

WESTERNO ONE EQUITY

WESTERNO ONE EQUITY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 28, 2007

WESTERNO ONE EQUITY INCOME FUND

Suite 910, 925 West Georgia Street • Vancouver • British Columbia • Canada • V6C 3L2 • Telephone (604) 678-4042 • Fax (604) 681-5969

WESTERNONE EQUITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 28, 2007

The following management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes ("Interim Financial Statements") of WesternOne Equity Income Fund (the "Fund") for the three months ended March 31, 2007, and the audited consolidated financial statements and accompanying notes of the Fund for the year ended December 31, 2006. Results have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reported in Canadian dollars unless otherwise indicated. The fiscal year-end of the Fund is December 31.

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

FORWARD-LOOKING STATEMENTS

Forward-looking statements are included in this MD&A, which involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are 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 statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

These statements reflect current expectations of management regarding future events and operating performance as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the following factors: financial health of the Fund's subsidiaries and their related cash 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

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

Although the forward-looking statements contained in this MD&A are based upon what the Fund’s management believes to be reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements reflect management’s current beliefs and are based on information currently available to the Fund. They reflect 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 speak only as of the date of this discussion. These forward-looking statements are made as of the date of this MD&A and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

OVERVIEW OF WESTERONE EQUITY INCOME FUND

The Fund is based in Vancouver, British Columbia, and has been established to seek out and acquire businesses that are accretive to the Fund and preferably located in the Western Canadian provinces of British Columbia, Alberta and Saskatchewan, in order to generate stable and growing distributions to its unitholders as well as to achieve overall capital appreciation.

The Fund is an unincorporated, open-ended, limited purpose trust created on June 14, 2006 and governed by 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 (“WEQ”), a limited partnership established under the laws of Manitoba on June 15, 2006. The Fund commenced operations on August 15, 2006, when WEQ acquired the assets of PER (the “Closing”). WEQ specializes in renting, selling and servicing quality high reach and material handling equipment and providing logistical support to its customers, located primarily in the lower mainland of British Columbia.

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

BASIS OF MANAGEMENT’S DISCUSSION AND ANALYSIS

The Fund’s results of operations reflect the Fund’s operations for the three months ended March 31, 2007. The Fund was inactive until its indirect acquisition of a 100% interest in WEQ 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 ended March 31, 2007 are compared to the unaudited results of PER for the three months ended March 31, 2006. Such information is provided for reference purposes only and is not intended to represent a comprehensive comparison of the unaudited interim consolidated financial results.

RECENT EVENTS

Information Systems

On January 29, 2007, the Fund installed new rental management software and infrastructure for WEQ Production Equipment LP, using a parallel implementation with its legacy system. On April 26, 2007 Management determined that the system was not suitable for the requirements of WEQ Production Equipment LP, at which time it discontinued using the system. The system purchase included a 90 day money back guarantee, and Management is currently in discussions with the vendor with the goal recovering the costs associated with this system purchase.

WEQ Production Equipment LP has recommenced its evaluation of alternative information systems, including an upgraded version of the information system currently used by Old Country Rentals Ltd. (see section “Recently Announced Acquisition: below”).

Collective Agreement

The Fund has a collective agreement with the International Union of Operating Engineers, Local 115, which stipulates the hours, wages and benefits for certain of the Fund’s employees. The current agreement expires June 30, 2007.

Recently Announced Acquisition

On January 29, 2007, the Fund announced that it had signed a letter of intent to purchase the assets of an equipment rental company with two locations on Vancouver Island.

WEQ Old Country Rentals LP, an indirect subsidiary of the Fund, entered into an acquisition agreement dated April 25, 2007 (the “Acquisition Agreement”) with Old Country Rentals Ltd. (the “Vendor”) and its shareholders (the “Shareholders”) to purchase the assets and the business of Old Country Rentals. The Acquisition Agreement contemplates that WEQ Old Country Rentals LP will acquire Old Country Rentals in return for a purchase price of \$7.85 million that is subject to certain working capital, capital expenditure and other adjustments. The Vendor and the Shareholders made customary representations and warranties under the Acquisition Agreement including with respect to the status of assets and business operations, financial statements, insurance coverage, tax matters, employee matters, litigation and claims, contracts and commitments, environmental and other matters.

The Acquisition Agreement contemplates that at closing, the Vendor and the Shareholders will each enter into confidentiality, non-solicitation and non-competition agreements with WesternOne Equity. Under the non-competition agreements, each of the Vendor and the Shareholders will agree not to be involved in, or interested in, any business that competes with WEQ Old Country Rentals LP for the period of the agreements.

The completion of the transactions contemplated by the Acquisition Agreement is subject to all necessary consents and approvals of third parties being obtained and there being no adverse material change in Old Country Rentals before closing, among other customary closing conditions.

On May 2, 2007 the Fund filed a Material Change Report with its regulatory authorities relating to the proposed acquisition. This document is available for review on the System for Electronic Document

Analysis and Retrieval (SEDAR) at www.sedar.com.

Short Form Prospectus

On May 25, 2007 the Fund filed a Short Form Prospectus with its regulatory authorities relating to additional financing being raised by the Fund, comprising 4.5 million Units priced at \$4.00 per Unit for proceeds of \$18 million, plus an over-allotment option provided to the selling agents of 675,000 Units priced at \$4.00 per Unit for additional proceeds of \$2.7 million. This document is available for review on SEDAR at www.sedar.com.

SUMMARY FINANCIAL INFORMATION

Statement of Income Items (\$000's) (Unaudited)	The Fund	PER ⁽³⁾
	For the three months ended March 31, 2007	For the three months ended March 31, 2006
Revenue	\$ 3,748	\$ 3,345
Cost of sales	(996)	(1,021)
Gross income	2,752	2,124
<i>As a percentage of sales</i>	73.4%	69.5%
Operating expenses	(1,603)	(946)
EBITDA ⁽¹⁾	1,149	1,378
Interest expense	(325)	(197)
Amortization and Accretion	(723)	(372)
Net income	\$ 100	\$ 809
Maintenance capital expenditures ⁽²⁾	\$ (74)	\$ 64

Notes:

- (1) See definition of EBITDA and Adjusted EBITDA under "Non-GAAP Measures".
- (2) "Maintenance capital expenditures" is not a recognized measure under GAAP. Maintenance capital expenditures include those required to upgrade existing property and equipment. Maintenance capital expenditures for the Fund are calculated as the capital cost at the time of acquisition less the net book value at time of sale for rental equipment, plus the cost of replacements to operating assets. For PER, maintenance capital expenditures were not tracked on a monthly basis. For comparative purposes, the gain on sale of used equipment plus the cost of additions to operating assets is used.
- (3) Results for PER are not strictly comparable to the Fund, as PER was privately held and did not prepare reports on a calendar basis. This unaudited information is provided for information purposes only and should not be relied upon under any circumstances, as the Fund is unable to confirm the accuracy of the amounts presented.

For the three months ended March 31, 2007, the Fund generated distributable cash of \$898,157 (\$0.1401 per Unit). Total distributions declared for this period were \$811,512 (\$0.1266 per Unit), with a coverage ratio of 1.11x (equivalent to a payout percentage of 90.4%).

ANNUAL OPERATING RESULTS

Revenue

Total revenues of \$3.75 million for the three months ended March 31, 2007 increased by \$0.39 million, or 11.5%, compared to \$3.36 million for the three months ended March 31, 2006. The growth in total revenues is attributed to an increase in three of WEQ's four primary revenue sources: equipment rentals; equipment sales; logistical support; and parts and service activities, as discussed below.

Revenue from equipment rentals of \$2.37 million for the three months ended March 31, 2007 increased by \$0.22 million, or 10.0%, compared to \$2.15 million for the three months ended March 31, 2006. This increase is a result of the continued growth of WEQ's customer base and equipment rental fleet. The

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equipment rental fleet as at March 31, 2007 comprised of 579 pieces (December 31, 2006 - 560 pieces, March 31, 2006 – 558 pieces).

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

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

Revenue from equipment sales of \$0.84 million for the three months ended March 31, 2007 increased by \$0.04 million, or 4.9%, compared to \$0.80 million for the three months ended March 31, 2006. This marginal increase is dependent upon demand for equipment purchases by WEQ's customers, which is generally less in the winter months. In WEQ, 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.

Revenue from logistical support of \$0.26 million for the three months ended March 31, 2007 increased by \$0.04 million, or 17.4%, compared to \$0.2 million for the three months ended March 31, 2006. This increase is a result of the continued growth of WEQ'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 changes in revenue volumes achieved from equipment rentals and equipment sales generally have a corresponding effect on the revenue realized from logistical support activities.

Revenue from parts and service and other activities of \$0.28 million for the three months ended March 31, 2007 increased by \$0.09 million, or 50.0%, compared to \$0.19 million for the three months ended March 31, 2006. The increase in the cumulative number of units sold to its customers by WEQ has generated a loyal customer base for the parts and service activities of the business, as customers return to have their equipment serviced by the dealer. Management believes that this increase is a result of the continued demand for high-quality services within the high reach and material handling equipment industry, and estimates that more than 75% percent of the revenue from parts and service activities is derived from the servicing of third-party equipment.

Cost of sales and gross income

Cost of sales of \$1.00 million for the three months ended March 31, 2007 decreased by \$0.02 million, or 2.3%, compared to \$1.02 million for the three months ended March 31, 2006.

Costs associated with equipment sales of \$0.67 million for the three months ended March 31, 2007 decreased marginally by \$0.02 million, or 2.3%, compared to \$0.69 million for the three months ended March 31, 2006.

Costs associated with commissions of \$0.18 million for the three months ended March 31, 2007 increased by \$0.06 million, or 52.0%, compared to \$0.12 million for the three months ended March 31, 2006. Commissions for sales people are paid based upon equipment sales and rentals revenue. Commissions for the two Vice Presidents are paid based upon an earnings-based calculation included in their employment agreements that were entered into at Closing. This increase is based on two factors; (i) the increased volume of rentals of high reach and material handling equipment to WEQ's growing customer base, and the related impact on earnings, and (ii) the commission for the Vice President, Operations was included within operating expenses for the three months ended March 31, 2006.

Costs associated with re-rentals of \$0.08 million for the three months ended March 31, 2007 decreased by \$0.07 million, or 46.6%, compared to \$0.15 million for the three months ended March 31, 2006. Re-rentals are the costs associated with renting equipment from other equipment rental companies in order to fulfill the requirements of WEQ's customers. This decrease is a result of (i) the continued growth of WEQ'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, and (ii) the slower winter months resulting in a reduced requirement for re-rentals to fulfil customer requirements.

Costs associated with other items were \$0.06 million for the three months ended March 31, 2006 and March 31, 2006.

Gross income of \$2.75 million for the three months ended March 31, 2007 increased by \$0.41 million, or 17.6%, compared to \$2.34 million for the three months ended March 31, 2006.

Gross income margin, as a percentage of total revenue, increased to 73.4% for the three months ended March 31, 2007 from 69.6% for the for the three months ended March 31, 2006.

Operating expenses

Operating expenses, before interest, amortization and accretion, of \$1.60 million for the three months ended March 31, 2007 increased by \$0.65 million, or 68.8%, compared to \$0.95 million for the three months ended March 31, 2006. \$0.22 million of the increase is relating to public company, reporting, governance and strategic acquisition related items, not present in the predecessor business. The remaining increase in operating expenses is attributed to an increase in general and administrative, freight, sales and service expenses. Service expense increased by \$0.21 million due to additional maintenance performed on new rental fleet purchases and maintenance on the growing rental fleet to keep it in rental-ready condition.

Based on discussions with the former management of PER, rental fleet additions were traditionally made after the winter months (i.e. following the end of March), meaning that the operating expenses to get these assets in rental-ready condition would not be incurred during the seasonally slower period of the winter months. Management of WEQ determined that it would be advantageous to make a larger portion of the rental fleet purchases earlier in fiscal year to take advantage of a greater product selection and the availability of WEQ's service personnel. As a result of this decision, WEQ's rental fleet additions have been placed in a rental-ready condition for the anticipated busier months ahead.

After removing the additional service and public company costs discussed above, the adjusted operating expenses before interest, amortization and accretion, were \$1.17 million for the three months ended

March 31, 2007, which increased by \$0.22 million, or 23.5%, compared to \$0.95 million for the three months ended March 31, 2006

Operating expenses, before interest, amortization and accretion, as a percentage of total revenue, increased to 42.8% for the three months ended March 31, 2007 from 28.3% for the for the three months ended March 31, 2006.

Adjusted operating expenses, before interest, amortization and accretion, as a percentage of total revenue, increased to 31.3% for the three months ended March 31, 2007 from 28.3% for the for the three months ended March 31, 2006.

EBITDA (see “Non-GAAP Measures”)

EBITDA of \$1.15 million for the three months ended March 31, 2007 decreased by \$0.24 million, or 17.4%, compared to \$1.39 million for the three months ended March 31, 2006. The difference in the decrease in EBITDA of 17.4%, compared to the increase in revenue of 11.5%, is primarily due to the additional \$0.43 million increase in the operating costs for the same period, as discussed above.

EBITDA, adjusted for the removal of the \$0.43 million increase in the operating costs, was \$1.58 million for the three months ended March 31, 2007, an increase of \$0.19 million, or 13.6%, compared to \$1.39 million for the three months ended March 31, 2006.

EBITDA margin, as a percentage of total revenue, decreased to 30.6% for the three months ended March 31, 2007 from 41.4% for the for the three months ended March 31, 2006.

EBITDA margin, adjusted for the removal of the \$0.43 million increase in the operating costs, as a percentage of total revenue, increased to 42.1% for the three months ended March 31, 2007 from 41.4% for the for the three months ended March 31, 2006.

Net Income

Net income of \$0.10 million for the three months ended March 31, 2007 decreased by \$0.71 million, or 87.6%, compared to \$0.81 million for the three months ended March 31, 2006, due to the different structure of WEQ as a public company, the increase in the operating costs discussed above, and its different cost basis of asses for amortization purposes.

Basic and diluted income per Unit for the three months ended March 31, 2007 was \$0.02/Unit on a weighted average basis.

SELECTED ANNUAL FINANCIAL INFORMATION

The table below provides selected financial information of the Fund for the three months ended March 31, 2007, and selected unaudited financial information of PER for the three months ended March 31, 2006. Such information is for reference purposes only and is not intended to represent a comprehensive comparison of the unaudited interim consolidated financial results. As a private company, PER results for the three months ended March 31, 2006 are not directly comparable.

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

Statement of Income Items (\$000s, except per Unit amounts) (Unaudited)	The Fund For the three months ended March 31, 2007	PER ⁽²⁾ For the three months ended March 31, 2006
Revenue	\$ 3,748	\$ 3,345
EBITDA ⁽¹⁾	1,149	1,378
Net income	100	809
Basic and diluted weighted average earnings per Unit	\$ 0.0156	n/a ⁽³⁾
Distributable cash available per Unit outstanding	0.1401	n/a ⁽³⁾
Cash distributions per Unit	\$ 0.1266	n/a ⁽³⁾
Coverage ratio	1.11x	n/a ⁽³⁾

Notes:

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

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

(3) Comparative amounts not available for PER.

CASH FLOW AND LIQUIDITY

The following table provides an overview of WEQ’s cash flows from operating, investing and financing activities for the three months ended March 31, 2007.

Summary of cash flows (\$000’s) (Unaudited)	For the three months ended March 31, 2007
Net change of cash related to -	
Operations	\$ 1,455
Investing	(1,039)
Financing	699
Net change in cash during the period	\$ (283)

A single Canadian chartered bank (the “Bank”) has provided a \$2.0 million operating loan on an interest only basis, that is payable upon demand, on which WEQ had drawn nil as at March 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 Fund was in compliance with all of the Bank’s covenants as at March 31, 2007. The purpose of the operating loan is to fund working capital requirements.

DISTRIBUTABLE CASH AND DISTRIBUTIONS

The Fund reviews its historic and expected results on a regular basis. This review includes consideration of economic conditions, including seasonality, and the competitive environment. Distributions made may not equal Distributable Cash generated in any one period. The Fund’s policy is to make stable monthly distributions to Unitholders.

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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 139-day period ending December 31, 2006	\$ 0.2056
January, 2007	0.0408
February, 2007	0.0408
March, 2007	0.0450
Total for the three period ending March 31, 2007	\$ 0.1266

Notes:

(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.

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. The Fund’s Distributable Cash may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash as reported by such issuers. The Fund’s management believes that, in addition to net income, Distributable Cash is a useful supplemental measure that may assist investors in assessing the return on their investment in Units. See “Reconciliation of Cash Provided by Operating Activities to Distributable Cash”.

RECONCILIATION OF CASH PROVIDED BY OPERATING ACTIVITIES TO DISTRIBUTABLE CASH

As recommended by the Canadian Securities Administrators (“CSA”), the Fund has used cash flow from operating activities as the starting point for the determination of Distributable Cash:

Reconciliation of Cash Flow from Operating Activities to Distributable Cash (\$000s, except per Unit amounts) (Unaudited)	For the three months ended March 31, 2007
Cash flow from operating activities	\$ 1,455
Changes in non-cash working capital balances	(715)
	740
Gain on sale of assets	84
Maintenance capital expenditure recovery ⁽¹⁾	74
Distributable cash generated	\$ 898
Distributions declared	\$ 811
Distributable cash generated per Unit (6,410,050 Units)	\$ 0.1401
Distributions declared per Unit	0.1266
Payout ratio	1.11x
Payout percentage	90.4%

Notes:

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

SEASONALITY

The revenue and operating results of the predecessor business of WEQ have historically displayed seasonal variations throughout the year, and this variation is expected to continue in the foreseeable future. Demand for equipment is generally lower during the winter from December through March when adverse weather conditions negatively impact construction activity in particular. From April through July the demand for equipment increases and is strongest from August through November. While certain of WEQ’s variable costs can be managed to match seasonal patterns, a significant portion of its costs are fixed and cannot be adjusted for seasonality. The fluctuation in future results of operations may require that WEQ relies on lines of credit for working capital financing at certain times of the year.

CAPITAL RESOURCES

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

- (1) Non-revolving capital loan for \$3.5 million, of which \$3.3 million was outstanding at March 31, 2007 (inclusive of a banker’s acceptance for \$3.1 million, maturing on August 14, 2007); and
- (2) Revolving capital loan for \$4.0 million, of which \$2.9 million was outstanding at March 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 and a personal guarantee. The lending requirements include

definitions of the eligibility for assets subject to financing, and covenants specifying a minimum level of tangible net worth of \$3.25 million, a minimum debt service coverage ratio of 1.25 to 1.0, a minimum current ratio of 1.2 to 1.0, a maximum debt to tangible net worth of 3.0 to 1.0, and a restriction on distributions to Unitholders that would cause any breach of the covenants without the prior written consent of the Bank. The Fund was in compliance with all of the Bank's covenants as at March 31, 2007.

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 are as follows:

Loans Payable (\$000's, except Note) (Unaudited)	2007	2008 to 2009	2010 to 2011	After 2011
Loans Payable	\$ 944	\$ 1,888	\$ 3,594	nil

The Fund has the following rental and operating lease commitments:

Contractual obligations (\$000's, except Note) (Unaudited)	2007	2008 to 2009	2010 to 2011	After 2011
Operating leases ⁽¹⁾	\$ 233	\$ 343	\$ 157	nil
Rental commitments	168	336	322	nil
	\$ 401	\$ 679	\$ 479	nil

Note:

- (1) WEQ maintains 17 operating lease agreements for vehicles and trailers. The leases require monthly payments ranging from \$510 to \$2,687 and have maturity dates ranging to January 15, 2012.

LONG TERM INCENTIVE PLAN

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

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

The nominating and governance committee of the Fund 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 ⁽¹⁾	Maximum Proportion of Excess Cash Available for Distribution for LTIP Payments
over 5% to 10%	15% of any excess over 5% to 10%
greater than 10%	20% of any excess over 10%

Note:

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

For the period ended March 31, 2007, the compensation committee of the Fund has not approved any payments under the LTIP for the 2007 fiscal year to date for senior management of the Fund.

WESTERNONE EQUITY 2006 INCENTIVE UNIT OPTION PLAN

At Closing, the Fund reserved an aggregate of 463,000 Units for issuance under the WesternOne Equity 2006 Incentive Unit Option Plan (the “WesternOne Equity Option Plan”). Under the WesternOne Equity Option Plan, options to purchase the Fund’s Units may be granted to the Trustees and to the directors, officers and employees of, and service providers to, the Partnership or its affiliates. The purpose of the WesternOne Equity Option Plan is to provide such eligible participants with compensation opportunities that will encourage ownership of Units, enhance the Fund’s ability to attract, retain and motivate key personnel, and reward directors, officers, employees and service providers for significant performance and growth in the Fund’s cash flow. No options have been granted under the WesternOne Equity Option Plan as at the date of this MD&A.

TRANSACTIONS WITH RELATED PARTIES

The Fund has not entered into any related party transactions.

VOTING UNITS AND PRINCIPAL UNITHOLDERS

As at March 31, 2007, 6,410,050 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, other than:

Name	Class and Number of Securities	Percentage of Units on a Fully Diluted Basis
Darren Financial Group Inc.	1,202,900 Units	13.0%

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 of intangible assets and the useful life of property and equipment. These estimates

WESTERNONE EQUITY INCOME FUND

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are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The Fund's significant accounting policies are described in Note 3 of the Fund's unaudited interim consolidated financial statements for the period ended March 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
Brand name	Nil
Supplier agreements	Nil

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

On January 1, 2007 the Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855 “Financial Instruments - Recognition and Measurement” and Handbook Section 1540 “Cash Flow Statements”. The adoption of these standards has 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 is designated as “held-for-trading” and are measured at carrying value, which approximates Fair value due to the short-term nature of these instruments. Accounts Receivable are designated as “loans and receivables” accounts payable and accrued liabilities, and long-term debt and are designated as “other liabilities”.

Risk management assets and liabilities are derivative financial instruments classified as “held-for-trading”

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 ended March 31, 2007 \$0.81 million in cash distributions was 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 Prospectus, the Fund believes that the following items represent significant areas for consideration.

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

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

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

Competitive and economic environment

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

From time to time, WEQ or its competitors may attempt to compete aggressively by lowering prices. To the extent that WEQ lowers prices in an attempt to increase or retain market share, operating margins may be adversely impacted. In some cases, WEQ may not be able to match larger competitors' price reductions because of their greater financial resources. If WEQ does not match competitors' 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 WEQ have historically displayed seasonal variations throughout the year, and this variation is expected to continue in the foreseeable future. See “Seasonality”.

Expansion

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

Interest rates

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

Foreign exchange

Foreign exchange risk is primarily limited to currency fluctuations between the Canadian and U.S. dollar. The majority of the equipment purchased by WEQ is denominated in U.S. dollars. The Fund does not use derivative instruments to reduce these risks.

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

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

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

Nature of Units

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

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

October 31, 2006 Announcement by the Minister of Finance

On October 31, 2006 the Minister of Finance announced proposed changes to tax income trusts at the rate of 31.5% on the taxable portion of distributions. The proposals also specified that "undue growth" may result in immediate taxation of income trusts that would otherwise not be subject to taxation until 2011. New draft legislation in substantially the same form as the draft legislation released on December 21, 2006 was tabled at the House of Commons on March 29, 2007 bill C-52. The guidelines regarding normal growth released by the Department of Finance on December 15, 2006 are now incorporated by reference in the draft legislation. As such, if a particular fund exceeds "normal growth" the new tax will apply from the commencement of the taxation year in which normal growth has been exceeded. Despite the fact that management currently believes that the Fund is unlikely to exceed the "normal growth" guidelines, the implementation of the legislation could have an adverse effect on the fund, its ability to pay distributions and a 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 the degree of volatility of these rates.

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. The Fund does not hold or issue financial instruments for trading or speculative purposes. As at March 31, 2007 there are no foreign exchange contracts outstanding.

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

DISCLOSURE CONTROLS AND PROCEDURES

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

As of the end of the period covered by this report, the Fund's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, under the supervision of, and with the participation of the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Fund's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*, are effective to provide reasonable assurance that material information

relating to the Fund is made known to management on a timely basis and is included in this MD&A and the unaudited interim consolidated financial statements for the period ended March 31, 2007 and related notes.

CEO AND CFO CERTIFICATIONS

The Fund files certifications, signed by the Chief Executive Officer and Chief Financial Officer, with the Canadian Securities Administrators upon filing of the Fund's annual financial statements and MD&A. In those filings, the CEO and CFO certify, as required by *Multilateral Instrument 52-109*, the appropriateness of the financial disclosures, the effectiveness of the Fund's disclosure controls and procedures, and the design of internal controls over financial reporting to provide reasonable assurance as its reliability and the preparation of financial statements for external purposes in accordance with GAAP. The Fund's CEO and CFO also certify the appropriateness of the financial disclosures in its interim filings with Securities Regulators, and that they have caused disclosure controls and procedures to be designed.

The Audit Committee has reviewed this MD&A, and the unaudited interim consolidated financial statements, and the Board of Directors and the Trustees have approved these documents prior to their release.

OUTLOOK

The Fund intends to continue to grow its cash flow through sustained growth in operating results. Management intends to leverage the scalability of its existing infrastructure to continue to improve the utilization of its equipment fleet thereby generating increased cash flow with minimal incremental investment. In addition, following the anticipated acquisition of Old Country Rentals Ltd. by WEQ Old Country Rentals LP (collectively "OCR"), a subsidiary of WEQ, management expects to integrate OCR under a common management, focus and growth strategy. Management intends to use OCR to provide a first step towards expanding product and service offerings to increase its market share in British Columbia. Management 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. Management continues to seek to acquire additional businesses that will supplement existing or anticipated branches 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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TRADING SYMBOLS

TSX Venture Exchange: WEQ.UN and WEQ.DB