

WESTERNO ONE EQUITY

WESTERNO ONE EQUITY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 12, 2008

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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 subsidiaries (collectively known as the "Fund" below, unless the context otherwise requires) for the three and six months ended June 30, 2008. Results have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in Canadian dollars unless otherwise indicated. The fiscal year-end of the Fund is December 31.

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 "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 are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the following factors: financial health of the Fund's subsidiaries and their related cash flows, competitive and economic environment, seasonality and fluctuations in results, expansion, interest rates,

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foreign exchange, cash distributions are not guaranteed and will fluctuate with the performance of subsidiaries, nature of Units, and federal income tax changes with respect to Canadian income tax treatment of income trusts, as discussed 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, a strong economy in British Columbia, stable interest rates and continued strength in the equipment rental and equipment sales industry 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.

OVERVIEW OF THE FUND

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

The Fund is an unincorporated, open-ended, limited purpose trust created on June 14, 2006 and governed by its declaration of trust and the laws of British Columbia. The Fund is authorized to issue an unlimited number of units and special voting units. Each holder of a unit participates pro rata in any distribution of the Fund.

The Fund was initially established to indirectly acquire the assets of Production Equipment Rentals Company (“PER”) and such other investments as the trustees of the Fund (the “Trustees”) may determine.

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

The Fund holds a 100% indirect interest in WEQ Old Country Rentals LP (“OCR”), a limited partnership established under the laws of Manitoba on April 20, 2007. The Fund’s operations within OCR commenced on June 1, 2007, when OCR acquired the assets and the business of Old Country Rentals Ltd (“OCR Ltd.”). OCR Ltd. has been operating for more than 45 years, and is one of the largest and most diversified equipment rentals, sales and repair businesses on Vancouver Island in British Columbia.

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

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

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

British Columbia Platform: The businesses within this platform are:

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

The businesses within the British Columbia Platform began operating under a unified brand name, WesternOne Rentals and Sales, on July 3, 2008. See “Recent Events” below for further details.

Alberta Platform: WEQ Deerfoot Rentals LP is currently the only business within the Alberta platform. In addition to the original location in south Calgary, Alberta, Deerfoot officially opened a second location in Lethbridge, Alberta on June 6, 2008. See “Recent Events” below for further details.

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

RECENT EVENTS

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

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

On July 2, 2008, the Fund entered into an interest rate swap agreement with the chartered bank providing the credit facilities for the Fund. This swap exchanged the variable-rate acquisition loan, which had an outstanding balance of \$9,312,861 as at June 30, 2008, with a fixed interest rate of 5.78% for a period of three years.

On July 3, 2008, the Fund announced its new brand initiative in BC with the launch of WesternOne Rentals and Sales, creating a streamlined and unified presence in the BC equipment rentals and sales

market for its three BC Platform businesses: PE, OCR and C&N.

On July 10, 2008, the Fund announced that the board of trustees had 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 July 29, 2008, the Fund announced that it had signed a letter of intent for the purchase of the assets of an equipment rental and propane distribution business located in Edmonton, Alberta.

BASIS OF MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund's results of operations reflect the Fund's operations for the three and six months ended June 30, 2008. Compared to the three and six months ended June 30, 2007 in which the Fund's business comprised PE and OCR (acquired June 1, 2007), for the three and six months ended June 30, 2008 the Fund has incorporated the full three and six months of operations of OCR, and added the businesses of C&N and Deerfoot since the acquisition on January 1, 2008 and February 15, 2008 respectively. Therefore, in order to enhance the usefulness of this MD&A, certain unaudited financial and operating results of the Fund for the three and six months ended June 30, 2008 are compared to the unaudited results of the Fund for the three and six months ended June 30, 2007, combined with the unaudited results of OCR Ltd., C&N Ltd., and Deerfoot Inc. for the three and six months ended June 30, 2007. Such information is provided for reference purposes only and is not intended to represent a comprehensive comparison of the consolidated financial results.

SUMMARY FINANCIAL REVIEW

The Fund continued to report positive growth in sales, gross income and earnings for the three and six months ended June 30, 2008, compared to the same periods last year. The growth was attributable to: 1) the acquisition of the assets of C&N and Deerfoot in first quarter of 2008; and 2) organic growth within the Fund's operations. In particular, OCR grew by 20.5% for revenue and 89.8% for EBITDA year-over-year for the three months ended June 30, 2008, or 15.7% and 33.5% respectively for the six months ended June 30, 2008. The significant increase was mainly due to the strong vessel maintenance sector on Vancouver Island which continued to fuel high demands for aerial and general rental equipment.

Summary Financial Review

(\$000's, except unit amounts)	Three months ended June 30		Six months ended June 30		Increase/(Decrease) Three months ended June 30		Increase/(Decrease) Six months ended June 30	
	2007	2008	2007	2008	\$	%	\$	%
	Revenue	\$ 6,046	\$ 7,952	\$ 9,794	\$ 15,319	\$ 1,905	31.5%	\$ 5,524
Cost of sales	(2,450)	(2,258)	(3,446)	(4,453)	(192)	-7.8%	1,006	29.2%
Gross income	3,596	5,694	6,348	10,866	2,097	58.3%	4,518	71.2%
<i>Gross margin</i>	59.5%	71.6%	64.8%	70.9%		12.1%		6.1%
Operating expenses ⁽¹⁾	(1,671)	(3,359)	(3,274)	(6,182)	1,687	101.0%	2,908	88.8%
EBITDA ⁽²⁾	1,925	2,335	3,074	4,684	410	21.3%	1,610	52.4%
Interest expense	(316)	(486)	(641)	(842)	170	53.7%	201	31.3%
Amortization and accretion	(765)	(1,187)	(1,488)	(2,195)	422	55.2%	707	47.5%
Income before future income taxes	844	662	945	1,647	(182)	-21.5%	702	74.4%
Future income recoveries/(taxes)	-	(7)	-	(252)	(7)	0.0%	(252)	0.0%
Net income	\$ 844	\$ 655	\$ 945	\$ 1,395	\$ (189)	-22.4%	\$ 450	47.7%
Maintenance capex ⁽²⁾	\$ (71)	\$ 24	\$ (145)	\$ 75	\$ 95	134.4%	\$ 220	152.0%
Basic and diluted weighted avg earnings per Unit	\$ 0.07	\$ 0.06	\$ 0.08	\$ 0.12				
Distributable cash generated ⁽²⁾	\$ 1,679	\$ 1,873	\$ 2,576	\$ 3,854				
Distributable cash per Unit ⁽³⁾	0.1431	0.1589	0.2195	0.3255				
Distributions declared	1,164	1,781	1,975	3,553				
Distributions declared per Unit	0.1400	0.1500	0.2666	0.3000				
Coverage ratio	1.44	1.05	1.30	1.08				
Payout percentage	69.3%	95.1%	76.7%	92.2%				

Notes:

- (1) Before interest, amortization and accretion.
- (2) See definition of EBITDA, Distributable cash and Maintenance capex under "Non-GAAP Measures".
- (3) Calculated based on weighted average number of Units.

More detailed discussions of the financial results for the three and six months ended June 30, 2008 are provided under "Operating Results" below.

The Fund's revenue increased by 31.5%, or \$1.91 million for the three months ended June 30, 2008. For the six months ended June 30, 2008 the Fund's revenue increased by 56.4%, or \$5.52 million. The addition of C&N and Deerfoot contributed \$2.64 million for the three months ended June 30, 2008 and \$4.41 million for the six months ended June 30, 2008. The increase was also due to the Fund's strong organic growth from OCR, as mentioned above. PER's revenue from its rental and service operation declined by 6.0%, or \$0.20 million, for the three months ended June 30, 2008 although it maintained a positive growth of 2.2% or \$0.13 million for the six months ended June 30, 2008. In 2007 PER sold a significant amount of its older rental equipment in an effort to re-generate a newer fleet with higher operating efficiency. This gave rise to sales of \$3.10 million for the six months ended June 30, 2007, compared to \$1.30 million for the same period this year which reflects a more typical sales trend. The fleet re-generation initiative reduced the average age of PER's fleet from six years to five years.

Gross Income increased by 58.3%, or \$2.10 million for the three months ended June 30, 2008. For the six months ended June 30, 2008 the Fund's gross income increased by 71.2%, or \$4.52 million. C&N and

Deerfoot contributed a total of \$1.66 million and \$2.84 million for the three and six months ended June 30, 2008, respectively. OCR contributed \$1.17 million for the three months ended June 30, 2008 and \$2.23 million for the six months ended June 30, 2008, an organic growth of 22.7% and 16.3% respectively when compared to the same periods last year. Gross Income from PER's rental and service operation declined 7.2% in the second quarter of 2008, from \$2.96 million to \$2.75 million, but remained consistent at \$5.54 million year-to-date. Gross income from PER's equipment sales decreased by \$0.18 million and \$0.26 million for the three and six months ended June 30, 2008, again due to an unusually high volume of sales in 2007 due to fleet re-generation.

Gross margin increased significantly from 59.5% to 71.6% for the three months ended June 30, 2008 and from 64.8% to 70.9% for the six months ended June 30, 2008. The higher margins are due to the Fund's lower equipment sales volume, which typically entails a lower gross margin than the rental and service revenues.

EBITDA increased by 21.3%, or \$0.41 million for the three months ended June 30, 2008. For the six months ended June 30, 2008 EBITDA increased by \$1.61 million or 52.4%. C&N and Deerfoot contributed a total of \$0.65 million and \$1.26 million for the three and six months ended June 30, 2008, respectively. PER contributed \$1.43 million and \$2.93 million for the three and six months ended June 30, 2008, respectively. OCR contributed \$0.52 million in for the three months ended June 30, 2008 and \$0.99 million for the six months ended June 30, 2008, which reflects an organic growth of 89.8% and 33.5% respectively when compared to the same periods last year.

Basic and diluted income per Unit for the three months ended June 30, 2008 was \$0.06/Unit on a weighted average basis, compared to \$0.07/Unit a year ago. Income per Unit for the six months ended June 30, 2008 was \$0.12/Unit. This is compared to \$0.08/Unit a year ago.

The Fund generated distributable cash of \$1.87 million (\$0.1589 per Unit) for the three months ended June 30, 2008 and \$3.85 million (\$0.3255 per Unit) for the six months ended June 30, 2008. Total distributions declared were \$1.78 million (\$0.1500 per Unit) and \$3.55 million (\$0.3000 per Unit) in the respective periods. The distributions represent a payout percentage of 95.1% (equivalent to a coverage ratio of 1.05x) for the three months ended June 30, 2008 and 92.2% (coverage ratio of 1.08x) for the six months ended June 30, 2008. Due to the seasonal nature of the Fund's business, in which the rental activity levels typically follow a growth trend into the months in summer and fall as construction activities reach its peak during the year, management believes this will have a corresponding effect to reduce the payout percentage in the second half of the year due to higher distributable cash generated.

FUTURE INCOME TAXES

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

Prior to June 22, 2007, the Fund estimated the future income tax on certain temporary differences between

amounts recorded on its balance sheet for book and tax purposes at nil tax rate. Under the newly enacted legislation, the tax rate on the post-2010 reversal of these temporary differences is estimated to be 29.5% for 2011 and 28.5% thereafter. Temporary differences reversing prior to December 31, 2010 will still give rise to nil future income taxes. Based on its assets and liabilities as at March 31, 2008, the Fund has estimated the amount of its temporary differences which were previously not subject to tax and the period in which these differences will reverse.

As a result of this new legislation, Canadian accounting guidance required that the Fund record a future tax asset and a corresponding non-cash recovery to net income of \$1.45 million in the fiscal year 2007. This future income tax treatment is based on the assumption that the Fund will be a taxable entity in 2011. Adjustments to this future income tax asset will be required based on changes in the differences between the tax basis and financial statement basis of the Fund's assets and liabilities. Accordingly, an adjustment representing a non-cash, future income tax charge of \$0.25 million during the six months ended June 30, 2008 was recorded.

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

OPERATING RESULTS

To enhance the comparability with the current period's financial results under this section, the Fund's unaudited financial results for the three and six months ended June 30, 2007 have been combined with the unaudited financial results for OCR Ltd., C&N Ltd., and Deerfoot Inc. prior to the Fund's acquisition of the companies' assets. The unaudited information is for information purposes only and should not be relied upon under any circumstances.

Revenue

Total revenues from rentals and services were \$6.42 million and \$12.44 million for the three and six months ended June 30, 2008, which increased by 1.0% (\$0.06 million) and 5.3% (\$0.63 million) respectively. Total revenues from equipment sales were \$1.48 million and \$2.78 million for the three and six months ended June 30, 2008, which decreased by 52.8% (\$1.66 million) and 40.2% (\$1.87 million), largely due to PER's fleet re-generation program in 2007 which resulted in an unusual level of equipment sales. The revenues comprised of the following:

Summary of Revenues (\$000's)					Increase/(Decrease)		Increase/(Decrease)	
	Three months ended		Six months ended		Three months ended		Six months ended	
	June 30		June 30		June 30		June 30	
	2007 ⁽¹⁾	2008	2007 ⁽¹⁾	2008	\$	%	\$	%
Equipment Rentals	\$ 4,924	\$ 5,003	\$ 9,086	\$ 9,595	\$ 80	1.6%	\$ 508	5.6%
Logistical Support	368	451	793	816	83	22.4%	23	2.9%
Parts and Services	1,071	969	1,933	2,028	(102)	-9.5%	95	4.9%
Total Rentals and Services Revenue	\$ 6,363	6,423	\$ 11,812	\$ 12,439	\$ 61	1.0%	\$ 627	5.3%
Equipment Sales	3,144	1,484	4,641	2,775	(1,660)	-52.8%	(1,866)	-40.2%
Ohters	65	45	81	105	(21)	-32.0%	23	28.6%
Total Revenues	\$ 9,572	\$ 7,952	\$ 16,534	\$ 15,319	\$ (1,620)	-16.9%	\$ (1,216)	-7.4%

⁽¹⁾ Combined totals of the Fund's unaudited financial results for three and six months ended June 30, 2007, plus unaudited financial results of C&N Ltd. and Deerfoot Inc. for the three and six months ended June 30, 2007.

Revenue from equipment rentals of \$9.60 million for the six months ended June 30, 2008 increased by 5.6 %, or \$0.51 million, compared to \$9.09 million a year ago. This increase is a result of the continued growth of the Fund's customer base and equipment rental fleet, fuelled by the continuing strength in the construction, vessel maintenance and general rental sectors. Major projects in the Greater Vancouver Regional District (GVRD), such as the Vancouver Trade and Convention Centre, Canada Line rapid transit system, Golden Ears bridge, Olympic Athletes' Village, along with various other commercial and multi-family residential projects, are underway and continue to fuel the demand for our equipment. Continued from the first quarter of 2008 the vessel maintenance sector in Vancouver Island remained strong in the second quarter. Despite the softening single housing market in Calgary, the Fund's operation in that region experienced a 4.3% increase as we increased our focus on gaining market share in the commercial and multi-family residential sectors, as well as the official launch of our Lethbridge operation in southern Alberta in June, 2008.

For the three months ended June 30, 2008, equipment rental revenue of \$5.00 million increased by 1.6%, or \$0.08 million, compared to \$4.92 million. The traditional ramp-up of construction activities in late spring was deterred by an unusual amount of rainfall in the BC and Alberta regions, especially in the month of May.

To accommodate short-term market fluctuations when demand for its rental equipment exceeds supply, the Fund chooses to rent equipment on a limited basis from local competitors. Generally, the Fund will recognize a 10% - 15% profit on these re-rentals but, more importantly, maintains the revenue and the relationship with the customer. Re-rentals are standard practice within the equipment rental industry, and are a useful method for management to evaluate where future investment dollars should be targeted.

Revenue from logistical support of \$0.82 million for the six months ended June 30, 2008 increased by 3.0%, or \$0.03 million, compared to \$0.79 million a year ago. For the three months ended June 30, 2008 logistical support revenue of \$0.45 million increased by 22.4%, or \$0.08 million, from \$0.37 million a year ago. The increase was largely due to the growth in the shipyard-related rental businesses, which gave rise to increased deliveries of equipment on Vancouver Island.

Revenue from parts and services of \$2.03 million for the six months ended June 30, 2008 increased by 4.9%, or \$0.10 million, compared to \$1.93 million a year ago. The increase in the cumulative number of

units sold to its customers by the Fund has generated a loyal customer base for the parts and service activities of the business, as customers return to have their equipment serviced by the dealer. Management believes that this increase is a result of the continued demand for high-quality services within the high reach, material handling and general equipment and tools industry.

For the three months ended June 30, 2008, parts and services revenue of \$0.97 million decreased by 9.5%, or \$0.10 million, compared to \$1.07 million for the same period last year.

Revenue from equipment sales of \$2.78 million for the six months ended June 30, 2008 decreased by 40.2%, or \$1.86 million, compared to \$4.64 million a year ago. As mentioned above (See “Summary Financial Review”), equipment sales for the six months ended June 30, 2008 declined from the unusually high sales level a year ago, when PER sold a significant amount older equipment in an effort to re-generate a newer fleet with higher operating efficiency. As a result of the fleet re-generation initiative the average age of PER’s fleet was reduced from six years to five years. Management feels that this initiative forms an important strategy to optimize the residual value of older equipment when sold to the market. Furthermore, the re-generation enhances the operating efficiency of the fleet and avoids significant repair and maintenance costs, and machine breakdowns which typically become more prevalent when the machines are six to seven years old.

For the three months ended June 30, 2008, equipment sales revenue of \$1.48 million decreased by 52.8%, or \$1.66 million, compared to \$3.14 million a year ago.

Revenue from other sources amounted to \$0.11 million for the six months ended June 30, 2008, compared to \$0.08 million for the same period last year. For the three months ended June 30, 2008 the revenue was \$0.05 million, compared to \$0.07 million a year ago. The revenue relates mostly to income generated from short-term investments such as guaranteed investment certificates.

Gross margin and gross income

Gross margin was 71.6% and 70.9% for the three and six months ended June 30, 2008, respectively. This is compared to 61.4 and 64.5% for the same periods last year. The increase is due to the lower equipment sales (see revenue discussion above), which typically have a lower margin than equipment rentals and services and hence drive up gross margin.

Gross income of \$10.87 million for the six months ended June 30, 2008 increased by 1.9%, or \$0.21 million, compared to \$10.66 million last year. Gross income of \$5.69 million for the three months ended June 30, 2008 decreased by 3.1%, or \$0.19 million, compared to \$5.88 million last year.

Cost of sales

Cost of sales as a percentage of total revenues was 28.4% and 29.1% for the three and six months ended June 30, 2008, compared to 38.6% and 35.5% for the same periods last year.

Costs associated with equipment sales was 83.9% of equipment sales revenue for the six months ended June 30, 2008, which increased slightly from 83.2% last year. For the three months ended June 30, 2008,

costs associated with equipment sales was 83.6%, which reduced from 85.4% last year.

Costs associated with commissions were 2.5% of total revenues for the six months ended June 30, 2008, which is consistent with 2.4% last year. Commissions for sales people are paid based upon equipment sales and rentals revenue. In addition, incentive compensation paid out to the management team of the Business LPs, which is determined using an earnings-based calculation, is also included in commissions.

For the three months ended June 30, 2008, costs associated with commissions were 2.2% of total revenues, which is consistent with 2.1% last year.

Costs associated with re-rentals were 4.6% of total rental revenues for the six months ended June 30, 2008, compared to 5.2% last year. Re-rentals are the costs associated with renting equipment from other equipment rental companies in order to fulfill the requirements of the Fund's customers. This decrease is a result of the continued growth of the Fund's high reach and material handling equipment rental fleet, and therefore its increased ability to satisfy customer requirements while decreasing the amount rented from third parties.

For the three months ended June 30, 2008, costs associated with re-rentals were 4.9% of total rental revenues, compared to 5.1% last year.

Costs associated with other items were 8.5% of total revenues for the six months ended June 30, 2008, compared to 6.9% last year. Costs under this category relate mostly to purchases of fuel for the rental fleet, and expenditures of parts for the repair and maintenance of the rental equipment and servicing of customers' equipment. The increase is consistent with the current period's higher proportion of equipment rental and services-related revenue, as a percentage of total revenues (81.2%), compared to last year (71.4%).

For the three months ended June 30, 2008, costs associated with other items were 7.5% of total revenue, compared to 5.9% last year. Proportion of equipment rental and services-related revenue, as a percentage of total revenues, was 80.8% compared to 66.5% last year.

Operating expenses

Operating expenses, before interest, amortization and accretion, was 39.8% of total revenues, or \$6.10 million for the six months ended June 30, 2008. This is compared to 33.6% total revenues, or \$5.56 million, a year ago. The higher amount is attributed to an increase in general and administrative, freight, sales and service expenses, mostly as a result of fuel cost increases.

For the three months ended June 30, 2008, operating expenses, before interest, amortization and accretion, was 42.0% of total revenues, or \$3.34 million for the six months ended June 30, 2008. This is compared to 31.3% total revenues, or \$3.00 million, a year ago. The increase is attributed to higher fuel costs and incremental operating costs incurred at the Lethbridge location during the startup phase.

EBITDA (see "Non-GAAP Measures")

EBITDA of \$4.68 million for the six months ended June 30, 2008 decreased by 6.7%, or \$0.34 million,

compared to \$5.02 million for the same period last year. The decline is largely due to the reduced equipment sales when compared to last year (See “Summary Financial Review” above), as well as operating costs relating to the startup of the Lethbridge location. Excluding the foregoing factors, the adjusted EBITDA was \$4.26 million for the current period and \$4.17 million last year, or a 2.2% increase.

EBITDA margin, as a percentage of total revenues, remained consistent at 30.6% for the six months ended June 30, 2008, compared to 30.4% for the same period last year.

For the three months ended June 30, 2008, EBITDA of \$2.34 million decreased by 17.0%, \$0.47 million, compared to \$2.81 million for the period last year. Excluding the factors relating to reduced equipment sales and Lethbridge operating costs, adjusted EBITDA was \$2.25 million for the current period and \$2.33 million last year, or a 3.4% decline which is primarily due to higher general operating expenses relating to fuel.

EBITDA margin, as a percentage of total revenues, remained consistent at 29.4% for the three months ended June 30, 2008 and for the same period last year.

Net income

Net income of \$1.40 million or 9.1% of total revenues for the six months ended June 30, 2008 decreased by 36.0%, or \$0.78 million, compared to \$2.18 million or 13.2% of total revenues last year. Net income for the six months ended June 30, 2008 included a non-cash future income tax charge, as a result of the tax legislation, enacted by the Government of Canada in June, 2007, to tax distributions of public traded income trusts commencing 2011. The accounting treatment resulted in a non-cash recognition of future income tax charge of \$0.25 million for the six months ended June 30, 2008. Excluding the impact from future income taxes, adjusted net income for the six months ended June 30, 2008 was \$1.65 million or 10.8% of total revenues, which decreased 24.3% or \$0.53 million, from \$2.18 million for the same period last year.

For the three months ended June 30, 2008, net income of \$0.66 million or 8.2% of total revenues decreased by 52.0%, or \$0.71 million, compared to \$1.37 million or 14.3% of total revenues last year. Excluding the impact from future income taxes of \$0.07 million, adjusted net income was \$0.67 million.

The decline is largely due to the reduced equipment sales when compared to last year, higher fuel costs, incremental Lethbridge operating costs, and different corporate structure of the businesses before and after the Fund’s acquisition and its subsequent IPO, which gave rise to different non-cash related amortization policies.

SELECTED QUARTERLY FINANCIAL INFORMATION

in \$000's except per Unit amounts	Q2 '08	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	47-day period ended Sep 30, 06
Revenue	\$ 7,952	\$ 7,367	\$ 6,089	\$ 6,650	\$ 6,046	\$ 3,749	\$ 4,300	\$ 2,362
Cost of Sales	(2,258)	(2,194)	(1,387)	(1,832)	(2,450)	(997)	(1,243)	(297)
Gross income	5,694	5,173	4,702	4,818	3,596	2,752	3,057	2,065
<i>Gross margin</i>	71.6%	70.2%	77.2%	72.4%	59.5%	73.4%	71.1%	87.4%
Operating expenses ⁽¹⁾	(3,359)	(2,824)	(2,336)	(2,028)	(1,671)	(1,603)	(1,330)	(689)
EBITDA ⁽²⁾	\$ 2,335	\$ 2,349	\$ 2,366	\$ 2,790	\$ 1,925	\$ 1,149	\$ 1,727	\$ 1,376
Net Income	\$ 655	\$ 740	\$ 2,734	\$ 1,644	\$ 844	\$ 100	\$ 807	\$ 721
Distributable cash generated ⁽²⁾	\$ 1,873	\$ 1,980	\$ 2,084	\$ 2,327	\$ 1,679	\$ 899	\$ 1,374	\$ 1,002
Distributable cash per Unit ⁽³⁾	0.1589	0.1677	0.1774	0.2115	0.1431	0.1402	0.2143	0.1564
Distribution declared	\$ 1,781	\$ 1,771	\$ 1,762	\$ 1,762	\$ 1,164	\$ 810	\$ 913	\$ 405
Distribution per Unit	0.1500	0.1500	0.1500	0.1500	0.1400	0.1266	0.1424	0.0632
Coverage ratio ⁽⁴⁾	1.05	1.12	1.18	1.32	1.44	1.11	1.50	2.47
Payout percentage ⁽⁴⁾	95.1%	89.5%	84.5%	75.7%	69.3%	90.4%	66.5%	40.4%

Notes:

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

Seasonality

Typical seasonality of the Fund's business impacts its operating results as follows: The Fund's business activity levels in the British Columbia Platform, which consists of PE, OCR and C&N (see "Overview of the Fund" above), is generally lower from January through March as winter weather hampers construction activities. The low activity levels are addressed by the Fund's acquisition of the assets of Deerfoot Inc. on February 15, 2008. Strong rental activity levels during the winter months in the Alberta Platform, which consists of Deerfoot's two locations in Calgary and Lethbridge, partially compensate the slow cycle in BC as Deerfoot has a large fleet of heaters of various sizes for rent to customers in order for construction activities to continue under low temperatures. From April through July the demand for rental equipment grows gradually as construction and general tool rental activities accelerate into the summer months. Expenditures on inventory for sale and rental fleet are mostly incurred during these months due to robust equipment rental and sales in summer and fall. From August through November the demand for rental equipment continues to be strong as construction companies strive to meet construction targets prior the start of the holiday season in December, which then sees a slowing trend into the winter months of the subsequent year.

In addition to the seasonal nature of the Fund's business, the quarterly changes above are also due to (i) PE's organic growth through expanding its customer base; and (ii) the acquisition of the assets of OCR Ltd. on June 1, 2007 (Q2 '07), and C&N Ltd. and Deerfoot Inc. on January 2, 2008 and February 15, 2008 respectively (Q1 '08).

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CASH FLOW AND LIQUIDITY

The following table provides an overview of the Fund's cash flows from operating, investing and financing activities for the three and six months ended June 30, 2008.

Summary of cash flows (\$000's)	Three months ended		Six months ended	
	June 30		June 30	
	2007	2008	2007	2008
Net change of cash related to:				
Operations	\$ 411	\$ 1,723	\$ 1,866	\$ 7,192
Investing	(17,089)	(2,963)	(18,127)	(18,210)
Financing	15,591	(126)	14,892	8,048
Net change in cash during the period	\$ (1,087)	\$ (1,366)	\$ (1,369)	\$ (2,970)

As mentioned above, the revenue and operating results of the predecessor businesses of the Fund have historically displayed seasonal variations throughout the year, and this variation is expected to continue in the foreseeable future. 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 that the Fund relies on its operating loans for working capital financing at certain times of the year.

During the six months ended June 30, 2008 the Fund's operating activities generated cash of \$7.19 million. This was comprised of \$3.80 million from earnings and amortization, and an increase of \$3.39 million in working capital which represented a normal course of fluctuation in the Fund's businesses.

A single Canadian chartered bank (the "Bank") has provided a \$4.75 million operating loan on an interest only basis, that is payable upon demand, on which various operating entities of the Fund had drawn \$1.52 million as at June 30, 2008. The operating loan, along with the cash of \$2.55 million held by the Fund, formed the cash and cash equivalent balance of \$1.03 million as at June 30, 2008.

The operating loan is at the Bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured by 50% of inventory and 75% of acceptable accounts receivable, minus priority claims. The operating loan has no stated maturity date. Refer to the Fund's Interim Financial Statements note 7 for a description of the bank covenants. The Fund was in compliance with all of the Bank's covenants as at June 30, 2008.

CAPITAL RESOURCES

In addition to the \$4.75 million interest-only demand operating loan described in the "Cash Flow and Liquidity" section above, the Bank has made two capital loans and an acquisition loan (the "credit facilities") available to the Fund to finance its capital expenditures and future acquisitions. As at June 30, 2008 the capital and acquisition loans are summarized as follows:

- (1) Non-revolving capital loan of \$2.73 million;
- (2) Approved revolving capital loan of \$6.00 million, of which \$3.17 million was outstanding at June 30, 2008; and
- (3) Approved acquisition loan of \$14.00 million, of which \$9.18 million was outstanding at June 30, 2008.

The credit facilities are repayable on demand and, unless and until demanded, in monthly installments, with interest at the Bank's prime rate plus 0.65% per annum or 1.60% above banker's acceptance rates for the capital loans and 1.70% above banker's acceptance rates for the acquisition loan. The loans are secured by a general security agreement. The non-revolving capital loan, unless repaid on demand to the Bank, shall be repaid in full by August 31, 2011. The revolving capital loan and acquisition loan, unless repaid on demand to the Bank, shall be repaid in full on the fifth anniversary of the date of such advance made. Refer to the Fund's Interim Financial Statements note 7 for a description of the bank covenants. The Fund was in compliance with all of the Bank's covenants as at June 30, 2008.

As mentioned above (see "Recent Events"), on July 2, 2008 the Fund entered into an interest rate swap agreement with the Bank. This swap exchanged the variable-rate acquisition loan, which had an outstanding balance of \$9,312,861 as at June 30, 2008, with a fixed exchange rate of 5.78% for a period of three years.

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, and future cash requirements. In order to ensure the Fund's continued financial strength, and providing a reasonable return to its unitholders, the Fund has considered it financially prudent not to distribute 100% of Distributable Cash in order to address the seasonality nature of the business and unforeseen events, should they occur. The Fund's policy is to make stable monthly distributions to unitholders.

Distribution history	Distributions per Unit	
August, 2006 ⁽¹⁾	\$	0.0224
September, 2006		0.0408
October, 2006		0.0408
November, 2006		0.0408
December, 2006		0.0608
Total for the 130-day period ended December 31, 2006	\$	0.2056
January, 2007	\$	0.0408
February, 2007		0.0408
March, 2007		0.0450
April, 2007		0.0450
May, 2007		0.0450
June, 2007		0.0500
July, 2007		0.0500
August, 2007		0.0500
September, 2007		0.0500
October, 2007		0.0500
November, 2007		0.0500
December, 2007		0.0500
Total for the twelve months ended December 31, 2007	\$	0.5666
January, 2008	\$	0.0500
February, 2008		0.0500
March, 2008		0.0500
April, 2008		0.0500
May, 2008		0.0500
June, 2008		0.0500
Total for the three months ended March 31, 2008	\$	0.3000

Note:

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

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

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, 2008.

Reconciliation of cash flow from operating activities to distributable cash (\$000's, except for Unit amounts)	Three months ended June 30, 2008	Six months ended June 30, 2008
Cash flow from operating activities	\$ 1,723	\$ 7,192
Changes in non-cash working capital balances	89	(3,391)
	1,812	3,801
Gain on sale of assets	85	128
Maintenance capital expenditure ⁽¹⁾	(24)	(75)
Distributable cash generated	\$ 1,873	\$ 3,854
Distributions declared	\$ 1,781	\$ 3,553
Distributable cash generated per Unit	\$ 0.1589	\$ 0.3255
Distributions declared per Unit	0.1500	0.3000
Payout ratio ⁽²⁾	1.05x	1.08x
Payout percentage ⁽²⁾	95.1%	92.2%

Notes:

(1) See definition of "Maintenance capital expenditures" under "Non-GAAP Measures".

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

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, amortization and accretion. 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

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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 “Reconciliation of Cash Provided by Operating Activities to Distributable Cash”.

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

OFF-BALANCE SHEET FINANCING

The Fund has no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

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

Loans payable (\$000's)	July 1 to December 31, 2008	2009	2010	2011	2012	2013
Loans Payable	\$ 1,032	\$ 2,115	\$ 2,232	\$ 4,247	\$ 1,781	\$ 3,849

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

Contractual obligations (\$000's)	July 1 to December 31, 2008	2009	2010	2011	2012	2013 and after
Rental commitments	\$ 309	\$ 662	\$ 657	\$ 630	\$ 504	\$ 4,006
Equipment financing commitments	49	92	68	28	-	-
Operating leases	256	476	363	199	94	-
	\$ 614	\$ 1,230	\$ 1,088	\$ 857	\$ 598	\$ 4,006

LONG TERM INCENTIVE PLAN

Key employees of the Fund will be eligible to participate in the Fund’s long term incentive plan (the “LTIP”). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance the Fund’s ability to attract, retain and motivate key personnel and reward key employees for significant performance that result in the Fund exceeding its cash available for distribution targets. Pursuant to the LTIP, the Fund will set aside a pool of funds based upon the amount, if any, by which the cash available for distribution per Unit (as measured on a fully diluted basis) exceeds certain defined threshold amounts. The Fund or a third-party trustee will purchase Units in the market with this pool of funds and will hold the Units until such time as ownership vests to each participant. LTIP participants will

be entitled to receive distributions on all Units held for their account prior to the applicable vesting date. Unvested Units held by the third-party trustee for an LTIP participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Units will be sold and the proceeds returned to the Fund.

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

The Compensation Committee from time to time may periodically adjust the threshold. In fiscal 2008, the LTIP will provide for awards that may be earned based on the amount by which cash available for distribution per Unit (as measured on a fully diluted basis), exceeds a base distribution threshold of \$0.65 per Unit per annum. The percentage amount of that excess which forms the LTIP incentive pool will be determined as follows:

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

For the six months ended June 30, 2008, the compensation committee of the Fund has not approved any payments under the LTIP for the 2008 fiscal year to date for senior management of the Fund.

WESTERONE EQUITY 2006 INCENTIVE UNIT OPTION PLAN

At Closing, the Fund reserved an aggregate of 463,000 Units for issuance under the WesternOne Equity 2006 Incentive Unit Option Plan (the “WesternOne Equity Option Plan”). Under the WesternOne Equity Option Plan, options to purchase the Fund’s Units may be granted to the Trustees and to the directors, officers and employees of, and service providers to, the Partnership or its affiliates. The purpose of the WesternOne Equity Option Plan is to provide such eligible participants with compensation opportunities that will encourage ownership of Units, enhance the Fund’s ability to attract, retain and motivate key personnel, and reward directors, officers, employees and service providers for significant performance and growth in the Fund’s cash flow.

On July 10, 2008, the Fund announced that the board of trustees had 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.

TRANSACTIONS WITH RELATED PARTIES

The Fund purchased equipment from a company in which a board member has a controlling interest, for \$107,524 and \$263,529 during the three and six months ended June 30, 2008 respectively. These transactions arose during the normal course of business and have been recorded at exchange values agreed upon by both parties.

FUND UNITS AND PRINCIPAL UNITHOLDERS

As at June 30, 2008, 11,751,863 Units were issued and outstanding, each of which entitles the holder to one vote at Unitholder meetings. In addition, 125,000 exchangeable units (“Exchangeable LP Units”) were issued by a subsidiary indirectly controlled by the Fund on February 15, 2008. The Exchangeable LP Units have no voting rights but have economic rights equivalent to the Fund’s Units, and are exchangeable to the Units on a one-for-one basis. To the knowledge of the Fund, no person beneficially owns, directly or indirectly, or exercises control or direction over, Units carrying more than 10% of the voting rights attached to all the issued and outstanding Units, other than:

<u>Name</u>	<u>Class and Number of Securities</u>	<u>Percentage of Units Outstanding</u>
Darren T. Latoski ⁽¹⁾	1,247,393 Units	10.61%

Note:

(1) Of the 1,244,293 units, 1,207,000 units are owned by Darren Financial Group Inc. which is controlled by Mr. Latoski. The remaining 40,393 units are owned by Mr. Latoski personally.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring significant management estimates include the valuation, impairment and useful life of intangible assets and property and equipment, and future income taxes. These estimates are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The Fund’s significant accounting policies are described in Note 3 of the Fund’s consolidated financial statements for the year ended December 31, 2007, as well as “New Accounting Standards Adopted” below. Management believes that the following items represent the Fund’s most critical accounting estimates.

Inventory valuation

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

Parts inventories are valued at the lower of cost and net realizable value, with cost generally being determined on a “first-in, first-out” basis. Parts inventory write-downs are included in service expense.

Property and equipment

Property and equipment is recorded at cost. The Fund amortizes its property and equipment over their estimated useful lives on a straight-line basis, except for building which is amortized on a declining balance basis, and land which is not amortized:

Rental fleet*	10 years
Tractors and trailers	7 years
Building	4% annually
Furniture, fixtures and equipment	5 years
Computer equipment and software	5 years
Leasehold improvements	lesser of 5 years and the initial term of the lease
Land.....	Nil

**net of 25% salvage value.*

The building and land relate to the business premises of C&N and were acquired as part of the operating assets.

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

If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed their estimated fair value. Any impairment is included in income for the period.

Intangible assets

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

Customer relationships	10 years
Non-competition agreements	1 to 3 years
Brand name	Nil
Supplier agreements	Nil

If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceed their estimated fair value. Any impairment is included in income for the period in which the impairment is recognized.

Revenue recognition

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

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

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

NEW ACCOUNTING STANDARDS ADOPTED

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants' new Handbook Sections; 1535 "Capital Disclosures", 3031, "Inventories" 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation". Handbook sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation". These recommendations have been incorporated into the Fund's Interim Financial Statements.

a) Section 1535 – Capital Disclosures

This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Fund is required to disclose information that enables users of the financial statements to evaluate the Fund's objectives, policies and processes for managing capital.

b) Section 3031 - Inventories

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

c) Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks.

d) Section 3863 – Financial Instruments – Presentation

This Section establishes standards for presentation of financial instruments and non-financial derivatives.

e) Future accounting changes

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

In February 2008, the Accounting Standards Board confirmed the date of changeover from GAAP to International Financial Reporting Standards (IFRS). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund is currently developing its IFRS conversion plan and evaluating the effect of the new standards on its consolidated financial statements.

RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties disclosed in the Fund's Prospectus dated July 31, 2006, the Fund believes that the following items represent significant areas for consideration.

Financial health of the Fund's subsidiaries and their related cash flows

The Fund is entirely dependent on the operations and assets of its subsidiaries through its indirect ownership interests. The Fund's ability to make regular distributions to unitholders is dependent on the cash flow generated by these subsidiaries. This is affected by the profitability, fluctuations in working capital, margin sustainability and capital expenditures of the underlying businesses. Although the subsidiaries are intended to distribute their cash available for distribution, there can be no assurance regarding the amounts of income to be generated by the subsidiaries and amounts paid to the Fund. The failure of any subsidiary to make its anticipated distributions could adversely impact the Fund's financial condition and cash flows and therefore distributions to unitholders.

Competitive and economic environment

Currently, the Fund's indirect operating subsidiaries are engaged in the equipment rentals, sales and servicing industries in British Columbia and Alberta, which are highly fragmented and highly competitive. In addition to competing with smaller competitors, the Fund competes with larger companies with operations across Canada, the United States and overseas. These companies may have greater financial resources than the Fund, more advantageous manufacturer affiliations, and may rent and sell many of the same products as the Fund.

From time to time, the Fund or its competitors may attempt to compete aggressively by lowering prices. To the extent that the Fund lowers prices in an attempt to increase or retain market share, operating margins may be adversely impacted. In some cases, the Fund may not be able to match larger competitors' price

reductions because of their greater financial resources. If the Fund does not match competitors' price reductions, it may lose market share, resulting in decreased revenue and cash flow.

The Fund seeks to mitigate these risks by maintaining a strong network of advisors, active boards, and retaining experienced and dedicated management.

Seasonality and fluctuations in results

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

Expansion

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

Interest rates

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

Foreign exchange

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

Cash distributions are not guaranteed and will fluctuate with the performance of subsidiaries

Although the Fund intends to distribute the interest and distributions received by the Fund on the Units and notes of the Trust, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Business LPs and paid indirectly to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors associated with the Business LPs, including their profitability, fluctuations in working capital, sustainability of margins, interest expenses and their requirements for repayment of indebtedness and incurrence of capital expenditures.

The market value of the Units may deteriorate significantly if the Fund is unable to continue to distribute cash to unitholders at current distribution levels.

Nature of Units

The Units share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the businesses of the Business LPs and should not be viewed by investors as direct securities of the Business LPs. The Units represent a fractional interest in the Fund. Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring oppression or derivative actions. The price per Unit is a function of anticipated distributable income, interest rates and other factors.

The Fund's primary assets are its 100% interest in the notes and units of WesternOne Equity Operating Trust (the "Trust"). The Trust, in turn, is a limited partner in WesternOne Equity LP (the "LP"). The LP is a limited partner, directly or indirectly, of the Business LPs. This structure was established to facilitate the growth and acquisition objectives of the Fund. The price per Unit is, in part, a function of anticipated distributable income, distributions, as well as the consolidated indebtedness, net of cash and cash equivalents of the Fund including the net indebtedness of the Business LPs. The price per Unit may also be a function of interest rates or expected returns available, or perceived to be available, on alternative investments.

Federal income tax changes

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

Under the SIFT Rules, commencing January 1, 2011, the Fund will become subject to tax on its income and taxable capital gains from dispositions, that is paid or payable to Unitholders, at a rate equal to the then prevailing corporate income tax rate (currently set at 29.5% for 2011 and 28.0% thereafter). Distributions of such income to Unitholders would be treated as dividends paid by a taxable Canadian corporation. This will result in the Fund's income being subject to the tax, and distributions of such income by the Fund to its Unitholders being treated as dividends paid by a taxable Canadian corporation. Returns of capital by the Fund to its Unitholders would not be affected by the SIFT Rules and would continue to be taxed in the same manner as currently.

It is not expected that the Fund will become subject to the SIFT Rules until 2011. However, when the SIFT Rules commence to apply to the Fund, such rules are expected to result in adverse tax consequences to the

Fund and Unitholders and may impact cash distributions from the Fund. Furthermore, the SIFT Rules may reduce the value of the Units, which would be expected to increase the cost to the Fund of raising capital in the public capital markets.

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

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes were made in the Fund's internal control over financial reporting during the three and six months ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

OUTLOOK

The information contained in this section is forward-looking information. Please see “Forward-looking Information” for a discussion of the risks and uncertainties in connection with forward-looking information.

The Fund intends to continue to grow its cash flow through sustained growth in operating results. The Fund intends to leverage the scalability of its existing infrastructure to continue to improve the utilization of its equipment fleet thereby generating increased cash flow with minimal incremental investment.

Following the recent acquisitions of the assets of C&N Ltd. and Deerfoot Inc., the Fund has integrated C&N and Deerfoot under a common management, focus and growth strategy. Further, the Fund structures its platform businesses based on geographic boundaries, and aligns the Business LPs under regional leadership.

The Fund intends to seek new acquisitions in expanding product and service offerings to increase its market share both within and outside the current British Columbia and Alberta Platforms. The Fund is actively pursuing organic growth by hiring additional sales people to increase sales of its equipment, parts and service offerings, and evaluating the opening of new branches or developing sub-dealer relationships as a means of expanding into further markets it does not currently service.

The Fund continues to seek to acquire additional businesses in the equipment and infrastructure sectors that will supplement existing or anticipated operations or which have complementary product and service offerings as part of a disciplined accretive acquisition program.

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

TSX Exchange: WEQ.UN and WEQ.DB