

WESTERNO ONE EQUITY

WESTERNO ONE EQUITY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 12, 2009

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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 nine months ended September 30, 2009. Results have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information. Please see "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information. This MD&A also makes reference to certain non-GAAP measures to assist in assessing the Fund's financial performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" and "Distributable Cash and Distributions – Reconciliation of Cash Provided by Operating Activities to Distributable Cash".

FORWARD-LOOKING INFORMATION

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

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the following factors: reliance on key personnel, financial health of the Fund's subsidiaries and their related cash flows, failure to realize anticipated benefits of acquisitions, regulation, general economic conditions and levels of economic activity, current financial conditions, growth initiatives, competition,

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

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

OVERVIEW OF THE FUND

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

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

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

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

The Fund holds a 100% indirect interest in WEQ Old Country Rentals LP (“OCR”), a limited partnership

established under the laws of Manitoba on April 20, 2007. The Fund's operations within OCR commenced on June 1, 2007, when OCR acquired the assets and the business of Old Country Rentals Ltd ("OCR Ltd."). OCR Ltd. has been operating for more than 45 years, and is one of the largest and most diversified equipment rentals, sales and repair businesses on Vancouver Island in British Columbia.

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

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

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

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

British Columbia Platform ("BC Platform"): This platform currently includes:

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

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

Alberta Platform: This platform currently includes:

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

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

SUMMARY FINANCIAL REVIEW

The Fund reported positive growth in sales, gross profit and EBITDA (for definition see “Non-GAAP Measures” below) for the nine months ended September 30, 2009 compared to the same period last year. The year to date growth was achieved despite a year-over-year decline in the third quarter operating results, caused by weak demand for the Fund's equipment and services in the construction sector under the prevailing general economic conditions. Meanwhile construction heat and propane distribution activity remained low in summer before entering its seasonal ramp-up in fall and winter.

Summary Financial Overview

(unaudited)

(\$000's, except unit amounts)

	Three months ended			Nine months ended		
	September 30			September 30		
	2009	2008	2007	2009	2008	2007
Revenue	\$ 7,741	\$ 8,813	\$ 6,650	\$ 31,326	\$ 24,132	\$ 16,444
Cost of sales	(2,247)	(2,537)	(1,832)	(10,246)	(6,990)	(5,278)
Gross profit	5,494	6,276	4,818	21,080	17,142	11,166
<i>Gross margin</i>	71.0%	71.2%	72.4%	67.3%	71.0%	67.9%
Operating expenses ⁽¹⁾	(3,910)	(3,418)	(2,029)	(11,900)	(9,600)	(5,424)
EBITDA ⁽²⁾	1,584	2,858	2,789	9,180	7,542	5,742
Interest expense ⁽³⁾	(632)	(518)	(294)	(1,933)	(1,359)	(935)
Amortization, accretion and others ⁽⁴⁾	(2,725)	(1,498)	(851)	(8,233)	(3,695)	(2,219)
Income before future income taxes	(1,773)	842	1,644	(986)	2,488	2,588
Future income tax (expense)/recoveries	124	(219)	-	1,145	(470)	-
Net income/(loss)	\$ (1,649)	\$ 623	\$ 1,644	\$ 159	\$ 2,018	\$ 2,588
Adjustments:						
Depreciation of property and equipment ⁽⁵⁾	867	-	-	2,709	-	-
Loss on derivatives	32	160	-	39	160	-
Future income tax expense/(recoveries)	(124)	219	-	(1,145)	470	-
Adjusted net income/(loss) ^{(2), (6)}	\$ (874)	\$ 1,002	\$ 1,644	\$ 1,762	\$ 2,648	\$ 2,588
Basic and Diluted weighted avg income/(loss) per Unit	\$ (0.12)	\$ 0.05	\$ 0.14	\$ 0.01	\$ 0.17	\$ 0.30
Diluted weighted avg income/(loss) per Unit	(0.12)	0.05	0.14	0.01	0.17	0.29
Basic weighted avg income/(loss) per Unit - adjusted	(0.06)	0.08	0.14	0.13	0.22	0.30
Diluted weighted avg income/(loss) per Unit - adjusted	(0.06)	0.08	0.14	0.13	0.22	0.29
Total assets	\$ 80,028	\$ 66,914	\$ 51,307	\$ 80,028	\$ 66,914	\$ 51,307
Maintenance capital expenditure ⁽²⁾	119	190	12	360	265	73
Distributable cash generated ⁽²⁾	\$ 883	\$ 2,126	\$ 2,328	\$ 7,010	\$ 5,979	\$ 4,856
Distributable cash per Unit ⁽⁷⁾	0.0634	0.1784	0.2115	0.5075	0.5039	0.5551
Distributions declared	2,092	1,790	1,762	6,234	5,342	3,735
Distributions declared per Unit	0.1500	0.1500	0.1500	0.4500	0.4500	0.4166
Payout percentage	236.9%	84.2%	75.7%	88.9%	89.3%	76.9%

Notes:

- (1) Excludes items relating to interest, amortization, accretion, loss on financial derivatives relating to changes in the fair market value of the fixed interest rate swap, foreign exchange gains/losses, and impairment of assets (if any).
- (2) See definition of EBITDA, Adjusted net income/(loss), Distributable cash and Maintenance capital expenditures under "Non-GAAP Measures".
- (3) Net of interest income.
- (4) Includes amortization, accretion, loss on financial derivatives relating to the changes in the fair market value of the fixed interest rate swap, and foreign exchange gains/losses.
- (5) Effective January 1, 2009, the Fund prospectively changed its estimates of the useful life of its rental fleet. If depreciation for the three and nine months ended September 30, 2009 were calculated consistently with the same periods in 2007 and 2008 using the previous estimate of 10-year straight-line depreciation less estimated salvage value, depreciation for the three and nine months ended September 30, 2009 would have been decreased by \$0.87 million and \$2.71 million respectively.
- (6) Net income/(loss) adjusted for impairment of assets (if any), depreciation of property and equipment using estimates consistent with prior years, loss on financial derivatives relating to the changes in the fair market value of the fixed interest rate swap, and future income taxes.
- (7) Calculated based on basic weighted average number of Units.

More detailed discussions of the financial results for the three and nine months ended September 30, 2009 are provided under "Operating Results" below.

The Fund's revenue decreased by 12.2%, or \$1.07 million for the three months ended September 30, 2009 and increased by 29.8% or \$7.19 million for the nine months ended September 30, 2009. The year-over-

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year decline in the Fund's revenue in the third quarter was due to reduced demand for equipment rentals, sales and related services primarily in the construction sector under the prevailing economic conditions. The decline was partially offset by incremental revenue from H&P's fuel-related sales and services during the quarter, which generated \$1.65 million. The Fund's year-to-date revenue was higher than the same period last year due to the additional revenue from H&P's construction heat and fuel distribution operation, which generated \$11.86 million for the nine months ended September 30, 2009.

Gross profit decreased by 12.5%, or \$0.78 million for the three months ended September 30, 2009 and increased by 23.0% or \$3.94 million for the nine months ended September 30, 2009. H&P's contribution totaled \$0.95 million and \$7.16 million for the three and nine months ended September 30, 2009 respectively.

Gross margin declined from 71.2% to 71.0% for the three months ended September 30, 2009 and from 71.0% to 67.3% for the nine months ended September 30, 2009. The lower margin is attributable to rental rate competition in the equipment rental sector.

EBITDA (for definition see "Non-GAAP Measures" below) decreased by 44.6%, or \$1.28 million for the three months ended September 30, 2009 and increased by 21.7% or \$1.64 million for the nine months ended September 30, 2009. Decline in EBITDA due to the slowdown in the construction sector was partially offset by additional earnings from H&P, which generated \$0.19 million and \$4.91 million for the three and nine months ended September 30, 2009 respectively.

Interest expense was \$0.63 million or 8.2% of total revenue for the three months ended September 30, 2009 and \$1.93 million or 6.2% of total revenue for the nine months ended September 30, 2009. This is compared to \$0.52 million (5.9% of total revenue) and \$1.36 million (5.6% of total revenue) for the same periods a year ago. The increase was due to the financing of a larger fleet, as well as the acquisition loan drawn for acquiring the businesses of Davis SureFire in October, 2008.

Amortization and accretion expenses were \$2.71 million or 35.0% of total revenue for the three months ended September 30, 2009 and \$8.22 million or 26.2% of total revenue for the nine months ended September 30, 2009. This is compared to \$1.24 million (14.1% of total revenue) and \$3.44 million (14.3% of total revenue) for the same periods a year ago. The increase was due to higher capital and intangible assets as a result of internal fleet growth and business acquisitions. The increase was also due to the change in management's estimate of the rental fleet useful life on January 1, 2009, based on management's review of the Fund's fleet mix subsequent to the business acquisitions completed in 2008.

Net loss was \$1.65 million or \$0.12 per Unit for the three months ended September 30, 2009 and net income was \$0.16 million or \$0.01 per Unit for the nine months ended September 30, 2009. Net income/(loss) included gains/losses on financial derivatives from changes in the fair market value of the fixed interest rate swap and future income taxes. After excluding the impact from financial derivatives, future income taxes, and adjustments resulting from the change in management's estimate of the rental fleet useful life on January 1, 2009 as discussed in the preceding paragraph, the Fund's adjusted net loss (for definition see "Non-GAAP Measures" below) was \$0.87 million or \$0.06 per Unit for the three months ended September 30, 2009 and adjusted net income of \$1.76 million or \$0.13 per Unit for the nine months ended September 30, 2009.

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 26.5% for 2011 and 25.0% thereafter. Temporary differences reversing prior to December 31, 2010 will still give rise to nil future income taxes. Based on its assets and liabilities as at September 30, 2009, 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 cumulative future tax asset and a corresponding non-cash recovery to net income of \$3.20 million at the end of the fiscal year 2008. This future income tax treatment is based on the assumption that the Fund will be a taxable entity in 2011. Adjustments to this future income tax asset are required based on changes in the differences between the tax basis and financial statement basis of the Fund’s assets and liabilities. Accordingly, the Fund recorded an adjustment representing a non-cash, future income tax recovery of \$0.12 million and \$1.15 million for the three and nine months ended September 30, 2009 respectively.

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

OPERATING RESULTS

Basis of discussion and analysis

The Fund’s operating results reflect the Fund’s operations for the three and nine months ended September 30, 2009. For the same periods in 2008 the Fund’s business comprised three and nine full months of operation at PER, OCR and C&N, and 92 and 228 days of operation at Deerfoot (acquired on February 15, 2008) respectively. In 2009, the Fund’s operations for the three and nine months ended September 30, 2009 comprised three and nine full months of operation at PER, OCR, C&N, Deerfoot and H&P.

For the purposes of discussing operating results of the Fund for the three and nine months ended September 30, 2009 under this section, only Business LPs that have operated for the full three and nine months ended September 30, 2008 and 2009 are included for discussion. This includes PER, OCR, and C&N, and excludes Deerfoot (acquired on February 15, 2008) and H&P (acquired on October 1, 2008).

Revenue

The following table summarizes the revenues for the three and nine months ended September 30, 2008 and 2009.

Summary of Revenues (\$000's) (unaudited)	Three months ended		Nine months ended		Increase/(Decrease)		Increase/(Decrease)	
	September 30		September 30		September 30		September 30	
	2009	2008	2009	2008	\$	%	\$	%
Equipment Rentals	\$ 3,345	\$ 4,876	\$ 9,840	\$ 12,472	\$ (1,531)	-31.4%	\$ (2,632)	-21.1%
Equipment Sales	621	1,474	2,793	4,145	(853)	-57.9%	(1,352)	-32.6%
Parts, Fuel, Service and Others	891	1,057	2,609	3,045	(166)	-15.7%	(436)	-14.3%
Total Revenues	\$ 4,857	\$ 7,407	\$ 15,242	\$ 19,662	\$ (2,550)	-34.4%	\$ (4,420)	-22.5%

Revenue from equipment rentals of \$3.35 million for the three months ended September 30, 2009 decreased by 31.4%, or \$1.53 million, compared to \$4.88 million a year ago. For the nine months ended September 30, 2009, revenue from equipment rentals decreased by 21.1%, to \$9.84 million from \$12.47 million a year ago. Impact from the prevailing economic conditions continued from the first half of 2009 which gave rise to weakness in the construction sector. This resulted in lower project starts in British Columbia and Alberta and in turn decreased demand for rental equipment. Excess supply of rental equipment in the market continued to intensify price competition amongst rental companies. Falling commodity prices due to reduced demand, particularly in the forestry sector, led to several mill and logging closures on the Vancouver Island which in turn impacted the Fund's general rental operation in that region. The decline was partially compensated by a sustained level of equipment rental activity in the infrastructure and filming sectors, which remained robust in the current economic environment.

Revenue from equipment sales of \$0.62 million for the three months ended September 30, 2009 decreased by 57.9%, or \$0.85 million, compared to \$1.47 a year ago. For the nine months ended September 30, 2009, revenue from equipment sales decreased by 32.6%, to \$2.79 million from \$4.15 million a year ago. The economic recession has posed challenges in the Fund's aerial equipment sales as well as retail equipment and merchandise sales due to weak demand.

Revenue from parts, fuel, service and others of \$0.89 million for the three months ended September 30, 2009 decreased by 15.7%, or \$0.17 million, compared to \$1.06 million a year ago. For the nine months ended September 30, 2009, revenue decreased by 14.3%, to \$2.61 million from \$3.05 million a year ago. Reduced fleet utilization due to the slow down in construction activity resulted in lower revenue from related services.

Gross margin and gross profit

Gross margin was 76.5% and 70.6% for the three and nine months ended September 30, 2009. This is compared to 71.1% and 71.0% for the same periods last year. Gross profit decreased by 29.5%, from \$5.27 million to \$3.72 million for the three months ended September 30, 2009, and reduced by 22.9% from \$13.96 million to \$10.76 million for the nine months ended September 30, 2009.

Cost of sales

Cost of sales as a percentage of total revenue was 23.5% and 29.4% for the three and nine months ended September 30, 2009, compared to 28.9% and 29.0% for the same periods last year.

Costs associated with equipment sales were 98.2% and 93.1% of equipment sales revenue for the three and nine months ended September 30, 2009, which increased from 83.2% and 83.8% for the same periods last year. While margins of retail equipment and merchandise sales remained relatively consistent compared to last year, higher cost percentages were seen in sales of used aerial fleet equipment in auctions and could result in fluctuating margins from time to time.

Costs associated with parts, fuel, service and others was 10.9% and 12.3% of total revenue for the three and nine months ended September 30, 2009, compared to 12.3% and 11.3% in the same periods last year. Costs under this category relate mostly to purchases of fuel for the rental fleet, expenditures of parts for the repair and maintenance of the rental equipment and servicing of customers' equipment, and costs of re-renting equipment from other rental companies. The changes in the percentage were primarily due to rentals of equipment from other rental companies to fill one-off demand from customers.

Operating expenses

Operating expenses, before interest, amortization, accretion and gain/loss on financial derivatives relating to changes in the fair market value of the fixed interest rate swap was 49.2% and 47.8% of total revenue for the three and nine months ended September 30, 2009. This is compared to 36.0% and 39.2% of total revenue for the same periods a year ago. Aside from the decline in revenues, the higher percentages are attributable to increases in general and administrative, freight, sales and service expenses due to factors such as the growth in fleet size which resulted in higher service and freight costs, and higher corporate overhead in relation to incremental regulatory compliance and IT-related integration costs.

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

EBITDA as a percentage of total revenue was 26.9% and 22.6% for the three and nine months ended September 30, 2009, compared to 35.4% and 31.5% for the same periods a year ago. The decline is largely attributable to lower margins from rentals and sales due to price competition and higher operating costs due to a larger fleet.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

in \$000's except per Unit amounts (unaudited)	Q3 '09	Q2 '09	Q1 '09	Q4 '08	Q3 '08	Q2 '08	Q1 '08	Q4 '07
Revenue	\$ 7,741	\$ 9,485	\$ 14,100	\$ 13,448	\$ 8,813	\$ 7,952	\$ 7,367	\$ 6,089
Cost of sales	(2,247)	(2,991)	(5,008)	(4,532)	(2,537)	(2,258)	(2,195)	(1,387)
Gross profit	5,494	6,494	9,092	8,916	6,276	5,694	5,172	4,702
<i>Gross margin</i>	71.0%	68.5%	64.5%	66.3%	71.2%	71.6%	70.2%	77.2%
Operating expenses	(3,910)	(3,910)	(4,080)	(4,862)	(3,418)	(3,359)	(2,823)	(2,336)
EBITDA ⁽¹⁾	\$ 1,584	\$ 2,584	\$ 5,012	\$ 4,054	\$ 2,858	\$ 2,335	\$ 2,349	\$ 2,366
Net Income/(Loss)	\$ (1,649)	\$ (372)	\$ 2,180	\$ (538)	\$ 623	\$ 655	\$ 740	\$ 2,734
Distributable cash generated ⁽¹⁾	\$ 883	\$ 1,826	\$ 4,300	\$ 2,799	\$ 2,126	\$ 1,873	\$ 1,980	\$ 2,084
Distributable cash per Unit ⁽²⁾	0.0634	0.1314	0.3163	0.2314	0.1784	0.1589	0.1677	0.1774
Distribution declared	\$ 2,092	\$ 2,085	\$ 2,057	\$ 1,867	\$ 1,790	\$ 1,781	\$ 1,771	\$ 1,762
Distribution per Unit	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
Coverage ratio ⁽³⁾	0.42	0.88	2.09	1.50	1.19	1.05	1.12	1.18
Payout percentage ⁽³⁾	236.9%	114.2%	47.8%	66.7%	84.2%	95.1%	89.5%	84.5%
TTM payout percentage ⁽⁴⁾	82.6%	70.6%	67.5%	82.1%	88.1%	85.6%	80.5%	79.2%

Notes:

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

Seasonality

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

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

CASH FLOW AND LIQUIDITY

The following table provides an overview of the Fund's cash flows from operating, investing and financing activities for the three and nine months ended September 30, 2009.

Summary of cash flows (\$000's) (unaudited)	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Net change of cash related to:				
Operations				
Cash generated from operating earnings	\$ 1,064	\$ 2,238	\$ 7,451	\$ 6,039
Changes from non-cash working capital	(38)	(113)	2,983	3,279
Investing	42	(2,518)	(14)	(20,728)
Financing	(2,048)	1,611	(7,085)	9,668
Net change in cash during the period	\$ (980)	\$ 1,218	\$ 3,335	\$ (1,742)

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

A single Canadian chartered bank ("the Bank") has provided a \$5.75 million operating loan on an interest only basis, that is payable upon demand, on which the operating entities of the Fund had drawn \$1.37 million as at September 30, 2009.

Working capital management continues to be an important element of cash generation for the Fund. As at September 30, 2009, management expects that net receivables are collectible and that payments to suppliers will also continue under current terms.

During the three months ended September 30, 2009, the Fund's operating activities generated cash of \$1.02 million, with \$1.06 million of cash generated from operating earnings, offset by \$0.04 million relating to changes from non-cash working capital which represented a normal course of fluctuation in the Fund's businesses.

During the three months ended September 30, 2009 the Fund purchased rental equipment and other operating assets of \$0.33 million and received proceeds of \$0.37 million from sales of fleet equipment.

During the three months ended September 30, 2009, the Fund repaid \$0.18 million of net bank debt and distributed \$2.09 million to the unitholders. The Fund also issued 63,110 Units for \$0.22 million pursuant to exercises of 63,110 Agents Options at \$3.50 per Unit.

Liquidity Risks

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

The Fund manages its liquidity risk through cash and debt management. As at September 30, 2009, the Fund had available unused approved credit facilities (operating, capital and acquisition loans combined) of \$5.49 million. The Fund also had accounts receivable of \$4.08 million and cash and cash equivalents totaling \$5.35 million. Management expects to discharge the Fund's liabilities by means of cash flow generated from operations and existing cash reserves.

As at September 30, 2009, the timing of cash outflows relating to financial liabilities and capital lease obligations are outlined in the table below, for those items that have changed significantly from the notes to the consolidated financial statements as at December 31, 2008:

in \$000's	1 year	2-3 years	4-5 years	beyond 5 years	Total	Carrying Value
Accounts payable and accrued liabilities	\$ 3,147				\$ 3,147	\$ 3,147
Equipment financing payable	80	42			122	122
Capital leases	173	108	117		398	398
Interest rate swap	219	127			346	357
	\$ 3,619	\$ 277	\$ 117	\$ -	\$ 4,013	\$ 4,024

CAPITAL RESOURCES

In addition to the \$5.75 million interest-only demand operating loan described in "Cash Flow and Liquidity" above, the Bank has made capital and acquisition loans available to the Fund to finance its capital expenditures and future acquisitions. As at September 30, 2009, \$34.54 million of capital and acquisition loans were approved by the Bank and \$33.43 million were outstanding.

The Fund's credit facilities have covenants specifying a minimum current ratio of 1.25 to 1.0, a maximum funded debt to earnings (as defined in the credit agreement) ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, and a restriction on increases in distributions to Unitholders and future acquisitions without the prior written consent of the Bank. For purposes of calculating the current ratio, 25% of the capital and acquisition loans that are due within one year are included in current liabilities. As at September 30, 2009 the Fund was in compliance with all bank covenants.

Under the current terms the capital and acquisition loans charge interest, at the Fund's option, at the Bank's prime rate plus a range of 1.2% to 1.7%, or a stamping fee with a range of 2.7% to 3.5% above the Bank's banker's acceptance rate.

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

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

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

Distribution history (per Unit)	2006	2007	2008	2009
January		\$ 0.0408	\$ 0.0500	\$ 0.0500
February		0.0408	0.0500	0.0500
March		0.0450	0.0500	0.0500
April		0.0450	0.0500	0.0500
May		0.0450	0.0500	0.0500
June		0.0500	0.0500	0.0500
July		0.0500	0.0500	0.0500
August	\$ 0.0224 ⁽¹⁾	0.0500	0.0500	0.0500
September	0.0408	0.0500	0.0500	0.0500
October	0.0408	0.0500	0.0500	0.0500 ⁽²⁾
November	0.0408	0.0500	0.0500	
December	0.0608	0.0500	0.0500	
Total	\$ 0.2056	\$ 0.5666	\$ 0.6000	\$ 0.5000

Notes:

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

(2) Declared on October 21, 2009.

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

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

The following table reconciles cash flow from operating activities to distributable cash for the three and nine months ended September 30, 2009.

Reconciliation of cash flow from operating activities to distributable cash (unaudited) (\$000's, except for Unit amounts)	Three months ended September 30	Nine months ended September 30
Cash flow from operating activities	\$ 1,026	\$ 10,435
Changes in non-cash working capital balances	38	(2,983)
	1,064	7,452
Loss on sale of assets	(62)	(81)
Maintenance capital expenditure ⁽¹⁾	(119)	(360)
Distributable cash generated ⁽¹⁾	\$ 883	\$ 7,011
Distributions declared	\$ 2,092	\$ 6,234
Distributable cash generated per Unit	\$ 0.0634	\$ 0.5075
Distributions declared per Unit	0.1500	0.4500
Payout ratio ⁽²⁾	0.42x	1.12x
Payout percentage ⁽²⁾	236.9%	88.9%
Net income	\$ (1,649)	\$ 159
Surplus/(Deficit) of net income over/(below) distributions declared	\$ (3,741)	\$ (6,075)

Notes:

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

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

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NON-GAAP MEASURES

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

Readers of this information are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of the Fund’s performance or to cash flows from operating, investing and financing activities as measures of the Fund’s liquidity and cash flows. The Fund’s method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund’s EBITDA may not be comparable to similar measures presented by other issuers.

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

“Adjusted net income/(loss)” is not a recognized measure under GAAP. Adjusted net income/(loss) is net income/(loss) adjusted for charges relating to asset impairment (if any), depreciation of property and equipment for the three and nine months ended September 30, 2009 using estimates consistent with prior years, gain/loss on financial derivatives relating to changes in the fair market value of the fixed interest swap, future income taxes, and non-recurring expenses. Adjusted net income/(loss) is used to compare the Fund’s current and prior years’ profitability on a consistent basis.

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

OFF-BALANCE SHEET FINANCING

The Fund has no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

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

Loans payable (\$000's)	2009	2010	2011	2012	2013	2014
Loans Payable	\$ 1,308	\$ 8,901	\$ 6,906	\$ 4,604	\$ 11,440	\$ 440

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

Contractual obligations (\$000's)	2009	2010	2011	2012	2013	2014 and after
Rental commitments	\$ 338	\$ 1,351	\$ 1,323	\$ 1,142	\$ 924	\$ 3,724
Equipment financing commitments	20	70	30	2	-	-
Term Mortgage	4	17	18	310	-	-
Capital leases	60	154	68	68	79	29
Operating leases	160	556	361	216	76	26
	\$ 582	\$ 2,148	\$ 1,800	\$ 1,738	\$ 1,079	\$ 3,779

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 results in the Fund exceeding its cash available for distribution targets. Pursuant to the LTIP, the Fund will set aside a pool of funds based upon the amount, if any, by which the cash available for distribution per Unit (as measured on a fully diluted basis) exceeds certain defined threshold amounts. A third-party trustee will purchase Units in the market with this pool of funds and will hold the Units until such time as ownership vests to each participant. LTIP participants will be entitled to receive distributions on all Units held for their account prior to the applicable vesting date. Unvested Units held by the third-party trustee for an LTIP participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Units will be sold and the proceeds returned to the Fund.

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

The Compensation Committee from time to time may adjust the threshold. In fiscal 2009, the LTIP provided for awards that may be earned based on the amount by which cash available for distribution per Unit (as measured on a fully diluted basis), exceeds a base distribution threshold of \$0.65 per Unit per annum (the "threshold"). The percentage amount of that excess which forms the LTIP incentive pool is determined as follows:

Percentage by which cash available for distribution per Unit exceeds base distribution threshold	Maximum proportion of excess cash available for distribution for LTIP Payments
over 5% to 10%	15% of any excess over 5% to 10%
greater than 10%	20% of any excess over 10%

As at September 30, 2009, the compensation committee of the Fund did not approve any payments under the LTIP for the 2009 fiscal year to date for senior management of the Fund.

WESTERNONE EQUITY 2006 INCENTIVE UNIT OPTION PLAN

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

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

On March 17, 2009, the Trustees of the Fund approved the amendment to the WesternOne Equity Option Plan by changing the maximum number of Units of the Fund reserved for issuance under the WesternOne Equity Option Plan from 463,000 Units to 10% of the outstanding Unit capital of the Fund on a rolling basis. The amendment was subsequently approved by the unitholders at the Fund’s annual general meeting on April 17, 2009.

As at September 30, 2009, the Fund did not issue any Units relating to the WesternOne Equity Option Plan as none of the options have been vested.

TRANSACTIONS WITH RELATED PARTIES

The Fund purchased equipment from a company in which a board member of the Fund has a controlling interest, for \$108,220 (2008 - \$24,771) and \$284,130 (2008 - \$288,300) during the three and nine months ended September 30, 2009 respectively. These transactions arose during the normal course of business and have been recorded at fair market value.

The Fund currently rents premises in various locations from companies in which employees of the Fund hold certain interests. The Fund paid \$200,000 (2008 - \$31,523) and \$601,541 (2008 - \$57,733) in such rent during the three and nine months ended September 30, 2009 respectively. The rent between the parties is at fair market value.

FUND UNITS AND PRINCIPAL UNITHOLDERS

As at the date of this MD&A, 13,838,634 Units were issued and outstanding, each of which entitles the holder to one vote at Unitholder meetings. Furthermore, 97,019 Series A Debenture unit were issued and outstanding. In addition, 125,000 exchangeable units (“Exchangeable LP Units”) were issued by a subsidiary indirectly controlled by the Fund on February 15, 2008. The Exchangeable LP Units have no voting rights but have economic rights equivalent to the Fund’s Units, and are exchangeable to the Units on a one-for-one basis. To the knowledge of the Fund, no person beneficially owns, directly or indirectly, or exercises control or direction over, Units carrying more than 10% of the voting rights attached to all the issued and outstanding Units.

CRITICAL ACCOUNTING ESTIMATES

The Fund’s accounting policies are described in note 2 of the Interim Financial Statements. The preparation of the Interim Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Fund considers the following policies to be most critical in understanding the judgments that are involved in preparing the Interim Financial Statements and the uncertainties that could affect the Fund’s results of operations, financial condition and cash flows.

Financial instruments

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

The following is a summary of each significant category of financial instruments outstanding as of September 30, 2009:

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

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Mortgage payable	Other liabilities
Series A debentures	Other liabilities

Note:

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

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

Revenue recognition

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

Revenue from sales of parts and equipment servicing is recognized when the parts are delivered, the related services have been rendered, and collectability is reasonably assured.

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

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

Inventory valuation

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

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

Property and equipment

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

Rental fleet ⁽¹⁾	3 - 7 years
Tractors and trailers.....	7 years
Furniture, fixtures and equipment.....	5 years
Computer equipment and software.....	5 years
Leasehold improvements	lesser of 5 years and the initial term of the lease

Note:

(1) Net of estimated salvage value.

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

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

Intangible assets

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

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

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

Goodwill

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

Accrual of unbilled revenue

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

Provision for doubtful accounts

The Fund is exposed to credit risk with respect to its accounts receivable, particularly from customers in the construction industry in British Columbia and Alberta due to its concentration of business in that sector. The Fund mitigates the risk by means of a diverse customer base in the construction, industrial, commercial, infrastructure, and residential as well as other sectors, in which there was no single account receivable balance in excess of 10% of the Fund's consolidated accounts receivable balance as at September 30, 2009. In general, the Fund mitigates the risk by following a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses.

Unit based compensation

The Fund grants Unit options to directors, trustees and certain employees pursuant to a unit based compensation plan described in note 14 of the Interim Financial Statements. Compensation expense is recorded for Unit options issued to employees using the fair value method with a corresponding increase in contributed surplus. Any consideration received on exercise of options or the purchase of Units is credited to fund units under Unitholders' Equity in the Fund's balance sheet.

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

Income taxes and future income taxes

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

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

Future income tax assets and liabilities are determined based on the temporary differences between the tax basis of the Fund's assets and liabilities and the amounts reported in the financial statements, to the extent that such temporary differences are expected to reverse on or after January 1, 2011. Future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Currently the enacted or substantively enacted tax rate is 26.5% for 2011 and 25.0% thereafter. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2009, the Fund adopted the following accounting standards:

CICA HB Section 3064 – Goodwill and Intangible Assets

Effective January 1, 2009, the Fund adopted the recommendation of Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, "Goodwill and intangible assets," which replaced the previous standards. This revised standard establishes guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The adoption of this standard did not have any impact on the Fund’s consolidated financial statements or notes.

CICA HB Section 1582 – Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581, Business Combinations. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This new section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Fund is currently assessing the future impact of this new standard on its financial statements.

CICA HB Section 1601 – Consolidated Financial Statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Fund is currently assessing the future impact of this new standard on its financial statements.

International Financial Reporting Standards

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

RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties disclosed in the Fund's Annual Information Form dated March 31, 2009, the Fund believes that the following items represent significant areas for consideration.

General economic conditions

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

Current financial conditions

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

Financial health of Business LPs and cash flows

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

Dependence upon WesternOne Equity LP to fund cash distributions

The Fund is an unincorporated, open-ended trust that will ultimately be entirely dependent on the operations and assets of WesternOne Equity LP. Cash distributions to unitholders will ultimately be dependent on, among other things, the ability of WesternOne Equity LP to make cash available for distributions. The Fund's ability to make cash distributions or other payments or advances will be subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of WesternOne Equity LP, including restrictive covenants in the credit facility agreement.

Cash distributions are not guaranteed and will fluctuate with business performance

Although the Fund intends to distribute the cash distributions ultimately received by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the business of WesternOne Equity LP or ultimately distributed to the Fund. The Fund's ability to make cash distributions, and the actual amount distributed, will ultimately be entirely dependent on the operations and assets of WesternOne Equity LP, and will be subject to various factors including its financial performance, its obligations under the applicable credit facility, fluctuations in its working capital, the sustainability of its margins and its capital expenditure requirements.

Distributions are discretionary

The Fund is not obligated to pay distributions on the Units. The payment of distributions is at the sole discretion of the Trustees and the board of directors of WesternOne Equity LP, and they may decide to eliminate or reduce any distributions paid on the Units, or retain cash otherwise available for distribution for investment in the Fund's business. Any reduction or elimination of distributions could cause the market price of the Units to decline and could further cause the Units to become less liquid, which may result in losses to unitholders.

Nature of the Units

Securities like the Units share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the business of WesternOne Equity LP and should not be viewed by investors as direct securities of WesternOne Equity LP. The Units represent a fractional interest in the Fund. The price per Unit is a function of anticipated distributable income, interest rates and other factors.

Unpredictability and volatility of Unit prices

The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, monthly distributions, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of the Units regardless of the Fund's operating performance. There can be no assurance that the price of the Units will remain at current levels. The annual yield on the Units as compared to the annual yield on other financial instruments may also influence the price of Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

Failure to realize anticipated benefits of acquisitions

The Fund's future growth depends in large part on its ability to acquire additional businesses, manage expansion, control costs in its operations and consolidate businesses into its organization. In pursuing a strategy of acquiring other businesses, the Fund faces risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring significantly higher capital expenditures and operating expenses, failing to integrate the operations and personnel of the acquired businesses, entering new unfamiliar markets, incurring undiscovered liabilities at acquired businesses, disrupting the Fund's ongoing business, diverting the Fund's management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees, suppliers and customers as a result of changes in management, causing increased expenses for accounting and computer systems and incorrectly valuing acquired entities.

The Fund may not adequately anticipate all the demands that its growth will impose on its personnel, procedures and structures, including its financial and reporting control systems, data processing systems and management structure. Moreover, the Fund's failure to retain qualified management personnel at any acquired businesses may increase the risk associated with integrating the businesses. If the Fund cannot adequately anticipate and respond to these demands, it may fail to realize acquisition synergies and its resources will be focused on incorporating new operations into its structure rather than on areas that may be more profitable. In addition, although the Fund conducts what it believes to be a prudent level of investigation regarding the operating condition of the businesses it purchases, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operating condition of these businesses. Until the Fund actually assumes operating control of such business assets, it may not be able to ascertain the actual value of the acquired entity.

Growth initiatives

The Fund's ability to grow successfully through add-on acquisitions will be dependent on a number of factors, including: the identification of suitable acquisition targets in both new and existing markets; the negotiation of purchase agreements on satisfactory terms and prices; securing attractive financing arrangements; and the integration of newly acquired operations into the existing business. Any acquisition will involve a number of risks, including: the inability to integrate the operations, personnel and information systems of the acquired business; the potential acquisition of previously undisclosed liabilities; and the potential disruption of the Fund's ongoing business and the diversion of management's attention from its day-to-day operations. An unsuccessful acquisition could have a material adverse impact on the Fund, its results of operations and financial condition. Unitholders are totally dependent upon management, directors and Trustees in making investment decisions. The Trustees have a fiduciary duty to ensure that all investments are made in the best interests of unitholders.

Competition

There can be no assurances that the Fund will be able to compete successfully against its respective competitors or that such competition will not have a material adverse effect on its businesses, financial condition, results of operations and cash flows and therefore distributions to unitholders. Existing or future competitors may also compete with the Fund for acquisition candidates, which may increase acquisition

prices and reduce the number of suitable acquisition candidates. If the Fund is not able to compete effectively in this regard, its future growth may be negatively impacted.

Financing constraints

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

Supply disruptions

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

Seasonality and fluctuations in results

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

Weather

Adverse weather conditions may affect construction schedules. Prolonged rain, snowfall or extreme cold weather may shut down construction sites. This may reduce demand for equipment and propane usages, particularly in the areas of outdoor construction activity and space heating. As a result, the Fund's revenues and operating results may be negatively affected.

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 PER's business relates to equipment rental in the film industry in British Columbia which is sensitive to the U.S. dollar currency fluctuations. The Fund does not use derivative instruments to reduce these risks.

As at September 30, 2009, the Fund's consolidated balance sheet included \$100,670 of accounts payable and \$110,117 of net debt which were U.S. currency denominated.

Tax incentives offered by government for film and production services

Currently the Government of British Columbia provides refundable tax credits through the Production Services Tax Credit Program to accredited production corporations who produce accredited films or videos in British Columbia. These credits are available to both domestic and foreign producers. This creates an incentive for film productions in the province and fuels demand for associated products and services, such as PER which is a major supplier of logistics equipment in the lower mainland of British Columbia.

Unless the government continues such tax incentives with terms that are competitive compared to other jurisdictions such as Ontario and Quebec, it may affect the level of production activities in British Columbia. This may impact the Fund's revenues and operating results from this sector.

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 26.5% for 2011 and 25.0% 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 done currently.

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

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

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

ensure that information required to be disclosed by the Fund in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Fund's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

As at September 30, 2009, two material weaknesses have been identified with the Fund's financial reporting procedures over segregation of duties. Specifically, accounting duties relating to the preparation and subsequent review of manual, non-routine journal entries were not properly segregated due to limited staffing resources. Furthermore, financial closing and reporting procedures were not formally documented, again due to limited staffing resources.

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

Changes have occurred in the Fund's DC&P and ICFR during the third quarter of fiscal 2009, in which a new computer system and related control procedures were implemented at H&P, a subsidiary indirectly owned by the Fund which acquired the assets and businesses of Davis SureFire on October 1, 2008.

OUTLOOK

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

The prevailing economic conditions continue to pose challenges to the Fund's business environment, particularly in the construction sector. Reduced demand for rental equipment, along with declining rental rates due to competition, has had a direct impact on the Fund's revenue base in the third quarter which has traditionally been a robust season for the Fund's equipment rentals operation. Management expects the winter heat and fuel distribution season will soon follow and generate incremental operating cash flow and earnings.

To remain competitive, the Fund's management continues to seek new revenue sources by means of leveraging the Fund's diversified product offering and geographical exposure established through its previous acquisitions. Efforts include the expansion of the general rental operation and propane distribution operation into Lower Mainland in British Columbia and southern Alberta, respectively. Business initiatives will benefit from the management's ability to deploy the Fund's existing rental fleet and leverage internal product and market expertise across its network of operations to achieve optimized fleet utilization and operating cash flows.

The Fund continues to monitor actively its operating expenses and maintains flexibility to adjust to changing economic circumstances. Review of the operating cost structure of each platform business is constantly undertaken to assess staff resources, parts and inventory procurement, logistics management and other major operational areas in order to optimize operational efficiency.

ADDITIONAL INFORMATION

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

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TRADING SYMBOLS

Toronto Stock Exchange: WEQ.UN and WEQ.DB