade uranium deposit in the world, constituting 29% of the total world output in 2004 according to Natural Resources Canada.

Growth in Saskatchewan's natural resources sector has resulted in growth in construction, manufacturing and consumer spending. Province wide, the construction sector grew by 2.7% in 2005, driven almost exclusively by a strong residential housing market. Investment by businesses in new machinery and equipment, aided by record corporate profits and low interest rates, grew by over 5.4% in 2005.

Initial Platform Acquisition

Acquisition of Production Equipment

On June 27, 2006 WEQ Production Equipment LP, an indirect subsidiary of the Fund, entered into an acquisition agreement (the "Acquisition Agreement") with the Partners and Production Equipment to purchase the assets of Production Equipment. The Acquisition Agreement contemplates that WEQ Production Equipment LP will acquire the assets of Production Equipment at Closing in return for a purchase price of \$27.0 million that is subject to certain capital expenditure and related adjustments. The Partners and Production Equipment have made customary representations and warranties under the Acquisition Agreement including with respect to the status of such assets and business operations, financial statements, insurance coverage, tax matters, employee matters, litigation and claims, contracts and commitments, environmental and other matters.

The Acquisition Agreement contemplates that at Closing, the Partners will each enter into confidentiality, non-solicitation and non-competition agreements with WesternOne Equity. Under the non-competition agreements, each Partner and its individual principals will agree not to be involved in, or interested in, any business that competes with Production Equipment for the period of the agreements. One such principal is currently a majority owner of a business similar to that of Production Equipment's, which operates in Alberta. He has agreed to operating and investment constraints on this business and to grant WesternOne Equity a right of first refusal to purchase it.

The completion of the transactions contemplated by the Acquisition Agreement will be conditional upon, among other things, the completion of the Offering. See "Material Contracts".

Overview of Production Equipment

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. Management estimates there are currently approximately 2,000 pieces of high reach and material handling equipment available for rent in British Columbia, most of which presently serve the contractor/construction industry, film industry and the equipment service and building maintenance industries, in addition to government agencies and special events co-ordinators. Management also estimates that Production Equipment has a market share of approximately 25% in the segments in which it currently operates as a result of developing a strong reputation for its quality equipment, on-time deliveries and customer-first orientation.

Production Equipment represents all major North American manufacturers of high reach and material handling equipment for rental and sales purposes, owns more than 550 various rental machines, services a broad spectrum of customers, and possesses four principal sources of revenue from those customers.

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 genielift.com	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.com	JLG (NYSE: JLG) 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's recommended supplier of extendable reach forklifts in British Columbia. Production Equipment is JLG Industries Inc.'s exclusive distributor in British Columbia for JLG/Gradall telescoping handlers, which enables it to offer JLG/Gradall financing and provide authorized warranty service.
Skyjack Inc. skyjackinc.com	Skyjack is a wholly-owned subsidiary of Linamar Corp (TSX: LNR). It is a leader in the scissor lift work platform sector of the high reach equipment lift industry.
Snorkel International snorkelusa.com	Snorkel is a worldwide 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 lifts.

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. Production Equipment also maintains a website to showcase its products and services (productionequipment.ca). The information available on this website is not incorporated by reference in this prospectus. 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.

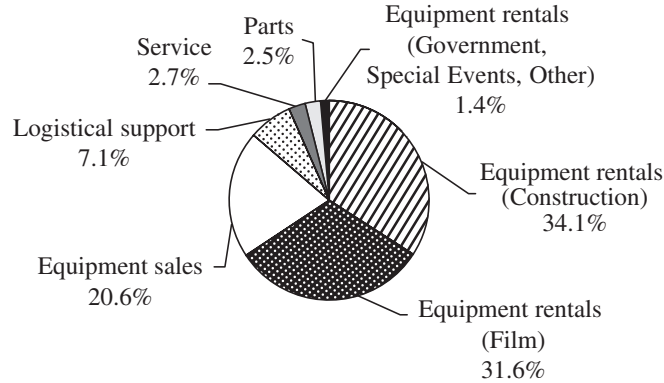
Production Equipment has more than 550 rental machines available to its customers, including boom lifts, scissor lifts, straight mast forklifts, telescoping fork lifts (handlers) and personnel and material lifts. It operates service and delivery trucks to ensure on-time delivery and strong customer service. It employs a service staff that is factory-trained with specialized experience servicing high reach and material handling equipment, which 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 equipment service and building maintenance industries, in addition to government agencies and special events coordinators, with no one customer representing a significant percentage of revenue. This base has grown to over 1,600 customers due to inventory depth and logistical support not available elsewhere.

Sources of Revenue

Production Equipment currently has four principal sources of revenue: (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 March 31, 2006.

Revenue by Source for the year ending March 31, 2006



Production Equipment's Strengths

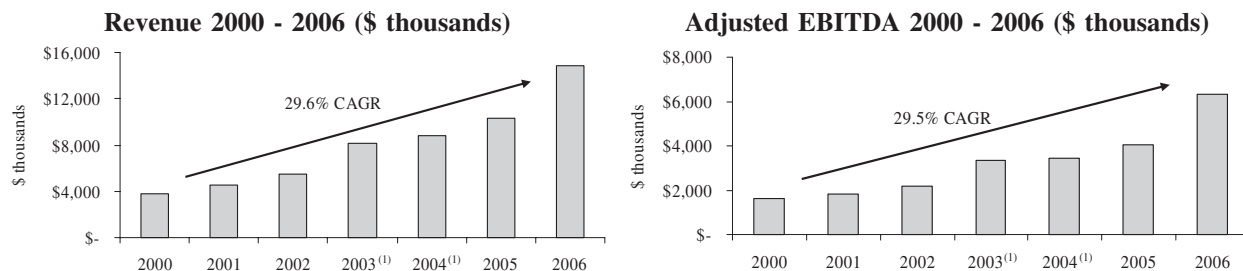
Production Equipment's principal corporate strengths, which management believes will enable it to sustain and enhance its market share and generate continued growth, include the following:

Superior 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 industry, as well as its knowledge and understanding of its customers' operations and equipment requirements, has enabled Production Equipment to respond to 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. In addition, during its fiscal year ended March 31, 2006, Production Equipment purchased \$4.1 million of equipment to increase the depth and breadth of its equipment fleet. The assembly of an equipment fleet equivalent to that of Production Equipment's poses a significant barrier to entry to new competitors.

Strong Financial Growth

Production Equipment's revenues for its fiscal year ended March 31, 2006 were \$14.9 million. Its revenues and Adjusted EBITDA have increased by 290% and 289%, respectively, since December 31, 2000 at a compound annual growth rate ("CAGR") of 29.6% and 29.5%, respectively. The following charts illustrate Production Equipment's growth in revenue and Adjusted EBITDA for the periods indicated.



Note:

(1) Production Equipment changed its fiscal year-end from December to March in 2004.

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, equipment service and building maintenance industries, and with government agencies and special events co-ordinators. These relationships have resulted in a diverse customer base, which exceeds 1,600 in number. Management believes that this diversity reduces its exposure to any one group of customers and industry specific cycles. Management believes that the knowledge and experience of Production Equipment's sales team and their long-standing customer relationships enhance customer loyalty and drive recurring sales, which management estimates currently represents approximately 80% of its business. These customers value the high level of service and logistical capabilities Production Equipment offers, which results in the ongoing referrals of new customers it receives from the existing customer base.

High Market Share

Production Equipment is a leading high reach and material handling equipment rental and sales business in British Columbia. Management estimates that it has an approximate 25% share in the markets in which it operates. Since 1998, Production Equipment has developed significant brand recognition and a reputation for offering a broad range of well maintained equipment and providing excellent logistical support and service. The depth of its equipment fleet allows Production Equipment to offer a more complete solution to its customers' equipment and logistical support needs.

Strong, Experienced and Incentivized Management Team

Production Equipment's senior managers have a combined 90 years of experience with equipment sales, rental 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 offer a significant competitive advantage that cannot readily be duplicated.

Production Equipment's senior management 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.

Production Equipment's Growth Strategy

Combined with Production Equipment's strong market position and the favourable economic outlook for Western Canada, management believes Production Equipment can pursue various significant growth opportunities in both the near and longer term, including the following:

Leverage Existing Infrastructure

From its inception in 1998, Production Equipment has invested a significant amount of capital and management effort to position itself to successfully provide rental, sales and logistical support to customers in the high reach and material handling equipment markets. Among other initiatives, Production Equipment has implemented an efficient logistics model, developed a large and loyal customer base and instilled a customer-first approach to its employees and business operations. It intends to leverage its existing infrastructure to continue to improve the utilization of its equipment fleet thereby generating increased cash flow with minimal incremental investment. For example, during seasonal slowdowns in the construction industry, Production Equipment looks to rent its equipment to alternative users for special events and holiday applications.

Expand Product and Service Offerings

Production Equipment intends to continue to expand its product and service offerings within the large industrial equipment market to better serve its customers and to maximize profitable revenues per customer. The industrial equipment rental market alone for Vancouver and the surrounding areas is estimated by management at approximately \$150 million in revenue in 2005, with approximately one-third of this revenue applicable to the high reach and material handling segment.

Production Equipment intends to leverage its relationships in the industry and continues to expand its equipment line. For example, as a result of its relationships in the film industry, Production Equipment was able to purchase the assets of a utility vehicle supplier enabling it to diversify into a new equipment segment in which it was not previously active.

Production Equipment already provides outside servicing to existing customers as well as third party equipment owners. One of its major goals is to retain each equipment purchaser as a long-term customer of the parts and service department. A substantial number of Production Equipment's customers return for warranty work on new equipment paid for by the manufacturers and for other parts and services after the manufacturer's warranty expires. This relationship allows Production Equipment to offer equipment parts and service for all of a customer's equipment, new or used, and whether or not acquired from it. Parts and service activities are an integral part of Production Equipment's overall approach to customer service.

Production Equipment management believes that each sale of new or used equipment provides it with several selling opportunities including, other equipment, lease financing and extended warranty products. Management intends to increase its focus on these areas, some of which will be profit centres and others of which may simply enhance customer service.

Increase Equipment Sales

Production Equipment can continue to grow organically by hiring additional sales people to increase sales of its equipment, parts and service offerings. Management expects that with additional marketing and relationship development, sales across all business lines could be increased.

Geographically Expand Operations

As Production Equipment identifies other attractive markets that it does not currently service, to the extent that there are no suitable acquisition targets available, it will consider opening new branches or developing sub-dealer relationships as a means of expanding into these markets. Before entering into a new market, Production Equipment considers numerous factors, including demographic characteristics, business growth projections, the overall economic prospects of the market and the existing competitive landscape within the market.

Management believes geographic expansion for Production Equipment's business is most likely to next occur in northern and interior British Columbia, Vancouver Island and Alberta.

Accretive Acquisitions

Production Equipment intends to grow through a disciplined acquisition program. Management believes there are a significant number of available acquisition opportunities within Western Canada's fragmented equipment market. In particular, Production Equipment will seek to acquire businesses that will supplement existing or anticipated branches or which have complimentary product and service offerings.

Management intends to fund such acquisitions through the use of a combination of undistributed cash, financing available within Production Equipment and financing available within any other business being acquired. When necessary, management may seek to raise funds through the issuance of additional Units or debt, or a combination of both.

Management is currently in negotiations to acquire on or before August 31, 2006 the assets and two leased locations of a small equipment rental business located in the Fraser Valley of British Columbia. This add-on business is complimentary to Production Equipment and will provide new locations, revenue and the opportunity to enhance logistical support and customer service.

Key Trends in Equipment Usage

High reach and material handling equipment is increasingly being used by customers who seek greater productivity and recognize the increased societal and governmental expectations for safer workplaces.

Increased Emphasis on Productivity

High reach equipment continues to gain support in the marketplace as a preferred alternative to traditional scaffolding, ladders and suspended stages largely because:

- it can reach areas that scaffolding, ladders and suspended stages cannot as they must be vertically erected;
- it has greater versatility of motion and height and ease of manoeuvrability, compared to scaffolding which is stationary;
- it is more efficient with set-up time being significantly reduced from scaffolding which is time-consuming and labour intensive;
- it results in greater productivity as workers do not have to climb up and down frequently to access a work location; and
- it is typically safer and cheaper to insure.

Material handling equipment is gaining more support in the marketplace because of its versatility. For example:

- it can replace the need for crane rentals in the unloading and placement of materials, saving time and cost;
- it reduces manual transportation of materials around building and other sites;
- it has the ability to lift and place material and pre-fabricated components in the exact spot required; and
- it can be fitted with multi-tool attachments such as forks, material handling buckets, concrete buckets, winches and extended carriages to increase reach, which reduces the amount of separate equipment required.

Growing Need for Logistical Support

Customers using high reach and material handling equipment increasingly require the provision of logistical support to co-ordinate with sub-contractors and work within strict project timelines. For example:

- in the film industry there are strict municipal by-laws regarding production schedules;
- in the special events industry there are defined windows of time to mobilize and demobilize equipment and displays from facilities; and
- in the construction industry there are requirements to co-ordinate multiple trades to prevent significant disruptions in building schedules, which would result in cost over-runs.

Increased Emphasis on Safety

Workers' compensation legislative requirements for fall protection have become more stringent as to the height that an employee can work without being adequately secured or without utilizing suitable high reach equipment. These

requirements, coupled with an increasing societal expectation for better worker safety, have resulted in greater demand for high reach equipment to replace ladders and suspended stages.

Production Equipment's Operations

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 genielift.com	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.com	JLG (NYSE: JLG) 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's recommended supplier of extendable reach forklifts in British Columbia. Production Equipment is JLG Industries Inc.'s exclusive distributor in British Columbia for JLG/Gradall telescoping handlers, which enables it to offer JLG/Gradall financing and provide authorized warranty service.
Skyjack Inc. skyjackinc.com	Skyjack, a wholly-owned subsidiary of Linamar Corp (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 snorkelusa.com	Snorkel is a worldwide 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. Production Equipment also maintains a website to showcase its products and services (productionequipment.ca). The information available on this website is not incorporated by reference in this prospectus. 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 550 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 staff that is factory-trained with specialized experience servicing high reach and material handling equipment, which 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 equipment service and building maintenance industries, in addition to government agencies and special events coordinators, with no one customer representing a significant percentage of revenue. This base has grown to over 1,600 customers due to inventory depth and logistical support not available elsewhere.

Contractor/Construction Industry

Low interest rates and robust world commodity markets have buoyed the British Columbia economy in 2005, helping place British Columbia at the high end of Canada's GDP growth spectrum.

The non-residential construction sector has benefited from strong economic conditions in British Columbia. According to the Business Council of British Columbia, total building permits have increased by approximately 127% from 2000 to 2005, making British Columbia one of the fastest growing construction markets in the country.



Source: Government of British Columbia, B.C. Stats

Production Equipment has strong relationships with the majority of the large contracting firms in Vancouver and surrounding areas and has the reputation as a premier provider of high reach and material handling equipment and service for the industry.

The contractor/construction industry uses the equipment for lifting workers and materials.

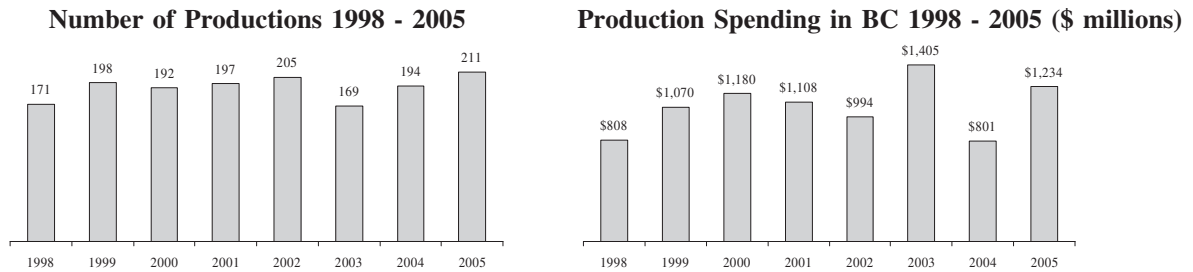
Production Equipment's contractor customers include general contractors, fire protection companies, electrical contractors, glass installers, steel erectors, dry-wallers, painters and demolition companies. These customers are involved in elevated rail construction, waterfront construction, ship building and a host of other construction and industrial related projects.

Film Industry

Vancouver has the third largest film and television production centre in North America, due mainly to the following factors:

- an experienced work force and world-class film crews;
- state-of-the-art facilities and services;
- a mild climate;
- a favourable regulatory environment;
- diverse accessible locations and scenery including urban, rural, mountain, forest and ocean settings;
- close proximity to, and same time zone as, Los Angeles; and
- competitive costs, financing and government tax credits.

As the following charts indicate, both the number of productions and total production spending have increased in British Columbia since 1998. Management expects the additional capacity from new facilities currently under construction will allow for further increases in production spending.



Source: British Columbia Film Commission Production Statistics 2005

Film industry customers typically rent equipment for shorter rental periods than other customers and demand a high level of logistical support. Production Equipment has developed an excellent reputation for customer service among film industry participants.

The film industry rents high reach and material handling equipment for set construction and aerial lighting and sound applications.

The decisions relating to the rental of high reach equipment for the film industry are typically made by the transport and construction co-ordinators and production managers. Production Equipment has strong relationships with this network of individuals in the industry, including production staff and special effects co-ordinators. Production Equipment also has a strong relationship with the trade unions associated with the film industry.

Management estimates that Production Equipment continues to retain over 90% market share of the high reach and material handling equipment rental market in the film industry within Vancouver and the surrounding areas. Production Equipment’s management has achieved this market share through strong relationships forged with industry participants since film production became a significant sector in British Columbia over 20 years ago.

Production Equipment’s customers include most of the major Vancouver film studios such as Mammoth Studios (Burnaby), North Shore Studios/Lions Gate Entertainment (North Vancouver), the Bridge Studios (Burnaby), Eagle Creek Studios (Burnaby), Canadian Motion Picture Park (Burnaby), MJA Studios (Burnaby) and First Light Studios (Burnaby).

Approximately 75% of equipment rented to the film industry is used outside of a studio for location work and therefore requires extensive use of Production Equipment’s logistical support capabilities.

Service and Maintenance Industries, Government and Special Events

The equipment services and building maintenance industries are increasingly utilizing high reach and material handling equipment and logistical support for their contracts at British Columbia ports, air terminals, ferries and marine transportation, commercial buildings, warehouses and shopping centres.

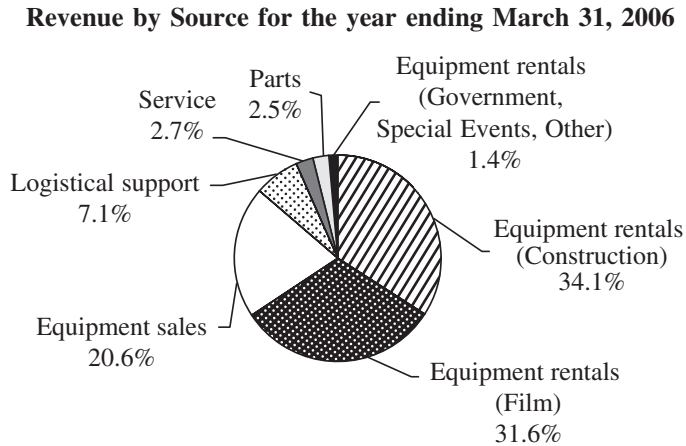
Government agencies are also a growing market segment. School boards, municipalities, health authorities, regional districts and crown corporations require high reach and material handling equipment for ongoing and annual maintenance.

The special events market includes trade and convention centre, corporate, community, sporting and holiday events. Uses of high reach and material handling equipment include the hanging of banners, festive lighting and corporate signage.

Management has fostered strong relationships with equipment service and building maintenance companies over many years. Strong relationships have also been formed with the different municipalities and school districts. With respect to special events, Production Equipment works with large event management companies based in Vancouver and the surrounding areas that are responsible for staging major trade shows and special events for corporate organizations. These niche markets require a significant level of logistical support from Production Equipment with respect to their use of high reach and material handling equipment.

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 contribution of each source of revenue for the year ended March 31, 2006.



Equipment Rentals

Production Equipment rents its equipment to customers on a daily, weekly and monthly basis, depending on the nature of the customer and the use of the equipment. Rental rates vary accordingly with rental periods but are generally standard across the different industries served.

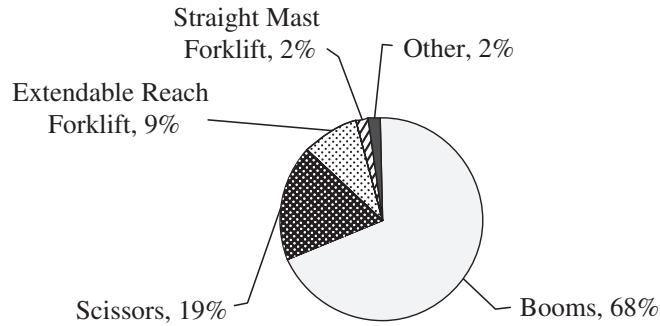
Rental revenue has increased each year since Production Equipment was founded. Rental revenue of \$10.0 million accounted for 67.1% of Production Equipment's total revenue for the year ended March 31, 2006.

Production Equipment's customers depend on being supplied equipment that is well-serviced and reliable. Its rental fleet comprises over 550 pieces of high reach and material handling equipment which are powered by diesel, gas or electrical sources. The rental fleet includes high reach equipment that can reach a work height of up to 116 feet and material handling equipment that has a lift capacity of up to 10,000 pounds. Production Equipment's rental fleet currently includes the following equipment lines:

- straight mast boom lifts;
- knuckle boom lifts;
- scissor lifts;
- straight mast forklifts;
- telescoping forklifts;
- personnel and material lifts; and
- utility vehicles and trailers.

The following chart illustrates Production Equipment’s rental revenue for each equipment category for the year ended March 31, 2006.

Rental Revenue by Category for the year ending March 31, 2006



Production Equipment purchased an additional \$4.1 million in equipment for its rental fleet during the year ended March 31, 2006. Net capital expenditures are projected by management at \$3.0 million in fiscal 2007, the majority of which will be purchased in the first half of the year. Historically, Production Equipment’s equipment utilization rate has averaged approximately 65%-85%, depending on the time of year.

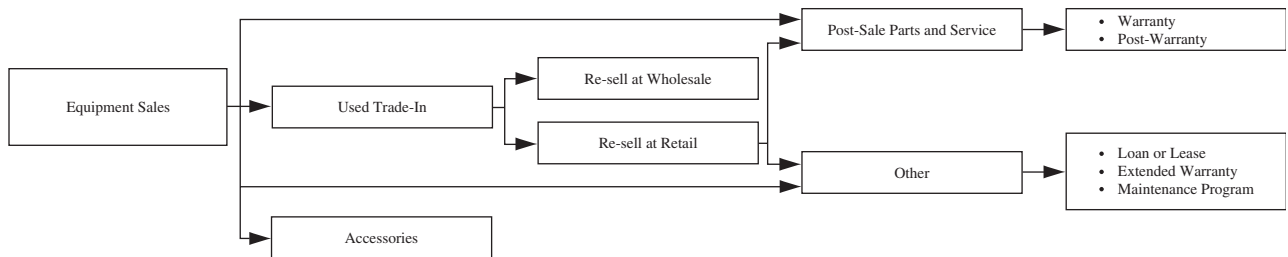
Equipment Sales

Production Equipment sells new and used high reach and material handling equipment. It sells its used equipment to manage the age, composition and size of its rental fleet. Beginning in 2003, Production Equipment increased its focus on the sale of new equipment in order to improve revenue diversification, enhance existing customer relationships and develop more service business.

Equipment sales continue to grow and are now a significant part of Production Equipment’s business, accounting for 20.6% of its total revenue for the year ended March 31, 2006. Equipment sales revenue increased from \$0.3 million for the year ended December 31, 2002 to \$3.1 million for the year ended March 31, 2006.

While Production Equipment will sell any of the equipment lines that it rents, the majority of sales are extendable reach forklifts.

Sales of new and used equipment can lead to several selling opportunities for Production Equipment. For example, equipment sales can lead to cross-selling of other equipment, rental of equipment while a customer’s equipment is being serviced, increased used equipment inventory through trade-ins and a source of recurring parts and service and repeat customers. The following chart illustrates new revenue sources that can be generated from equipment sales.



As is standard in the industry, equipment warranties are provided on all new equipment sales with the manufacturer being responsible for all warranty commitments.

Logistical Support

Production Equipment has a logistical support team which is responsible for taking reservations, dispatching drivers for equipment delivery and pick-up, tracking the location of all equipment and handling any customer requests. It has a fleet of five tractor trailers and two seven-ton trucks dedicated to equipment transportation, and employs eight drivers for drop-off and pick-up of equipment. The drivers are trained on the equipment and are knowledgeable of customer requirements.

Production Equipment considers customer service to be the most important aspect of its business and on-time equipment deliveries are a key aspect of high-quality customer service. It charges a delivery fee for the pick-up and drop-off of rental and sales equipment, depending on where the equipment is required to be delivered.

Film industry customers often have precise timing requirements in respect of the delivery of equipment, with some delivery windows being only a few minutes in duration, to ensure maximum efficiency and compliance with municipal by-laws around filming schedules. Production Equipment has a reputation for consistently delivering on-time service to the film industry.

Logistical support revenue of \$1.1 million accounted for 7.1% of Production Equipment's total revenue for the year ended March 31, 2006.

Parts and Service

The parts and service aspect of the business is highly profitable for Production Equipment and management expects it to continue to grow as a result of increased equipment sales in recent years. Production Equipment's parts and service customers are generally involved in the contractor/construction business.

Production Equipment's mechanics are trained and certified on high reach and material handling equipment with training tailored specifically to the products it rents and sells. It also employs four road mechanics and four service vans to exclusively provide on-call roadside service at any time to its customers' equipment and to its own off-site, on duty equipment fleet.

Production Equipment provides equipment training courses to its customers as certification is often necessary to operate equipment. Four hour certification courses are periodically run at a cost of \$175 per person.

Parts and service revenue of \$0.8 million accounted for 5.2% of Production Equipment's total revenue for the year ended March 31, 2006.

Management and Employees

Management

Production Equipment's senior management team has been instrumental in its growth.

Ron McAleer, Production Equipment's Vice President of Operations, was hired in March 2004. He has over 20 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. Mr. McAleer handles operational decisions, makes equipment purchases, and has an excellent relationship with the other managers. 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, Production Equipment's Vice President of Sales, has been with Production Equipment for six years and has over 25 years of experience in the equipment rental business. 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 responsible for the JLG/Gradall line of telescoping forklifts in British Columbia. 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.

Richard Graf, Production Equipment's Service Manager, has been with Production Equipment since 1999, and has over 15 years of experience in the equipment business as a mechanic and a manager. Mr. Graf is responsible for Production Equipment's mechanic and service personnel.

Robert McDonald, Production Equipment's Logistics Manager, has been with Production Equipment since 2000. Mr. McDonald has over 20 years of experience in the equipment industry and prior to joining Production Equipment he was a branch manager for United Rentals Inc. Mr. McDonald is responsible for ensuring timely delivery, pick-up and other logistical support to customers.

Employees

Production Equipment employs 33 full-time employees, excluding senior management. The number of employees by function is as follows:

Sales	5
Parts and Service	12
Logistical Support	13
Office/Administration	3

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. Twenty employees are in the International Union of Operating Engineers. The last collective agreement came into effect in July 2004 and expires in June 2007. Production Equipment has a good relationship with its unionized employees and has never experienced a strike, lock-out or other labour disturbance.

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. Management has recently renegotiated the lease at market rates for the site for a further five years with an expiry on November 30, 2011. The landlord has indicated a desire to retain Production Equipment as a tenant beyond this time.

Information Systems

Production Equipment uses a manual system to track its operations and the location and term of its equipment fleet. Management intends to upgrade its information systems and is in the process of evaluating integrated rental industry specific software packages. After an appropriate computer software package has been chosen, management expects to upgrade its computer hardware and server accordingly to accommodate the new software. The information systems under current consideration will provide for future multi-location integration and management, as the need arises.

The total cost of the information system upgrade, including the purchase of computer hardware, appropriate computer software, and staff training on the new information system, is currently estimated by management to be approximately \$100,000. As part of the Offering, \$125,000 of the transaction proceeds have been allocated towards the upgrade of Production Equipment's current information systems. This allocated amount includes a contingency provision. See "Use of Proceeds".

Production Equipment utilizes a networked computer system with a centralized server for its financial and human resource functions.

Competition

The Western Canadian equipment market is highly fragmented, consisting of a small number of multi-location national operators and a large number of relatively small businesses serving discreet local markets. In Vancouver and the surrounding areas, Production Equipment's largest competitors are comprised of diversified companies based in North America, including United Rentals Inc., Reliable Rentals Inc., CAT the Rental Store (a division of Finning International Inc.), and Hertz Equipment Rentals Corp. As the majority of their business involves renting general equipment to industrial and construction contractors, these companies have significantly different operating footprints than Production Equipment. Production Equipment also competes with numerous privately-owned equipment companies, most of which are smaller and less diversified than Production Equipment.

Governmental Regulations

Production Equipment's 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. Production Equipment's management believes it is in material compliance with all such laws.

Environmental Matters

Production Equipment 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. Production Equipment's business involves the generation, use, handling and disposal of hazardous or toxic substances and wastes, particularly with 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 Production Equipment must comply.

Production Equipment's business also involves the use of above ground and underground storage tanks. Under applicable laws and regulations, Production Equipment 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, Production Equipment 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 Production Equipment to clean up any contaminated soils or groundwater resulting from such releases.

Production Equipment 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.

Production Equipment obtained a Phase 1 environmental assessment from an independent environmental consultant for its Port Coquitlam facility on June 19, 2006. Nothing was identified that is likely to give rise to potential subsurface impacts in connection with the facility. No further work was recommended.

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 Production Equipment 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 by Production Equipment, or that such expenditures would not be material. See "Risk Factors — Risk Related to Production Equipment — Environmental Regulation and Health and Safety Matters".

Intellectual Property and Proprietary Rights

Production Equipment's trademarks and the domain name productionequipment.ca will be transferred to the Fund at Closing. The information available on this website is not incorporated by reference in this prospectus.

CAPITAL EXPENDITURES

Capital expenditures associated with the Production Equipment business can be categorised into three types:

- *Rental Fleet Maintenance* — Rental fleet maintenance capital expenditures refer to the ongoing replacement of equipment in the rental fleet, which is required to maintain the revenue generating ability of the business' rental assets. Maintaining an up-to-date fleet enables Production Equipment to meet customer demand for high-quality equipment that is in good repair. Production Equipment routinely sells used equipment as part of the active management of the age, composition and size of its rental fleet. Proceeds from the sale of used

equipment are used to purchase new equipment, constituting an important component of the business' rental fleet maintenance capital expenditure program.

- *Infrastructure Maintenance* — Infrastructure maintenance capital expenditures represent the investment required to maintain Production Equipment's non-rental assets, and include office equipment, office furniture, shop equipment, tractors and trailers, leasehold improvements, computers and software.
- *Growth* — Growth capital expenditures refer to the investment in the rental fleet that is targeted to contribute to the future growth in rental revenue. Management evaluates growth capital expenditures on a regular basis and considers acquiring additional equipment based on the estimated accretive nature of such purchases.

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

	Fiscal Year Ended March 31,			
	3 year Average	Historic		
		2006	2005	2004
	(in thousands of dollars)			
Gross rental fleet maintenance capital expenditures	695	935	768	382
Net book value of used equipment sold ⁽¹⁾	<u>(566)</u>	<u>(795)</u>	<u>(600)</u>	<u>(304)</u>
Net rental fleet maintenance capital expenditures	129	140	168	78
Infrastructure maintenance capital expenditures ⁽²⁾	<u>56</u>	<u>102</u>	<u>51</u>	<u>14</u>
Net maintenance capital expenditures before contingency	185	242	219	92
Contingency for additional capital expenditures	<u>315</u>			
Net maintenance capital expenditures	500			
Growth capital expenditures	<u>3,168</u>	<u>3,156</u>	<u>3,295</u>	<u>3,054</u>
Total capital expenditures (maintenance and growth)	3,668	3,398	3,514	3,146

Notes:

(1) Excludes gain on sale of used equipment recorded in income statement.

(2) Includes office equipment, office furniture, shop equipment, tractors and trailers, leasehold improvements and computers and software.

Based on Production Equipment's fleet maintenance practices, older equipment is generally sold and replaced with newer equipment. The sale of the older equipment generates revenue that offsets the cost of its replacement. Historically, gains have been realized on the sales of used equipment. For the purpose of this analysis, the cost recovery associated with the sales of used equipment has been recorded at net book value in order to exclude the gains that have already been recognized in net income and EBITDA.

Because Production Equipment has a dedicated service facility, it is able to maintain all of its equipment in good working condition, and the high level of maintenance performed by its dedicated service facility results in the recovery on the sale of the older equipment being generally comparable to the cost of replacement. An added benefit of having its own dedicated service facility is that Production Equipment is able to purchase used equipment and refurbish it to the highest quality standard, as Production Equipment is accustomed to providing all of its customers.

Due to the integration of Production Equipment's service facility with its rental operations, the cost of maintaining its rental fleet (excluding maintenance via asset purchases and sales) is expensed as incurred, and is therefore reflected in Production Equipment's net income and EBITDA. The remainder of Production Equipment's expenditures, shown as "Net maintenance capital expenditures" in the table above, are capitalized and amortized in accordance with its accounting policies.

The average net maintenance capital expenditures for the last three fiscal years ending March 31, 2006 is \$185,000. The recovery experienced on the sales of used equipment, combined with Production Equipment's dedicated in-house service facility, as explained above, has enabled the business to minimise maintenance capital expenditures to this low historic average. Production Equipment has added a \$315,000 contingency to this average to accommodate for any additional maintenance capital expenditures, resulting in an annual projected net maintenance capital expenditure requirement of \$500,000.

Capital expenditures related to the current upgrade being evaluated for Production Equipment's information systems have not been included in the above maintenance capital expenditure amounts. This is because, as part of the

Offering, \$125,000 of the transaction proceeds have been allocated towards upgrading of Production Equipment's current information systems. See "Use of Proceeds".

FINANCING

Operating Loan

Production Equipment's management intends to continue its working relationship with a Canadian chartered bank, which currently provides the business with a \$0.75 million interest only demand operating loan. This operating loan is at the bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured by 75% of acceptable accounts receivable, minus priority claims.

The bank has provided management with a new term sheet to provide the business with a \$2.0 million interest only demand operating loan upon Closing. This operating loan will be at the bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, will be secured by 50% of inventory up to a limit of \$0.75 million and 75% of acceptable accounts receivable, minus priority claims. The covenant requirements include a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth ratio of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the bank.

Floor Plan Financing

Production Equipment finances its new equipment for resale by way of a floor plan financing through a third party financing company. Its existing floor plan financing agreement provides a revolving line of credit for the financing of new units of equipment acquired to a maximum of \$2.0 million, at the bankers acceptance rate plus 2.75% per annum. Due to the proposed increase in the operating loan from \$0.75 million to \$2.0 million from a Canadian chartered bank, WesternOne Equity does not intend to assume the current floor plan financing relationship with the third party financing company after Closing, and the floor plan financing is expected to be paid out by the Partners.

Capital Loans for Equipment Purchases

Production Equipment's business had loans in place as at March 31, 2006 to finance the purchase of equipment as follows:

- *Canadian chartered bank* — three loans, repayable on demand and unless and until demanded in monthly instalments of principal and interest, with interest at the bank's prime rate plus 1.25% per annum, secured by a general security agreement and personal guarantees. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants relating to levels of tangible net worth, debt service coverage and current ratios. These loans are expected to be refinanced under new capital loans offered by the same bank, as described below.
- *Third party financing company* — three loans, repayable monthly, carrying interest at 6.8% to 8.5% per annum, secured against the related equipment. This facility is expected to be repaid by the Partners at Closing.
- *Second Canadian chartered bank* — four loans, repayable monthly, carrying interest and the bank's prime rate plus 2.00% per annum secured against the related equipment. This facility is expected to be repaid by the Partners at Closing.
- *Business Development Bank of Canada* — one loan, repayable monthly, as the bank's floating rate plus 0.25% per annum, secured against the related equipment and a general security agreement. This facility is expected to be repaid by the Partners at Closing.

WesternOne Equity intends to continue the working relationship with the first above-mentioned Canadian chartered bank after Closing for the financing of equipment purchases. The bank has provided management with a term sheet that contemplates two loans — a \$3.5 million non-revolving capital loan and a \$4.0 million revolving capital loan, repayable on demand and unless and until demanded in monthly instalments, with interest at the bank's prime rate plus 0.65% per annum or 1.60% above bankers acceptance rates, secured by a general security agreement and a personal guarantee. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants specifying a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth ratio of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written

consent of the bank. Interest only is payable for the first two months following Closing, after which principal and interest are payable monthly over an amortization period of seven years from Closing, with a maturity date of five years from Closing. On Closing, management intends to use the \$3.5 million non-revolving capital loan and \$3.0 million of the \$4.0 million revolving capital loan.

Capital Leases for Equipment Purchases

Production Equipment utilizes third party leasing companies from time to time to finance a portion of its equipment rental fleet, in the form of capital leases, which are secured by a security interest over the financed assets. The liability recorded under the capital leases represents the minimum lease payments payable net of imputed interest at rates ranging from 5.9% to 9.9% per annum.

Upon Closing, the capital leases are expected to be paid out by the Partners, and will be refinanced by the capital loans provided from the Canadian chartered bank described above.

CONSOLIDATED CAPITALIZATION OF THE FUND

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

<u>Designation</u>	<u>Authorized</u>	<u>As at June 30, 2006</u>	<u>As at June 30, 2006 after giving effect to the Offering</u>
	Unlimited	\$320,000	\$14,769,230
Units ⁽¹⁾		(1,600,000 Units)	(6,171,429 Units)
Series A Debentures	Unlimited	—	10,000,000
Operating Loan	2,000,000	—	—
Capital Loans for Equipment Purchases.....	7,500,000	—	6,500,000

Note:

- (1) The Fund was initially settled on June 14, 2006 for \$100 representing 500 Units which were transferred to the Principal Unitholder. Thereafter, on June 23, 2006, the Principal Unitholder and others subscribed for 1,599,500 units for a total subscription price of \$319,900.

EBITDA, ADJUSTED EBITDA AND CASH AVAILABLE FOR DISTRIBUTION

Set out below is the Fund's calculation of its EBITDA, Adjusted EBITDA and estimated cash available for distribution. EBITDA, Adjusted EBITDA and its estimate of cash available for distribution are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, the Fund's EBITDA, Adjusted EBITDA and its estimate of cash available for distribution may not be comparable to similar measures presented by other issuers including other companies or income funds that operate in businesses similar to the Fund's. Investors are cautioned that EBITDA, Adjusted EBITDA and the Fund's estimate of cash available for distribution should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Fund's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Fund defines its EBITDA and Adjusted EBITDA under "About This Prospectus — Non-GAAP Measures".

The Fund has used Adjusted EBITDA as a key measure in the analysis of its past financial performance. In calculating the Fund's Adjusted EBITDA for the periods shown below and preparing the summary of cash available for distribution, management performed a variety of procedures, including making an assessment based on their experience in the industry and operating the business, holding internal discussions, reviewing the Fund's financial statements and consulting with the Fund's advisors and the Agents. As part of such process, management undertook a detailed analysis in conjunction with (and as part of the process of) the preparation of the unaudited pro forma financial information in this prospectus giving effect to the Offering and related transactions.

The Fund has calculated its Adjusted EBITDA based upon its EBITDA for the periods set forth below. Because the Fund will distribute a substantial portion of its available cash on an ongoing basis and since EBITDA is a metric used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that, in addition to net income and cash flows from operations, EBITDA is a useful supplemental measure from which to make adjustments to determine the Fund's estimated cash available for distribution.

Upon completion of the Offering and the transactions described under “Funding and Related Transactions”, the Fund will incur general, administrative and other costs, and earn income that will differ from those contained in the audited historical financial statements of Production Equipment or in Production Equipment’s and the Fund’s unaudited pro forma consolidated financial statements that are contained elsewhere in this prospectus. Management has made assumptions in determining the Fund’s Adjusted EBITDA and in preparing the summary of cash available for distribution which management believes are reasonable, which are supportable and which reflect its planned course of action given management’s judgment as to the most probable set of economic conditions. In addition, in calculating cash available for distribution, the Fund intends to continue to make maintenance capital expenditures consistent with Production Equipment’s past practice. Although management does not have firm commitments for all of the expenses and expenditures referred to below and, accordingly, the complete financial effects of all of those expenses and expenditures are not finally and exactly determinable, management believes (on the basis of its experience and past practices) that the Fund’s Adjusted EBITDA and estimated cash available for distribution (including the adjustments required to determine the Fund’s Adjusted EBITDA and cash available for distribution) represents a reasonable estimate of what the Fund’s Adjusted EBITDA and cash available for distribution would have been for the year ended March 31, 2006, had it been in existence during the whole of this period and had the Fund acquired Production Equipment and completed the transactions described under “Funding and Related Transactions” at the beginning of this period.

The Fund’s Adjusted EBITDA and estimated cash available for distribution are not forecasts or projections of future results. The actual results of the Fund’s operations for any period will likely vary from the amounts of the Fund’s Adjusted EBITDA and estimated cash available for distribution and such variation may be material. Production Equipment’s management believes that the principal factors that may cause actual results of operations to vary include: its ability to maintain profitability and same location sales and manage growth; equipment rental industry risks; economic sensitivity; the level of competition it faces; and the other risks and uncertainties described elsewhere in this prospectus. See “Risk Factors” and “About This Prospectus — Forward Looking Statements”.

Reconciliation of Historical Results to EBITDA and Adjusted EBITDA

The following table reconciles the Fund’s EBITDA and Adjusted EBITDA to net income, shown in the audited historical financial statements and the unaudited pro forma consolidated financial statements of Production Equipment and of the Fund for the periods indicated.

	Fiscal Year Ended March 31,			
	2006	2005	2004	2003
	<u>Pro forma⁽¹⁾</u>			
	(in thousands of dollars)			
Net income	3,284 ⁽⁴⁾	4,287	2,284	2,107
Adjustments to net income:				
Amortization	848	1,351	1,113	817
Interest expense	1,316 ⁽⁴⁾	601	566	470
Accretion and amortization relating to Series A Debentures	<u>417</u>	<u>—</u>	<u>—</u>	<u>—</u>
EBITDA ⁽²⁾	5,865	6,239	3,963	3,394
Adjustments to EBITDA:				
Partner expenses ⁽³⁾	—	36	36	36
Consulting fees	<u>—</u>	<u>73</u>	<u>75</u>	<u>—</u>
Adjusted EBITDA ⁽²⁾	5,865	6,348	4,074	3,430

Notes:

- (1) The amounts shown under the column headed “Pro forma” include adjustments as detailed in the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus.
- (2) EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by generally accepted accounting principles in Canada (“GAAP”) and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to WesternOne Equity’s. See “EBITDA, Adjusted EBITDA and Cash Available for Distribution”.
- (3) Includes auto allowance and life insurance premiums that are non-recurring in nature and were paid on behalf of the Partners.
- (4) Includes interest expense on capital loans and Series A Debentures.

Summary of Estimated Cash Available for Distribution

The following summary of the Fund's cash available for distribution has been prepared by management on the basis of the information contained in this prospectus and management's estimate of the amount of certain expenses and expenditures to be incurred by Production Equipment following the Closing.

	Fiscal Year Ended March 31, 2006
	(in thousands of dollars, except per Unit figures)
Cash flow from operations	4,928
Adjustments to cash flow from operations:	
Interest expense	601
Gain on sale of property and equipment	123
Net change in non-cash working capital balances	<u>587</u>
EBITDA ⁽¹⁾	6,239
Adjustments to EBITDA:	
Partner expenses ⁽²⁾	36
Consulting fees	<u>73</u>
Adjusted EBITDA ⁽¹⁾	6,348
Management believes that the following adjustments are required to determine cash available for distribution:	
Maintenance capital expenditures	(500)
Interest on Series A Debentures	(900)
Interest on equipment financing	(416)
Additional general, administrative and other costs	<u>(483)</u>
Estimated cash available for distribution	<u>4,049</u>
Estimated cash distributions	<u>3,024</u>
Estimated cash distributions per Unit ⁽³⁾	<u>0.49</u>
Coverage ratio	1.34x
Backup calculations:	
Additional general, administrative and other costs	
Director and Trustee fees	150
Incremental audit and legal expenses	115
CFO salary	80
Director and Officer insurance	76
Annual filing and listing expenses (including mailings)	37
Quarterly filing expenses	20
Meeting expenses	<u>5</u>
	<u>483</u>
Interest on Series A Debentures:	
Amount of Series A Debentures ⁽³⁾	10,000
Annual interest rate	<u>9.00%</u>
	<u>900</u>
Interest on equipment financing:	
Amount of equipment financing	6,500
Annual interest rate	<u>6.40%</u>
	<u>416</u>

Note:

- (1) EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by generally accepted accounting principles in Canada (“GAAP”) and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to WesternOne Equity’s. See “EBITDA, Adjusted EBITDA and Cash Available for Distribution”.
- (2) Includes auto allowance and life insurance premiums paid on behalf of the Partners.
- (3) Based on 6,171,429 Units outstanding upon completion of the Offering, which includes 1,600,000 Units outstanding prior to the Offering.

The Fund’s method of determining cash available for distribution is derived from Adjusted EBITDA, which in turn is derived from EBITDA and cash flows from operations, a measure recognized under GAAP. Cash flows from operations have been used as the basis for the calculation of cash available for distribution. The Fund has used Adjusted EBITDA, which is derived from EBITDA and cash flows from operations for the fiscal year ended March 31, 2006 as the starting point of the summary of its cash available for distribution.

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

DISTRIBUTION POLICY

The Fund intends to distribute a substantial amount of its available cash to its Unitholders.

The actual amount that the Fund will distribute to its Unitholders will be determined at the discretion of its Trustees and the directors of WesternOne Equity GP, taking into account the relevant circumstances prevailing at the time of a distribution. Maintaining working capital may adversely affect the amounts that might otherwise be available for distribution to Unitholders.

Based in part on the Fund’s estimate of its cash available for distribution for the fiscal year ended March 31, 2006, the Fund will pay initial monthly distributions of \$0.0408 per Unit (\$0.49 per Unit per annum). Distributions will be paid on or about the 15th day following the end of each month to Unitholders of record on the last business day of the preceding month. The Fund intends to pay its first cash distribution of \$0.029 per Unit on or about September 15, 2006 in respect of the period from Closing to August 31, 2006. See “WesternOne Equity Income Fund — Distributions”.

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

EARNINGS COVERAGE RATIO

The following table provides the earnings coverage ratio, shown on the audited historical financial statements and the unaudited pro forma consolidated financial statements of Production Equipment and of the Fund for the periods indicated.

	Fiscal Year Ended March 31,			
	2006	2005	2004	
	<u>Pro forma⁽¹⁾</u>			
	(in thousands of dollars)			
Net income	3,284	4,287	2,284	2,107
Interest on Series A Debentures	900	—	—	—
Interest on equipment financing	416	601	566	470
Earnings before interest expense	4,600	4,888	2,850	2,577
Earnings coverage ratio ⁽²⁾	3.5 to 1	8.1 to 1	5.0 to 1	5.5 to 1

Notes:

- (1) The amounts shown under the column headed “pro forma” include adjustments as detailed in the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus.
- (2) Calculated as earnings before interest expense divided by interest expense (interest on Series A Debentures and interest on equipment financing).

DETAILS OF THE SECURITIES OFFERED

Units

The Fund is authorized to issue an unlimited number of trust units of one class designated as (“Units”), each of which represents a Unitholder’s proportionate undivided beneficial interest in the Fund. 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 will be 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 will be issued under and secured by the Series A Trust Indenture to be entered into among the Fund and the indenture trustee, being Computershare Trust Company of Canada (the “Indenture Trustee”). The Series A Debentures will be issued at an issue price of \$100. The fees of the Indenture Trustee for the administration of the Series A Trust Indenture will be paid by the Fund. The Series A Debentures will be 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 will serve as the Indenture Trustee with respect to the Series A Debentures. It will also serve 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 will be a direct obligation of the Fund and the Fund will covenant to pay principal and interest thereon when due.

Realization

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

Interest

The Series A Debentures will 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 will be payable semi-annually.

Term

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

Forced Conversion at Maturity at Fund’s Option

At maturity, the Fund shall repay the outstanding principal amount of the Series A Debentures along with any accrued or unpaid interest, or at the Fund’s sole option upon providing not less the 30 days’ notice and not more than 60 days’ notice, the Series A Debentures shall 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 will be 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 first floating charge to and in favour of the Indenture Trustee on the undertaking and all the property and assets of the Fund, both present and future, including, without limiting the generality of the foregoing, all real, personal, movable and immoveable property

now owned or hereafter acquired by the Fund and all its present and future revenues, incomes, moneys, rights, franchises, materials, supplies, book debts, accounts receivable, negotiable and non-negotiable instruments, judgments, securities, choses in action, lands, interests in lands and all other property and things of value of every kind and nature, tangible or intangible, legal or equitable of which the Fund may be possessed or to which it may be entitled or which may be acquired by the Fund.

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

Sale

The Series A Trust Indenture will contain provisions whereby the Fund 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 will contain provisions stipulating that if: (i) the Fund pays the holders of Series A Debentures the principal and interest on the Series A Debentures and all other sums payable by the Fund 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 the Fund and the security interest will cease and become null and void, and the assets will revert to the Fund without the necessity of any release, acquittance, reconveyance, re-entry or other act or formality whatsoever.

Conversion

The Series A Trust Indenture will contain 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

The Fund 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, the Fund 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 the Fund becomes aware that 49% of the Units (on either a basic or fully-diluted basis) then outstanding are held, or may be held, for the benefit of non-residents or that such a situation is imminent, the Fund may make a public announcement thereof and will notify the Indenture Trustee in writing and the Indenture Trustee shall not accept a subscription for 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, the Fund 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 the Fund 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 the Fund 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, the Fund 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 the Fund

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

- (a) The Fund will carry on and conduct its business in a proper and efficient manner and at all reasonable times it will furnish or cause to be furnished to the Indenture Trustee or its duly authorized agent or attorney such information relating to the business of the Fund as the Indenture Trustee may reasonably require for the performance of its duties thereunder;
- (b) The Fund will pay the Indenture Trustee's reasonable remuneration for services thereunder and will repay to the Indenture Trustee on demand all moneys which will have been paid by the Indenture Trustee with interest at the rate of 2% per month from 30 days after the date of the invoice from the Indenture Trustee to the Fund with respect to such expenditure until repayment, and such moneys and the interest thereon, including the Indenture Trustee's remuneration, will be payable out of any funds coming into the possession of the Indenture Trustee in priority to any of the 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) The Fund 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 the Fund, at any time when the Fund is in arrears of payment of any principal or interest outstanding on the Series A Debentures;
- (d) The Fund will furnish to the Indenture Trustee sufficient copies of all interim reports to Unitholders, annual reports, financial statements, and the report, if any, of the Fund's auditors thereon, which are furnished to the holders of Units to enable the Indenture Trustee to forward to all holders of Series A Debentures (at the Fund's expense) a copy of such documents;
- (e) In order to prevent any accumulation after maturity of unpaid interest, the Fund will not directly or indirectly extend or assent to the extension of time for payment of any interest upon any 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) The Fund will diligently preserve such rights, powers, privileges, franchises and goodwill as are necessary or advisable, and such qualifications to do business and own property in all jurisdictions in which such qualification is necessary or advisable, in respect of the Fund's assets;
- (g) The Fund will observe and comply in all respects with all governing laws and other requirements relating to the assets (including without limitation, applicable statutes, regulations, orders and restrictions relating to environmental standards or controls or to energy regulations);
- (h) The Fund will ensure that all covenants, conditions, stipulations and provisos contained in the Series A Trust Indenture and the Series A Debentures are duly performed;
- (i) The Fund 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) The Fund will promptly notify the holders of Series A Debentures of any material adverse change in its investments;
- (k) The Fund will pay and discharge or cause to be paid and discharged, promptly when due, all taxes, assessments and governmental charges or levies imposed upon it in respect of the assets or upon the income or profits therefrom as well as all claims of any kind (including claims for labour, materials, supplies and rent) which, if unpaid, might become a lien thereupon; providing however, that it will not be required to pay or cause to be paid any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof will concurrently be contested in good faith by appropriate proceedings diligently conducted;
- (l) The Fund 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) The Fund 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) The Fund 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 the Units may become listed.

Events of Default

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

notice may be given by the Indenture Trustee upon receipt of a request from a holder of Series A Debentures as contemplated by the Series A Trust Indenture), the Fund 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 therefor, and in such event to cancel any such declaration theretofore made by the Indenture Trustee in the exercise of its discretion, upon such terms and conditions as the Indenture Trustee may deem advisable;

provided that no act or omission either of the Indenture Trustee or of holders of 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.

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

The Fund will be entirely dependent upon the operations of the Partnership and the Business LPs. Concurrent with the Closing of the Offering, the Fund will close its initial platform acquisition of the Production Equipment business. See "Funding and Related Transactions".

The following management's discussion and analysis of Production Equipment's financial condition and results of operations should be read in conjunction with the audited historical financial statements and related notes thereto contained elsewhere in this prospectus. The audited historical financial statements of Production Equipment are prepared in accordance with GAAP. The fiscal year of Production Equipment ends March 31 in each year, and all amounts are in Canadian dollars.

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

Overview

Founded in 1998, 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. Production Equipment's management has grown a highly successful business from total revenues of \$2.7 million in fiscal 1999 to \$14.9 million in fiscal 2006. This success is largely due to Production Equipment's focus on establishing strong relationships with its customer base, developing an exceptional reputation for customer service, and investing – not only in its rental fleet, but also in its people.

With more than 550 rental machines, including boom lifts, scissor lifts, straight mast forklifts, telescoping fork lifts (handlers), and personnel and material lifts, Production Equipment is one of the largest operators engaged in this segment of the rental equipment market in British Columbia. Management estimates Production Equipment's market share to be approximately 25%. Production Equipment has developed a strong reputation for its quality equipment, on-time deliveries and customer-first orientation.

Production Equipment represents all major North American manufacturers of high reach and material handling equipment. It is recognized as JLG Industries Inc.'s exclusive distributor in British Columbia for JLG/Gradall telescoping handlers, which enables it to offer JLG/Gradall financing and provide manufacturer authorized warranty service.

Production Equipment's business operates service and delivery trucks to ensure on-time delivery and exceptional customer service, and employs a service staff (on call 24 hours a day, seven days a week) that is factory-trained with specialized experience servicing high reach and material handling equipment. Production Equipment has developed strong relationships with rental and sales customers in the contractor/construction and film industries, in addition to the equipment service and building maintenance industries, government agencies and special event co-ordinators.

Selected Financial and Operating Information

In fiscal 2004, Production Equipment's year-end was changed from December 31 to March 31.

The following selected financial and operating information of Production Equipment, other than as set forth in Note 1 below and other than the Operating Data shown below, has been derived from, and should be read in conjunction with, the audited historical financial statements of Production Equipment and notes thereto, the unaudited pro forma consolidated financial statements of the Fund and the notes thereto and the remainder of this section of the prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	Fiscal Year Ended March 31,			
	2006	2005	2004	
Pro forma⁽¹⁾	(in thousands of dollars, except margins and operating data)			
Income Statement Data				
Revenue				
Equipment rental	9,990	9,990	6,607	6,516
Equipment sales	3,065	3,065	2,565	1,231
Logistical support ⁽²⁾	1,052	1,052	698	703
Parts and service	779	779	451	334
Total revenue	14,886	14,886	10,321	8,784
Cost of sales	4,397	4,397	3,132	2,592
Gross profit	10,489	10,489	7,189	6,192
Gross profit %	70.5%	70.5%	69.7%	70.5%
Operating expenses	7,205 ⁽⁶⁾	6,202	4,905	4,085
Net income	3,284	4,287	2,284	2,107
EBITDA ⁽³⁾	5,865	6,239	3,963	3,394
Adjusted EBITDA ⁽³⁾	5,865	6,348	4,074	3,430
Balance Sheet Data				
Inventory	751	751	761	272
Rental fleet ⁽⁴⁾	8,807	14,037	11,991	9,591
Total assets	31,589	17,221	14,373	11,172
Equipment related financing:				
Equipment payables	—	—	172	446
Floor plan payable	—	783	815	—
Capital leases and capital loans	6,500	8,841	7,903	5,424
Total equipment related financing	6,500	9,624	8,890	5,870
Operating Data				
Number of equipment rental items in fleet	558	558	483	332
Rental equipment utilization ⁽⁵⁾	70.5%	70.5%	74.4%	70.8%
Revenue growth	44.2%	44.2%	17.5%	n/a ⁽⁷⁾
Gross profit growth	45.9%	45.9%	16.1%	n/a ⁽⁷⁾

Notes:

- (1) The amounts shown under the column headed "Pro forma" include adjustments as detailed in the unaudited pro forma consolidated financial statements of the Fund contained elsewhere in this prospectus.
- (2) Disclosed as "Cartage" in the audited historical financial statements of Production Equipment contained elsewhere in this prospectus.
- (3) EBITDA, Adjusted EBITDA and cash available for distribution are not earnings measures recognized by generally accepted accounting principles in Canada ("GAAP") and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and cash available for distribution may not be comparable to similar measures presented by other issuers, including other companies or income funds that operate in businesses similar to WesternOne Equity's. See "EBITDA, Adjusted EBITDA and Cash Available for Distribution".
- (4) At carrying value, including property and equipment under capital leases and capital loans.
- (5) Based on a five day work week.
- (6) Includes interest expense on capital loans for equipment purchases and Series A Debentures.
- (7) Comparable data is not available because in fiscal 2004 the year end was changed from December 31 to March 31.

Results of Operations

Fiscal Year Ended March 31, 2006 Compared to the Fiscal Year Ended March 31, 2005

Revenue

Total revenues of \$14.9 million for the fiscal year ended March 31, 2006 increased by \$4.6 million, or 44.2%, compared to \$10.3 million for the fiscal year ended March 31, 2005. The improvement in total revenues is attributed to an increase in each of Production Equipment's four primary revenue sources: equipment rentals; equipment sales; logistical support; and parts and service activities.

Revenue from equipment rentals of \$10.0 million for the fiscal year ended March 31, 2006 increased by \$3.4 million, or 51.2%, compared to \$6.6 million for the fiscal year ended March 31, 2005. This increase is a result of the continued growth of Production Equipment's customer base and equipment rental fleet. The equipment rental fleet as at March 31, 2006 comprised of 558 pieces (2005 — 483 pieces).

Production Equipment experiences some level of seasonality in equipment rental as activity in the contractor/construction and film industries is generally higher in the spring, summer and fall months as compared to the winter months. Other significant sources of equipment rental revenues include service and maintenance industries, government agencies and special event co-ordinators.

To accommodate short-term market fluctuations when demand for its rental equipment exceeds supply, Production Equipment chooses to rent equipment on a limited basis from local competitors. Generally, Production Equipment will recognize a nominal 5%-10% profit on these re-rentals but, more importantly, maintains the revenue and the relationship with the customer. Re-rentals are standard practice within the equipment rental industry, and they are a useful method for management to evaluate where future investment dollars should be targeted.

Revenue from equipment sales of \$3.1 million for the fiscal year ended March 31, 2006 increased by \$0.5 million, or 19.5%, compared to \$2.6 million for the fiscal year ended March 31, 2005. Sales of equipment for the year ending March 31, 2006 was \$2.2 million for new equipment and \$0.9 million for used equipment (2005 — \$1.9 million for new equipment and \$0.7 million for used equipment). This increase is a result of the increased volume of sales of equipment to Production Equipment's growing customer base.

Revenue from logistical support of \$1.1 million for the fiscal year ended March 31, 2006 increased by \$0.4 million, or 50.7%, compared to \$0.7 million for the fiscal year ended March 31, 2005. This increase is a result of the continued growth of Production Equipment's customer base, equipment rental fleet, and an increase in equipment sales. In addition, the continued demand for reliable logistical support demanded by the customers of the high reach and material handling equipment industry, including the on-time delivery of equipment to specified locations, has helped to increase the revenue from logistical support. Management believes that changes in revenue volumes achieved from equipment rentals and equipment sales generally have a corresponding effect on the revenue realized from logistical support activities.

Revenue from parts and service activities of \$0.8 million for the fiscal year ended March 31, 2006 increased by \$0.3 million, or 72.6%, compared to \$0.5 million for the fiscal year ended March 31, 2005. The increase in the cumulative number of units sold by Production Equipment has generated a loyal customer base for the parts and service activities of the business, as customers return to have their equipment serviced by the dealer. Management believes that this increase is a result of the continued demand for high-quality services within the high reach and material handling equipment industry, and estimates that more than 75% percent of the revenue from parts and service activities is derived from the servicing of third-party equipment.

Cost of Sales

Cost of sales of \$4.4 million for the fiscal year ended March 31, 2006 increased by \$1.3 million, or 40.4%, compared to \$3.1 million for the fiscal year ended March 31, 2005. The increase in the value of equipment rentals and sales has had a corresponding increase in the cost of sales, including commissions and re-rentals.

Costs associated with equipment sales of \$2.7 million for the fiscal year ended March 31, 2006 increased by \$0.5 million, or 20.3%, compared to \$2.2 million for the fiscal year ended March 31, 2005. Costs associated with sales of equipment for the year ending March 31, 2006 were \$1.9 million for new equipment and \$0.8 million for used equipment (2005 — \$1.6 million for new equipment and \$0.6 million for used equipment). This increase is a result of the increased volume of sales of equipment to Production Equipment's growing customer base.

Costs associated with commissions of \$0.6 million for the fiscal year ended March 31, 2006 increased by \$0.2 million, or 36.9%, compared to \$0.4 million for the fiscal year ended March 31, 2005. Commissions are paid based on equipment sales and rentals. This increase is a direct result of the increased volume of sales and rentals of high reach and material handling equipment to Production Equipment's growing customer base.

Costs associated with re-rentals of \$0.8 million for the fiscal year ended March 31, 2006 increased by \$0.5 million, or 152.5%, compared to \$0.3 million for the fiscal year ended March 31, 2005. Re-rentals are the costs associated with renting equipment from other equipment rental companies in order to fulfil the requirements of Production Equipment's customers. This increase is a result of the continued growth of Production Equipment's customer base and the continued demand for high reach and material handling equipment.

Costs associated with other items of \$0.3 million for the fiscal year ended March 31, 2006 increased by \$0.2 million, or 94.1%, compared to \$0.1 million for the fiscal year ended March 31, 2005.

Gross Profit

Gross profit of \$10.5 million for the fiscal year ended March 31, 2006 increased by \$3.3 million, or 45.9%, compared to \$7.2 million for the fiscal year ended March 31, 2005.

Gross profit margin, as a percentage of total revenues, has increased to 70.5% for the fiscal year ended March 31, 2006 from 69.7% for the fiscal year ended March 31, 2005. Gross profit margin has remained consistent for the business, at approximately 70% over the fiscal years ending March 31, 2006 and 2005.

Operating Expenses, before Interest and Amortization

Operating expenses, before interest and amortization, of \$4.2 million for the fiscal year ended March 31, 2006 increased by \$1.0 million, or 31.7%, compared to \$3.2 million for the fiscal year ended March 31, 2005. The increase in operating expenses is attributed to an increase in general and administrative, freight, sales and service expenses.

Operating expenses, before interest and amortization, as a percentage of total revenues have decreased to 28.5% for the fiscal year ended March 31, 2006 from 31.3% for the fiscal year ended March 31, 2005. Management believes that this decrease is a result of greater utilisation of the available capacity of the business' rental fleet and service abilities.

EBITDA

EBITDA of \$6.2 million for the fiscal year ended March 31, 2006 increased by \$2.2 million, or 57.4%, compared to \$4.0 million for the fiscal year ended March 31, 2005. See "EBITDA, Adjusted EBITDA and Cash Available for Distribution".

EBITDA margin, as a percentage of total revenues, has increased to 41.9% for the fiscal year ended March 31, 2006 from 38.4% for the fiscal year ended March 31, 2005. EBITDA margin has remained historically consistent for the business, at approximately 40% over the six fiscal years ending March 31, 2006, and any changes experienced in EBITDA margin are generally reflective of changes in the revenue mix of the business.

Adjusted EBITDA

Adjusted EBITDA of \$6.3 million for the fiscal year ended March 31, 2006 increased by \$2.3 million, or 55.8%, compared to \$4.1 million for the fiscal year ended March 31, 2005. Adjusted EBITDA is EBITDA adjusted to remove non-recurring items, which consisted of auto allowance and life insurance premiums paid on behalf of the Partners and consulting fees relating to the sale of the assets of Production Equipment. See "EBITDA, Adjusted EBITDA and Cash Available for Distribution — Reconciliation of Historical Results to EBITDA and Adjusted EBITDA".

Adjusted EBITDA margin, as a percentage of total revenues, has increased to 42.6% for the fiscal year ended March 31, 2006 from 39.5% for the fiscal year ended March 31, 2005. Changes experienced in Adjusted EBITDA margin are reflective of changes in the revenue mix of the business.

Interest Expense

Interest expense was \$0.6 million in each of the fiscal years ended March 31, 2006 and March 31, 2005. Interest expense remained relatively constant for these two fiscal years, despite the presence of an increase in interest-bearing liabilities during the fiscal year ending March 31, 2006, because management negotiated more favourable rates of interest on the financing obtained during the later period.

Amortization

Total amortization expense of \$1.4 million for the fiscal year ended March 31, 2006 increased by \$0.3 million, or 21.4%, compared to \$1.1 million for the fiscal year ended March 31, 2005. The increase in total amortization is attributed to an increase in size and associated undepreciated cost base of the business' rental fleet and infrastructure assets, including office equipment, office furniture, shop equipment, tractors and trailers, leasehold improvements and computers and software.

The size of the rental fleet increased to 558 pieces of rental equipment as at March 31, 2006, with an associated capital cost base of \$18.4 million. The size of the rental fleet as at March 31, 2005 was 483 pieces of rental equipment with an associated capital cost base of \$15.4 million.

The infrastructure assets had an associated capital cost base of \$0.3 million as at March 31, 2005 and an associated capital cost base of \$0.4 million as at March 31, 2006.

Fiscal Year Ended March 31, 2005 Compared to the Fiscal Year Ended March 31, 2004

Revenue

Total revenues of \$10.3 million for the fiscal year ended March 31, 2005 increased by \$1.5 million, or 17.5%, compared to \$8.8 million for the fiscal year ended March 31, 2004.

Revenue from equipment rentals was \$6.6 million in each of the fiscal years ended March 31, 2005 and March 31, 2004. The equipment rental fleet as at March 31, 2005 comprised of 483 pieces (2004 – 332 pieces).

Revenue from equipment sales of \$2.6 million for the fiscal year ended March 31, 2005 increased by \$1.4 million, or 108.4%, compared to \$1.2 million for the fiscal year ended March 31, 2004. Costs associated with sales of equipment for the year ending March 31, 2005 were \$1.9 million for new equipment and \$0.7 million for used equipment (2004 — \$0.8 million for new equipment and \$0.4 million for used equipment).

Revenue from logistical support was \$0.7 million in each of the fiscal years ended March 31, 2005 and March 31, 2004.

Revenue from parts and service activities of \$0.5 million for the fiscal year ended March 31, 2005 increased by \$0.2 million, or 35.1%, compared to \$0.3 million for the fiscal year ended March 31, 2004.

Cost of Sales

Cost of sales of \$3.1 million for the fiscal year ended March 31, 2005 increased by \$0.5 million, or 20.8%, compared to \$2.6 million for the fiscal year ended March 31, 2004.

Costs associated with equipment sales of \$2.2 million for the fiscal year ended March 31, 2005 increased by \$1.1 million, or 108.7%, compared to \$1.1 million for the fiscal year ended March 31, 2004. Costs associated with sales of equipment for the year ending March 31, 2005 was \$1.6 million for new equipment and \$0.6 million for used equipment (2004 — \$0.8 million for new equipment and \$0.3 million for used equipment).

Costs associated with commissions of \$0.4 million for the fiscal year ended March 31, 2005 increased by \$0.1 million, or 74.9%, compared to \$0.3 million for the fiscal year ended March 31, 2004.

Costs associated with re-rentals of \$0.3 million for the fiscal year ended March 31, 2005 decreased by \$0.9 million, or 71.4%, compared to \$1.2 million for the fiscal year ended March 31, 2004.

Costs associated with other items was \$0.1 million in each of the fiscal years ended March 31, 2005 and March 31, 2004.

Gross Profit

Gross profit of \$7.2 million for the fiscal year ended March 31, 2005 increased by \$1.0 million, or 16.1%, compared to \$6.2 million for the fiscal year ended March 31, 2004.

Gross profit margin, as a percentage of total revenues, has decreased to 69.7% for the fiscal year ended March 31, 2005 from 70.5% for the fiscal year ended March 31, 2004. Gross profit margin has remained consistent for the business, at approximately 70% over the fiscal years ending March 31, 2005 and 2004.

Operating Expenses, before Interest and Amortization

Operating expenses, before interest and amortization, of \$3.2 million for the fiscal year ended March 31, 2005 increased by \$0.4 million, or 15.3%, compared to \$2.8 million for the fiscal year ended March 31, 2004.

Operating expenses, before interest and amortization, as a percentage of total revenues have decreased to 31.3% for the fiscal year ended March 31, 2005 from 31.9% for the fiscal year ended March 31, 2004.

EBITDA

EBITDA of \$4.0 million for the fiscal year ended March 31, 2005 increased by \$0.6 million, or 16.8%, compared to \$3.4 million for the fiscal year ended March 31, 2004.

EBITDA margin, as a percentage of total revenues, has decreased to 38.4% for the fiscal year ended March 31, 2005 from 38.6% for the fiscal year ended March 31, 2004. EBITDA margin has remained historically consistent for the business, at approximately 40% over the six fiscal years ending March 31, 2006.

Adjusted EBITDA

Adjusted EBITDA of \$4.1 million for the fiscal year ended March 31, 2005 increased by \$0.7 million, or 18.8%, compared to \$3.4 million for the fiscal year ended March 31, 2004.

Adjusted EBITDA margin, as a percentage of total revenues, has increased to 39.5% for the fiscal year ended March 31, 2005 from 39.0% for the fiscal year ended March 31, 2004.

Interest Expense

Interest expense of \$0.6 million for the fiscal year ended March 31, 2005 increased by \$0.1 million, or 20.4%, compared to \$0.5 million for the fiscal year ended March 31, 2004.

Amortization

Total amortization expense of \$1.1 million for the fiscal year ended March 31, 2005 increased by \$0.3 million, or 36.3%, compared to \$0.8 million for the fiscal year ended March 31, 2004.

The size of the rental fleet increased to 483 pieces of rental equipment as at March 31, 2005, with an associated capital cost base of \$15.4 million. The size of rental fleet as at March 31, 2004 was 332 pieces of rental equipment with an associated capital cost base of \$12.1 million.

The infrastructure assets had an associated capital cost base of \$0.3 million as at March 31, 2005 and had an associated capital cost base of \$0.2 million as at March 31, 2004.

Liquidity and Capital Resources

Production Equipment has historically utilised cash flows from operations to maintain its operations, make required payments on its capital leases and capital loans for equipment purchases and purchase property and equipment. In addition, it maintains facilities to fund working capital requirements.

Production Equipment has a \$0.75 million demand operating credit facility with a Canadian chartered bank, on which it had drawn \$nil as at March 31, 2006 (2005 — \$0.3 million) and a \$2 million floor plan financing agreement with a third party financing company, on which it had drawn \$0.8 million as at March 31, 2006 (2005 — \$0.8 million), to fund working capital requirements.

The following table provides an overview of Production Equipment's cash flows from operating, investing and financing activities for the years ended March 31, 2006, 2005 and 2004.

	Year Ended March 31,		
	2006	2005	2003
	(in millions of dollars)		
Net inflow (outflow) of cash related to:			
Operations	4.9	2.4	3.0
Investing	(3.3)	(3.4)	(3.1)
Financing	(1.0)	1.3	0.3

During the year ended March 31, 2006, Production Equipment incurred \$0.9 million of net long-term debt for financing purposes, including capital leases and capital loans for equipment purchases and excluding loans payable to partners. Investing activities included \$3.3 million in net purchases of property and equipment.

During the year ended March 31, 2005 Production Equipment incurred \$2.5 million of net long-term debt for financing purposes, including capital leases and capital loans for equipment purchases and excluding loans payable to partners. Investing activities included \$3.4 million in net purchases of property and equipment.

During the year ended March 31, 2004 Production Equipment incurred \$1.3 million of long-term debt, for financing purposes including capital leases and capital loans for equipment purchases and excluding loans payable to partners. Investing activities included \$3.1 million in net purchases of property and equipment.

Financing

Operating Loan

Production Equipment's management intends to continue its working relationship with a Canadian chartered bank, which currently provides the business with a \$0.75 million interest only demand operating loan. This operating loan is at the bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured by 75% of acceptable accounts receivable, minus priority claims. The operating loan balance as at March 31, 2006 was \$nil (2005 — \$0.3 million).

The bank has provided management with a new term sheet to provide the business with a \$2.0 million interest only demand operating loan upon Closing. This operating loan will be at the bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, will be secured by 50% of inventory up to a limit of \$0.75 million and 75% of acceptable accounts receivable minus priority claims. The covenant requirements include a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth ratio of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the bank.

Floor Plan Financing

Production Equipment finances its new equipment for resale by way of a floor plan financing through a third party financing company. Its existing floor plan financing agreement provides a revolving line of credit for the financing of new units of equipment acquired to a maximum of \$2.0 million, at the bankers acceptance rate plus 2.75% per annum. The floor plan financing balance was \$0.8 million as at March 31, 2006 and March 31, 2005.

Due to the proposed increase in the operating loan from \$0.75 million to \$2.0 million from a Canadian chartered bank, WesternOne Equity does not intend to assume the current floor plan financing relationship with the third party financing company after Closing, and the floor plan financing is expected to be paid out by the Partners.

Capital Loans for Equipment Purchases

The total balance of the capital loans for equipment purchases (classified as "loans payable" in the audited historical financial statements contained elsewhere in this prospectus) was \$7.1 million as at March 31, 2006 (2005 — \$4.9 million).

Production Equipment's business had loans in place as at March 31, 2006 to finance the purchase of equipment as follows:

- *Canadian chartered bank* — three loans, repayable on demand and unless and until demanded in monthly instalments of principal and interest, with interest at the bank's prime rate plus 1.25% per annum, secured by a general security agreement and personal guarantees. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants relating to levels of tangible net worth, debt service coverage and current ratios. The total balance of these loans as at March 31, 2006 was \$4.9 million (2005 — two loans totalling \$3.8 million). These loans are expected to be refinanced under new capital loans offered by the same bank, as described below.
- *Third party financing company* — three loans, repayable monthly, carrying interest at 6.8% to 8.5% per annum, secured against the related equipment. The total balance of these loans as at March 31, 2006 was \$1.3 million (2005 — two loans totalling \$0.5 million). This facility is expected to be repaid by the Partners at Closing.

- *Second Canadian chartered bank* — four loans, repayable monthly, carrying interest and the bank's prime rate plus 2.00% per annum secured against the related equipment. The total balance of these loans as at March 31, 2006 was \$0.8 million (2005 — four loans totalling \$0.4 million). This facility is expected to be repaid by the Partners at Closing.
- *Business Development Bank of Canada* — one loan, repayable monthly, as the bank's floating rate plus 0.25% per annum, secured against the related equipment and a general security agreement. The total balance of this loan as at March 31, 2006 was \$0.1 million (2005 — \$0.2 million). This facility is expected to be repaid by the Partners at Closing.

WesternOne Equity intends to continue the working relationship with the first Canadian above-mentioned chartered bank after Closing for the financing of equipment purchases. The bank has provided management with a term sheet that contemplates two loans: a \$3.5 million non-revolving capital loan and a \$4.0 million revolving capital loan, repayable on demand and unless and until demanded in monthly instalments, with interest at the bank's prime rate plus 0.65% per annum or 1.60% above bankers acceptance rates, secured by a general security agreement and a personal guarantee. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants specifying a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth ratio of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the bank. Interest only is payable for the first two months following Closing, after which principal and interest are payable monthly over an amortization period of seven years from Closing, with a maturity date of five years from Closing. On Closing, management intends to use the \$3.5 million non-revolving capital loan and \$3.0 million of the \$4.0 million revolving capital loan.

Capital Leases for Equipment Purchases

Production Equipment utilizes third party leasing companies from time to time to finance a portion of its equipment rental fleet, in the form of capital leases, which are secured by a security interest over the financed assets. The liability recorded under the capital leases represents the minimum lease payments payable net of imputed interest at rates ranging from 5.9% to 9.9% per annum. (2005 — 8.4% to 14.0% per annum). The balance of these capital leases as at March 31, 2006 was \$1.8 million (2005 — \$3.0 million).

Upon Closing, the capital leases are expected to be paid out by the Partners, and will be refinanced by the capital loans provided from the Canadian chartered bank described above.

Foreign Exchange Risk

Production Equipment does not use derivative instruments to reduce its exposure to foreign exchange risk. Excluding loans payable to the Partners, the amounts included in the balance sheet that are denominated in foreign currency are negligible in each of the years ending March 31, 2006 and March 31, 2005.

Interest Rate Risk

Production Equipment's operating loan, floor plan financing and capital leases and capital loans for equipment financing bear interest at variable rates, as discussed above. The business does not use derivative instruments to reduce its exposure to this interest rate risk.

Credit Risk

Concentration of credit risk with respect to equipment in transit is limited primarily to equipment manufacturers and a third party financing institution under the floor plan financing. After Closing, the floor plan financing will be replaced with an operating loan with a Canadian chartered bank, as discussed above.

Concentration of credit risk relating to amounts receivable from Production Equipment's customers is not considered significant by management due to the large number of customers comprising the business' customer base, and a strong knowledge by management of the customer base. The business follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The business maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. Historically, the required provisions for potential credit losses have been negligible.

Capital Expenditures

Capital expenditures consist primarily of rental fleet acquisitions and leasehold improvements, which include the purchase of furniture and fixtures, service vehicles, computer hardware and computer software expenditures. Capital expenditures are further subdivided into three subgroups: rental fleet maintenance; infrastructure maintenance; and growth. Management expects the annual capital expenditures required to maintain the business' rental fleet and infrastructure assets to remain at a comparable level for the near term. Growth capital expenditures will be a function of increases in the size and composition of the rental fleet and the cost of acquiring and/or opening and maintaining new locations. See "Capital Expenditures".

Future growth is dependent on the business' ability to open and/or acquire and integrate new locations. Management believes that the cash flow generated from operations, together with working capital availability under the Credit Facilities, is sufficient to fund the business' debt service, working capital and capital spending requirements.

Contractual and Other Obligations

As at March 31, 2006, Production Equipment had the following contractual obligations:

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
		(in millions of dollars)			
Capital loans for equipment financing	7.1	1.7	3.2	2.2	—
Capital leases	2.0	0.8	1.0	0.2	—

Off Balance Sheet Arrangements

Production Equipment has not entered into any off balance sheet arrangements.

Financial Instruments

Financial instruments of Production Equipment consist of cash and amounts receivable or payable in cash arising from contractual agreements. The carrying values of the financial instruments disclosed on the balance sheets approximate their fair values. These financial instruments are subject to credit risk and currency risk as described above and in Production Equipment's audited historical financial statements contained elsewhere in this prospectus.

For a detailed description of financial instruments and their associated risks, see Note 14 "Financial Instruments" in Production Equipment's audited historical financial statements contained elsewhere in this prospectus.

Critical Accounting Policies and Estimates

Production Equipment prepares its financial statements in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The significant accounting policies of Production Equipment are described in Note 2 "Accounting Policies" in Production Equipment's audited historical financial statements contained elsewhere in this prospectus. The policies which Production Equipment believes are the most critical to aid in fully understanding and evaluating its reported financial results as set forth below.

Capital Assets

The rental fleet is the business' principal source of revenue. The other depreciable assets of the business consist of office equipment, office furniture, shop equipment, tractors and trailers, leasehold improvements, computers and

software. These assets are recorded at cost and depreciated over their estimated useful lives on a straight line basis as follows:

Rental fleet (excluding a salvage value of 25% of the original cost)	10 years
Tractors and trailers	7 years
Office equipment, office furniture, shop equipment, leasehold improvements, computers and computer software	5 years

Inventory Valuation

New and used equipment inventories are recorded at the lower of cost and net realisable value, with cost determined on a specific item basis. Parts inventories are valued at the lower of cost and net realisable value, with cost generally being determined on a “first-in, first-out” basis.

Foreign Currency Translation

Assets bought and sold during the year and transactions relating to net income in foreign currencies are translated into Canadian dollars at the rate prevailing at the transaction dates. Monetary assets and liabilities in foreign currencies at the close of the year are translated into Canadian dollars at the rate prevailing at the year end.

Foreign exchange gains or losses arise from recording the difference between foreign currency balances translated at rates prevailing at year-end and balances translated at rates prevailing on transaction dates.

Revenue Recognition

Production Equipment’s revenues are derived from the following four inter-related business operations: equipment rental; sales of new and used equipment; logistical support; and parts and service.

Revenue from short-term rental contracts, defined as having a term of less than or equal to one month, and the related logistical support revenue are recognised upon completion of the rental contract. Revenue from long-term rental contracts, defined as having a term extending beyond one month, is recognised on a monthly basis, which is consistent with the billing period; the related logistical support revenue is recognized upon delivery and pick-up of the equipment. Revenue from equipment held for resale is recognized at the later of the time at which the contract is signed or the purchaser arranges sufficient financing to complete the purchase. Service revenue, comprised of the sale of parts and equipment servicing, is recognized when parts are delivered and services have been rendered.

Valuation of Long Lived Assets

Long lived assets and certain identified recorded intangibles are reviewed by management for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its expected use and disposition. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell. Production Equipment completed its annual impairment test for the fiscal year ended March 31, 2006 and no adjustment for impairment was required.

Recent Events

Production Equipment leases its premises under the agreement requiring monthly instalments of \$11,000 (annual rent of \$132,000, inclusive of an allocation of \$24,000 for property taxes), which expires on November 30, 2006. Production Equipment has entered into a new lease for the same premises for a further period of five years, requiring monthly installments of \$14,000 (annual rent of \$168,000, inclusive of an allocation of \$24,000 for property taxes), which expires on November 30, 2011.

Production Equipment has signed a letter of intent, dated May 26, 2006, to acquire on or before August 31, 2006, the assets and two leased locations of a small equipment rental business located in the Fraser Valley of British Columbia. The objective of the transaction is to expand the business’ geographical area and provide revenue diversification. The purchase price indicated on the letter of intent is \$1.2 million.

Risks and Uncertainties

Production Equipment is subject to a number of risks in addition to the normal business risks associated with the equipment rental industry. A significant change in competition from one or more competitors in the geographic areas where Production Equipment's operations are located, as well as competition from other equipment rental and sales operators, changes in the financial health of suppliers, changes in the quality of equipment available from suppliers, dependence on key personnel, changes in labour and union relations and changes in tax legislation, or any of the other factors described under "Risk Factors", could have a material effect on financial performance.

From the fiscal year ending March 31, 2004 to the fiscal year ending March 31, 2006, sales of new and used equipment have increased year over year. Management believes that it is likely that the sales of new and used equipment will be affected by a change in economic conditions. Although changes in these conditions may affect new and used equipment sales, management believes that any negative effect associated with these risks should be mitigated by the ability of Production Equipment's customers to rent equipment on an as needed basis, and may therefore have a positive effect on equipment rentals.

Interest rates over the past several years have been at historical lows. Management believes that a modest increase in interest rates should not significantly impact overall customer buying patterns, and that any potential negative impact on new and used equipment sales, as a result of increases in interest rates, is likely to be partly offset by a corresponding increase in the proportion of equipment rentals.

Outlook

Production Equipment intends to continue to grow its cash flow through continued growth in operating results. Management intends to leverage the scalability of its existing infrastructure to continue to improve the utilization of its equipment fleet thereby generating increased cash flow with minimal incremental investment. Management also intends to expand product and service offerings to increase its market share in British Columbia, grow organically by hiring additional sales people to increase sales of its equipment, parts and service offerings, and consider opening new branches or developing sub-dealer relationships as a means of expanding into markets it does not currently service. In addition, management will seek to acquire businesses that will supplement existing or anticipated branches or which have complimentary product and service offerings as part of a disciplined accretive acquisition program.

TRUSTEES, DIRECTORS AND MANAGEMENT

Trustees, Directors and Officers

The Fund's Trustees are Robert W. King, Darren T. Latoski and Douglas R. Scott. Messrs. King and Scott are "independent" within the meaning of the guidelines for corporate governance adopted by the securities commissions of several provinces of Canada.

The following table sets out, for each of the Trustees and each of the directors and executive officers of WesternOne Equity GP, the person's name, municipality of residence, positions with the Fund (i.e., Trusteeship), WesternOne Equity GP (i.e., directorship and/or office) and/or the Partnership (i.e., office) as the case may be, and principal occupation. Each of the Trustees is also a Trustee of the Trust. The term of office for each of the Trustees will expire at the first annual meeting of Voting Unitholders, and the term of office of the directors of WesternOne Equity GP will expire at the same time.

<u>Name and Municipality of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
ROBERT W. KING ⁽¹⁾⁽²⁾⁽³⁾ Vancouver, British Columbia	Trustee and Director	President, King Pacific Capital Corporation
DARREN T. LATOSKI ⁽¹⁾ Vancouver, British Columbia	Trustee, Director and Chief Executive Officer	Chief Executive Officer, WesternOne Equity, President, Sunstone Realty Advisors Inc.
DOUGLAS R. SCOTT ⁽¹⁾ Surrey, British Columbia	Trustee	Chief Financial Officer, First Majestic Resource Corp and First Silver Reserve Inc.
STEPHEN J. EVANS ⁽¹⁾ North Vancouver, British Columbia	Director	Managing Director, Sunstone Realty Advisors Inc.
JON A. GORDON ⁽¹⁾ New York, New York	Director	Co-Managing Partner, Palladian Capital Partners, LLC
T. RICHARD TURNER ⁽¹⁾ West Vancouver, British Columbia	Director	President and Chief Executive Officer, TitanStar Capital Corp.
ROBERT J. HIBBERD ⁽¹⁾ Vancouver, British Columbia	Chief Financial Officer and Secretary	Chief Financial Officer, WesternOne Equity

Notes:

- (1) On Closing, the Trustees, directors and senior officers, as a group, will hold, directly and indirectly, approximately 17.1% of the Units on a fully-diluted basis.
- (2) Robert King served as a director of Redekop Properties Inc. ("Redekop") from March 1997 to June 2001. Redekop was formerly listed on the Toronto Stock Exchange. 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).
- (3) Robert King held common shares in the capital of Prescient Neuropharma Inc. at the time he became a director of that company in December 2002. Through inadvertence, Mr. King did not file an insider report disclosing such shareholdings. Accordingly, Mr. King was sanctioned by the British Columbia Securities Commission and received a \$100 fine, which has been paid.

Management Profile

See "Business of the Fund — Trustees, Directors, Management and Network Advisors" for a summary of the background on each of the Fund's Trustees, directors and officers.

Governance of the Fund

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

Audit Committee

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

The audit committee will be responsible for monitoring compliance with a code of conduct and ethical behaviour to be adopted by the Trustees and the board of directors of WesternOne Equity GP and for establishing a procedure for the anonymous and confidential receipt and treatment of concerns or complaints received regarding accounting and related financial reporting matters (a “whistle blowing procedure”).

Compensation Committee of WesternOne Equity GP and Nominating and Governance Committee of the Fund

Among other things, the compensation committee of WesternOne Equity GP will:

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

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

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

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

Remuneration of Trustees

Initial compensation for Trustees will be \$25,000 per Trustee per year and \$1,000 per Trustee for each meeting of the Trustees attended in person. The Chair of the Board of Trustees and the Chair of the Audit Committee will each

receive additional compensation of \$5,000 per year. Trustees will receive \$500 for each meeting of the Trustees attended by telephone. The Fund will also reimburse Trustees for out of pocket expenses for attending meetings. Trustees will participate in the insurance and indemnification arrangements described below under “Insurance Coverage for Trustees and Indemnification”. No Trustee compensation will be paid to Trustees who are members of management of the Partnership and no Trustee will receive compensation for acting as a trustee of the Trust or as a director of WesternOne Equity GP (other than for fees for attending board or committee meetings that do not run concurrently with meetings of the Trustees).

Liability of Trustees

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

Insurance Coverage for Trustees and Indemnification

The Fund will obtain or cause to be obtained a policy of insurance for the Trustees and for the trustees, directors, officers and network advisors of the Fund’s subsidiaries. The initial aggregate limit of liability applicable to the insured Trustees, directors, officers and network advisors under the policy will be \$10 million. Under the policy, each entity will have reimbursement coverage to the extent that it has indemnified the Trustees, directors, officers and network advisors. The policy will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Fund, the Trust, WesternOne Equity GP, the Partnership and any of their respective subsidiaries and their respective Trustees, directors, officers and network advisors. The total limit of liability will be shared among the Fund, the Trust, WesternOne Equity GP, the Partnership and their respective subsidiaries and their respective Trustees, directors, officers and network advisors so that the limit of liability will not be exclusive to any one of the entities or their respective Trustees, directors, officers and network advisors.

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

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of the compensation earned in respect of Production Equipment's fiscal years ended March 31, 2005, 2004 and 2003 by each of WesternOne Equity's Chief Executive Officer and Chief Financial Officer, Production Equipment's Chief Financial Officer and the remaining two most highly compensated executive officers of Production Equipment (the "Named Executive Officers") (based upon the compensation earned by such individuals during such fiscal years).

<u>Name and Principal Position</u>	<u>Fiscal Year of Production Equipment ended March 31</u>	<u>Salary (\$)</u>	<u>Commission (\$)</u>	<u>All other Compensation (\$)</u>
DARREN T. LATOSKI, Chief Executive Officer, WesternOne Equity GP ⁽¹⁾	2006	—	—	—
	2005	—	—	—
	2004	—	—	—
ROBERT J. HIBBERD, Chief Financial Officer, WesternOne Equity GP ⁽²⁾	2006	—	—	—
	2005	—	—	—
	2004	—	—	—
AARON SILVERMAN, Chief Financial Officer, Production Equipment ⁽³⁾	2006	—	—	4,200
	2005	—	—	4,200
	2004	—	—	4,200
RON MCALEER, Vice President of Operations, Production Equipment ⁽⁴⁾	2006	72,000	103,000	—
	2005	72,000	91,000	—
	2004	—	—	—
STEVE TAYLOR, Vice President of Sales, Production Equipment ⁽⁵⁾	2006	36,000	134,300	7,800
	2005	36,000	88,033	7,200
	2004	36,000	92,290	7,200

Notes:

- (1) Mr. Latoski was appointed as Chief Executive Officer of WesternOne Equity GP on June 15, 2006.
- (2) Mr. Hibberd was appointed as Chief Financial Officer of WesternOne Equity GP on June 15, 2006.
- (3) Under the former structure of Production Equipment's business, the Partners did not receive a salary or commission from the business. Mr. Silverman is a principal of one of the Partners and acted in the capacity as Chief Financial Officer of the business. The only compensation received by Mr. Silverman in this capacity was the payment of life insurance premiums, which have been added back in the determination of Adjusted EBITDA. See "EBITDA, Adjusted EBITDA and Cash Available for Distribution".
- (4) Mr. McAleer's remuneration was calculated based on a calendar year for each of the two years ended December 31 2005 and his commission structure was based on a percentage of net income.
- (5) Mr. Taylor's remuneration was calculated based on a calendar year for each of the three years ended December 31 2005 and his commission structure was based on a percentage of rental revenues and gross sales. Other compensation paid to Mr. Taylor comprised of the payment of a monthly car allowance.

The following table shows the beneficial ownership of the Fund's Units (and the percentage on a fully-diluted basis) held by each of the Fund's Named Executive Officers at Closing.

<u>Named Executive Officer</u>	<u>Number of Units Beneficially Held</u>	<u>Percentage of Total Number of Units (fully-diluted)</u>
Darren T. Latoski Chief Executive Officer	1,157,570	12.4%
Robert J. Hibberd Chief Financial Officer	100,000	1.1%

Executive Employment Agreements

In connection with the Offering, WesternOne Equity will enter into executive employment agreements with its Chief Executive Officer and its Chief Financial Officer, as summarized below.

Darren T. Latoski, Chief Executive Officer. The employment agreement with Mr. Latoski will be for an indefinite term but may be terminated by Mr. Latoski upon six months notice. While Mr. Latoski will not receive a salary initially, he will be eligible to participate in the Fund’s LTIP (as defined below). The compensation committee has the discretion to pay Mr. Latoski a salary, In the event Mr. Latoski’s employment is terminated without cause, he will be paid for 12 months the monthly average of the total base salary paid to him in the fiscal year immediately preceding the date of his termination. In addition, Mr Latoski will be entitled to continue his employee benefits for a term of 12 months. The employment agreement will contain confidentiality, non-solicitation and non-competition covenants by Mr. Latoski, which will continue for one year after Mr. Latoski ceases to be employed by WesternOne Equity.

Robert J. Hibberd, Chief Financial Officer. The employment agreement with Mr. Hibberd will be for an indefinite term but may be terminated by Mr. Hibberd upon six months notice. Mr. Hibberd will be paid an annual salary of \$80,000 plus a bonus, if any, determined by the compensation committee, and he will be eligible to participate in the Fund’s LTIP (as defined below). In the event Mr. Hibberd’s employment is terminated without cause, he will be paid for 12 months the monthly average of the total base salary paid to him in the fiscal year immediately preceding the date of his termination. In addition, Mr Hibberd will be entitled to continue his employee benefits for a term of 12 months. The employment agreement will contain confidentiality, non-solicitation and non-competition covenants by Mr. Hibberd, which will continue for one year after Mr. Hibberd ceases to be employed by WesternOne Equity.

Long-Term Incentive Plan

Key employees of WesternOne Equity GP will be eligible to participate in the Fund’s long-term incentive plan (the “LTIP”). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance the Fund’s ability to attract, retain and motivate key personnel and reward key employees for significant performance that results in the Fund exceeding its cash available for distribution targets. Pursuant to the LTIP, the Fund will set aside a pool of funds based upon the amount, if any, by which the cash available for distribution per Unit (as measured on a fully-diluted basis) exceeds certain defined threshold amounts. The Fund or a Trustee will purchase Units in the market with this pool of funds and will hold the Units until such time as ownership vests to each participant. Generally, one-third of these Units will vest equally over the three years following the grant of the awards. LTIP participants will be entitled to receive distributions on all Units held for their account prior to the applicable vesting date. Unvested Units held by the trustee for an LTIP participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Units will be sold and the proceeds returned to the Fund.

The nominating and governance committee of the Fund will have the power to, among other things: (i) determine those individuals who will participate in the LTIP; (ii) determine the level of participation of each participant; and (iii) determine the time or times when LTIP awards will vest or be paid to each participant.

Initially, the LTIP will provide for awards that may be earned based on the amount by which cash available for distribution per Unit (as measured on a fully-diluted basis), exceeds a base distribution threshold of \$0.49 per Unit per annum. The percentage amount of that excess which forms the LTIP incentive pool will be determined in accordance with the table below:

Percentage by which Cash Available for Distribution per Unit Exceeds Base Distribution Threshold ⁽¹⁾	Maximum Proportion of Excess Cash Available for Distribution for LTIP Payments
over 5% to 10%	15% of any excess over 5% to 10%
greater than 10%	20% of any excess over 10%

Note:

(1) Annualized for fiscal periods of less than 12 months.

The base distribution threshold will be subject to adjustment by the nominating and governance committee of the Fund from time to time.

WesternOne Equity 2006 Incentive Unit Option Plan

The Fund expects that its Trustees will adopt the WesternOne Equity 2006 Incentive Unit Option Plan (the “WesternOne Equity Option Plan”) prior to the Closing. The purpose of the WesternOne Equity Option Plan is to provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance the Fund’s ability to attract, retain and motivate key personnel, and reward directors, officers, employees and service providers for significant performance and growth in the Fund’s cash flow.

Units Reserved

The Fund will reserve an aggregate of 463,000 Units for issuance under the WesternOne Equity Option Plan. The number of Units in respect of which options may be granted under the WesternOne Equity Option Plan may be increased, decreased or fixed by its Trustees, as permitted under the applicable rules and regulations of regulatory authorities to which the Fund is subject. Upon the expiration, termination or surrender of an option which has not been exercised in full, the number of Units reserved for issuance under that option which have not been issued will become available for issue for the purpose of additional options which may be granted under the WesternOne Equity Option Plan. In addition, the number of Units reserved for issuance to any one person shall not, in the aggregate, exceed five percent of the total number of outstanding Units, on a fully-diluted basis. The number of Units covered by each outstanding option shall be proportionally adjusted for any increase or decrease in the number of issued Units resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of Fund Units or any other increase or decrease in the number of issued Units.

Administration

The Trustees will administer the WesternOne Equity Option Plan. The Trustees will make decisions relating to the WesternOne Equity Option Plan based on recommendations of the compensation committee of WesternOne Equity GP.

Eligibility

The Trustees and the directors, officers, employees and service providers of WesternOne Equity GP, the Partnership, or any of its affiliates, or other persons as the Trustees may approve, are eligible to participate in the WesternOne Equity Option Plan.

Grant and Exercise of Options

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

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

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

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

If an optionee ceases to be an eligible participant for any reason other than death or termination for cause, the option will expire on the date determined by the Trustees and specified in the option agreement, which date will not be later than three months after the date on which the optionee ceased to be an eligible participant. If the optionee’s status

as a Trustee or as a director, officer, employee or service provider to WesternOne Equity GP or the Partnership is terminated for cause, the option shall terminate immediately. In the event that the optionee dies before otherwise ceasing to be a Trustee or as a director, officer, employee or service provider to WesternOne Equity GP or the Partnership, or before the expiration of the option following such a termination, the option will expire one year after the date of death, or on such other date determined by the Trustees and specified in the option agreement. Notwithstanding the foregoing, except as expressly permitted by the Trustees, all options granted under the WesternOne Equity Option Plan will not vest on or after the date upon which the optionee ceases to be eligible to participate in the WesternOne Equity Option Plan.

Change in Control

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

Transferability

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

Amendments or Termination

The WesternOne Equity Option Plan will terminate on August 8, 2016. The Trustees have the right at any time to suspend, amend or terminate the WesternOne Equity Option Plan subject to certain exceptions.

Pension Plan

The Fund does not have a pension plan. Some of the employees of Production Equipment, the Fund's initial platform acquisition, belong to a defined contribution pension plan. See "Business of the Fund — Initial Platform Acquisition — Management and Employees".

FUNDING AND RELATED TRANSACTIONS

Closing Transactions

Through a series of transactions to be completed on or prior to Closing and pursuant to the terms of the Investment Agreement and the Acquisition Agreement, the Fund will, indirectly through the Partnership, acquire all of the assets of Production Equipment in consideration for approximately \$27.0 million.

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

1. Before Closing: (i) the Fund will capitalize the Trust with a nominal amount and subscribe for shares of WesternOne Equity GP for a nominal amount; (ii) the Trust and WesternOne Equity GP will establish the Partnership, with WesternOne Equity GP as the sole general partner; and (iii) the Partnership and WesternOne Equity GP will establish WEQ Production Equipment LP, with WEQ Production Equipment GP Inc., a wholly owned subsidiary of WesternOne Equity GP, as the sole general partner.
2. The Fund will use the gross proceeds of the Offering of \$26.0 million to capitalize the Trust by subscribing for Trust Units.
3. The Trust will use the proceeds from the issuance of the Trust Units to subscribe for 2,600,000 LP Units for \$26.0 million.
4. The Partnership will use a portion of the proceeds from the issuance of the LP Units to pay, directly or indirectly, the Agents' fee and expenses of the Offering (estimated to be \$2.52 million). The Partnership will use the balance of such proceeds to subscribe for limited partnership units of WEQ Production Equipment LP for \$23.48 million in total.

5. WEQ Production Equipment LP will fund the purchase of the assets of Production Equipment using a combination of cash from the proceeds of the issuance of its limited partnership units and financing provided under the Credit Facility.

This Offering is being undertaken on a best efforts basis by the Agents. See “Plan of Distribution”. In the event that the gross proceeds of the Offering are less than \$26.0 million, management will determine whether additional funding is required to purchase the assets of Production Equipment using funds available under the Credit Facility. Any use of funds available under the Credit Facility will be in accordance with the requirements of any applicable covenants.

The purchase price under the Acquisition Agreement is subject to certain capital expenditure and related adjustments.

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

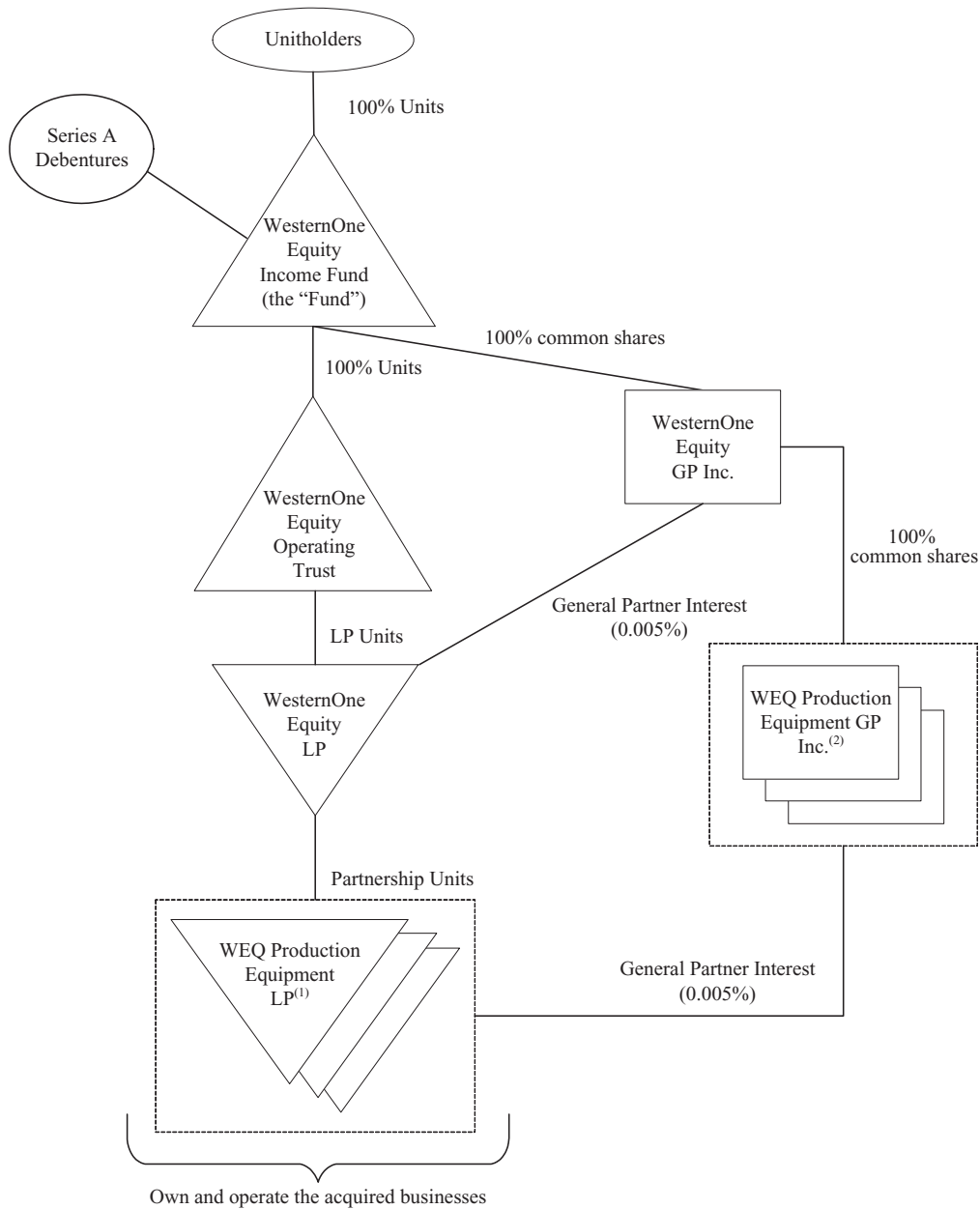
Investment Agreement

The Fund, the Trust, WesternOne Equity GP and the Partnership will enter into an investment agreement to be dated on or before the Closing Date (the “Investment Agreement”). The Investment Agreement, in conjunction with the Acquisition Agreement, will provide for, among other things, the completion of the transactions described under “Closing Transactions” above. This summary is qualified in its entirety by reference to the provisions of the Investment Agreement, which contains a complete description of the agreements, representations, warranties, indemnities and related limitations. See “Material Contracts”.

The completion of the transactions contemplated by the Investment Agreement will be conditional upon, among other things, the completion of the Offering and the receipt of certain consents. If the transactions contemplated by the Investment Agreement are not completed as contemplated by the Investment Agreement, the Fund will refund to purchasers the consideration paid in respect of the Units offered under this prospectus without interest.

Structure Following Closing

The following chart illustrates the structure of WesternOne Equity following Closing. See ‘Funding and Related Transactions’.



Notes:

- (1) WEQ Production Equipment LP was formed to acquire the assets of Production Equipment from the Partners. A new Business LP will be formed for each additional business WesternOne Equity acquires.
- (2) WEQ Production Equipment GP Inc. was incorporated to be the general partner for WEQ Production Equipment LP and has the exclusive authority to manage it. A new subsidiary general partner will be incorporated for every Business LP formed.

WESTERNONE EQUITY INCOME FUND

General

The Fund is an unincorporated, open-ended trust governed by the laws of the Province of British Columbia and the Declaration of Trust. It is intended that the Fund will qualify as a “unit trust” and a “mutual fund trust” for the purposes of the Tax Act, although the Fund will not be a mutual fund under applicable securities laws. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which summary does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions. See “Material Contracts”.

Activities of the Fund

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

- (i) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of any of the Trust, the Partnership, WesternOne Equity GP or any of their respective affiliates;
- (ii) acquiring, investing in, transferring, disposing of and otherwise dealing with securities of other corporations, partnerships, funds or other persons engaged, directly or indirectly, in the businesses which meet the criteria established, from time to time, by the Trustees, as well as activities ancillary thereto, and such other investments as the Trustees may determine;
- (iii) temporarily holding cash in interest-bearing accounts, short-term government debt or short-term investment grade corporate debt for the purposes of paying the expenses and liabilities of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units or other securities of the Fund and making distributions to Unitholders;
- (iv) issuing Units and other securities of the Fund (including securities convertible or exchangeable into Units, warrants, options or other rights to acquire Units or other securities of the Fund): (i) for obtaining funds to conduct the activities of the Fund, including raising funds for acquisitions and development; (ii) in satisfaction of any non-cash distribution; or (iii) pursuant to any distribution reinvestment plans, incentive Unit option plan or other compensation plans, if any, established by the Fund, the Trust, WesternOne Equity GP, the Partnership or any of their respective affiliates;
- (v) issuing debt securities (including debt securities convertible into, or exchangeable for, Units or other securities of the Fund) or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of its assets as security, and subordinating or postponing its rights in respect of Trust Notes to other indebtedness;
- (vi) guaranteeing the payment of any indebtedness, liability or obligation of Trust, the Partnership, WesternOne Equity GP or any of their respective subsidiaries, or the performance of any obligation of any of them, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the property of the Fund as security for, or postponing or subordinating the Fund’s right to any such property in respect of, such guarantee;
- (vii) disposing of all or any part of the assets of the Fund;
- (viii) issuing or redeeming rights and Units pursuant to any Unitholder’s rights plan adopted by the Fund;
- (ix) repurchasing securities issued by the Fund, subject to the provisions of the Declaration of Trust and applicable laws;
- (x) satisfying the obligations, liabilities or indebtedness of the Fund;
- (xi) retaining the services of the Partnership or any other person to perform certain of the Trustees’ functions and responsibilities;
- (xii) entering into and performing its obligations under the Investment Agreement and such other agreements as are contemplated by this prospectus and/or the Offering or are ancillary thereto; and
- (xiii) undertaking all other usual and customary actions for the conduct of the activities of the Fund in the ordinary course as are approved by the Trustees from time to time, or as are contemplated by the Declaration of Trust,

provided the Fund will not undertake any activity, take any action, omit to take any action or make any investment which would result in the Fund not being considered a “mutual fund trust” for purposes of the Tax Act (to the extent required by the Tax Act).

It is intended that at all times the Fund will qualify as a “mutual fund trust” for purposes of the Tax Act. In furtherance of that intention, the Trustees are required to use their reasonable commercial efforts to ensure that the Fund 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 Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming Unitholders) or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the Unitholders thereof to one vote for each whole Unit held at all meetings of Voting Unitholders. Except as set out under “Redemption at the Option of Unitholders” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

An unlimited number of Special Voting Units may also be issued pursuant to the 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 the Fund level to the holders of such securities. Such securities may be issued, for example, should the Fund 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 the Fund whether of net income, net realized capital gains or other realized amounts or in the net assets of the Fund in the event of a termination or winding up of the Fund. The Fund shall redeem Special Voting Units at the option of the holder at any time for no consideration.

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

Issuance and Transfer of Units

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

Except as set out in the following paragraph, Units may be transferred by the holder without restriction by the Fund.

The Trustees may refuse to allow the issue or register the transfer of any Units, where such issuance or transfer would, in their opinion, adversely affect the treatment of the Fund or the entities in which it directly or indirectly invests under applicable Canadian tax legislation or their qualification to carry on any relevant business. See “WesternOne Equity Income Fund — Limitation on Non-Resident Ownership” and “Certain Canadian Federal Income Tax Considerations”.

Trustees

Following Closing, the Fund will have a minimum of three Trustees and a maximum of ten Trustees, the majority of whom must be residents of Canada (within the meaning of the Tax Act). On Closing, there will be three Trustees, two of whom will be “independent” within the meaning of the guidelines for corporate governance adopted by the securities commissions of several provinces of Canada. The nominees for election as Trustees will be determined by the nominating and governance committee of the Fund (See “Trustees, Directors and Management”).

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees have full, absolute and exclusive power, control and authority over the Fund assets and over the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the Fund assets. Subject to such terms and

conditions, the Trustees will supervise the investments and conduct the affairs of the Fund and will be responsible for, among other things:

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

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

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

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

Distributions

The Fund intends to make monthly distributions of a substantial portion of its available cash to Unitholders. The amount of the Fund’s cash available for distribution will be equal to the distributions on or in respect of Trust Units owned by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units; (iii) satisfaction of the Fund’s debt service obligations (principal and interest) on indebtedness, if any; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Fund, that have been or are reasonably expected to be incurred in respect of the activities and operations of the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available cash available for distribution of the Fund).

The cash available for distribution of the Fund is indirectly derived from the distributions made by the Partnership to its partners upon the LP Units, including the LP Units held by the Trust. The amounts of these distributions are determined by the directors of WesternOne Equity GP as general partner of the Partnership. WesternOne Equity GP has adopted a distribution policy for the Partnership to distribute a substantial portion of its available cash to its partners as regular monthly distributions.

The Fund intends to make monthly cash distributions to Unitholders of record on the last business day of each month, and the distributions will be paid on or about the 15th day following the end of each month. The initial cash distribution for the period from the Closing to August 31, 2006 is expected to be paid on or before September 15, 2006 and is estimated to be \$0.029 per Unit (assuming that the Closing occurs on August 10, 2006), representing a monthly cash distribution of \$0.0408 per Unit or an annual cash distribution of \$0.49 per Unit. The amount of future cash distributions to Unitholders is to be determined by the Trustees, based upon matters set forth in the paragraph immediately above.

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

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

The Declaration of Trust also provides, unless the Trustees determine otherwise, that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Unitholder's share of the distribution. In this case, each certificate, if any, representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders 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.

Unitholders who are non-residents of Canada within the meaning of the Tax Act will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether those distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units. See "Certain Canadian Federal Income Tax Considerations".

Redemption at the Option of Unitholders

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

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

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

- (i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

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

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

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

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

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

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then each Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed by way of a payment, on a proportionate basis, of cash up to the Monthly Limit, and the balance by distribution in specie. If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of other specified limitations, then each redeeming Unitholder will be entitled to receive a price per Unit (the “In Specie Redemption Price”) equal to the fair market value thereof as determined by the Trustees, which may be satisfied by way of a distribution in specie of the assets of the Fund. In each 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 the Fund of Series 1 Trust Notes, as to 20% of the redemption price thereof, and Series 2 Trust Notes, as to 80% of the redemption price thereof. The Series 1 Trust Notes and Series 2 Trust Notes will then be distributed to the redeeming Unitholder in full satisfaction of the non-cash portion of the Redemption Price (or, as applicable, the

Specie Redemption Price). No Series 1 Trust Notes or Series 2 Trust Notes in integral multiples of less than \$100 will be distributed and, where the number of securities of the Trust to be received by a Unitholder includes a multiple of less than \$100, that number shall be rounded to the next lowest integral multiple of \$100 and the difference shall be paid in immediately available funds. The Fund will be entitled to all distributions paid on Trust Units on or before the date of the distribution in specie. Where the Fund makes a distribution in specie of a pro rata number of securities of the Trust on the redemption of Units of a Unitholder, the Fund currently intends to designate to that Unitholder any income or capital gain realized by the Fund as a result of the redemption of Trust Units in exchange for Series 1 Trust Notes and Series 2 Trust Notes, or as a result of the distribution of Series 1 Trust Notes or Series 2 Trust Notes to the Unitholder on the redemption of such Units. See “Certain Canadian Federal Income Tax Considerations”.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Series 1 Trust Notes and Series 2 Trust Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in Series 1 Trust Notes or Series 2 Trust Notes and they may be subject to resale restrictions under applicable securities laws. Series 1 Trust Notes and Series 2 Trust Notes so distributed may not be qualified investments for trusts governed by Plans depending upon the circumstances at the time. See “Certain Canadian Federal Income Tax Considerations”.

Repurchase of Units

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

Meetings of Voting Unitholders

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

- the election or removal of Trustees;
- the appointment or removal of the auditors of the Fund;
- the appointment of an inspector to investigate the performance by the Trustees in respect of their respective responsibilities and duties in respect of the Fund;
- the approval of amendments to the Declaration of Trust (but only in the manner described below under “Amendments to the Declaration of Trust”);
- the termination of the Fund;
- the sale of all or substantially all of the assets of the Fund;
- the exercise of certain voting rights attached to the securities of the Trust, the Partnership and WesternOne Equity GP held by the Fund or any of their respective subsidiaries that are directly or indirectly owned or controlled subsidiaries of the Trust, the Partnership or WesternOne Equity GP (see “WesternOne Equity Income Fund — Exercise of Certain Voting Rights Attached to Securities of the Trust, the Partnership and WesternOne Equity GP”);
- the ratification of any Unitholder’s rights plan, distribution reinvestment plan, distribution reinvestment and Unit purchase plan, incentive Unit option plan or other Unit compensation plans contemplated by the Declaration of Trust requiring Voting Unitholder approval;
- the dissolution of the Fund prior to the end of its term; and
- any other matters required by securities law, stock exchange rules or other laws or regulations to be submitted to Voting Unitholders for their approval,

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

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

A resolution removing nominees of the Fund to serve as Trustees or with respect to the exercise of certain voting rights attached to the securities of the Trust, the Partnership, WesternOne Equity GP or any of their respective subsidiaries that are directly or indirectly owned or controlled by the Fund, a resolution required by securities law, stock exchange rules or other laws or regulations requiring a simple majority of Voting Unitholders, and a resolution removing Trustees appointed by the Voting Unitholders, or removing the auditors of the Fund must be passed by a simple majority of the votes cast by Voting Unitholders. Any other resolution must be passed by the affirmative vote of the Unitholders of not less than 66²/₃% of the Voting Units who voted in respect of that resolution at a meeting at which a quorum was present or a resolution or instrument signed in one or more counterparts by the Unitholders of not less than 66²/₃% of the Voting Units entitled to vote on such resolution (a “Special Resolution”).

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

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

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

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act and, pursuant to certain proposed amendments to the Tax Act, not more than 50% of the aggregate fair market value of the Units may be held by non-residents of Canada and/or partnerships (other than Canadian partnerships as defined in the Tax Act). Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada and partnerships other than Canadian partnerships be the beneficial owners of more than 49% of the Units (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 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 Unitholders will cease to be holders of the Units and their rights will be limited to receiving the net proceeds of such sale.

On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act relating to the circumstances under which the ownership of Units of a Fund by non-resident persons and partnerships other than Canadian partnerships would cause the Fund to lose its status as a mutual fund trust. Under the draft amendments, a Fund would lose its status as a mutual fund trust if the aggregate fair market value of all Units issued by the Fund held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the Units issued by the Fund. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status such that if, at any time, the Fund were to lose its mutual fund

trust status as a result of the application of the draft amendments, the Fund would permanently cease to be a mutual fund trust. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion which did not include these proposed amendments, and the Minister of Finance (Canada) announced, both at that time, and in the 2006 Federal Budget, that further discussions will take place with the private sector before a decision is made concerning whether the proposed amendments will be enacted. Depending on the final form of the draft amendments as enacted, it may be necessary to amend the Declaration of Trust to take into account these new restrictions. This amendment may be made without Unitholder approval.

Amendments to the Declaration of Trust

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

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

- (i) made prior to or concurrently with the Closing of the Offering, provided that such amendments do not conflict with or are not inconsistent, in each case, in any material respect, with the description of the Declaration of Trust in this prospectus;
- (ii) which are required for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund, including ensuring that the Fund continues to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (iii) which provide additional protection or added benefits for the Voting Unitholders;
- (iv) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are necessary or desirable and not prejudicial to the Voting Unitholders; and
- (v) which are necessary or desirable as a result of changes in taxation laws or policies of any governmental authority having jurisdiction over the Fund.

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

Term of the Fund

The Fund was settled on June 14, 2006 and has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on 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 the Fund, the Trustees are obligated to commence to wind-up the affairs of the Fund so that it will terminate on the expiration of the term. At any time prior to the expiry of the term of the Fund, the Voting Unitholders may by Special Resolution require the Trustees to commence the termination, liquidation or winding-up of the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Fund, the Trustees will give notice thereof to the Voting Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees shall proceed to wind-up the affairs of the Fund as soon as may be reasonably practicable and for such purpose shall, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting Unitholders, sell and convert into money Trust Units and all other assets comprising the Fund in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees shall distribute the remaining proceeds of the sale of the Trust Units and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Trust Units or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining Trust Units or other assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

Take-over Bids

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

The Partnership Agreement will provide that if a non-exempt take-over bid from a person acting at arm's length to holders of 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 the Fund (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 the Fund 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, the Partnership and WesternOne Equity GP

The Declaration of Trust provides that the Fund will not vote any securities of the Trust, the Partnership, WesternOne Equity GP or any of their respective subsidiaries to authorize any transaction, which is adverse to the Unitholders including, among other things:

- any sale, lease or other disposition of all or substantially all of the assets of the Trust, the Partnership, WesternOne Equity GP or any of their respective subsidiaries except in conjunction with an internal reorganization or good faith pledges or mortgages in the ordinary course of business or in connection with permitted guarantees of the Trust, WesternOne Equity GP, the Partnership, as applicable, or permitted charge, pledge or lien;
- any amalgamation, arrangement, merger or capital reorganization of the Trust, WesternOne Equity GP, the Partnership or any of their respective subsidiaries with any other entity, except in conjunction with an internal reorganization;
- the winding-up or dissolution of the Trust, WesternOne Equity GP, the Partnership prior to the end of the term of the Fund except in conjunction with an internal reorganization; or
- any material amendment to the constating documents of the Trust, WesternOne Equity GP, the Partnership to change the authorized Unit or partnership capital or partnership interests which may be prejudicial to the Fund,

without the authorization of the Voting Unitholders by a Special Resolution.

Information and Reports

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

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

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

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

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

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

In future interim and annual filings, the Fund will include relevant information and discussions comparing WEQ Production Equipment LP's ownership of Production Equipment to when it was still owned by the Partners. The Fund believes that comparative financial information relating to sales, cost of sales and general and administrative expenses are appropriate to include in the operating results of the Fund. The information will be provided on a comparative basis in future interim and annual management discussion and analysis.

The chief executive officer and chief financial officer of the Partnership will perform functions similar to a chief executive officer and chief financial officer in respect of the Fund. As such the chief executive officer and chief financial officer of the Partnership will execute the certificates required to be filed by the Fund pursuant to Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings".

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

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

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

Book-Entry Only System

Book-Entry Form and Depository Service

Except as otherwise provided below, the Units and the Series A Debentures will be issued in “book-entry only” form and must be purchased or transferred through participants (“Participants”) in the depository service of The Canadian Depository for Securities Limited or a successor (collectively, “CDS”), which include securities brokers and dealers, banks and trust companies. At Closing, the Fund will cause a global certificate or certificates representing the Units and the Series A Debentures to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no Unitholder or holder of Series A Debentures will be entitled to a certificate or other instrument from the Fund or CDS evidencing ownership, and no Unitholder or holder of Series A Debentures will be 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 will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Units or Series A Debentures.

The Fund 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.

Purchasers of Units or Series A Debentures whose brokers who are not CDS Participants, but who desire to purchase, sell or otherwise transfer ownership of, or other interest in, the Units, may do so only through CDS Participants.

Transfer of Units

For so long as the Book-Entry System is maintained, transfers of ownership in the Units 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 the Fund to CDS or its nominee, as the case may be, as the registered Unitholder of the Units and Series A Debentures and the Fund 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 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 certificates.

Conflicts of Interest Restrictions and Provisions

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

Rights of Unitholders

Following the completion of the Offering, the rights of the Unitholders will be established by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, significant differences exist.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Voting Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect Trustees and appoint auditors. The Declaration of Trust also includes provisions modelled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Voting Unitholders and Trustees, the quorum for and procedures at such meetings and the right of Voting Unitholders to participate in the decision making process where certain fundamental actions are proposed to be undertaken. Unlike shareholders of a CBCA corporation, Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Fund. The matters in respect of which Voting Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund's subsidiary entities, as described under "Exercise of Certain Voting Rights Attached to Securities of the Trust, the Partnership and WesternOne Equity GP". These Voting Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or listed on the 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 the Fund are entitled to receive, subject to certain conditions and limitations, their pro rata share of the Fund's net assets through the exercise of the redemption rights provided by the Declaration of Trust, as described under "Redemption at the Option of Unitholders" above. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of securityholders and certain other parties.

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

Financial Year End

The fiscal year end of the Fund will be December 31 in each year.

Administration of the Fund and the Trust

The Partnership will act as the administrator of the Fund and the Trust pursuant to the terms of the Administration Agreement between the Fund, the Trust and the Partnership.

Under the Administration Agreement, the Partnership will provide certain management, administrative and support services to the Fund and the Trust. The duties of the Partnership as administrator include: (i) ensuring compliance with continuous disclosure obligations under applicable securities legislation and stock exchange rules; (ii) providing or causing to be provided accounting and financial services; (iii) providing office space and premises;

(iv) providing or causing to be provided investor relations services; (v) providing or causing to be provided to Unitholders all customary information with respect to applicable reporting obligations for Canadian federal income tax purposes; (vi) calling and holding meetings of Voting Unitholders and distributing required materials, including notices of meetings and information circulars, in respect of all such meetings; (vii) assisting in calculating distributions to Unitholders; (viii) attending to all administrative and other matters arising in connection with any redemption of Units or securities of the Fund; and (ix) ensuring compliance with the Fund's limitations on non-resident ownership.

The Administration Agreement will have an initial term of ten years and will automatically renew for successive five year terms unless terminated by any of the parties at least 12 months prior to the expiry of the initial or any renewal term. The Administration Agreement may be terminated by any of the parties in the event of the insolvency or receivership of another party or 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, the Fund and the Trust will bear their own administration costs and expenses and will reimburse the Partnership for all costs and expenses incurred by the Partnership relating to the management, administrative and support services provided to the Fund and the Trust, respectively. The Partnership will not charge fees in providing these services.

WESTERNOE EQUITY OPERATING TRUST

The Trust Declaration of Trust contains provisions substantially similar to those of the Declaration of Trust relating to the Fund. The principal differences between the Trust Declaration of Trust and the Declaration of Trust are those described below. The description below is a summary only and is qualified in its entirety by reference to the text of the Trust Declaration of Trust and the 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 the Partnership and such other investments as the Trustees of the Trust (the "Trust Trustees") may determine, including all activities ancillary or incidental thereto.

Trustees

It is expected that each of the Trustees will also be appointed as Trust Trustees. See "WesternOne Equity Income Fund — Trustees".

Restrictions on the Trust Trustees' Powers

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

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

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

- (i) take any action upon any matter which, under applicable law (including policies of the Canadian securities commissions) or applicable stock exchange rules, would require a resolution passed by at least 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 the Fund is a reporting issuer (or the equivalent) and had the Trust Units been listed for trading on the stock exchanges where the Units are listed for trading;

- (ii) amend the Trust Declaration of Trust except in certain limited circumstances similar to those under which the Declaration of Trust may be amended without consent of Voting Unitholders;
- (iii) amend the Trust Note Indenture other than in contemplation of a further issuance of Trust Notes;
- (iv) sell, lease or exchange all or substantially all of the property of the Trust other than in the ordinary course of business or in connection with an internal reorganization;
- (v) authorize the termination, liquidation or winding-up of the Trust, other than at the end of the term of the Trust; or
- (vi) authorize the combination, merger or similar transaction of the Trust with any other person, except in conjunction with an internal reorganization.

Redemption Right

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

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

Where:

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

The Trust Trustees will also be entitled to call for redemption, from time to time and at any time, all or part of the outstanding Trust Units registered in the name of the holders thereof (other than the Fund) at the same redemption price as described above for each Trust Unit called for redemption, calculated with reference to the date the Trust Trustees approved the redemption of Trust Units.

The aggregate redemption price payable by the Trust in respect of any Trust Units tendered for redemption by the holders thereof during any month will be satisfied, at the option of the Trust Trustees: (i) in immediately available funds by cheque; (ii) by the issuance to or to the order of the holder whose Trust Units are to be redeemed of such amount of Series 1 and Series 2 Trust Notes as the Trust Trustees shall determine in their discretion as are equal in 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 Series 1 Trust Notes and Series 2 Trust Notes as the Trust Trustees shall determine in their discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which Trust Units were so tendered for redemption. A holder of Trust Units whose Trust Units are tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Trust Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the amount of such Trust Notes payable to be equal to the funds otherwise payable, rounded down to the nearest \$100. To the extent that

all or a portion of the redemption price is to be paid by the delivery of the Trust Notes, 20% of the aggregate principal amount thereto shall be Series 1 Trust Notes and the balance shall be Series 2 Trust Notes.

Distributions

The Trust intends to make monthly cash distributions of its cash available for distribution. The amount of cash to be distributed monthly per Trust Unit to the Trust Unitholders will be equal to a pro rata share of distributions on or in respect of 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 Trust Notes; (iii) satisfaction of its debt service obligations (principal and interest) on Trust Notes and other indebtedness, if any; and (iv) any amount that the Trust Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Trust, that have been or are reasonably expected to be incurred in the activities and operations of the Trust (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the cash available for distribution of the Trust).

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

The distribution declared by the Trust Trustees in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Trust for such year as is necessary to ensure that the Trust will not be liable for 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 Trust Unitholders 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 shall be rounded to the next lowest whole number.

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

Computershare Trust Company of Canada will serve as the trustee under the Trust Note Indenture. It will also serve 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 will be direct unsecured obligations of the Trust, ranking pari passu with other unsecured liabilities of the Trust.

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

Default

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

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

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

Trust Unit Certificates

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

Meetings of Unitholders

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

WESTERNONE EQUITY LP

The following is a summary of the material attributes and characteristics of the Partnership and the LP Units that will be 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

The Partnership 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 Partner

WesternOne Equity GP will be the general partner of the Partnership. See “WesternOne Equity GP — General”.

WesternOne Equity GP has exclusive authority to manage the business and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. WesternOne Equity GP is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in WesternOne Equity GP to manage the business and affairs of the Partnership includes all authority necessary or incidental to carry out the objects, purposes and business of the Partnership, including without limitation, the ability to engage agents to assist WesternOne Equity GP to carry out its management obligations or substantially administrative functions. WesternOne Equity GP cannot dissolve the Partnership or wind-up the Partnership’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 the Partnership, provided that WesternOne Equity GP will not resign if the effect would be to dissolve the Partnership.

WesternOne Equity GP may not be removed as general partner of the Partnership 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 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

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

Ranking

Advances and distributions on the LP Units will be 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 the Fund and the Trust in the administration and management of the Fund and the Trust (including audit costs and costs of reporting to Unitholders) (the “Fund Priority Distribution”) and thereafter on the LP Units in an equal amount per unit.

Distributions

WesternOne Equity GP, as general partner of the Partnership, intends to cause the Partnership 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 the Fund prior to its related distributions to Unitholders. The Partnership may, in addition, make a distribution at any other time.

Available cash will represent, in general, all of the Partnership’s cash, after satisfaction of:

- general and administrative expenses and other expense obligations;
- debt service obligations on indebtedness of the Partnership;
- obligations under the Partnership’s incentive plans;

- any other amounts that WesternOne Equity GP, as general partner of the Partnership, may consider reasonably necessary for:
 - the payment of any liability or expense that has been or is reasonably expected to be incurred in the activities or operations of the Partnership, for reasonable reserves (including amounts on account of working capital and capital expenditures and to stabilize distributions); and
 - investment in the growth of the business of the Partnership.

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

Allocation of Net Income and Losses

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

If, with respect to a taxation year, no cash distribution is made by the Partnership to its partners (other than the Fund Priority Distribution), or the Partnership has a loss for tax purposes, one-twelfth of the income remaining after allocation of an amount of the Fund Priority Distribution to holders of LP Units or the loss for tax purposes of the Partnership for that taxation period, as the case may be, will be allocated to its general partner 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 shall 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 the Partnership for accounting purposes for each fiscal year is allocated to each partner in the same manner as income or loss is allocated for tax purposes.

The fiscal year end of the Partnership will be December 31 in each year.

Limited Liability

The Partnership will operate in a manner as to ensure to the greatest extent possible the limited liability of the Trust as a limited partner. Under the *Partnership Act* (Manitoba), the Trust, as a limited partner of the Partnership, may lose its limited liability if it takes an active part in the business of the partnership and is liable as if it were a general partner, to any person with whom it deals on behalf of the partnership and who does not know that it is a limited partner, for all debts of the partnership and in certain other circumstances. If limited liability is lost by reason of the negligence of 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 the Partnership. 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 (a “Partnership Special Resolution”), 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 the Partnership 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 the Partnership or the location of the principal place of business of the Partnership or the registered office of the Partnership; (ii) a change in the governing law of the Partnership to any other province of Canada; (iii) the admission, substitution, withdrawal or removal of limited partners in accordance with the Partnership Agreement; (iv) a change that, as determined by WesternOne Equity GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by WesternOne Equity GP, is reasonable and necessary or appropriate to enable the Partnership to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Partnership Agreement which may be defective or inconsistent with any other provision contained in the Partnership Agreement or which should be made to make the Partnership Agreement consistent with the disclosure set out in this prospectus.

Meetings

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

BUSINESS LPs

Each platform business owned by the Partnership will be held by a separate Business LP. WEQ Production Equipment LP was formed to acquire the assets of Production Equipment.

General Partner

A wholly owned subsidiary of WesternOne Equity GP will be a general partner of each Business LP. WEQ Production Equipment GP Inc. was incorporated to be the general partner for WEQ Production Equipment 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 will nominate 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 will be held, directly or indirectly, by the Partnership, 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, the Partnership 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 Fund expects that the terms of these arrangements would contemplate that the right of the selling business owner to receive the selling business owner's share of the Business LPs' income would be subordinated to the right of the Partnership 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 the Fund.

Distributions

The general partners of the Business LPs intend to cause the Business LPs to distribute to the Partnership a substantial portion of their respective available cash as set out below. Distributions will be made on or about the 15th day following the end of each month. Distributions to the Partnership are intended to be received by the Partnership in time for the Partnership to make its related distributions on the Partnership Units. The general partners of the 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 will consist, 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 will be 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 will be December 31.

Limited Liability

Each Business LP will operate 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.

WESTERONE EQUITY GP

General

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

The interest of WesternOne Equity GP in the Partnership is 0.005%. It is not expected that WesternOne Equity GP will acquire any assets or properties other than its interest in the Partnership 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.

PRINCIPAL UNITHOLDER

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

<u>Name</u>	<u>Number of Units of the Fund Owned⁽¹⁾</u>	<u>Type of Ownership</u>	<u>Percentage Owned⁽¹⁾</u>
<u>Darren Financial Group Inc.</u> ⁽²⁾	1,129,000	Direct	18.3%

Notes:

- (1) Darren Financial Group Inc. will own 17.5% of the issued and outstanding Units if the Over-Allotment option is exercised in full, and 16.9% of the issued and outstanding units if the Over-Allotment Option and the Agents' Option are both exercised in full.
- (2) The equity shares of Darren Financial Group Inc. are held, on a fully-diluted basis, by Darren T. Latoski, who will purchase 28,750 Units as part of the Offering.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents, have agreed to offer the Units and the Series A Debentures for sale on a best efforts basis to purchasers resident in all provinces other than Quebec. The Fund has agreed to pay the Agents a commission of 7.0% of the gross proceeds from the sale of Units and 7.0% from the sale of Series A Debentures, being an aggregate of \$1.82 million. The Agents will also be reimbursed for certain expenses incurred in connection with the Offering. The Fund has also granted to the Agents, for a period of 30 days following the Closing, the Over-Allotment Option to purchase up to 457,142 additional Units at the price of \$3.50 per Unit payable in immediately available funds against delivery of such additional Units, to cover over-allotments and for market stabilization purposes, if any. If the Over-Allotment Option is exercised, the Agents will receive a fee of \$0.245 per additional Unit purchased pursuant to such option. This prospectus also qualifies the Over-Allotment Option.

As additional consideration, Blackmont Capital Inc. will be granted an option to purchase that number of Units and principal amount of Series A Debentures equal to 5% of the Units and principal amount of Series A Debentures issued under the Offering at a price equal to the price under the Offering (the "Agents' Option"). The Agents' Option will expire 36 months after the Closing Date. This prospectus qualifies the distribution of the Agents' Option.

Prior to the Offering, there is no market through which the Units nor the Series A Debentures can be sold. Accordingly, the terms of the Offering were established through negotiation between the Fund and the Agents.

The Agents offer on a best effort basis, the Units and Series A Debentures, subject to prior sale, if, as and when issued by the Fund in accordance with the conditions in the Agency Agreement and subject to approval of certain legal matters on behalf of the Fund by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Agents by Lawson Lundell LLP.

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

This prospectus qualifies the distribution of the Units, the Series A Debentures, the Over-Allotment Option and the Agents' Option.

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

During a period ending 180 days from the Closing Date, each of the Fund, the senior officers of WesternOne Equity and the Principal Unitholder will not offer, sell or issue for sale or resale any Units (other than pursuant to the exercise of the Over-Allotment Option) or financial instruments or securities convertible into, or exercisable or exchangeable for, Units or agree to, or announce, any such offer, sale or issuance, without the prior written consent of Blackmont Capital Inc., on behalf of the Agents, which consent may not be unreasonably withheld. In addition, all of the 1,600,000 Units of Fund issued prior to the date of this prospectus will be held in escrow in accordance with Exchange policies. On the basis that the Fund will be a Tier 1 issuer, such escrowed securities will be released from escrow as follows: (i) one-quarter of the escrowed securities as at the date of the Exchange bulletin announcing the Offering (the "Bulletin Date"); (ii) one-third of the remaining escrow securities six months after the Bulletin Date; (iii) one-half of the remaining escrow securities 12 months after the Bulletin Date; and (iv) all of the remaining escrow securities 18 months after the Bulletin Date. Each holder of escrowed securities will be required by the Exchange to enter into an escrow agreement with the escrow agent in a form prescribed by the Exchange. Computershare Investor Services Inc. will be the escrow agent.

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

Pursuant to a rule of the Ontario Securities Commission, the Agents may not, until the selling process ends and all stabilization arrangements relating to the Units are terminated, bid for or purchase Units. The foregoing restriction is subject to exceptions. Such exceptions include a bid or purchase in connection with market stabilization or market balancing activities on the Exchange or TSX where the bid or purchase is for the purpose of maintaining a fair and orderly market in the Units, subject to certain price requirements, and a bid or purchase made on behalf of a customer where the order was not solicited. Pursuant to the first-mentioned exception, in connection with the Offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Closing is expected to take place on August 10, 2006 or on any other date which may be agreed upon, but no later than September 8, 2006.

PRIOR ISSUANCES

The only issuance of securities by the Fund in the 12 months prior to the date of this prospectus is the issuance of 1,600,000 Units at a price of \$0.20 per Unit for total gross proceeds of \$320,000. See "Consolidated Capitalization of the Fund".

USE OF PROCEEDS

Assuming no exercise of the Over-Allotment Option, the proceeds of the Offering will be \$26.0 million. These proceeds will use by the Fund to subscribe for Trust Units. The Trust will in turn subscribe for LP Units. The Partnership will use these funds, directly and indirectly, to: (i) pay the Agents' fee and the expenses of this Offering (estimated to be \$1.82 million and \$0.7 million, respectively); (ii) pay the cash portion of the purchase price in connection with the Partnership's acquisition of the assets of Production Equipment (\$20.5 million); and (iii) upgrade Production Equipment's current information systems (\$125,000). See "Funding and Related Transactions".

If the Over-Allotment Option is exercised in full, the additional proceeds received will be used by the Fund to subscribe for additional Trust Units from the Trust. The Trust will, in turn, use the proceeds received from the Fund to subscribe for additional LP Units from the Partnership which will, in turn, use the proceeds received from the Trust for working capital purposes.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary has been prepared by Meyers Norris Penny LLP ("MNP") and is, in their view and in the opinion of Lawson Lundell LLP, counsel to the Agents, a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a purchaser of Units and/or Series A Debentures pursuant to the Offering who, for purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds the Units and/or Series A Debentures as capital property. Generally, Units and/or Series A Debentures will be considered to be capital property to a holder provided that the holder does not hold the Units and/or Series A Debentures in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Units and/or Series A Debentures as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a holder that is a financial institution (as defined in the Tax Act for purposes of the mark-to-market rules), a "specified financial institution" or a holder an interest in which is a "tax shelter investment" (all as defined in the Tax Act). In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire Units and/or Series A Debentures.

This summary is based upon the facts set out in this prospectus, the provisions of the Tax Act and the regulations under the Tax Act in force at the date of this prospectus, MNP's and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency ("CRA") and certificates delivered by the Fund and of certain of the Underwriters as to certain factual matters. This summary takes into account all specific proposals (the "Tax Proposals") to amend the Tax Act and the regulations under the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this prospectus. There can be no assurance that any tax proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this prospectus.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units and/or Series A Debentures. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units and/or Series A Debentures will vary depending on the holder's particular circumstances, including the province or provinces in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units and/or Series A Debentures. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units and/or Series A Debentures based on their particular circumstances.

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund will qualify as a "mutual fund trust" as defined in the Tax Act on completion of the Offering, will elect to be deemed to be a mutual fund trust from the date it is established until completion of the offering and will thereafter continuously qualify as a mutual fund trust at all relevant times. If

the Fund were not to qualify continuously as a mutual fund trust, the income tax considerations described below would, in some respects, be materially and adversely different.

In order for the Fund to qualify as a mutual fund trust, it must satisfy various requirements, including a requirement that the Fund must not have been established or maintained primarily for the benefit of non-residents. See “Certain Canadian Federal Income Tax Considerations — Capital Gains and Capital Losses — Possible Amendments to the Tax Act”.

Qualified Investment

Units and Series A Debentures will be qualified investments for trusts governed by Plans, subject to the specific provisions of any particular Plan. If the Fund ceases to qualify as a mutual fund trust, Units and Series A Debentures will cease to be qualified investments for those Plans.

Trust Notes received as a result of redemption of Units may not be a qualified investment for a Plan, and this could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Taxation of the Fund

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

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

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

Under the Declaration of Trust, an amount equal to all of the income (including taxable capital gains) of the Fund (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Fund, but excluding capital gains arising in connection with a distribution in specie of property of the Fund on redemption of Units which are designated by the Fund to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Fund, will be payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where the income of the Fund in a taxation year exceeds the monthly cash distributions for that year, such excess income will be distributed to Unitholders in the form of additional Units. Income of the Fund payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its taxable income.

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

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

Unitholders, and will be deductible by the Fund in computing its income. In addition, accrued interest, if any, on Trust Notes distributed to a redeeming Unitholder may be treated as an amount paid to the Unitholder and will be deductible by the Fund.

The Fund has advised MNP and counsel that it intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act. MNP and counsel can provide no opinion in this regard.

Taxation of the Trust

The taxation year of the Trust is the calendar year. The Trust will be taxable on its income determined under Part I of the Tax Act for each taxation year, which will include its allocated share of the taxable income of the Partnership for its fiscal period ending on or before the year end of the Trust, except to the extent that such income is paid or payable in such year to the Fund and is deducted by the Trust in computing its income for tax purposes. The Trust will generally be entitled to deduct its expenses incurred to earn such income provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the Trust Declaration of the Trust, all of the income of the Trust for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the taxable and non-taxable portion of any capital gains realized by the Trust in the year, will generally be payable in the year to the Fund and will generally be deductible by the Trust in computing its taxable income. The Trust will be deemed to realize a capital gain to the extent that the adjusted cost base of its LP Units is negative at the end of the taxation year of the Partnership. The Fund has advised MNP and counsel that it does not expect the Trust to be liable for any material amount of tax under Part I of the Tax Act. MNP and counsel can provide no opinion in this regard.

Taxation of the Partnership and the Business LPs

The fiscal period of the Partnership and each Business LP is the calendar year. The Partnership and each Business LP are not subject to tax under the Tax Act. Each partner of the Partnership and of the Business LPs, including the Trust as a partner of the Partnership, and the Partnership as a partner of the Business LPs, is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of the Partnership or the Business LP, as the case may be, for its fiscal period ending in, or coincidentally with, the partner's taxation year, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of the Partnership and each Business LP will be computed for each fiscal period as if the Partnership or Business LP were a separate person resident in Canada.

In computing the income or loss of the Partnership and each of the Business LPs, deductions may be claimed in respect of capital cost allowance, reasonable administrative costs, interest and other expenses incurred by the Partnership or Business LP to earn income from its business or investments, subject to the limitations of the Tax Act. The Partnership may also claim a deduction from income over 5 years in respect of the reasonable expenses incurred by the Partnership to issue limited partnership units in connection with the transactions contemplated by this Offering. The portion of such issue expenses which may be claimed as deductions by the Partnership in a fiscal period is 20% of such issue expenses that are not otherwise deductible, pro-rated where the Partnership's fiscal period is less than 365 days.

The net income or loss of the Partnership and each of the Business LPs for a fiscal period will be allocated to the partners of the Partnership and each of the Business LPs, including the Trust as a partner of the Partnership and the Partnership as a partner of the Business LPs, in the manner set out in the Partnership Agreement in the case of the Partnership and, as to 99.995% thereof, to the Partnership in the case of the Business LPs, subject to the detailed rules in the Tax Act.

Generally, distributions to a partner in excess of the income of the Partnership or a Business LP for a fiscal period will result in a reduction of the adjusted cost base of the partner's interest in the Partnership or the Business LP, as the case may be, by the amount of such excess. If, as a result, the Trust's adjusted cost base of its interest in the Partnership or the Partnership's adjusted cost base of its interest in a Business LP would otherwise be a negative amount at the end of a fiscal period of the Partnership or Business LP, as the case may be, the Trust or the Partnership, as the case may be, will be deemed to realize a capital gain, and the Trust's adjusted cost base of its interest in the Partnership or the Partnership's adjusted cost base of its interest in Business LP will then be nil immediately thereafter.

If the Partnership or a Business LP were to incur losses for tax purposes, the Trust's ability to deduct such losses in the case of the Partnership, or the Partnership's ability to deduct such losses in the case of the Business LP, may be

limited by certain rules under the Tax Act. If the Partnership or a Business LP incurs losses for tax purposes, each partner of the Partnership or the Business LP, as the case may be, including the Trust in case of the Partnership, and the Partnership in the case of the Business LP, will be entitled to deduct in the computation of its income for tax purposes its share of any such losses for any taxation year to the extent that the its investment is “at risk” within the meaning of the Tax Act. In general, and subject to the detailed provisions of the Tax Act, the amount “at risk” for an investor in a limited partnership for any taxation year will be the adjusted cost base of the investor’s partnership interest at the end of the year (such adjusted cost base to the investor computed excluding any unpaid portion of the purchase price payable by the investor for such partnership interest), plus any undistributed income allocated to the investor for the taxation year, less any amount owing by the investor (or a person with whom the limited partner does not deal at arm’s length) to the partnership (or to a person with whom the partnership does not deal at arm’s length) and less the amount of any benefit that a investor (or a person with whom the limited partner does not deal at arm’s length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the investor from the investment.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income for tax purposes of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. Returns of capital are not included in a Unitholder’s income but reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of these distributions may change over time, thus affecting the after-tax return to such Unitholders.

Provided that appropriate designations are made by the Fund and the Trust, net taxable capital gains paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder’s income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder’s income for the taxation year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Units), the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit in a taxation year would otherwise be a negative amount, the negative amount will be deemed to be a capital gain in the year and the adjusted cost base of the Unit to the Unitholder will then be nil. The taxation of capital gains is described below.

Dispositions of Units

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

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition.

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

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

Taxation of Holders of Series A Debentures

Taxation of Interest on Series A Debentures

A holder of a Series A Debenture that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year all interest that accrues to it on the Series A Debenture to the end of that taxation year or that becomes receivable or is received by the holder before the end of that taxation year, including on a conversion or repayment on maturity, except to the extent that such interest was included in computing the holder's income for a preceding taxation year.

Any other holder of a Series A Debenture (including an individual) will be required to include in computing income for a taxation year all interest on the Series A Debenture that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), including on a conversion or repayment on maturity, except to the extent that the interest was included in the holder's income for a preceding year. In addition, if at any time a Series A Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a holder, such holder will be required to include in income any interest that accrues to the holder on the Series A Debenture up to any "anniversary day" (as defined in the Tax Act) in that year, except to the extent that such interest was otherwise included in the holder's income for that or a preceding taxation year.

Where a holder has included an amount of interest in income that has accrued to the date of conversion of a Series A Debenture and such amount is not received, the holder will be entitled to deduct such amount in computing its income.

A holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of $6\frac{2}{3}\%$ on certain investment income, including interest.

Exercise of Conversion Privilege

A holder of a Series A Debenture who converts the Series A Debenture into Units pursuant to the conversion privilege will realize a capital gain (or capital loss) on the conversion equal to the amount by which the aggregate of the fair market value of the Units acquired on the conversion (except to the extent such Units are received as interest or deemed to be a payment of interest), and the amount of any cash received in lieu of a fractional Unit is greater (or less) than the aggregate of the holder's adjusted cost base of the Series A Debenture and any reasonable costs of disposition. The cost to the holder of the Units acquired on the conversion will be equal to the fair market value of the Units so acquired on the date of conversion. The adjusted cost base to the holder of the Units acquired on the conversion must be averaged with the adjusted cost base of all other Units held by such holder as capital property.

Other Dispositions of Series A Debentures

Other dispositions or deemed dispositions of a Series A Debenture including a repayment on maturity, will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the holder's proceeds of disposition, net of accrued interest and amounts deemed to be interest, are greater (or less) than the aggregate of the holder's adjusted cost base of the Series A Debenture and any reasonable costs of disposition. Upon such a disposition or deemed disposition, the amount of any interest and amounts deemed to be interest that have accrued on the Series A Debenture to the date of disposition and which were not payable until after that date will be included in computing the holder's income, except to the extent that it was otherwise included in income for the year or a preceding taxation year, and will be excluded from the holder's proceeds of disposition of the Series A Debenture.

If a holder of a Series A Debenture receives Units on repayment, the holder will be considered to have proceeds of disposition equal to the fair market value of the Units so received except to the extent such Units are received as interest or deemed to be a payment of interest. The cost to the holder of the Units so received will be equal to the fair market value thereof and must be averaged with the adjusted cost base of all other Units held by such holder as capital property to determine the adjusted cost base of each Unit held.

Capital Gains and Capital Losses

One-half of any capital gain realized by a holder on a disposition or deemed disposition of Units or Series A Debentures and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will generally be included in the holder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a holder on a disposition or deemed disposition of Units or Series A Debentures may generally be deducted only from taxable capital gains of the holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Holders that are Canadian controlled private corporations (as defined in the Tax Act) will be liable for an additional refundable 6²/₃% tax in respect of taxable capital gains realized on a disposition of Units or Series A Debentures or net taxable capital gains designated by the Fund to such Unitholders.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual (other than certain trusts) that is designated as capital gains and capital gains realized on the disposition of Units or Series A Debentures may increase the holder's liability for alternative minimum tax.

Possible Amendments to the Tax Act

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

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

On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to the Deductibility Amendments would be released for comment at an early opportunity and that this alternative proposal

would address concerns raised during the consultation process on the Deductibility Amendments. No such proposal has been publicly released.

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

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

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

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

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

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

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

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

RISK FACTORS

The following are certain factors relating to 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 prospectus. Additional risks and uncertainties not presently known to WesternOne Equity, or that Production Equipment or WesternOne Equity currently deem 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

Reliance on Key Personnel

The success of WesternOne Equity depends on the abilities, experience, efforts and industry knowledge of its 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 prospectus 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.

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. The Fund'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 the Fund. The failure of any Business LP to make its anticipated distributions could adversely impact the Fund's financial condition and cash flows and therefore distributions to Unitholders.

The Fund will initially be entirely dependent on the operations and assets of Production Equipment through the Fund's indirect ownership of this business. Accordingly, the Fund's ability to make cash available for distribution to Unitholders will initially be entirely dependant upon the financial performance of Production Equipment. See "Risk Factors — Risks Related to Production Equipment".

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 relating to 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.

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.

General Economic Conditions

WesternOne Equity's business is subject to changes in national or North American 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.

Growth Initiatives

WesternOne Equity's ability to successfully grow through 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 diversion of management's attention from 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 dependant 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.

Risks Related to Production Equipment

Sensitivity to General Economic Conditions and Levels of Economic Activity

The equipment rental and sales industry in Canada has historically been subject to cyclical variations in the general economy. Production Equipment's revenue is 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 Production Equipment operates 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 Production Equipment's rentals and sales of its 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 Production Equipment and/or the rental rates that it can charge to its customers. Any such decrease could adversely affect Production Equipment's business, financial condition, liquidity and operating results.

The Loss of Tax Credit Incentives for the Film Industry

The federal government, the British Columbia provincial government and other provincial governments have established refundable tax credit incentive programs for production entities. Production Equipment expects that film and television productions will incorporate such refundable tax credit incentives as elements of production financing. If such productions do not ultimately qualify for the refundable tax credit incentives, or if the refundable tax credit incentives are reduced or removed by applicable government authorities, film and television production may decrease and the need for Production Equipment services may be impacted. The foregoing could have a material adverse effect on Production Equipment's business, results of operations and financial condition.

Labour Shortages

Production Equipment's operations depend on its ability to attract, develop and retain knowledgeable and skilled personnel. In addition, as Production Equipment continues to pursue its growth strategies, its future performance will depend, in part, on its ability to attract, develop and retain highly qualified employees in all areas of its business. Competition for highly skilled management, sales, and technical personnel is intense, particularly in certain geographic areas where Production Equipment operates. Although Production Equipment has historically succeeded in attracting and retaining skilled employees and actively manages its human resource risks, there can be no assurance that Production Equipment will continue to be successful in its efforts. Any failure by Production Equipment to attract or retain qualified employees could have a material adverse effect on Production Equipment's business, financial condition and results of operations.

Employee Relations

Some of Production Equipment's employees are unionized, and no strikes or lock-outs may lawfully occur until after the current collective agreement expires on June 30, 2007. However, there can be no assurance that there will not be a labour conflict that could lead to an interruption or stoppage in Production Equipment's operations. Any labour disruption or work stoppage could adversely affect the ability of Production Equipment to conduct its operations and have a material adverse effect on its ability to carry out its obligations on its business, results from operations and financial condition.

Competition

The equipment rental and sales industries in British Columbia is highly fragmented and highly competitive. In the contractor/construction, film, service and maintenance, government and special event segments, Production Equipment competes with larger companies with operations across Canada, the United States and overseas. These companies specialize in commercial equipment rentals and sales, may have greater financial resources than Production Equipment does and may rent and sell many of the same products carried by Production Equipment. 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 Production Equipment as a result of volume purchase discounts.

In connection with the rental of equipment, Production Equipment also faces competition from smaller companies that operate with few locations, however, typically such competitors are located within a particular region where Production Equipment does not operate. In Vancouver and surrounding areas, Production Equipment faces 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 has strong purchasing power, financial resources, marketing capabilities and strong brand recognition.

Production Equipment may in the future encounter increased competition from existing competitors or new entrants into the markets in which Production Equipment 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 Production Equipment's market share. 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, Production Equipment or its competitors may attempt to compete aggressively by lowering rates. To the extent that Production Equipment lowers rates in an attempt to increase or retain market share, operating margins may be adversely impacted. In some cases, Production Equipment may not be able to match larger competitors' rate reductions because of the larger competitors' greater financial resources. If Production Equipment does not match competitors' rate reductions, it may lose market share, resulting in decreased revenue and cash flow.

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

Growth Initiatives

Production Equipment's ability to successfully grow its business 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 Production Equipment's on-going business and the diversion of management's attention from its day-to-day operations. An unsuccessful acquisition could have a material adverse impact on Production Equipment's business, results of operations and financial condition.

In addition, the ability of Production Equipment 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 it has no previous experience.

Seasonality

Production Equipment's revenue and operating results have historically varied somewhat throughout the year. Demand for equipment is generally lower during the winter from December through March when adverse weather conditions negatively impact construction activity in particular. From April through July the demand for equipment increases and is strongest from August through November. While certain of Production Equipment's variable costs can be managed to match seasonal patterns, a significant portion of its costs are fixed and cannot be adjusted for seasonability. The fluctuation in Production Equipment's quarterly results of operations may require that it relies on lines of credit for working capital financing at certain times of the year to cover its fixed costs and to maintain cash distributions to the Unitholders. There can be no assurance that such financing will be available to Production Equipment when required or on commercially favourable or otherwise satisfactory terms.

Resale of Rental Equipment

Production Equipment disposes of its used rental equipment in the ordinary course of business. If prices for such equipment decline or new products and technologies emerge, it may not realize the level of proceeds upon the sale of such equipment as was anticipated, which could negatively impact Production Equipment's results of operations and cash flow. A significant reduction in cash flow could impact Production Equipment's ability to purchase new rental fleet equipment and thus put it at a competitive disadvantage. In addition, if it is necessary for Production Equipment 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 its cash flow.

Interest Rates

Production Equipment finances purchases of new and, to a lesser extent, used equipment inventory under a floor plan financing arrangement under which it is charged interest at floating rates. Production Equipment expects to continue to obtain capital for acquisitions and for some working capital purposes, and to replace the floor plan financing with an increase in the availability of the operating line, both of which may be charged interest at floating rates. As a result, Production Equipment's 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 Production Equipment's business, particularly new and used equipment sales, because many of its customers finance their equipment purchases. As a result, rising interest rates may have the effect of simultaneously increasing Production Equipment's costs and reducing its revenues.

Equipment Availability

Production Equipment relies on a stable supply of equipment to carry out its operations. It sources products from various suppliers on an ongoing basis at negotiated prices and does not enter into long-term contracts that guarantee availability or price. Significant increases in the purchase price of the equipment rented by it, 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 its business, financial condition and results of operations.

Environmental Regulation and Health and Safety Matters

Production Equipment is 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, Production Equipment may be liable for, among other things, the costs of investigating and remediating contamination at Production Equipment's sites, adjacent sites as well as sites to which Production Equipment sent hazardous waste for disposal or treatment, regardless of fault, and fines and penalties for non-compliance.

Production Equipment dispenses petroleum products from above-ground storage tanks located at certain of its rental locations. Although Production Equipment maintains an environmental compliance program (which includes the implementation of required technical and operational activities designed to minimize the potential for leaks and spills, maintenance of records and the regular testing and monitoring of tank systems for tightness), there can be no assurance that these tank systems have been or will at all times remain free from leaks, or that the use of these tanks has not or will not result in spills or other releases.

Production Equipment uses hazardous materials such as solvents to clean and maintain its inventory of rental equipment, and generates and disposes of waste products such as used motor oil, radiator fluid and solvents. Production Equipment 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 Production Equipment currently conducts its operations in material compliance with all applicable laws and regulations. Production Equipment's compliance with applicable environmental laws has not had a material adverse effect on Production Equipment's business, financial condition or results of operations to date.

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 Production Equipment 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 Production Equipment's operating results and financial condition. See "Business Of The Fund — Initial Platform Acquisition — Government Regulations" and " — Environmental Matters".

Import Product Restrictions and Foreign Trade Risks

A significant portion of Production Equipment's business involves the rental or sale of equipment, parts or equipment composed of parts that are manufactured outside Canada. As a result, Production Equipment's 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 Production Equipment's 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 its operations and its ability to purchase imported equipment and/or parts at reasonable prices.

Financing Constraints

The indebtedness represented by the operating loan, and the capital loans for equipment purchases that Production Equipment uses to finance its new equipment inventories and rental fleet acquisitions could limit the future availability

of debt financing to fund acquisitions. See “Financing”. A line of credit for acquisition purposes may not be available to Production Equipment on favourable terms from its current or other lenders. Production Equipment may be required to use available cash or other sources of debt or equity financing. Using cash to complete acquisitions may substantially limit Production Equipment’s operating or financial flexibility. If Production Equipment is unable to obtain financing on acceptable terms, it may be required to reduce the scope of its presently anticipated expansion, which may materially and adversely affect its growth strategy.

The Credit Facility contains numerous restrictive covenants that limit the discretion of Production Equipment’s management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of Production Equipment to grant liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Credit Facility contains a number of financial covenants that require Production Equipment to meet certain financial ratios and financial condition tests. A failure by Production Equipment to comply with the obligations in the Credit Facility could result in acceleration of payments on the relevant indebtedness. See “Financing”.

Insurance Coverage

Production Equipment maintains insurance coverage in respect of its 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 Production Equipment considers 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. Production Equipment will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and the business at a reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of Production Equipment’s lost investment. Certain factors also might make it unattractive to use insurance proceeds to replace the property after such property has been damaged or destroyed. Under such circumstances, the insurance proceeds Production Equipment would receive might not be adequate to recover its economic position with respect to such property. There are no assurances that Production Equipment’s insurance coverage will continue to be available to it on reasonable terms, including reasonable premium, deductible and co-insurance requirements, or that Production Equipment’s insurer will not disclaim coverage of any future claim. Production Equipment’s business, financial condition, liquidity and results of operations could be materially adversely affected if any of the foregoing developments were to occur.

Dependence on One Site

Production Equipment currently maintains one site in Port Coquitlam, British Columbia to store and service its 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 rental. Furthermore, any event which would restrict access to the Production Equipment site, including, without limitation, a work stoppage, would have a similar effect. Production Equipment is currently pursuing additional facilities.

Dependence on Information Systems and Technology

Information systems are an important part of Production Equipment’s business processes, including marketing the products and services offered by Production Equipment, managing inventory, co-ordinating logistical support, and managing finance functions. In addition, management relies on information systems to analyze Production Equipment’s 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 Production Equipment’s business, financial condition and results of operations.

Inventory Qualifications

KNV Chartered Accountants were appointed as the auditors of Production Equipment subsequent to certain of the periods in respect of which financial statements are included in this prospectus and were not able to observe the counting of physical inventories at the beginning or end of the year ended March 31, 2004 or satisfy themselves concerning those inventory quantities by alternative means. Since opening and closing inventories enter into the determination of income and cash flows, KNV Chartered Accountants were unable to determine whether adjustments

to operating expenses, net income for the year, partners' equity and cash provided from operations might be necessary for the years ended March 31, 2005 and 2004. Depending on their magnitude, such adjustments, if any, could be material to the operating results of Production Equipment for the above periods.

Risks Related to the Structure of the Fund and the Offering

Dependence upon the Partnership to Fund Cash Distributions

The Fund is an unincorporated, open-ended trust that will ultimately be entirely dependent on the operations and assets of the Partnership. Cash distributions to Unitholders will ultimately be dependent on, among other things, the ability of the Partnership to make cash available for distributions. The Fund's ability to make cash distributions or other payments or advances will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of the Partnership, including restrictive covenants in the Credit Facility.

Cash Distributions are Not Guaranteed and Will Fluctuate with Business Performance

Although the Fund intends to distribute the cash distributions ultimately received by the Fund upon the LP Units, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the business of the Partnership or ultimately distributed to the Fund. The Fund's ability to make cash distributions, and the actual amount distributed, will ultimately be entirely dependent on the operations and assets of the Partnership, and will be subject to various factors including its financial performance, its obligations under the applicable Credit Facility, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements.

Distributions are Discretionary

The Fund is not obligated to pay distributions on the Units. The payment of distributions is at the sole discretion of the Trustees and, indirectly, the Trust Trustees and the board of directors of the Partnership, and they may decide to eliminate or reduce any distributions paid on the Units, or retain cash otherwise available for distribution for investment in the Fund'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 the Partnership and should not be viewed by investors as direct securities of the Partnership. The Units represent a fractional interest in the Fund. The Fund's primary assets will be Trust Units. The price per Unit is a function of anticipated distributable income, interest rates and other factors.

Limited Liability

The Declaration of Trust includes provisions intended to limit the liability of Unitholders for liabilities and other obligations of the Fund. In addition, under the *Income Trust Liability Act*, a new British Columbia statute, Unitholders are not liable, as beneficiaries of a Fund, 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 that legislation.

Absence of a Prior Public Market

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

Unpredictability and Volatility of Unit Prices

The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, monthly distributions, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of the Units regardless of the Fund'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 markets. In addition, the

securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

Attributes of Securities Distributed on Redemption of Units or Termination of the Fund

Upon termination of the Fund, the Trustees may distribute the Trust Units directly to the Unitholders, subject to obtaining all required regulatory approvals. Upon redemption of Units, the Trustees may distribute Trust Notes directly to Unitholders, subject to obtaining all required regulatory approvals and complying with the terms of such approvals. There is currently no market for the Trust Units and Trust Notes. In addition, Trust Units and Trust Notes are not freely tradable or listed on any stock exchange and no established market is expected to develop for the Trust Units and Trust Notes. See “WesternOne Equity Income Fund — Term of the Fund” and “— Redemption at the Option of Unitholders”. Securities so distributed may not be qualified investments for Funds governed by Plans, depending on the circumstances at the time.

Dilution

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for that consideration and on those terms and conditions as shall be established by the Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. In addition, the Partnership is permitted to issue additional LP Units for any consideration and on any terms and conditions.

New Requirements as a Public Issuer

As a public issuer with listed securities, the Fund will need to comply with new laws, regulations and requirements, certain additional provisions relating to corporate governance and certification of the Fund’s financial statements and disclosure controls and related regulations and requirements of the Exchange or TSX that it did not need to comply with previously. Preparing to comply and complying with new statutes, regulations and requirements will occupy a significant amount of the time of the Fund’s board of Trustees, and may divert management’s attention from other business concerns. The Fund will need to:

- create or articulate the roles and duties of its Trustees, committees and management;
- institute a comprehensive compliance function;
- establish internal policies, such as those relating to disclosure controls and procedures and insider trading;
- create systems to enable it to report to its investors on a timely basis in accordance with applicable laws and regulations and effective investor relations practices;
- involve and retain outside counsel and accountants in the above activities; and
- implement an investor relations function.

Leverage and Restrictive Covenants

The ability of the Partnership to make advances and distributions to the Trust and ultimately to the Fund to enable the Fund to make distributions to Unitholders will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Partnership. The degree to which the Partnership is leveraged could have important consequences to the Unitholders including:

- the Partnership’s ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a significant portion of the Partnership’s cash flow from operations 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 the Partnership to the risk of increased interest rates; and
- the Partnership may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures.

These factors may increase the sensitivity of cash available for distribution to interest rate variations, and could have a negative impact on the Fund’s ability to make distributions to its Unitholders.

Substantial Interest of the Principal Unitholder

Upon completion of the Offering, the Principal Unitholder will own 18.8% (17.5% if the Over-Allotment Option is exercised in full and 16.9% if the Over-Allotment Option and the Agents' Option to purchase are both exercised in full) of the Fund's outstanding Units on a fully-diluted basis. As a result, the Principal Unitholder has a substantial influence over the Fund's affairs and business.

This concentration of ownership could have the effect of discouraging, delaying or preventing a change in control of the Fund or unsolicited acquisition proposals that a Unitholder might consider favourable. These provisions include ownership requirements and limits and approval rights with respect to the composition of the board of directors of the general partners of certain Business LPs. Thus, the concentration of ownership and such provisions may materially and adversely impact the value of the Fund's Units.

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

Changes in Legislation

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

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

See "Certain Canadian Federal Income Tax Considerations — Capital Gains and Capital Losses — Possible Amendments to the Tax Act".

Taxation of the Fund and Partnership

Expenses incurred by the Fund, the Trust, the Partnership 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 the Fund, 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 the Fund and its subsidiaries are supportable and reasonable in the circumstances. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's taxable income. Where in a particular year the Fund has insufficient available cash to distribute the full amount of the taxable income of the Fund to Unitholders, the Declaration of Trust provides that additional Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the amount of such taxable income in their taxable income, 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 the Fund) 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 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 49% of the Units, the Fund may impose restrictions that may limit (or inhibit the exercise of) the rights of certain non-residents of Canada, including U.S. persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and adversely affect the liquidity and market value of the Units held by the public.

Indemnities Provided by Production Equipment

In connection with the acquisition of the assets of Production Equipment, the Partnership obtained certain representations and warranties from the Partners respecting such business and assets. If such representations and warranties are incorrect in any material respect, the Fund will be required to make a claim under the indemnities received from the Partners. There is no assurance that the Fund would be successful in pursuing any such claim. The discovery of any material liabilities for which indemnities were not obtained from the Partners could have an adverse effect on the Fund's results of operation, financial condition or future prospects.

Pursuant to the Acquisition Agreement the Partners will agree to indemnify the Partnership in respect of the inaccuracy of representations and warranties of the Partners contained in that agreement, subject to the limitations contained in the agreement. There is no restriction on the use of the cash proceeds received directly or indirectly by the Partners pursuant to the Acquisition Agreement or on the ability of the Partners or its shareholders to dispose of their assets which may limit the recourse available to the Partnership against the Partners. As such, there can be no assurance that the Partnership will be able to obtain any amount of any claim for indemnification made by it against the Partners. Furthermore, there can be no assurance as to the sufficiency of the assets of the Partners to satisfy any judgements obtained against them in connection with a claim for indemnification under the Acquisition Agreement.

Although Darren Financial Group Inc. has signed this prospectus as a "promoter" under applicable Canadian securities laws, following the Closing, Darren Financial Group Inc. may not necessarily have material assets. See "Purchasers' Statutory Rights". As a result, any exercise of the purchasers' statutory rights against Darren Financial Group Inc. as a promoter under this prospectus may provide limited incremental economic value relative to the purchasers' statutory rights against the Fund.

Unitholders are not afforded Certain Statutory Rights

Purchasers of Units are cautioned that, although the Fund is a legal entity, it is not regulated by established corporate law and Unitholders' rights are governed by the specific provisions of the Declaration of Trust, which addresses such items as the nature of the Units, the entitlement of Unitholders to cash distributions, restrictions respecting non-resident holdings, meetings of Unitholders, delegation of authority, administration, Fund governance and liabilities and duties of the Trustees to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions or rights of dissent. See "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), the Fund is not a legally recognized entity within the definitions of these statutes. In the event of insolvency or restructuring of the Fund, the rights of Unitholders will be different from those of shareholders of an insolvent or restructuring corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

MATERIAL CONTRACTS

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

- (i) the credit agreements governing the Credit Facility described under "Financing";
- (ii) the Acquisition Agreement, described under "Business of the Fund — Initial Platform Acquisition";
- (iii) the Investment Agreement, described under "Funding and Related Transactions";
- (iv) the Declaration of Trust, described under "WesternOne Equity Income Fund";
- (v) the Series A Trust Indenture, described under "Details of the Securities Offered";
- (vi) the Administration Agreement, described under "WesternOne Equity Income Fund — Administration of the Fund and the Trust";
- (vii) the Trust Declaration of Trust, described under "WesternOne Equity Operating Trust";
- (viii) the Trust Note Indenture, described under "WesternOne Equity Operating Trust";
- (ix) the Partnership Agreement, described under "WesternOne Equity LP";
- (x) the limited partnership agreement of WEQ Production Equipment LP;
- (xi) the WesternOne Equity Option Plan, described under "Executive Compensation — WesternOne Equity 2006 Incentive Unit Option Plan; and
- (xii) the Agency Agreement, described under "Plan of Distribution".

Copies of the foregoing documents may be examined during normal business hours at the offices of Farris, Vaughan, Wills & Murphy LLP, 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3 and will be available on the Internet at sedar.com following Closing.

EXPERTS

Certain legal matters relating to the issue and sale of Units and Series A Debentures offered hereby will be passed upon on behalf of the Fund and Production Equipment by Farris, Vaughan, Wills & Murphy LLP and on behalf of the Agents by Lawson Lundell LLP. Certain legal matters relating to the Acquisition Agreement will be passed upon on behalf of the Partners and Production Equipment by McQuarrie Hunter.

LEGAL PROCEEDINGS

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

PROMOTER

Darren Financial Group Inc. may be considered to be a promoter of the Fund by reason of its initiative in organizing the business and affairs of the Fund.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund for the period ended June 30, 2006 are Meyers, Norris, Penny LLP, of Nanaimo and Vancouver, British Columbia. The auditors of Production Equipment for its fiscal years ended March 31, 2004, 2005 and 2006 are KNV Chartered Accountants, of White Rock, British Columbia.

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal transfer offices in Vancouver, British Columbia and Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

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

GLOSSARY OF TERMS

“**Acquisition Agreement**” means the Acquisition Agreement dated as of June 27, 2006 between WEQ Production Equipment LP and the Partners, as may be amended, supplement or restated from time to time, pursuant to which WEQ Production Equipment LP will acquire the assets of Production Equipment.

“**Adjusted EBITDA**” has the meaning ascribed hereunder “About This Prospectus — Non-GAAP Measures”.

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

“**Agency Agreement**” means the agency agreement dated July 31, 2006 among the Fund, the Trust, the Partnership, WesternOne Equity GP, the Principal Unitholder and the Agents.

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

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

“**Business LP**” means a limited partnership established under the laws of Manitoba to carry on the business of owning and operating a platform business acquired by the Partnership, as well as activities ancillary thereto.

“**CAGR**” means compounded annual growth rate.

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

“**cash available for distribution**” has the meaning ascribed thereto under “About this Prospectus — Non-GAAP Measures”.

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

“**CDS**” means The Canadian Depository for Securities Limited or a successor thereof.

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

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

“**Closing Date**” means August 10, 2006 or any other date agreed upon by the Fund and the Agents, but not later than September 15, 2006.

“**Credit Facility**” means the operating loan of \$2.0 million and the capital loans for equipment purchases of \$7.5 million to be made available to WEQ Production Equipment LP by a Canadian, chartered bank. See “Financing”.

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

“**EBITDA**” has the meaning ascribed hereunder “About This Prospectus — Non-GAAP Measures”.

“**Exchange**” means the TSX Venture Exchange.

“**exchangeable units**” means units of a Business LP that may be issued to a vendor of a platform business as part of the acquisition of such business by the Business LP, having the general attributes described in this prospectus. See “Business LPs”.

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

“**fiscal year**” means, in the case of Production Equipment, a fiscal year ending on March 31 of that year.

“**floor plan financing**” is a type of asset-based financing used to finance the inventories of a business. See “Financing — Floor Plan Financing”.

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

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

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

“**GDP**” means gross domestic product; the monetary value of all the goods and services produced by an economy over a specified period. It includes consumption, government purchases, investments and exports minus imports.

“**high reach equipment**” is a general term to describe all motorized equipment that is used to lift and transport manpower into a specific area where work is being performed.

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

“**Investment Agreement**” means the Investment Agreement to be entered into between the Fund, the Trust, the Partnership and WesternOne Equity GP on or before the Closing Date.

“**LP Units**” means the units representing an interest as a limited partner of the Partnership designated as LP Units and having the attributes described in this prospectus.

“**LTIP**” means the long-term incentive plan described under “Executive Compensation — Long-Term Incentive Plan”.

“**material handling equipment**” is a general term used to describe all motorized forklifts used to off-load materials, such as lumber, drywall and roofing materials products, from transport vehicles to specific areas where materials are needed on a work site.

“**Offering**” means the offering of 4,571,429 Units and 100,000 Series A Debentures to be issued and sold by the Fund pursuant to this prospectus.

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

“**Over-Allotment Option**” means the option granted by the Fund to the Agents to purchase up to 457,142 additional Units, exercisable for a period of 30 days from the Closing.

“**Partners**” means the partners of the Production Equipment business, being 566655 B.C. Ltd., 572292 B.C. Ltd. and Production Equipment Rentals, ULC.

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

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

“**Partnership Units**” means units representing an interest as a limited partner of 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 in a market in which the Fund is not currently active.

“**Principal Unitholder**” means Darren Financial Group Inc.

“**Production Equipment**” means Production Equipment Rentals Company, a leading operator in renting, selling and servicing quality high reach and material handling equipment and providing logistical support to its customers in British Columbia.

“**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”.

“**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 the Fund pursuant to the Series A Trust Indenture.

“**Series A Trust Indenture**” means a trust indenture entered into by the Fund and the Indenture Trustee dated August 10, 2006, providing for the issuance of the Series A Debentures.

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

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

“**Special Resolution**” means a resolution passed by the affirmative vote of the Unitholders of not less than 66²/₃% of the Units who voted in respect of that resolution at a meeting of Voting Unitholders at which a quorum was present or a resolution or instrument signed in one or more counterparts by the Unitholders of not less than 66²/₃% of the Voting Units entitled to vote on such resolution.

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

“**subsidiary**” has the meaning provided for in the CBCA, read as if the word “body corporate” includes 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 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, as the same may be amended, supplemented or restated from time to time.

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

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

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

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

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

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

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended.

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

“**Units**” means Units of the Fund.

“**Voting Unitholders**” means holders of Voting Units.

“**Voting Units**” means Units and if applicable, Special Voting Units.

“**Western Canada**” means, for the purposes of this prospectus, the provinces British Columbia, Alberta and Saskatchewan.

“**WesternOne Equity**” means the Fund together with the Trust, WesternOne Equity GP, the Partnership, the Business LP’s and related entities.

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

“**WesternOne Equity Option Plan**” means the incentive unit option plan described under “Executive Compensation — WesternOne Equity 2006 Incentive Unit Option Plan”.

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AUDITORS' CONSENT

We have read the prospectus of WesternOne Equity Income Fund (the "Fund") dated July 31, 2006 relating to the issue and sale of Units and Series A Debentures of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned document of our reports to:

- The Trustees of the Fund on the balance sheet of the Fund as at June 30, 2006. Our report is dated July 31, 2006.
- The Trustees of the Fund on the unaudited pro forma consolidated balance sheet of the Fund as at March 31, 2006 and the unaudited pro forma consolidated statement of operations for the year ended March 31, 2006. Our report is dated July 31, 2006.

(Signed) "Meyers, Norris, Penny LLP"
Chartered Accountants

Nanaimo, British Columbia
July 31, 2006

AUDITORS' CONSENT

We have read the prospectus of WesternOne Equity Income Fund (the "Fund") dated July 31, 2006 relating to the issue and sale of Units and Series A Debentures of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned document of our report to the partners of Production Equipment Rentals Company on the balance sheets thereof as at March 31, 2006 and 2005 and the statements of partners' equity, income and cash flows for the three years ended March 31, 2006. Our report is dated June 6, 2006 (except for Note 15(b), which is as of June 27, 2006).

(Signed) "KNV Chartered Accountants"
Chartered Accountants

White Rock, British Columbia
July 31, 2006

AUDITORS' REPORT

To the Trustees of
WesternOne Equity Income Fund:

We have audited the consolidated balance sheet of WesternOne Equity Income Fund as at June 30, 2006. This financial statement is the responsibility of the Income Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, this consolidated financial statement presents fairly, in all material respects, the financial position of the Income Fund as at June 30, 2006 in accordance with Canadian generally accepted accounting principles.

(Signed) 'Meyers, Norris, Penny LLP'
Chartered Accountants

Nanaimo, British Columbia
July 31, 2006

WESTERNONE EQUITY INCOME FUND

CONSOLIDATED BALANCE SHEET

As at June 30, 2006

ASSET

Cash \$320,000

SUBSEQUENT EVENTS (note 4)

UNITHOLDERS' EQUITY

Unitholders' equity (note 3) \$320,000

APPROVED BY THE TRUSTEES

(Signed) "Darren T. Latoski"
Trustee

(Signed) "Douglas R. Scott"
Trustee

See accompanying Notes to the Consolidated Balance Sheet

WESTERNONE EQUITY INCOME FUND

NOTES TO CONSOLIDATED BALANCE SHEET

For the period ended June 30, 2006

1. BASIS OF CONSOLIDATION

The Fund has consolidated the assets and equity of all subsidiaries after the elimination of inter-entity transactions and balances. The consolidated financial statements include the accounts of the Fund, its wholly owned subsidiaries, WesternOne Equity GP Inc. and WesternOne Equity Operating Trust. These two subsidiaries in turn include the accounts of their own wholly owned subsidiaries, WEQ Production Equipment GP Inc., WesternOne Equity Limited Partnership, and WEQ Production Equipment Limited Partnership. All of the above wholly owned subsidiaries were acquired during June 2006 upon their incorporation, registration or settlement.

2. THE FUND

WesternOne Equity Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust created on June 14, 2006 and governed by the declaration of trust governed by the laws of British Columbia. The Fund is authorized to issue an unlimited number of units and special voting units. Each holder of a unit participates pro rata in any distribution of the Fund. The Fund was initially established to indirectly acquire the assets of Production Equipment Rentals Company and such other investments as the Trustees may determine.

Income tax obligations related to the allocation of taxable income of the Fund are obligations of the Unitholder.

There has been no activity in the Fund between June 14, 2006 and June 30, 2006, except for the acquisition of its subsidiaries and the issuance of units. Accordingly, the statements of operations and cash flows have not been presented.

3. UNITHOLDERS' EQUITY

During the period from creation to June 30, 2006, the Fund issued 1,600,000 units for \$320,000.

4. SUBSEQUENT EVENTS

The Fund has filed a prospectus dated July 31, 2006 related to the initial public offering of units of the Fund and convertible Series A Debentures (the "Offering"). The Offering is expected to close on August 10, 2006.

Concurrent with the closing of the Offering, the Fund will use the gross proceeds of the Offering to capitalize WesternOne Equity Operating Trust (the "Trust") which will then finance the issuance of the LP Units in WesternOne Equity Limited Partnership (the "Partnership").

The Partnership will use the proceeds from the issuance of its LP Units to pay the expenses of the Offering and to finance the acquisition of all of the LP Units in WEQ Production Equipment LP which will then acquire substantially all of the assets and assume certain liabilities of Production Equipment Rentals Company.

Immediately after the Offering, the Fund will have financed the acquisition of its holdings (through its interest in the Trust) of all of the LP Units, representing a 100% equity interest in the Partnership.

AUDITORS' REPORT

To the Partners of
Production Equipment Rentals Company:

We have audited the balance sheets of PRODUCTION EQUIPMENT RENTALS COMPANY as at March 31, 2006 and 2005 and the statements of partners' equity, income and cash flows for the three years ended March 31, 2006. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Because we were appointed auditors of the Partnership during the current year, we were not able to observe the counting of physical inventories at March 31, 2004 and 2003 nor were we able to satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations and cash flows, we were unable to determine whether adjustments to operating expenses, net income for the year, partners' equity and cash provided from operations might be necessary for the years ended March 31, 2005 and 2004.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary to the financial statements for the years ended March 31, 2005 and 2004 had we been able to examine the opening inventories as described in the preceding paragraph, the statements of partners' equity, income and cash flows present fairly, in all material respects, the results of operations and cash flows of the Partnership for the three years ended March 31, 2006 in accordance with Canadian generally accepted accounting principles. Further, in our opinion, the balance sheets present fairly, in all material respects, the financial position of the Partnership as at March 31, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) "KNV Chartered Accountants"
Chartered Accountants

White Rock, British Columbia
June 6, 2006
(except for Note 15(b), which is as of June 27, 2006)

PRODUCTION EQUIPMENT RENTALS COMPANY
(A Partnership)

BALANCE SHEETS
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 394,962	\$ —
Accounts receivable	2,024,425	1,596,535
Inventories (Note 3)	750,504	761,185
Prepaid expenses	<u>14,550</u>	<u>24,802</u>
Total current assets	3,184,441	2,382,522
PROPERTY AND EQUIPMENT (Note 4)	<u>14,037,040</u>	<u>11,990,794</u>
	<u><u>\$17,221,481</u></u>	<u><u>\$14,373,316</u></u>
LIABILITIES AND PARTNERS' EQUITY		
CURRENT LIABILITIES:		
Operating loan (Note 5)	\$ —	\$ 271,336
Accounts payable and accrued liabilities	320,150	295,907
Equipment payables	—	172,267
Floor plan payable (Note 6)	782,969	814,587
Loans payable, current portion (Note 7)	5,542,205	4,167,153
Capital lease obligations, current portion (Note 8)	<u>664,487</u>	<u>842,880</u>
Total current liabilities	7,309,811	6,564,130
LOANS PAYABLE, net of current portion (Note 7)	1,517,204	696,393
CAPITAL LEASE OBLIGATIONS, net of current portion (Note 8)	1,117,547	2,197,116
LOAN PAYABLE, PARTNER (Note 9)	<u>664,154</u>	<u>741,370</u>
Total liabilities	10,608,716	10,199,009
COMMITMENTS (Note 10)		
PARTNERS' EQUITY	<u>6,612,765</u>	<u>4,174,307</u>
	<u><u>\$17,221,481</u></u>	<u><u>\$14,373,316</u></u>

APPROVED ON BEHALF OF THE PARTNERS:

(Signed) "Aaron Silverman"
Director, Production Equipment Rentals ULC

(Signed) "Colin Franklin"
Director, 572292 B.C. Ltd.

The accompanying Notes are an integral part of this statement.

PRODUCTION EQUIPMENT RENTALS COMPANY
(A Partnership)

STATEMENTS OF PARTNERS' EQUITY
For the Years Ended March 31, 2006, 2005 and 2004

	<u>Production Equipment Rentals ULC</u>	<u>566655 B.C. Ltd.</u>	<u>572292 B.C. Ltd</u>	<u>Total</u>
PARTNERS' EQUITY, MARCH 31, 2003	\$1,073,480	\$ 300,532	\$ 303,240	\$1,677,252
ADD (DEDUCT):				
Net income	1,088,778	508,926	508,926	2,106,630
Draws	<u>(266,250)</u>	<u>(264,000)</u>	<u>(265,199)</u>	<u>(795,449)</u>
PARTNERS' EQUITY, MARCH 31, 2004	1,896,008	545,458	546,967	2,988,433
ADD (DEDUCT):				
Net income	1,190,555	546,851	546,851	2,284,257
Draws	<u>(462,750)</u>	<u>(316,600)</u>	<u>(319,033)</u>	<u>(1,098,383)</u>
PARTNERS' EQUITY, MARCH 31, 2005	2,623,813	775,709	774,785	4,174,307
ADD (DEDUCT):				
Net income	2,391,938	947,313	947,313	4,286,564
Draws	<u>(904,950)</u>	<u>(468,400)</u>	<u>(474,756)</u>	<u>(1,848,106)</u>
PARTNERS' EQUITY, MARCH 31, 2006	<u>\$4,110,801</u>	<u>\$1,254,622</u>	<u>\$1,247,342</u>	<u>\$6,612,765</u>

The accompanying Notes are an integral part of this statement.

PRODUCTION EQUIPMENT RENTALS COMPANY
(A Partnership)

STATEMENTS OF INCOME

For The Years Ended March 31, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUE:			
Equipment rental	\$9,990,380	\$6,607,311	\$6,516,498
Cartage	1,052,017	698,136	702,590
Equipment sales	3,065,080	2,565,096	1,231,135
Service	<u>778,860</u>	<u>451,271</u>	<u>333,913</u>
	<u>14,886,337</u>	<u>10,321,814</u>	<u>8,784,136</u>
COST OF SALES:			
Re-rental	849,640	336,507	1,176,181
Commission	602,699	440,122	251,579
Equipment sold	2,654,691	2,206,135	1,057,263
Other	<u>290,182</u>	<u>149,506</u>	<u>107,207</u>
	<u>4,397,212</u>	<u>3,132,270</u>	<u>2,592,230</u>
Gross income	<u>10,489,125</u>	<u>7,189,544</u>	<u>6,191,906</u>
OPERATING EXPENSES:			
General and administrative	799,425	406,803	452,388
Freight	1,483,474	1,142,836	1,005,787
Sales	384,667	350,164	328,773
Service	1,582,203	1,326,171	1,011,054
Interest (Notes 7, 8 and 12)	601,492	566,030	470,269
Amortization	<u>1,351,300</u>	<u>1,113,283</u>	<u>817,005</u>
	<u>6,202,561</u>	<u>4,905,287</u>	<u>4,085,276</u>
Net income (Note 1)	<u>\$4,286,564</u>	<u>\$2,284,257</u>	<u>\$2,106,630</u>

The accompanying Notes are an integral part of this statement.

PRODUCTION EQUIPMENT RENTALS COMPANY
(A Partnership)

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2006, 2005 and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
CASH WAS PROVIDED FROM (USED IN):			
Operating Activities:			
Net income	\$4,286,564	\$2,284,257	\$2,106,630
Items not affecting cash —			
Amortization	1,351,300	1,113,283	817,005
Gain on sale of property and equipment	<u>(123,452)</u>	<u>(91,228)</u>	<u>(41,808)</u>
	5,514,412	3,306,312	2,881,827
Net change in non-cash working capital balances (Note 11)	<u>(586,599)</u>	<u>(932,039)</u>	<u>164,916</u>
	<u>4,927,813</u>	<u>2,374,273</u>	<u>3,046,743</u>
Investing Activities:			
Purchase of property and equipment	(4,192,549)	(4,113,552)	(3,449,869)
Proceeds from sale of property and equipment	<u>918,455</u>	<u>691,604</u>	<u>345,641</u>
	<u>(3,274,094)</u>	<u>(3,421,948)</u>	<u>(3,104,228)</u>
Financing Activities:			
Proceeds from loans payable	3,791,039	2,843,477	2,290,215
Repayment of loans payable	(1,595,176)	(1,000,954)	(818,413)
Repayment of loan payable, partner	(77,216)	(108,596)	(205,662)
Proceeds from capital lease obligations	—	1,384,211	2,085,139
Repayment of capital lease obligations	(1,257,962)	(747,346)	(2,214,842)
Draws	<u>(1,848,106)</u>	<u>(1,098,383)</u>	<u>(795,449)</u>
	<u>(987,421)</u>	<u>1,272,409</u>	<u>340,988</u>
Increase in cash	666,298	224,734	283,503
OPERATING LOAN, BEGINNING OF YEAR	<u>(271,336)</u>	<u>(496,070)</u>	<u>(779,573)</u>
CASH (OPERATING LOAN), END OF YEAR	<u>\$ 394,962</u>	<u>\$ (271,336)</u>	<u>\$ (496,070)</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	<u>\$ 606,496</u>	<u>\$ 561,105</u>	<u>\$ 466,172</u>

The accompanying Notes are an integral part of this statement.

PRODUCTION EQUIPMENT RENTALS COMPANY
(A Partnership)

NOTES TO FINANCIAL STATEMENTS
March 31, 2006, 2005 and 2004

1. PARTNERSHIP

Production Equipment Rentals Company is a partnership of Production Equipment Rentals ULC, 572292 B.C. Ltd. and 566655 B.C. Ltd. and as such these financial statements do not include all of the assets, liabilities, revenues and expenses of the partners. In addition, there is no provision for income tax as such income is taxed at the hands of the corporate partners.

2. ACCOUNTING POLICIES

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Amortization

The Partnership amortizes its property and equipment over their estimated useful lives on a straight-line basis as follows:

Rental fleet	10 years
Office equipment	5 years
Office furniture	5 years
Shop equipment	5 years
Tractors and trailers	7 years
Computer and software	5 years
Leasehold improvements	5 years

For rental fleet, salvage value of 25% of the original cost is taken into consideration.

(c) Inventories

New and used equipment inventories are recorded at the lower of cost and net realizable value, with cost determined on a specific item basis. Parts inventories are valued at the lower of cost and net realizable value, with cost generally being determined on a "first-in, first-out" basis.

(d) Foreign Currency Translation

Assets bought and sold during the year and transactions relating to net income in foreign currencies are translated into Canadian dollars at the rate prevailing at the transaction dates. Monetary assets and liabilities in foreign currencies at the close of the year are translated into Canadian dollars at the rate prevailing at the year-end.

Foreign exchange gains or losses arise from recording the difference between foreign currency balances translated at rates prevailing at year-end and balances translated at rates prevailing on transaction dates.

(e) Revenue Recognition

Revenue from short-term rental contracts, defined as having a term of less than or equal to one month, and the related cartage revenue are recognized upon completion of the rental contract. Revenue from long-term rental contracts, defined as having a term extending beyond one month, is recognized on a monthly basis, which is consistent with the billing period; the related cartage revenue is recognized upon delivery and pick-up of the equipment. Revenue from equipment held for resale is recognized at the later of the time at which the contract is signed or the purchaser arranges sufficient financing to complete the purchase. Service revenue, comprised of the sale of parts and equipment servicing, is recognized when parts are delivered and services have been rendered.

3. INVENTORIES

	<u>2006</u>	<u>2005</u>
Equipment for resale	\$525,413	\$590,271
Parts	<u>225,091</u>	<u>170,914</u>
	<u>\$750,504</u>	<u>\$761,185</u>

4. PROPERTY AND EQUIPMENT

The Partnership's property and equipment are analyzed as follows:

March 31, 2005 -

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Rental fleet	\$15,392,738	\$3,513,889	\$11,878,849
Office equipment	19,196	11,152	8,044
Office furniture	10,776	7,303	3,473
Shop equipment	25,338	11,005	14,333
Tractors and trailers	152,634	101,620	51,014
Computer and software	16,474	16,474	—
Leasehold improvements	37,400	2,319	35,081
	<u>\$15,654,556</u>	<u>\$3,663,762</u>	<u>\$11,990,794</u>

March 31, 2006 -

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Rental fleet	\$18,370,011	\$4,502,705	\$13,867,306
Office equipment	19,196	12,990	6,206
Office furniture	11,601	9,543	2,058
Shop equipment	31,566	15,168	16,398
Tractors and trailers	208,968	121,811	87,157
Computer and software	20,909	16,918	3,991
Leasehold improvements	72,745	18,821	53,924
	<u>\$18,734,996</u>	<u>\$4,697,956</u>	<u>\$14,037,040</u>

Included in rental fleet equipment above are assets under capital lease with a total cost of \$3,779,062 (2005 — \$3,983,726), accumulated amortization of \$768,945 (2005 — \$511,091) and a net book value of \$3,010,117 (2005 — \$3,472,635).

5. OPERATING LOAN

The Partnership's operating loan has a limit of \$750,000 and bears interest at the lending bank's prime rate plus 1% per annum. Security for the loan includes a General Security Agreement and the personal guarantees of the individual shareholders of the corporate partners.

6. FLOOR PLAN PAYABLE

The third party financing company's floor plan payable finances certain of the Partnership's equipment held for resale and rental fleet equipment on a revolving line of credit, to a maximum of \$2 million, with interest at the bankers acceptance rate plus 2.75%. Advances are repayable when the related equipment is sold; otherwise, advances for equipment held for resale are repaid over a period of 24 months, while advances for rental fleet equipment purchases are repaid over a maximum period of 60 months, less any months the equipment has been in inventory. The advances are secured against the related equipment and by personal guarantees of two of the shareholders of one of the corporate partners.

7. LOANS PAYABLE

	<u>2006</u>	<u>2005</u>
(a) Canadian chartered bank — Three loans (2005-two) to finance the purchase of equipment, repayable on demand and unless and until demanded in total monthly instalments of \$117,105 (2005-\$39,762), including interest at the bank's prime rate plus 1.25% per annum; with maturity dates ranging from August 2008 to October 2010; secured by a General Security Agreement and the personal guarantees of the individual shareholders of the corporate partners	\$4,856,328	\$3,781,779
(b) Third party financing company — Three loans (2005-two) to finance the purchase of equipment with total monthly payments of \$30,376 (2005-\$12,223), including interest at 6.8% to 8.52% per annum; with maturity dates ranging from July 2009 to November 2010; secured against the related equipment	1,321,616	529,939
(c) Second Canadian chartered bank — Four loans (2005-two) to finance the purchase of equipment with total monthly payments of \$31,753 (2005-\$23,044), including interest at the bank's prime rate plus 2.0% per annum with maturity dates ranging from November 2007 to July 2009; secured against the related equipment	798,965	366,483
(d) Business Development Bank of Canada — Loan to finance the purchase of equipment with monthly principal payments of \$5,500 (2005-\$4,000) plus interest at the bank's floating rate plus 0.25% per annum; with a maturity date of June 2007; secured against the related equipment and a General Security Agreement	82,500	148,500
(e) Additional third party financing company — Equipment loan repaid in full during the 2006 fiscal year	—	36,845
	<u>7,059,409</u>	<u>4,863,546</u>
Less — current portion	<u>5,542,205</u>	<u>4,167,153</u>
	<u>\$1,517,204</u>	<u>\$ 696,393</u>

On the basis that the Partnership's loans payable are not demanded, minimum principal repayments will be as follows:

2007	\$1,709,657
2008	1,693,135
2009	1,456,743
2010	1,192,487
2011	<u>1,007,387</u>
	<u>\$7,059,409</u>

8. CAPITAL LEASE OBLIGATIONS

The Partnership has entered into lease agreements to acquire a portion of its rental fleet which have been financed by long-term liabilities. The liability recorded under the capital leases represents the minimum lease payments payable net of imputed interest at rates ranging from 5.93% to 9.88% (2005 — 8.4% to 14%) per annum.

The Partnership's capital leases obligations consist of:

	<u>2006</u>	<u>2005</u>
Minimum lease payments payable	\$1,995,504	\$3,474,750
Less — portion representing interest to be recorded over the remaining term of the leases	<u>213,470</u>	<u>434,754</u>
	1,782,034	3,039,996
Less — current portion	<u>664,487</u>	<u>842,880</u>
	<u>\$1,117,547</u>	<u>\$2,197,116</u>

Future minimum annual lease payments payable under the capital leases are as follows:

2007	\$ 765,109
2008	643,383
2009	373,848
2010	186,584
2011	<u>26,580</u>
	<u>\$1,995,504</u>

Interest expensed during the year with respect to capital lease obligations totals \$189,271 (2005 — \$224,884; 2004 — \$216,374).

9. LOAN PAYABLE, PARTNER

The loan payable to one of the corporate partners arose in the ordinary course of business, is without repayment terms, is unsecured and accrues interest at a rate of 5.5% per annum. The partner has indicated that payment will not be demanded within the next fiscal year, therefore the loan payable has been classified as a long-term liability.

10. COMMITMENTS

- (a) The Partnership has entered into nine operating lease agreements for vehicles. The leases require monthly payments ranging from \$489 to \$2,025 and have maturity dates ranging to March 29, 2008.
- (b) The Partnership leases its premises under a lease agreement requiring monthly instalments of \$11,000. The agreement is due for renewal on November 30, 2006.

The Partnership has received an offer, signed by the landlord, to enter into a new lease for the same premises for a period of five years, ending November 30, 2011. The new lease would require annual rental payments of \$168,000, with monthly instalments of \$14,000. As of the current date, the new lease has not been signed by the Partnership.

11. CHANGES IN NON-CASH WORKING CAPITAL BALANCES

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Increase in trade and other receivables	\$(427,890)	\$(306,059)	\$(714,268)
Decrease (increase) in inventories	10,681	(488,846)	(92,488)
Decrease (increase) in prepaid expenses	10,252	(6,313)	(1,675)
Increase (decrease) in trade and other payables	<u>(179,642)</u>	<u>(130,821)</u>	<u>973,347</u>
	<u>\$(586,599)</u>	<u>\$(932,039)</u>	<u>\$ 164,916</u>

12. RELATED PARTY TRANSACTIONS

Interest expense of \$45,470 (2005 — \$36,957; 2004 — \$36,672) was charged on the loan payable, partner.

13. COLLECTIVE AGREEMENT

The Partnership has a collective agreement with the International Union of Operating Engineers, Local 115, which stipulates the hours, wages and benefits for certain of the Partnership's employees. The current agreement expires June 30, 2007.

14. FINANCIAL INSTRUMENTS

(a) Foreign Exchange Risk

As at March 31, 2006, the Partnership's balance sheet included the following U.S. currency denominated balances which were converted at an exchange rate of 1.1680:

Cash	\$ 2,186
Accounts payable and accrued liabilities	\$ 11,272
Loan payable, partner	\$568,820

The Partnership does not use derivative instruments to reduce its exposure to foreign exchange risk.

(b) Credit Risk

The Partnership is exposed to credit risk with respect to its accounts receivable. The Partnership follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Partnership maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

(c) Interest Rate Risk

The Partnership's operating loan, equipment payables, floor plan payable and loans payable bear interest at variable rates. The Partnership does not use derivative instruments to reduce its exposure to this interest rate risk.

(d) Financial Instruments

Financial instruments are defined to include cash and amounts receivable or payable in cash arising from contractual agreements. The carrying values of the financial instruments disclosed on the balance sheets approximate their fair values.

15. SUBSEQUENT EVENTS

- (a) The Partnership has signed a letter of intent, dated May 26, 2006, to purchase the rental assets of two general rental companies, with locations in Abbotsford and Mission, British Columbia. The objective of the transaction is to expand the Partnership's geographical area and provide revenue diversification. The purchase price indicated on the letter of intent is \$1,175,000, which is expected to be funded through loans payable.
- (b) An acquisition agreement was entered into on June 27, 2006 among the Partnership, its partners and WEQ Production Equipment LP. Under this agreement, the Partnership is to sell its assets to WEQ Production Equipment LP immediately after the closing of the initial public offering of WesternOne Equity Income Fund, which holds an indirect controlling interest in WEQ Production Equipment LP.

COMPILATION REPORT ON PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Trustees of
WesternOne Equity Income Fund

We have read the accompanying unaudited pro forma consolidated balance sheet of WesternOne Equity Income Fund (the "Fund") as at March 31, 2006 and the unaudited pro forma consolidated statement of operations for the year ended March 31, 2006 and have performed the following procedures:

1. Compared the figures in the column in the unaudited pro forma consolidated balance sheet captioned "The Fund Historical" to the amounts in the audited consolidated balance sheet of the Fund as at June 30, 2006 and found them to be in agreement.
2. Compared the figures in the column in the unaudited pro forma consolidated balance sheet captioned "Production Equipment Rentals Company Historical" to the audited balance sheet of Production Equipment Rentals Company as at and ended March 31, 2006, and compared the figures in the column in the unaudited pro forma consolidated statement of operations captioned "Production Equipment Rentals Company Historical" to the audited statement of income of Production Equipment Rentals Company for the year ended March 31, 2006 and found them to be in agreement.
3. Made enquiries of certain officials of the Fund who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the unaudited pro forma adjustments; and
 - (b) whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various securities commissions and similar regulatory authorities in Canada.

The officials:

- (a) described to us the basis for determination of the unaudited pro forma adjustments; and
 - (b) stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the various securities commissions and similar regulatory authorities in Canada.
4. Read the notes to the unaudited pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the unaudited pro forma adjustments.
 5. Recalculated the application of the unaudited pro forma adjustments to the aggregate of the amounts in the columns in the unaudited pro forma consolidated financial statements captioned "The Fund Historical" and "Production Equipment Rentals Company Historical" as at March 31, 2006 and for the year then ended and found the amounts in the column in the unaudited pro forma consolidated financial statements captioned "The Fund Pro Forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the unaudited pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) "Meyers, Norris Penny LLP"
Chartered Accountants

Nanaimo, British Columbia
July 31, 2006

WESTERNONE EQUITY INCOME FUND

PRO FORMA CONSOLIDATED BALANCE SHEET

As at March 31, 2006

(Unaudited — See Compilation Report)

	The Fund Historical	Production Equipment Rentals Company Historical	Note 3	Pro Forma Adjustments	The Fund Pro Forma Consolidated
ASSETS					
CURRENT ASSETS					
Cash	\$320,000	\$ 394,962	(a) (d) (e)	\$ (394,962) 2,980,000 (782,969)	\$ 2,517,031
Accounts receivable	—	2,024,425	(d)	—	2,024,425
Inventories	—	750,504	(d)	—	750,504
Prepaid expenses	—	14,550	(d)	—	14,550
	320,000	3,184,441		1,802,069	5,306,510
DEFERRED COSTS	—	—	(c)	969,230	969,230
PROPERTY AND EQUIPMENT	—	14,037,040	(a) (d)	(14,037,040) 8,807,000	8,807,000
IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL					
	—	—	(d)	16,506,640	16,506,640
	<u>\$320,000</u>	<u>\$17,221,481</u>		<u>\$ 14,047,899</u>	<u>\$31,589,380</u>
LIABILITIES					
CURRENT LIABILITIES					
Operating loan	\$ —	\$ —	(d) (e)	\$ 782,969 (782,969)	\$ —
Accounts payable and accrued liabilities	—	320,150	(d)	—	320,150
Floor plan payable	—	782,969	(a)	(782,969)	—
Loans payable, current portion	—	5,542,205	(a) (d)	(5,542,205) 939,024	939,024
Capital lease obligations current portion	—	664,487	(a)	(664,487)	—
	—	7,309,811		(6,050,637)	1,259,174
LOANS PAYABLE, NET OF CURRENT PORTION	—	1,517,204	(a) (d)	(1,517,204) 5,560,976	5,560,976
CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	—	1,117,547	(a)	(1,117,547)	—
LOAN PAYABLE, PARTNER	—	664,154	(a)	(664,154)	—
SERIES A DEBENTURES	—	—	(c)	8,883,750	8,883,750
	—	10,608,716		5,095,184	15,703,900
UNITHOLDERS' EQUITY					
Fund units	320,000	—	(b)	14,449,230	14,769,230
Series A Debentures — equity component ..	—	—	(c)	1,116,250	1,116,250
Partners' equity	—	6,612,765	(f)	(6,612,765)	—
	320,000	6,612,765		8,952,715	15,885,480
	<u>\$320,000</u>	<u>\$17,221,481</u>		<u>\$ 14,047,899</u>	<u>\$31,589,380</u>

See accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements.

WESTERNONE EQUITY INCOME FUND

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31, 2006
(Unaudited — See Compilation Report)

	The Fund Historical	Production Equipment Rentals Company Historical	Note 4	Pro Forma Adjustments	Pro Forma Consolidated
REVENUE	\$—	\$14,886,337		\$ —	\$14,886,337
COST OF SALES	—	4,397,212		—	4,397,212
GROSS INCOME	—	10,489,125		—	10,489,125
OPERATING EXPENSES					
General and administrative	—	799,425	(a)	374,000	1,173,425
Freight	—	1,483,474		—	1,483,474
Sales	—	384,667		—	384,667
Service	—	1,582,203		—	1,582,203
Interest expense	—	601,492	(b)	(601,492)	—
Amortization	—	1,351,300	(c)	(503,479)	847,821
Amortization of identifiable intangible assets	—	—	(d)	—	—
Interest on Series A Debentures	—	—	(e)	900,000	900,000
Interest on capital loans for equipment financing	—	—	(f)	416,000	416,000
Accretion of Series A Debentures	—	—	(g)	223,250	223,250
Amortization of deferred costs relating to Series A Debentures	—	—	(h)	193,846	193,846
	—	6,202,561		1,002,125	7,204,686
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	—	4,286,564		(1,002,125)	3,284,439
PROVISION FOR INCOME TAXES					
Current	—	—	(i)	—	—
Future	—	—	(d)(i)	—	—
	—	—		—	—
NET INCOME (LOSS)	—	4,286,564		\$(1,002,125)	\$ 3,284,439
Basic and Diluted Units Outstanding					6,171,429
Earnings per Basic and Diluted Unit					\$ 0.53

See accompanying Notes to the Unaudited Pro Forma Consolidated Financial Statements.

WESTERONE EQUITY INCOME FUND

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2006
(Unaudited — See Compilation Report)

1. THE FUND

WesternOne Equity Income Fund (the “Fund”) is an unincorporated, open-ended trust established under the laws of the Province of British Columbia pursuant to the Fund Declaration of Trust dated June 14, 2006. The Fund has been created to indirectly invest in a diversified portfolio of businesses that are based primarily in Western Canada. This diversified portfolio is being initially established with the platform acquisition of the assets of Production Equipment Rentals Company (“Production Equipment”).

New subsidiary limited partnerships will be formed for each additional business acquired, and a new subsidiary general partner will be incorporated for every subsidiary limited partnership formed, in addition to such other investments as the Trustees may determine.

Income tax obligations related to the distributions of the Fund are obligations of the Unitholders.

2. BASIS OF PRESENTATION AND PROPOSED TRANSACTIONS

The accompanying unaudited pro forma consolidated balance sheet as at March 31, 2006 and unaudited pro forma consolidated statement of operations of the Fund for the year ended March 31, 2006 (collectively the “pro forma consolidated financial statements”) have been prepared by management of the Fund. In the opinion of management, the unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the proposed transactions in accordance with Canadian generally accepted accounting principles.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position and results of operations that would have occurred if the transactions had taken place on the dates indicated or of the financial position or operating results which may be obtained in the future. The unaudited pro forma consolidated financial statements are not a forecast or projection of future results. The actual financial position and results of operations of the Fund for any period following the completion of the transactions contemplated by the prospectus of the Fund dated July 31, 2006 will likely vary from the amounts set forth in the unaudited pro forma consolidated financial statements and such variation may be material.

The unaudited pro forma consolidated financial statements should be read in conjunction with the audited consolidated balance sheet of the Fund as at June 30, 2006 and the audited historical financial statements of Production Equipment as at March 31, 2006.

The unaudited pro forma consolidated balance sheet of the Fund as at March 31, 2006 has been prepared using information derived from the audited consolidated balance sheet of the Fund as at June 30, 2006, the audited balance sheet of Production Equipment as at March 31, 2006, and the adjustments and assumptions outlined below.

The unaudited pro forma consolidated statement of operations of the Fund for the year ended March 31, 2006 has been prepared using information derived from the audited statement of operations of Production Equipment for the year ended March 31, 2006 and the adjustments and assumptions outlined below.

The Fund is expected to complete an initial public offering of its Units and Series A Debentures (the “Offering”). Concurrent with the closing of the Offering (the “Closing”), the Fund will use the proceeds of the Offering to capitalize the WesternOne Equity Operating Trust (the “Trust”) which will then finance the acquisition of all of the LP Units in WesternOne Equity LP.

WesternOne Equity LP will use the proceeds from the issuance of its LP Units to pay the expenses of the Offering and to finance the acquisition of all of the LP Units in WEQ Production Equipment LP. WEQ Production Equipment LP will use the proceeds from the issuance of its LP Units to acquire the assets of Production Equipment (the “Acquisition”). Immediately after the Offering, the Fund will have financed the acquisition of its holdings (through its interest in the Trust) of all of the LP Units, representing a 100% equity indirect interest in WesternOne Equity LP.

Management intends to continue its working relationship with one of Production Equipment’s current lenders, and has received the proposed terms that will be required for the provision of the operating loan and the capital loans for equipment purchases on a go-forward basis.

WesternOne Equity expects the existing floor plan financing, the loans payable for equipment purchases and capital leases in place to be paid out at Closing by the partners of Production Equipment.

3. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE FUND

The following assumptions and adjustments have been made to reflect the proposed transactions referred to in note 2 as if the transactions had occurred on March 31, 2006:

- (a) Adjustments to assets and liabilities of Production Equipment representing assets and liabilities not being acquired or assumed by the Fund.
- (b) Based on a yield of 14.0%, the issuance of 4,571,429 Fund Units on Closing, for proceeds of \$14,449,230, net of the payment of the underwriters fees and other costs of the Offering relating to these Units, estimated to be \$1,550,770.
- (c) Issuance of 100,000 Series A Debentures on Closing, with a face value of \$100 per Series A Debenture, for proceeds of \$9,030,770, net of the payment of the underwriters fees and other costs, estimated to be \$969,230. The gross proceeds, as disclosed in the unaudited pro forma consolidated balance sheet, comprise of a debt component of \$8,883,750 and an equity component of \$1,116,250.

(d) Purchase accounting — Acquisition

The Acquisition has been accounted for using the purchase method with the Fund identified as the acquirer and the assets acquired and liabilities assumed recorded at estimated fair value. The final allocation of the purchase price will be based on the assets acquired and liabilities assumed at the date of the Acquisition based upon an independent asset valuation. For the purposes of the pro forma consolidated financial statements, it is assumed that the purchase price ascribes the excess of the fair value over the carrying value shown in the historical financial statements of Production Equipment Rental Company of \$16,506,640 to identifiable intangible assets and goodwill. The value ascribed to identifiable intangible assets has not been separately determined at this time. A preliminary allocation of the purchase price to the assets acquired and liabilities assumed is as follows:

Preliminary allocation of purchase price:

Accounts receivable	\$ 2,024,425
Inventories	750,504
Prepaid expenses	14,550
Operating loan (to replace floor plan financing)	(782,969)
Accounts payable and accrued liabilities	(320,150)
Property, plant and equipment	8,807,000
Identifiable intangible assets and Goodwill	<u>16,506,640</u>
	<u>\$27,000,000</u>

Consideration:

Cash from the issuance of Units	\$14,449,230
Cash from the issuance of Series A Debentures	9,030,770
Capital loans for equipment financing	6,500,000
Less: cash available to the Fund and its subsidiaries at Closing	<u>(2,980,000)</u>
	<u>\$27,000,000</u>

(e) Payment of the operating loan of \$782,969 using cash available to the Fund at Closing.

(f) Reduction in partners' equity reflecting the elimination of Production Equipment's historical equity accounts.

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS OF THE FUND FOR THE YEAR ENDED MARCH 31, 2006

The unaudited pro forma consolidated statement of operations of the Fund has been prepared assuming that the consolidated entity was in operation during the year ended March 31, 2006 and as if the proposed transactions described in note 2 had been completed on April 1, 2005. The unaudited pro forma consolidated statement of operations of the Fund reflects the following assumptions and adjustments to the revenues and expenses of the Fund:

- (a) An increase of \$374,000 in general, administrative and other costs based on the new structure of the Fund, net of non-recurring addbacks of \$109,000 relating to Production Equipment.
- (b) A reduction in interest expense for the year ended March 31, 2006 to reflect changes to expenses as a result of pro forma adjustments above and the new structure of the Fund.
- (c) Reduction in amortization of \$503,479 to reflect the revised carrying amount of the property and equipment being acquired.
- (d) No amortization adjustment has been made to the value ascribed to identifiable intangible assets, and no future income tax adjustment has been provided for identifiable intangible assets and goodwill, as the fair value of these amounts has not been determined at this time.
- (e) An increase in interest on Series A Debentures of \$900,000 for the year ended March 31, 2006 to reflect interest at 9% per annum on the \$10,000,000 Series A Debentures issued at Closing as if the Series A Debentures described in note 3(c) had been issued at April 1, 2005.
- (f) An increase in interest on capital loans for equipment financing of \$416,000 for the year ended March 31, 2006 to reflect an estimated blended interest rate of 6.4% per annum on the \$6,500,000 capital loans for equipment financing refinanced at Closing as if the capital loans for equipment financing described in note 3(d) had been in place at April 1, 2005.
- (g) Accretion of \$223,250 relating to the Series A Debentures.
- (h) Amortization of deferred costs of \$193,846 relating to the issuance of Series A Debentures.
- (i) No current or future income tax expense relating to operations is recorded, based on the structure of the Fund.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: July 31, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act*, 1990 (Newfoundland and Labrador) and the respective regulations thereunder.

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

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

By: (Signed) ROBERT J. HIBBERD
Chief Financial Officer

The Promoter

DARREN FINANCIAL GROUP INC.

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

CERTIFICATE OF THE AGENTS

Dated: July 31, 2006

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act*, 1988 (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island) and by Part XIV of the *Securities Act*, 1990 (Newfoundland and Labrador) and the respective regulations thereunder.

BLACKMONT CAPITAL INC.

DUNDEE SECURITIES CORPORATION

By: (Signed) MICHAEL KLAX

By: (Signed) DAVID G. ANDERSON

SORA GROUP WEALTH ADVISORS INC.

By: (Signed) ROBERT J. ISAAC