



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 13, 2011



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The following management's discussion and analysis ("MD&A") should be read in conjunction with the interim consolidated financial statements and accompanying notes ("Financial Statements") of WesternOne Equity Income Fund and its direct and indirect subsidiaries (collectively known as the "Fund" below, unless the context otherwise requires) for the three months ended March 31, 2011. Results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reported in Canadian dollars unless otherwise indicated. As a result of the adoption of IFRS, the financial results reported in this MD&A under IFRS may not be directly comparable to those figures contained within historical financial statements or MD&A of the Fund that were previously prepared in accordance with the Canadian Generally Accepted Accounting Principles before the adoption of IFRS ("Canadian GAAP")

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-IFRS measures to assist in assessing the Fund's financial performance. Non-IFRS measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-IFRS Measures" and "Distributable Cash and Distributions – Reconciliation of cash provided by operating activities to distributable cash".

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may constitute 'forward-looking' information within the meaning of applicable securities laws 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 or industry results 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 includes, without limitation, statements with respect to strategies, expectations, planned operations or future actions. Forward-looking information contained in this MD&A is based on certain key expectations and assumptions made by the Fund, including, without limitation, the intention of the Fund to continue to make monthly cash distributions, the outlook of the Fund's business and the western Canadian economic and geopolitical conditions, the competitive environment in which the Fund and its business units operate, the performance characteristics of the Fund's assets, the supply and demand for products and services and the related impact on rental product pricing, the Fund's ability to fund debt maturities and to meet current and future obligations, the impact of the federal income tax changes on the Fund, critical accounting estimates, management's assessment of future plans and operations, management's ability to integrate newly acquired businesses and expand product offering and customer base, procedures and internal controls over financial reporting and discussion of the Fund's adoption of IFRS.

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, without limitation: current economic conditions, failure to access financing, credit facilities risk, financial health of the Fund's limited partnerships and cash flows, failure to realize anticipated benefits of acquisitions, unexpected costs or liabilities related to acquisitions, integration of acquired businesses, reliance on key personnel, competition for acquisition targets, interest rate fluctuations, regulatory risk, sensitivity to general economic conditions and levels of economic activity, financing constraints, supply disruptions, adverse weather condition, seasonality and fluctuations in results, growth initiatives, competition, discontinuation of tax incentives, labour shortages, employee relations, expansion, impact on demand due to interest rate changes, foreign exchange, resale of rental equipment, equipment availability, environmental regulation and health and safety matters, import product restrictions and foreign trade risks, insurance coverage, dependence on existing sites, harmonized sales tax, dependence on information systems and technology, dependence upon WesternOne Equity LP to fund cash distributions, cash distributions are not guaranteed and will fluctuate with business performance, distributions are discretionary, nature of the Units, leverage and restrictive covenants, limitations on future growth and cash flow, limited liability, unpredictability and volatility of Unit prices, attributes of securities distributed on redemption of Units of termination of the Fund, prior ranking indebtedness, conversion following certain transactions, dilution, investment eligibility, income tax matters, restrictions on the ownership of Units by non-residents of Canada, indemnities under acquisition agreements, Unitholders are not afforded certain statutory right and prevailing yields on similar securities. 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 businesses in the sector of construction and infrastructure services in order to generate stable and growing distributions for its Unitholders as well as to achieve overall capital appreciation.

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

The Fund was initially established to acquire indirectly the assets of Production Equipment Rentals Company 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 Production Equipment Rentals Company. PER specializes in renting, selling and servicing quality high reach and material-handling equipment and providing logistical support to its customers, located primarily in Metro Vancouver.

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

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

The Fund holds a controlling indirect interest in WEQ Deerfoot Rentals LP (“Deerfoot”), a limited partnership established under the laws of Manitoba on January 25, 2008. Deerfoot’s operation commenced on February 15, 2008, when it acquired the assets and the business of Deerfoot Equipment Rental Inc. Deerfoot is a major provider of rented heaters, generators and compact construction equipment to homebuilders and commercial builders in Calgary and Lethbridge, Alberta. On April 1, 2010, Deerfoot acquired the assets and the business of On*Site Equipment (“OnSite”). OnSite has a rental fleet of over 450 aerial and material-handling machines, and has operating locations in Edmonton, Red Deer, Calgary and Lethbridge.

The Fund holds a 100% indirect interest in WEQ Heat & Propane LP (“H&P”), a limited partnership established under the laws of Manitoba on August 26, 2008. H&P’s operation commenced on October 1, 2008, when it acquired the assets and the businesses of Davis Heater Service Ltd. and Sure-Fire Propane Ltd. (collectively, “Davis SureFire”) These businesses have been market leaders in the northern Alberta equipment rental, construction heat, and propane wholesale and distribution industry for over 30 years.

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

The Fund’s businesses operate under a unified brand name, “WesternOne Rentals and Sales”.

The Units and the Fund’s senior secured convertible debentures – Series A (“Series A Debentures”), unsecured convertible subordinated debentures (“2010 Debentures”) and extendable convertible unsecured subordinated debentures (“2011 Debentures”) (collectively, the “Debentures”) trade on the Toronto Stock Exchange (the “Exchange”) under the respective symbols WEQ.UN, WEQ.DB WEQ.DB.B, WEQ.DB.C.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises were required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 (the “Transition Date”).

Significant IFRS accounting changes and elections

As a result of the adoption of IFRS, the Fund has the following key changes and elections to its financial statements:

1. Units and Exchangeable Units

The Fund's Units and Exchangeable Units (as defined in "Fund Units and Principle Unitholders") were classified as equity under previous Canadian GAAP. Under IAS 32, "Financial Instruments: Presentation", since the Units are redeemable and the Fund has a contractual obligation to distribute the Fund's income according to the Fund's declaration of trust, the Units and Exchangeable Units are required to be classified as a liability and the Units that are redeemable within 12 months from the date of the statement of financial position are required to be classified as current liability. Consequently, distributions declared are recorded as part of the Fund's comprehensive income in accordance with IAS 32. The related issuance costs of the Units have been amortized fully using the effective interest rate method in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", as the Fund's Units are carried at amortized cost. Furthermore, the Exchangeable Units are recorded at fair value through profit or loss based on the trading price of the Units at the Exchange under IAS 39.

2. Convertible Debentures

Under previous Canadian GAAP, the Debentures were bifurcated between the equity and liability components using the residual method and the related transaction costs were deferred and amortized through the life of the Debentures. Under IAS 39, the Fund elected to record its Debentures at their fair value based on the trading price at the Exchange. Furthermore, since the Units were classified as liabilities under IAS 39, no bifurcation between the equity and the liability components of the Debentures was required. Also under IAS 39, the related transactions costs for issuing the Debentures were expensed when incurred. This led to an increase in the temporary difference between the accounting basis and tax basis of the deferred transaction cost compared to Canadian GAAP.

3. Business combination

Acquisition-related costs incurred by the Fund were included as part of goodwill under previous Canadian GAAP. Starting from the Transition Date, the Fund is required to expense acquisition related costs in accordance with IFRS 3, "Business Combinations". This also led to an increase in the temporary difference between the accounting basis and tax basis of the intangible assets (including goodwill) compared to Canadian GAAP. As part of its transition to IFRS, the Fund elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

4. Unit based compensation

The Fund has granted options to acquire Units for its directors, trustees and certain employees. These options vest evenly over five years. Under previous Canadian GAAP, these options were accounted for as equity settled awards and the Fund expensed the grant date fair value of these options with an equal amount every year over their vesting period. Under IFRS 2, "Share-Based Payment", these options are cash settled awards and the Fund is required to re-measure the fair value of the outstanding options at the end of each reporting period, account for each tranche of the options with graded vesting as a separate option grant and recognize the related expense and

liability accordingly.

5. Expense classification

Under previous Canadian GAAP, depreciation of rental fleet, freight, service, sales and interest expenses were classified as operating expenses. According to IAS 1, “Presentation of Financial Statements”, the Fund is required to include depreciation of rental fleet, freight, service and sales expenses as part of cost of sales and interest expense in finance costs.

The follow table summarizes the reclassification between cost of sales and operating expenses for the three months ended March 31, 2011 as a result of the adoption of IFRS:

	Canadian GAAP	Reclassification Adjustments	IFRS
REVENUE			
Equipment rentals	8,453,841		8,453,841
Equipment Sales	1,035,687		1,035,687
Parts, fuel, service and others	7,961,200		7,961,200
COST OF SALES			
Cost of equipment rentals, excluding depreciation	-	3,647,793	3,647,793
Depreciation of rental fleet	-	2,132,168	2,132,168
Equipment sold	869,410		869,410
Parts, fuel, service and others	4,398,826		4,398,826
OPERATING EXPENSES			
General and administration	3,066,845	1,337,422	4,404,267
Freight	1,213,617	(1,213,617)	-
Service	1,496,775	(1,496,775)	-
Sales	937,401	(937,401)	-
Amortization and Depreciation	3,469,590	(3,469,590)	-

Readers are advised that the Fund’s transition to reporting its financial results in accordance with IFRS from Canadian GAAP has had no impact, nor is it expected to have any future impact, on the operations of the Fund’s business, the amount of cash that is available to distribute to Unitholders or the contractual obligations between the Fund and any third parties.

For the purposes of management discussion of operating results below, the operating results of the Fund’s previous quarters have been reclassified based on the methods summarized above for consistency.

RECENT EVENTS

On April 8, 2011, the Fund and a Canadian chartered bank entered into a commitment letter to establish a \$35.00 million senior secured credit facility (the “New Credit Facility”), a portion of which was used towards the acquisition of the assets and the business of Britco Structures LLP and Britco Leasing Ltd as described in the paragraph below. The New Credit Facility bears interest at a fixed margin over the prevailing prime rate or banker’s acceptance rate.

On May 16, 2011, the Fund announced that one of its indirect subsidiaries entered into a definitive acquisition agreement to acquire the assets and the business of Britco Structures LLP and Britco Leasing Ltd. (together, “Britco”) for \$93.00 million (the “Acquisition”). The Acquisition is subject to an earn-out provision whereby the former owners of Britco will receive a portion of any earnings above a prescribed threshold for the 12-month period immediately following the closing of the Acquisition. The Acquisition

is also subject to post-closing adjustments relating to working capital and capital expenditures and disposals.

Britco is one of the largest Canadian designers and manufacturers of commercial portable and permanent modular buildings and operates a rental fleet of approximately 1,200 modular buildings in western Canada.

On May 16, 2011, the Fund entered into an agreement with a syndicate of underwriters (together, the "Underwriters"), under which the Underwriters agreed to purchase, on a bought deal basis, 75,000 Extendible Convertible Unsecured Subordinated Debentures ("2011 Debentures") priced at \$1,000 per debenture, for total gross proceeds of \$75.00 million (the "2011 Debenture Offering"). The 2011 Debentures bear interest at an annual rate of 8.0% per annum payable semi-annually and will be convertible into the Units at the option of the holder at a conversion price of \$7.50 per Unit. The 2011 Debentures will mature on June 30, 2018.

On June 1, 2011, the Fund announced the completion of the Acquisition pursuant to the definitive acquisition agreement dated May 16, 2011. Concurrently with the announcement of the closing of the Acquisition, the Fund announced the completion of the 2011 Debenture Offering. The Acquisition was financed through the net proceeds from the 2011 Debenture Offering and a portion of the New Credit Facility.

On June 6, 2011, the Fund announced that the over-allotment option granted to the underwriting syndicate of its 2011 Debentures has been fully exercised, resulting in the issuance by the Fund of 11,250 additional 2011 Debentures for gross proceeds of \$11.25 million. The net proceeds from the exercise of the over-allotment option will be used for general corporate purposes, including acquisitions.

From April 1, 2011 to June 9, 2011, 649,542 Units were issued as a result of the conversion of \$1,687,600 and \$1,200,000 of Series A Debentures and 2010 Debentures, respectively, thereby reducing the balance of Debentures and increasing the balance of Units.

SUMMARY FINANCIAL REVIEW

Following Q4 of 2010 which saw significant year-over-year growth in its operating results, the Fund continued to record strong growth for the three months ended March 31, 2011. Revenue, gross profit and EBITDA grew by 33.8%, 49.6% and 48.6%, respectively, compared to the first quarter in 2010. The increase was attributable to the strong organic growth from the Fund's existing businesses, which recorded increases of 16.4% and 31.0% in revenue and EBITDA, respectively, due to continued strength in the construction sector in Alberta, along with a robust filming sector in Metro Vancouver and a long winter in southern Alberta which led to strong demand for heating fuel and related rentals. Incremental contributions from OnSite (acquired in April 2010) also generated \$2.27 million of revenue and \$0.68 million of EBITDA in the first quarter.

The strong operating results in the first quarter gave rise to a payout percentage of 50.8% for the quarter, which improved from 69.0% for the same period a year ago and 58.5% for the fourth quarter in 2010.

Summary Financial Overview

(\$000's, except per Unit amounts and percentages)	Three months ended	
	March 31	
	2011	2010
Revenue	\$ 17,451	\$ 13,045
Cost of equipment rental, excluding depreciation	(3,648)	(2,672)
Equipment sold	(869)	(685)
Parts, fuel, service and others	(4,399)	(3,778)
Operating expenses ⁽¹⁾	(2,770)	(2,031)
EBITDA ⁽²⁾	5,765	3,879
Interest expense ⁽³⁾	(1,135)	(719)
Depreciation and amortization	(3,470)	(2,768)
Unit based compensation	(305)	(45)
Business acquisition costs ⁽⁴⁾	(191)	(280)
Increase in fair value of Debentures and Exchangeable Units	(4,742)	(2,760)
Distribution declared	(2,195)	(2,096)
Others	8	32
Loss before deferred income taxes	(6,265)	(4,757)
Deferred income tax recoveries	358	435
Net income/(loss)	\$ (5,907)	\$ (4,322)
Basic and diluted weighted avg income/(loss) per Unit	\$ (0.41)	\$ (0.31)
Total assets ⁽⁷⁾	\$ 90,451	\$ 91,468
Total long-term liabilities ⁽⁷⁾	83,663	74,946
Maintenance capital expenditure ⁽²⁾	182	88
Distributable cash generated ⁽²⁾	\$ 4,321	\$ 3,038
Distributable cash per Unit ⁽⁵⁾	0.2998	0.2175
Distributions declared	2,195	2,096
Distributions declared per Unit	0.1500	0.1500
Payout percentage ⁽⁶⁾	50.8%	69.0%

Notes:

- (1) Includes general and administration expenses and net of amortization of intangible and operating assets, unit based compensation expense and interest income.
- (2) See definition of EBITDA, distributable cash and maintenance capital expenditures under "Non-IFRS Measures".
- (3) Includes amortization of transaction cost.
- (4) Relates to the acquisition of Britco for the three months ended March 31, 2011 and the acquisition of Onsite for the three months ended March 31, 2010.
- (5) Calculated based on basic weighted average number of Units.
- (6) Amounts calculated using distributable cash and distributions declared for the related period, not on per Unit amounts. Calculated as distribution declared divided by distributable cash generated.
- (7) For 2010 the amounts represent balances as at December 31, 2010.

More detailed discussions of the financial results for the three months ended March 31, 2011 are provided under "Operating Results" below.

The Fund's revenue increased by 33.8%, or \$4.41 million, for the three months ended March 31, 2011 compared to the same period a year ago. The increase was primarily driven by organic growth from the Fund's equipment rental, heating fuel and related businesses due to: 1) continued strength in Alberta's construction activity in the winter months, which led to strong demand for construction heat equipment rentals and other heat related products and services; and 2) a robust filming sector in Metro Vancouver, which increased demand for equipment rentals and related services. The revenue growth was also due to the addition of OnSite to the Fund's Alberta operation following its acquisition on April 1, 2010. OnSite contributed incremental revenue of \$2.27 million for the quarter.

Gross profit increased by 49.6%, or \$2.12 million, for the three months ended March 31, 2011 compared to the same period a year ago. OnSite contributed \$0.76 million incremental gross profit for the quarter.

Gross margin was 36.7% for the three months ended March 31, 2011 and improved from 32.8% during the same period a year ago.

Finance costs (being the combined total of interest expense, gain/loss on financial derivatives and increase in fair value of Debentures and Exchangeable Units) were \$5.88 million or 33.7% of total revenue for the three months ended March 31, 2011, compared to \$3.48 million or 26.7% of total revenue for the same period a year ago. The higher finance costs were mainly due to the increase in the Debentures' trading price at the Exchange during the quarter compared to the same period a year ago, resulting in non-cash charges to the Fund's profit or loss under the IFRS accounting requirements (refer to "Adoption of International Financial Reporting Standards - Significant IFRS accounting changes and elections – Convertible Debentures" for details of the related IFRS requirements).

Net loss was \$5.91 million or \$0.41 per Unit for the three months ended March 31, 2011, compared to net loss of \$4.32 million or \$0.31 per Unit for the same period a year ago. The increase was mainly due to higher finance costs arising from the non-cash charges that related to the recording of the Fund's Debentures at their fair values at the end of the quarter. The impact of the higher finance costs was partially reduced by the higher operating earnings for the quarter compared to the same period a year ago.

Total assets were \$90.45 million as at March 31, 2011 compared to \$91.47 million as at December 31, 2010. The difference was primarily due to changes in working capital as a result of the normal course of the business, amortization of capital assets and recognition of deferred income tax assets.

Long-term liabilities were \$83.66 million as at March 31, 2011 compared to \$74.95 million as at December 31, 2010. The difference was primarily due to: 1) the issuance of Units for the conversion of Series A Debentures during the quarter; and 2) the higher trading price of the 2010 Debentures at the Exchange as at March 31, 2011 compared to December 31, 2010. The Units have no definitive maturity date and are classified as long term liabilities as a result of the IFRS accounting requirements (refer to "Adoption of International Financial Reporting Standards - Significant IFRS accounting changes and elections – Units and Exchangeable Units" for details of the related IFRS requirements). As at March 31, 2011, the 2010 Debentures had a carrying value of \$30.11million on the statement of financial position based on their trading price at the Exchange, while the face value remained at \$27.60 million and are repayable at maturity on December 31, 2015.

DEFERRED INCOME TAXES

In 2007, the Federal Government of Canada amended the Income Tax Act to impose an entity level specified investment flow-through tax (the "SIFT Tax") on Canadian publicly listed income trusts effective January 1, 2011. As a result of the SIFT tax, starting from January 1, 2011, the Fund is subject to income taxes at a rate approximately equal to the rate applicable to income earned by a Canadian public corporation, and is prevented from deducting trust distributions when calculating taxable income. The Fund has undepreciated capital costs and eligible capital properties which can be used for tax deductions when calculating taxable income.

The SIFT Tax also recharacterizes such distributions as eligible dividends received from a taxable Canadian corporation. Eligible dividend treatment for distributions to unitholders will generally be beneficial to Canadian resident investors holding their units in taxable accounts compared to the previous characterization primarily as ordinary income.

Deferred income taxes are recorded on the temporary differences arising between the accounting and tax bases of assets and liabilities on the statement of financial position.

Under the SIFT Tax rules, the tax rate on the post-2010 reversal of temporary differences is estimated by the Fund to be 26.5% for 2011 and 25.0% thereafter. Based on its assets and liabilities as at March 31, 2011, the Fund has estimated the amount of its temporary differences and the period in which these differences will reverse.

As a result of the SIFT Tax rules, Canadian accounting guidance required that the Fund record a cumulative deferred tax asset of \$8.23 million as at March 31, 2011. Accordingly, the Fund recorded an adjustment representing a non-cash, deferred income tax recovery of \$0.36 million for the three months ended March 31, 2011.

OPERATING RESULTS

Basis of discussion and analysis

The Fund's operating results reflect its operations for the three months ended March 31, 2011. For the purposes of discussing operating results of the Fund under this section, only Business LPs that have operated for more than one calendar year prior to the period ended March 31, 2011 are included for discussion. This allows management to utilize financial information that is consistently maintained by the Fund to conduct year-over-year comparisons. In this case the operating results from all of PER, OCR, C&N, Deerfoot (excluding OnSite as it was acquired on April 1, 2010), H&P and overhead and other expenses at the Fund's corporate level are included for discussion.

Revenue

The following table summarizes the revenues (excluding OnSite) for the three months ended March 31, 2010 and 2011.

Summary of Revenues (\$000's)	Three months ended		Increase/(Decrease)	
	March 31		Three months ended	
	2011	2010	\$	%
Equipment Rentals	\$ 6,876	\$ 4,977	\$ 1,899	38.2%
Equipment Sales	788	788	-	- %
Parts, Fuel, Service and Others	7,517	7,280	237	3.3%
Total Revenues	\$ 15,181	\$ 13,045	\$ 2,136	16.4%

Revenue from equipment rentals of \$6.88 million for the three months ended March 31, 2011 increased by 38.2%, or \$1.90 million, compared to \$4.98 million a year ago. The increase in rental revenue was due to the higher rental volume in the Fund's southern Alberta operation. In addition to a robust single-home residential construction sector, the Fund's continue success in gaining market share in the commercial construction sector led to higher fleet utilization in that region. The extended winter in southern Alberta further increased the demand for the Fund's rental heat equipment. The increase in rental revenue was also due to a strong recovery in the film production sector in Metro Vancouver compared to last year. As a result of hosting the 2010 Winter Olympics, Metro Vancouver's film production industry was suspended in the first quarter of 2010 as large scale sports and social events in the city hindered filming activities.

Revenue from equipment sales of \$0.79 million for the three months ended March 31, 2011 was consistent with the same period a year ago. While equipment fleet sales were lower than the same period

a year ago, the sales of all-terrain vehicles for construction, agricultural, forestry and recreational applications in northern Vancouver Island grew by 13.3%.

Revenue from parts, fuel, service and others of \$7.52 million for the three months ended March 31, 2011 increased by 3.3%, or \$0.24 million, compared to \$7.28 million a year ago. The increase was primarily due to increased fuel sales, driven by the Fund's increased market share in the commercial construction sector in southern Alberta. The revenue growth in southern Alberta was partially reduced by the lower demand for propane in northern Alberta as a result of high propane prices.

Gross margin and gross profit

Gross margin was 37.2% for the three months ended March 31, 2011 compared to 32.8% for the same period a year ago. Gross profit increased by 31.8% for the three months ended March 31, 2011, to \$5.64 million from \$4.28 million a year ago. The margin for the quarter improved year-over-year primarily due to higher rental rates charged on specialty aerial equipment and related services in the film production sector.

Cost of sales

Cost of sales as a percentage of total revenue was 62.8% for the three months ended March 31, 2011, compared to 67.2% for the same period a year ago.

Costs associated with equipment rentals (including depreciation of rental equipment) were 67.4% of equipment rental revenue for the three months ended March 31, 2011 compared to 86.5% for the same period a year ago. The lower percentage for the quarter compared to the same period last year was mainly due to the higher margin achieved from equipment rentals in the Metro Vancouver's film production sector.

Costs associated with equipment sales were 89.6% of equipment sales revenue for the three months ended March 31, 2011 compared to 86.9% for the same period a year ago. While margins of retail equipment and merchandise sales remained relatively consistent compared to last year, margins from sales of used aerial equipment from the fleet tend to fluctuate from time to time.

Costs associated with parts, fuel, service and others were 55.9% of the related revenue for the three months ended March 31, 2011 compared to 51.9% for the same period a year ago. Costs under this category relate mostly to purchases of fuel for fuel distribution sales and expenditures of parts for the servicing of customers' equipment. The higher percentage for the quarter compared to the same period last year was primarily due to rising commodity fuel costs.

Operating expenses

Operating expenses before business acquisition costs were 24.5% of total revenue for the three months ended March 31, 2011 which remained consistent with 24.4% for the same period a year ago.

EBITDA

EBITDA (for definition see "Non-IFRS Measures" below) as a percentage of total revenue was 33.5% for the three months ended March 31, 2011 compared to 29.7% for the same period a year ago. Improvements in the EBITDA margin for the quarter were primarily due to 1) increased demand for specialty aerial equipment rentals and related services in the film production sector; and 2) increased rental volume in southern Alberta due to an increased market share in the commercial construction sector and an extended winter.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

in \$000's except per Unit amounts and percentages (unaudited)	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10	Q4 '09	Q3 '09	Q2 '09
	IFRS	IFRS	IFRS	IFRS	IFRS	Canadian GAAP	Canadian GAAP	Canadian GAAP
Revenue	\$ 17,451	\$ 14,827	\$ 11,220	\$ 11,160	\$ 13,045	\$ 10,333	\$ 7,741	\$ 9,485
EBITDA ⁽¹⁾	\$ 5,765	\$ 4,850	\$ 2,408	\$ 2,336	\$ 3,879	\$ 2,668	\$ 1,584	\$ 2,584
Net income/(loss)	\$ (5,907)	\$ (2,469)	\$ (5,005)	\$ (3,271)	\$ (4,322)	\$ 973	\$ (1,649)	\$ (372)
Income/(Loss) per Unit								
Basic	(0.41)	(0.18)	(0.36)	(0.23)	(0.31)	0.07	(0.12)	(0.03)
Diluted	(0.41)	(0.18)	(0.36)	(0.23)	(0.31)	0.07	(0.12)	(0.03)
Distributable cash generated ⁽¹⁾	\$ 4,321	\$ 3,593	\$ 1,004	\$ 811	\$ 3,038	\$ 1,893	\$ 883	\$ 1,826
Distributable cash per Unit ⁽²⁾	0.2998	0.2564	0.0717	0.0579	0.2175	0.1356	0.0634	0.1314
Distribution declared	\$ 2,195	\$ 2,102	\$ 2,102	\$ 2,099	\$ 2,096	\$ 2,095	\$ 2,092	\$ 2,085
Distribution per Unit	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
Payout percentage ⁽³⁾	50.8%	58.5%	209.3%	259.0%	69.0%	110.6%	236.9%	114.2%

Notes:

(1) See definition of EBITDA and distributable cash under "Non-IFRS Measures" below.

(2) Calculated based on basic weighted average number of Units.

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

Seasonality

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

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

CASH FLOW AND LIQUIDITY

The following table provides an overview of the Fund's cash flows from operating, investing and financing activities for the three months ended March 31, 2011:

Summary of cash flows (\$000's)	Three months ended	
	March 31	
	2011	2010
Net change of cash related to:		
Operations		
Cash generated from operating earnings	\$ 5,505	\$ 3,510
Changes from non-cash working capital	147	312
Investing	(1,247)	(14,009)
Financing	(5,520)	20,898
Net change in cash during the period	\$ (1,115)	\$ 10,711

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

A single Canadian chartered bank (the "Bank") has provided a \$5.75 million operating loan on an interest only basis, that is payable upon demand, on which the Business LPs had drawn \$1.23 million as at March 31, 2011.

Working capital management continues to be an important element of cash generation for the Fund. As at March 31, 2011, management expects that net receivables are collectible and that payments to suppliers will also continue under current terms.

The Fund had a working capital deficiency of \$27.98 million as at March 31, 2011. The Fund's working capital includes items expected for normal operations, such as cash and cash equivalents, accounts receivable, inventories, prepaid expenses, deposits, operating loans, accounts payable and accrued liabilities, distributions payable, unearned revenue, financial derivatives, the current portion of finance lease obligations, term mortgage payable, and Series A Debentures which will mature on August 15, 2011. As at March 31, 2011, the working capital deficiency included \$29.58 million of capital and acquisition loans and \$0.60 million of current portion of Units. As at March 31, 2011, the outstanding capital and acquisition loans were advanced from the Bank with maturity dates ranging from February 2013 to March 2016. Since the capital and acquisition loans could be repayable on demand before their maturity dates, they were classified as current liabilities in the financial statements of the Fund. As at March 31, 2011, the Fund had made all monthly payments related to the capital and acquisition loans according to the payment schedule of the Bank and the Fund was in compliance with its covenants. As at March 31, 2011, the \$0.60 million current portion of Units had no definitive maturity date. Since the current portion of Units was redeemable within 12 months from the date of the statement of financial position, it was required to be classified as current liability under IFRS. Furthermore, as at March 31, 2011, the carrying value of the Series A Debentures on the statement of financial position was \$6.28 million under IFRS, while the face value was only \$4.80 million. The Fund had total cash and cash equivalents of \$2.88 million as at March 31, 2011. For the trailing 12 months ended March 31, 2011, the Fund generated \$11.80 million of cash from operating activities. The Fund does not anticipate any problems in meeting future obligations as they become due given the level of funds from its operations and its ability to make monthly loan payments according to the payment schedule of the Bank.

During the three months ended March 31, 2011, the Fund generated cash of \$5.65 million from operating activities, of which \$0.15 million related to changes from non-cash working capital which represented a normal course of fluctuation in the Fund's businesses.

During the three months ended March 31, 2011, the Fund purchased rental equipment and other operating assets of \$1.74 million and received proceeds of \$0.49 million from sales of fleet equipment. The Fund also repaid \$3.38 million of net bank debt (including interest) and distributed \$2.14 million to the Unitholders.

Liquidity Risks

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

The Fund manages its liquidity risk through cash and debt management. As at March 31, 2011, the Fund had available unused approved credit facilities (operating, capital and acquisition loans combined) of \$5.81 million. The Fund also had accounts receivable of \$11.05 million and cash and cash equivalents totaling \$2.88 million. Management expects to discharge the Fund's liabilities by means of cash flow generated from operations, existing cash reserves and refinancing of debt instruments.

A centralized treasury function ensures that the Fund maintains funding flexibility by assessing future cash flow expectations and by maintaining sufficient headroom on its committed borrowing facilities. Cash flow estimates are based on rolling forecasts of operating, investing and financing flows. Such forecasting also takes into account borrowing limits, cash restrictions and compliance with debt covenants.

Cash which is surplus to working capital requirements is managed by the centralized treasury function which invests it in money market funds or bank money market deposits, choosing maturities which are aligned with expected cash needs based on the rolling forecast process.

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 March 31, 2011, \$30.87 million of capital and acquisition loans were approved by the Bank and \$29.58 million were outstanding.

The Fund's credit facilities have covenants specifying a minimum current ratio of 1.25 to 1.0, a maximum funded debt to earnings (as defined in the credit facilities agreement) ratio of 3.0 to 1.0, a minimum debt service coverage ratio of 1.25 to 1.0, and a restriction on increases in distributions to Unitholders and future acquisitions without the prior written consent of the Bank. For purposes of calculating the current ratio, 25% of Series A Debentures that will mature on August 15, 2011 and capital and acquisition loans that are due within one year are included in current liabilities, and the current portion of the Units is excluded from current liabilities. As at March 31, 2011, the Fund was in compliance with all bank covenants.

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

DISTRIBUTABLE CASH AND DISTRIBUTIONS

The Fund reviews its historic and expected results on a regular basis. This review includes consideration of economic conditions, including seasonality, the competitive environment, future cash requirements and projected accretion from newly acquired businesses. It is the Fund's normal policy not to distribute 100% of distributable cash (for definition see "Non-IFRS Measures" below) on a calendar year basis in order to address the seasonality nature of the business and unforeseen events, should they occur. With respect to

the Fund's ongoing strategy of monthly distributions, management and the board of Trustees consider the current and projected business activity level of the Fund's operations. While it is the Fund's policy to make stable monthly distributions to Unitholders, unforeseen events may occur and cause the board of Trustees to decide to reduce or suspend monthly distributions temporarily or permanently.

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

Distribution history (per Unit)	2006	2007	2008	2009	2010	2011
January		\$ 0.0408	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500
February		0.0408	0.0500	0.0500	0.0500	0.0500
March		0.0450	0.0500	0.0500	0.0500	0.0500
April		0.0450	0.0500	0.0500	0.0500	0.0500
May		0.0450	0.0500	0.0500	0.0500	0.0500 ⁽²⁾
June		0.0500	0.0500	0.0500	0.0500	
July		0.0500	0.0500	0.0500	0.0500	
August	\$ 0.0224 ⁽¹⁾	0.0500	0.0500	0.0500	0.0500	
September	0.0408	0.0500	0.0500	0.0500	0.0500	
October	0.0408	0.0500	0.0500	0.0500	0.0500	
November	0.0408	0.0500	0.0500	0.0500	0.0500	
December	0.0608	0.0500	0.0500	0.0500	0.0500	
Total	\$ 0.2056	\$ 0.5666	\$ 0.6000	\$ 0.6000	\$ 0.6000	\$ 0.2500

Notes:

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

(2) Declared on May 19, 2011.

Distributions are paid on or about the 15th day of each month to Unitholders of record on the last business day of the preceding month.

Reconciliation of cash provided by operating activities to distributable cash

The following table reconciles cash flow from operating activities to distributable cash for the three months ended March 31, 2011:

Reconciliation of cash flow from operating activities to distributable cash (\$000's, except for per Unit amounts and percentages)	Three months ended March 31, 2011
Cash flow from operating activities	\$ 5,652
Changes in non-cash working capital balances	(147)
	5,505
Loss on sale of assets	107
Maintenance capital expenditure ⁽¹⁾	(182)
Interest paid	(1,109)
Distributable cash generated ⁽¹⁾	\$ 4,321
Distributions declared	\$ 2,195
Distributable cash generated per Unit	\$ 0.2998
Distributions declared per Unit	0.1500
Payout percentage ⁽²⁾	50.8%
Net loss	\$ (5,907)
Deficit of net loss below distributions declared	\$ (8,102)

Notes:

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

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

NON-IFRS MEASURES

References in this MD&A to “EBITDA” are to earnings before interest, income taxes, depreciation, amortization, gain/loss on financial derivatives relating to changes in the fair market value of the fixed interest rate swap, business acquisition costs, Debenture issuance costs, gain/loss on Debentures relating to changes in their fair market values, gain/loss on Unit issuances relating to conversion of Debentures, gain/loss on Exchangeable Units relating to changes in their fair values, unit based compensation, distribution to unitholders, foreign exchange gains/losses, write-down of fleet assets, intangible assets and goodwill, and non-recurring items. 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 IFRS, does not have standardized meanings prescribed by IFRS 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 IFRS 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 IFRS and does not have a standardized meaning prescribed by IFRS. 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 IFRS. The Fund’s distributable cash may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash as reported by such issuers. The Fund’s management believes that, in addition to net income, distributable cash is a useful supplemental measure that may assist investors in assessing the return on their investment in Units. See “Distributable Cash and Distributions - Reconciliation of cash provided by operating activities to distributable cash”.

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

OFF-BALANCE SHEET FINANCING

The Fund has no off-balance sheet arrangements, except for the operating leases relating to the Fund’s various operating assets, as disclosed in note 11 of the Financial Statements. The operating lease arrangements represent a normal course of the Fund’s businesses.

CONTRACTUAL OBLIGATIONS

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

Loans payable (\$000's)	2011	2012	2013	2014	2015	Thereafter
Loans Payable	\$ 4,254	\$ 5,921	\$ 12,014	\$ 4,236	\$ 2,964	\$ 192

The Fund has the following rental, term mortgage, finance lease and operating lease commitments:

Contractual obligations (\$000's)	2011	2012	2013	2014	2015	Thereafter
Rental commitments	\$ 1,350	\$ 1,565	\$ 1,288	\$ 899	\$ 649	\$ 2,632
Term Mortgage	14	305	-	-	-	-
Finance leases	157	211	265	202	48	4
Operating leases	292	248	107	33	-	-
	\$ 1,813	\$ 2,329	\$ 1,660	\$ 1,135	\$ 698	\$ 2,636

LONG TERM INCENTIVE PLAN

Trustees, directors, officers and key employees of the Fund and its direct and indirect subsidiaries are eligible to participate in the Fund's long term incentive plan (the "LTIP"). The purpose of the LTIP is to provide eligible participants with compensation opportunities that will enhance the Fund's ability to attract, retain and motivate key personnel and reward key employees for significant performance that results in the Fund exceeding its cash available for distribution targets. Pursuant to the LTIP, the Fund sets aside a pool of funds based upon the amount, if any, by which the cash available for distribution per Unit (as measured on a fully diluted basis) exceeds certain defined threshold amounts. A third-party trustee will purchase Units in the market with this pool of funds and hold the Units until such time as ownership vests to each participant. LTIP participants are entitled to receive distributions on all Units held for their account prior to the applicable vesting date. Unvested Units held by the third-party trustee for an LTIP participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those Units will be sold and the proceeds returned to the Fund.

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

The compensation committee from time to time may adjust the threshold amounts. In fiscal 2011, 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 March 31, 2011, the Fund's compensation committee did not approve any payments under the LTIP for the 2011 fiscal year.

WESTERNONE EQUITY INCENTIVE UNIT OPTION PLAN

Under the WesternOne Equity Incentive Unit Option Plan, options to purchase the Fund's Units may be granted to senior executives, directors, Trustees, certain employees of, and service providers to, the Fund and its direct and indirect subsidiaries. The purpose of the WesternOne Equity Incentive Unit Option Plan is to provide such eligible participants with compensation opportunities that will encourage ownership of

Units, enhance the Fund's ability to attract, retain and motivate key personnel, and reward directors, officers, employees and service providers for significant performance and growth in the Fund's cash flow.

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

As at the date of this MD&A, no options granted had yet been exercised and 9,000 options had been forfeited and cancelled due to the departure of an employee.

TRANSACTIONS WITH RELATED PARTIES

The Fund purchased equipment from 0798319 BC Ltd., a company in which a board member of the Fund has a controlling interest, for \$97,962 (2010 - \$137,282) during the three months ended March 31, 2011. These transactions arose during the normal course of business and have been recorded at fair market value.

The Fund currently rents premises in various locations from companies in which an officer and certain general managers of Business LPs hold interests. Specifically, the Fund rents premises in its operating locations in Comox (British Columbia), Calgary (Alberta) and Edmonton (Alberta) from Mahatta Holdings Ltd., Eastlake Properties Inc. and MYR Developments Ltd., respectively. The Fund paid \$206,164 (2010 - \$200,209) aggregately in rent to such companies during the three months ended March 31, 2011. The rent between the parties is at fair market value. The terms of the leases range from renewal on a monthly basis (with a termination notice of three months given either by the tenant or landlord) to August 31, 2023.

FUND UNITS AND PRINCIPAL UNITHOLDERS

As at the date of this MD&A, 15,673,560 Units are issued and outstanding, each of which entitles the holder to one vote at Unitholder meetings. Furthermore, 31,083 Series A Debentures, 26,400 2010 Debentures and 75,000 2011 Debentures are issued and outstanding with an outstanding face value of \$3.11 million, \$26.40 million and \$75.00 million respectively. Upon conversion of Series A Debentures, 2010 Debentures and 2011 Debentures, an additional 740,071, 5,028,571 and 10,000,000 Units, respectively, would be issuable. In addition, 125,000 exchangeable units ("Exchangeable Units") were issued by a subsidiary indirectly controlled by the Fund on February 15, 2008. The Exchangeable Units have no voting rights but have economic rights equivalent to the Fund's Units, and are exchangeable to the Units on a one-for-one basis. To the knowledge of the Fund, no person beneficially owns, directly or indirectly, or exercises control or direction over, Units carrying more than 10% of the voting rights attached to all of the issued and outstanding Units.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 2011, the Fund's financial assets and liabilities consisted primarily of cash and cash equivalents, accounts receivable, operating loans, accounts payable and accrued liabilities, distribution payable, term mortgage, capital and acquisition loans, financial derivatives not designated in an effective hedging relationship, Series A Debentures, 2010 Debentures, Exchangeable Units and Units. These financial instruments arose from the Fund's normal course of business, with respect to the financing of its day-to-day operations, capital expenditures and acquisitions.

The carrying values of the financial instruments, except for the capital and acquisition loans, mortgage payable, Series A Debentures, 2010 Debentures, Exchangeable Units and Units, are considered to approximate their fair values due to their short term nature. The carrying values of the capital and

acquisition loans approximate their fair values as the related interest rates of the loans were at market as at March 31, 2011. The Fund has considered credit risk in making this determination and concluded no material adjustments would be required. The fair values of the mortgage payable is based on discounted future cash flows using discount rates that reflect current market conditions for instruments having similar terms and conditions. The fair values of Series A Debentures, 2010 Debentures, and Units are determined based on their closing prices at the Exchange as at March 31, 2011. The fair value of Exchangeable Units is determined based on the closing price of the Units at the Exchange as at March 31, 2011.

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

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk is the full carrying value of the financial instrument. The Fund is exposed to credit risk with respect to its accounts receivable, particularly from customers in the construction industry in British Columbia and Alberta due to its concentration of business in that sector. The Fund mitigates the risk by means of a diverse customer base in the construction (industrial, commercial, infrastructure and residential) as well as other sectors, in which there was no single account receivable balance in excess of 10% of the Fund’s consolidated accounts receivable balance as at March 31, 2011. 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. As at March 31, 2011, the Fund had provisions for potential uncollectible accounts receivable of \$0.15 million and the related bad debt expense is classified as an operating expense in the Fund’s statement of comprehensive income.

Interest rate risk

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

Foreign exchange risk

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

The Fund’s cash flow exposure to foreign currency is due mainly to purchases of rental equipment and replacement parts from suppliers in the United States. For the three months ended March 31, 2011, the Fund recorded foreign exchange gains of \$1,309. Foreign exchange gains or losses are classified as part of operating expenses in the Fund’s statement of comprehensive income.

As at March 31, 2011, the Fund’s consolidated statement of financial position included \$123,647 of accounts payable (2010 - \$135,457), and \$371,726 of cash (2010 –\$43,765) which were U.S. currency denominated.

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the Financial Statements and the reported amounts of revenue and expenses during the reporting period. The Fund has taken into account the current economic environment when determining the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets. As conditions change in 2011, actual results could differ from those estimates. The Fund's significant accounting policies are described in note 3 of the Financial Statements. The Fund bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances. The Fund considers the following to be most critical in understanding the judgments that are involved in preparing the Financial Statements and the uncertainties that could affect the Fund's results of operations, financial condition and cash flows.

Provision of inventory obsolescence

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

Provision for doubtful accounts

The Fund is exposed to credit risk with respect to its accounts receivable, particularly from customers in the construction industry in British Columbia and Alberta due to its concentration of business in that sector. Management mitigates the risk by means of a diverse customer base in the construction (industrial, commercial, infrastructure and residential) as well as other sectors, in which there was no single account receivable balance in excess of 10% of the Fund's consolidated accounts receivable balance as at March 31, 2011. In general, the Fund mitigates the risk by following a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. Assumptions underlying management's evaluation of provision for doubtful accounts include stability of the business environment that customers operate in and financial health of customers. The provision for doubtful accounts at March 31, 2011 did not reflect any significant increase in expected losses compared to prior years. However, depending on the future economic environment, there is a risk that the Fund could experience a greater number of defaults which would result in an increased charge to net income.

Impairment of assets

Management reviews the Fund's non-financial assets, inventories and deferred tax assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Management also reviews goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use for impairment at least annually or whenever events or changes in circumstances indicate possibility of impairment.

Impairment is recognized if the recoverable amount determined as the higher of the estimated fair value less cost to sell or the discounted future cash-flows generated from use and eventual disposal from an asset or cash generating unit (“CGU”) is less than their carrying value. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying value of goodwill allocated to the CGU and any excess is allocated to the carrying amount of the other assets in the CGU on a pro rata basis.

Assumptions underlying management’s evaluation of asset impairments include estimates of future operations of, and related cash flow generated from, the assets or CGUs, marketplace data, and future costs of capital. Depending on the future economic environment, there is a risk that the Fund could have an increase in impairments which would result in an increased charge to net income.

Accrual of unbilled revenue

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

Deferred income taxes

As a result of the SIFT tax, starting from January 1, 2011, the Fund is subject to income taxes at a rate approximately equal to the rate applicable to income earned by a Canadian public corporation, and is prevented from deducting trust distributions when calculating taxable income.

Deferred 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. Deferred tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized. Assumptions underlying the composition of deferred income tax assets include estimates of future results of operations, the timing of reversal of temporary differences, as well as the tax rates and laws in each province at the time of the expected reversal. The composition of deferred income tax assets is reasonably likely to change from period to period due to the uncertainties surrounding these assumptions.

RISKS AND UNCERTAINTIES

In addition to the risks and uncertainties discussed in the Fund’s Annual Information Form dated March 31, 2011, the Fund believes that the following items represent significant areas for consideration:

Unexpected costs or liabilities related to acquisitions

Although the Fund conducted what it believed to be a prudent and thorough level of investigation in connection with acquisition of businesses, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, the acquired businesses. Following an acquisition, the Fund may discover that it has acquired substantial undisclosed liabilities. The existence of undisclosed liabilities or the Fund’s inability to retain existing customers or employees of the acquired businesses could have a material adverse impact on the Fund’s business, financial condition, results of operations and cash flows.

Integration of acquired businesses

To effectively integrate the acquired businesses into its current operations, the Fund must establish appropriate operational, administrative, finance, management systems and controls and marketing

functions relating to the acquired business. This will require substantial time, attention and resources from the Fund's management team. This diversion of management attention, as well as any other difficulties which the Fund may encounter in completing the transition and integration process, could have a material adverse impact on the Fund's business, financial condition, results of operations and cash flows. In addition, the Fund may be unable to retain existing customers or employees of the acquired businesses following the acquisitions. There can be no assurance, however, that the Fund will be successful in integrating the operations of the acquired businesses or that the expected benefits will be realized.

Prevailing yields on similar securities

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

For other risks and uncertainties associated with the Fund, refer to the Fund's Annual Information Form dated March 31, 2011.

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 IFRS.

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

An evaluation of the design of the Fund's DC&P was conducted, as at March 31, 2011, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at March 31, 2011, the Fund's DC&P are designed to provide reasonable assurance that information required to be disclosed by the Fund in reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

Management, under the supervision of the CEO and the CFO, has evaluated the design of the Fund's ICFR using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that as at March 31, 2011, ICFR was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There has been no change in the Fund's DC&P and ICFR that occurred during the first quarter of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, the Fund's DC&P and ICFR.

OUTLOOK

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

The Fund's operating results continue to improve along with the gradual macro economic recovery that started in 2010. Management attributes the improved results to the strong construction activity in Alberta, a stabilized construction climate in BC, and a rebound in the filming sector which is the Fund's key niche market.

Management expects equipment rental rates, particularly in the construction sector in BC, to gradually recover in 2011 as increased construction activity will lead to a growth in demand for rental equipment. Management has seen stable increases in the time utilization of the rental equipment, and expects gradual growth in the rental rates to follow suit. Management also expects the robust filming production activity to continue in BC, based on the projected number of film productions scheduled for the rest of 2011.

Management expects the Fund's Alberta operation to benefit from the ongoing infrastructure and commercial construction projects. Management has seen the benefit derived from a unified market presence following the launch of the "WesternOne Rentals & Sales" in Alberta since the second half of 2010, and expects the benefit from the leveraged sales and marketing effort to continue.

The Fund seeks future organic growth through leveraging its integrated network of 12 operations. The network of complete equipment rental and fuel distribution solutions allows the Fund's operation to mobilize fleet efficiently.

Management continues to actively review its rental fleet condition and execute a growth capital expenditure strategy through selectively purchasing high-utilization equipment in order to meet the future market demands. Furthermore, management continues to seek external growth through identifying accretive acquisition opportunities in the construction and infrastructure services sector. With the acquisition of the assets and the businesses of the Britco Group, the Fund expands its product and service offering and customer base, and further positions itself as an integrated construction and infrastructure service provider.

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.

For more information, please contact:

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TRADING SYMBOLS

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