



MANAGEMENT'S DISCUSSION AND ANALYSIS

August 13, 2010



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The following management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes ("Interim Financial Statements") of WesternOne Equity Income Fund and its direct and indirect subsidiaries (collectively known as the "Fund" below, unless the context otherwise requires) for the three and six months ended June 30, 2010. 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 included in this MD&A include, but are not limited to, statements with respect to: the intention of the Fund to continue to make monthly cash distributions, the outlook of the Fund's business and the Western Canadian economy, the performance characteristics of the Fund's assets, the supply and demand for products and services and the related impact on rental pricing, the Fund's ability to fund debt maturities, the ability to meet current and future obligations, the impact of the federal income tax changes on the Fund, critical accounting estimates, management's assessment of future plans and operations, and discussion of the Fund's adoption of the International Financial Reporting Standards.

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: current economic conditions, failure to access financing, credit

facilities risk, financial health of Business LPs (as defined under “Overview of the Fund” below) and cash flows, failure to realize anticipated benefits of acquisitions, reliance on key personnel, competition for acquisition targets, interest rates, regulation, sensitivity to general economic conditions and levels of economic activity, financing constraints, supply disruptions, adverse weather condition, seasonality and fluctuations in results, growth initiatives, competition, discontinuation of tax incentives, labour shortages, employee relations, expansion, impact on demand due to interest rate changes, foreign exchange, resale of rental equipment, equipment availability, environmental regulation and health and safety matters, import product restrictions and foreign trade risks, insurance coverage, dependence on existing sites, dependence on information systems and technology, dependence upon WesternOne Equity LP to fund cash distributions, cash distributions are not guaranteed and will fluctuate with business performance, distributions are discretionary, nature of the Units (as defined under “Overview of the Fund” below), leverage and restrictive covenants, limitations on future growth and cash flow, limited liability, unpredictability and volatility of Unit prices, attributes of securities distributed on redemption of Units of termination of the Fund, prior ranking indebtedness, conversion following certain transactions, dilution, investment eligibility, income tax matters, 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, fuel distribution 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 for 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 (“PE”) 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 (“PER”), a limited partnership established under the laws of Manitoba on June 15, 2006. The Fund commenced operations on August 15, 2006, when PER acquired the assets and the business of PE. PER specializes in renting, selling and servicing quality high reach and material-handling equipment and providing logistical support to its customers, located primarily in Metro Vancouver.

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. OCR’s operation commenced on June 1, 2007

when it acquired the assets and the business of Old Country Rentals Ltd. This business has been operating for more than 45 years, and is one of the largest and most diversified equipment rentals, sales and repair businesses on Vancouver Island, 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. C&N’s operation commenced on January 2, 2008, when it acquired the assets and the business of C&N Motors Ltd. This business has been operating for more than 25 years, and is a major equipment rentals, sales and repair business on central Vancouver Island, 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. Deerfoot’s operation commenced on February 15, 2008, when it acquired the assets and the business of Deerfoot Equipment Rental Inc. Deerfoot is a major provider of rented heaters, generators and compact construction equipment to homebuilders and commercial builders in Calgary and Lethbridge, Alberta. On April 1, 2010, Deerfoot acquired the assets and business of On*Site Equipment (“OnSite”). OnSite has a rental fleet of over 450 aerial and material-handling machines, and has operating locations in Edmonton, Red Deer, Calgary and Lethbridge.

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. H&P’s operation commenced on October 1, 2008, when it acquired the assets and the businesses of Davis Heater Service Ltd. and Sure-Fire Propane Ltd. (collectively, “Davis SureFire”) These businesses have been market leaders 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 (PER, OCR, C&N, Deerfoot and H&P, or collectively known as “Business LPs” below), the Fund structures its platform businesses based on market and geographic boundaries. Currently, the Fund’s 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: 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.

The Units and the Fund’s senior secured convertible debentures – Series A (“Series A Debentures”) and unsecured convertible subordinated debentures (“2010 Debentures”) trade on the Toronto Stock Exchange under the respective symbols WEQ.UN, WEQ.DB and WEQ.DB.B.

RECENT EVENTS

On July 1, 2010, the Fund completed the refinancing of its existing senior credit facilities with its primary lender (the “Bank”). The refinancing extends the maturity of the Fund’s existing credit facilities.

Specifically, loans that were scheduled to mature in 2011 are extended to 2013 and 2014. The interest rate terms for the loans remain unchanged. As part of the refinancing, the Bank has also increased the maximum of a demand revolving loan from \$9.0 million to \$14.5 million, which will be used towards future capital expenditures on the Fund's rental fleet at its operating locations.

On August 3, 2010, the Fund signed a letter of intent for the purchase of the assets of an engineered scaffold business that specializes in the rental, sales, installation and servicing scaffold equipment (the "Business"). The Business is independently owned, and operates from a base in Calgary with operations covering Northern and Southern Alberta.

SUMMARY FINANCIAL REVIEW

The Fund recorded year-over-year growth in revenue and gross profit for the three and six months ended June 30, 2010, due to the addition of OnSite to the Fund's Alberta operation and continuing recovery in the single-home residential sector in the Southern Alberta region. EBITDA, however, decreased by 9.6% and 18.2% respectively as a result of declining profitability recorded by the Fund's existing operations, most notably in BC, as the business was challenged by a saturated aerial equipment rental market and impact from downward rental rate pressure caused by price competition from other rental companies.

Summary Financial Overview

(\$000's, except per Unit amounts and percentages)	Three months ended			Six months ended		
	June 30			June 30		
	2010	2009	2008	2010	2009	2008
Revenue	\$ 11,160	\$ 9,485	\$ 7,952	\$ 24,205	\$ 23,585	\$ 15,319
Cost of sales	(3,408)	(2,991)	(2,258)	(8,160)	(7,999)	(4,453)
Gross profit	7,752	6,494	5,694	16,045	15,586	10,866
<i>Gross margin</i>	69.5%	68.5%	71.6%	66.3%	66.1%	70.9%
Operating expenses ⁽¹⁾	(5,416)	(3,910)	(3,359)	(9,830)	(7,990)	(6,182)
EBITDA ⁽²⁾	2,336	2,584	2,335	6,215	7,596	4,684
Interest expense ⁽³⁾	(1,198)	(617)	(486)	(2,014)	(1,302)	(842)
Amortization, accretion and others ⁽⁴⁾	(3,488)	(2,725)	(1,187)	(6,343)	(5,507)	(2,195)
Income before future income taxes	(2,350)	(758)	662	(2,142)	787	1,647
Future income tax (expense)/recoveries	463	386	(7)	434	1,021	(252)
Net income/(loss)	\$ (1,887)	\$ (372)	\$ 655	\$ (1,708)	\$ 1,808	\$ 1,395
Basic and diluted weighted avg income/(loss) per Unit	\$ (0.13)	\$ (0.03)	\$ 0.06	\$ (0.12)	\$ 0.13	\$ 0.12
Total assets	\$ 93,569	\$ 83,321	\$ 63,412	\$ 93,569	\$ 83,321	\$ 63,412
Total long-term liabilities	33,214	9,536	8,883	33,214	9,536	8,883
Maintenance capital expenditure ⁽²⁾	423	184	24	511	241	75
Distributable cash generated ⁽²⁾	\$ 811	\$ 1,826	\$ 1,873	\$ 3,849	\$ 6,127	\$ 3,854
Distributable cash per Unit ⁽⁵⁾	0.0579	0.1314	0.1589	0.2753	0.4408	0.3255
Distributions declared	2,099	2,085	1,781	4,195	4,142	3,553
Distributions declared per Unit	0.1500	0.1500	0.1500	0.3000	0.3000	0.3000
Payout percentage ⁽⁶⁾	259.0%	114.2%	95.1%	109.0%	67.6%	92.2%

Notes:

- (1) Excludes items relating to interest, amortization, accretion, loss on financial derivatives relating to changes in the fair market value of the fixed interest rate swap, foreign exchange gains/losses, and impairment of assets.
- (2) See definition of EBITDA, 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 changes in the fair market value of the fixed interest rate swap, and foreign exchange gains/losses.
- (5) Calculated based on basic weighted average number of Units.
- (6) Calculated as distribution declared divided by distributable cash generated.

More detailed discussions of the financial results for the three and six months ended June 30, 2010 are provided under “Operating Results” below.

The Fund’s revenue increased by 17.7%, or \$1.68 million, for the three months ended June 30, 2010 and 2.6%, or \$0.62 million, for the six months ended June 30, 2010 compared to the same periods a year ago. The increase was mostly due to the addition of OnSite to the Fund’s Alberta operation following the acquisition on April 1, 2010. OnSite contributed incremental revenue of \$2.13 million. The increase was also due to higher rental volume in the southern Alberta region, prompted by the continuing recovery in the single-home construction sector. The increase was partially offset by lower revenue from the existing operations, primarily due to price competition amongst equipment rental operators in the construction sector, most notably in BC, despite a gradual increase in construction activity.

Gross profit increased by 19.4%, or \$1.26 million for the three months ended June 30, 2010 and 2.9% or \$0.46 million for the six months ended June 30, 2010, compared to the same periods a year ago. OnSite contributed \$1.74 million of gross profit. The increase was partially offset by declines from the Fund’s existing operating locations. Gross margin was 69.5% and 66.3% for the three and six months ended June 30, 2010, respectively, and improved slightly from 68.5% and 66.1% a year ago.

Interest expense (net of interest income) was \$1.20 million or 10.7% of total revenue for the three months ended June 30, 2010 and \$2.01 million or 8.3% of total revenue for the six months ended June 30, 2010. This is compared to \$0.62 million (6.5% of total revenue) and \$1.30 million (5.5% of total revenue), respectively, for the same periods a year ago. The higher amount for the current year was mainly due to additional interest payments for the 2010 Debentures issued in February, 2010. A portion of the net proceeds from the 2010 Debentures was used towards the acquisition of OnSite on April 1, 2010.

Amortization and accretion expenses were \$3.47 million or 31.1% of total revenue for the three months ended June 30, 2010 and \$6.33 million or 26.2% of total revenue for the six months ended June 30, 2010. This is compared to \$2.78 million (29.3% of total revenue) and \$5.51 million (23.4% of total revenue), respectively, for the same periods a year ago. The higher amount for the current year was mainly due to incremental depreciation from rental fleet equipment from the OnSite acquisition.

Net loss was \$1.89 million or \$0.13 per Unit for the three months ended June 30, 2010 and \$1.71 million or \$0.12 for the six months ended June 30, 2010. This is compared to a net loss of \$0.37 million (\$0.03 per Unit) and net income of \$1.81 million (\$0.13 per Unit), respectively, for the same periods a year ago.

Total assets were \$93.57 million as at June 30, 2010, compared to \$83.32 million a year ago. The difference was primarily due to incremental assets from the OnSite acquisition, changes in working capital as a result of the normal course of the business, amortization of capital assets, and recognition of future income tax assets.

Long-term liabilities were \$33.21 million as at June 30, 2010, compared to \$9.54 million a year ago. The difference was primarily due to the issuance of the 2010 Debentures (net of the associated equity portion, which was recorded under Unitholders’ Equity).

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 enacted legislation, the tax rate on the post-2010 reversal of these temporary differences is estimated to be 26.5% for 2011 and 25.0% 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 June 30, 2010, 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 legislation, Canadian accounting guidance required that the Fund record a cumulative future tax asset of \$6.33 million at the end of the fiscal year 2009. 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 \$0.46 million for the three months ended June 30, 2010.

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

Basis of discussion and analysis

The Fund's operating results reflect its operations for the three and six months ended June 30, 2010. For the purposes of discussing operating results of the Fund under this section, only Business LPs that have operated for two full fiscal years prior to the period ended June 30, 2010 are included for discussion. This allows management to utilize financial information that is consistently maintained by the Fund to conduct year-over-year comparisons. In this case the operating results from all of PER, OCR, C&N, Deerfoot (excluding OnSite as it was acquired on April 1, 2010), H&P and overhead and other expenses at the Fund's corporate level are included for discussion.

Revenue

The following table summarizes the revenues for the three and six months ended June 30, 2009 and 2010.

Summary of Revenues (\$000's)	Three months ended		Six months ended		Increase/(Decrease)		Increase/(Decrease)	
	June 30		June 30		Three months ended		Six months ended	
	2010	2009	2010	2009	\$	%	\$	%
Equipment Rentals	\$ 4,558	\$ 5,125	\$ 9,550	\$ 10,415	\$ (567)	-11.1%	\$ (865)	-8.3%
Equipment Sales	1,395	1,257	2,229	2,376	138	11.0%	(147)	-6.2%
Parts, Fuel, Service and Others	3,074	3,103	10,294	10,794	(29)	-0.9%	(500)	-4.6%
Total Revenues	\$ 9,027	\$ 9,485	\$ 22,073	\$ 23,585	\$ (458)	-4.8%	\$ (1,512)	-6.4%

Revenue from equipment rentals of \$4.56 million for the three months ended June 30, 2010 decreased by 11.1%, or \$0.57 million, compared to \$5.13 million a year ago. For the six months ended June 30, 2010, revenue from equipment rentals decreased by 8.3%, to \$9.55 million from \$10.42 million a year ago. Despite a gradual recovery in the construction sector across all major locations that the Business LPs operated in, competition on equipment rental rates, especially aerial equipment, continued amongst rental operators due to the excess supply of equipment existing in the rental market. Management expects new construction projects will gradually absorb the excess equipment and rental rates will recover. The decline

was partially offset by a strong demand for power and logistics-related equipment in Southern Alberta, most notably Calgary, due to the improving single-family residential construction activity in that region.

Revenue from equipment sales of \$1.40 million for the three months ended June 30, 2010 increased by 11.0%, or \$0.14 million, compared to \$1.26 million a year ago. For the six months ended June 30, 2010, revenue from equipment sales decreased by 6.2%, to \$2.23 million from \$2.38 million a year ago. In addition to a year-over-year growth of 8.5% in the second quarter retail sales in lawn-and-garden equipment and related merchandise at the Vancouver Island locations, the increase in sales in the second quarter also related to disposals of underutilized fleet equipment as part of the Fund's strategy to rationalize its rental fleet size in order to generate incremental cash flow and optimize fleet utilization.

Revenue from parts, fuel, service and others of \$3.07 million for the three months ended June 30, 2010 decreased marginally by 0.9%, or \$0.03 million, compared to \$3.10 million a year ago. For the six months ended June 30, 2010, the revenue decreased by 4.6%, to \$10.29 million from \$10.79 million a year ago. Decline in fuel-related revenue in the second quarter due to warm weather was offset by an increase in revenue from repair services, particularly in Southern Alberta where the Fund's operation recorded a growth in rental activity due to the improving single-family residential construction market.

Gross margin and gross profit

Gross margin was 66.6% and 64.8% for the three and six months ended June 30, 2010, respectively. This is compared to 68.5% and 66.1% for the same periods a year ago. Gross profit decreased by 7.3%, to \$6.02 million from \$6.49 million for the three months ended June 30, 2010 and decreased by 8.2%, to \$14.31 million from \$15.59 million for the six months ended June 30, 2010.

Cost of sales

Cost of sales as a percentage of total revenue was 33.4% and 35.2% for the three and six months ended June 30, 2010, respectively, compared to 31.5% and 33.9% for the same periods a year ago.

Costs associated with equipment sales were 90.4% and 87.3% of equipment sales revenue for the three and six months ended June 30, 2010, compared to 93.0% and 91.9% for the same periods a year ago. While margins of retail equipment and merchandise sales remained relatively consistent compared to last year, margins from sales of used aerial equipment from the fleet tend to fluctuate from time to time.

Costs associated with parts, fuel, service and others was 19.4% and 26.4% of total revenue for the three and six months ended June 30, 2010, compared to 19.2% and 24.7% for the same periods a year ago. Costs under this category relate mostly to purchases of fuel for the rental fleet and fuel distribution sales, expenditures of parts for the servicing of customers' equipment, and costs of re-renting equipment from other rental companies. The changes in the percentages were primarily due to higher fuel costs compared to the same periods in 2009 and higher re-rental costs to satisfy one-off demand from customers.

Operating expenses

Operating expenses, before interest, amortization, accretion and gain/loss on financial derivatives relating to changes in the fair market value of the fixed interest rate swap was 48.0% and 39.6% of total revenue for the three and six months ended June 30, 2010, compared to 41.0% and 33.8% for the same periods a year ago. The higher percentage is attributable to increased repairs and maintenance work on the equipment fleet and higher cartage costs as a result of increased deliveries and higher fuel prices.

EBITDA

EBITDA (for definition see "Non-GAAP Measures" below) as a percentage of total revenue was 18.3% and 25.1% for the three and six months ended June 30, 2010, compared to 27.2% and 32.2% for the same

periods a year ago. The decline is largely attributable to lower margin from aerial rentals due to price competition and higher operating expenses described above.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides quarterly historical financial data of 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 and percentages (unaudited)	Q2 '10	Q1 '10	Q4 '09	Q3 '09	Q2 '09	Q1 '09	Q4 '08	Q3 '08
Revenue	\$ 11,160	\$ 13,045	\$ 10,333	\$ 7,741	\$ 9,485	\$ 14,100	\$ 13,448	\$ 8,813
Cost of sales	(3,408)	(4,752)	(3,348)	(2,247)	(2,991)	(5,008)	(4,532)	(2,537)
Gross profit	7,752	8,293	6,985	5,494	6,494	9,092	8,916	6,276
<i>Gross margin</i>	69.5%	63.6%	67.6%	71.0%	68.5%	64.5%	66.3%	71.2%
Operating expenses	(5,416)	(4,414)	(4,317)	(3,910)	(3,910)	(4,080)	(4,862)	(3,418)
EBITDA ⁽¹⁾	\$ 2,336	\$ 3,879	\$ 2,668	\$ 1,584	\$ 2,584	\$ 5,012	\$ 4,054	\$ 2,858
Net income/(loss)	\$ (1,887)	\$ 180	\$ 973	\$ (1,649)	\$ (372)	\$ 2,180	\$ (538)	\$ 623
Income/(Loss) per Unit								
Basic	(0.13)	0.01	0.07	(0.12)	(0.03)	0.16	(0.04)	0.05
Diluted	(0.13)	0.01	0.07	(0.12)	(0.03)	0.15	(0.04)	0.05
Distributable cash generated ⁽¹⁾	\$ 811	\$ 3,038	\$ 1,893	\$ 883	\$ 1,826	\$ 4,300	\$ 2,799	\$ 2,126
Distributable cash per Unit ⁽²⁾	0.0579	0.2175	0.1356	0.0634	0.1314	0.3163	0.2314	0.1784
Distribution declared	\$ 2,099	\$ 2,096	\$ 2,095	\$ 2,092	\$ 2,085	\$ 2,057	\$ 1,867	\$ 1,790
Distribution per Unit	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
Payout percentage ⁽³⁾	259.0%	69.0%	110.6%	236.9%	114.2%	47.8%	66.7%	84.2%

Notes:

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

Seasonality

The seasonality of the Fund's business impacts its operating results as follows: the Fund's aerial and general rentals business is generally lower from January through March as the winter weather hampers construction activity. Construction heater rentals and related fuel supply and wholesale during the winter months compensate for the slow winter business cycle in the aerial and general rentals sector. 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 in anticipation of equipment rental and sales in the summer and fall. From August through November the demand for rental equipment continues 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.

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 six months ended June 30, 2010.

Summary of cash flows (\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2010	2009	2010	2009
Net change of cash related to:				
Operations				
Cash generated from operating earnings	\$ 1,225	\$ 2,076	\$ 4,295	\$ 6,387
Changes from non-cash working capital	2,046	3,478	2,079	3,022
Investing	(1,276)	13	(15,285)	(57)
Financing	(6,086)	(4,124)	15,531	(5,037)
Net change in cash during the period	\$ (4,091)	\$ 1,443	\$ 6,620	\$ 4,315

As mentioned above, the revenue and operating results of the businesses of the Fund have historically displayed seasonal variations throughout a 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.

A single Canadian chartered bank (the "Bank") has provided a \$5.75 million operating loan on an interest only basis, that is payable upon demand, on which the Business LPs had drawn \$0.85 million as at June 30, 2010.

Working capital management continues to be an important element of cash generation for the Fund. As at June 30, 2010, management expects that net receivables are collectible and that payments to suppliers will also continue under current terms.

The Fund had a working capital deficiency of \$16.86 million as at June 30, 2010. The Fund's working capital includes items expected for normal operations, such as cash and cash equivalents, accounts receivable, inventories, prepaid expenses, deposits, operating loans, accounts payable and accrued liabilities, unearned revenue, as well as the current portion of capital lease obligations, equipment financing payable and term mortgage payable. As at June 30, 2010, the working capital deficiency included approximately \$27.57 million of capital and acquisition loans. As at June 30, 2010, the outstanding capital and acquisition loans were advanced from the Bank with maturity dates ranging from August 2011 to May 2015. On July 1, 2010, pursuant to the refinancing as described under "Recent Events", the maturity dates of the outstanding capital and acquisition loans were extended and therefore ranging from February 2013 to July 2015. Since the capital and acquisition loans could be repayable on demand before their maturity dates, they were classified as current liabilities in the financial statements of the Fund. As at June 30, 2010, the Fund had made all monthly payments related to the capital and acquisition loans according to the payment schedule of the Bank and the Fund was in compliance with its covenants. The Fund generated \$7.31 million of cash from operating activities for the trailing twelve months ended June 30, 2010. The Fund does not anticipate any problems in meeting future obligations as they become due given the level of funds from its operations and its ability to make monthly loan payments according to the payment schedule of the Bank.

During the three months ended June 30, 2010, the Fund generated cash of \$1.23 million from operating earnings activities and \$2.05 million from changes from non-cash working capital, the majority of which related to collection of receivables from the construction heat and fuel distribution sales in the spring. The

other changes from the non-cash working capital represented a normal course of fluctuation in the Fund's businesses.

During the three months ended June 30, 2010, the Fund purchased rental equipment and other operating assets of \$1.58 million and received proceeds of \$0.56 million from sales of fleet equipment. Furthermore, the Fund also incurred \$0.26 million of costs relating to the acquisition of OnSite on April 1, 2010 in addition to the \$13.50 million acquisition price paid on March 31, 2010. The Fund also repaid \$3.92 million of net bank debt and distributed \$2.10 million to the Unitholders.

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 June 30, 2010, the Fund had available unused approved credit facilities (operating, capital and acquisition loans combined) of \$5.22 million. The Fund also had accounts receivable of \$5.38 million and cash and cash equivalents totaling \$8.69 million. Management expects to discharge the Fund's liabilities by means of cash flow generated from operations, existing cash reserves, and refinancing of debt instruments.

As at June 30, 2010, the timing of cash outflows relating to financial liabilities and capital lease obligations are outlined in the table below, for those items that have changed significantly from the notes to the consolidated financial statements as at December 31, 2009:

in \$000's	1 year	2-3 years	4-5 years	beyond 5 years	Total	Carrying value
Accounts payable and accrued liabilities	\$ 3,903				\$ 3,903	\$ 3,903
Equipment financing payable	47	15			62	62
Capital leases	74	178	112		364	364
Interest rate swap	166	7			173	194
Capital and acquisition loans ⁽¹⁾	5,081	14,910	7,659		27,650	27,574
Convertible debentures		9,566		27,600	37,166	32,400

Note:

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

CAPITAL RESOURCES

In addition to the \$5.75 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 June 30, 2010, \$27.89 million of capital and acquisition loans were approved by the Bank and \$27.57 million were outstanding.

The Fund's credit facilities have covenants specifying a minimum current ratio of 1.25 to 1.0, a maximum funded debt to earnings (as defined in the credit facilities agreement) ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, and a restriction on increases in 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 June 30, 2010, the Fund was in compliance with all bank covenants.

Under the current terms, the capital and acquisition loans charge interest, at the Fund's option, at the Bank's prime rate plus a range of 1.2% to 1.7%, or the Bank's banker's acceptance rate plus a stamping fee with a range of 2.7% to 3.2%.

DISTRIBUTABLE CASH AND DISTRIBUTIONS

The Fund reviews its historic and expected results on a regular basis. This review includes consideration of economic conditions, including seasonality, the competitive environment, future cash requirements and projected accretion from newly acquired businesses. It is the Fund's normal policy not to distribute 100% of distributable cash (for definition see "Non-GAAP Measures" below) on a calendar year basis in order to address the seasonality nature of the business and unforeseen events, should they occur. The Fund's payout percentage reached 109.0% for the six months ended June 30, 2010. With respect to the Fund's strategy of monthly distributions for the remainder of the year, management and the board of Trustees have considered the current and projected business activity level of the Fund's existing operations as well as impact from the projected accretion from the recent acquisition of OnSite. While it is the Fund's policy to make stable monthly distributions to Unitholders, unforeseen events may occur and cause the board of Trustees' decision to reduce or suspend monthly distributions temporarily or permanently.

The following shows the Fund's distribution history since its initial public offering on August 15, 2006:

Distribution history (per Unit)	2006	2007	2008	2009	2010
January		\$ 0.0408	\$ 0.0500	\$ 0.0500	\$ 0.0500
February		0.0408	0.0500	0.0500	0.0500
March		0.0450	0.0500	0.0500	0.0500
April		0.0450	0.0500	0.0500	0.0500
May		0.0450	0.0500	0.0500	0.0500
June		0.0500	0.0500	0.0500	0.0500
July		0.0500	0.0500	0.0500	0.0500
August	\$ 0.0224 ⁽¹⁾	0.0500	0.0500	0.0500	
September	0.0408	0.0500	0.0500	0.0500	
October	0.0408	0.0500	0.0500	0.0500	
November	0.0408	0.0500	0.0500	0.0500	
December	0.0608	0.0500	0.0500	0.0500	
Total	\$ 0.2056	\$ 0.5666	\$ 0.6000	\$ 0.6000	\$ 0.3500

Note:

(2) 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.

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 six months ended June 30, 2010.

Reconciliation of cash flow from operating activities to distributable cash (unaudited) (\$000's, except for per Unit amounts and percentages)	Three months ended June 30, 2010	Six months ended June 30, 2010
Cash flow from operating activities	\$ 3,271	\$ 6,373
Changes in non-cash working capital balances	(2,046)	(2,078)
	1,225	4,295
Gain/(Loss) on sale of assets	9	65
Maintenance capital expenditure ⁽¹⁾	(423)	(511)
Distributable cash generated ⁽¹⁾	\$ 811	\$ 3,849
Distributions declared	\$ 2,099	\$ 4,195
Distributable cash generated per Unit	\$ 0.0579	\$ 0.2753
Distributions declared per Unit	0.1500	0.3000
Payout percentage ⁽²⁾	259.0%	109.0%
Net income	\$ (1,887)	\$ (1,708)
Surplus/(Deficit) of net income over/(below) distributions declared	\$ (3,986)	\$ (5,903)

Notes:

(1) See definition of "maintenance capital expenditures" and "distributable cash" under "Non-GAAP Measures" below.

(2) Amounts calculated using distributable cash and distributions declared for the related period, not on per Unit amounts. Calculated as distribution declared divided by distributable cash generated.

NON-GAAP MEASURES

References in this MD&A to "EBITDA" are to earnings before interest, income taxes, depreciation, amortization, accretion, gain/loss on financial derivatives relating to changes in 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".

“Maintenance capital expenditures” is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. The Fund considers maintenance capital expenditures as expenditures that are required to maintain the service capacity of the Fund’s rentable equipment fleet (defined as equipment that has generated rental revenue equal to or exceeding 10% of the original acquisition cost of such equipment in the immediately preceding 12 months) and operating assets which include vehicles, trailers, furniture and fixtures, computer equipment and software and leasehold improvements. The maintenance capital expenditures for the Fund are calculated as the difference between the original acquisition cost and the related net book value upon the disposition of such equipment, plus the cost of replacement to operating assets.

OFF-BALANCE SHEET FINANCING

The Fund has no off-balance sheet arrangements, except for the operating leases relating to the Fund’s various operating assets, as disclosed in note 10(a) of the Interim Financial Statements. The operating lease arrangements represent a normal course of the Fund’s businesses.

CONTRACTUAL OBLIGATIONS

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

Loans payable (\$000's)	2010	2011	2012	2013	2014
Loans Payable	\$ 2,507	\$ 7,107	\$ 4,788	\$ 11,929	\$ 879

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

Contractual obligations (\$000's)	2010	2011	2012	2013	2014	Thereafter
Rental commitments	\$ 915	\$ 1,809	\$ 1,565	\$ 1,288	\$ 899	\$ 3,281
Equipment financing commitments	30	30	2	-	-	-
Term Mortgage	9	18	310	-	-	-
Capital leases	49	100	100	122	57	-
Operating leases	261	377	224	85	29	-
	\$ 1,264	\$ 2,334	\$ 2,201	\$ 1,495	\$ 985	\$ 3,281

LONG TERM INCENTIVE PLAN

Trustees, directors, officers and key employees of the Fund and its direct and indirect subsidiaries are eligible to participate in the Fund’s long term incentive plan (the “LTIP”). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance the Fund’s ability to attract, retain and motivate key personnel and reward key employees for significant performance that results in the Fund exceeding its cash available for distribution targets. Pursuant to the LTIP, the Fund sets 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 hold the Units until such time as ownership vests to each participant. LTIP participants are 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 Fund's 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 amounts. In fiscal 2010, 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%

As at June 30, 2010, the compensation committee of the Fund did not approve any payments under the LTIP for the 2010 fiscal year to date for senior management of the Fund.

WESTERONE EQUITY INCENTIVE UNIT OPTION PLAN

Under the WesternOne Equity Incentive Unit Option Plan, options to purchase the Fund's Units may be granted to senior executives, directors, Trustees, certain employees of and service providers to the Fund and its direct and indirect subsidiaries. The purpose of the WesternOne Equity Incentive Unit 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.

On February 10, 2010, the Fund granted options to senior executives, directors, Trustees and certain employees to purchase, in aggregate, an additional 503,000 Units. Each option provides the holder with the right for up to ten years to purchase one Unit at an exercise price of \$4.30. Vesting of the options occurs equally over the next five years.

As at the date of this MD&A, no options granted had yet been exercised.

TRANSACTIONS WITH RELATED PARTIES

The Fund purchased equipment from 0798319 BC Ltd., a company in which a board member of the Fund has a controlling interest, for \$117,335 (2009 - \$44,513) and \$254,617 (2009 - \$175,910) during the three and six months ended June 30, 2010, respectively. 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 an officer and certain general managers of Business LPs hold interests. Specifically, the Fund rents premises in its operating locations in Comox (British Columbia), Calgary (Alberta) and Edmonton (Alberta) from Mahatta Holdings Ltd., Eastlake Properties Inc. and MYR Developments Ltd., respectively. The Fund paid \$203,777 (2009 - \$198,730) and \$403,986 (2009 - \$401,541) aggregately in rent to such companies during the three and six months ended June 30, 2010. The rent between the parties is at fair market value.

The terms of the leases range from renewal on a monthly basis (with a termination notice of three months given either by the tenant or landlord) to August 31, 2023.

FUND UNITS AND PRINCIPAL UNITHOLDERS

As at the date of this MD&A, 13,889,020 Units are issued and outstanding, each of which entitles the holder to one vote at Unitholder meetings. Furthermore, 94,939 Series A Debentures and 27,600 2010 Debentures are issued and outstanding. Upon conversion of Series A Debentures and 2010 Debentures, an additional 2,260,452 and 5,257,142 Units, respectively, would be issuable. 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 of the issued and outstanding Units.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund’s financial assets and liabilities consist primarily of cash and cash equivalents, accounts receivable, operating loans, accounts payable and accrued liabilities, distribution payable, equipment financing, term mortgage, capital and acquisition loans, financial derivatives not designated in an effective hedging relationship, Series A Debentures and 2010 Debentures.

The carrying values of the financial instruments, except for the capital and acquisition loans, mortgage payable, equipment financing payable, Series A Debentures and 2010 Debentures, are considered to approximate their fair values due to their short term nature. The carrying values of the capital and acquisition loans approximate their fair values as the related interest rates of the loans were at market as at June 30, 2010. The Fund has considered credit risk in making this determination and concluded no material adjustments would be required. The fair values of the mortgage payable and equipment financing payable are based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. The fair values of Series A Debentures and 2010 Debentures are determined based on the closing prices at the Toronto Stock Exchange as at June 30, 2010.

In addition to liquidity risk described in “Cash Flow and Liquidity” above, the Fund is exposed to credit, interest rate and foreign exchange risks associated with its financial assets and liabilities. Overall, the Fund’s Trustees have responsibility for the establishment and approval of the Fund’s risk management policies. Management continually performs risk assessments to ensure that all significant risks related to the Fund’s operations have been reviewed and assessed to reflect changes in market conditions and the Fund’s operating activities.

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument. 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 June 30, 2010. 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's equipment financing, term mortgage, Series A Debentures and 2010 Debentures all bear fixed interest rates, and hence are not exposed to any interest rate risk. The Fund's credit facilities bear interest at variable rates. In this case the Fund is managing its interest rate risk through entering into an interest rate swap agreement with the Bank for a portion of the outstanding acquisition loan. The Fund does not hold or use any derivative instruments for trading or speculative purposes.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Fund's cash flow exposure to foreign currency is due mainly to purchases of rental equipment and replacement parts from suppliers in the United States.

As at June 30, 2010, the Fund's consolidated balance sheet included \$521,459 of accounts payable (2009 - \$101,272), and \$343,487 of cash (2009 - net debt of \$85,351) which were U.S. currency denominated.

The Fund does not use, hold or issue foreign exchange contracts for trading or speculative purposes.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Interim 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 as at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the reporting period. The Fund has taken into account the current economic environment when determining the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets. As conditions change in 2010, actual results could differ from those estimates. The Fund's significant accounting policies are described in note 3 of the Fund's consolidated financial statements for the year ended December 31, 2009. The Fund bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances. The Fund considers the following to be most critical in understanding the judgments that are involved in preparing the Interim Financial Statements and the uncertainties that could affect the Fund's results of operations, financial condition and cash flows.

Provision of inventory obsolescence

The value of the Fund's inventory, which includes equipment for resale and parts inventories, is evaluated by management throughout each year. When required, reserves are recorded to ensure that the book value of the resale equipment is valued at the lower of cost or estimated net realizable value. Management identifies slow moving or obsolete parts inventories (if any) and estimates appropriate obsolescence provisions related thereto. Assumptions underlying management's evaluation of inventory obsolescence include stability in inventory price levels and estimates of customer demand and projected level of repairs and maintenance needed for the rental fleet. Depending on the future economic environment, there is a risk that the Fund could have an increase in inventory obsolescence which would result in an increased charge to net income.

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. Management 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 June 30, 2010. 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, and any such losses to date have been within management's expectations. Assumptions underlying management's evaluation of provision for doubtful accounts include stability of the business environment that customers operate in and financial health of customers. The provision for doubtful accounts at June 30, 2010 did not reflect any significant increase in expected losses compared to prior years. However, depending on the future economic environment, there is a risk that the Fund could experience a greater number of defaults which would result in an increased charge to net income.

Property and equipment

Management reviews property and equipment 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. Assumptions underlying management's evaluation of property and equipment impairments include estimates of the physical state of the assets and customers' demand for the rental fleet equipment. Depending on the future economic environment, there is a risk that the Fund could have an increase in property and equipment impairments which would result in an increased charge to net income.

Intangible assets

Management reviews intangible assets with definite lives for impairment whenever changes in circumstances indicate the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows through its 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 exceeds 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. Assumptions underlying management's evaluation of intangible asset impairments include estimates of future cash flow generated from and expected lives of the respective intangible assets, and future costs of capital. Depending on the future economic environment, there is a risk that the Fund could have an increase in intangible asset impairments which would result in an increased charge to net income.

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. Assumptions underlying management's evaluation of goodwill impairments include estimates of future operations of, and related cash flow generated from, the Fund's reporting units, and marketplace

data. Depending on the future economic environment, there is a risk that the Fund could have an increase in goodwill impairments which would result in an increased charge to net income.

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.

Future income taxes

As the Fund will allocate all of its taxable income and taxable capital gains to the Unitholders, the Fund itself is not currently 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 26.5% for 2011 and 25.0% thereafter. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. Assumptions underlying the composition of future income tax assets include estimates of future results of operations, the timing of reversal of temporary differences, as well as the tax rates and laws in each province at the time of the expected reversal. The composition of future income tax assets is reasonably likely to change from period to period due to the uncertainties surrounding these assumptions.

ADOPTION OF NEW ACCOUNTING STANDARDS

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") 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 will be required to report under IFRS for its interim and annual financial statements for the fiscal year ending December 31, 2011.

The Fund has developed an IFRS transition work plan consisting of three phases as follows:

Phase 1: Preliminary study and diagnostic

1. Identification of the IFRS standards that will require changes with regard to measurement in the consolidated financial statements and disclosure.
2. Rank of standards based on their anticipated impact on the Fund's consolidated financial statements and the effort their implementation will require.

Status: Completed

Phase 2: Standards analysis

1. Analysis of the difference between GAAP and IFRS.

2. Selection of the accounting policies that the Fund will apply on an ongoing basis.
3. Fund's selection of IFRS 1 exemptions at the date of transition which is January 1, 2010, calculation of the quantitative impact on the consolidated financial statements and disclosure analysis.

Expected completion date: October 31, 2010

Phase 3: Implementation

1. Preparation of the opening balance sheet at the date of transition.
2. Production of template for the interim and annual consolidated financial statements and the associated disclosure for the fiscal year ending December 31, 2010.
3. Identification and implementation of changes required for information technology, internal control over financial reporting, disclosure controls and procedure, business activities, financial reporting expertise and training.

Expected completion date: December 31, 2010

The following discussion relates to key areas that have a significant impact on the Fund's consolidated financial statements a result of the IFRS conversion:

1. Election of options and application of exemptions under IFRS 1

IFRS 1 is the standard that provides guidance for creating the Fund's first IFRS financial statements. The standard provides elective options in the opening balance and mandatory exceptions to retrospective application of IFRS in certain circumstances. The Fund has assessed the impact of the mandatory exceptions and made elections from the available options under IFRS 1. As a result of the assessment, the Fund has elected not to apply IFRS 3 retrospectively before the date of transition. The Fund has also elected to measure its property, plants and equipments at historical cost under IFRS.

2. Classification of the Fund's Units

Currently, the Fund's Units are classified as equity under Canadian GAAP. The Fund has performed an analysis according to IFRS based on the terms in the original Unit subscription agreement and determined that the Fund's Units should be classified as liability as at the date of transition.

3. Impairment of assets

According to International Accounting Standards ("IAS") 36, an impairment loss is recognized if an asset's or cash generating unit's (including goodwill) carrying value exceeds its recoverable amount. Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring impairment by comparing asset carrying values to their fair value (which is calculated using discounted cash flows). IAS 36 uses a one-step approach for testing and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted cash flows). This may potentially result in write-downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a

discounted cash flow basis. This difference could lead to income statement and earnings volatility in future periods.

4. Financial Instruments

Since the Fund's Units are classified as liability under IFRS, the Fund is not required to allocate a portion of the carrying value of its convertible debentures to an equity component according to IAS 32 and 39.

The Fund is the process of identifying the effects of IFRS on operations and business processes as follows:

1. Information system and business process

The Fund has commenced the assessment of changes required to the Fund's information system, accounting and business processes. To date, no significant requirements of changes were identified. The Fund is also in the process of assessing the impact of IFRS on the Fund's covenants.

2. Internal controls over financial reporting

The Fund is in the process of assessing additional controls requirements as a result of changes to the Fund's operating and financial reporting processes. To date, no significant requirements of changes to internal controls were identified. The Fund will also perform an assessment to identify key disclosures under IFRS and the potential additional controls requirements.

3. Training and financial reporting expertise

The Fund engaged additional financial reporting consultants to assist with the IFRS transition. The Fund's financial reporting professionals have attended training sessions and seminars in order to familiarize themselves with IFRS. The Fund's audit committee Chairman has completed a certification program from the Institute of Chartered Accountants of England and Wales. Other members of the Fund's audit committee and board of directors and Trustees continue to attend training sessions and seminars to ensure they are IFRS literate. In addition, the members of the board and auditor committee receive briefings from auditors and management on the latest IFRS developments.

RISKS AND UNCERTAINTIES

For risks and uncertainties associated with the Fund, refer to the Fund's Annual Information Form dated March 31, 2010.

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.

The Fund's ICFR may not prevent or detect all misstatements because of the inherent limitations of any control system. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Fund's policies and procedures.

An evaluation of the design of the Fund's DC&P was conducted, as at June 30, 2010, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that as at June 30, 2010, except for the design of DC&P related to OnSite as described below, the Fund's DC&P are designed to provide reasonable assurance that information required to be disclosed by the Fund in reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Management, under the supervision of the CEO and the CFO, has evaluated the design of the Fund's ICFR using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that as at June 30, 2010, except for the design of ICFR related to OnSite as described in the paragraph below, the Fund's ICFR was 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 the date of this MD&A, management has not completed the evaluation of the design of DC&P and ICFR related to OnSite, of which the assets and business were acquired by the Fund on April 1, 2010. The following table summarizes the financial information of OnSite for the three months ended June 30, 2010:

Summary Financial Information (\$'000s) (unaudited)	Three months ended June 30, 2010
Revenue	\$ 2,132
Income/(loss) before discontinued operations and extraordinary items	85
Net income/(loss)	85
Current assets	2,419
Non-current assets	12,414
Current liabilities ⁽¹⁾	433
Non-current liabilities	-

Note:

(1) Excludes inter-company balance of \$0.76 million due to other subsidiaries of the Fund.

Management anticipates that the evaluation of the design of DC&P and ICFR for OnSite to be complete prior to March 31, 2011.

There has been no change in the Fund's DC&P and ICFR that occurred during the first quarter of fiscal 2010 that has materially affected, or is reasonably likely to materially affect, the Fund's DC&P and 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”.

According to Statistics Canada, the dollar values of monthly residential building permits issued in Metro Vancouver, Victoria, Calgary and Edmonton for the period October 2009 – June 2010 were higher than the respective months a year earlier, suggesting continual recovery in the construction sector in these regions¹. While the revenue base of the Fund’s aerial equipment rental business, most notably in BC, is impacted by an oversupply of equipment in the market which prompted rental rate competition amongst rental operators, management believes the gradual pickup of construction activity and the resulting higher demand will help stabilize the rental market and give rise to growth in rental rates.

The Fund is making significant progress in integrating OnSite into its existing network of operations. Actions such as streamlining the management reporting structure, leveraging local marketing expertise, and optimizing internal deployment of rental fleet all aim to achieve higher operational efficiency organization-wide.

The Fund also actively reviews the performance of its rental fleet to optimize utilization and realize cash flow through strategic disposals of underperforming equipment.

The Fund continues to seek growth in the current economic environment through leveraging its diversified product offering and market coverage, along with the execution of accretive acquisitions.

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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TRADING SYMBOLS

Toronto Stock Exchange: WEQ.UN, WEQ.DB and WEQ.DB.B

¹ Statistics Canada, Table 026-0006 – Building permits, by type of structure and area.