

WESTERNO ONE EQUITY

WESTERNO ONE EQUITY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 20, 2008

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The following management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements and accompanying notes ("Financial Statements") of WesternOne Equity Income Fund and its subsidiaries (collectively known as the "Fund" below, unless the context otherwise requires) for the year ended December 31, 2007. 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 "Reconciliation of Cash Provided by Operating Activities to Distributable Cash".

FORWARD-LOOKING INFORMATION

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

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

subsidiaries, nature of Units, and federal income tax changes with respect to Canadian income tax treatment of income trusts, as discussed under “Risks and Uncertainties” below.

Although the forward-looking information contained in this MD&A is based upon what the Fund’s management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with such information. Forward-looking information reflects management’s current beliefs and is based on information currently available to the Fund. Such information reflects current assumptions regarding future events and operating performance including, without limitation, a strong economy in British Columbia, stable interest rates and continued strength in the equipment rental and equipment sales industry in which the Fund operates, and speaks only as of the date of this discussion. The forward-looking information is made as of the date of this MD&A and the Fund assumes no obligation to update or revise such information to reflect new events or circumstances.

OVERVIEW OF THE FUND

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

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

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

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

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

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

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

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

BASIS OF MANAGEMENT’S DISCUSSION AND ANALYSIS

The Fund’s results of operations reflect the Fund’s operations for the three months and twelve months ended December 31, 2007. The Fund was inactive until its acquisition of a 100% interest in PE on August 15, 2006. However, in order to enhance the usefulness of this MD&A, certain unaudited financial and operating results of the Fund for the three months and twelve months ended December 31, 2007 are compared to the unaudited results of PER for the three months and twelve months ended December 31, 2006 combined with the unaudited results of OCR Ltd. for the three months and seven months ended December 31, 2006. Such information is provided for reference purposes only and is not intended to represent a comprehensive comparison of the consolidated financial results.

SUMMARY FINANCIAL REVIEW

The Fund reported substantial increases in sales, gross income, EBITDA, net income and distributions to unitholders this year while maintaining a low debt ratio and healthy payout percentage. Driving such increases were (i) the organic growth within PE, which experienced a 19.7% revenue growth year-over-year through an expanding customer base and rental fleet; and (ii) the acquisition of the assets of OCR Ltd, which brought in incremental earnings and allowed us to expand our business into Vancouver Island.

Summary Financial Review (\$000's, except unit amounts)	Three months ended December 31		201-day period ended December 31	Twelve months ended December 31
	2006	2007	2006	2007
Revenue	\$ 4,300	\$ 6,089	\$ 6,662	\$ 22,534
Cost of sales	(1,243)	(1,387)	(1,540)	(6,666)
Gross income	3,057	4,702	5,122	15,868
<i>Gross margin</i>	71.1%	77.2%	76.9%	70.4%
Operating expenses ⁽¹⁾	(1,330)	(2,336)	(2,019)	(7,760)
EBITDA ⁽²⁾	1,727	2,366	3,103	8,108
Interest expense	(342)	(409)	(497)	(1,223)
Amortization and accretion	(578)	(675)	(1,078)	(3,015)
Income before future income taxes	807	1,282	1,528	3,870
Future income recoveries/(taxes)	-	1,452	-	1,452
Net income	\$ 807	\$ 2,734	\$ 1,528	\$ 5,322
Maintenance capex ⁽²⁾	\$ 165	\$ 29	\$ 173	\$ 102
Basic weighted average earnings per Unit	\$ 0.16	\$ 0.23	\$ 0.30	\$ 0.56
Diluted weighted average earnings per Unit	0.15	0.21	0.25	0.53
Distributable cash generated ⁽²⁾	\$ 1,374	\$ 2,084	\$ 2,376	\$ 6,939
Distributable cash per Unit ⁽³⁾	0.2143	0.1774	0.3707	0.7325
Distributions declared	913	1,762	1,318	5,498
Distributions declared per Unit	0.1424	0.1500	0.2056	0.5666
Coverage ratio	1.50	1.18	1.80	1.26
Payout percentage	66.5%	84.5%	55.5%	79.2%

Notes:

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

This is the Fund's first year to operate on a full fiscal year basis, compared to only 201 days in 2006. In 2006 the Fund was inactive between its inception on June 14, 2006 and August 14, 2006, when it commenced operations after it acquired the assets of PER. Therefore, the 2006 financial information above essentially reflects 139 days of operations, not 201 days.

More detailed discussions of the financial results for the three months and twelve months ended December 31, 2007 are provided under "Operating Results" below.

The Fund's revenue increased significantly by 238.2%, or \$15.9 million, to \$22.53 million for the twelve months ended December 31, 2007 from \$6.66 million a year ago. Factoring in the partial fiscal year in 2006, revenue from PER increased by 19.7% year-over-year. The construction industry continued to be fuelled by strong demands from the residential, commercial and industrial sectors, as well as large scale infrastructure projects currently underway in various parts of lower mainland, such as the Canada Line rapid transit system in Vancouver, the Golden Ears bridge in Maple Ridge, and the Vancouver Trade and Convention Centre.

The Fund's acquisition of the assets of OCR Ltd. in June, 2007 was a significant step to consolidate the equipment rentals and sales market, as well as extend the Fund's business into Vancouver Island. Since the

acquisition, OCR has contributed \$3.49 million of incremental revenue for the year ended December 31, 2007.

Gross Income increased by 209.8%, or \$10.75 million, to \$15.87 million for the twelve months ended December 31, 2007 from \$5.12 million a year ago. Factoring in the partial fiscal year in 2006, gross income from PER achieved a 15.1% growth year-over year. OCR, since the Fund's acquisition on June 1, 2007, has contributed an incremental \$2.38 million of gross income for the twelve months ended December 31, 2007.

Gross margin decreased to 70.4% from 76.9% due to the significant growth in equipment sales this year (see revenue discussion in "Operating Results" below), fuelled by the strong construction and general equipment and tool sectors. Equipment sales typically have a lower margin than equipment rentals.

EBITDA increased by 161.2%, or \$5.01 million, to \$8.11 million for the twelve months ended December 31, 2007 from \$3.10 million a year ago. Factoring in the partial year in 2006, EBITDA from PER achieved a 14.9% growth year-over-year. OCR, since the Fund's acquisition on June 1, 2007, has contributed an incremental \$1.07 million of EBITDA for the twelve months ended December 31, 2007.

Basic and diluted income per Unit for the twelve months ended December 31, 2007 was \$0.56/Unit and \$0.53/Unit on a weighted average basis, respectively (\$0.41/Unit and \$0.41/Unit respectively when excluding impact from future income taxes. For details see "Future Income Taxes" below). This is compared to \$0.30/Unit (basic) and \$0.25/Unit (diluted) for the twelve months ended December 31, 2006.

For the three months ended December 31, 2007, basic and diluted income per Unit was \$0.23/Unit and \$0.21/Unit on a weighted average basis, respectively (\$0.11/Unit and \$0.11/Unit respectively when excluding impact from future income taxes). This is compared to \$0.16/Unit (Basic) and \$0.15/Unit (Diluted), for the three months ended December 31, 2006.

The Fund generated distributable cash of \$6.94 million (\$0.7325 per Unit) for the twelve months ended December 31, 2007, and \$2.08 million (\$0.1774 per Unit) for the three months ended December 31, 2007. Total distributions declared were \$5.50 million (\$0.5666 per Unit) for the twelve months ended December 31, 2007 and \$1.76 million (\$0.1500) per Unit for the three months ended December 31, 2007. The distributions represent a payout percentage of 79.2% (equivalent to a coverage ratio of 1.26x) for the twelve months ended December 31, 2007, and 84.5% (coverage ratio of 1.18x) for the three months ended December 31, 2007.

RECENT EVENTS

Business Acquisition

As mentioned above, on January 2, 2008, the Fund announced that it had completed the purchase of the assets and business of C&N Motors Ltd. ("C&N") for \$2.02 million, with an additional provision of up to \$0.3 million based on future earnings of C&N. The acquisition will allow the Fund to further consolidate the equipment rentals market on Vancouver Island, in conjunction with the acquisition of the assets of OCR in June 2007.

As mentioned above, on February 15, 2008, the Fund announced that it had completed the purchase of the assets and business of Deerfoot Equipment Rental Inc. (“Deerfoot”) for \$13.0 million. The acquisition set a new milestone for the Fund to expand operations into Alberta.

Bank Financing

On January 10, 2008, the Fund entered into a credit facility agreement with its principal Canadian chartered banker. Subject to conditions precedent to the bank’s obligation to make the credit facilities available to the Fund and the Fund’s compliance with certain covenants and conditions, the credit facility agreement provides the following credit facilities in addition to the existing facilities summarized in Note 8 of the Fund’s consolidated financial statements for the twelve months ended December 31, 2007:

- A \$14 million demand non-revolving loan (“Acquisition Loan”) to assist in financing future acquisitions. The loan bears an annual interest at the bank’s prime rate plus 0.65% or 1.70% over bankers’ acceptance rate. Unless repaid on demand by the bank, the facility is to be fully repaid by February 28, 2013; and
- A \$2 million increase in the existing demand revolving capital loan, from \$4 million to \$6 million, to assist in future capital expenditures. Interest rate and repayment terms remain unchanged at the bank’s prime rate plus 0.65% or 1.60% over bankers’ acceptance rate, and fully repaid by August 31, 2011.

Going forward the Fund will continue to seek growth through accretive acquisitions and organic growth within existing operations.

FUTURE INCOME TAXES

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

Prior to June 22, 2007, the Fund estimated the future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes at nil tax rate. Under the newly enacted legislation, the tax rate on the post-2010 reversal of these temporary differences is estimated to be 29.5% for 2011 and 28.5% thereafter. Temporary differences reversing prior to December 31, 2010 will still give rise to nil future income taxes. Based on its assets and liabilities as at December 31, 2007, 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 requires that the Fund record a future tax liability/asset and a corresponding, one-time, non-cash charge/recovery to net income. The result of this treatment is the creation of a non-cash, future income tax asset of \$1.45 million created during the fourth quarter of 2007. This future income tax treatment is based on the assumption that the Fund will be

a taxable entity in 2011. In future periods, adjustments to this future tax asset will be required based on changes in the differences between the tax basis and financial statement basis of the Fund's assets and liabilities. These adjustments could be material. Consistent with the initial recognition, any future adjustments will be non-cash in nature and will be either a charge or an addition to net income of the period.

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

OPERATING RESULTS

To enhance the comparability with the current year's financial results under this section, the Fund's audited financial results for the 201-day period ended December 31, 2006 have been combined with the unaudited financial results for PER and OCR Ltd., prior to the Fund's acquisition of the companies' assets. The unaudited information is for information purposes only and should not be relied upon under any circumstances.

Revenue

Total revenues were \$6.09 million for the three months ended December 31, 2007 (2006 – \$5.93 million) and \$22.53 million for the twelve months ended December 31, 2007 (2006 - \$18.78 million). The revenues comprised of the following:

Summary of Revenues (\$000's)	Three months ended December 31		Twelve months ended December 31	
	2006 ⁽¹⁾	2007	2006 ⁽¹⁾	2007
Equipment Rentals	\$ 3,871	\$ 4,198	\$ 12,464	\$ 13,663
Equipment Sales	1,274	926	3,907	5,699
Logistical Support	422	360	1,263	1,364
Parts and Services	350	488	1,116	1,562
Ohters	10	117	25	246
	<u>\$ 5,927</u>	<u>6,089</u>	<u>\$ 18,775</u>	<u>\$ 22,534</u>

⁽¹⁾ Combined totals of the Fund's audited financial results for the 201-day period ended December 31, 2006, plus unaudited financial results of PER for the period January 1 – August 14, 2006, plus unaudited financial results of OCR Ltd. for the period June 1 – December 31, 2006.

Total revenues of \$22.53 million for the twelve months ended December 31, 2007 increased by 20.0%, or \$3.75 million, compared to \$18.78 million for the twelve months ended December 31, 2006. The growth in total revenues is attributed to an increase in the Fund's four primary revenue sources: equipment rentals; equipment sales; logistical support; and parts and service activities, as discussed below.

For the three months ended December 31, 2007, total revenues of \$6.09 million increased by 2.7%, or \$0.16 million, compared to \$5.93 million for the same period last year.

Revenue from equipment rentals of \$13.66 million for the twelve months ended December 31, 2007 increased by 9.6%, or \$1.20 million, compared to \$12.46 million for the twelve months ended December

31, 2006. This increase is a result of the continued growth of the Fund's customer base and equipment rental fleet, fuelled by the continuing strength in the construction and general rental sectors. The high-reach and material-handling equipment rental fleet¹ in the Lower Mainland and Vancouver Island, as at December 31, 2007 comprised of 718 pieces, which had been growing steadily from 669 pieces as at December 31, 2006.

For the three months ended December 31, 2007, equipment rental revenue of \$4.20 million increased by 8.4%, or \$0.33 million, compared to \$3.87 million for the same period last year. The increase is attributable to the strong construction activities in the Lower Mainland of British Columbia which extended well into the winter months. Major institution projects, such as the Vancouver Trade and Convention Centre, and various other commercial and residential projects had completed roofing by the end of the fall season. This allowed interior construction work to continue throughout the winter months and in turn drive up demand for rental equipment. Other significant sources of equipment rental revenue include service and maintenance industries, shipyards, government agencies and special event coordinators.

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

Revenue from equipment sales of \$5.70 million for the twelve months ended December 31, 2007 increased significantly by 45.9%, or \$1.79 million, compared to \$3.91 million for the twelve months ended December 31, 2006. This increase is dependent upon demand for equipment purchases by the Fund's customers and can fluctuate significantly over the years. The current year's increase is due to larger volume purchases from construction companies handling major infrastructure projects, in which the purchases of the equipment became a more cost-effective option to these customers than renting. Equipment sold will in turn generate parts and services income relating to future repairs and scheduled maintenance. In the Fund, the revenue from the sale of equipment 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.

For the three months ended December 31, 2007, equipment sales revenue of \$0.93 million decreased by 27.3%, or \$0.34 million, compared to \$1.27 million for the same period last year. Significant equipment sales were recorded in 2006. Numerous powerful storms in November and December 2006 sharply drove up demand for equipment such as power generators and water pumps, as the storms caused power outages and floodings.

Revenue from logistical support of \$1.36 million for the twelve months ended December 31, 2007 increased by 8.1%, or \$0.10 million, compared to \$1.26 million for the twelve months ended December 31, 2006. This increase is a result of the continued growth of the Fund's customer base and equipment rental fleet. In addition, the continued demand for reliable logistical support demanded by the customers of the high reach and material handling equipment industry, including the on-time delivery of equipment to specified locations, has helped to increase the revenue from logistical support. Management believes that

¹ Excludes general rental equipment, tools and accessories from OCR.

changes in revenue volumes achieved from equipment rentals and equipment sales generally have a corresponding effect on the revenue realized from logistical support activities.

For the three months ended December 31, 2007, logistical support revenue of \$0.36 million decreased by 14.7%, or \$0.06 million, compared to \$0.42 million for the same period last year. Lower rental activities in the film sector, resulting from the strike from the Writers Guild of America since early November, 2007, drove down delivery volume for the 3 months ended December 31, 2007. The strike ended on February 10, 2008.

Revenue from parts and services of \$1.56 million for the twelve months ended December 31, 2007 increased by 40.0%, or \$0.44 million, compared to \$1.12 million for the twelve months ended December 31, 2006. The increase in the cumulative number of units sold to its customers by the Fund has generated a loyal customer base for the parts and service activities of the business, as customers return to have their equipment serviced by the dealer. Management believes that this increase is a result of the continued demand for high-quality services within the high reach, material handling and general equipment and tools industry.

For the three months ended December 31, 2007, parts and services revenue of \$0.49 million increased by 39.6%, or \$0.14 million, compared to \$0.35 million for the same period last year. The increase is consistent with the general annual growth mentioned above.

Revenue from other sources amounted to \$0.25 million for the twelve months ended December 31, 2007, compared to \$0.03 million for the twelve months ended December 31, 2006. The revenue relates mostly to income generated from short-term investments such as guaranteed investment certificates and bankers' acceptances.

For the three months ended December 31, 2007, other revenue amounted to \$0.12 million, compared to \$0.01 million for the same period last year.

Gross margin and gross income

Gross margin was 70.4% for the twelve months ended December 31, 2007. This is compared to 76.9% for the twelve months ended December 31, 2006. The decrease is due to the significant growth in equipment sales this year (see revenue discussion above), which typically have a lower margin than equipment rentals.

Gross income of \$15.87 million for the twelve months ended December 31, 2007 increased by 15.0%, or \$2.07 million, compared to \$13.80 million for the twelve months ended December 31, 2006.

For the three months ended December 31, 2007, gross margin and gross income was 77.2% and \$4.70 million respectively, compared to 69.5% and \$4.12 million for the same period last year. The sharp increase in equipment sales during the winter storms in November and December 2006 resulted in a lower gross margin for the three months ended December 31, 2006, as equipment sales typically have a lower margin than rental or service revenues.

Cost of sales

Cost of sales as a percentage of total revenue was 29.6% for the twelve months ended December 31, 2007 compared to 23.1% for the twelve months ended December 31, 2006.

For the three months ended December 31, 2007, cost of sales as a percentage of revenue was 22.8%, compared 28.9% for the same period last year.

Costs associated with equipment sales was \$21.2% of total revenue for the twelve months ended December 31, 2007, compared to 17.2% for the twelve months ended December 31, 2006. The increase is consistent with the higher equipment sales revenue (25.3% of total revenue) this year compared to last year (20.8% of total revenue). As mentioned above, revenue from equipment sales is dependent upon demand for equipment purchases by the Fund's customers and can fluctuate significantly over the years.

For the three months ended December 31, 2007, costs associated with equipment sales was 11.9% of total revenue, compared to 21.0% for the same period last year. The decline is directly related to the lower sales volume compared to the same period last year, when a number of wind storms took place.

Costs associated with commissions was 3.8% of total revenue for the twelve months ended December 31, 2007, compared to 3.4% for the twelve months ended December 31, 2006. Commissions for sales people are paid based upon equipment sales and rentals revenue. In addition, incentive compensation paid out to the management team of PE and OCR, which is determined using an earnings-based calculation, is also included in commissions. Since the Fund's acquisition of the businesses the compensation of the sales force has been structured to be more commission (merit) based, which explains the higher percentage this year.

For the three months ended December 31, 2007, costs associated with commissions was 3.6% of total revenue compared to 3.3% for the same period last year.

Costs associated with re-rentals was 2.0% of total revenue for the twelve months ended December 31, 2007, compared to 3.3% for the twelve months ended December 31, 2006. Re-rentals are the costs associated with renting equipment from other equipment rental companies in order to fulfill the requirements of the Fund's customers. This decrease is a result of the continued growth of the Fund's high reach and material handling equipment rental fleet, and therefore its increased ability to satisfy customer requirements while decreasing the amount rented from third parties.

For the three months ended December 31, 2007, costs associated with re-rentals was 3.8% of total revenue, compared to 3.1% for the same period last year. The unexpected strong demand for high-reach and material handling equipment in the three months ended December 31, 2007, due to a higher level of interior construction activity and vessel maintenance work in shipyards, required PE and OCR to rent from other rental companies to fill the orders.

Operating expenses

Operating expenses, before interest, amortization and accretion, of \$7.76 million for the twelve months ended December 31, 2007 increased by 34.7%, or \$2.00 million, compared to \$5.76 million for the twelve

months ended December 31, 2006. \$0.85 million of the increase is the incremental growth in costs relating to public company, reporting, governance and strategic acquisition related items, not present in the business prior to IPO in August, 2006. The remaining increase in operating expenses is attributed to an increase in general and administrative, freight, sales and service expenses. This is a direct result of the growth in operating revenues compared to the previous year.

After removing the additional public company costs discussed above, the adjusted operating expenses before interest, amortization and accretion, were \$6.91 million for the twelve months ended December 31, 2007, which increased by 19.9%, or \$1.15 million, compared to \$5.76 million for the twelve months ended December 31, 2006. The increase is consistent with the 20.0% growth in revenue for the year.

Operating expenses, before interest, amortization and accretion, as a percentage of total revenue, remained stable at 30.6% for the twelve months ended December 31, 2007, compared to 30.7% for the for the twelve months ended December 31, 2006.

For the three months ended December 31, 2007, operating expenses, before interest, amortization and accretion, of \$2.34 million increased by 27.1%, or \$0.50 million, compared to \$1.84 million for the same period last year. The increase is due to growth in overhead from expanded operations.

EBITDA (see “Non-GAAP Measures”)

EBITDA of \$8.11 million for the twelve months ended December 31, 2007 increased by 0.9%, or \$0.07 million, compared to \$8.04 million for the twelve months ended December 31, 2006. After adjusting for the incremental costs relating to public company, reporting, governance and strategic acquisition related items that were not present in the business prior to IPO in August, 2006, adjusted EBITDA for the twelve months ended December 31, 2007 was \$8.96 million, which gave rise to a 11.4%, or \$0.92 million, increase from last year.

EBITDA margin, as a percentage of total revenues, decreased to 39.8% for the twelve months ended December 31, 2007 from 42.8% for the for the twelve months ended December 31, 2006. The decrease is due to the significant growth in equipment sales this year (see revenue discussion above), which typically have a lower margin than equipment rentals.

For the three months ended December 31, 2007, EBITDA of \$2.37 million increased by 3.7%, or \$0.09 million, compared to \$2.28 million for the same period last year. EBITDA as a percentage of total revenues increased slightly to 38.9%, from 38.5% for the same period last year.

Net income

Net income of \$5.32 million for the twelve months ended December 31, 2007 increased by 8.4%, or \$0.41 million, compared to \$4.91 million for the twelve months ended December 31, 2006. Net income for 2007 included a non-cash future income tax adjustment, as a result of the new tax legislation, enacted by the Government of Canada in June, 2007, to tax distributions of public traded income trusts commencing 2011. The accounting treatment resulted in a non-cash recognition of future income tax recoveries of \$1.45 million for the twelve months ended December 31, 2007. Excluding the impact from future income

taxes, adjusted net income for the twelve months ended December 31, 2007 was \$3.87 million, which declined 21.1% or \$1.04 million, from \$4.91 million for the twelve months ended December 31, 2006. The decline is largely due to the different corporate structure of the businesses before and after the Fund's acquisition and its subsequent IPO, which gave rise to incremental public company related costs and different non-cash related amortization policies.

For the three months ended December 31, 2007, Net Income of \$2.73 million increased significantly by 116.7%, or \$1.47 million, compared to \$1.26 million for the same period last year. Excluding the impact from future income taxes, adjusted net income for the three months ended December 31, 2007 was \$1.28 million, compared to \$1.26 million for the same period last year.

SELECTED QUARTERLY FINANCIAL INFORMATION

in \$000's except per Unit amounts	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	47-day period ended Sep 30, 06
Revenue	\$ 6,089	\$ 6,650	\$ 6,046	\$ 3,749	\$ 4,300	\$ 2,362
Cost of Sales	(1,387)	(1,832)	(2,450)	(997)	(1,243)	(297)
Gross income	4,702	4,818	3,596	2,752	3,057	2,065
<i>Gross margin</i>	77.2%	72.4%	59.5%	73.4%	71.1%	87.4%
Operating expenses ⁽¹⁾	(2,336)	(2,028)	(1,671)	(1,725)	(1,330)	(689)
EBITDA ⁽²⁾	\$ 2,366	\$ 2,790	\$ 1,925	\$ 1,027	\$ 1,727	\$ 1,376
Net Income	\$ 2,734	\$ 1,644	\$ 844	\$ 100	\$ 807	\$ 721
Distributable cash generated ⁽²⁾	\$ 2,084	\$ 2,327	\$ 1,629	\$ 899	\$ 1,374	\$ 1,002
Distributable cash per Unit ⁽³⁾	0.1774	0.2115	0.2034	0.1402	0.2143	0.1564
Distribution declared	\$ 1,762	\$ 1,762	\$ 1,164	\$ 810	\$ 913	\$ 405
Distribution per Unit	0.1500	0.1500	0.1400	0.1266	0.1424	0.0632
Coverage ratio	1.18	1.32	1.40	1.11	1.50	2.47
Payout percentage	84.5%	75.7%	71.4%	90.4%	66.5%	40.4%
High reach and material handling equipment fleet ⁽⁴⁾	718	715	717	579	560	556

Notes:

- (1) Before interest, amortization and accretion.
- (2) See definition of EBITDA and Distributable cash under "Non-GAAP Measures".
- (3) Calculated based on weighted average number of units.
- (4) Excludes general rental equipment, tools and accessories form OCR.

Additional quarterly financial information for the Fund is not available. As a private company, PER did not prepare quarterly reports for its shareholders and had a different financial year end of March 31.

Seasonality

Typical seasonality of the business impacts operating results as follows: Business activity levels are generally lower from January through March as winter weather hampers construction activities. From

April through July the demand for rental equipment increases as construction activities accelerate into the summer months. Expenditures on inventory for sale and rental fleet are mostly incurred during these months due to robust equipment rental and sales in summer and fall. From August through November the demand for rental equipment continues to be strong as construction companies strive to meet construction progress prior the start of the holiday season in December, which then sees a slowing trend into the winter months of the subsequent year.

In addition to the seasonal nature of the Fund's business, the quarterly changes above are also due to (i) organic growth through adding new equipment to the rental fleet; and (ii) the acquisition of the assets of OCR Ltd. on June 1, 2007 (Q2 '07).

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 and twelve months ended December 31, 2007.

Summary of cash flows (\$000's)	Three months ended December 31, 2007	Twelve months ended December 31, 2007
Net change of cash related to:		
Operations	\$ 494	\$ 4,840
Investing	772	(13,227)
Financing	(2,007)	12,060
Net change in cash during the period	(741)	3,673

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

A single Canadian chartered bank (the "Bank") has provided a \$2.0 million operating loan on an interest only basis, that is payable upon demand, on which PE had drawn \$1.52 million as at December 31, 2007. The operating loan is at the Bank's prime rate plus 1.00% per annum and, in addition to covenant requirements, is secured by 50% of inventory up to a limit of \$0.75 million and 75% of acceptable accounts receivable, minus priority claims. The covenant requirements include a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank. The operating loan has no stated maturity date.

The Fund was in compliance with all of the Bank's covenants as at December 31, 2007.

DISTRIBUTABLE CASH AND DISTRIBUTIONS

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

Distribution history	Distributions per Unit
August, 2006 ⁽¹⁾	\$ 0.0224
September, 2006	0.0408
October, 2006	0.0408
November, 2006	0.0408
December, 2006	0.0608
Total for the 130-day period ended December 31, 2006	\$ 0.2056
January, 2007	\$ 0.0408
February, 2007	0.0408
March, 2007	0.0450
Total for the three month period ended March 31, 2007	\$ 0.1266
April, 2007	\$ 0.0450
May, 2007	0.0450
June, 2007	0.0500
Total for the three month period ended June 30, 2007	\$ 0.1400
July, 2007	\$ 0.0500
August, 2007	0.0500
September, 2007	0.0500
Total for the three month period ended September 30, 2007	\$ 0.1500
October, 2007	\$ 0.0500
November, 2007	0.0500
December, 2007	0.0500
Total for the three month period ended December 31, 2007	\$ 0.1500
Total for the twelve month period ended December 31, 2007	\$ 0.5666

Note:

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

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

Reconciliation of cash provided by operating activities to distributable cash

The following table reconciles cash flow from operating activities to distributable cash for the three and twelve months ended December 31, 2007.

Reconciliation of cash flow from operating activities to distributable cash (\$000's, except for Unit amounts)	For the three months ended Dec 31, 2007	For the twelve months ended Dec 31, 2007
Cash flow from operating activities	\$ 494	\$ 4,840
Changes in non-cash working capital balances	1,547	1,872
	<u>2,041</u>	<u>6,712</u>
Gain on sale of assets	72	329
Maintenance capital expenditure ⁽¹⁾	(29)	(102)
Distributable cash generated	<u>\$ 2,084</u>	<u>\$ 6,939</u>
Distributions declared	\$ 1,762	\$ 5,498
Distributable cash generated per Unit	\$ 0.1774	\$ 0.7325
Distributions declared per Unit	0.1500	0.5666
Payout ratio ⁽²⁾	1.18x	1.26x
Payout percentage ⁽²⁾	84.5%	79.2%

Notes:

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

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

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, amortization and accretion. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flow from operations. EBITDA is not an earnings measure recognized by GAAP, does not have standardized meanings prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. The Fund's management believes that EBITDA is an important supplemental measure in evaluating the Fund's performance and in determining whether to invest in Units.

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

References in this MD&A to "Distributable Cash" are to cash available for distribution to the Unitholders by the Fund. Distributable Cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Canadian open-ended income trusts, such as the Fund, use distributable cash as an indicator of financial performance and it should not be seen as a measurement of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Fund's Distributable Cash may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash as reported by such issuers. The Fund's management believes

that, in addition to net income, Distributable Cash is a useful supplemental measure that may assist investors in assessing the return on their investment in Units. See “Reconciliation of Cash Provided by Operating Activities to Distributable Cash”.

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

CAPITAL RESOURCES

The Fund has maintained two capital loans with the same Canadian chartered bank that has provided the Fund with its \$2.00 million interest only demand operating loan (see “Cash Flow and Liquidity”). As at December 31, 2007 the two capital loans are as follows:

- (1) Non-revolving capital loan of \$2.94 million (inclusive of a banker’s acceptance for \$2.64 million maturing on July 14, 2008); and
- (2) Revolving capital loan for \$4.00 million, of which \$1.40 million was outstanding at December 31, 2007.

These capital loans are repayable on demand and, unless and until demanded, in monthly installments, with interest at the Bank’s prime rate plus 0.65% per annum or 1.60% above banker’s acceptance rates, secured by a general security agreement. Both loans have a stated maturity date of August 31, 2011.

The Fund was in compliance with all of the Bank’s covenants as at December 31, 2007.

On January 8, 2008, the Fund entered into a credit facility with the same Canadian chartered bank which provided additional credit facilities for future acquisitions and capital expenditures. See “Recent Events” above.

OFF-BALANCE SHEET FINANCING

The Fund has no off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

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

Loans payable (\$000's)	2008	2009	2010	2011
Loans Payable	\$ 723	\$ 723	\$ 723	\$ 2,212

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

Contractual obligations (\$000's)	2008	2009	2010	2011	After 2011
Rental commitments	\$ 358	\$ 362	\$ 366	\$ 356	\$ 1,165
Equipment financing commitments	96	67	36	5	-
Operating leases ⁽¹⁾	284	251	214	98	36
	<u>\$ 738</u>	<u>\$ 680</u>	<u>\$ 616</u>	<u>\$ 459</u>	<u>\$ 1,201</u>

(1) PE maintains 18 operating lease agreements for vehicles and trailers, with monthly payments ranging from \$510 to \$2,657 and maturity dates ranging to July 27, 2012. OCR does not maintain any operating lease agreements.

LONG TERM INCENTIVE PLAN

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

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

The Compensation Committee from time to time may periodically adjust the threshold. In fiscal 2007, the LTIP will provide for awards that may be earned based on the amount by which cash available for distribution per Unit (as measured on a fully diluted basis), exceeds a base distribution threshold of \$0.65 per Unit per annum. The percentage amount of that excess which forms the LTIP incentive pool will be determined as follows:

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

For the year ended December 31, 2007, the Compensation Committee approved \$Nil of LTIP to the senior management.

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 Partnership or its affiliates. The purpose of the WesternOne Equity Option Plan is to provide such eligible participants with compensation opportunities that will encourage ownership of Units, enhance the Fund’s ability to attract, retain and motivate key personnel, and reward directors, officers, employees and service providers for significant performance and growth in the Fund’s cash flow. No options have been granted under the WesternOne Equity Option Plan as at the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

The Fund purchased equipment from a company in which a board member has a controlling interest, for \$120,259 during the three and twelve months ended December 31, 2007. These transactions arose during the normal course of business and have been recorded at exchange values agreed upon by both parties.

VOTING UNITS AND PRINCIPAL UNITHOLDERS

As at December 31, 2007, 11,743,675 Units were issued and outstanding, each of which entitles the holder to one vote at Unitholder meetings. 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 preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring significant management estimates include the valuation, impairment and useful life of intangible assets and property and equipment, and future income taxes. These estimates are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The Fund’s significant accounting policies are described in Note 3 of the Fund’s consolidated financial statements for the period ended December 31, 2007. Management believes that the following items represent the Fund’s most critical accounting estimates.

Inventory valuation

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

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

Property and equipment

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

Rental fleet*	10 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

**net of 25% 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.

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

Intangible assets

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

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

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

Revenue recognition

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

Service revenue, comprised of the sale of parts and equipment servicing, is recognized when the parts are

delivered and the related services have been rendered, and collectability is reasonably assured.

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

NEW ACCOUNTING STANDARDS ADOPTED

As required by the CICA, on January 1, 2007, the Fund adopted CICA Handbook Section 1530, 'Comprehensive Income'; Section 1540, 'Cash Flow Statements'; Section 3251, 'Equity'; Section 3855, 'Financial Instruments – Recognition and Measurement'; Section 3861, 'Financial Instruments – Disclosure and Presentation'; and Section 3865, 'Hedges'. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges as well as the recognition of certain transition adjustments that have been recorded in opening cumulative earnings and fund units. The adoption of these standards has had no material impact on the Fund's net income or cash flows. The other effects of the implementation of the new standards are discussed below.

Financial instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in other comprehensive income ("OCI"). Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of their amortization. The methods used by the Fund in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents, cash held in trust and short term investments are designated as "held-for-trading". Accounts Receivable are designated as "loans and receivables". Operating loan, accounts payable and accrued liabilities, distributions payable, capital loans and Series A debenture are designated as "other liabilities".

Comprehensive income

This standard requires a new component of unitholders' equity, comprehensive income, to be included in the Fund's consolidated financial statements. In addition, the standard requires a statement of comprehensive income. The major components of the statement of comprehensive income may include items such as unrealized gains and losses on financial assets classified as available-for-sale, deferred gains

and losses arising from the settlement of historic cash flow hedging transactions and changes in the fair value of the effective position of cash flow hedging instruments.

As there are currently no differences between net income and comprehensive income, or unitholders' equity and accumulated other comprehensive income, no statement has been included with these consolidated financial statements.

Hedges

This standard describes when hedge accounting is appropriate. Hedge accounting ensures that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of earnings in the same period. The Fund does not have transactions that relate to hedging and hence this section is not applicable.

Equity

This standard establishes standards for the presentation of equity and changes in equity during the reporting period. As a result of adopting this section, the Fund has included a financial statement entitled "Consolidated Statement of Unitholders' Equity" with the consolidated financial statements.

Cash flow statements

Amendments to CICA 1540, Cash Flow Statements, require entities to disclose total cash distributions on financial instruments classified as equity in accordance with a contractual agreement and the extent to which total cash distributions are non-discretionary. This disclosure requirement is effective for interim and annual financial statements for fiscal periods ending on or after March 31, 2007. The determination to declare and make payable distributions from the Fund are at the discretion of the board of Trustees of the Fund and, until declared payable by the board of Trustees of the Fund, the Fund has no contractual requirement to pay cash distributions to the Unitholders. During the three months and twelve months ended December 31, 2007, \$1.76 million and \$5.50 million (respectively) in cash distributions were declared payable by the board of Trustees of the Fund and subsequently paid to the Unitholders.

RISKS AND UNCERTAINTIES

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

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

The Fund is entirely dependent on the operations and assets of its subsidiaries through its indirect ownership interests. The Fund's ability to make regular distributions to Unitholders is dependent on the cash flow generated by these subsidiaries. This is affected by the profitability, fluctuations in working capital, margin sustainability and capital expenditures of the underlying businesses. Although the

subsidiaries are intended to distribute their cash available for distribution, there can be no assurance regarding the amounts of income to be generated by the subsidiaries and amounts paid to the Fund. The failure of any subsidiary to make its anticipated distributions could adversely impact the Fund's financial condition and cash flows and therefore distributions to Unitholders.

Competitive and economic environment

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

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

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

Seasonality and fluctuations in results

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

Expansion

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

Interest rates

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

Foreign exchange

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

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

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

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

Nature of Units

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

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

Federal income tax changes

On June 22, 2007, the Parliament of Canada passed into law Bill C-52, an Act to implement certain provisions of the federal budget tabled in Parliament on March 19, 2007, which included legislation to implement the proposal announced by the Minister of Finance on October 31, 2006 to tax certain publicly traded trusts and partnerships on the taxable portion of their distributions. As a result of the enactment of

Bill C-52 commencing January 1, 2011 (subject to the qualification below regarding the possible loss of the four year grandfathering period in the case of “undue expansion”), the Fund will not be entitled to deduct certain of its distributed income (referred to as specified income) and the Fund will be subject to a distribution tax on the specified income at a special rate estimated to be 29.5% for 2011 and 28.5% thereafter.

The Fund may be subject to this distribution tax in respect of a taxation year of the Fund commencing earlier than January 1, 2011 if, prior to such date, the Fund engages in “undue expansion” as set out in the guidelines released by the Department of Finance on December 15, 2006 and which was incorporated by reference in Bill C-52.

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

FINANCIAL INSTRUMENTS

The Fund’s operations are exposed to financial risks that arise from fluctuations in interest rates (in terms of the credit facilities) and foreign exchange rates (in terms of U.S. dollar-denominated purchases), and concentration of its business in the construction industry.

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 operating loan and capital loans payable bear interest at variable rates. The Fund has the option to enter into fixed rate interest arrangements in order to reduce its exposure to interest rate risk.

The Fund’s Series A Debentures bear a fixed interest rate of 9% throughout the five-year term and thus not exposed to any interest rate risk.

Foreign exchange risk

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

The Fund’s cash flow exposure to foreign currency is due mainly to purchases of rental equipment and replacement parts from suppliers in the United States.

As at December 31, 2007, the Fund’s balance sheet included \$33,358 of accounts payable (2006 - \$38,013) and \$15,034 of operating loan (2006 – \$Nil) which were U.S. currency denominated. The Fund believes the amounts are immaterial for the Fund to be exposed to any substantial foreign exchange risks.

The Fund does not use hold or issue financial instruments for trading or speculative purposes. At December 31, 2007 there were no foreign exchange contracts outstanding.

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 Fund is exposed to credit risk with respect to its accounts receivable, particularly from customers in the construction industry due to its concentration of business in that sector. The Fund mitigates the risk by means of a wide customer base in the construction 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 December 31, 2007. 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 historical losses have been within management's expectations.

The Fund is exposed to credit risk with respect to its short-term investments. The Fund mitigates the risk by only investing in money market securities (GICs and bankers' acceptances) with major financial institutions.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for designing such internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made in the Fund's internal control over financial reporting during the three month and twelve month period ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

OUTLOOK

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

The Fund intends to continue to grow its cash flow through sustained growth in operating results. The Fund intends to leverage the scalability of its existing infrastructure to continue to improve the utilization of its equipment fleet thereby generating increased cash flow with minimal incremental investment. In addition, following the acquisition of the assets of OCR Ltd. and C&N Ltd., the Fund has integrated OCR and C&N under a common management, focus and growth strategy. Following the success of the OCR acquisition which has generated significant contributions to the Fund in 2007, the Fund intends to seek new

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

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

ADDITIONAL INFORMATION

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

For more information, please contact:

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