

WESTERNO ONE EQUITY

WESTERNO ONE EQUITY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 13, 2009

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The following management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements and accompanying notes ("Financial Statements") of WesternOne Equity Income Fund and its subsidiaries (collectively known as the "Fund" below, unless the context otherwise requires) for the year ended December 31, 2008. Results have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information. Please see "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information. This MD&A also makes reference to certain non-GAAP measures to assist in assessing the Fund'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 "Non-GAAP Measures" and "Distributable Cash and Distributions – Reconciliation of Cash Provided by Operating Activities to Distributable Cash".

FORWARD-LOOKING INFORMATION

Forward-looking information is included in this MD&A, which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information may involve but is not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves 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 information, including, but not limited to, the following factors: reliance on key personnel, financial health of the Fund's subsidiaries and their related cash flows, failure to realize anticipated benefits of acquisitions, regulation, general economic conditions and levels of economic activity, current financial conditions, growth initiatives, competition,

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interest rates, labour shortages, employee relations, seasonality, resale of rental equipment, equipment availability, supply disruptions, environmental regulation and health and safety matters, import product restrictions and foreign trade risks, financing constraints, insurance coverage, dependence on information systems and technology, dependence upon WesternOne Equity LP to fund cash distributions, cash distributions are not guaranteed and will fluctuate with the performance of subsidiaries, distributions are discretionary, nature of the Units, limited liability, unpredictability and volatility of Unit prices, attributes of securities distributed on redemption of Units and termination of the Fund, dilution, leverage and restrictive covenants, investment eligibility, impact of changes to tax treatment of income trusts or dividend tax credits, taxation of the Fund and WesternOne Equity LP, nature of distributions, limitations on future growth and cash flow, restrictions on the ownership of units by non-residents of Canada, indemnities under acquisition agreements and unitholders are not afforded certain statutory rights. A description of these factors can be found under “Risks and Uncertainties” below.

Although the forward-looking information contained in this MD&A is based upon what the Fund’s management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with such information. Forward-looking information reflects management’s current beliefs and is based on information currently available to the Fund. Such information reflects current assumptions regarding future events and operating performance including, without limitation, stability in the economy in western Canada, interest rates and the equipment rental and sales and fuel wholesale markets in which the Fund operates, and speaks only as of the date of this discussion. The forward-looking information is made as of the date of this MD&A and the Fund assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

OVERVIEW OF THE FUND

The Fund is based in Vancouver, British Columbia, and has been established to seek opportunities to acquire predominantly equipment and infrastructure related businesses located primarily in the Western Canadian provinces of British Columbia, Alberta and Saskatchewan, in order to generate stable and growing distributions to its unitholders as well as to achieve overall capital appreciation.

The Fund is an unincorporated, open-ended, limited purpose trust created on June 14, 2006 and governed by its declaration of trust and the laws of British Columbia. The Fund is authorized to issue an unlimited number of units (“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 acquire indirectly the assets of Production Equipment Rentals Company (“PER”) and such other investments as the trustees of the Fund (the “Trustees”) may determine.

The Fund holds a 100% indirect interest in WEQ Production Equipment LP (“PE”), a limited partnership established under the laws of Manitoba on June 15, 2006. The Fund commenced operations on August 15, 2006, when PE acquired the assets and the business of PER (the “Closing”). PE specializes in renting, selling and servicing quality high reach and material handling equipment and providing logistical support to its customers, located primarily in the lower mainland of British Columbia.

The Fund holds a 100% indirect interest in WEQ Old Country Rentals LP (“OCR”), a limited partnership established under the laws of Manitoba on April 20, 2007. The Fund’s operations within OCR commenced

on June 1, 2007, when OCR acquired the assets and the business of Old Country Rentals Ltd (“OCR Ltd.”). OCR Ltd. has been operating for more than 45 years, and is one of the largest and most diversified equipment rentals, sales and repair businesses on Vancouver Island in British Columbia.

The Fund holds a 100% indirect interest in WEQ C&N Rentals LP (“C&N”), a limited partnership established under the laws of Manitoba on August 27, 2007. The Fund’s operations within C&N commenced on January 2, 2008, when C&N acquired the assets and the business of C&N Motors Ltd. (“C&N Ltd.”). C&N Ltd. has been operating for more than 25 years, and is a major equipment rentals, sales and repair business on central Vancouver Island in British Columbia.

The Fund holds a controlling indirect interest in WEQ Deerfoot Rentals LP (“Deerfoot”), a limited partnership established under the laws of Manitoba on January 25, 2008. The Fund’s operations within Deerfoot commenced on February 15, 2008, when Deerfoot acquired the assets and the business of Deerfoot Equipment Rental Inc. (“Deerfoot Inc.”). Deerfoot operates under the franchise of Volvo Rents, a worldwide system of franchised construction equipment rental business, and is a major provider of rented heaters, generators, and compact construction equipment to homebuilders and commercial builders in Calgary, Alberta.

The Fund holds a 100% indirect interest in WEQ Heat & Propane LP (“H&P”), a limited partnership established under the laws of Manitoba on August 26, 2008. The Fund’s operations within H&P commenced on October 1, 2008, when H&P acquired the assets and the businesses of SureFire Propane Ltd. (“SureFire Ltd.”) and Davis Heater Service Ltd. (“Davis Ltd.”) (the combined businesses of SureFire Ltd. and Davis Ltd. are referred to as “Davis SureFire” below), an equipment rental, construction heat, and propane wholesale and distribution business with locations in Edmonton and Calgary, Alberta. Together, SureFire and Davis has been a market leader in the northern Alberta equipment rental, construction heat, and propane wholesale and distribution industry for over 30 years.

To ensure operational efficiency within the businesses acquired, specifically, PE, OCR, C&N, Deerfoot and H&P (collectively known as “Business LPs” below), the Fund structures its platform businesses based on market and geographic boundaries. Currently, our businesses consist of two geographic platforms within the equipment rental, sales and service, and fuel wholesale and distribution industries – one based in British Columbia and one in Alberta:

British Columbia Platform (“BC Platform”): This platform currently includes:

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

The businesses within the BC Platform began formally operating under a unified brand name, “WesternOne Rentals and Sales”, on July 3, 2008.

Alberta Platform: This platform currently includes:

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

In addition to the original location in south Calgary, Alberta, Deerfoot officially opened a second location in Lethbridge, Alberta on June 6, 2008.

The Units and the Fund's senior secured convertible debentures – Series A (“Series A Debentures”) trade on the Toronto Stock Exchange under the respective symbols WEQ.UN and WEQ.DB.

RECENT EVENTS

On December 23, 2008, the Fund completed a unit offering, in which the Fund sold 1,322,500 Units (including 172,500 Units from the exercise of an over-allotment option) at a price of \$3.50 per Unit through a syndicate of underwriters. The offering resulted in total gross proceeds of \$4.63 million.

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

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

BASIS OF MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund's results of operations reflect the Fund's operations for the year December 31, 2008. Compared to the year ended December 31, 2007 in which the Fund's business comprised PE and OCR (acquired June 1, 2007), for the year ended December 31, 2008 the Fund has incorporated the full years operation of OCR, and added the businesses of C&N, Deerfoot and H&P since their respective acquisition on January 1, February 15 and October 1, 2008. Therefore, in order to enhance the usefulness of this MD&A, specifically for discussions of operating results for the year ended December 31, 2008 under “Operating Results” below, certain financial and operating results of the Fund for the year ended December 31, 2008 are compared to the results of the Fund for the year ended December 31, 2007, combined with the unaudited results of OCR Ltd., C&N Ltd., Deerfoot Inc. and Davis SureFire for the year ended December 31, 2007. Such information is provided for reference purposes only and is not intended to represent a comprehensive comparison of the consolidated financial results.

SUMMARY FINANCIAL REVIEW

The Fund reported strong growth in sales, gross profit and EBITDA (for definition see “Non-GAAP Measures” below) for the three and twelve months ended December 31, 2008, compared to the same periods last year. The strong growth in earnings, largely due to the acquisition of businesses during the

year, enhanced the Fund's unitholders' value by generating incremental cash flow which resulted in a payout percentage of 66.7% for the three months ended December 31, 2008 and 82.1% for the twelve months ended December 31, 2008.

Summary Financial Overview

(\$000's, except unit amounts)	Three months ended			Year ended		
	December 31			December 31		
	2008	2007	2006	2008	2007	2006 ⁽⁷⁾
Revenue	\$ 13,448	\$ 6,089	\$ 4,300	\$ 37,580	\$ 22,534	\$ 6,662
Cost of sales	(4,532)	(1,387)	(1,243)	(11,521)	(6,666)	(1,540)
Gross profit	8,916	4,702	3,057	26,059	15,868	5,122
<i>Gross margin</i>	66.3%	77.2%	71.1%	69.3%	70.4%	76.9%
Operating Expenses ⁽¹⁾	(4,862)	(2,336)	(1,330)	(14,463)	(7,760)	(2,019)
EBITDA⁽²⁾	4,054	2,366	1,727	11,596	8,108	3,103
Interest Expense ⁽³⁾	(902)	(409)	(342)	(2,262)	(1,223)	(497)
Amortization, accretion and others ⁽⁴⁾	(2,395)	(675)	(578)	(6,039)	(3,015)	(1,078)
Impairment of assets	(3,515)	-	-	(3,566)	-	-
Income before future income taxes	(2,758)	1,282	807	(271)	3,870	1,528
Future income tax (expense)/recoveries	2,220	1,452	-	1,750	1,452	-
Net income	\$ (538)	\$ 2,734	\$ 807	\$ 1,479	\$ 5,322	\$ 1,528
Adjustments:						
Impairment of assets	3,515	-	-	3,566	-	-
Loss on derivatives	416	-	-	575	-	-
Future income tax recoveries	(2,220)	(1,452)	-	(1,750)	(1,452)	-
Non-recurring expenses	27	-	-	186	-	-
Adjusted net income^{(2), (5)}	\$ 1,200	\$ 1,282	\$ 807	\$ 4,056	\$ 3,870	\$ 1,528
Basic weighted avg income/(loss) per Unit	\$ (0.04)	\$ 0.23	\$ 0.13	\$ 0.12	\$ 0.56	\$ 0.30
Diluted weighted avg income/(loss) per Unit	(0.04)	0.21	0.12	0.12	0.53	0.25
Basic weighted avg income/(loss) per Unit - adjusted	0.10	0.11	0.13	0.34	0.41	0.30
Diluted weighted avg income/(loss) per Unit - adjusted	0.09	0.11	0.12	0.32	0.41	0.25
Total Assets	\$ 87,655	\$ 51,849	\$ 33,205	\$ 87,655	\$ 51,849	\$ 33,205
Maintenance Capital Expenditure ⁽²⁾	297	29	165	563	102	173
Distributable cash generated ⁽²⁾	\$ 2,799	\$ 2,084	\$ 1,374	\$ 8,778	\$ 6,939	\$ 2,376
Distributable cash per Unit ⁽⁶⁾	0.2314	0.1774	0.2143	0.7361	0.7325	0.3707
Distributions declared	1,867	1,762	913	7,209	5,498	1,318
Distributions declared per Unit	0.1500	0.1500	0.1424	0.6000	0.5666	0.2056
Payout percentage	66.7%	84.5%	66.5%	82.1%	79.2%	55.5%

Notes:

- (1) Excludes items relating to interest, amortization, accretion, loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap, foreign exchange gains/losses, and impairment of assets.
- (2) See definition of EBITDA, Adjusted net income, Distributable Cash and Maintenance capital expenditures under "Non-GAAP Measures".
- (3) Net of interest income.
- (4) Includes amortization, accretion, loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap, and foreign exchange gains/losses.
- (5) Net income adjusted for impairment of assets, loss on financial derivatives relating to the recording of the fair market value of the fixed interest swap, future income taxes, and non-recurring expenses relating to re-branding.
- (6) Calculated based on weighted average number of Units.
- (7) For the 201-day period ended December 31, 2006.

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More detailed discussions of the financial results for the three and twelve months ended December 31, 2008 are provided under “Operating Results” below.

The Fund benefited from H&P’s operation which commenced in the fourth quarter of 2008 and capitalized on the start of northern Alberta’s construction heater season. For the quarter ended December 31, 2008 the payout percentage was 66.7% (equivalent to a coverage ratio of 1.50x). For the year ended December 31, 2008 the payout percentage was 82.1% (coverage ratio of 1.22x). The Fund generated distributable cash (for definition see “Non-GAAP Measures” below) of \$2.80 million (\$0.2314 per Unit) for the three months ended December 31, 2008 and \$8.78 million (\$0.7361 per Unit) for the twelve months ended December 31, 2008. Total distributions declared were \$1.87 million (\$0.15 per Unit) and \$7.21 million (\$0.60 per Unit) in the respective periods.

The Fund’s revenue increased by 120.8%, or \$7.36 million for the three months ended December 31, 2008. For the twelve months ended December 31, 2008, the Fund’s revenue increased by 66.8%, or \$15.05 million. The addition of C&N, Deerfoot and H&P contributed \$7.84 million for the three months ended December 31, 2008 and \$14.34 million for the twelve months ended December 31, 2008. In particular, H&P’s commencement of operation on October 1, 2008 coincided with the beginning of the winter construction heater season and gave rise to a strong fourth quarter with additional revenue of \$5.54 million generated. PE and OCR contributed revenue of \$5.58 million and \$23.12 million for the three and twelve months ended December 31, 2008. Specifically, PE and OCR’s revenue from rental and service operation was \$4.89 million in the fourth quarter, and on an annual basis PE and OCR achieved an organic growth of 4.4%, due to strong activities in the construction, filming and vessel maintenance sectors, particularly in the first three quarters of the year. PE and OCR’s revenue from equipment sales was \$0.70 million for the fourth quarter compared to \$0.93 million for the same period last year. This is primarily due to higher sales volume in 2007 as PE’s fleet renewal program continued throughout 2007.

Gross profit increased by 89.6%, or \$4.22 million for the three months ended December 31, 2008. For the twelve months ended December 31, 2008 the Fund’s gross profit increased by 64.2%, or \$10.19 million. The addition of C&N, Deerfoot and H&P contributed a total of \$4.92 million and \$9.14 million for the three and twelve months ended December 31, 2008, respectively. In particular, H&P’s contribution totaled \$3.25 million as it commenced operation on October 1, 2008. Together PE and OCR contributed \$3.96 million for the fourth quarter, compared to \$4.58 million for the same period last year or a 13.5% decline. The variance is mainly due to 1) a general slowdown in the economy in the fourth quarter of 2008; 2) an unusually high volume of equipment sales in 2007 due to fleet renewal; and 3) significant snowfall in December 2008 in southern British Columbia which hampered the construction activity level. For the twelve months ended December 31, 2008 PE and OCR’s gross profit was \$16.80 million, compared to \$15.62 million last year, during which OCR commenced its operations on June 1, 2007.

Gross margin declined from 77.2% to 66.3% for the three months ended December 31, 2008. The lower margin is attributable to the following factors: 1) The addition of H&P, in which the propane wholesale division, although contributing an incremental \$1.91 million of gross profit (out of total gross profit of \$3.31 million contributed by H&P), has a lower gross margin than the Fund’s equipment rental and service business. 2) Competition in the equipment rental sector leads to a decline in rent rates. 3) A higher proportion of re-rental revenue, as strong activity level in the filming sector resulted in high rental demands for certain equipment on our fleet. As such we were required to re-rent equipment from other local rental companies and thereby earn a lower margin in order to fulfill our customers’ demands. For the twelve months ended December 31, 2008 gross margin was 69.3%, compared to 70.4% for the same

period last year.

EBITDA (for definition see “Non-GAAP Measures” below) increased by 71.3%, or \$1.69 million for the three months ended December 31, 2008. For the twelve months ended December 31, 2008 EBITDA increased by 43.0%, or \$3.49 million. C&N, Deerfoot and H&P contributed a total of \$2.98 million in the fourth quarter and \$4.56 million for the year. In particular, the Fund benefited from H&P’s operation that commenced on October 1, 2008, in which H&P generated \$2.55 million as it capitalized on the start of the construction heater season. PER contributed \$1.48 million and \$6.71 million for the three and twelve months ended December 31, 2008, respectively. OCR contributed \$0.25 million and \$1.69 million for the three and twelve months ended December 31, 2008, respectively. EBITDA was offset by corporate overhead of \$0.66 million and \$1.37 million for the three and twelve months ended December 31, 2008, respectively.

At December 31, 2008, management performed asset impairment tests and accordingly a total charge of \$3.57 million was recorded as impairment of the Fund’s assets. Of that amount, \$1.00 million related to the write-off of intangible assets associated with previously acquired brand names in the BC Platform, as the Fund launched a new brand name, WesternOne Rentals and Sales, during 2008. \$2.33 million of the impairment related to the write-down of other intangible assets and goodwill to reflect a change in near-term projected cash flow from businesses acquired, particularly in Calgary due to the economic slowdown. The remainder of the impairment of \$0.24 million related to the write-down of certain rental equipment to reflect the associated net realizable value.

The Fund generated a net loss of \$0.54 million for the three months ended December 31, 2008 and net income of \$1.48 million for the twelve months ended December 31, 2008. Included in the figures were charges relating to asset impairments described above, loss on financial derivatives relating to the recording of the fair market value of the fixed interest swap, future income taxes, and non-recurring expenses relating to re-branding. After excluding these items the Fund’s adjusted net income (for definition see “Non-GAAP Measures” below) was \$1.20 million and \$4.06 million for the three and twelve months ended December 31, 2008 respectively, compared to \$1.28 million and \$3.87 million for the same periods last year.

FUTURE INCOME TAXES

On October 31, 2006, the Minister of Finance announced proposed changes to the income tax treatment of “flow-through entities”, including income trusts. On June 22, 2007, the Government of Canada enacted new legislation imposing a tax on distributions paid by publicly traded income trusts in Canada, commencing in 2011. Unitholders will be treated as if they have received an eligible dividend from a Canadian public corporation equal to the taxable portion of their distributions and will be taxed accordingly.

Prior to June 22, 2007, the Fund estimated the future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes at nil tax rate. Under the newly enacted legislation, the tax rate on the post-2010 reversal of these temporary differences is estimated to be 27.0% for 2011 and 25.5% thereafter. Temporary differences reversing prior to December 31, 2010 will still give rise to nil future income taxes. Based on its assets and liabilities as at December 31, 2008, the Fund has estimated the amount of its temporary differences which were previously not subject to tax and the period

in which these differences will reverse.

As a result of this new legislation, Canadian accounting guidance required that the Fund record a future tax asset and a corresponding non-cash recovery to net income of \$1.45 million in the fiscal year 2007. This future income tax treatment is based on the assumption that the Fund will be a taxable entity in 2011. Adjustments to this future income tax asset are required based on changes in the differences between the tax basis and financial statement basis of the Fund's assets and liabilities. Accordingly, the Fund recorded an adjustment representing a non-cash, future income tax recovery of \$2.22 million for the three months ended December 31, 2008, and \$1.75 million for the twelve months ended December 31, 2008.

Since this tax will not take effect until 2011, any changes to the tax legislation or to the legal structure of the Fund prior to that time could have a material effect on the level of the future income taxes recorded by the Fund.

OPERATING RESULTS

To enhance the comparability with the current period's financial results under this section, the Fund's financial results for the three and twelve months ended December 31, 2007 have been combined with the unaudited financial results for OCR Ltd., C&N Ltd., Deerfoot Inc. and Davis SureFire prior to the Fund's acquisition of the companies' assets and business. This unaudited information is for information purposes only and should not be relied upon under any circumstances.

Revenue

The following table summarizes the revenues for the three and twelve months ended December 31, 2007 and 2008.

Summary of Revenues (\$000's)

	Three months ended		Year ended	
	December 31		December 31	
	2008	2007 ⁽¹⁾	2008	2007 ⁽¹⁾
Equipment Rentals	\$ 5,684	\$ 6,517	\$ 21,145	\$ 20,937
Parts and Services	2,559	2,893	5,382	5,499
Logistical Support	473	432	1,784	1,701
Total Rental and Service Revenue	\$ 8,716	\$ 9,842	\$ 28,311	\$ 28,137
Equipment Sales	1,048	1,527	5,449	8,152
Fuel Wholesale	3,584	3,704	3,584	3,704
Others	100	224	236	386
Total Revenues	\$ 13,448	\$ 15,297	\$ 37,580	\$ 40,379

Note:

(1) Combined totals of the Fund's financial results for three and twelve months ended December 31, 2007, plus unaudited financial results of 1) OCR Ltd for the five months ended May 31, 2007; 2) C&N Ltd. for the three and twelve months ended December 31, 2007; 3) Deerfoot Inc. for the three months and 319 days ended December 31, 2007; and 4) Davis SureFire for the three months ended December 31, 2007.

Revenue from equipment rentals of \$21.15 million for the twelve months ended December 31, 2008 increased by 1.0 %, or \$0.21 million, compared to \$20.94 million a year ago. Despite a slowdown in the economy in western Canada, the region continued to benefit from a moderate level of construction activity

in the non-residential and infrastructure sectors, as well as strong rental demands from the filming and vessel maintenance sectors, particularly in British Columbia. Major infrastructure projects in the Greater Vancouver Regional District (GVRD), such as the Vancouver Trade and Convention Centre, Vancouver International Airport expansion project, Canada Line rapid transit system, Golden Ears bridge, Olympic Athletes' Village, along with various other commercial and multi-family residential projects, were underway and continued to fuel the demand for our equipment. The moderate increase in rental revenue in British Columbia was partially offset by a decline in revenue from Alberta, in which the economy was impacted by the lower oil price and a saturated housing market.

For the three months ended December 31, 2008, equipment rental revenue of \$5.68 million decreased by 12.8%, or \$0.84 million, compared to \$6.52 million. The decline was largely due to price competition amongst equipment rental companies as the economy slowed down and resulted in an excess supply of rental equipment in the market. The decline was also attributable to factors relating to weather. In British Columbia, the unusually large amount snowfall in December 2008 caused construction sites to shut down early for the holiday season. In Alberta, the above-average temperature from mid-November through to mid-December reduced the demand for construction heaters. This was followed by an unusually large amount of snowfall for the remainder of 2008, which caused construction sites to shut down.

Revenue from parts and services of \$5.38 million for the twelve months ended December 31, 2008 decreased marginally by 2.1%, or \$0.12 million, compared to \$5.50 million a year ago. The increase in the cumulative number of units sold to our customers, particularly in British Columbia, 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. Accordingly, parts and service revenue from the BC Platform increased by 25.8%, or \$0.50 million. However, the increase was offset by the reduced parts and services volume from the Alberta Platform, which reported a decline of 17.3%, or \$0.62 million.

For the three months ended December 31, 2008, parts and services revenue of \$2.56 million decreased by 11.5%, or \$0.33 million, compared to \$2.89 million for the same period last year.

Revenue from logistical support of \$1.78 million for the twelve months ended December 31, 2008 increased by 4.9%, or \$0.08 million, compared to \$1.70 million a year ago. For the three months ended December 31, 2008, logistical support revenue of \$0.47 million increased by 9.4%, or \$0.04 million, from \$0.43 million a year ago. The increase was due to the higher rental volume in the filming sector, which gave rise to increased deliveries.

Revenue from equipment sales of \$5.45 million for the twelve months ended December 31, 2008 decreased by 33.2%, or \$2.70 million, compared to \$8.15 million a year ago. Equipment sales declined from the unusually high sales level a year ago, when PE sold a significant amount of older equipment to renew its fleet in order to optimize the residual value of older equipment when sold to the market. Furthermore, the renewal of the fleet enhances the operating efficiency and avoids significant repair and maintenance costs and breakdowns.

For the three months ended December 31, 2008, equipment sales revenue of \$1.05 million decreased by 31.4%, or \$0.48 million, compared to \$1.53 million a year ago. The decline is largely due to a reduced level of general equipment retail sales which is an impact of the economic slowdown.

Revenue from the wholesale of fuel relates to fuel sold and distributed by H&P to a diverse customer base,

including industrial, commercial, residential and construction customers as well as propane retailers. The fuel sold is used primarily for closed-in construction heating, structure heating, thawing, concrete curing and retailing. Revenue for the three months ended December 31, 2008 was \$3.58 million, compared to \$3.70 million for the same period last year. The decline of \$0.12 million, or 3.2% primarily relates slower sales in November 2008 due to the unusually warm weather when compared to 2007.

Revenue from other sources amounted to \$0.24 million for the twelve months ended December 31, 2008, compared to \$0.39 million for the same period last year. For the three months ended December 31, 2008 the revenue was \$0.10 million, compared to \$0.22 million a year ago. The revenue relates mostly to income generated from short-term investments such as guaranteed investment certificates.

Gross margin and gross profit

Gross margin was 66.3% and 69.3% for the three and twelve months ended December 31, 2008, respectively. This is compared to 62.9% and 65.1% for the same periods last year. The increase is due to lower equipment sales (see revenue discussion above), which typically have a lower margin than equipment rentals and services.

Gross profit of \$26.06 million for the twelve months ended December 31, 2008 was slightly lower compared to \$26.30 million last year, a marginal decrease of 0.9% or \$0.24 million. Gross profit of \$8.92 million for the three months ended December 31, 2008 decreased by 7.3%, or \$0.70 million, compared to \$9.62 million last year. Price competition amongst equipment rental companies intensified in the fourth quarter and caused the gross profit to decline.

Cost of sales

Cost of sales as a percentage of total revenue was 33.7% and 30.7%, respectively, for the three and twelve months ended December 31, 2008, compared to 37.1% and 34.9% for the same periods last year.

Costs associated with equipment sales were 85.4% of equipment sales revenue for the twelve months ended December 31, 2008, which increased from 81.4% last year. For the three months ended December 31, 2008, costs associated with equipment sales were 94.6%, compared to 75.8% last year. While margins of equipment retail sales remained relatively consistent throughout the year, the higher cost percentage in the fourth quarter relates to sales of fleet equipment in auctions, which result in fluctuating margins from time to time.

Costs associated with wholesale fuel were 46.8% of fuel wholesale revenue for the three and twelve months ended December 31, 2008, compared to 61.8% last year. The higher margin in 2008 reflects the continuing strong demand for propane in the commercial, industrial, infrastructure and construction sectors as well as retail business in northern Alberta.

Costs associated with commissions were 2.3% of total revenue for the twelve months ended December 31, 2008, compared to 2.2% last year. Commissions for sales people are paid based upon equipment sales and rental revenue. In addition, incentive compensation paid out to the management team of the Business LPs, which is determined using an earnings-based calculation, is also included in commissions. For the three

months ended December 31, 2008, costs associated with commissions were 1.6% of total revenue, compared to 1.5% last year.

Costs associated with re-rentals were 5.9% of total rental revenue for the twelve months ended December 31, 2008, compared to 5.3% last year. For the three months ended December 31, 2008, costs associated with re-rentals were 8.0% of total rental revenue, compared to 5.8% last year. Re-rentals are the costs associated with renting equipment from other equipment rental companies in order to fulfill the requirements of the Fund's customers. The higher level of re-rentals was driven by the higher demand from the filming sector, which started in the second half of the year when the writer strike ended earlier in the year and the Canadian currency weakened, causing an influx of filming productions into the region. This resulted in higher demands for certain equipment on our rental fleet. As such we were required to re-rent equipment from other local rental companies in order to fulfill our customers' demands.

Costs associated with parts and service were 8.2% of total revenue for the twelve months ended December 31, 2008, consistent with 7.9% last year. Costs under this category relate mostly to purchases of fuel for the rental fleet, and expenditures of parts for the repair and maintenance of the rental equipment and servicing of customers' equipment. For the three months ended December 31, 2008, costs associated with parts and service were 8.8% of total revenue, compared to 10.7% last year. The lower percentage is primarily due to lower fuel costs for the rental fleet.

Operating expenses

Operating expenses, before interest, amortization, accretion and loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap was 38.6% of total revenue, or \$14.51 million for the twelve months ended December 31, 2008. This is compared to 30.7% of total revenue, or \$12.41 million, a year ago. Included in the current year's operating expenses were non-recurring costs associated with the re-branding strategy in the BC Platform, which amounted to \$0.18 million. Excluding those expenses, operating expenses were 37.9% of total revenue. Compared to last year, the higher percentage is attributable to increases in general and administrative, freight, sales and service expenses, due to factors such as the growth in fleet size which resulted in higher service and freight costs, the expansion of operation into Lethbridge, higher fuel costs for internal operations, and higher corporate overhead in relation to incremental regulatory compliance costs as the Fund graduated to the Toronto Stock Exchange from the TSX Venture Exchange during the year.

For the three months ended December 31, 2008, operating expenses, before interest, amortization, accretion and loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap was 36.6% of total revenue, or \$4.92 million. This is compared to 26.5% of total revenue, or \$4.05 million, a year ago.

EBITDA (for definition see "Non-GAAP Measures" below)

EBITDA of \$11.60 million for the twelve months ended December 31, 2008 decreased by 15.0%, or \$2.04 million, compared to \$13.64 million for the same period last year. Excluding effects from the lower fleet sales at PE and non-recurring costs associated with re-branding, adjusted EBITDA was \$11.51 million, compared to \$13.01 million last year. The 11.5% decline is attributable to higher operating costs relating

to fuel, one-time integration costs and higher regulatory compliance costs due to the Fund's graduation to the Toronto Stock Exchange from the TSX Venture Exchange during the year.

EBITDA of \$4.05 million for the three months ended December 31, 2008 decreased by 26.0%, or \$1.43 million, compared to \$5.48 million for the same period last year. Excluding effects from the lower fleet sales at PE and non-recurring costs associated with re-branding, adjusted EBITDA was \$4.05 million, compared to \$5.35 million last year. The decline is largely attributable to reduced rental margin due to price competition in a saturated market, and unusual amount of snowfall in December 2008.

Net income

Net income of \$1.48 million or 3.9% of total revenue for the twelve months ended December 31, 2008 decreased by 83.2%, or \$7.35 million, compared to \$8.83 million or 21.9% of total revenue for the same period last year. Net income for the twelve months ended December 31, 2008 included a number of non-cash GAAP-related accounting adjustments, including a charge of \$3.57 million relating to the impairment of the value of the Fund's fleet assets, intangible assets and goodwill. Furthermore, the Fund recorded a charge of \$0.58 million in association with the recording of the fair value of the Fund's fixed interest rate swap which the Fund entered into in July 2008 (see "Capital Resources" below), a future income tax recovery of \$1.75 million (see "Future Income Taxes" above), and non-recurring expenses of \$0.18 million associated to re-branding. Excluding the effects of these accounting adjustments, the adjusted net income (for definition see "Non-GAAP Measures" below) for the twelve months ended December 31, 2008 was \$4.06 million or 10.8 % of total revenue, which decreased 45.0% or \$3.32 million, from the adjusted net income of \$7.38 million in 2007 (being \$8.83 million adjusted for future income tax recovery of \$1.45 million). The decline is due to higher amortization, interest and other operating expenses from the larger pool of capital assets for the Fund as a combined entity, lower fleet equipment sales at PE, higher fuel costs, and different corporate structure of the businesses before and after the Fund's acquisition, which gave rise to incremental costs associated with regulatory compliance as a public reporting issuer and different non-cash related amortization policies.

For the three months ended December 31, 2008, there was a net loss of \$0.54 million, compared to net income of \$4.93 million last year. Excluding the impact from asset impairments, future income taxes, charges relating to the mark-to-market of fixed interest swap, and non-recurring re-branding expenses totaling \$1.74 million, adjusted net income was \$1.20 million for the three months ended December 31, 2008, compared to the adjusted net income of \$3.48 million (being \$4.93 million adjusted for future income recovery of \$1.45 million) in 2007.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides quarterly historical financial data for the Fund for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto.

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

Notes:

- (1) See definition of EBITDA and Distributable cash under "Non-GAAP Measures" below.
- (2) Calculated based on weighted average number of Units.
- (3) Amounts calculated using distributable cash and distributions declared for the related period, not on per Unit amounts.

Seasonality

The seasonality of the Fund's business impacts its operating results as follows: the Fund's business activity levels in the BC Platform are generally lower from January through March as winter weather hampers construction activities. The low activity levels are addressed by the Fund's acquisition of the assets of Deerfoot Inc. on February 15, 2008 and Davis SureFire on October 1, 2008. Construction heater rentals and related fuel supply and wholesale during the winter months in the Alberta Platform compensate for the slow winter business cycle in British Columbia. From April through July, the rental demand for construction and general rental equipment grows gradually as rental activities accelerate into the summer months. Expenditures on inventory for sale and rental fleet are mostly incurred during these months due to robust equipment rental and sales in summer and fall. From August through November the demand for rental equipment continues to be strong as construction companies strive to meet construction targets prior the start of the holiday season in December. The construction heater rentals and fuel wholesale business in Alberta starts in November and continues through to the spring of the following year.

In addition to the seasonal nature of the Fund's business, the quarterly changes above are also due to organic growth in the business and timing of acquisition of assets.

WESTERNONE EQUITY INCOME FUND

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CASH FLOW AND LIQUIDITY

The following table provides an overview of the Fund's cash flows from operating, investing and financing activities for the three and twelve months ended December 31, 2008.

Summary of cash flows (\$000's)	Three months ended		Year ended	
	December 31		December 31	
	2008	2007	2008	2007
Net change of cash related to:				
Operations	\$ 2,097	\$ 494	\$ 11,414	\$ 4,840
Investing	(23,980)	772	(44,208)	(13,227)
Financing	20,125	(938)	29,294	13,514
Net change in cash during the period	\$ (1,758)	\$ 328	\$ (3,500)	\$ 5,127

As mentioned above, the revenue and operating results of the predecessor businesses of the Fund have historically displayed seasonal variations throughout the year. While certain of the Fund's variable costs can be managed to match seasonal patterns, a significant portion of its costs are fixed and cannot be adjusted for seasonality. The fluctuation in future results of operations may require the Fund to rely on its operating loans for working capital financing at certain times of the year.

The Bank has provided a \$4.75 million operating loan on an interest only basis, that is payable upon demand, on which the operating entities of the Fund had drawn \$1.98 million as at December 31, 2008.

Working capital management continues to be an important element of cash generation for the Fund. During 2008, management continued to generate positive cash flow from operations. Accounts receivable, accounts payable, deposits and prepaid expense, and inventory levels have all increased year over year with the corresponding increase in sales. Management expects that receivables are collectible and that payments to suppliers will also continue under current terms.

During the three months ended December 31, 2008, the Fund's operating activities generated cash of \$2.10 million, with \$3.13 million of cash generated from operating earnings, partially offset by \$1.03 million relating to negative changes from non-cash working capital which represented a normal course of fluctuation in the Fund's businesses.

Significant components of changes in non-cash working capital included the following:

- Accounts receivable increased by \$1.61 million, primarily relating to the addition of H&P in the fourth quarter;
- Deposits and unearned revenue increased by \$0.37 million, reflecting the ramp-up of the construction heater season in the Alberta platform; and
- Other increases of \$0.21 million relating to ongoing operations.

During the three months ended December 31, 2008 the Fund invested \$23.98 million. The Fund purchased the assets of Davis for \$23.12 million on October 1, 2008. The Fund also purchased rental equipment and other operating assets of \$1.23 million (net of proceeds from sale of fleet equipment of \$0.34 million), and

transferred funds of \$0.37 million from its short-term investments for daily operation.

During the three months ended December 31, 2008, the Fund obtained \$17.96 million from its credit facilities for the purchase of the assets of Davis SureFire, equipment financing and ongoing operation. The Fund also completed an equity financing by issuing 1,322,500 Units (including 172,500 Units from the exercise of an over-allotment option) at \$3.50 per Unit for net proceeds of \$3.97 million. Finally, the Fund paid \$1.80 million of distributions to the unitholders during the quarter.

Liquidity Risks

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due.

The Fund manages its liquidity risk through cash and debt management. As at December 31, 2008, the Fund had available unused approved credit facilities (operating, capital and acquisition loans combined) of \$4.31 million. The Fund also has accounts receivable of \$8.23 million and cash and cash equivalents totaling \$2.01 million.

The timing of cash outflows relating to financial liabilities and capital lease obligations are outlined in the table below:

in \$000's	1 year	2-3 years	4-5 years	beyond 5 years	Total	Carrying Value
Accounts payable and accrued liabilities	\$ 4,189				\$ 4,189	\$ 4,189
Distributions payable	661				661	661
Equipment financing payable	92	95			187	187
Capital Leases	169	85			254	254
Term mortgage	16	35	310		361	352
Interest Rate Swap	253	282			535	525
Capital and acquisition loans ⁽¹⁾	4,792	15,103	16,110		36,005	35,747
Series A Debentures		9,702			9,702	8,344
Totals	\$ 10,172	\$ 25,302	\$ 16,420	\$ -	\$ 51,894	\$ 50,259

Notes:

(1) The capital and acquisition loans are repayable on demand.

CAPITAL RESOURCES

In addition to the \$4.75 million interest-only demand operating loan described in “Cash Flow and Liquidity” above, the Bank has made capital and acquisition loans available to the Fund to finance its capital expenditures and future acquisitions. As at December 31, 2008, \$37.29 million of capital and acquisition loans were approved by the Bank and \$35.75 million were outstanding.

The credit facilities have covenants specifying a minimum current ratio of 1.15 to 1.0 for the year ended December 31, 2008 and 1.25 to 1.0 thereafter, a maximum funded debt to earnings (as defined in the credit agreement) ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, and a restriction on distributions to Unitholders and future acquisitions without the prior written consent of the Bank. For purposes of calculating the current ratio, 25% of the capital and acquisition loans that are due within one year are included in current liabilities. As at December 31, 2008 the Fund was in compliance with all bank covenants.

On December 31, 2008 the Fund amended its credit facilities with the Bank. Under the amended terms the capital and acquisition loans entailed interest, at the Fund's option, at the Bank's prime rate plus a range of 1.2% to 1.5%, or a stamping fee with a range of 2.7% to 3.0% above the Bank's banker's acceptance rate. The credit facilities were also amended to exclude the ratio of debt to tangible net worth from covenant calculations, set other covenants as summarized in the preceding paragraph, and repay \$4.60 million in full by December 30, 2010. Management expects to fund the repayment through cash flow generated from operations.

On July 2, 2008, the Fund entered into an interest rate swap with the Bank. The swap has a three-year term, a notional value of \$9,312,000 and a fixed rate of 4.08% plus a stamping fee of 3.0% as at December 31, 2008. The Fund has not applied hedge accounting to this swap, and as a result recorded a financial derivative liability of \$525,079 at December 31, 2008. The Fund marks the value of this derivative to market every quarter, and any resulting gains/losses are recorded net income.

DISTRIBUTABLE CASH AND DISTRIBUTIONS (for definition of Distributable Cash see "Non-GAAP Measures" below)

The Fund reviews its historic and expected results on a regular basis. This review includes consideration of economic conditions, including seasonality, the competitive environment, and future cash requirements. In order to ensure the Fund's continued financial strength, and providing a reasonable return to its unitholders, the Fund has considered it financially prudent not to distribute 100% of Distributable Cash in order to address the seasonality nature of the business and unforeseen events, should they occur. The Fund's policy is to make stable monthly distributions to unitholders.

The following shows the Fund's distribution history since the Offering on August 15, 2006:

Distribution history	Distributions per Unit	
August, 2006 ⁽¹⁾	\$	0.0224
September, 2006		0.0408
October, 2006		0.0408
November, 2006		0.0408
December, 2006		0.0608
Total for the 130-day period ended December 31, 2006	\$	0.2056
January, 2007	\$	0.0408
February, 2007		0.0408
March, 2007		0.0450
April, 2007		0.0450
May, 2007		0.0450
June, 2007		0.0500
July, 2007		0.0500
August, 2007		0.0500
September, 2007		0.0500
October, 2007		0.0500
November, 2007		0.0500
December, 2007		0.0500
Total for the twelve months ended December 31, 2007	\$	0.5666
January, 2008	\$	0.0500
February, 2008		0.0500
March, 2008		0.0500
April, 2008		0.0500
May, 2008		0.0500
June, 2008		0.0500
July, 2008		0.0500
August, 2008		0.0500
September, 2008		0.0500
October, 2008		0.0500
November, 2008		0.0500
December, 2008		0.0500
Total for the twelve months ended December 31, 2008	\$	0.6000

Note:

(1) 17-day period from August 15-31, 2006.

Distributions are paid on or about the 15th day of each month to unitholders of record on the last business day of the preceding month. Unitholders who are non-residents of Canada will be subject to withholding taxes payable on any distributions by the Fund.

Distributable cash and distributions - Reconciliation of cash provided by operating activities to distributable cash

The following table reconciles cash flow from operating activities to distributable cash for the three and twelve months ended December 31, 2008.

Reconciliation of cash flow from operating activities to distributable cash (\$000's, except for Unit amounts)	Three months ended December 31	Year ended December 31
Cash flow from operating activities	\$ 2,097	\$ 11,414
Changes in non-cash working capital balances	1,033	(2,246)
	3,130	9,168
Gain on sale of assets	(34)	173
Maintenance capital expenditure ⁽¹⁾	(297)	(563)
Distributable cash generated ⁽¹⁾	\$ 2,799	\$ 8,778
Distributions declared	\$ 1,867	\$ 7,209
Distributable cash generated per Unit	\$ 0.2314	\$ 0.7361
Distributions declared per Unit	0.1500	0.6000
Payout ratio ⁽²⁾	1.50x	1.22x
Payout percentage ⁽²⁾	66.7%	82.1%
Net income	\$ (538)	\$ 1,479
Shortfall of net income over distributions declared	\$ (2,405)	\$ (5,730)

Notes:

- (1) See definition of "Maintenance capital expenditures" and "Distributable Cash" under "Non-GAAP Measures".
(2) Amounts calculated using distributable cash and distributions declared for the related period, not on per Unit amounts.

Net income was \$2.41 million and \$5.73 million lower than cash distributions to unitholders for the three and twelve months ended December 31, 2008. An excess of distributions over net income is expected to continue in the future and is largely due to accounting treatment of net income, which, under GAAP, reflects non-cash items such as amortization and depreciation as well as changes in future income taxes due to tax rate changes and temporary differences between amounts recorded on the balance sheet for book and tax purposes, all of which do not impact cash flow. Depreciation and amortization do not necessarily represent the cost of maintaining productive capacity; therefore, cash required for maintenance may be lower than depreciation expense.

NON-GAAP MEASURES

References in this MD&A to "EBITDA" are to earnings before interest, income taxes, depreciation, amortization, accretion, loss on financial derivatives relating to the recording of the fair market value of the fixed interest rate swap, foreign exchange gains/losses, and write-down of fleet assets, intangible assets and goodwill. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flow from operations. EBITDA is not an earnings measure recognized by GAAP, does not have standardized meanings prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. The Fund's management believes that EBITDA is an important

supplemental measure in evaluating the Fund's performance and in determining whether to invest in Units.

Readers of this information are cautioned that EBITDA 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 the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund's EBITDA may not be comparable to similar measures presented by other issuers.

References in this MD&A to "Distributable Cash" are to cash available for distribution to the unitholders by the Fund. Distributable Cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Canadian open-ended income trusts, such as the Fund, use distributable cash as an indicator of financial performance and it should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Fund's Distributable Cash may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash as reported by such issuers. The Fund's management believes that, in addition to net income, Distributable Cash is a useful supplemental measure that may assist investors in assessing the return on their investment in Units. See "Distributable Cash and Distributions - Reconciliation of Cash Provided by Operating Activities to Distributable Cash".

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

"Maintenance capital expenditures" is not a recognized measure under GAAP. Maintenance capital expenditures include those required to upgrade existing property and equipment. Maintenance capital expenditures for the Fund are calculated as the capital cost at the time of acquisition less the net book value at time of sale for rental equipment, plus the cost of replacements to operating assets.

OFF-BALANCE SHEET FINANCING

The Fund has no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The minimum repayments required for the currently outstanding capital and acquisition loans are as follows:

Loans payable (\$000's)	2009	2010	2011	2012	2013
Loans Payable	\$ 4,792	\$ 8,519	\$ 6,584	\$ 4,237	\$ 11,873

The Fund has the following rental, equipment financing, capital lease and operating lease commitments:

Contractual obligations (\$000's)	2009	2010	2011	2012	2013	2014 and after
Rental commitments	\$ 1,308	\$ 1,296	\$ 1,244	\$ 1,112	\$ 901	\$ 3,703
Equipment financing commitments	92	68	28	-	-	-
Capital leases	169	85	-	-	-	-
Operating leases	633	543	344	209	76	26
	<u>\$ 2,202</u>	<u>\$ 1,992</u>	<u>\$ 1,616</u>	<u>\$ 1,321</u>	<u>\$ 977</u>	<u>\$ 3,729</u>

LONG TERM INCENTIVE PLAN

Key employees of the Fund 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 result 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. A third-party 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. 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 third-party 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 Compensation Committee has 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.

The Compensation Committee from time to time may adjust the threshold. In fiscal 2008, the LTIP provided 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 \$0.65 per Unit per annum (the "threshold"). The percentage amount of that excess which forms the LTIP incentive pool is determined as follows:

Percentage by which cash available for distribution per Unit exceeds base distribution threshold	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%

For the year ended December 31, 2008, the cash available for distribution per Unit did not exceed the threshold. Accordingly, no payments were approved under the LTIP for the 2008 fiscal year.

WESTERNONE EQUITY 2006 INCENTIVE UNIT OPTION PLAN

At Closing, the Fund reserved an aggregate of 463,000 Units for issuance under the WesternOne Equity 2006 Incentive Unit Option Plan (the “WesternOne Equity Option Plan”). Under the WesternOne Equity Option Plan, options to purchase the Fund’s Units may be granted to the Trustees and to the directors, officers and employees of, and service providers to, the WesternOne Equity LP or its affiliates. The purpose of the WesternOne Equity Option Plan is to provide such 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.

On July 9, 2008, the Fund granted options to senior executives, directors, Trustees and certain employees to purchase, in aggregate, up to 463,000 Units. Each option provides the holder with the right for up to ten years to purchase one Unit at an exercise price of \$4.90. Vesting occurs equally over the next five years.

As at December 31, 2008, the Fund did not issue any Units relating to the WesternOne Equity Option Plan as none of the options have been vested.

TRANSACTIONS WITH RELATED PARTIES

The Fund purchased equipment from a company in which a board member of the Fund has a controlling interest, for \$397,097 during 2008. These transactions arose during the normal course of business and have been recorded at fair market value.

The Fund purchased land and a building from a company in which employees of the Fund held a non-controlling interest, for \$575,000. These transactions arose during the normal course of business and have been recorded at fair market value.

The Fund currently rents premises in various locations from companies in which employees of the Fund hold certain interests. In the fiscal year 2008, the Fund has paid \$268,709 in such rent. The exchange between the parties is at fair market value.

FUND UNITS AND PRINCIPAL UNITHOLDERS

As at the date of this MD&A, 13,775,524 Units were issued and outstanding, each of which entitles the holder to one vote at Unitholder meetings. Furthermore, 97,019 Series A Debenture unit were issued and outstanding. In addition, 125,000 exchangeable units (“Exchangeable LP Units”) were issued by a subsidiary indirectly controlled by the Fund on February 15, 2008. The Exchangeable LP Units have no voting rights but have economic rights equivalent to the Fund’s Units, and are exchangeable to the Units on a one-for-one basis. To the knowledge of the Fund, no person beneficially owns, directly or indirectly, or exercises control or direction over, Units carrying more than 10% of the voting rights attached to all the issued and outstanding Units.

CRITICAL ACCOUNTING ESTIMATES

The Fund's accounting policies are described in note 3 of the Financial Statements. The preparation of the Financial Statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. The Fund considers the following policies to be most critical in understanding the judgments that are involved in preparing the Financial Statements and the uncertainties that could affect the Fund's results of operations, financial condition and cash flows.

Financial Instruments

The Fund's financial assets and financial liabilities are initially recognized at their fair value and their subsequent measurement is dependent on their classification or designation as described below. Their classification or designation depends on the purpose for which the financial instruments were acquired or issued and their characteristics. Financial instruments classified or designated as held for trading are measured at fair value with gains and losses recognized in net income. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized costs.

The following is a summary of each significant category of financial instruments outstanding as of December 31, 2008:

Cash and cash equivalents	Held-for-trading
Short term investments	Held-for-trading
Financial derivatives ⁽¹⁾	Held-for-trading
Accounts receivable	Loans and receivables
Operating loans	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Distributions payable	Other liabilities
Capital and acquisition loans	Other liabilities
Equipment financing payable.....	Other liabilities
Mortgage payable	Other liabilities
Series A debentures	Other liabilities

Note:

(1) These derivative instruments have not been designated as hedges for accounting purposes and are fair valued on a quarterly basis.

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are netted against the fair value of the financial instrument on initial recognition, with the exception of transaction costs related to financial instruments that are classified as held for trading. These transaction costs are then amortized over the expected life of the financial instrument using the effective interest method ("EIM"). Transaction costs related to held for trading financial instruments are expensed as incurred.

Revenue Recognition

Revenue from rental contracts and logistical support is recognized in the period in which the related services have been provided and collectability is reasonably assured.

Service revenue, comprised of the sale of parts and equipment servicing, is recognized when the parts are delivered, the related services have been rendered, and collectability is reasonably assured.

Revenue from fuel wholesale and distribution is recognized at the time when the fuel is delivered, the related services have been rendered, and collectability is reasonably assured.

Revenue from equipment held for resale is recognized at the time at which the contract is signed by the purchaser, all significant risks and rewards of ownership have been transferred to the purchaser, and collectability is reasonably assured.

Inventory valuation

New and used equipment inventories are recorded at the lower of cost and net realizable value, with cost determined on a specific item basis. New and used equipment inventory write-downs are included in cost of sales.

Parts inventories are valued at the lower of cost and net realizable value, with cost generally being determined on a weighted-average basis. Parts inventory write-downs are included in cost of sales.

Property and equipment

Property and equipment is recorded at cost. The Fund amortizes its property and equipment over their estimated useful lives on a straight-line basis as follows:

Rental fleet ⁽¹⁾	10 years
Tractors and trailers.....	7 years
Furniture, fixtures and equipment.....	5 years
Computer equipment and software.....	5 years
Leasehold improvements	lesser of 5 years and the initial term of the lease

Note:

(1) Net of estimated salvage value.

Amortization commences in the month in which the related assets are acquired, and therefore there is no reduction in the rate for the year of acquisition.

Management reviews these assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows from their expected use and eventual disposition. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds their estimated fair value. Any impairment is included in income for the period in which the impairment is recognized.

Intangible assets

Identifiable intangible assets are recorded at cost, less any provision for permanent impairment. The Fund does not amortize its intangible assets with indeterminable lives. The Fund amortizes its intangible assets with determinable lives over their estimated useful lives on a straight-line basis:

Customer relationships	10 years
Non-competition agreements	3 years
Franchise Agreements	12 years
Brand name	nil
Supplier agreements	nil

Management reviews intangible assets with definite lives for impairment whenever changes in circumstances that indicate the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows from their expected use and eventual disposition. Management reviews intangible assets with definite lives for impairment at least annually. If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed their estimated fair value. Fair value is estimated using discounted cash flows. Any impairment is included in income for the period in which the impairment is recognized.

Goodwill

Goodwill represents the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed less any subsequent write-downs for impairment. Goodwill is not amortized and is reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. If goodwill is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the goodwill exceeds its estimated fair value.

Accrual of unbilled revenue

Revenue from rental contracts and related services is generated through cycle billing to customers. Accrual of revenue relating to invoices not yet issued to customers at period-end is estimated by management based on rental rates specified in rental contracts and expected length of the rental periods.

Provision for Doubtful Accounts

The Fund is exposed to credit risk with respect to its accounts receivable, particularly from customers in the construction industry in British Columbia and Alberta due to its concentration of business in that sector. The Fund mitigates the risk by means of a diverse customer base in the construction, industrial, commercial, infrastructure, and residential as well as other sectors, in which there was no single account receivable balance in excess of 10% of the Fund's consolidated accounts receivable balance as at December 31, 2008. In general, the Fund mitigates the risk by following a program of credit evaluations of

customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses.

Unit based compensation

The Fund grants Unit options to directors, trustees and employees pursuant to a unit based compensation plan described in note 19 of the Financial Statements. Compensation expense is recorded for Unit options issued to employees using the fair value method with a corresponding increase in contributed surplus. Any consideration received on exercise of options or the purchase of Units is credited to fund units under Unitholders' Equity in the Fund's balance sheet.

Under the fair value based method, unit based payments made to employees are measured at the grant date and amortized on a straight-line basis over the vesting period of the options.

Income taxes and future income taxes

As the Fund will allocate all of its taxable income and taxable capital gains to the Unitholders, the Fund itself will not be subject to current income taxes.

In June 2007, the Government of Canada substantially enacted new legislation to tax distributions of publicly traded income trusts, commencing in 2011. As a result, the Fund is now required to recognize the future income tax assets and liabilities expected to arise when the tax on distributions becomes applicable.

Future income tax assets and liabilities are determined based on the temporary differences between the tax basis of the Fund's assets and liabilities and the amounts reported in the financial statements, to the extent that such temporary differences are expected to reverse on or after January 1, 2011. Future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Currently the enacted or substantively enacted tax rate is 27.0% for 2011 and 25.5% thereafter. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2008, the Fund adopted the following accounting standards:

CICA HB Section 1400 – Going Concern

In June 2007, Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual periods beginning on or after January 1, 2008. As at December 31, 2008, the Bank advanced \$35,747,115 of capital and acquisition loans to the Fund to continue its strategic growth initiatives through business acquisitions and expansion of rental fleet. The capital and acquisition loans, as described in detail in note 8 of the Financial Statements, are repayable on demand by the Bank. While management believes the acquisitions and capital expenditures will continue to generate significant revenue and earnings growth as the Fund benefits from

Western Canada's construction and infrastructure sectors, the success of the Fund depends on the ongoing financial support from the Bank, by allowing the Fund to service its debt obligations based on existing repayment schedules.

The accompanying consolidated financial statements have been prepared assuming the Fund will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

CICA HB Section 1535 – Capital Disclosures

Effective January 1, 2008, the Fund adopted the recommendation of CICA Handbook Section 1535 that specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any established capital requirements; and, (iv) if it has not complied, the consequences of such non-compliance. The disclosures are provided in note 16 of the Financial Statements.

CICA HB Section 3031 - Inventories

CICA Handbook Section 3031 requires inventory to be measured at the lower of cost and net realizable value. This standard provides additional guidance on the types of costs that can be capitalized and requires the reversal and disclosure of previous inventory write-downs if economic circumstances have changed to support higher inventory values. The adoption of this standard did not have any impact on the Fund's Financial Statements.

CICA HB Section 3862 and 3863 – Financial Instruments – Disclosures and Presentation

The Fund has also adopted CICA Handbook Sections 3862 and 3863, which replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward its presentation requirements. These new Sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how an entity manages these risks. The disclosures are provided in note 17 of the Financial Statements.

Future accounting changes

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and intangible assets," which replaces the existing standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. This standard is effective for 2009. The Fund is currently evaluating the impact of adopting this standard on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises for interim and annual financial statements effective January 1, 2011. The Fund is presently considering the effect these standards will have on its financial statements. A project plan is being developed and resource and training requirements are being assessed. Over the next two years changes will be implemented and work performed to ensure the accuracy and effectiveness of the transition to IFRS. At this time it is not possible to determine how reporting according to IFRS will affect future financial statements.

RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties disclosed in the Fund's Annual Information Form dated March 26, 2008 and in any subsequent Annual Information Forms, the Fund believes that the following items represent significant areas for consideration.

General economic conditions

The Fund's business is subject to changes in national, North American or global economic conditions, including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. Changes in any of the above economic conditions could have a material adverse effect on the Fund's business, financial condition, results of operations and cash flows.

Current financial conditions

Current financial conditions globally have been subject to unprecedented volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. The Fund's ability to maintain sufficient operating, capital and acquisition credit facilities may be adversely affected by these market conditions.

Financial health of Business LPs and cash flows

The Fund 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 cash flow 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.

Dependence upon WesternOne Equity LP to fund cash distributions

The Fund is an unincorporated, open-ended trust that will ultimately be entirely dependent on the operations and assets of WesternOne Equity LP. Cash distributions to unitholders will ultimately be dependent on, among other things, the ability of WesternOne Equity LP to make cash available for distributions. 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 WesternOne Equity LP, including restrictive covenants in the credit facility agreement.

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, 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 WesternOne Equity LP 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 WesternOne Equity LP, and will be subject to various factors including its financial performance, its obligations under the applicable credit facility, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements.

Distributions are discretionary

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

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

Failure to realize anticipated benefits of acquisitions

The Fund'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, the Fund faces risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring significantly higher capital expenditures and operating expenses, failing to integrate the operations and personnel of the acquired businesses, entering new unfamiliar markets, incurring undiscovered liabilities at acquired businesses, disrupting the Fund's ongoing business, diverting the Fund'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.

The Fund 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, the Fund's failure to retain qualified management personnel at any acquired businesses may increase the risk associated with integrating the businesses. If the Fund 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 the Fund 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 the Fund actually assumes operating control of such business assets, it may not be able to ascertain the actual value of the acquired entity.

Growth Initiatives

The Fund's ability to successfully grow through add-on acquisitions will be dependent on a number of factors, including: the identification of suitable acquisition targets in both new and existing markets; the negotiation of purchase agreements on satisfactory terms and prices; securing attractive financing arrangements; and the integration of newly acquired operations into the existing business. Any acquisition will involve a number of risks, including: the inability to integrate the operations, personnel and information systems of the acquired business; the potential acquisition of previously undisclosed liabilities; and the

potential disruption of the Fund's ongoing business and the diversion of management's attention from its day-to-day operations. An unsuccessful acquisition could have a material adverse impact on the Fund, its results of operations and financial condition. Unitholders are totally dependent upon management, directors and Trustees in making investment decisions. The Trustees have a fiduciary duty to ensure that all investments are made in the best interests of unitholders.

Competition

There can be no assurances that the Fund 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 the Fund for acquisition candidates, which may increase acquisition prices and reduce the number of suitable acquisition candidates. If the Fund is not able to compete effectively in this regard, its future growth may be negatively impacted.

Financing Constraints

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

Supply disruptions

Various businesses of the Fund are dependent on the steady supply of fuels for their business operations with respect to fuel sales, equipment rentals and general logistics. Potential disruptions of fuel supply from the existing suppliers could negatively impact the Fund's revenues and operating results if the Fund fails to secure alternate fuel supplies.

Seasonality and fluctuations in results

The revenue and operating results of the predecessor business of each of the Business LPs have historically displayed seasonal variations throughout the year, and this variation is expected to continue in the foreseeable future. See "Seasonality" above.

Expansion

Existing or future competitors may compete with the Fund for acquisition candidates, which may increase acquisition prices and reduce the number of suitable acquisition candidates. Existing or future competitors may also compete with the Fund for new locations, which may reduce the number of suitable expansion locations. If the Fund is not able to compete effectively in this regard, its future growth may be negatively impacted. In addition, there is no guarantee that future growth initiatives will be successful.

Interest rates

The Fund's credit facilities bear interest at variable rates. The Fund is currently using a combination of fixed interest rate swaps and short-term instrument in the form of a banker's acceptance to reduce exposure to interest rate risk on a portion of its loans.

Foreign exchange

Foreign exchange risk is primarily limited to currency fluctuations between the Canadian and U.S. dollar. The majority of the equipment purchased by the Fund is denominated in U.S. dollars. Furthermore, a portion of PE's business relates to equipment rental in the film industry in British Columbia which is sensitive to the U.S. dollar currency fluctuations. The Fund does not use derivative instruments to reduce these risks.

As at December 31, 2008, the Fund's consolidated balance sheet included \$242,254 of accounts payable (2007 - \$33,358), \$Nil of net operating loan (2007 - \$15,034), and \$8,095 of cash (2007 - \$Nil) which were U.S. currency denominated.

Federal income tax changes

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

Under the SIFT Rules, commencing January 1, 2011, the Fund will become subject to tax on its income and taxable capital gains from dispositions, that is paid or payable to Unitholders, at a rate equal to the then prevailing corporate income tax rate (currently set at 27.0% for 2011 and 25.5% thereafter). Distributions of such income to Unitholders would be treated as dividends paid by a taxable Canadian corporation. This will result in the Fund's income being subject to the tax, and distributions of such income

by the Fund to its Unitholders being treated as dividends paid by a taxable Canadian corporation. Returns of capital by the Fund to its Unitholders would not be affected by the SIFT Rules and would continue to be taxed in the same manner as done currently.

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

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

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

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

The effect of the legislation could have an adverse effect on the Fund, its ability to pay distributions and the market value of its Units.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Fund's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). DC&P are designed to provide reasonable assurance that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Furthermore, DC&P are designed to ensure that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Fund's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required

disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

As at December 31, 2008, the Fund's management, under the supervision of its CEO and CFO has completed an assessment of the design of DC&P and ICFR. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework.

The Fund's management has not yet evaluated the design of DC&P and ICFR related to H&P, a subsidiary indirectly owned by the Fund which acquired the assets and businesses of Davis SureFire on October 1, 2008. H&P had revenues of \$5.54 million during 2008 since the commencement of operation on October 1, 2008. This represents 14.7% of the total revenue of \$37.58 million for the twelve months ended December 31, 2008. The Fund's management expects H&P's revenue as a percentage of the Fund's total revenue will increase in 2009, as H&P enters into a full year of operation. The Fund's management anticipates that the integration of H&P will be completed prior to September 30, 2009 at which time it will be under the Fund's existing control environment.

During the year the Fund's management, under the supervision of its CEO and CFO, has evaluated the effectiveness and operation of its DC&P and ICFR, with the exception of H&P. This evaluation includes a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud.

As at December 31, 2008, two material weaknesses have been identified with the Fund's financial reporting procedures over segregation of duties. Specifically, accounting duties relating to the preparation and subsequent review of manual, non-routine journal entries were not properly segregated due to limited staffing resources. Furthermore, financial closing and reporting procedures were not formally documented, again due to limited staffing resources.

As part of the integration process, the Fund will expand its resources in the financial reporting function, thereby enhancing the effectiveness of the current controls through proper segregation of duties and documentation of roles involved in the financial closing and reporting procedures.

Due to the evaluation in the preceding paragraphs, the CEO and CFO have concluded that the Fund's DC&P and ICFR, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are not effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation and regulation is recorded, processed, summarized and reported within the times specified in those rules and forms.

There has been no change in the Fund's ICFR that occurred during the fourth quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Fund's ICFR.

OUTLOOK

The following discussion is qualified in its entirety by the “Forward-looking information” at the beginning of this MD&A, and the section titled “Risks and Uncertainties”.

While the economic downturn is posing challenges to the business environment that the Fund operates in, management sees that its primary markets in the infrastructure and construction sectors in western Canada may benefit from the rollout of infrastructure projects from economic stimulus packages announced by the federal and provincial governments. The potential benefit stems from the Fund’s existing network of operations both within and across the British Columbia Platform and the Alberta Platform. Following the first quarter of operation of H&P’s propane wholesale and heater rental business in northern Alberta, the Fund has enhanced its product line and diversified its customer base, which can be leveraged to yield future growth in other geographical areas.

Amidst the current recession the Fund continues to actively review the cost structure of each platform business through assessing staff resources, parts and inventory procurement, logistics management and other major operational areas to optimize operational efficiency. Management views this as a critical process in order to sustain earnings growth through achieving a streamlined business model.

ADDITIONAL INFORMATION

Additional information relating to the Fund, including the Fund’s Annual Information Form and other public filings, is available on SEDAR at www.sedar.com or on the Fund’s website at www.weq.ca.

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