



MANAGEMENT'S DISCUSSION AND ANALYSIS

November 15, 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 nine months ended September 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 the Fund's limited partnerships 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 note 1 of the Interim Financial Statements), 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.

RECENT EVENTS

On September 21, 2010, the Fund announced that after completing the due diligence process, it would not be proceeding with the purchase of the assets of an engineered scaffold business in Alberta previously described in its August 3, 2010 news release.

On October 1, 2010, the Fund announced that it had ended its franchise agreement with Volvo Rents and rebranded its Alberta equipment rental operation to "WesternOne Rentals & Sales". The rebranding was part of the Fund's ongoing marketing integration strategy to leverage the success from the initial launch of "WesternOne Rentals & Sales" in its BC operations in July 2008. The rebranding would create a unified presence for the Fund's equipment rental operation across BC and Alberta, thereby strengthening customers' recognition of the brand and the associated quality products and services being offered. Through leveraging the in-house brand the Fund would also enable cost savings through eliminating franchise-related expenses, which are estimated to be \$0.20 million annually.

SUMMARY FINANCIAL REVIEW

The Fund recorded significant year-over-year increases in revenue, gross profit and EBITDA for the three months ended September 30, 2010 (44.9% for revenue, 45.7% for gross profit and 52.0% for EBITDA). Consistent with the second quarter, the revenue and earnings growth continued to be fuelled by the organic growth from the robust single-home residential sector in the Southern Alberta region and acquisition of On*Site Equipment ("OnSite") on April 1, 2010. Excluding effects from the incremental revenues and earnings from OnSite, the Fund recorded an organic growth of 11.0% and 6.5% in revenues

and gross profit in the third quarter compared to the same period in 2009. Also excluding OnSite, EBITDA for the quarter was down 6.0% year-over-year due to higher operating costs in a price-competitive environment in the BC region. However, the organic growth in revenues and gross profit is a strong indication that the Fund's market expansion and fleet deployment strategies have proven effective in maintaining competitiveness as the economy emerges from the recession. Management believes positive EBITDA growth will follow suit as the economy continues to recover and the operation gains entry into new markets.

Summary Financial Overview

(\$000's, except per Unit amounts and percentages)	Three months ended			Nine months ended		
	September 30			September 30		
	2010	2009	2008	2010	2009	2008
Revenue	\$ 11,220	\$ 7,741	\$ 8,813	\$ 35,425	\$ 31,326	\$ 24,132
Cost of sales	(3,217)	(2,247)	(2,537)	(11,377)	(10,246)	(6,990)
Gross profit	8,003	5,494	6,276	24,048	21,080	17,142
<i>Gross margin</i>	71.3%	71.0%	71.2%	67.9%	67.3%	71.0%
Operating expenses ⁽¹⁾	(5,595)	(3,910)	(3,418)	(15,425)	(11,900)	(9,600)
EBITDA ⁽²⁾	2,408	1,584	2,858	8,623	9,180	7,542
Interest expense ⁽³⁾	(1,235)	(632)	(518)	(3,249)	(1,933)	(1,359)
Amortization, accretion and others ⁽⁴⁾	(3,419)	(2,725)	(1,498)	(9,761)	(8,233)	(3,695)
Franchise termination fees ⁽⁵⁾	(816)	-	-	(816)	-	-
Impairment of intangible assets ⁽⁵⁾	(910)	-	-	(910)	-	-
Income/(Loss) before future income taxes	(3,972)	(1,773)	842	(6,113)	(986)	2,488
Future income tax (expense)/recoveries	362	124	(219)	795	1,145	(470)
Net income/(loss)	\$ (3,610)	\$ (1,649)	\$ 623	\$ (5,318)	\$ 159	\$ 2,018
Adjustments:						
Franchise termination fees	816	-	-	816	-	-
Impairment of intangible assets	910	-	-	910	-	-
Adjusted net income/(loss) ⁽²⁾	\$ (1,884)	\$ (1,649)	\$ 623	\$ (3,592)	\$ 159	\$ 2,018
Basic and diluted weighted avg income/(loss) per Unit	\$ (0.26)	\$ (0.12)	\$ 0.05	\$ (0.38)	\$ 0.01	\$ 0.17
Basic and diluted weighted avg income/(loss) per Unit - adjusted	(0.13)	(0.12)	0.05	(0.26)	0.01	0.17
Total assets	\$ 93,016	\$ 80,028	\$ 66,914	\$ 93,016	\$ 80,028	\$ 66,914
Total long-term liabilities	24,283	9,633	9,175	24,283	9,633	9,175
Maintenance capital expenditure ⁽²⁾	251	119	190	762	360	265
Distributable cash generated ⁽²⁾	\$ 1,004	\$ 883	\$ 2,126	\$ 4,853	\$ 7,010	\$ 5,979
Distributable cash per Unit ⁽⁶⁾	0.0717	0.0634	0.1784	0.3469	0.5075	0.5039
Distributions declared	2,102	2,092	1,790	6,297	6,234	5,342
Distributions declared per Unit	0.1500	0.1500	0.1500	0.4500	0.4500	0.4500
Payout percentage ⁽⁷⁾	209.3%	236.9%	84.2%	129.7%	88.9%	89.3%

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, impairment of assets and accrued costs relating to the termination of the Volvo Rents franchise.
- (2) See definition of EBITDA, distributable cash, maintenance capital expenditures and adjusted net income 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) Related to the termination of the Volvo Rents franchise effective October 1, 2010 and the write-off of the associated intangible assets. The one-time, non-recurring cost relating to the franchise termination was excluded from EBITDA.
- (6) Calculated based on basic weighted average number of Units.
- (7) 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.

More detailed discussions of the financial results for the three and nine months ended September 30, 2010 are provided under "Operating Results" below.

The Fund's revenue increased by 44.9%, or \$3.48 million, for the three months ended September 30, 2010 and 13.1%, or \$4.10 million, for the nine months ended September 30, 2010 compared to the same periods a year ago. The increase was in part due to the addition of OnSite to the Fund's Alberta operation following the acquisition on April 1, 2010. OnSite contributed incremental revenue of \$2.63 million for the quarter and \$4.76 million year-to-date. The increase was also due to: 1) higher rental volume in Southern Alberta, prompted by the continuing recovery in the single-home construction industry and increased presence in the commercial construction sector; and 2) higher equipment sales from the Fund's BC operation, as older fleet equipment was sold and replaced with newer machines.

Gross profit increased by 45.7%, or \$2.51 million for the three months ended September 30, 2010 and 14.1% or \$2.97 million for the nine months ended September 30, 2010, compared to the same periods a year ago. OnSite contributed \$2.15 million and \$3.89 million of gross profit in the respective periods. As mentioned above, the Fund also benefited from a significant increase in rental activity in Southern Alberta's single-home and commercial construction sectors. During the third quarter the Fund recorded an organic growth in gross profit of \$0.44 million, or 24.6%, in the Alberta region compared to the same period last year. Gross profit from the BC region decreased slightly by \$0.10 million at \$3.62 million for the third quarter, compared to \$3.72 million a year ago, signaling continuing recovery in the rental volume and rental rates in that region.

Gross margin was 71.3% and 67.9% for the three and nine months ended September 30, 2010, respectively, and improved from 71.0% and 67.3% a year ago.

Interest expense (net of interest income) was \$1.24 million or 11.0% of total revenue for the three months ended September 30, 2010 and \$3.25 million or 9.2% of total revenue for the nine months ended September 30, 2010. This is compared to \$0.63 million (8.2% of total revenue) and \$1.93 million (6.2% 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 \$27.6 million unsecured convertible subordinated debentures ("2010 Debentures"), which were 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 \$3.39 million or 30.2% of total revenue for the three months ended September 30, 2010 and \$9.73 million or 27.5% of total revenue for the nine months ended September 30, 2010. This is compared to \$2.71 million (35.0% of total revenue) and \$8.22 million (26.2% 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 \$3.61 million or \$0.26 per Unit for the three months ended September 30, 2010 and \$5.32 million or \$0.38 for the nine months ended September 30, 2010. This is compared to a net loss of \$1.65 million (\$0.12 per Unit) and net income of \$0.16 million (\$0.01 per Unit), respectively, for the same periods a year ago. Included in this year's figures was an accrued cost of \$0.82 million relating to the termination of the Volvo Rents franchise, which the Fund announced on October 1, 2010 (see "Recent Events" above). Pursuant to the franchise agreement, the termination fee was based on historical royalty payments, multiplied by a pre-determined multiple. The Fund also recorded a write-down of \$0.91 million from its intangible assets in association with the termination of the franchise. Excluding these non-recurring items, net loss for the quarter would have been \$1.89 million (\$0.13 per Unit) and \$3.59 million (\$0.26 per Unit) for the three and nine months ended September 30, 2010, respectively.

Total assets were \$93.02 million as at September 30, 2010, compared to \$80.03 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 \$24.28 million as at September 30, 2010, compared to \$9.63 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), partially offset by the reclassification of the Series A Debentures to current liabilities as it will mature on August 15, 2011.

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 September 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 \$0.36 million for the three months ended September 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 nine months ended September 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 September 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 WEQ Production Equipment LP ("PER"), WEQ Old Country Rentals LP ("OCR"), WEQ C&N Rentals LP ("C&N"), WEQ Deerfoot Rentals LP ("Deerfoot") (excluding OnSite as it was acquired on April 1, 2010), WEQ Heat & Propane LP ("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 nine months ended September 30, 2009 and 2010.

Summary of Revenues (\$000's)	Three months ended		Nine months ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30		September 30		September 30		September 30	
	2010	2009	2010	2009	\$	%	\$	%
Equipment Rentals	\$ 4,651	\$ 4,315	\$ 14,202	\$ 14,730	\$ 336	7.8%	\$ (528)	-3.6%
Equipment Sales	1,081	800	3,310	3,177	281	35.1%	133	4.2%
Parts, Fuel, Service and Others	2,859	2,626	13,154	13,420	233	8.9%	(266)	-2.0%
Total Revenues	\$ 8,591	\$ 7,741	\$ 30,666	\$ 31,327	\$ 850	11.0%	\$ (661)	-2.1%

Revenue from equipment rentals of \$4.65 million for the three months ended September 30, 2010 increased by 7.8%, or \$0.34 million, compared to \$4.31 million a year ago. For the nine months ended September 30, 2010, revenue from equipment rentals decreased by 3.6%, to \$14.20 million from \$14.73 million a year ago. The increase in rental revenue in the third quarter was primarily due to the higher rental volume in the Fund's Southern Alberta operation. In addition to the robust single-home residential construction sector, the Fund's increased presence in the commercial construction sector led to higher fleet utilization in that region. The year-over-year revenue growth in the third quarter helped reduce the year-to-date decline to \$0.53 million, which related to the lower rental revenues in BC. Management expects new construction projects will continue to absorb the excess equipment and result in a recovery in rental rates.

Revenue from equipment sales of \$1.08 million for the three months ended September 30, 2010 increased by 35.1%, or \$0.28 million, compared to \$0.80 million a year ago. For the nine months ended September 30, 2010, revenue from equipment sales increased by 4.2%, to \$3.31 million from \$3.18 million a year ago. Third quarter's retail sales in lawn-and-garden equipment and related merchandise at the Southern Vancouver Island locations continued to be strong and grew 15.7% from last year. During 2010 C&N, the Fund's Northern Vancouver Island operation, entered into a dealership arrangement with Polaris Industries Inc. to sell all-terrain vehicles for construction, agricultural, forestry and recreational applications. This new line of products contributed \$0.19 million for the three months ended September 30, 2010. The increase in sales in the third quarter was also due to disposals of underutilized fleet equipment as part of the Fund's ongoing 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 \$2.86 million for the three months ended September 30, 2010 increased by 8.9%, or \$0.23 million, compared to \$2.63 million a year ago. For the nine months ended September 30, 2010, the revenue decreased by 2.0%, to \$13.15 million from \$13.42 million a year ago. For the three months ended September 30, 2010, increases in parts and service-related revenue in the Southern Alberta region were in line with the growth in the rental volume in that region. For the nine months ended September 30, 2010, the increase in revenue from parts and service partially offset the decline in fuel-related revenue due to the warm weather in the earlier part of 2010.

Gross margin and gross profit

Gross margin was 68.1% and 65.8% for the three and nine months ended September 30, 2010, respectively. This is compared to 71.0% and 67.3% for the same periods a year ago. Gross profit increased by 6.5% for the three months ended September 30, 2010, to \$5.85 million from \$5.49 million a year ago and decreased by 4.4% for the nine months ended September 30, 2010, to \$20.16 million from \$21.08 million a year ago.

Cost of sales

Cost of sales as a percentage of total revenue was 31.9% and 34.2% for the three and nine months ended September 30, 2010, respectively, compared to 29.0% and 32.7% for the same periods a year ago.

Costs associated with equipment sales were 93.8% and 89.4% of equipment sales revenue for the three and nine months ended September 30, 2010, compared to 97.9% and 93.4% 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 20.1% and 24.6% of total revenue for the three and nine months ended September 30, 2010, compared to 18.9% and 23.2% 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, gain/loss on financial derivatives relating to changes in the fair market value of the fixed interest rate swap, asset impairments and costs relating to the termination of the Volvo Rents franchise was 50.7% and 42.7% of total revenue for the three and nine months ended September 30, 2010, compared to 50.3% and 37.8% 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. The increase in number of deliveries and associated costs is due to lower revenue per contract caused by continued low rental rates.

EBITDA

EBITDA (for definition see "Non-GAAP Measures" below) as a percentage of total revenue was 17.3% and 23.0% for the three and nine months ended September 30, 2010, compared to 20.5% and 29.3% 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)	Q3 '10	Q2 '10	Q1 '10	Q4 '09	Q3 '09	Q2 '09	Q1 '09	Q4 '08
Revenue	\$ 11,220	\$ 11,160	\$ 13,045	\$ 10,333	\$ 7,741	\$ 9,485	\$ 14,100	\$ 13,448
Cost of sales	(3,217)	(3,408)	(4,752)	(3,348)	(2,247)	(2,991)	(5,008)	(4,532)
Gross profit	8,003	7,752	8,293	6,985	5,494	6,494	9,092	8,916
<i>Gross margin</i>	71.3%	69.5%	63.6%	67.6%	71.0%	68.5%	64.5%	66.3%
Operating expenses	(5,595)	(5,416)	(4,414)	(4,317)	(3,910)	(3,910)	(4,080)	(4,862)
EBITDA ⁽¹⁾	\$ 2,408	\$ 2,336	\$ 3,879	\$ 2,668	\$ 1,584	\$ 2,584	\$ 5,012	\$ 4,054
Net income/(loss)	\$ (3,610)	\$ (1,887)	\$ 180	\$ 973	\$ (1,649)	\$ (372)	\$ 2,180	\$ (538)
Income/(Loss) per Unit								
Basic	(0.26)	(0.13)	0.01	0.07	(0.12)	(0.03)	0.16	(0.04)
Diluted	(0.26)	(0.13)	0.01	0.07	(0.12)	(0.03)	0.15	(0.04)
Distributable cash generated ⁽¹⁾	\$ 1,004	\$ 811	\$ 3,038	\$ 1,893	\$ 883	\$ 1,826	\$ 4,300	\$ 2,799
Distributable cash per Unit ⁽²⁾	0.0717	0.0579	0.2175	0.1356	0.0634	0.1314	0.3163	0.2314
Distribution declared	\$ 2,102	\$ 2,099	\$ 2,096	\$ 2,095	\$ 2,092	\$ 2,085	\$ 2,057	\$ 1,867
Distribution per Unit	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
Payout percentage ⁽³⁾	209.3%	259.0%	69.0%	110.6%	236.9%	114.2%	47.8%	66.7%

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 nine months ended September 30, 2010.

Summary of cash flows (\$000's)	Three months ended		Nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
Net change of cash related to:				
Operations				
Cash generated from operating earnings	\$ 1,212	\$ 1,064	\$ 5,507	\$ 7,451
Changes from non-cash working capital	765	(38)	2,843	2,983
Investing	(2,773)	42	(18,058)	(14)
Financing	1,124	(2,048)	16,656	(7,085)
Net change in cash during the period	\$ 328	\$ (980)	\$ 6,948	\$ 3,335

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 \$1.17 million as at September 30, 2010.

Working capital management continues to be an important element of cash generation for the Fund. As at September 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 \$29.74 million as at September 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, and Series A Debentures which will mature on August 15, 2011. As at September 30, 2010, the working capital deficiency included approximately \$30.53 million of capital and acquisition loans. As at September 30, 2010, the outstanding capital and acquisition loans were advanced from the Bank with maturity dates ranging from February 2013 to September 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 September 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 had total cash and cash equivalents of \$9.02 million as at September 30, 2010 and generated \$8.26 million of cash from operating activities for the trailing twelve months ended September 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 September 30, 2010, the Fund generated cash of \$1.98 million from operating activities, of which \$0.76 million related to changes from non-cash working capital which represented a normal course of fluctuation in the Fund's businesses.

During the three months ended September 30, 2010, the Fund purchased rental equipment and other operating assets of \$2.77 million and received proceeds of \$0.81 million from sales of fleet equipment. Management also accrued \$0.82 million relating to the termination of the Volvo Rents franchise (see “Recent Events” above), effective October 1, 2010. The Fund also received net bank financing of \$3.23 million for capital expenditures of fleet equipment 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 September 30, 2010, the Fund had available unused approved credit facilities (operating, capital and acquisition loans combined) of \$6.76 million. The Fund also had accounts receivable of \$5.81 million and cash and cash equivalents totaling \$9.02 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 September 30, 2010, the timing of cash outflows relating to financial liabilities 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	\$ 5,434				\$ 5,434	\$ 5,434
Equipment financing payable	35	7			42	42
Capital leases	118	268	100		486	486
Interest rate swap	127				127	136
Capital and acquisition loans ⁽¹⁾	5,263	13,981	11,322		30,566	30,527
Convertible debentures	9,494			27,600	37,094	32,606

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 September 30, 2010, \$32.70 million of capital and acquisition loans were approved by the Bank and \$30.53 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 Series A Debentures that will mature on August 15, 2011 and capital and acquisition loans that are due within one year are included in current liabilities. As at September 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 was 129.7% for the nine months ended September 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 to decide 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	0.0500
September	0.0408	0.0500	0.0500	0.0500	0.0500
October	0.0408	0.0500	0.0500	0.0500	0.0500 ⁽²⁾
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	\$ 0.5000

Notes:

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

(2) Declared on October 20, 2010.

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 nine months ended September 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 September 30, 2010	Nine months ended September 30, 2010
Cash flow from operating activities	\$ 1,977	\$ 8,350
Changes in non-cash working capital balances	(765)	(2,843)
	1,212	5,507
Gain/(Loss) on sale of assets	43	108
Maintenance capital expenditure ⁽¹⁾	(251)	(762)
Distributable cash generated ⁽¹⁾	\$ 1,004	\$ 4,853
Distributions declared	\$ 2,102	\$ 6,297
Distributable cash generated per Unit	\$ 0.0717	\$ 0.3469
Distributions declared per Unit	0.1500	0.4500
Payout percentage ⁽²⁾	209.3%	129.7%
Net loss	\$ (3,610)	\$ (5,318)
Deficit of net loss below distributions declared	\$ (5,712)	\$ (11,615)

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, write-down of fleet assets, intangible assets and goodwill, and non-recurring items such as the accrued costs relating to the termination of the Volvo Rents franchise. 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	Thereafter
Loans Payable	\$ 1,288	\$ 5,340	\$ 5,614	\$ 11,827	\$ 3,919	\$ 2,578

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	\$ 454	\$ 1,809	\$ 1,565	\$ 1,288	\$ 899	\$ 3,281
Equipment financing commitments	11	30	2	-	-	-
Term Mortgage	4	18	310	-	-	-
Capital leases	37	149	137	164	68	-
Operating leases	142	425	256	117	45	-
	\$ 648	\$ 2,431	\$ 2,270	\$ 1,569	\$ 1,012	\$ 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 September 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.

WESTERNONE 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 and 9,000 options had been forfeited and cancelled due to the departure of an employee.

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 \$89,698 (2009 - \$108,220) and \$344,315 (2009 - \$284,130) during the three and nine months ended September 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 \$202,483 (2009 - \$200,000) and \$606,469 (2009 - \$601,541) aggregately in rent to such companies during the three and nine months ended September 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 September 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 September 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 September 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 September 30, 2010, the Fund's consolidated balance sheet included \$1,483,516 of accounts payable (2009 - \$100,670), and \$1,497,519 of cash (2009 – net debt of \$110,117) 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 September 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 September 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.

Status: Completed

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, 2011.

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 as 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 in 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 control 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 control 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 receive IFRS briefings and updates from the Fund's auditor and financial reporting professionals 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 September 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 September 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 September 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 September 30, 2010:

Summary Financial Information (\$'000s) (unaudited)	Three months ended September 30, 2010
Revenue	\$ 2,628
Income before discontinued operations and extraordinary items	458
Net income	458
Current assets	3,503
Non-current assets	12,397
Current liabilities ⁽¹⁾	433
Non-current liabilities	131

Note:

(1) Excludes inter-company balance of \$1.88 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 third 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".

Recent growth in the dollar values of both residential and non-residential building permits in major metro areas in BC and Alberta has given rise to an increased level of activity in the construction sector. Management sees the robust construction market in Alberta, particularly in the southern region, driving sustained growth in revenues and operating earnings (EBITDA) for the Fund's operation from the recession level a year earlier. In executing the market expansion strategy through accretive acquisitions and effective fleet deployment, the Fund continues to gain entry into markets such as the commercial construction sector in Southern Alberta. As the winter approaches, the operation will benefit from demand for construction heat and related rentals and services from the expanded market base.

In BC, management has seen a gradual recovery from an oversupply market in the equipment rental sector. Fleet utilization for aerial and material-handling equipment, most notably in Metro Vancouver, has been growing steadily year-over-year since the beginning of the summer of 2010. Film and series

production activity is very strong compared with last year, which will continue to drive good utilization rates for the aerial fleet in the Metro Vancouver area. As the physical demand for equipment increases, management expects competition of rental rates will ease. A gradual growth in rental rates will give rise to improved margins.

The Fund continues to make further progress in integrating its network of operations. Following the ending of its franchise arrangement with Volvo Rents on October 1, 2010, management set a significant milestone in unifying the “WesternOne Rentals & Sales” brand across the BC and Alberta equipment rentals business. Management expects the uniform presence of the in-house brand will enable cost savings through eliminating franchise-related expenses, as well as enhance brand awareness which will drive future growth.

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