



**WHITEROCK REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED BALANCE SHEETS**

	Note	<b>September 30, 2009</b>	December 31, 2008
		<b>(unaudited)</b>	
<b>Assets</b>			
Income properties	3	<b>\$ 373,283,597</b>	\$ 380,325,509
Deferred charges	4	<b>16,017,402</b>	16,273,493
Intangible assets	5	<b>16,983,233</b>	21,412,359
Equity investments	6	<b>11,076,860</b>	-
Mortgages receivable	7	-	7,250,666
		<b>417,361,092</b>	425,262,027
Other assets	8	<b>8,570,786</b>	7,602,878
Future income tax asset	20	<b>40,000</b>	40,000
		<b>\$ 425,971,878</b>	\$ 432,904,905
<b>Liabilities and Equity</b>			
Mortgages payable and facilities	10	<b>\$ 279,551,549</b>	\$ 284,153,909
Convertible debentures	11	<b>53,293,494</b>	52,533,520
Accounts payable and accrued liabilities	12	<b>15,017,763</b>	16,148,967
		<b>347,862,806</b>	352,836,396
Unitholders' Equity		<b>78,109,072</b>	80,068,509
		<b>\$ 425,971,878</b>	\$ 432,904,905

*See accompanying notes to the consolidated financial statements*

Approved by the Board of Trustees:

*“Jason Underwood”*  
Trustee

*“Nick Kanji”*  
Trustee

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

(unaudited)	Note	Three months ended September 30,		Nine months ended September 30,	
		<b>2009</b>	2008	<b>2009</b>	2008
<b>Revenue</b>					
Income property rentals	16	\$ 15,269,030	\$ 14,563,001	\$ 45,375,303	\$ 39,884,449
Income from equity investments	6	47,096	-	49,402	-
Interest and other income		47,713	194,784	420,873	649,933
		<b>15,363,839</b>	14,757,785	<b>45,845,578</b>	40,534,382
<b>Expenses</b>					
Property operating costs		5,926,523	5,229,299	17,735,456	15,187,949
Interest	17	5,324,289	4,998,129	15,894,969	13,073,706
General and administrative expenses	18	528,665	494,555	1,335,133	1,321,418
Amortization	19	4,996,451	3,677,507	13,361,624	9,567,757
		<b>16,775,928</b>	14,399,490	<b>48,327,182</b>	39,150,830
Income (loss) before the undernoted		<b>(1,412,089)</b>	358,295	<b>(2,481,604)</b>	1,383,552
Future income tax expense	20	-	-	-	(70,000)
<b>Income (loss) from continuing operations</b>		<b>(1,412,089)</b>	358,295	<b>(2,481,604)</b>	1,313,552
Income (loss) from discontinued operations	21	-	19,064	19,603	(2,447)
Gain on disposition of properties	21	-	-	530,088	44,819
<b>Net income (loss) and comprehensive income</b>		<b>\$ (1,412,089)</b>	\$ 377,359	<b>\$ (1,931,913)</b>	\$ 1,355,924
<b>Basic net income (loss) per unit</b>					
	22				
Continuing operations		\$ (0.30)	\$ 0.09	\$ (0.57)	\$ 0.36
Discontinued operations		\$ -	\$ -	\$ 0.13	\$ 0.01
Net income (loss) per unit		\$ (0.30)	\$ 0.10	\$ (0.44)	\$ 0.37
<b>Diluted net income (loss) per unit</b>					
	22				
Continuing operations		\$ (0.30)	\$ 0.09	\$ (0.57)	\$ 0.36
Discontinued operations		\$ -	\$ -	\$ 0.13	\$ 0.01
Net income (loss) per unit		\$ (0.30)	\$ 0.10	\$ (0.44)	\$ 0.37

*See accompanying notes to the consolidated financial statements*

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY**

(unaudited)	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2009	2008	2009	2008
<b>Units</b>	13				
Balance, beginning of period		\$ 125,676,649	\$ 103,329,802	\$ 115,426,201	\$ 99,571,778
Issuance of units		527,686	11,844,770	11,725,633	15,773,213
Value associated with unit options exercised		-	-	-	4,677
Unit issue costs		(38,428)	(177,598)	(985,927)	(352,694)
<b>Balance, end of period</b>		<b>126,165,907</b>	<b>114,996,974</b>	<b>126,165,907</b>	<b>114,996,974</b>
<b>Unit Options</b>	14				
Balance, beginning of period		839,178	826,480	838,594	756,212
Value associated with unit options exercised		-	-	-	(4,677)
Value associated with unit options vested		137,368	22,339	137,952	102,372
Value associated with unit options cancelled/expired		-	-	-	(5,088)
<b>Balance, end of period</b>		<b>976,546</b>	<b>848,819</b>	<b>976,546</b>	<b>848,819</b>
<b>Warrants</b>	15				
Balance, beginning and end of period		314,800	314,800	314,800	314,800
<b>Equity Component of Convertible Debentures</b>	11				
Balance, beginning of period		2,397,246	1,984,700	2,397,246	2,132,625
Equity component of convertible debentures issued		-	412,546	-	412,546
Equity component of convertible debentures converted		-	-	-	(147,925)
<b>Balance, end of period</b>		<b>2,397,246</b>	<b>2,397,246</b>	<b>2,397,246</b>	<b>2,397,246</b>
<b>Cumulative Earnings and Accumulated Comprehensive Earnings</b>					
Balance, beginning of period		(5,572,632)	(5,651,006)	(5,052,808)	(6,629,571)
Net income (loss)		(1,412,089)	377,359	(1,931,913)	1,355,924
<b>Balance, end of period</b>		<b>(6,984,721)</b>	<b>(5,273,647)</b>	<b>(6,984,721)</b>	<b>(5,273,647)</b>
<b>Cumulative Distributions to Unitholders</b>					
Balance, beginning of period		(40,775,975)	(27,230,049)	(33,855,524)	(21,284,314)
Distributions to unitholders (cash and units)		(3,984,731)	(3,142,238)	(10,905,182)	(9,087,973)
<b>Balance, end of period</b>		<b>(44,760,706)</b>	<b>(30,372,287)</b>	<b>(44,760,706)</b>	<b>(30,372,287)</b>
<b>Total Unitholders' Equity</b>		<b>\$ 78,109,072</b>	<b>\$ 82,911,905</b>	<b>\$ 78,109,072</b>	<b>\$ 82,911,905</b>
<b>Units Issued and Outstanding</b>	13	<b>4,743,044</b>	<b>3,932,081</b>	<b>4,743,044</b>	<b>3,932,081</b>

See accompanying notes to the consolidated financial statements

## WHITEROCK REAL ESTATE INVESTMENT TRUST CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Note	Three months ended September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
<b>Cash provided by (used in) operating activities</b>					
Income (loss) from continuing operations		\$ (1,412,089)	\$ 358,295	\$ (2,481,604)	\$ 1,313,552
Items not affecting cash					
Amortization	19	4,996,451	3,677,507	13,361,624	9,567,757
Deferred finance cost amortization					
- mortgages payable		106,519	61,755	284,081	160,789
- acquisition and operating facilities		114,851	96,392	390,032	207,080
- convertible debentures		131,378	119,278	386,347	360,202
Implicit interest rate in excess of coupon rate - convertible debentures		127,619	114,161	373,627	304,869
Non-cash compensation expense	18	137,368	48,589	137,952	173,951
Future income taxes	20	-	-	-	70,000
Accrued rental revenue recognized on a straight line basis	16	(291,099)	(319,553)	(828,006)	(932,522)
Above and below market lease amortization	16	(402,930)	(534,560)	(1,378,550)	(1,315,625)
		<b>3,508,068</b>	<b>3,621,864</b>	<b>10,245,503</b>	<b>9,910,053</b>
Changes in non-cash operating items		<b>688,599</b>	<b>5,014,630</b>	<b>125,241</b>	<b>2,343,180</b>
		<b>4,196,667</b>	<b>8,636,494</b>	<b>10,370,744</b>	<b>12,253,233</b>
<b>Cash provided by (used in) financing activities</b>					
Mortgage principal instalment payments		(1,082,343)	(838,749)	(3,071,293)	(2,279,306)
Mortgage principal repayments on maturity		-	(9,800,166)	(4,500,000)	(9,800,166)
Mortgage financing, net of costs		(3,105)	11,846,702	26,219,229	11,846,702
Draw on facilities, net of costs		8,305,836	29,096,839	8,213,291	30,093,716
Repayment of credit facilities		-	(1,830,000)	(30,855,442)	(1,830,000)
Issuance of units	13	-	-	10,891,320	53,750
Convertible debenture issue costs		-	(108,758)	-	(108,758)
Unit issue costs		(38,428)	(177,598)	(985,927)	(210,351)
Distributions to unitholders (in cash)		(3,457,045)	(2,723,701)	(10,070,869)	(7,895,738)
		<b>3,724,915</b>	<b>25,464,569</b>	<b>(4,159,691)</b>	<b>19,869,849</b>
<b>Cash provided by (used in) investing activities</b>					
Income properties acquired	3	-	(33,565,182)	-	(33,565,182)
Issuance of mortgages receivable		-	-	-	(10,425,000)
Repayment of mortgages receivable		-	-	7,250,000	3,175,000
Investment in co-ownership		(9,834,649)	-	(11,027,458)	-
Revenue enhancing capital expenditures		(572,850)	-	(1,615,956)	(868,987)
Leasing costs and other capital expenditures		(152,720)	(539,997)	(932,166)	(691,124)
Furniture and equipment		(29,627)	(17,959)	(53,425)	(44,994)
		<b>(10,589,846)</b>	<b>(34,123,138)</b>	<b>(6,379,005)</b>	<b>(42,420,287)</b>
Change in cash - Continuing operations		(2,668,264)	(22,075)	(167,952)	(10,297,205)
Change in cash - Discontinued operations	21	-	6,759	167,952	6,272,010
Cash, beginning of period		2,668,264	142,491	-	4,152,370
<b>Cash, end of period</b>	9	<b>\$ -</b>	<b>\$ 127,175</b>	<b>\$ -</b>	<b>\$ 127,175</b>
<b>Supplementary cash flow information</b>					
Cash interest paid	17	\$ 4,507,524	\$ 4,017,124	\$ 14,058,378	\$ 11,504,509

See accompanying notes to the consolidated financial statements

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2009 and 2008 (unaudited)**

**1. Organization**

Whiterock Real Estate Investment Trust (“Whiterock”) is an open-ended real estate investment trust which was created under a Declaration of Trust on May 17, 2005.

**2. Significant Accounting Policies**

**(a) Basis of Accounting**

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The accounting principles used in these interim consolidated financial statements are consistent with those used in Whiterock’s December 31, 2008 and 2007 annual consolidated financial statements, except as noted below. These interim consolidated financial statements do not include all of the information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the December 31, 2008 and 2007 annual consolidated financial statements.

Investments in entities where the Trust exercises significant influence are accounted for using the equity method. These investments are recorded at cost plus the Trust’s share of income or loss to date less distributions received.

**(b) Changes to Significant Accounting Policies**

The Canadian Institute of Chartered Accountants (“CICA”) has issued a new accounting standard, CICA Handbook Section 3064 – Goodwill and Intangible Assets, effective for the Trust’s fiscal year commencing January 1, 2009, which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. CICA Handbook Section 1000 – Financial Statement Concepts, was also amended to provide consistency with this new standard. The impact of these Standards on its 2009 consolidated financial statements is not material.

**(c) Future Changes to Significant Accounting Policies**

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

The CICA has issued a new accounting standard, CICA Handbook Section 1582 – Business Combinations, which will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook sections 1601 – Consolidations and 1602 – Non-controlling Interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These sections replace the former CICA Handbook Sections 1581 - Business Combinations and 1600 – Consolidated Financial Statements.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Trust is currently considering the effect on the financial statements of the new standards.

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

**3. Income Properties**

	<b>September 30, 2009</b>	December 31, 2008
Land	\$ 63,715,958	\$ 63,715,958
Buildings and improvements	<b>334,827,910</b>	334,580,370
	<b>398,543,868</b>	398,296,328
Accumulated amortization	<b>(25,260,271)</b>	(18,832,523)
	<b>373,283,597</b>	379,463,805
Discontinued operations (Note 21)	-	861,704
	<b>\$ 373,283,597</b>	\$ 380,325,509

On May 29, 2009, the Trust disposed of its interest in a non-core 29,700 square foot industrial property in Quebec City, Quebec for gross proceeds of \$1.5 million (Note 21).

On January 28, 2008, the Trust disposed of its interest in one industrial property for gross proceeds of \$14.0 million (Note 21), less mortgages assumed by the purchaser of \$7.5 million.

In the three and nine months ended September 30, 2008, the Trust acquired ten properties for \$93.7 million including closing costs. The acquisitions were financed in part by \$23.3 million of assumed mortgages, \$11.4 million equity, \$11.4 million convertible debentures (Note 9) and a draw on the Trust's acquisition and operating facilities.

**4. Deferred Charges**

	<b>September 30, 2009</b>	December 31, 2008
Tenant inducements on acquisitions	\$ 14,948,830	\$ 15,767,787
Leasing costs	<b>8,797,737</b>	6,251,977
	<b>23,746,567</b>	22,019,764
Accumulated amortization		
Tenant inducements on acquisitions	<b>(6,201,494)</b>	(4,829,222)
Leasing costs	<b>(1,527,671)</b>	(924,727)
	<b>(7,729,165)</b>	(5,753,949)
	<b>16,017,402</b>	16,265,815
Discontinued operations (Note 21)	-	7,678
	<b>\$ 16,017,402</b>	\$ 16,273,493

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

**5. Intangible Assets**

	September 30, 2009	December 31, 2008
Lease origination costs	\$ 15,994,371	\$ 16,937,381
Tenant relationships	10,305,971	10,698,483
Above market rents on acquisitions	2,396,541	2,456,255
	<b>28,696,883</b>	<b>30,092,119</b>
Accumulated amortization		
Lease origination costs	(6,315,112)	(4,678,306)
Tenant relationships	(4,100,649)	(2,975,230)
Above market rents on acquisitions	(1,297,889)	(1,026,224)
	<b>(11,713,650)</b>	<b>(8,679,760)</b>
	<b>\$ 16,983,233</b>	<b>\$ 21,412,359</b>

**6. Equity Investments**

	September 30, 2009	December 31, 2008
Equity investments, beginning of period	\$ -	\$ -
Investment in co-ownerships	11,052,327	-
Distributions from co-ownerships	(24,869)	-
Income from co-ownerships	49,402	-
Equity investments, end of period	<b>\$ 11,076,860</b>	<b>\$ -</b>

Effective June 26, 2009, the Trust acquired a 15% interest in a 393,984 square foot industrial facility in Regina, Saskatchewan. The Trust has property management control and has a right of first opportunity in the event of a future sale of the property by the other owner. The Trust has significant influence over the investment.

Effective September 1, 2009, the Trust acquired a 40% interest in a 411,285 square foot industrial facility in Toronto, Ontario. The Trust has property management control and has a right of first opportunity in the event of a future sale of the property by the other owner. The Trust has significant influence over the investment.

Two members of management who are Trustees of the Trust have an indirect minority economic interest in the other owner of the properties of less than 1% and control an investment advisory business that provides advisory services to the other owner.

**7. Mortgages Receivable**

	September 30, 2009	December 31, 2008
Mortgages receivable - interest only, at 10%	\$ -	\$ 7,250,000
Deferred financing costs	-	7,687
Accumulated amortization	-	(7,021)
Mortgages receivable - including deferred financing costs	<b>\$ -</b>	<b>\$ 7,250,666</b>

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

**8. Other Assets**

	<b>September 30, 2009</b>	December 31, 2008
Prepaid expenses and other assets	\$ 3,990,472	\$ 3,642,144
Trade amounts receivable	431,674	608,730
Straight line rent receivable	4,148,640	3,320,634
	<b>8,570,786</b>	7,571,508
Discontinued operations (Note 21)	-	31,370
	<b>\$ 8,570,786</b>	\$ 7,602,878

Trade amounts receivable are net of an allowance for doubtful accounts of \$401,545 at September 30, 2009 and \$225,000 at December 31, 2008 with the difference being charged against property operating costs. An allowance is established when there is objective evidence that the Trust will not be able to collect the amount due. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Approximately \$67,000 of uncollected trade amounts receivable were three months past due at September 30, 2009 but not considered impaired.

**9. Cash**

In conjunction with a centralized banking arrangement, Whiterock applies its cash balances against amounts outstanding under its revolving credit facility (Note 10). The Trust uses the facility, as appropriate, to support its day to day operations.

**10. Mortgages Payable and Facilities**

Mortgages payable and facilities are secured by income properties and are summarized as follows:

	<b>September 30, 2009</b>	December 31, 2008
Mortgage liability - continuing	\$ 273,597,658	\$ 254,842,888
Mortgage liability - discontinued	-	654,202
Mortgage deferred financing costs	(3,113,713)	(2,424,292)
Accumulated amortization	738,930	488,614
Mortgage deferred financing costs - discontinued	-	(26,363)
Accumulated amortization - discontinued	-	14,163
Mortgage liability - net of deferred financing costs	<b>271,222,875</b>	253,549,212
Drawn on acquisition and operating facilities	<b>8,574,483</b>	30,855,442
Acquisition and operating facilities deferred financing costs	(838,788)	(477,596)
Accumulated amortization	592,979	226,851
Acquisition and operating facilities - net of deferred financing costs	<b>8,328,674</b>	30,604,697
	<b>\$ 279,551,549</b>	\$ 284,153,909

On October 1, 2009, proceeds from the issuance of \$20 million of new convertible debentures were used to pay down the remaining outstanding balance on the Trust's acquisition and operating facilities.

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***

The fixed and floating components of the mortgages are as follows:

	<b>September 30, 2009</b>	December 31, 2008
Fixed rate	<b>\$ 273,597,658</b>	\$ 254,842,888
Floating rate	-	-
	<b>273,597,658</b>	254,842,888
Discontinued operations (Note 21)	-	654,202
	<b>\$ 273,597,658</b>	\$ 255,497,090

At September 30, 2009, fixed rate mortgage financing bears interest at a weighted average rate of 5.7% (December 31, 2008 – 5.5%).

Scheduled principal repayments of mortgages payable outstanding as of September 30, 2009 are as follows:

	Scheduled Amortization	Balloon Payments	Total
2009	\$ 1,099,212	\$ -	\$ 1,099,212
2010	4,596,727	11,426,390	16,023,117
2011	5,231,241	-	5,231,241
2012	6,219,681	20,250,892	26,470,573
2013	5,868,991	23,593,756	29,462,747
2014	5,406,474	24,632,619	30,039,093
Thereafter	18,901,346	146,370,329	165,271,675
	<b>\$ 47,323,672</b>	<b>\$ 226,273,986</b>	<b>\$ 273,597,658</b>

**Acquisition and Operating Facilities**

On June 19, 2008, the Trust entered into a demand revolving acquisition and operating facility of up to \$40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and the guarantee of the Trust and can be used for acquisitions, operations and general trust purposes. On August 5, 2009, the \$40 million facility was renewed at floating rates determined, at the Trust's option, by reference to the prime rate plus 350 basis points or Bankers Acceptance rates plus 450 basis points. As at September 30, 2009, there was \$8.0 million outstanding under this facility (December 31, 2008 - \$26.7 million). On October 1, 2009, proceeds from the issuance of \$20 million of new convertible debentures were partly used to pay down the remaining outstanding balance on the Trust's acquisition and operating facility.

The Trust's \$2.25 million demand revolving operating facility is subject to renewal on an annual basis and is secured by mortgages on existing property and the guarantee of the Trust. The facility was renewed on April 17, 2009 and bears interest at a floating rate determined by reference to the prime rate plus 150 basis points. As at September 30, 2009, there was \$0.6 million outstanding under this facility (December 31, 2008 – \$4.2 million). On October 1, 2009, proceeds from the issuance of \$20 million of new convertible debentures were partly used to pay down the remaining outstanding balance on the Trust's operating facility.

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

**11. Convertible Debentures**

As at September 30, 2009, the Trust has five series of convertible debentures outstanding.

	Principal	Interest rate	Conversion Price	Interest Payable	Maturity Date
Series A	\$ 6,797,700	8.0%	\$30.60 per unit	semi-annually	June 28, 2010
Series C	\$ 2,212,000	9.0%	\$36.00 per unit	quarterly	December 21, 2010
Series D	\$ 10,000,000	7.5%	\$45.00 per unit	semi-annually	July 31, 2011
Series E	\$ 25,000,000	6.3%	\$41.25 per unit	semi-annually	December 31, 2011
Series F	\$ 11,400,000	6.0%	\$39.66 per unit	quarterly	July 15, 2012

The convertible debentures were allocated into their liability and equity components on the date of issuance as follows:

	Series A	Series C	Series D	Series E	Series F	Total
Liability	\$ 12,328,078	\$ 2,883,060	\$ 9,564,256	\$ 23,888,615	\$ 10,987,454	\$ 59,651,463
Equity	671,922	116,940	435,744	1,111,385	412,546	2,748,537
Principal on issuance	13,000,000	3,000,000	10,000,000	25,000,000	11,400,000	62,400,000
Conversion of debentures	(6,202,300)	(788,000)	-	-	-	(6,990,300)
<b>Principal - September 30, 2009</b>	<b>\$ 6,797,700</b>	<b>\$ 2,212,000</b>	<b>\$ 10,000,000</b>	<b>\$ 25,000,000</b>	<b>\$ 11,400,000</b>	<b>\$ 55,409,700</b>

The accretion of the liability component of the convertible debentures, which increases the liability component from the initial allocation on the date of issuance, is included in interest expense.

	Series A	Series C	Series D	Series E	Series F	Total
Liability - December 31, 2007	\$ 9,044,036	\$ 2,608,559	\$ 9,667,411	\$ 24,090,489	\$ -	\$ 45,410,495
Issuance of debentures	-	-	-	-	10,987,454	10,987,454
Implicit interest rate in excess of coupon rate	78,660	17,999	82,270	203,332	41,417	423,678
Conversion of debentures	(2,447,831)	(454,823)	-	-	-	(2,902,654)
Liability - December 31, 2008	6,674,865	2,171,735	9,749,681	24,293,821	11,028,871	53,918,973
Implicit interest rate in excess of coupon rate	59,463	13,963	66,185	162,951	71,065	373,627
Liability - September 30, 2009	6,734,328	2,185,698	9,815,866	24,456,772	11,099,936	54,292,600
Deferred financing fees	(922,431)	(165,067)	(240,458)	(1,338,461)	(108,758)	(2,775,175)
Deferred financing fees - Accumulated amortization	804,549	118,184	140,078	684,608	28,650	1,776,069
<b>Balance - September 30, 2009</b>	<b>\$ 6,616,446</b>	<b>\$ 2,138,815</b>	<b>\$ 9,715,486</b>	<b>\$ 23,802,919</b>	<b>\$ 11,019,828</b>	<b>\$ 53,293,494</b>

**Series A**

On June 28, 2005, the Trust issued 8% redeemable subordinated unsecured convertible debentures in the original principal 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 \$30.60.

## WHITEROCK REAL ESTATE INVESTMENT TRUST

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from June 29, 2007 and until June 28, 2009, providing that the 20-day weighted average trading price of the units is at least \$45.90 and, after June 28, 2009, providing that the 20-day weighted average trading price is at least \$38.25.

In the nine months ended September 30, 2008, \$2,511,300 of Series A debentures were converted into 82,067 units.

#### **Series C**

On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the original principal amount of \$3,000,000 with interest payable quarterly 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 \$36.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 21, 2006 and until June 21, 2008, providing that the 20-day weighted average trading price of the units is at least \$39.00 and, after June 21, 2008, providing that the 20-day weighted average trading price is at least \$42.00.

In the nine months ended September 30, 2008, \$465,000 of Series C debentures were converted into 12,917 units.

#### **Series D**

On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the original principal amount of \$10,000,000 with interest payable semi-annually and which mature on July 31, 2011. The debentures are convertible at the request of the holder after July 31, 2007, subject to certain terms and conditions at a conversion price per unit of \$45.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from July 31, 2009 and until July 14, 2010, providing that the 20-day weighted average trading price of the units is at least \$56.25 and, after July 14, 2010, at their principal amount.

#### **Series E**

On December 8, 2006, the Trust issued 6.3% redeemable subordinated unsecured convertible debentures in the original principal amount of \$25,000,000 with interest payable semi-annually and which mature on December 31, 2011. The debentures are convertible at the request of the holder, subject to certain terms and conditions at a conversion price per unit of \$41.25.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 31, 2009 and prior to December 31, 2010, providing that the 20-day weighted average trading price of the units is at least \$51.57 and, after December 30, 2010, at their principal amount.

#### **Series F**

On July 16, 2008, the Trust issued 6.0% redeemable subordinated unsecured convertible debentures in the original principal amount of \$11,400,000 with interest payable quarterly and which mature on July 15, 2012. The debentures are convertible at the request of the holder after July 15, 2009, subject to certain terms and conditions at a conversion price of \$39.66.

The debentures are redeemable at the option of the Trust at 115% of the principal amount subject to certain terms and conditions.

#### **Series G**

On October 1, 2009, the Trust issued 7.0% redeemable subordinated unsecured convertible debentures in the original principal amount of \$20,000,000 with interest payable semi-annually and which mature on December 31, 2014. On October 28, 2009 the Trust issued an additional \$3,000,000

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

of 7% redeemable subordinated unsecured convertible debentures as a result of the underwriters exercising their over-allotment privilege. The debentures are convertible at the request of the holder subject to certain terms and conditions at a conversion price of \$26.06.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 31, 2012 and prior to December 31, 2013, providing that the 20-day weighted average trading price of the units is at least \$32.58 and, after December 31, 2013 at their principal amount.

**12. Accounts Payable and Accrued Liabilities**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
Below market rents on acquisitions	\$ 13,747,817	\$ 13,765,468
Accrued mortgage, facility, and debenture interest	1,929,575	1,513,018
Security deposits	993,468	854,428
Distributions payable	1,164,320	-
Other accounts payable and accrued liabilities	4,628,647	5,750,687
	<b>22,463,827</b>	<b>21,883,601</b>
Accumulated amortization		
Below market rents on acquisitions	<b>(7,446,064)</b>	<b>(5,753,786)</b>
	<b>15,017,763</b>	<b>16,129,815</b>
Discontinued operations (Note 21)	-	19,152
	<b>\$ 15,017,763</b>	<b>\$ 16,148,967</b>

**13. Units**

On December 22, 2008, the Trust consolidated its issued and outstanding units on the basis of one post-consolidation unit for every three pre-consolidation units. All references to units, unit options and warrants in these financial statements, including per unit values, have been adjusted to a post-consolidation basis.

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

	2009		2008	
	Units	\$	Units	\$
Issued and outstanding, January 1	3,956,516	\$ 115,426,201	3,461,758	\$ 99,571,778
Units issued				
Conversion of Series A debentures	-	-	54,607	1,713,670
Distribution reinvestment plan	7,103	102,645	6,937	197,172
Unit issue costs		(24,392)		(92,006)
Issued and outstanding, March 31	3,963,619	115,504,454	3,523,302	101,390,614
Units issued				
Public offering	735,900	10,891,320	-	-
Conversion of Series A debentures	-	-	27,460	863,960
Conversion of Series C debentures	-	-	12,917	472,949
Exercise of options	-	-	2,083	53,750
Issuance of units - trustees	-	-	1,716	50,416
Distribution reinvestment plan	13,644	203,982	18,881	576,526
Value associated with unit option exercised		-		4,677
Unit issue costs		(923,107)		(83,090)
Issued and outstanding, June 30	4,713,163	125,676,649	3,586,359	103,329,802
Units issued				
Issuance of units - acquisitions	-	-	330,434	11,400,000
Issuance of units - trustees	-	-	869	26,233
Distribution reinvestment plan	29,881	527,686	14,419	418,537
Unit issue costs		(38,428)		(177,598)
<b>Issued and outstanding, September 30</b>	<b>4,743,044</b>	<b>\$ 126,165,907</b>	<b>3,932,081</b>	<b>\$ 114,996,974</b>

In the nine months ended September 30, 2009 the Trust closed a \$10,891,320 bought deal public offering at a price of \$14.80 per unit resulting in a total of 735,900 units being issued.

In the three and nine months ended September 30, 2009, the Trust issued 29,881 and 50,628 units, respectively (2008 – 14,419 and 40,237 units) under the Distribution Reinvestment Plan.

In the three and nine months ended September 30, 2008 the Trust issued 330,434 units as partial consideration for the acquisition of eight Alberta properties.

In the nine months ended September 30, 2008, the Trust issued 2,585 units to the independent Trustees of Whiterock in lieu of paying the quarterly retainers for the nine months ended September 30, 2008 to the Trustees. The units were issued at an average price of \$29.65, based on the 20 day weighted average trading price of the units.

**Distribution Reinvestment and Unit Purchase Plan**

In April 2006, the Trust established a Distribution Reinvestment Plan which allows unitholders, subject to certain terms and conditions, to elect to have cash distributions from the Trust reinvested in additional units. Units purchased through reinvestment of distributions are purchased at 96% of the

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

weighted average market price of the units for the 10 trading days preceding the distribution payment date.

**14. Unit Options**

The Trust may grant unit options to the Trustees, senior officers, investor relations consultants and technical consultants to the Trust. The maximum number of units reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding units. The Trustees set the exercise price at the time that a unit option is granted under the plan, which exercise price shall not be less than the 5 day weighted average market price of the units. The unit options have a maximum term of five years from the date of grant and vest over a period of up to two years.

	2009		2008	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, January 1	295,417	\$30.44	192,292	\$31.87
Granted	-	-	18,333	\$29.50
Expired	-	-	(1,042)	\$36.48
Outstanding, March 31	295,417	\$30.44	209,583	\$31.64
Granted	-	-	56,667	\$29.40
Cancelled	-	-	(3,021)	\$33.30
Exercised	-	-	(2,083)	\$25.80
Outstanding, June 30	295,417	\$30.44	261,146	\$31.18
Granted	175,900	\$20.13	23,333	\$30.63
Expired	-	-	(4,063)	\$34.11
Outstanding, September 30	471,317	\$26.59	280,416	\$31.08
Options vested, end of period	470,275	\$26.58	276,250	\$31.11
Weighted average remaining life (years)	3.2		3.1	

The fair value associated with the unit options issued during the nine months ended September 30, 2009 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 33% (2008 – 21%) on the underlying units, the term to expiry of 5 years, an annual distribution of \$3.37, and the five year weighted average risk free interest rate (the five year Canada bond rate at the date of grant).

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

**15. Warrants**

	2009		2008	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, January 1 and September 30	71,833	\$41.83	71,833	\$41.83
Weighted average remaining life (years)	1.7		2.7	

No warrants were issued during the three and nine months ended September 30, 2009 (September 30, 2008 – nil and nil).

**16. Income Property Rentals**

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Revenue from tenant leases	\$ 14,575,001	\$ 13,708,888	\$ 43,168,747	\$ 37,636,302
Accrued rental revenue recognized on a straight-line basis Above and below market lease amortization	291,099	319,553	828,006	932,522
	402,930	534,560	1,378,550	1,315,625
	\$ 15,269,030	\$ 14,563,001	\$ 45,375,303	\$ 39,884,449

**17. Interest**

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Mortgage interest expense	\$ 3,968,629	\$ 3,372,646	\$ 11,519,551	\$ 9,277,044
Facilities and other interest expense	158,689	490,942	801,522	637,839
Debt interest expense	1,196,971	1,134,541	3,573,896	3,158,823
<b>Interest expense - continuing operations</b>	<b>5,324,289</b>	<b>4,998,129</b>	<b>15,894,969</b>	<b>13,073,706</b>
Interest expense				
- discontinued operations (Note 21)	-	10,045	15,576	73,132
Deferred finance cost amortization:				
mortgages payable	(106,519)	(61,755)	(284,081)	(160,789)
mortgages payable				
- discontinued operations (Note 21)	-	(1,483)	(1,523)	(4,393)
acquisition and operating facilities	(114,851)	(96,392)	(390,032)	(207,080)
convertible debentures	(131,378)	(119,278)	(386,347)	(360,202)
Implicit interest rate in excess of coupon rate - convertible debentures	(127,619)	(114,161)	(373,627)	(304,869)
Change in accrued interest	(336,398)	(597,981)	(416,557)	(604,996)
<b>Cash interest paid</b>	<b>\$ 4,507,524</b>	<b>\$ 4,017,124</b>	<b>\$ 14,058,378</b>	<b>\$ 11,504,509</b>

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

**18. General and Administrative Expenses**

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Salaries and wages	\$ 219,735	\$ 235,412	\$ 738,953	\$ 626,934
Trustee fees - cash	43,750	1,500	144,067	24,206
Non-cash compensation - trustees and officers	137,368	48,589	137,952	173,951
Legal, audit and regulatory	82,831	110,751	191,438	260,222
Insurance	10,866	12,435	32,318	40,867
Other general and administrative	34,115	85,868	90,405	195,238
	<b>\$ 528,665</b>	<b>\$ 494,555</b>	<b>\$ 1,335,133</b>	<b>\$ 1,321,418</b>

Included in non-cash compensation for the three and nine months ended September 30, 2009 is \$137,202 of expense related to the issuance of options to trustees and officers of the Trust (three and nine months ended September 30, 2008 - \$21,700 and \$100,420).

**19. Amortization**

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Building and improvements	\$ 2,140,864	\$ 2,049,966	\$ 6,422,591	\$ 5,440,443
Deferred charges				
- tenant inducements on acquisitions	805,611	516,741	2,191,229	1,407,908
- leasing costs	214,486	130,170	577,814	311,916
Intangible assets				
- lease origination costs	1,097,153	582,231	2,579,816	1,430,380
- tenant relationships	714,050	373,641	1,517,931	904,750
Furniture and fixtures	24,287	24,758	72,243	72,360
Amortization expense	<b>\$ 4,996,451</b>	<b>\$ 3,677,507</b>	<b>\$ 13,361,624</b>	<b>\$ 9,567,757</b>

**20. Income Taxes**

Recent tax legislation has adversely affected the tax status of many trusts. Whiterock intends to take the steps necessary to qualify for exemption from these adverse changes. The following summarizes the legislative changes.

Whiterock currently qualifies as a mutual fund trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly-listed or traded trusts, as discussed below, income earned by the Trust and distributed annually to unitholders was not, and would not be, subject to taxation in the Trust, but was taxed at the individual Unitholder level. For financial statement reporting purposes, the tax deductibility of Whiterock's distributions was treated as an exemption from taxation as Whiterock distributed and was committed to continue distributing all of its taxable income to its Unitholders. Accordingly, the Trust did not previously record a provision for income taxes, or future income tax assets or liabilities, in respect of Whiterock or its wholly-owned subsidiary trust.

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***

On June 22, 2007, legislation relating to the federal income taxation of a “specified investment flow-through” trust or partnership (a “SIFT”), received royal assent (the “SIFT Rules”). A SIFT includes certain publicly-listed or traded partnerships and trusts, such as income trusts and real estate investment trusts which do not meet certain conditions. The Trust is currently a SIFT, as discussed below.

Under the SIFT Rules, following a transition period for Existing Trusts (as defined below), certain distributions from a SIFT will no longer be deductible in computing a SIFT’s taxable income, and a SIFT will be subject to tax on such amounts at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax. In fiscal 2006, 2007 and 2008, all Whiterock’s distributions were classed as returns of capital for tax purposes.

A SIFT that was publicly listed before November 1, 2006 (an “Existing Trust”) will generally become subject to the tax contemplated under the SIFT Rules commencing in its 2011 taxation year. However, in accordance with the Normal Growth Guidelines released by the Department of Finance on December 15, 2006, as amended, an Existing Trust may become subject to this tax prior to its 2011 taxation year if it issues new equity capital beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. Whiterock has not exceeded such limits, and subject to any “undue expansion”, management does not believe the Trust will be subject to the SIFT Rules prior to its 2011 taxation year.

Under the SIFT Rules, the new taxation regime will not apply to a trust that meets prescribed conditions relating to the nature of its revenue and investments (the “REIT Conditions”). The Trust intends to take the necessary steps to qualify for the REIT Conditions prior to 2011. Without further action, commencing in 2011 the Trust would become subject to the tax contemplated under the SIFT Rules, because, as currently structured, the Trust does not meet the REIT Conditions and, therefore, it is a SIFT.

Due to the SIFT Rules, in 2007 Whiterock commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax basis of its assets and liabilities, including those of its subsidiary trust, that are expected to reverse in or after 2011. Future income tax assets and liabilities are recorded using substantively enacted tax rates and laws expected to apply when the temporary differences are expected to reverse. The SIFT Rules resulted in the Trust including a future income tax asset of \$40,000 in the consolidated balance sheet at September 30, 2009 and December 31, 2008, and a future income tax expense of nil in the three and nine months ended September 30, 2009 (September 30, 2008 – nil and \$70,000).

The tax effect of temporary differences that give rise to significant portions of the future income tax assets are as follows:

	<b>September 30, 2009</b>	December 31, 2008
Future income tax asset:		
Income producing property	\$ 1,198,000	\$ (120,000)
Straight line rent receivable	(1,203,000)	(930,000)
Non-capital losses	-	1,070,000
Other assets and receivables	45,000	20,000
<b>Net future income tax asset</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

**21. Discontinued Operations**

Effective May 29, 2009, the Trust sold its interest in a 29,700 square foot non-core industrial property in Quebec City, Quebec for gross proceeds of \$1.5 million, representing a gain on sale of \$0.5 million. Proceeds from the sale were used in part to repay the \$0.6 million mortgage on the property and \$0.6 million of cross guaranteed mortgages.

Effective January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan for gross proceeds totaling \$14.0 million, which approximated the Trust's gross book value. In conjunction with the sale, the Trust provided a \$7.25 million second mortgage (Note 7) at a 10% interest rate which was subsequently repaid.

The operating results for these properties have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Revenue</b>				
Income property rentals	\$ -	\$ 46,308	\$ 79,333	\$ 254,865
Interest income	-	375	372	878
	-	46,683	79,705	255,743
<b>Expenses</b>				
Property operating costs	-	11,186	27,274	135,016
Interest	-	10,045	15,576	73,132
Amortization	-	6,388	17,252	50,042
	-	27,619	60,102	258,190
Income (loss) before the undernoted	-	19,064	19,603	(2,447)
Gain on disposition of properties	-	-	530,088	44,819
<b>Income and gain from discontinued operations</b>	<b>\$ -</b>	<b>\$ 19,064</b>	<b>\$ 549,691</b>	<b>\$ 42,372</b>

Cash flow from discontinued operations for the nine months ended September 30, 2009 and 2008 are as follows:

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Cash provided by (used in) operating activities</b>				
Income (loss) and gain from discontinued operations	\$ -	\$ 19,064	\$ 549,691	\$ 42,372
Items not affecting cash				
Amortization	-	6,388	17,252	50,042
Deferred finance cost amortization - mortgages payable	-	1,483	1,523	4,393
Accrued rental revenue recognized on a straight-line basis	-	74	124	223
Above and below market lease amortization	-	-	-	(8,831)
Gain on disposition of properties	-	-	(530,088)	(44,819)
	-	27,009	38,502	43,380
Changes in non-cash operating items	-	(16,310)	11,797	(191,278)
	-	10,699	50,299	(147,898)
<b>Cash provided by (used in) financing activities</b>				
Mortgage principal instalment payments	-	(3,940)	(6,769)	(11,670)
Repayment of cross guaranteed mortgages	-	-	(621,337)	-
	-	(3,940)	(628,106)	(11,670)
<b>Cash provided by (used in) investing activities</b>				
Proceeds from disposition of properties	-	-	745,759	6,431,578
<b>Change in cash - Discontinued operations</b>	<b>\$ -</b>	<b>\$ 6,759</b>	<b>\$ 167,952</b>	<b>\$ 6,272,010</b>

**22. Per Unit Calculations**

On December 22, 2008, the Trust consolidated its issued and outstanding units on the basis of one post-consolidation unit for every three pre-consolidation units. All references to units, unit options and warrants in these financial statements, including per unit values, have been adjusted to a post-consolidation basis.

Basic per unit information is calculated based on the weighted average number of units outstanding for the period. The diluted per unit information is calculated based on the weighted average diluted number of units outstanding for the period, considering the potential exercise of outstanding unit options and warrants to the extent that the unit options and warrants are dilutive and the potential conversion of outstanding convertible debentures to the extent that the debentures are dilutive.

Income from continuing operations, discontinued operations and net income per unit calculations are based on the following:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Weighted average number of units				
Basic	4,729,062	3,868,812	4,353,745	3,637,550
Diluted	4,729,062	3,877,569	4,353,745	3,646,374

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***

The following securities were not included in the diluted net income per unit calculation for the three and nine months ended September 30, 2009 as the effect would have been anti-dilutive:

	Exercise / Conversion Price	Number of Units if Converted or Exercised at September 30, 2009
Unit options		
	\$ 18.27	15,000
	\$ 20.13	175,900
	\$ 25.80	60,000
	\$ 29.22	10,000
	\$ 29.40	56,667
	\$ 29.55	4,167
	\$ 30.00	43,750
	\$ 30.12	4,167
	\$ 30.63	23,333
	\$ 32.64	16,666
	\$ 34.80	6,250
	\$ 39.24	55,417
Warrants		
	\$ 41.28	41,667
	\$ 42.60	30,166
Convertible Debentures		
Series A (8.0%)	\$ 30.60	222,147
Series C (9.0%)	\$ 36.00	61,444
Series F (6.0%)	\$ 39.66	287,443
Series E (6.3%)	\$ 41.25	606,060
Series D (7.5%)	\$ 45.00	222,222
		<b>1,942,466</b>

**23. Segmented Financial Information**

The Trust and its subsidiaries operate in the office, retail and industrial segments of the real estate industry in Canada.

Property operating income (excluding discontinued operations) and income properties by segment for the three and nine months ended September 30, 2009 and 2008 are summarized as follows:

	Three months ended September 30, 2009			
	Office	Retail	Industrial	Total
Income property rentals	\$ 11,588,013	\$ 1,883,631	\$ 1,797,386	\$ 15,269,030
Property operating costs	4,776,779	557,796	591,948	5,926,523
Property operating income	\$ 6,811,234	\$ 1,325,835	\$ 1,205,438	\$ 9,342,507

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

	Three months ended September 30, 2008			
	Office	Retail	Industrial	Total
Income property rentals	\$ 10,810,823	\$ 1,868,291	\$ 1,883,887	\$ 14,563,001
Property operating costs	4,109,000	495,956	624,343	5,229,299
Property operating income	\$ 6,701,823	\$ 1,372,335	\$ 1,259,544	\$ 9,333,702

	Nine months ended September 30, 2009			
	Office	Retail	Industrial	Total
Income property rentals	\$ 34,187,823	\$ 5,681,307	\$ 5,506,173	\$ 45,375,303
Property operating costs	14,077,833	1,755,267	1,902,356	17,735,456
Property operating income	\$ 20,109,990	\$ 3,926,040	\$ 3,603,817	\$ 27,639,847
<b>Income properties - continuing</b>	<b>\$ 269,489,928</b>	<b>\$ 54,951,673</b>	<b>\$ 48,841,996</b>	<b>\$ 373,283,597</b>

	Nine months ended September 30, 2008			
	Office	Retail	Industrial	Total
Income property rentals	\$ 29,970,390	\$ 4,953,615	\$ 4,960,444	\$ 39,884,449
Property operating costs	12,182,792	1,409,058	1,596,099	15,187,949
Property operating income	\$ 17,787,598	\$ 3,544,557	\$ 3,364,345	\$ 24,696,500
<b>Income properties - continuing</b>	<b>\$ 275,459,911</b>	<b>\$ 56,188,205</b>	<b>\$ 49,963,192</b>	<b>\$ 381,611,308</b>

For the nine months ended September 30, 2009, there is one tenant that accounts for more than 10% of the Trusts' total revenue. SIQ (Quebec government agency) comprised approximately 17% (September 30, 2008 – 19%) of the Trust's total revenue.

**24. Capital Management**

The Trust defines capital that it manages as the aggregate of unitholders' equity and interest bearing debt. The Trust's objectives when managing capital are to safeguard and build long term unitholder value, fund its ongoing long term business strategies and provide reasonable returns to unitholders taking into account levels of risk.

The Trust manages its capital structure and makes adjustments to it taking into account changes in economic conditions, availability of capital and the risk characteristics of its underlying assets.

The total managed capital for the Trust is summarized below:

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *continued*

	<b>September 30, 2009</b>	December 31, 2008
Mortgages payable and facilities	<b>\$ 279,551,549</b>	\$ 284,153,909
Convertible debentures	<b>53,293,494</b>	52,533,520
	<b>332,845,043</b>	336,687,429
Unitholders' Equity	<b>78,109,072</b>	80,068,509
	<b>\$ 410,954,115</b>	\$ 416,755,938

The Trust monitors capital from time-to-time using a variety of measures. The Trust's Declaration of Trust contains provisions that have the effect of limiting capital expended by the Trust for, among other items, the following:

Whiterock's Declaration of Trust provides that total indebtedness, which excludes convertible debentures and short term credit facilities, may not exceed 75% of gross book value of the Trust's total assets ("GBV"). Whiterock continues to be in compliance with this ratio. At September 30, 2009, according to the calculation as defined in the Declaration of Trust, this ratio was 58.1% (December 31, 2008 – 54.8%). It is management's intention to reduce Whiterock's leverage ratio over time.

A special resolution was passed at an 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 GBV. The 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.

Monitoring procedures are typically performed as a part of the overall management of Whiterock's operations. The Trust's strategy during the year, which was unchanged from the prior year, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Trust cannot predict.

**25. Financial Instruments and Risk Management**

**Fair values**

For purposes of disclosure, the Trust calculates the fair value of certain assets and liabilities. The fair values of the Trust's financial assets and liabilities which represent net working capital, and the Trust's acquisition and operating facilities, approximate their recorded values at September 30, 2009 and December 31, 2008, due to their short term nature.

The fair value of the Trust's mortgages payable approximates carrying value. The fair value of mortgages payable has been estimated based on current market rates for mortgages with similar terms and conditions.

The fair value of the Trust's convertible debentures liability component approximates carrying value. The fair value of convertible debenture liability component has been estimated based on current market rates for debentures with similar terms and conditions. Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions.

At September 30, 2009 and December 31, 2008, the Trust did not have any cash flow or interest rate hedges in place.

# WHITEROCK REAL ESTATE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

### **Risk management**

The main risks that arise from the Trust's financial instruments are liquidity, interest and credit risk. The Trust's approach to managing these risks, is summarized below:

Management's risk management policies are typically performed as a part of the overall management of the Trust's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Trust has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Trust, management considers the avoidance of undue concentrations of risk. These risks include, and the actions taken to manage them, are as follows:

#### **Liquidity risk**

Liquidity risk is the risk that the Trust may not have sufficient debt and equity capital available to fund its growth program and refinance its debts as they mature. As discussed in Note 24, The Trust's Declaration of Trust provides that total indebtedness, which excludes convertible debentures and short term credit facilities, may not exceed 75% of gross book value of the Trust's total assets. As at September 30, 2009, the Trust had up to \$42.2 million of facilities available for acquisitions, operations and general trust purposes, of which \$8.6 million was drawn. The Trust also endeavors to stagger its debt maturities. Of the Trust's \$273.6 million of mortgage debt at September 30, 2009, none are scheduled to mature in 2009, \$11.4 million are scheduled to mature in November 2010 and none are scheduled to mature in 2011. None of the Trust's convertible debentures are scheduled to mature in 2009 and \$9.0 million are scheduled to mature in 2010.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining long-term mortgages with fixed interest rates minimizes cash flow risk. All of the Trust's outstanding mortgages and convertible debentures are fixed rate. Of the Trust's \$273.6 million of mortgage debt, none are scheduled to mature in 2009, \$11.4 million are scheduled to mature in 2010 and none are scheduled to mature in 2011. None of the Trust's convertible debentures are scheduled to mature in 2009 and \$9.0 million are scheduled to mature in 2010.

#### **Credit risk**

Credit risk arises from the possibility that tenants may experience financial difficulty and may not be able to fulfill their lease commitments. The risk of credit loss is mitigated by leasing policies which require that the financial viability of prospective tenants is investigated and that the tenant mix is comprised of tenants with credit worthy covenants, by staggered lease maturities and by an appropriate geographic mix of tenants.

### **26. Comparative Amounts**

Certain comparative amounts have been re-classified to conform to the current period's presentation.

### **27. Subsequent Events**

On October 1, 2009, the Trust issued 7% redeemable subordinated unsecured convertible debentures in the original principal amount of \$20 million. On October 28, 2009, the underwriters exercised their over allotment privilege and an additional \$3 million of convertible debentures were issued. Part of the

**WHITEROCK REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued***

proceeds were used to pay down the outstanding balance on the Trust's acquisition and operating facilities.

Subsequent to September 30, 2009, the Trust entered into an agreement to acquire a 40% interest in a 50,945 square foot office building in Fredericton, New Brunswick for approximately \$3.9 million excluding closing costs. The acquisition is to be financed by the assumption of a \$2.7 million mortgage and by using cash on hand. The Trust will have property management control, a right of first opportunity in the event of a future sale of the property by the other owner and will have significant influence over the investment.

Subsequent to September 30, 2009, the Trust announced that pursuant to the terms of Whiterock's Declaration of Trust, which permits the subdivision or consolidation of the trust units from time to time by the Trustees, all of its issued and outstanding units will be subdivided on the basis of one (1) additional unit for each pre-subdivision unit held on the record date of November 11, 2009 (the "Record Date"). After the subdivision, each unitholder will hold two (2) units for each pre-subdivision unit held as of the Record Date.