MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 23, 2006

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 (the "Fund") for the 47-day period ended September 30, 2006, and accompanying notes. Results have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The fiscal year-end of the Fund is December 31.

This MD&A contains forward-looking statements. Please see "Forward-Looking Statements" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to these statements. 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".

OVERVIEW OF WESTERNONE EQUITY INCOME FUND

WesternOne Equity Income Fund (the "Fund") is based in Vancouver, British Columbia, and has been established to seek out and acquire businesses that are accretive to the Fund and preferably located 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 the 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 may determine. The Fund holds a 100% indirect interest in WEQ Production Equipment LP ("WEQ"), a limited partnership established under the laws of Manitoba on June 15, 2006. The Fund commenced operations on August 15, 2006, when WEQ acquired the assets of PER. WEQ 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 units ("Units") and the senior secured convertible debentures – Series A ("Series A Debentures") trade on the TSX Venture Exchange under the respective symbols WEQ.UN and WEQ.DB.

BASIS OF MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund's results of operations reflect the Fund's operations for the 47-day period ended September 30, 2006. The Fund was inactive until its indirect acquisition of a 100% interest in WEQ on August 15, 2006. Therefore, comparative results for the three and nine-month periods ended September 30, 2005 and 2006 are not available for the Fund. However, in order to enhance the usefulness of this MD&A, certain unaudited financial and operating results of the Fund for the 47-day period ended September 30, 2006 are compared to the unaudited results of PER for the 45-day period ended August 14, 2006, and the three-month period ended September 30, 2005. The unaudited results for the three-month period ended September 30, 2006 include the results of the Fund for the 47-day period ended September 30, 2006 and the results of PER for the 45-day period ended August 14, 2006. Such information is for reference purposes only and is not intended to represent a comprehensive comparison of the consolidated financial results.

RECENT EVENTS

The announcement by the Minister of Finance on October 31, 2006 (See "October 31, 2006 Announcement by the Minister of Finance") has had a significant impact on the income trust market in Canada. The Government of Canada has not yet presented the formal measures relating to the announcement to the House of Commons for consideration, and therefore the long term impact of the announcement is yet to be determined. Regardless, the Fund's management is determined to operate within its current structure to pursue the Fund's long-term objectives of generating stable and growing distributions to its unitholders as well as achieving overall capital appreciation. With this ultimate objective and in addition to growing the operations of WEQ, the Fund continues to seek and evaluate numerous acquisition, expansion and strategic opportunities.

SUMMARY FINANCIAL INFORMATION

Statement of Income Items ($000's) (Unaudited)	The Fund (3) (A) For the period Aug 15 to Sep 30, 2006	PER (4) (B) For the period Jul 1 to Aug 14, 2006	Combined (4) (A + B) For the period Jul 1 to Sep 30, 2006	PER (4) For the period Jul 1 to Sep 30, 2005
Revenue	$ 2,362	$ 2,216	$ 4,578	$ 3,608
Cost of sales	(487)	(450)	(937)	(730)
Gross income	1,875	1,766	3,641	2,878
As a percentage of sales	*79.4%*	*79.7%*	*79.5%*	*79.8%*
Operating expenses	(685)	(634)	(1,319)	(1,080)
EBITDA (1)	1,190	1,132	2,322	1,798
Interest expense	(154)	(90)	(244)	(130)
Depreciation	(134)	(188)	(322)	(322)
Amortization and Accretion	(366)	-	(366)	-
Net income	$ 536	$ 854	$ 1,390	$ 1,346
Maintenance capital expenditures (2)	$ 8	$ 27	$ 35	$ 73

Notes:

(1) See definition of EBITDA and Adjusted EBITDA under "Non-GAAP Measures".

(2) "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 additions to operating assets. For PER, maintenance capital expenditures were not tracked on a monthly basis. For comparative purposes, the gain on sale of used equipment plus the cost of additions to operating assets is used.

(3) The Fund was inactive until its indirect acquisition of the assets of PER on August 15, 2006. Included in the Fund's results of operations are the results of WEQ's operations for the 47-day period from August 15, 2006 to September 30, 2006.

(4) Results for PER are not strictly comparable to the Fund, as PER was privately held and did not prepare quarterly reports. This unaudited information is provided for information purposes only and should not be relied upon under any circumstances, as the Fund is unable to confirm the accuracy of the amounts presented.

For the 47-day period ended September 30, 2006, the Fund generated distributable cash of $1,002,583 ($0.1564 per Unit). Total distributions declared for this period were $404,115 ($0.0632 per Unit), with a coverage ratio of 2.47x (40.4%).

OPERATING RESULTS

Revenue

Total revenues for the 47-day period ended September 30, 2006 were $2.36 million. Total revenues of $4.58 million for the three-month period ended September 30, 2006 increased by $0.97 million, or 26.9%, compared to $3.61 million for the three-month period ended September 30, 2005. The improvement in total revenues is attributed to an increase in each of WEQ's four primary revenue sources: equipment rentals; equipment sales; logistical support; and parts and service activities.

Revenue from equipment rentals for the 47-day period ended September 30, 2006 was $1.70 million. Revenue from equipment rentals of $3.38 million for the three-month period ended September 30, 2006 increased by $0.55 million, or 19.5%, compared to $2.83 million for the three-month period ended September 30, 2005. This increase is a result of the continued growth of WEQ's customer base and equipment rental fleet. The equipment rental fleet as at September 30, 2006 comprised of 560 pieces (August 14, 2006 - 554, September 30, 2005 - 522 pieces).

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

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

Revenue from equipment sales for the 47-day period ended September 30, 2006 was $0.36 million. Revenue from equipment sales of $0.60 million for the three-month period ended September 30, 2006 increased by $0.34 million, or 126.4%, compared to $0.26 million for the three-month period ended September 30, 2005. This increase is a result of the increased volume of sales of new and used equipment to WEQ's growing customer base.

Revenue from logistical support for the 47-day period ended September 30, 2006 was $0.18 million. Revenue from logistical support of $0.37 million for the three-month period ended September 30, 2006 increased by $0.06 million, or 19.1%, compared to $0.31 million for the three-month period ended

September 30, 2005. This increase is a result of the continued growth of WEQ's customer base, equipment rental fleet, and an increase in equipment sales. In addition, the continued demand for reliable logistical support demanded by the customers of the high reach and material handling equipment industry, including the on-time delivery of equipment to specified locations, has helped to increase the revenue from logistical support. Management believes that changes in revenue volumes achieved from equipment rentals and equipment sales generally have a corresponding effect on the revenue realized from logistical support activities.

Revenue from parts and service activities for the 47-day period ended September 30, 2006 was $0.12 million. Revenue from parts and service activities of $0.23 million for the three-month period ended September 30, 2006 increased by $0.03 million, or 12.7%, compared to $0.20 million for the three-month period ended September 30, 2005. The increase in the cumulative number of units sold to its customers by WEQ has generated a loyal customer base for the parts and service activities of the business, as customers return to have their equipment serviced by the dealer. Management believes that this increase is a result of the continued demand for high-quality services within the high reach and material handling equipment industry, and estimates that more than 75% percent of the revenue from parts and service activities is derived from the servicing of third-party equipment.

Cost of sales and gross income

Cost of sales for the 47-day period ended September 30, 2006 were $0.49 million. Cost of sales of $0.94 million for the three-month period ended September 30, 2006 increased by $0.21 million, or 28.2%, compared to $0.73 million for the three-month period ended September 30, 2005. The increase in the total of equipment rentals and sales has had a corresponding increase in the cost of sales, including commissions and re-rentals.

Costs associated with equipment sales for the 47-day period ended September 30, 2006 were $0.08 million. Costs associated with equipment sales of $0.25 million for the three-month period ended September 30, 2006 increased by $0.04 million, or 16.5%, compared to $0.21 million for the three-month period ended September 30, 2005. This increase is a result of the increased volume of sales of new and used equipment to WEQ's growing customer base.

Costs associated with commissions for the 47-day period ended September 30, 2006 were $0.28 million. Costs associated with commissions of $0.43 million for the three-month period ended September 30, 2006 increased by $0.25 million, or 141.1%, compared to $0.18 million for the three-month period ended September 30, 2005. Commissions are paid based on equipment sales and rentals. This increase is a direct result of the increased volume of sales and rentals of high reach and material handling equipment to WEQ's growing customer base.

Costs associated with re-rentals for the 47-day period ended September 30, 2006 were $0.09 million. Costs associated with re-rentals of $0.17 million for the three-month period ended September 30, 2006 decreased by $0.10 million, or 35.4%, compared to $0.27 million for the three-month period ended September 30, 2005. Re-rentals are the costs associated with renting equipment from other equipment rental companies in order to fulfill the requirements of WEQ's customers. This decrease is a result of the continued growth of WEQ's high reach and material handling equipment rental fleet.

Costs associated with other items for the 47-day period ended September 30, 2006 were $0.04 million. Costs associated with other items of $0.08 million for the three-month period ended September 30, 2006 increased by $0.01 million, or 16.6%, compared to $0.07 million for the three-month period ended September 30, 2005.

Gross income for the 47-day period ended September 30, 2006 was $1.88 million. Gross income of $3.64 million for the three-month period ended September 30, 2006 increased by $0.76 million, or 26.6%, compared to $2.88 million for the three-month period ended September 30, 2005.

Gross income margin, as a percentage of total revenue, was 79.4% for the 47-day period ended September 30, 2006. Gross income margin, as a percentage of total revenue, decreased to 79.5% for the for the three-month period ended September 30, 2006 from 79.8% for the for the three-month period ended September 30, 2005.

Operating expenses

Operating expenses, before interest, depreciation, amortization and accretion, for the 47-day period ended September 30, 2006 were $0.69 million. Operating expenses, before interest, depreciation, amortization and accretion, of $1.32 million for the three-month period ended September 30, 2006 increased by $0.24 million, or 22.1%, compared to $1.08 million for the three-month period ended September 30, 2005. The increase in operating expenses is attributed to an increase in general and administrative, freight, sales and service expenses.

Operating expenses, before interest, depreciation, amortization and accretion, as a percentage of total revenue, were 29.0% for the 47-day period ended September 30, 2006. Operating expenses, before interest, depreciation, amortization and accretion, as a percentage of total revenue, decreased to 28.8% for the for the three-month period ended September 30, 2006 from 29.9% for the for the three-month period ended September 30, 2005. Management believes that this decrease is a result of greater utilization of the available capacity of the business' rental fleet and service abilities.

EBITDA (see “Non-GAAP Measures”)

EBITDA for the 47-day period ended September 30, 2006 was $1.19 million. EBITDA of $2.32 million for the three-month period ended September 30, 2006 increased by $0.52 million, or 29.2%, compared to $1.80 million for the three-month period ended September 30, 2005.

EBITDA margin, as a percentage of total revenue, was 50.4% for the 47-day period ended September 30, 2006. EBITDA margin, as a percentage of total revenue, increased to 50.7% for the for the three-month period ended September 30, 2006 from 49.8% for the for the three-month period ended September 30, 2005.

Net income

Net income for the 47-day period ended September 30, 2006 was $0.54 million. Net income of $1.39 million for the three-month period ended September 30, 2006 increased by $0.04 million, or 3.4%, compared to $1.35 million for the three-month period ended September 30, 2005.

SELECTED QUARTERLY FINANCIAL INFORMATION

The table below provides selected unaudited financial information of the Fund for the 47-day period ended September 30, 2006, and selected unaudited financial information of PER for the 45-day period ended August 14, 2006, and the three-month period ended September 30, 2005. The unaudited combined results for the three-month period ended September 30, 2006 include the results of the Fund for the 47-day period ended September 30, 2006 and the results of PER for the 45-day period ended August 14, 2006. Such information is for reference purposes only and is not intended to represent a comprehensive comparison of the consolidated financial results. Additional quarterly financial information is not available. As a private company, PER did not prepare quarterly reports. As such, results for the three-month periods ended September 30, 2006 and 2005 are not directly comparable.

Comparisons of the following financial results are not necessarily meaningful and should not be relied upon as indication of future performance.

	The Fund (2) (A)	PER (3) (B)	Combined (3) (A + B)	PER (3)
Statement of Income Items ($000s, except per Unit amounts) (Unaudited)	For the period Aug 15 to Sep 30, 2006	For the period Jul 1 to Aug 14, 2006	For the period Jul 1 to Sep 30, 2006	For the period Jul 1 to Sep 30, 2005
Revenue	$ 2,362	$ 2,216	$ 4,578	$ 3,608
EBITDA (1)	1,190	1,132	2,322	1,798
Net income	536	854	1,390	1,346
Basic and fully diluted earnings per Unit	$ 0.0837	n/a (4)	n/a (4)	n/a (4)
Distributable cash available per Unit	0.1546	n/a (4)	n/a (4)	n/a (4)
Cash distributions per Unit	$ 0.0632	n/a (4)	n/a (4)	n/a (4)
Coverage ratio	2.47	n/a (4)	n/a (4)	n/a (4)

Notes:
(1) See definition of EBITDA and Adjusted EBITDA under "Non-GAAP Measures".
(2) The Fund was inactive until its indirect acquisition of the assets of PER on August 15, 2006. Included in the Fund's results of operations are the results of WEQ's operations for the 47-day period from August 15, 2006 to September 30, 2006.
(3) Results for PER are not strictly comparable to the Fund, as PER was privately held and did not prepare quarterly reports. This unaudited information is provided for information purposes only and should not be relied upon under any circumstances, as the Fund is unable to confirm the accuracy of the amounts presented.
(4) Comparative amounts not available for PER.

CASH FLOW AND LIQUIDITY

On August 15, 2006, the Fund completed an initial public offering of 4,571,429 units of the Fund ("Units") at $3.50 per Unit, and 100,000 5-year 9% senior secured convertible debentures – Series A ("Series A Debentures") at $100 per Series A Debenture (the "Offering") for net proceeds of $23,249,266, after deducting expenses of the Offering of $2,750,734. The Fund used the net proceeds of the Offering, together with funds from new credit facilities, to acquire a 100% indirect interest in WEQ Production Equipment LP for $29,181,910. In accordance with the purchase agreement, the final purchase price was inclusive of an additional $2,181,910 for net property and equipment additions acquired by PER between January 1, 2006 and Closing.

The following table provides an overview of WEQ's cash flows from operating, investing and financing activities for the 47-day period ended September 30, 2006.

Summary of cash flows ($000's) (Unaudited)	For the period Aug 15 to Sep 30, 2006
Net change of cash related to -	
Operations	$ 275
Investing [1]	(29,723)
Financing [2]	30,216
Net change in cash during the period	$ 768

Notes:
(1) Includes purchase of PER by WEQ for $29.2 million.
(2) Includes proceeds used to finance the purchase of PER by WEQ for $29.2 million.

A single Canadian chartered bank (the "Bank") has provided a $2.0 million operating loan on an interest only basis, that is payable upon demand, on which WEQ had drawn $0.1 million as at September 30, 2006. 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 up to a limit of $0.75 million and 75% of acceptable accounts receivable, minus priority claims. The covenant requirements include a minimum level of tangible net worth of $3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank. The Fund was in compliance with all of the Bank's covenants as at September 30, 2006. The purpose of the operating loan is to fund working capital requirements.

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, and the competitive environment. Distributions made may not equal Distributable Cash generated in any one period. 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
Total for the period ending September 30, 2006 [2]	$ 0.0632

Notes:
(1) 17-day period from August 15-31, 2006
(2) 47-day period from August 15, 2006 to September 30, 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.

Before the end of the year, the Trustees of the Fund will be reviewing projected net income of the Fund and its subsidiaries for the fiscal year, evaluating any cash reserves against available tax shelters and likely slowdowns in cash generation that typically occur in WEQ's business in January and February, and determining whether a special year end distribution is appropriate. Consequently, distributions made may not equal distributable cash generated in any one period.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation, 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. 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 "Reconciliation of Cash Provided by Operating Activities to Distributable Cash".

RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO DISTRIBUTABLE CASH

On August 4, 2006 the Canadian Securities Administrators ("CSA") released Revised Staff Notice 52-306 revising their view with respect to the reconciliation of distributable cash. Previously, the CSA allowed for distributable cash to be presented from net income and cash flow from operations. Revised Staff Notice 52-306 states that distributable cash is in all circumstances a cash flow measure and distributable cash is fairly presented only when presented from, or reconciled to, cash flow from operations.

As recommended by the CSA, the Fund has used cash flow from operating activities as the starting point for determination of distributable cash:

Reconciliation of Cash Flow from Operating Activities to Distributable Cash ($000s, except per Unit amounts) (Unaudited)	For the period Aug 15 to Sep 30, 2006
Cash flow from operating activities	$ 275
ADD: Changes in non-cash working capital balances	736
LESS: Maintenance capital expenditures (1)	(8)
Distributable cash generated	$ 1,003
Distributable Cash generated per Unit (6,410,050 Units)	$ 0.1564
Distributions declared per Unit	0.0632
Payout ratio	2.47x
Payout percentage	40.4%

(1) "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 additions to operating assets.

SEASONALITY

The revenue and operating results of the predecessor business of WEQ have historically displayed seasonal variations throughout the year, and this variation is expected to continue in the foreseeable future. Demand for equipment is generally lower during the winter from December through March when adverse weather conditions negatively impact construction activity in particular. From April through July the demand for equipment increases and is strongest from August through November. While certain of WEQ'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 quarterly results of operations may require that WEQ relies on lines of credit for working capital financing at certain times of the year.

CAPITAL RESOURCES

Through its indirect interest in WEQ, the Fund has secured two capital loans with the same Canadian chartered bank that has provided the Fund with its $2.0 million interest only demand operating loan (see "Cash Flow and Liquidity"). The two capital loans are as follows:

(1) Non-revolving capital loan for $3.5 million, of which $3.5 million was outstanding at September 30, 2006 (inclusive of a banker's acceptance for $3.1 million, maturing on August 14, 2007); and

(2) Revolving capital loan for $4.0 million, of which $3.0 million was outstanding at September 30, 2006.

These capital loans 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, secured by a general security agreement and a personal guarantee. The lending requirements include definitions of the eligibility for assets subject to financing, and covenants specifying a minimum level of tangible net worth of $3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank. The Fund was in compliance with all of the Bank's covenants as at September 30, 2006.

OFF-BALANCE SHEET FINANCING

The Fund has no off balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The Fund has the following long-term debt and rental commitments:

Contractual obligations ($000's, except Note) (1) (Unaudited)	< 1 year	1-3 years	4-5 years	>5 years
Long-term debt	$ 963	$ 1,926	$ 1,926	$ 1,685
Rental commitments	36	336	336	143
	$ 999	$ 2,262	$ 2,262	$ 1,828

Note:
(1) Amounts do not include the operating leases entered into by the Fund. At Closing, the Fund entered into 14 operating lease agreements for vehicles and trailers, which were in the name of PER prior to Closing. The leases require monthly payments ranging from $554 to $2,490 and have maturity dates ranging to April 6, 2011.

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

The base distribution threshold will be subject to adjustment by the nominating and governance committee of the Fund from time to time. Initially, the LTIP will provide for awards that may be earned based on the amount by which cash available for distribution per Unit (as measured on a fully diluted basis), exceeds a base distribution threshold of $0.49 per Unit per annum. The percentage amount of that excess which forms the LTIP incentive pool will be determined as follows:

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

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

WESTERNONE EQUITY 2006 INCENTIVE UNIT OPTION PLAN

At Closing, the Fund reserved an aggregate of 463,000 Units for issuance under the WesternOne Equity 2006 Incentive Unit Option Plan (the "WesternOne Equity Option Plan"). Under the WesternOne Equity Option Plan, options to purchase the Fund's Units may be granted to its 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. No options have been granted under the WesternOne Equity Option Plan as at the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

The Fund has not entered into any related party transactions.

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 Interim Financial Statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring significant management estimates include the valuation of intangible assets and the useful life of property and equipment. 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 unaudited interim consolidated financial statements for the period ended September 30, 2006. 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.

Incentives received from suppliers are treated as a reduction in future purchases of the suppliers' products and are accounted for in the period in which these incentives are received.

Property and equipment

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

Rental fleet*	10 years
Office equipment	5 years
Office furniture	5 years
Shop equipment	5 years
Tractors and trailers	7 years
Computer and software	5 years
Leasehold improvements	lesser of 5 years and the initial term of the lease

**For rental fleet, salvage value of 25% of the original cost is taken into consideration.*

Depreciation 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.

Intangible assets

Identifiable intangible assets are recorded at cost. The Fund amortizes its intangible assets over their estimated useful lives on a straight-line basis as follows:

Customer relationships	10 years
Brand name*	Indefinite life
Supplier agreements*	Indefinite life

**These assets have been determined by management to have indefinite lives and are therefore not being amortized.*

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.

Revenue recognition

Revenue from rental contracts and logistical support is recognized in the period in which the related services have been provided, net of a provision for doubtful accounts.

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, net of a provision for doubtful accounts.

Revenue from equipment held for resale is recognized at the later of the time at which the contract is signed or the purchaser arranges sufficient financing to complete the purchase.

CHANGES IN ACCOUNTING POLICIES

It is the Fund's policy to adopt all applicable accounting pronouncements as they are issued, which may be in advance of the effective date of the pronouncement. There have been no changes in accounting policy for the period from August 15, 2006 to September 30, 2006.

RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties disclosed in the Prospectus, 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.

The Fund is currently entirely dependent on the operations and assets of WEQ through the Fund's indirect ownership of this business. Accordingly, the Fund's ability to make cash available for distribution to unitholders will initially be entirely dependant upon the financial performance of WEQ.

Competitive and economic environment

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

From time to time, WEQ or its competitors may attempt to compete aggressively by lowering prices. To the extent that WEQ lowers prices in an attempt to increase or retain market share, operating margins may be adversely impacted. In some cases, WEQ may not be able to match larger competitors' price reductions because of their greater financial resources. If WEQ does not match competitors' prices 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 quarterly results

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

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 WEQ 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 operating loan and capital loans payable bear interest at variable rates. The Fund is currently using a short-term derivative instrument in the form of a banker's acceptance to reduce exposure to interest rate risk on its non-revolving capital loan. See "Financial Instruments".

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 WEQ is denominated in U.S. dollars. 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 WEQ and paid indirectly to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors associated with WEQ, including its profitability, fluctuations in its working capital, the sustainability of its margins, interest expenses and its 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 business of WEQ and should not be viewed by investors as direct securities of WEQ. 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 of WEQ. 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 WEQ. The price per Unit may also be a function of interest rates or expected returns available, or perceived to be available, on alternative investments.

October 31, 2006 Announcement by the Minister of Finance

On October 31, 2006, the federal Minister of Finance announced a proposal that, if enacted, would tax publicly-traded income trusts on distributions of income to their unitholders. Existing publicly-traded income trusts would not be subject to the proposed tax until their 2011 taxation years. The proposal would have important consequences for publicly-traded income trusts and their investors.

The rate of the proposed tax on distributions of income would approximate the combined federal and provincial tax rate applicable to income earned by Canadian public corporations. The applicable rate in 2011 would be based on tax rates at that time. Currently, based on information released by the federal Department of Finance in conjunction with the announcement of the proposed tax, the rate in 2011 would be 31.5% but this is subject to changes in tax rates between now and 2011.

The proposed tax that would be imposed on income trusts may result in a reduction in the level of distributions made to their unitholders. Distributions subject to the proposed tax and received by unitholders of income trusts would be characterized as eligible dividends from a Canadian public corporation. Generally, individual unitholders resident in Canada would be subject to tax based on the enhanced gross-up and dividend tax credit and, consequently, would receive an after-tax return from their now reduced distribution of income approximately equal to the after-tax return if pre-tax income of the income trust had been distributed directly to the investor and taxed in the hand of the investor. However, reduced distributions will be an absolute cost to other types of investors including pension funds, Registered Retirement Savings Plans (RRSPs) and non-residents who would not benefit from characterization of the distribution as dividends.

Draft legislation implementing this proposal has not yet been released. It is not possible at this time for the Fund to determine whether the proposal will be enacted as proposed, or at all, and, if enacted, what impact this proposal would have on the Fund or its Unitholders. As more information becomes available, the Fund will assess the strategic and economic issues arising from this proposal.

FINANCIAL INSTRUMENTS

The Fund's operations are exposed to financial risks that arise from fluctuations in interest rates (in terms of the credit facilities) and foreign exchange rates (in terms of U.S. dollar-denominated purchases) and the degree of volatility of these rates.

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. The Fund does not hold or issue financial instruments for trading or speculative purposes. As at September 30, 2006 there are no foreign exchange contracts outstanding.

The Fund is subject to risks associated with fluctuating interest rates on its credit facilities, which contain interest terms which float with movements in prevailing interest rates.

OUTLOOK

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

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.

As of the end of the period covered by this report, the Fund's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, under the supervision of, and with the participation of the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Fund's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers Annual and Interim Filings*, are effective to provide reasonable assurance that material information relating to the Fund is made known to management on a timely basis and is included in this MD&A and the unaudited interim consolidated financial statements for the period ended September 30, 2006 and related notes.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may constitute “forward-looking” statements that involve 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 statements. When used in this MD&A, such statements often use such words as “may”, “will”, “expect”, “should”, “believe”, “intend”, “plan”, “anticipate”, “potential”, and other similar terminology. These statements reflect current expectations of management regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the following factors: financial health of the Fund’s subsidiaries and their related cash floes, competitive and economic environment, seasonality and fluctuations in quarterly results, expansion, interest rates, foreign exchange, cash distributions are not guaranteed and will fluctuate with the performance of subsidiaries, nature of

Units, and the October 31, 2006 announcement by the Minister of Finance, as discussed under "Risks and Uncertainties". Although the forward-looking statements contained in this MD&A are based upon what the Fund's management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

ADDITIONAL INFORMATION

Additional information relating to the Fund, including the Fund's Prospectus and other public filings, is available on SEDAR (www.sedar.com).

INVESTOR RELATIONS

For more information please contact:

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TRADING SYMBOLS

TSX Venture Exchange: WEQ.UN and WEQ.DB