



WHITEROCK REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis
March 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2006 and 2005, the accompanying notes as well as the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2005. Additional information relating to Whiterock, including its Annual Information Form and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

This MD&A is based on information available to management as at May 11, 2006.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

This Management's Discussion and Analysis contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to financial performance, sale-leaseback opportunities, proposed acquisitions and equity offerings, new markets for growth, financial position, comparable commercial REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the public financial market for Whiterock's securities, the general risks associated with real property ownership and acquisition (including in particular but without limitation that any or all of the properties subject to conditional agreement of purchase and sale discussed herein will be acquired as scheduled and/or on the terms currently anticipated and/or described herein) including that future accretive acquisition opportunities will be identified and/or completed by Whiterock, lease maturities, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth opportunities, diversification, reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the relationship with Whiterock Real Estate Capital Inc., the availability of sufficient cash flow, fluctuations in cash distributions, the market price of Whiterock's units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled "Risk Factors" in Whiterock's Annual Information Form dated April 26, 2006, which can be obtained at www.sedar.com.

Although Whiterock has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Whiterock does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

HIGHLIGHTS

- **January 1, 2006 to March 31, 2006** – Acquired an office building in St. Hyacinthe, Quebec and an office building in Regina, Saskatchewan totaling 291,090 square feet for \$37.6 million, before closing costs. Acquired two retail centres in Regina, Saskatchewan totaling 126,034 square feet for \$21.0 million before closing costs.
- **March 31, 2006** – Unit price closed at \$3.40, an annualized increase of 93% including dividends since the June 2005 initial public offering.
- **March 31, 2006 portfolio profile** – 47% of revenues from government leases. 74% of revenues from government and other high quality credit tenants. Average lease term of portfolio is approximately 8.5 years.
- **April 24, 2006** – Listing moved to the Toronto Stock Exchange (TSX) from the TSX Venture Exchange.
- **April 24, 2006** – Distribution reinvestment plan established for Unitholders.
- **May 1, 2006** – Announced a \$23.5 million revolving debt facility to fund future acquisitions, with an affiliate of Kimco Realty Corporation.
- **May 11, 2006** - Announced non-binding agreements to acquire nine additional properties totaling approximately 520,000 square feet for approximately \$50 million, including closing costs.
- **May 11, 2006** - Announced a proposed private placement offering of up to \$35 million in trust units expected to close in June 2006, to be led by RBC Capital Markets.
- **May 17, 2006** – Expected closing date for the acquisition of a 50% interest in three office buildings in Quebec City, Quebec totaling 728,500 square feet for \$46.9 million before closing costs.

BUSINESS OVERVIEW

Whiterock is a rapidly expanding, growth-oriented real estate investment trust (“REIT”) focused on increasing Unitholder value through the strategic acquisition, ownership and management of well-located, well-leased office, industrial and retail properties in select markets across Canada.

Since its formation as a REIT on June 28, 2005, Whiterock has acquired approximately 1.58 million square feet of properties with gross book values totaling approximately \$176 million at March 31, 2006, as follows:

| Acquisition Period | Number of Properties | Gross Leasable Area (GLA) | Gross Book Value (000's) |
|--------------------------------------|-----------------------------|----------------------------------|---------------------------------|
| June 28, 2005 to September 30, 2005 | 4 | 309,004 | \$21,940 |
| October 1, 2005 to December 31, 2005 | 8 | 853,123 | 94,454 |
| Total - December 31, 2005 | 12 | 1,162,127 | \$116,394 |
| January 1, 2006 to March 31, 2006 | 4 | 417,124 | 59,896 |
| Total - March 31, 2006 | 16 | 1,579,251 | \$176,290 |

In addition, Whiterock has entered into binding agreements to acquire a 50% interest in a three asset office portfolio in Quebec City, Quebec. These acquisitions are scheduled to close on May 17, 2006, following the registration and indexing of the related mortgage debt instruments that were executed on May 11, 2006. Whiterock's 50% interest in the portfolio's GLA will total 364,277 square feet with a value on acquisition, excluding closing costs, of \$46.9 million. New or assumed mortgages in connection with these acquisitions total \$32.1 million with an average interest rate of 5.8%.

At March 31, 2006, 47% of Whiterock's revenue stream was derived from government leases. Government leases combined with other high quality credit tenants, supply 74% of the revenue stream with an average remaining lease term of 8.5 years.

At March 31, 2006, Whiterock operated in select urban markets as summarized below:

| Province | Office | | Retail | | Industrial | |
|----------------------|-----------------------------|------------------|-----------------------------|----------------|-----------------------------|----------------|
| | Number of Properties | GLA | Number of Properties | GLA | Number of Properties | GLA |
| Quebec | 6 | 893,550 | | | 1 | 29,700 |
| Saskatchewan | 3 | 178,459 | 2 | 126,034 | 1 | 164,092 |
| Ontario | | | | | 1 | 45,600 |
| Nova Scotia | | | | | 1 | 115,773 |
| Prince Edward Island | | | 1 | 26,043 | | |
| Total | 9 | 1,072,009 | 3 | 152,077 | 4 | 355,165 |

Management believes that there are significant leasing and operating synergies which can be derived from a critical mass of properties in defined regions and will continue executing this strategy. Areas in which management intends to consider acquisitions in the next twelve months include Western Canada, Ontario, Quebec and Atlantic Canada. Acquisitions will only be made if they satisfy Whiterock's investment criteria, contained in its declaration of trust, as amended, (the "Declaration of Trust") a copy of which may be obtained at www.sedar.com.

While it is Whiterock's intention to acquire a geographically diversified mix of office, retail and industrial properties, office buildings have comprised the majority of its acquisitions to date. Management believes this segment has provided the most favourable acquisition opportunities to date and it intends to continue to acquire property in those segments of the market which it believes provide the most potential value over the long-term.

OVERALL BUSINESS STRATEGY AND OBJECTIVES

Whiterock's business strategy is to acquire and operate a high quality diversified portfolio of office, industrial and retail assets in select markets across Canada that produces an attractive and consistent return to investors. In order to capitalize on this opportunity, Whiterock focuses on properties that are not the primary focus of larger institutional investors while adhering to Whiterock's real estate investment criteria.

The objectives of Whiterock are to: (i) generate stable and growing cash distributions on a tax-efficient basis; (ii) expand the asset base of Whiterock and increase its distributable income through an accretive acquisition program; and, (iii) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets. Whiterock plans to achieve its objectives by employing the external and internal growth strategies set out below.

External Growth through Acquisitions

Whiterock's external growth strategy focuses on acquiring a geographically diversified portfolio of income producing office, industrial and retail properties. Whiterock believes that the current market conditions offer buyers of well-located and well-tenanted real estate the opportunity to benefit from attractive yields, significant potential for capital appreciation and the availability of both short- and long-term financing at favourable interest rates. The assets being targeted typically are: (i) well located; (ii) in good physical condition; (iii) leased to quality tenants; and (iv) at an appropriate cost (which management believes, for the most part, to be at or below replacement cost).

As part of its due diligence, Whiterock considers the possibility of increasing the value of potential acquisitions by more efficient management of the assets being acquired, including cost-cutting measures and accessing capital for expansion and development of those assets, which might not be available to competitors and other property owners.

Whiterock's investment strategy is to pursue the acquisition of commercial properties from several sources, including: (i) the commercial property market, including private owners pursuing non-marketed sale transactions; (ii) institutional investors disposing of commercial properties in order to rebalance their investment portfolios; and (iii) Whiterock's network of contacts in real estate development and ownership, including pension funds and institutional and other owners of commercial real estate that are in the process of, or are contemplating, divesting certain real estate investments.

Internal Growth through Active Asset Management

Whiterock intends to achieve internal growth by realizing market rate rents as existing below market rate leases expire and by renewing or extending tenant leases, when possible. Renewals, in contrast to tenant replacements, often minimize transaction costs associated with marketing, leasing and tenant improvements, avoid costs of renovations and prevent interruptions in rental income resulting from periods of vacancy. When an existing tenant chooses not to renew its lease, Whiterock attempts to identify, as early as possible, a replacement tenant at the best available market terms and lowest possible transaction costs.

KEY PERFORMANCE MEASURES

Several factors contribute to the successful operation of Whiterock's business. These include rental and renewal rates, occupancy levels, quality of tenant revenue stream, availability of properties that meet our acquisition criteria, financing rates and availability, tenant inducements, capital expenditures and the general economic environment. In Whiterock's first year of activity, management determined the success of Whiterock's performance based on its ability to acquire well located real estate with a large proportion of tenants with high credit ratings having long-term leases and matching these acquisitions with fixed rate debt of similar term. Going forward, in the opinion of management, the key measures of Whiterock's performance will be:

- funds from operations ("FFO") per unit;
- adjusted funds from operations ("AFFO") per unit;
- property operating income;
- payout ratio;
- percentage of revenue from high quality credit tenants;
- future acquisitions as they relate to Whiterock's investment criteria;
- cost of debt compared to prevailing market rates;
- interest coverage ratio; and
- occupancy level.

Due to its high growth rate and the relatively short period that Whiterock has been in operation and owning properties, management believes it is important to apply these on a "run rate" basis rather than only a historical basis in order to better measure Whiterock's ongoing and future performance.

2006 Performance Compared to Objectives

Whiterock's long term objectives continued to be to: (i) generate stable and growing cash distributions on a tax-efficient basis; (ii) expand the asset base of Whiterock and increase its distributable income through an accretive acquisition program; and (iii) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets. In the shorter term, during the initial period of operations, Whiterock's objectives are to continue to acquire well-located real estate with a large proportion of high quality credit tenants having long-term leases and matching these acquisitions with fixed-rate debt of similar term.

Management believes Whiterock has met or exceeded all of its objectives. In the quarter ended March 31, 2006, Whiterock acquired \$59.9 million of income properties to bring total acquisitions since its June 2005 initial public offering to \$176 million. The four properties acquired in the three months ended March 31, 2006 were 70.0% levered with mortgages at an average rate of 5.4% and an average term of 14.8 years. This compares to 72.3% levered properties with first mortgages at an average interest rate of 5.4% and an average term of 7.9 years at December 31, 2005. Fixed rate financing accounts for 91.2% of total mortgage financing at March 31, 2006 compared to 86.8% at December 31, 2005. Government and other high quality credit tenants supply 74% of the revenue stream compared to 67% at December 31, 2005. Average remaining lease term was 8.5 years at March 31, 2006 compared to 6.8 years at December 31, 2005.

INVESTMENT ACTIVITIES

Whiterock acquired 12 properties from the time of its initial public offering in June 2005 to December 31, 2005 with a gross leasable area of 1,162,127 square feet and a gross book value of \$116,394,000 with \$84,193,000 of financing on acquisition. In the three months ended March 31, 2006, Whiterock has invested in new properties as follows:

(\$ in thousands)

| Property Name | City | Province | Acquired | GLA (sq. ft.) | Gross Book | |
|---------------|---------------|----------|----------|----------------|-----------------|--------------------------|
| | | | | | Value | Financing ⁽¹⁾ |
| 4250 Albert | Regina | SK | 1/10/06 | 41,181 | \$7,267 | \$5,750 |
| 2550 Quance | Regina | SK | 1/12/06 | 84,853 | 14,035 | 10,500 |
| 2220 College | Regina | SK | 2/28/06 | 59,590 | 7,599 | 5,650 |
| 2450 Girouard | St.-Hyacinthe | QC | 3/23/06 | 231,500 | 30,923 | 20,000 |
| Total | | | | 417,124 | \$59,824 | \$41,900 |

(1) on acquisition

4250 Albert (Lakeside) - is a retail property located on the primary north-south artery in Regina and is anchored by a Sobeys. Other major tenants include TD Bank, a UPS store and Ultracuts.

2550 Quance (Quance and University) - is a retail property located at 2510-2660 Quance Street, 2660 Starlight Street and 625-635 University Park Drive, one of the busiest intersections in Regina, Saskatchewan. Primary tenants include Staples, Saskatchewan Liquor Store, Boston Pizza and Scotiabank. The centre is shadow anchored by a Costco Superstore.

2220 College (Parkview) – is an office property located at 2220 College Avenue in Regina, Saskatchewan, directly adjacent to Wascana Park and the Legislative Buildings. It is 100% leased to the Saskatchewan Provincial Government until 2011.

2450 Girouard (ING) – is a 231,500 square foot office complex located at 2450 rue Girouard Ouest and 455 Saint-Joseph Avenue in Saint-Hyacinthe, Quebec. This complex is 100% leased in a sale lease-back until 2026 with four, five-year extensions on a triple net basis, including all structural repairs and maintenance expenses. The tenant is ING Insurance Company of Canada ("ING"), one of the largest providers of property and casualty insurance in Canada with an A+ credit rating by Standard and Poor's. 2450 Girouard consists of two buildings connected by an elevated walkway, of which one building, totalling 115,000 square feet, was newly constructed in 2005 and the second building, totalling 87,000 square feet, is currently undergoing significant renovations at ING's cost. The third building, totalling approximately 29,500 square feet, was significantly upgraded in 1990 and again in 2005.

At March 31, 2006, Whiterock's properties are 71% leveraged, generally with long-term fixed rate financing. Approximately 74% of the portfolio's revenues at March 31, 2006 are attributable to provincial government or other high quality credit tenants with an average remaining lease term of 8.6 years. These assets are well located, well maintained and generally acquired at below replacement cost.

Binding acquisitions not completed as at March 31, 2006

(\$ in thousands)

| Property Name | City | Province | Expected Acquisition | | Gross Book | |
|-------------------------|--------|----------|----------------------|----------------|----------------------|--------------------------|
| | | | Date | GLA (sq. ft.) | Value ⁽¹⁾ | Financing ⁽²⁾ |
| 410 Charest | Quebec | QC | 5/17/06 | 84,364 | \$16,681 | \$10,200 |
| 750 Charest | Quebec | QC | 5/17/06 | 107,363 | 11,116 | 7,800 |
| 880& 930 Chemin Ste-Foy | Quebec | QC | 5/17/06 | 172,550 | 20,656 | 14,100 |
| Total | | | | 364,277 | \$48,453 | \$32,100 |

(1) before closing costs.

(2) on acquisition.

Whiterock has entered into binding agreements to acquire a 50% interest in a three asset office portfolio in Quebec City, Quebec. These acquisitions are scheduled to close on May 17, 2006, following the registration and indexing of the related mortgage debt instruments that were executed on May 11, 2006. Whiterock's 50% interest in the portfolio's GLA will total 364,277 square feet with a value on acquisition, excluding closing costs, of \$46.9 million. The properties are being acquired at a going-in capitalization rate on purchase price of approximately 8.3%. New or assumed mortgages in connection with these acquisitions total \$32.1 million with an average interest rate of 5.8%. In addition to Whiterock's 45% interest, another 45% will be owned by major Montreal and Quebec City based pension funds and 5% by the developer of the properties.

Whiterock's 50% ownership interest in the properties totals approximately 364,277 square feet. Approximately 91.5% of the revenues from the properties are generated from provincial governments and other credit-rated national or international firms. These assets are currently 100% occupied with an average remaining lease term of approximately eight years.

Subsequent Conditional Agreements to Acquire Properties

On May 11, 2006 Whiterock announced that it had entered into conditional agreements to acquire approximately \$50 million (including closing costs) of properties, and will be seeking additional funding through a proposed private placement of trust units led by RBC Capital Markets raising approximately \$35 million.

The properties are under contract from seven separate vendors and total approximately 520,000 square feet (approximately 47% industrial, 38% office and 15% retail). Approximately 62% of revenues will be generated from provincial governments, national banks and other high credit quality national or international firms. In total, these assets are currently 98% leased with an average lease term remaining of approximately 10 years.

Upon closing, these properties would bring property acquisitions by Whiterock to approximately \$275 million since the IPO on June 28, 2005.

There can be no assurance that Whiterock will complete any or all of these potential acquisitions.

SUMMARY OF QUARTERLY RESULTS

| (in \$'s) | 2006 | | 2005 | | 2004 | |
|--|-----------|-----------|-----------|----------|----------|----|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| Total revenue | 5,185,143 | 3,129,386 | 522,985 | 14,057 | - | - |
| Property operating income | 3,136,953 | 1,813,825 | 228,381 | 2,387 | - | - |
| Income (loss) | (492,972) | (257,448) | (300,024) | (78,786) | (24,695) | - |
| Income (loss) per unit - basic | (0.02) | (0.02) | (0.02) | (0.03) | (0.02) | - |
| Income (loss) per unit - diluted | (0.02) | (0.02) | (0.02) | (0.03) | (0.02) | - |
| Funds from operations (FFO) | 651,421 | 352,201 | (224,744) | (78,124) | (24,695) | - |
| FFO per unit - basic | 0.03 | 0.02 | (0.02) | (0.03) | (0.02) | - |
| FFO per unit - diluted | 0.03 | 0.02 | (0.02) | (0.03) | (0.02) | - |
| Adjusted Funds From Operations (AFFO) | 499,542 | 282,295 | (142,662) | (75,179) | (24,695) | - |
| AFFO per unit - basic | 0.02 | 0.02 | (0.01) | (0.03) | (0.02) | - |
| AFFO per unit - diluted | 0.02 | 0.02 | (0.01) | (0.03) | (0.02) | - |
| Cash distribution per unit | 0.07 | 0.07 | 0.07 | - | - | - |

Whiterock's operations, and therefore its quarterly results, are generally not subject to seasonal influences, but they are impacted by economic events and cycles of a local, national and international nature which may impact the demand for space and the level of interest rates. Whiterock's leases generally have provisions which allow for increases in rents to offset the effects of inflation on operating costs.

Whiterock was created through a predecessor entity on December 8, 2004. It began active operations on June 28, 2005 in conjunction with an initial public offering. Whiterock's quarterly information reflects this situation and the asset acquisitions identified under "Investment Activities".

RESULTS OF OPERATIONS

Statement of income

Summarized financial results for the three months ended March 31, 2006 and 2005 are as follows:

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Property operating income | \$3,136,953 | - |
| Interest income | 183,202 | - |
| Interest expense | (2,123,406) | - |
| General and administrative expenses | (539,961) | (24,695) |
| Amortization | (1,149,760) | - |
| Income (loss) | (\$492,972) | (\$24,695) |

A discussion of individual income components follows.

Property operating income

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|----------------------------------|--------------------------------------|--------------------------------------|
| Income property rentals | | |
| 2006 acquisitions | | |
| Rental income | \$724,484 | - |
| Straight-line rent | 10,554 | - |
| Below market lease adjustments | 26,411 | - |
| 2005 acquisitions | | |
| Rental income | 3,850,806 | - |
| Straight-line rent | 63,366 | - |
| Below market lease adjustments | 326,320 | - |
| Income property rentals | 5,001,941 | - |
| Property operating costs | | |
| 2006 acquisitions | (221,254) | - |
| 2005 acquisitions | (1,643,734) | - |
| Property operating costs | (1,864,988) | - |
| Property operating income | \$3,136,953 | - |

Property operating income represents non-GAAP information and may not be comparable to measures used by other issuers. Property operating income should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

Whiterock acquired four properties in the three months ended March 31, 2006, twelve properties in the year ended December 31, 2005 and none in the three months ended March 31, 2005. Whiterock's property operating income is derived from these acquisitions. Property operating income in the three months ended March 31, 2006 includes \$73,919 from leases with contractual rent increases, which are recognized on a straight-line basis.

Property operating income also includes amortization of below market lease adjustments. The total value of below market leases on acquisitions at March 31, 2006 is approximately \$8.1 million. Management intends to capture this value over time in the form of higher rental rates as tenants' leases are renewed.

Property operating income by segment for the three months ended March 31, 2006 was as follows:

| | Office | Retail | Industrial |
|----------------------------------|--------------------|------------------|------------------|
| Income property rentals | \$3,702,975 | \$702,611 | \$596,355 |
| Property operating costs | (1,465,780) | (210,109) | (189,099) |
| Property operating income | \$2,237,195 | \$492,502 | \$407,256 |

Interest income

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|------------------------|--------------------------------------|--------------------------------------|
| Interest income | \$183,202 | - |

Interest income for the three months ended March 31, 2006 totaled \$183,202 and was derived primarily from interest on funds raised from equity and convertible debenture offerings in advance of the use of those funds to acquire properties. Management expects that interest income will be reduced in 2006 but that distributable income per unit and funds from operations per unit will be increased by utilizing the acquisition line that was obtained in May 2006 to help initially fund the equity portion of future acquisitions.

Interest expense

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|--|--------------------------------------|--------------------------------------|
| Mortgage and other interest | \$1,381,809 | - |
| Debenture interest | 522,739 | - |
| Deferred finance cost - mortgages | 45,140 | - |
| Deferred finance cost - convertible debentures | 124,376 | - |
| Implicit interest rate in excess of coupon - convertible debentures | 49,342 | - |
| Interest expense | \$2,123,406 | - |

Interest for the three months ended March 31, 2006 results from mortgages on properties acquired in 2005 and 2006 and convertible debentures issued during 2005.

General and administrative expenses

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|--|--------------------------------------|--------------------------------------|
| Salaries and wages | \$260,690 | - |
| Non-cash compensation expense | 69,048 | - |
| Legal and regulatory | 9,329 | 24,695 |
| Accrued services and asset management fees | 103,336 | - |
| Recruiting costs | 5,925 | - |
| Costs related to properties not acquired | 3,302 | - |
| Other general and administrative | 88,331 | - |
| General and administrative expenses | \$539,961 | \$24,695 |

General and administrative expenses for the three months ended March 31, 2006 included \$69,048 relating to the value of options given to trustees and recent additions to the management team of Whiterock.

Amortization

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|---|--------------------------------------|--------------------------------------|
| Building and improvements | \$736,817 | - |
| Deferred charges | | |
| - tenants inducements on acquisitions | 187,685 | - |
| - tenants inducements and leasing costs | 4,161 | - |
| Intangible assets | | |
| - lease origination | 132,738 | - |
| - tenant relationships | 82,992 | - |
| Furniture and fixtures | 5,367 | - |
| Amortization | \$1,149,760 | - |

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$1,144,393 in the three months ended March 31, 2006.

Net income

After an equity and debenture financing completed in December 2005, Whiterock ended the year with \$29.3 million of cash on hand. As a result of the timing difference between the receipt of investment capital and the investment of the capital in appropriately leveraged income producing properties, income from the invested cash and the net operating income of the income producing properties were outweighed by interest on Whiterock's convertible debentures and mortgage debt, by general and administrative expenses and by amortization on assets acquired.

As a result of all of the above factors, Whiterock's loss for the three months ended March 31, 2006 was \$492,972 (2005 – \$24,695) or \$0.02 loss per unit basic and diluted (2005 – \$0.02 loss per unit basic and diluted). Whiterock expects that as it expands its income property asset base and appropriately leverages these assets, the income from additional acquisitions net of interest expense will increase income.

Cash flow from operations

Cash flow from operating activities for the three months ended March 31, 2006 was \$409,319 compared to an outflow of \$13,996 in the comparative prior year period. This was primarily due to income from the net operating income on the properties acquired and the invested cash being partly offset by interest on its mortgages and convertible debentures and by general and administrative expenses as noted above.

Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are non-GAAP performance measures used by Whiterock to improve the understanding of operating results for the investing public. "GAAP" means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

Funds from Operations and Adjusted Funds from Operations are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, Funds from Operations and Adjusted Funds from Operations may not be comparable to similar measures presented by other issuers. However, Whiterock presents its FFO in accordance with the Real Property Association of Canada (RealPac) White Paper on Funds from Operations dated November 30, 2004.

Neither Funds from Operations and Adjusted Funds from Operations is intended to represent operating profits for the period or from a property nor should either be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|--|--|---|
| Income (loss) for the period | (\$492,972) | (\$24,695) |
| Add: | | |
| Amortization of building and improvements | 736,817 | - |
| Amortization of tenant inducements on acquisition | 187,685 | - |
| Amortization of tenant inducements | 1,348 | - |
| Amortization of leasing costs | 2,813 | - |
| Amortization of lease origination costs | 132,738 | - |
| Amortization of tenant relationships | 82,992 | - |
| Funds from Operations (FFO) | 651,421 | (24,695) |
| Amortization of deferred finance costs | 169,516 | - |
| Convertible debentures implicit interest rate in excess of coupon rate | 49,342 | - |
| Non cash compensation expense | 69,048 | - |
| Non cash management services fees | 103,336 | - |
| Accrued straight line rental revenue | (73,920) | - |
| Below market lease amortization | (352,731) | - |
| Leasing costs and capital expenditures | (116,470) | - |
| Adjusted Funds from Operations (AFFO) | \$499,542 | (24,695) |
| Weighted average number of units | 20,713,443 | 1,277,222 |
| Diluted weighted average number of units | 21,332,722 | 1,277,222 |
| FFO per unit - basic | \$ 0.03 | \$ (0.02) |
| FFO per unit - diluted | \$ 0.03 | \$ (0.02) |
| AFFO per unit - basic | \$ 0.02 | \$ (0.02) |
| AFFO per unit - diluted | \$ 0.02 | \$ (0.02) |

FFO per Unit (Basic and Diluted) increased \$0.05 per unit to \$0.03 for the three months ended March 31, 2006 compared to the same period in 2005. This is due to the income from accretive acquisitions completed in 2005 and 2006 exceeding interest and administrative costs.

AFFO includes the impact of leasing costs and capital expenditures, which totaled \$116,470 in the quarter. Leasing costs in the quarter included costs related to early renewals of leases. AFFO per unit (Basic and Diluted) increased \$0.04 per unit to \$0.02 for the three months ended March 31, 2006 compared to the same period in 2005.

Management expects FFO and AFFO to continue to increase through 2006 as the full year impact of its 2005 acquisitions and the impact of its 2006 acquisitions is reflected in Whiterock's financial results.

RELATED PARTY TRANSACTIONS

Services and asset management agreements

In June 2005, the Trust entered into exclusive agreements with Whiterock Real Estate Capital Inc. ("Whiterock Capital") to provide the services of two officers of Whiterock. The two officers are Trustees of the Trust and principals of Whiterock Capital. The remuneration for their services is an annual fee of 0.3% of the Adjusted Cost Base ("ACB") of the assets of Whiterock's subsidiary WR Trust, paid in arrears. Additionally, once the ACB exceeds \$50 million, a fee equal to 0.5% of ACB is payable on acquisitions, in arrears, in units of the Trust. The Agreements have a five year term and may be cancelled with two years notice. \$103,336 (2005 – nil) was accrued in general and administrative expenses under these agreements and \$293,436 (2005 – nil) was accrued in the acquisition cost of income properties in the three months ended March 31, 2006.

FINANCIAL POSITION

Selected balance sheet information follows:

| (in \$'s) | March 31, 2006 | December 31, 2005 |
|---------------------------|----------------|-------------------|
| Investment in real estate | 176,414,687 | 116,402,537 |
| Total assets | 199,363,863 | 157,558,989 |
| Mortgages payable | 125,860,128 | 84,193,305 |
| Convertible debentures | 24,088,486 | 24,039,144 |
| Cash | 9,449,116 | 29,281,723 |
| Unitholders' Equity | 36,483,145 | 38,218,035 |

The major changes to the balance sheet accounts at March 31, 2006 result from the acquisition and financing of four properties as described under "Investment Activities". Further detail for mortgages payable, convertible debentures and Unitholders equity follows.

MORTGAGES PAYABLE

At March 31, 2006, Whiterock's Declaration of Trust provided that total indebtedness may not exceed 75% of Gross Book Value (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. It is management's intention to reduce Whiterock's leverage ratio over time. Whiterock's Board of Trustees has proposed a special resolution to be presented at Whiterock's annual and special meeting of unitholders that this limitation on total indebtedness (which term shall be amended to include the aggregate principal amount of all convertible subordinated debentures of the Trust) be reduced to 65% of Gross Book Value, which reduction shall take effect at such time as the total assets of the Trust, as reflected on its audited annual consolidated financial statements for its most recently completed fiscal year, exceeds \$750 million.

Whiterock's fixed and floating rate mortgage debt as at March 31, 2006 and December 31, 2005 is as follows:

| | March 31, 2006 | | December 31, 2005 | |
|---------------|----------------------|---------------|---------------------|---------------|
| | Total \$ | % of Total | Total \$ | % of Total |
| Fixed rate | \$114,801,228 | 91.2% | \$73,075,080 | 86.8% |
| Floating rate | 11,058,900 | 8.8% | 11,118,225 | 13.2% |
| | \$125,860,128 | 100.0% | \$84,193,305 | 100.0% |

Whiterock strives to match the mortgage term on its acquisitions to the average lease term of its properties, where practicable.

The following table summarizes Whiterock's mortgage maturity schedule as at March 31, 2006:

| Year of Maturity | Scheduled Amortization | Balloon Payments | Total | Weighted Average Interest Rate |
|------------------|------------------------|---------------------|----------------------|--------------------------------|
| 2006 | \$1,225,584 | - | \$1,225,584 | 5.45% |
| 2007 | 1,703,223 | 10,674,185 | 12,377,408 | 6.11% |
| 2008 | 1,577,034 | 4,500,000 | 6,077,034 | 7.09% |
| 2009 | 1,662,097 | - | 1,662,097 | 5.32% |
| 2010 | 1,800,002 | 12,716,598 | 14,516,600 | 5.19% |
| 2011 | 2,184,931 | - | 2,184,931 | 5.32% |
| 2012 | 2,302,818 | - | 2,302,818 | 5.32% |
| 2013 | 2,427,064 | - | 2,427,064 | 5.32% |
| 2014 | 2,558,022 | - | 2,558,022 | 5.32% |
| 2015 | 2,563,666 | 42,671,393 | 45,235,059 | 5.26% |
| Thereafter | 15,381,415 | 19,912,096 | 35,293,511 | 5.30% |
| | \$35,385,856 | \$90,474,272 | \$125,860,128 | 5.47% |

CONVERTIBLE DEBENTURES

Whiterock has \$25 million of redeemable subordinated convertible debentures outstanding at March 31, 2006 (December 31, 2005 - \$25 million) as follows:

Series A Convertible Debentures

On June 28, 2005, Whiterock issued 8% subordinated unsecured convertible debentures in the amount of \$13,000,000 with interest payable semi-annually and which mature on June 28, 2010. The debentures are convertible at the request of the holder after June 28, 2007, subject to certain terms and conditions at a conversion price per unit of \$2.55 (the "Series A Conversion Price").

The debentures are redeemable at the option of Whiterock, subject to certain terms and conditions, after June 28, 2007 and prior to June 29, 2009 at 150% of the Series A Conversion Price and after June 28, 2009 at 125% of the Series A Conversion Price.

On the date of issue, the debentures were allocated into a \$12,328,078 liability component and a \$671,922 equity component.

Series B Convertible Debentures

On December 14, 2005, Whiterock issued 9% subordinated unsecured convertible debentures in the amount of \$9,000,000 with interest payable monthly and which mature on December 14, 2008. Up to 50% of the debentures are convertible at the request of the holder until December 14, 2006 and 100% thereafter, subject to certain terms and conditions, at a conversion price per unit of \$3.00 (the "Series B Conversion Price").

The debentures are redeemable at the option of Whiterock:

- 1) Until December 14, 2006, at the principal amount plus \$3.25 per unit less the Series B Conversion Price multiplied by the underlying as-if converted Units;
- 2) From December 15, 2006 until June 14, 2008, at the principal amount plus the greater of the 20 day weighted average trading price and \$3.25 per unit less the Series B Conversion Price multiplied by the underlying as-if converted Units; and,
- 3) after June 14, 2008, at the principal amount plus the greater of the 20 day weighted average trading price and \$3.50 per unit less the Series B Conversion Price multiplied by the underlying as-if converted Units.

On the date of issue, the debentures were allocated into an \$8,769,115 liability component and a \$230,885 equity component.

Series C Convertible Debentures

On December 21, 2005, Whiterock issued 9% redeemable subordinated unsecured convertible debentures in the amount of \$3,000,000 with interest payable monthly and which mature on December 21, 2010. The debentures are convertible at the request of the holder after December 21, 2006, subject to certain terms and conditions at a conversion price per unit of \$3.00.

The debentures are redeemable at the option of Whiterock at the principal amount, subject to certain terms and conditions, from December 21, 2006 and until June 21, 2008, provided that the 20 day weighted average trading price is at least \$3.25 per unit and, after June 21, 2008, provided that the 20 day weighted average trading price is at least \$3.50 per unit.

On the date of issue, the debentures were allocated into a \$2,883,060 liability component and a \$116,940 equity component.

UNITHOLDERS' EQUITY

Unitholders' equity at March 31, 2006 and December 31, 2005 consists of the following:

| | March 31, 2006 | December 31, 2005 |
|--|-----------------------|--------------------------|
| Trust units | \$39,568,505 | \$39,401,889 |
| Unit options | 568,221 | 499,299 |
| Warrants | 50,112 | 75,400 |
| Equity component of convertible debentures | 1,019,747 | 1,019,747 |
| Cumulative earnings (loss) | (1,153,925) | (660,953) |
| Cumulative distributions to unitholders | (3,569,515) | (2,117,347) |
| | \$36,483,145 | \$38,218,035 |

Distributions per Unit totaled \$0.14 in 2005 (from June 28, 2005, the date of the initial public offering of Whiterock) and \$0.07 for the three months ended March 31, 2006)

Trust units

A summary of units issued in 2006 follows:

| | Units | \$ |
|--|-------------------|---------------------|
| Units outstanding, beginning of period | 20,657,889 | \$39,401,889 |
| <u>Units Issued</u> | | |
| Exercise of Unit options | 450 | 450 |
| Exercise of warrants | 109,000 | 147,150 |
| Value associated with unit option grants exercised | | 126 |
| Value associated with warrants exercised | | 25,288 |
| Unit issue costs | | (6,398) |
| Units outstanding, end of period | 20,767,339 | \$39,568,505 |

Subsequent to March 31, 2006, \$900,000 of Series B convertible debentures were converted into 300,000 Units of Whiterock. In addition 7,500 options were exercised at \$1.00 and 39,244 Units were issued in connection with a \$23.5 million revolving debt facility entered into by Whiterock. As result, as at May 11, 2006, 21,114,083 Units were issued and outstanding.

On April 24, 2006 the Trust units, Series A convertible debentures and Series C convertible debentures were listed for trading on the Toronto Stock Exchange.

Unit options

Whiterock may grant options to the Trustees, senior officers, investor relations consultants and technical consultants to Whiterock. The maximum number of units reserved for issuance under the unit option plan is limited to 10% of the total number of issued and outstanding units. The Trustees set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the volume weighted average price of the units on the five trading days prior to the date of grant. The options have a maximum term of five years from the date of grant.

Unit options with a Black-Scholes calculated value of \$568,221 were outstanding at March 31, 2006. Details of unit options granted follow:

| | Three months ended March 31, 2006 | | Three months ended March 31, 2005 | |
|--|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| | Unit Options | Weighted Average Exercise Price | Unit Options | Weighted Average Exercise Price |
| Outstanding, beginning of period | 1,692,950 | \$2.22 | - | - |
| Granted | 200,000 | \$2.90 | 170,000 | \$1.00 |
| Exercised | (450) | \$1.00 | - | - |
| Outstanding, end of period | 1,892,500 | \$2.30 | 170,000 | \$1.00 |
| Options vested, end of period | 1,442,500 | \$2.24 | 170,000 | \$1.00 |
| Weighted average remaining life (years) | 4.4 | | 4.8 | |

Subsequent to March 31, 2006, 7,500 options were exercised at \$1.00 per Unit and 50,000 options were issued at an exercise price of \$3.44 per Unit. As a result, on May 11, 2006, a total of 1,935,000 options were outstanding.

The objective of granting options is to encourage the holder to acquire an ownership interest over a period of time which acts as a financial incentive for the holder to consider the long-term interest of Whiterock and its unitholders.

Warrants

On March 9, 2005, CPII Inc. (the corporate predecessor to Whiterock) completed a private placement for 3,250,000 CPII common shares. Each CPII Inc. share was comprised of one common share and a half common share purchase warrant. Each warrant entitled the holder to purchase one common share at a price of \$0.27 for a period of two years from the date of issue. On completion of the Plan of Arrangement, which resulted in the formation of Whiterock, the warrants were consolidated on a five for one basis, into 325,000 warrants at an exercise price of \$1.35 per Unit. The warrants represent a means of conserving the cash resources of Whiterock during its initial period of operations.

During the three months ended March 31, 2006, 109,000 warrants were exercised, generating gross proceeds of \$147,150. The Black-Scholes calculated value of warrants outstanding at March 31, 2006 was \$50,112.

On May 10, 2006, an additional 250,000 warrants were issued at an exercise price of \$3.44 per Unit in connection with a \$23.5 million revolving debt facility entered into by Whiterock. As a result, on May 11, 2006, a total of 466,000 warrants were outstanding.

CASH DISTRIBUTIONS

Effective with the October 31, 2006 distribution, Whiterock amended its Declaration of Trust to provide for a monthly distribution instead of a quarterly distribution. Whiterock intends to make cash distributions to Unitholders on each monthly distribution date equal, on an annual basis, to approximately 85% of its distributable income. Until such time as the net proceeds from the equity raises are fully invested in additional properties which are accretive to cash flow, Whiterock intends to make cash distributions in excess of its distributable income in order to provide unitholders with stable cash flow.

CAPITAL RESOURCES AND LIQUIDITY

Whiterock's cash flow from operating activities for the three months ended March 31, 2006 was \$409,319. As funds continued to be invested in properties, cash flow from operating activities continued to increase. At March 31, 2006, Whiterock's cash balance was approximately \$9.4 million. During the remainder of 2006, cash flow is expected to increase as additional properties are acquired and cash on hand is invested in properties.

The main sources of acquisition funds for Whiterock are proceeds from convertible debenture and trust unit offerings and cash flows from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions. In May 2006, Whiterock completed the negotiation of a \$23.5 million revolving debt facility to further assist in the initial funding of future acquisitions.

The actual level of future borrowings and equity offerings will be determined based on prevailing interest rates, debt and equity market conditions and management's general view of the required leverage in the business.

Whiterock expects to meet all of its existing obligations.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Whiterock's significant accounting policies are described in Note 2 to the December 31, 2005 audited Consolidated Financial Statements. Management believes the policies that are most subject to estimation and management's judgment are outlined below.

Income Property Acquisitions

Management is required to allocate the purchase price of income property acquisitions to land, building and improvements, tenant inducements and intangible assets such as lease origination costs and the value of tenant relationships. Management uses estimates and judgment to determine the following:

- The fair value of land as of the acquisition date;
- The value of the replacement cost of buildings and improvements as of the acquisition date based on prevailing construction costs for buildings of a similar class and age;
- The value of deferred leasing costs, including tenant improvements associated with in-place leases based on estimates of prevailing tenant allowances, taking into account the condition of tenants' premises and remaining lease term;
- The value of lease origination costs, including leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period, based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions;
- The value ascribed to above and below market in-place leases based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents;
- The value of tenant relationships, based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew; and
- The fair value of debt assumed on acquisition by reference to market interest rates.

Such estimates of fair values and market interest rates could vary and affect reported financial results.

Amortization of Income Properties

Buildings and improvements are amortized on a straight-line basis over their estimated useful lives, not to exceed 40 years. A significant portion of the acquisition cost of each property is allocated to the building. The allocation of the acquisition cost to the building and the determination of the useful life are based on management's estimates. If the allocation to the building is inappropriate or the estimated useful lives of the buildings prove to be incorrect, the computation of amortization will not be appropriately reflected over future periods.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer, together with other management, have evaluated, as of December 31, 2005, the effectiveness of Whiterock's disclosure controls and procedures, as defined in Multilateral Instrument 52-109. They have concluded that Whiterock's disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information relating to Whiterock (and its subsidiary entities) would have been made known to them.

FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Management monitors issued accounting pronouncements from the Canadian Institute of Chartered Accountants ("CICA") and assesses the applicability and impact, if any, of these pronouncements on Whiterock's consolidated financial statements.

The CICA released handbook section 1530, Comprehensive Income, which is applicable to Whiterock commencing January 1, 2007. This standard provides for a new statement, Comprehensive Income, to be included in the consolidated financial statements. Whiterock is in the process of assessing the impact of this new standard on Whiterock's consolidated financial statements.

The CICA released handbook section 3855, Financial Instruments – Recognition and Measurement, which standard is applicable to Whiterock commencing January 1, 2007. This standard provides more comprehensive guidance on how to recognize financial instruments on the balance sheet, how to measure them, and how to account for gains and losses. Whiterock is in the process of assessing the impact of this new standard on Whiterock's consolidated financial statements.

RISKS AND UNCERTAINTIES

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The major categories of risk Whiterock encounters in conducting its business and the manner in which it takes actions to minimize their impact are outlined below.

Public Market Risk

It is not possible to predict the price at which Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The Units will not necessarily trade at values determined solely by reference to the value of the properties of Whiterock. Accordingly, the Units may trade at a premium or a discount to the value implied by the value of the properties of Whiterock. The market price for the Units may be affected by changes in general market

conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Whiterock.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Whiterock's financial performance would be adversely affected if its tenants were to become unable to meet their obligations under their leases. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Whiterock than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and costs to protect Whiterock's investment may be incurred. Furthermore, at any time, a tenant of any of Whiterock's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby adversely affect the financial performance of Whiterock.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the real property is producing any income.

Lease Maturities Risk Management

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 3.2% to 6.6% of the annualized total revenue of Whiterock's portfolio. Whiterock's lease maturity profile at March 31, 2006 is as follows:

| Date | Square Feet | % of Total Square Feet | % of Annualized Total Revenue |
|-----------------|------------------|------------------------|-------------------------------|
| 2006 | 48,586 | 3.1% | 2.9% |
| 2007 | 69,487 | 4.4% | 4.0% |
| 2008 | 61,578 | 3.9% | 3.1% |
| 2009 | 109,799 | 7.0% | 6.8% |
| 2010 | 73,237 | 4.6% | 5.3% |
| 2011 | 245,303 | 15.5% | 18.3% |
| 2012 | 24,493 | 1.6% | 1.9% |
| 2013 | 29,906 | 1.9% | 2.1% |
| 2014 | 0 | 0.0% | 0.0% |
| 2015 | 598,438 | 37.9% | 36.3% |
| 2016 | 23,495 | 1.5% | 1.9% |
| Thereafter | 264,868 | 16.8% | 17.4% |
| Total / Average | 1,549,190 | 98.1% | 100.0% |
| Vacant | 30,061 | 1.9% | 0.0% |
| | 1,579,251 | 100.0% | 100.0% |

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Whiterock's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Whiterock were to liquidate a real property investment, the proceeds might be significantly less than the aggregate carrying value of such property.

Debt Financing

Whiterock has outstanding indebtedness and intends to incur additional indebtedness in the future, including by way of additional mortgage loans and may include additional debentures and/or revolving lines of credit or other credit facilities. A portion of the cash flow generated by properties owned by Whiterock will be devoted to servicing such debt and there can be no assurance that Whiterock will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the debt.

The property mortgage indebtedness and, when arranged, revolving lines of credit, will be senior to the indebtedness under Whiterock's convertible debentures.

Whiterock is subject to the risks associated with debt financing, including the risk that any mortgages and credit facilities secured by properties of Whiterock will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In addition, if Whiterock were to fail to meet its obligations under its mortgage indebtedness or revolving line of credit, distributions to Whiterock may be affected, which in turn may affect distributions to Unitholders or the repayment of indebtedness under the debentures.

In order to minimize this risk, Whiterock attempts to appropriately structure the timing of significant tenant lease renewals on the respective property in relation to the time at which mortgage indebtedness on such property becomes due for refinancing.

Credit Risk

Whiterock may experience loss due to failure of a tenant to fulfill the obligation of required payments. Also, there is a risk that current tenants will be unable or unwilling to fulfill their lease term commitments. To mitigate this risk, Whiterock will endeavor to acquire additional properties in order to diversify its investments and to target acquisitions with tenants having good credit profiles.

The following table summarizes the top five tenants of Whiterock at March 31, 2006, which together represents 62.2% of Whiterock's annualized revenues from its income property portfolio at March 31, 2006:

| Tenant | Rank | Square Feet | % of Total Revenues |
|---------------------------------------|-------------|--------------------|----------------------------|
| SIQ (Quebec government agency) | 1 | 493,575 | 33.5% |
| ING | 2 | 231,500 | 14.3% |
| SPMC (Saskatchewan government agency) | 3 | 70,287 | 5.6% |
| Crown Investment Corporation | 4 | 59,878 | 5.0% |
| Helly Hansen Canada | 5 | 115,773 | 3.8% |
| Total: Top 5 Tenants | | 971,013 | 62.2% |

Management believes that the high credit rating of its provincial Government tenants helps mitigate credit risk for Whiterock.

Competition

The real estate business is extremely competitive. Numerous other developers, acquirers, managers and owners of office, industrial and retail properties will compete with Whiterock in seeking properties. The existence of competing developers and owners could have an adverse effect on Whiterock's ability to acquire properties and on the rents charged or concessions granted. There can be no guarantee that additional properties will be available to Whiterock on favourable terms.

General Uninsured Losses

Whiterock carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties and Trusts. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under insured loss occur, Whiterock could lose its investment in, and anticipated profits and cash flows from, its properties and Whiterock would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Interest Rate Fluctuations and Financing Risk

Whiterock's financing may include indebtedness with interest rates based on variable interest rates that result in fluctuations in Whiterock's cost of borrowing. Whiterock will be required to refinance its debt from time to time and, if new debt has less favourable terms or if such refinancing cannot be obtained, there is a potential negative impact on Whiterock's cash available for distribution. As at March 31, 2006, 91.2% of Whiterock's debt was at fixed rates.

Environmental Matters

As an owner of real property, Whiterock will be subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Whiterock could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Whiterock's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against Whiterock. Management is not aware of any material non-compliance with environmental laws with respect to its income properties. Moreover, Whiterock is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with its properties.

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. Series 2 Notes or Series 3 Notes which may be distributed *in specie* to holders of Units in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities and such securities may be subject to an indefinite “hold period” or other resale restriction under applicable securities laws. Series 2 Notes and Series 3 Notes so distributed may not be qualified investments for deferred income plans. Regulatory approvals will be required in connection with a distribution of a Series 2 Note or Series 3 Note *in specie* to holders of Units in connection with a redemption of Units.

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Whiterock in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$20,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; and (iii) the trading of the Units has not been suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10 day period commencing immediately after the redemption date.

Lack of Availability of Growth Opportunities

Whiterock’s business plan includes growth through identification of suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If Whiterock is unable to find suitable growth opportunities or manage its growth effectively, its business, operating results, financial condition and distributions may be adversely affected.

There can be no assurance that Whiterock will consistently be able to acquire assets on an accretive basis or that distributions from Whiterock to Unitholders will increase.

Diversification Risk

While Whiterock’s investment strategy is to acquire diversified properties in order to obtain its investment objectives, the portfolio of Whiterock is currently comprised of a limited number of properties currently concentrated in a few geographic sectors of Canada. The value of the Units and the ability of Whiterock to fund distributions are dependent on the ability of Whiterock to derive income from these properties.

Reliance on Anchor or Single Tenant Properties

Retail shopping centres have traditionally relied upon anchor tenants and therefore an investment in retail shopping centres is subject to the risk that such anchor tenants may move out of the property or default on their obligations under their leases.

Certain of Whiterock’s properties have only a single tenant or a limited number of tenants and in the event that the tenant defaults on payment obligations under its lease, there will be a negative effect on Whiterock. Whiterock’s largest tenant is SIQ, a Quebec government agency. Its top five tenants are identified under “Credit Risk”.

Unitholder Liability

On June 16, 2005, *The Investment Trust Unitholders' Protection Act* (Manitoba) came into force. This legislation creates a statutory limitation on the liability of beneficiaries of Manitoba income trusts such as Whiterock. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation, or liability of Whiterock. Further, the Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an "annuitant") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Whiterock or its Trustees. Notwithstanding the Declaration of Trust, Unitholders may not be protected from liabilities of Whiterock to the same extent as a shareholder of a corporation is protected from the liabilities of the corporation. There is the possibility that personal liability may also arise in respect of claims against Whiterock (to the extent that not satisfied by Whiterock) that do not arise out of contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

Potential Conflicts of Interest

There are potential conflicts of interest which the Trustees and officers of Whiterock will be subject to in connection with the operations of Whiterock. Jason Underwood and Paul Simcox are directors and officers of Whiterock Real Estate Capital Inc. ("Whiterock Capital"), which intends to engage in a wide range of real estate and other business activities, including the development and management of real estate. Arni Thorsteinson is a director and officer of Shelter Canadian Properties Limited ("Shelter"), which is engaged in a wide range of real estate and other business activities, including the development and management of real estate.

Arni Thorsteinson is also a trustee and the Chief Executive Officer of Lanesborough Real Estate Investment Trust, which is a real estate investment trust whose investment strategy is primarily focused on investing in multi-family residential properties. Mr. Thorsteinson is also a trustee and the President and Chief Executive Officer of Huntingdon Real Estate Investment Trust, which is a real estate investment trust whose investment strategy is focused on investing in properties other than multi-family residential properties. Whiterock Capital, Shelter, or their respective affiliates and associates and their respective directors and officers, including Mr. Underwood, Mr. Simcox and Mr. Thorsteinson, may become involved in transactions in which their interests actually, or are perceived to, conflict with the interests of Whiterock. Such conflicts will be subject to the procedures and remedies similar to those provided under the *Canada Business Corporations Act* ("CBCA"), except as otherwise disclosed herein. On April 7, 2006, Mr. Thorsteinson advised Whiterock that he would not stand for re-election as a Trustee at the upcoming Annual and Special Meeting of Unitholders.

The Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitations on Whiterock. As the Trustees may be engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA that require each Trustee to disclose to Whiterock any interest in a material contract or transaction or proposed material contract or transaction with Whiterock (or an affiliate of Whiterock). A Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction except in limited circumstances such as where the contract or transaction is one for indemnity under the provisions of the Declaration of Trust or liability insurance. Each of Jason Underwood and Paul Simcox has disclosed in writing that he has an interest in any contract or transaction or proposed contract or transaction with Whiterock Capital and its affiliates, including the Services Agreement and the Asset Management Agreement. Arni Thorsteinson has disclosed in writing that he has an interest in any contract or transaction or proposed contract or transaction with Shelter and its affiliates, including the Shelter Agreement. This agreement was terminated effective August 31, 2005.

The Declaration of Trust further provides that the Manager, a property manager, the Trustees and officers of the Trust (and their respective affiliates and associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, manager or property manager of other trusts or portfolios) in real estate investments and other activities identical or similar to and competitive with the activities of the Trust and its Subsidiaries. The Declaration of Trust further provides that neither the Manager, a property manager, a Trustee or officer of the Trust, nor any of their respective affiliates or associates (or their respective directors and officers) shall incur or be under any liability to the Trust, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.

Relationship with Whiterock Capital

The financial performance of Whiterock will depend in part on the performance of Whiterock Capital. Whiterock Capital is the Manager of Whiterock pursuant to the Services Agreement and the Asset Manager of WR Trust pursuant to the Asset Management Agreement.

Internalization of Management Contracts

The services of the Chief Executive Officer, Jason Underwood, and President, Paul Simcox, are provided through Whiterock Capital. In the event that the Trust wishes to internalize the services provided by these individuals in the future, the ability to do so may be dependent on the cancellation or restructuring of the Services Agreement and the Asset Management Agreement, and as a result there is a risk that costs may be incurred by the Trust to do so.

Availability of Cash Flow

Distributable income may exceed actual cash available to Whiterock from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Whiterock may be required to use part of its debt capacity or reduce distributions to Unitholders in order to accommodate such items.

Fluctuations in Cash Distributions

A return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk and the return on an investment in Units is based on many performance assumptions. Although Whiterock intends to make cash distributions, the actual amount distributed in respect of Units will depend on numerous factors, including the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and other factors that may be beyond the control of Whiterock. In addition, the market value of the Units may decline if Whiterock is unable to provide a satisfactory return to Unitholders.

Market Price of Units

One of the factors that may influence the market price of the Units is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of Units to expect a higher annual yield, which could adversely affect the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the market for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond the control of Whiterock.

Legal Rights Attaching to Units

As a holder of Units, a Unitholder will not have all of the statutory rights normally associated with the ownership of shares in a corporation including, for example, the right to bring “oppression” or “derivative” actions against Whiterock. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, Whiterock will not be a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Failure to Obtain Additional Financing

Whiterock may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. In addition, upon the expiry of the term of financing or refinancing of any particular property owned by Whiterock, refinancing may not be available in amounts required or may be available only on terms less favourable to Whiterock than existing financing. Future financing may take many forms, including debt or equity financing which could alter Whiterock’s debt-to-equity ratio or which could be dilutive to Unitholders.

Dilution

The number of Units that Whiterock is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units which may have a dilutive effect on Unitholders.

Reliance on Key Personnel

The success of Whiterock is highly dependent on the services of certain management personnel, including Jason Underwood and Paul Simcox. The loss of the services of such personnel could have an adverse effect on Whiterock.

Changes in Legislation

There can be no assurance that applicable legislation, including without limitation, income tax laws, will not be changed in a manner that will adversely affect Whiterock or its Unitholders.

Failure to Maintain Mutual Fund Trust Status

If Whiterock ceases to qualify as a mutual fund trust for the purposes of the Income Tax Act, the Units and Debentures will not be qualified investments for registered retirement savings plans and other similar plans ("Plans"), which will have adverse consequences to such Plans and/or their annuitants or beneficiaries. The Income Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Investors should consult their own professional advisors as to the tax consequences to them in the event that Whiterock were not to qualify as a mutual fund trust.

Other Tax Related Risk Factors

The extent to which distributions will be tax deferred in the future will depend on the extent to which Whiterock can shelter its taxable income by claiming capital cost allowances and other available deductions.

There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and/or assessing practices of Canada Revenue Agency) and/or the treatment of mutual fund trusts will not be changed in a manner which would adversely affect Unitholders.

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Any Series 2 Note or Series 3 Note or other property distributed to a Unitholder on an *in specie* redemption of Units may not be a qualified investment for certain defined income plans and may also be foreign property under the Tax Act.

Interest on the Series 1 Notes accrues for income tax purposes whether or not actually paid. As the Declaration of Trust provides that Whiterock shall, subject to the Trustees resolving otherwise, distribute to Unitholders in each year an amount of net income and net realized capital gains in order to eliminate Whiterock's liability for tax under Part I of the Tax Act, where the amount of net income and net realized capital gains of Whiterock in a taxation year exceeds the cash available for distribution in the year (including, for instance, where interest payments on the Series 1 Notes are due but not paid in whole or in part during such year), such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.