



## **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 audited consolidated financial statements for the years ended December 31, 2008 and 2007. Additional information relating to Whiterock, including its Annual Information Form ("AIF") dated March 18, 2009 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](http://www.sedar.com).

This MD&A is based on information available to management as at November 3, 2009.

### **CAUTIONARY STATEMENT REGARDING DISCLOSURE**

This MD&A 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 made herein under the headings "Overall Business Strategy and Objectives", "Results of Operations – Property Operating Income", "Results of Operations – Future income taxes", "Mortgages Payable and Facilities – Total Indebtedness to Gross Book Value", and "Capital Resources and Liquidity", statements with respect to management's current intention to undertake certain transactions to reduce Whiterock's indebtedness, management's intention to restructure the Real Estate Investment Trust's (REIT's) affairs to qualify for the REIT exception prior to December 31, 2010, financial performance, sale-leaseback opportunities, proposed acquisitions and equity or debt offerings, new markets for growth, financial position, comparable commercial REITs, proposed acquisitions, and other statements concerning Whiterock's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations and other matters which are not historical facts.

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", and the negative forms thereof. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Whiterock's estimates and assumptions, which 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. Such risks include but are not limited to: the risks related to the market for Whiterock's securities, the general risks associated with real property ownership and acquisition, unexpected costs or liabilities related to acquisitions, risk that future accretive acquisition or joint venture opportunities will not be identified and/or completed by Whiterock, lease maturities, risk management, liquidity and general market conditions, an inability of Whiterock to obtain debt or equity financing on favourable terms or at all, credit risks, changes in the competitive landscape, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth and/or diversification opportunities, over-reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, fluctuations in the market price of Whiterock's units, the risk of failure to obtain additional financing, dilution, an unforeseen departure of key personnel, unanticipated adverse 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 which can be obtained at [www.sedar.com](http://www.sedar.com). Although the forward-looking statements contained in the MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. In particular, but without limitation, there can be no assurance that Whiterock will be able to increase its FFO or AFFO. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a less robust leasing environment than has been seen for the last several years; relatively stable interest costs; an increase in acquisition capitalization rates and more limited but available access to equity and debt capital markets to fund, at acceptable costs, Whiterock's future growth plans, and to enable Whiterock to refinance its debts as they mature.

Except as required by law, Whiterock does not undertake, and specifically disclaims, any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

## NON-GAAP MEASURES

Funds from operations ("FFO"), adjusted funds from operations ("AFFO") and property operating income 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.

FFO, AFFO and property operating income are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, FFO, AFFO and property operating income 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, with revisions February 1, 2007 and February 10, 2009. A reconciliation from net income to FFO and to AFFO is calculated under the heading "Funds from Operations and Adjusted Funds from Operations". Property Operating Income is calculated under the heading "Property Operating Income".

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

## HIGHLIGHTS – September 30, 2009

- **Solid FFO** – FFO was \$3.7 million or \$0.78 per unit for the three months ended September 30, 2009. This represents a 93.7% FFO cash payout ratio.
- **Ongoing AFFO** – AFFO for the three months ended September 30, 2009 was \$3.3 million or \$0.70 per unit.
- **Success in Renewing Tenants** – Finished 2009 leasing with 21% increase in rates. Re-leased 52% of leases up for renewal in 2010 with 28% rate increases.
- **Excellent Financial Flexibility** – In the nine months ended September 30, 2009 issued \$10.9 million of equity and renewed \$42 million of credit facilities. Subsequent to September 30, 2009 issued \$23 million of new convertible debentures.

- **High Quality Acquisition Pipeline** – Approximately \$11 million equity invested in properties providing in place AFFO yield in excess of 20% by acquiring managed interests in a 394,000 square foot industrial building in Regina Saskatchewan and a 411,000 square foot Class A office building in Toronto, Ontario. Entered into an agreement to acquire a managed interest in a 51,000 square foot government tenanted building in Fredericton, New Brunswick.
- **Investment Grade Tenants on Long-Term Leases** – 57% of revenues were from government and other investment grade tenants. Average lease term of the portfolio is 7.6 years, providing strong cash flow stability.
- **Secure Top Ten Tenants** – Average remaining lease term of top ten tenants, all investment grade and representing 43.7% of revenue, is 10.9 years.
- **Long-Term Fixed Rate Debt** – Average 6.4 year term for mortgage debt at a weighted average interest rate of 5.7%, all at fixed rates.
- **Geographically Balanced Portfolio** – At September 30, 2009, 16% of the portfolio's property operating income was in Alberta, 17% in Saskatchewan, 29% in Ontario, 27% in Quebec and 11% in Atlantic Canada.
- **Yield** – Distribution yield of 12.9% annualized, based on per unit distribution for the three months ended September 30, 2009, totaling \$0.84, and the October 30, 2009 Unit closing price of \$26.06.
- **Tax Efficient Distributions** – 100% of the distributions made in 2008, 2007 and 2006 were classed as return of capital for tax purposes.

## UNIT CONSOLIDATION

On December 22, 2008, Whiterock consolidated its issued and outstanding units on the basis of one post-consolidated unit for every three pre-consolidated units. All references to units, unit options and warrants contained herein are calculated on a post-consolidated basis.

## BUSINESS OVERVIEW

Whiterock is a growth-oriented REIT focused on increasing Unitholder value through strategic acquisitions, ownership and management of high quality office, industrial, and retail properties in select markets across Canada which provide high returns while maintaining high tenant credit quality.

From June 28, 2005, when Whiterock began active operations to September 30, 2009, it acquired 49 properties with gross book values ("GBV") totaling approximately \$512 million and sold 5 properties for \$67.2 million and a gain of \$4.1 million.

At September 30, 2009, approximately 37% of Whiterock's revenue stream is derived from government leases, and government leases combined with other investment grade tenants supply 57% of the revenue stream. The average remaining lease term of the portfolio was 7.6 years at September 30, 2009.

At September 30, 2009, Whiterock operated in select urban markets as summarized below:

Province	Office		Retail		Industrial	
	Number of Properties	GLA <sup>(1)</sup>	Number of Properties	GLA <sup>(1)</sup>	Number of Properties	GLA <sup>(1)</sup>
Alberta	4	183,198	1	54,516	3	103,691
Saskatchewan	5	219,776	3	174,865	3	332,535
New Brunswick	1	80,162	-	-	2	134,704
Nova Scotia	2	103,584	1	33,857	1	115,773
Ontario	4	528,216	-	-	4	243,161
Quebec	7	975,272	-	-	-	-
Prince Edward Island	-	-	3	69,431	-	-
<b>Total</b>	<b>23</b>	<b>2,090,208</b>	<b>8</b>	<b>332,669</b>	<b>13</b>	<b>929,864</b>

(1) Gross Leasable Area including investments accounted for using the equity method.

Management believes that there are significant leasing and operating synergies which can be derived from a critical mass of properties in defined regions. Since its Initial Public Offering in June 2005, management has considered and completed acquisitions in Western Canada, Ontario, Quebec and Atlantic Canada. Whiterock's investment criteria is contained in its declaration of trust, as amended, (the "Declaration of Trust") a copy of which may be obtained at [www.sedar.com](http://www.sedar.com).

While it has been 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.

## OVERALL BUSINESS STRATEGY AND OBJECTIVES

During the nine months ended September 30, 2009 Whiterock continued to 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. Whiterock has an opportunistic acquisition program with an additional focus on internal growth measures. Whiterock primarily targets 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) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets; (ii) generate stable and growing cash distributions on a tax-efficient basis; and (iii) expand Whiterock's asset base and increase its income available for distribution through an accretive property and joint venture acquisition program. Whiterock achieves its objectives by employing the external and internal growth strategies set out below. Whiterock's objective is to acquire well-located real estate with a large proportion of investment grade tenants having long-term leases and matching these acquisitions with fixed-rate debt of similar term.

The internal growth potential from below market leases, combined with the security provided by existing long term high credit tenants, continue to help maintain the stability of results in turbulent times. Given the current economic conditions, Whiterock remains intensely focused on its existing tenants and properties to continue to drive internal growth.

## **Growth through Opportunistic and Disciplined Acquisitions**

As of September 30, 2009, Whiterock's GBV of real estate was \$448 million, up from \$3 million at the time of its initial public offering in June 2005. During this period, the size of Whiterock's real estate portfolio has increased to 3.4 million square feet of Gross Leasable Area (GLA) from 26,000 square feet of GLA.

Whiterock's growth strategy includes acquiring real estate at attractive capitalization rates while maintaining the high credit quality of its tenants and the physical condition of the assets being acquired. Whiterock focuses on assets with visible, growing cash flow streams and draws on management's experience in leasing, operations and financing to enhance value. Completing acquisitions at capitalization rates that have positive spreads to the asset level financing serves to enhance the REIT's performance.

Whiterock has developed a national platform of diversified commercial real estate across Canada, with target markets nationwide, including: Calgary; Edmonton; the Greater Toronto Area; Regina; Saskatoon; Southwestern Ontario; Ottawa; Halifax; Quebec City; and Montreal.

Management has utilized a geographically opportunistic growth strategy, allowing the REIT to participate in any Canadian market where an opportunity exists to acquire assets that conform to its investment criteria. As a competitive advantage, Whiterock not only focuses on properties in major market centres in Canada, it also operates in markets that are generally not the primary focus of larger REITs and institutional investors. The properties may be acquired in whole or in part in conjunction with institutional co-owners, allowing Whiterock to leverage its returns as a result of its integrated property management platform.

Management has an extensive network of real estate contacts across Canada, the necessary experience to source properties directly from vendors or to purchase through traditional channels, as well as the ability to move quickly to acquire high quality, accretive properties.

Whiterock engages in rigorous financial, physical and market due diligence, focusing on the acquisition criteria set out below:

- *Finding superior locations:* Whiterock seeks assets that are well-located in their respective markets.
- *Long-term leases:* Whiterock attempts to secure long-term leases with high quality credit tenants.
- *Limiting deferred capital expenditures:* Whiterock attempts to acquire properties in good condition by focusing on the average age of the building and the length of time since renovation.
- *Acquiring properties below replacement cost:* Management believes this provides a significant advantage in retaining tenants.

## **Internal Growth through Active Management**

Whiterock achieves 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.

Whiterock currently self-manages nineteen properties. Management believes that selective self management positively contributes to operating results, and intends to continue to expand the self-management of its portfolio.

## Current Business Environment

Whiterock's increase in its FFO and AFFO for the nine months ended September 30, 2009 compared to the prior year comparative period, even though the Canadian economy experienced a recession in all regions of the country, is a result of its focus on active asset and property management and its disciplined acquisition strategy.

Whiterock's portfolio is built to help withstand the cyclical nature of the real estate industry, with long-term leases (7.6 years), long-term debt (6.4 years) at fixed rates (5.7%), and a high percentage of investment grade tenants (57%). Management believes that these characteristics should continue to benefit Whiterock.

Given the recent economic environment and potential acquisition opportunities as a result of the recession, management believed it was prudent to bolster cash and facility reserves. During the nine months ending September 30, 2009, Whiterock raised \$10.9 million in a bought deal public offering and subsequent to September 30, 2009 Whiterock issued \$23 million in new convertible debentures. Whiterock intends to use the net proceeds of the offering for debt repayment, future acquisitions and general trust purposes. Initially, Whiterock used a portion of the net proceeds to eliminate outstanding indebtedness under its credit facilities.

## 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 Whiterock's acquisition criteria, and financing rates and availability. Whiterock's success is also 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. In the opinion of management, the key measures of Whiterock's performance are illustrated in the table below together with a prior year comparative:

(For the nine months ended )	September 30, 2009	September 30, 2008
FFO (basic) per unit <sup>(1)</sup>	\$ 2.52	\$ 3.00
AFFO (basic) per unit <sup>(2)</sup>	\$ 2.24	\$ 2.48
Property operating income - continuing	\$ 27,639,847	\$ 24,696,500
Property operating income - same asset	\$ 22,188,359	\$ 23,175,425
Investment in real estate assets - continuing <sup>(3)</sup>	\$ 448,316,361	\$ 443,079,589
Weighted average mortgage rate	5.7%	5.5%
Weighted average debenture rate	6.8%	6.8%
Interest coverage ratio <sup>(4)</sup>	1.7	1.9
Average lease term (in years) <sup>(5)</sup>	7.6	8.0
Occupancy level <sup>(5)</sup>	96.0%	98.3%
FFO cash payout ratio <sup>(6)</sup>	91.8%	72.3%

(1) Based on FFO of \$10,984,035 and \$10,926,544 in the nine months ended September 30, 2009 and September 30, 2008.

(2) Based on AFFO of \$9,734,358 and \$9,031,073 in the nine months ended September 30, 2009 and September 30, 2008.

(3) As at period end. September 30, 2008 includes \$7.3 million of mortgages receivable secured by real estate assets.

(4) Interest coverage is calculated based on continuing property operating income and income from equity investments less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest and other income.

(5) Reflects executed leases as at the date of this MD&A.

(6) FFO cash payout ratio is calculated as cash distributions divided by FFO for the nine months ended September 30, 2009 and 2008. FFO payout ratio calculated using total distributions (including value of units issued under Whiterock's Distribution Re-investment Plan) divided by FFO for the nine months ended September 30, 2009 and 2008 is 100% and 84% respectively.

In the nine months ended September 30, 2009, Whiterock increased its FFO, AFFO and continuing property operating income compared to the prior year comparative period. Whiterock's key performance measures in 2009 were impacted by the cost of increased liquidity generated from new mortgages and equity as these funds were re-invested for only part of the period and by temporary vacancies and provisions for doubtful accounts.

## INVESTMENT ACTIVITIES

Whiterock acquired 49 properties from the time of its initial public offering in June 2005 to September 30, 2009 with a GLA of 4.1 million square feet and a GBV of approximately \$512 million. In the nine months ended September 30, 2009 Whiterock acquired a 15% interest in 310 Henderson Drive, an industrial facility in Regina, Saskatchewan and a 40% interest in 401 & 405 The West Mall, an office building in Toronto, Ontario. There were no acquisitions in the nine months ended September 30, 2008. In the nine months ended September 30, 2009, Whiterock disposed of 400 Volta Road, a non-core property in Quebec City for proceeds of \$1.5 million. In the nine months ended September 30, 2008, Whiterock disposed of 310 Henderson Drive for proceeds of \$14.0 million with an option to reacquire at market once substantially leased.

### 2009 Acquisitions

Details of Whiterock's acquisitions in the nine months ended September 30, 2009 are as follows:

Property name	City	Province	Date Acquired	(Sq. Ft.) <sup>(1)</sup>
310 Henderson Drive	Regina	SK	06/26/09	59,098
401 & 405 The West Mall	Toronto	ON	09/01/09	164,515
				<b>223,613</b>

(1) Whiterock's ownership interest

**310 Henderson Drive** is a high quality industrial facility comprised of 24 foot clear height warehouse and distribution space with a small office component. The property is one of the largest of its kind in Regina, Saskatchewan and is situated on over 24 acres of land in close proximity to Regina's Ring Road. Access to the building is provided by 41 dock doors, of which 25 have an enclosed loading area. The property is improved by extensive paved areas to facilitate large transport trailers, employee parking and four acres of excess land. It is 100% leased to national and local firms.

On June 26, 2009, the Trust acquired a 15% interest in 310 Henderson Drive 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 and the investment is accounted for using the equity method.

**401 & 405 The West Mall** is comprised of two 11-storey Class A office towers, linked by a two-storey atrium, totaling 411,285 square feet of net rentable area. The property is positioned on the northeast corner of Burnhamthorpe Road and The West Mall. The property serves as Canadian headquarters to several multinational companies and is a leading asset in its competitive set.

On September 1, 2009 Whiterock acquired a 40% interest in 401 & 405 The West Mall for approximately \$32.9 million excluding closing costs. The acquisition was financed by the assumption of a \$25.3 million mortgage and by drawing on the Trust's acquisition and operating facilities.

Two members of management who are Trustees of the Trust (the "Executives") have an indirect minority economic interest of less than 1% in the other owner of 310 Henderson Drive and 401 & 405 The West Mall. In addition, the Executives control an investment advisory business (the "Business") that provides services to the other owner and receives market compensation for such services. The other owner that

invested in the properties is a limited partnership and the Executives control the general partner of the limited partnership. Whiterock does not pay any fees to the Business or the other owner. The independent members of the Board of Trustees of Whiterock have reviewed the transactions, including the involvement of the Executives, and determined that the investment by the Trust in 310 Henderson Drive and 401 & 405 The West Mall was in the best interests of the Trust.

## 2009 Subsequent Agreement to Acquire Property

Whiterock enters into agreements to acquire properties in the normal course of business.

Subsequent to September 30, 2009, Whiterock entered into an agreement to acquire a 40% interest in an 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. Closing is scheduled to occur in November 2009. 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.

A description of the property to be acquired follows:

Property Name	City	Province	(Sq. Ft.) <sup>(1)</sup>
460 Two Nations Crossing	Fredericton	NB	20,378

(1) Represents Whiterock's 40% ownership interest.

**460 Two Nations Crossing** – is a newly constructed 50,945 square foot office building located just northeast of downtown Fredericton. The property features easy access to a major arterial road, Ring Road and is within 10 minutes of downtown Fredericton, as well as within 30 minutes of the Greater Fredericton Airport.

## 2009 Disposition

Details of Whiterock's property divestiture in the nine months ended September 30, 2009 are as follows:

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.)
400 Volta Avenue	Quebec	QC	5/29/09	29,700

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 totaling \$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.

## 2008 Disposition

Details of Whiterock's property divestiture in the nine months ended September 30, 2008 are as follows:

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.)
310 Henderson Drive	Regina	SK	01/28/08	395,159

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 GBV. The Trust had the right to acquire the property at market once substantially leased. This transaction enabled the Trust to subsequently re-acquire an interest in this attractive asset in a desirable market, once stabilized, without incurring operating shortfalls or the risk associated with lease-up of the property.

## SUMMARY OF QUARTERLY RESULTS

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.

(in \$000's except per unit information)	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue								
- continuing operations	<b>15,364</b>	14,789	15,693	15,752	14,758	12,814	12,962	12,563
- discontinued operations	-	33	47	46	47	46	163	381
Property operating income								
- continuing operations	<b>9,343</b>	9,007	9,291	9,409	9,334	7,722	7,641	7,567
- discontinued operations	-	19	33	34	35	34	50	129
Income (loss)	<b>(1,412)</b>	26	(546)	221	377	620	359	(704)
Income (loss) per unit								
- basic	<b>(0.30)</b>	0.01	(0.14)	0.06	0.10	0.17	0.10	(0.21)
- diluted	<b>(0.30)</b>	0.01	(0.14)	0.06	0.10	0.17	0.10	(0.21)
Funds from operations (FFO)	<b>3,699</b>	3,403	3,882	4,109	4,036	3,535	3,355	2,985
FFO per unit								
- basic	<b>0.78</b>	0.78	0.98	1.04	1.04	0.99	0.97	0.87
- diluted	<b>0.78</b>	0.77	0.94	0.99	0.99	0.96	0.94	0.86
Adjusted funds from operations (AFFO)	<b>3,288</b>	3,188	3,258	3,432	3,324	2,923	2,784	2,578
AFFO per unit								
- basic	<b>0.70</b>	0.73	0.82	0.87	0.86	0.82	0.80	0.75
- diluted	<b>0.68</b>	0.71	0.78	0.82	0.81	0.78	0.77	0.73
Cash distribution per unit	<b>0.84</b>	0.84	0.84	0.84	0.84	0.84	0.84	0.84

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 affect 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.

In the three months ended September 30, 2009, FFO and AFFO were impacted by the cost of increased liquidity generated from the issuance of equity as these funds were not re-invested for the full period, and by temporary vacancies in 193 Malpeque Road and 655 Bay Street (both of which were subsequently re-leased).

AFFO per unit in the second quarter of 2009 included a one time net gain on sale of \$0.3 million or \$0.07 per unit. Excluding the impact of the gain, AFFO per unit (basic) in the second quarter would be \$0.66 and AFFO per unit (diluted) in the second quarter would be \$0.65.

## RESULTS OF OPERATIONS

### Statement of income

Summarized financial results for the three and nine months ended September 30, 2009 and 2008 are as follows:

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Property operating income	\$ 9,342,507	\$ 9,333,702	\$ 27,639,847	\$ 24,696,500
Income from equity investments	47,096	-	49,402	-
Interest and other income	47,713	194,784	420,873	649,933
Interest expense	(5,324,289)	(4,998,129)	(15,894,969)	(13,073,706)
General and administrative expenses	(528,665)	(494,555)	(1,335,133)	(1,321,418)
Amortization	(4,996,451)	(3,677,507)	(13,361,624)	(9,567,757)
Income (loss) before the undernoted	(1,412,089)	358,295	(2,481,604)	1,383,552
Future income expense	-	-	-	(70,000)
<b>Income (loss) from continuing operations</b>	<b>(1,412,089)</b>	<b>358,295</b>	<b>(2,481,604)</b>	<b>1,313,552</b>
Income (loss) from discontinued operations	-	19,064	19,603	(2,447)
Gain on disposition of properties	-	-	530,088	44,819
<b>Net income (loss) and comprehensive income</b>	<b>\$ (1,412,089)</b>	<b>\$ 377,359</b>	<b>\$ (1,931,913)</b>	<b>\$ 1,355,924</b>

#### Basic net income (loss) per unit

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

#### Diluted net income (loss) per unit

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

Whiterock's net income (loss) for the three and nine months ended September 30, 2009 was \$(1.4) million and \$(1.9) million respectively compared to net income of \$0.4 million and \$1.4 million respectively in the three and nine months ended September 30, 2008.

As a result of a tenant default at the Trust's 193 Malpeque Road property in Charlottetown, PEI, as well as a default by a tenant that occupied both the 4609 Manitoba Road property in Calgary, AB and the 1512 & 1514 8<sup>th</sup> Street property in Nisku, AB, amortization expense for the nine months ended September 30, 2009 includes a one time non-cash charge, totaling \$1.7 million, to write off the remaining unamortized balance of deferred charges and intangible assets that related to the leases that were terminated (three months ended September 30, 2009 - \$1.1 million).

Following is a discussion of individual income components:

### Property operating income

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
<b>Income property rentals</b>				
<b>Same Property <sup>(1)</sup></b>				
Rental income	\$ 12,154,487	\$ 11,861,506	\$ 35,859,603	\$ 35,788,921
Straight-line rent	264,422	291,821	721,005	904,789
Above and below market lease amortization	291,416	387,481	909,988	1,168,546
	<b>12,710,325</b>	<b>12,540,808</b>	<b>37,490,596</b>	<b>37,862,256</b>
<b>Acquisitions</b>				
Rental income	2,420,513	1,847,382	7,309,144	1,847,382
Straight-line rent	26,678	27,732	107,001	27,732
Above and below market lease amortization	111,514	147,079	468,562	147,079
	<b>15,269,030</b>	<b>14,563,001</b>	<b>45,375,303</b>	<b>39,884,449</b>
<b>Property operating costs</b>				
Same property <sup>(1)</sup>	5,125,544	4,728,181	15,302,237	14,686,831
Acquisitions	800,979	501,118	2,433,219	501,118
	<b>5,926,523</b>	<b>5,229,299</b>	<b>17,735,456</b>	<b>15,187,949</b>
<b>Property operating income</b>				
Same property <sup>(1)</sup>	7,584,781	7,812,627	22,188,359	23,175,425
Acquisitions	1,757,726	1,521,075	5,451,488	1,521,075
	<b>\$ 9,342,507</b>	<b>\$ 9,333,702</b>	<b>\$ 27,639,847</b>	<b>\$ 24,696,500</b>

(1) Same property values exclude the results of properties classified as discontinued operations. (See "2008 Disposition" and "2009 Disposition".)

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.

#### *Same Property Growth*

On a same property basis, property operating income for the three and nine months ended September 30, 2009 decreased \$0.2 million or 2.9% and decreased \$1.0 million or 4.3% respectively compared to the three and nine months ended September 30, 2008.

The \$0.2 million decrease in same property operating income in the three months ended September 30, 2009 is primarily the result of tenant vacancies at 655 Bay Street and 193 Malpeque Road. Management considers this decrease to be temporary in nature as the vacancy at 655 Bay Street was leased and cash rent commenced effective August 1, 2009 and the vacancy at 193 Malpeque Road was leased and cash rent commenced effective October 1, 2009.

Of the \$1.0 million decrease in same property operating income in the nine months ended September 30, 2009, \$0.8 million is the result of temporary vacancies.

Income property rentals from same properties (32 properties owned for the three months ended September 30, 2009 and 2008) increased \$0.2 million, or 1.4% for the three months ended September 30, 2009 as compared to 2008. Same property operating costs increased \$0.4 million, or 8.4% for the

three months ended September 30, 2009 as compared to 2008. Same property operating income for the three months ended September 30, 2009 includes \$0.3 million from leases with contractual rent increases recognized on a straight-line basis, compared to \$0.3 million in the comparable prior year period. In addition, income from same property rentals for the three months ended September 30, 2009 includes \$0.3 million of amortization of above and below market lease adjustments, compared to \$0.4 million for the same period in 2008.

Income property rentals from same properties (32 properties owned for the nine months ended September 30, 2009 and 2008) decreased \$0.4 million, or 1.0% for the nine months ended September 30, 2009 as compared to 2008 as a result of the above noted tenant vacancies. Same property operating costs increased \$0.6 million, or 4.2% for the nine months ended September 30, 2009 as compared to 2008. Same property operating income for the nine months ended September 30, 2009 includes \$0.7 million from leases with contractual rent increases recognized on a straight-line basis, compared to \$0.9 million in the comparable prior year period. In addition, income from same property rentals for the nine months ended September 30, 2009 includes \$0.9 million of amortization of above and below market lease adjustments, compared to \$1.2 million for the same period in 2008.

Margins on same property net operating income in the third quarter of 2009 and 2008 are 60% and 62% respectively. Excluding the impact of the above noted tenant vacancies, the margin on same property net operating income in the third quarter of 2009 is 61%.

Margins on same property net operating income for the nine months ended September 30, 2009 and 2008 are 59% and 61% respectively. Excluding the impact of the above noted tenant vacancies, the margin on same property net operating income in the nine months ended September 30, 2009 is 61%.

#### *Growth due to Acquisitions*

Income property rentals for the three months and nine months ended September 30, 2009 includes \$2.6 million and \$7.9 million from continuing properties acquired throughout 2008, compared to \$2.0 million and \$2.0 million for the same period in 2008.

Property operating costs increased due to 2008 acquisitions by \$0.3 million in the three months ended September 30, 2009 and by \$1.9 million in the nine months ended September 30, 2009 compared to the same periods in 2008. Property operating costs were impacted by provisions for doubtful accounts and bad debt expense of \$0.04 million and \$0.2 million in the three and nine months ended September 30, 2009 respectively, related to a tenant that filed an assignment in bankruptcy at the Trust's 4609 Manitoba Road and 1512 & 1514 8th Street properties. The receiver for the tenant continued to pay occupation rent until September 3rd and September 23rd, 2009 respectively, at which time the leases were disclaimed. The company has received a binding offer to purchase one of the buildings for an amount in excess of book value, and has received offers to lease the other premises. Management believes that the impact on Whiterock of these vacancies will be short-term in nature.

As at September 30, 2009, the gross value of above and below market leases on acquisition for continuing operations was \$11.3 million.

#### *Leasing Performance*

The Trust continues to experience high occupancy levels in its properties. Occupancy levels were 96.0% at September 30, 2009 compared to 98.3% at September 30, 2008. The decrease in occupancy is predominantly the result of temporary vacancies at the Trust's 193 Malpeque Rd. property in Charlottetown, 655 Bay Street in Toronto as well as 4609 Manitoba Road in Calgary and 1512 & 1514 8<sup>th</sup> Street in Nisku, Alberta.

To date, 89% of leases up for renewal in 2009 have been re-leased and approximately 52% of leases up for renewal in 2010 have been re-leased. To date, increases in 2010 lease renewal rates have averaged approximately 28% (2009 – 21%).

### Segmented Performance

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended September 30, 2009 and 2008 were 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
<b>Property operating income</b>	<b>\$ 6,811,234</b>	<b>\$ 1,325,835</b>	<b>\$ 1,205,438</b>	<b>\$ 9,342,507</b>

  

	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

Property operating income from office properties provided 73% of total property operating income for the three months ended September 30, 2009 compared to 72% for the same period in 2008.

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

	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
<b>Property operating income</b>	<b>\$ 20,109,990</b>	<b>\$ 3,926,040</b>	<b>\$ 3,603,817</b>	<b>\$ 27,639,847</b>
<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
Income properties - continuing	\$ 275,459,911	\$ 56,188,205	\$ 49,963,192	\$ 381,611,308

Property operating income from office properties provided 73% of total property operating income for the nine months ended September 30, 2009 compared to 72% for the same period in 2008.

At September 30, 2009, Whiterock has achieved a geographic balance of revenue from its portfolio across Canada, with approximately 16% of the portfolio's property operating income generated from Alberta, 17% from Saskatchewan, 29% from Ontario, 27% from Quebec and 11% from Atlantic Canada.

### Interest and other income

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
<b>Interest and other income</b>	<b>\$ 47,713</b>	<b>\$ 194,784</b>	<b>\$ 420,873</b>	<b>\$ 649,933</b>

Interest and other income for the three and nine months ended September 30, 2009 totaled \$0.05 million and \$0.4 million respectively compared to \$0.2 million and \$0.6 million in the prior year comparative periods, and was derived primarily from interest on mortgages receivable and cash generated from property management.

### Interest expense

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Mortgage interest expense	\$ 3,862,110	\$ 3,310,891	\$ 11,235,470	\$ 9,116,255
Facilities and other interest expense	43,838	394,550	411,490	430,759
Debenture interest	937,974	901,102	2,813,922	2,493,752
Deferred finance cost				
- mortgages	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				
- convertible debentures	127,619	114,161	373,627	304,869
<b>Interest expense</b>	<b>\$ 5,324,289</b>	<b>\$ 4,998,129</b>	<b>\$ 15,894,969</b>	<b>\$ 13,073,706</b>

Interest expense for the three and nine months ended September 30, 2009 results from mortgages on properties acquired, convertible debentures issued, and from the acquisition and operating facilities. The increase of \$0.3 million for the three months ended September 30, 2009 and \$2.8 million for the nine months ended September 30, 2009 compared to the prior year comparative periods results from mortgages on properties acquired, convertible debentures issued in connection with properties acquired, and from the use of the acquisition and operating facilities.

### General and administrative expenses

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Salaries and wages	\$ 219,735	\$ 235,412	\$ 738,953	\$ 626,934
Trustee fees paid in 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>General and administrative expenses</b>	<b>\$ 528,665</b>	<b>\$ 494,555</b>	<b>\$ 1,335,133</b>	<b>\$ 1,321,418</b>

For the three and nine months ended September 30, 2009, general and administrative expenses totaled \$0.5 million and \$1.3 million respectively compared to \$0.5 million and \$1.3 million respectively for the comparable periods in 2008. Non-cash compensation expense includes the value of options and units issued to the trustees and management of Whiterock. 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).

## Future 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.

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).

## Amortization

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 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	\$ 4,996,451	\$ 3,677,507	\$ 13,361,624	\$ 9,567,757

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$5.0 million and \$13.4 million respectively for the three and nine months ended September 30, 2009, compared with \$3.7 million and \$9.6 million respectively for the comparable prior year periods. The increases in the current year primarily reflect the impact of property additions in 2008.

## Discontinued operations

Effective May 29, 2009, the Trust sold its interest in a 29,700 square foot industrial property in Quebec City, Quebec for gross proceeds totaling \$1.5 million, generating 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.

On 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 GBV. In conjunction with the sale, the Trust provided a two year \$7.25 million second mortgage (subsequently repaid) at a 10% interest rate in priority to the additional equity capital provided by the purchaser.

The operating results for these properties and the gain on disposition of the properties have been classified as discontinued operations to comply with the disclosure requirements of CICA Handbook Section 3475.

Discontinued operating results for the above noted properties are as follows:

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
<b>Income property rentals</b>				
Rental income	\$ -	\$ 46,234	\$ 79,209	\$ 245,811
Straight-line rent	-	74	124	223
Above and below market lease amortization	-	-	-	8,831
<b>Income property rentals</b>	-	46,308	79,333	254,865
Property operating costs	-	(11,186)	(27,274)	(135,016)
<b>Property operating income</b>	-	35,122	52,059	119,849
<b>Interest income</b>	-	375	372	878
<b>Interest expense</b>				
Mortgage interest expense	-	(8,562)	(14,053)	(68,739)
Deferred finance cost	-	(1,483)	(1,523)	(4,393)
<b>Interest expense</b>	-	(10,045)	(15,576)	(73,132)
<b>Amortization</b>				
Building and improvements	-	(4,787)	(9,574)	(35,819)
Deferred charges				
- tenant inducements on acquisitions	-	-	-	(2,610)
- leasing costs	-	(1,601)	(7,678)	(4,803)
Intangible assets				
- lease origination costs	-	-	-	(4,035)
- tenant relationships	-	-	-	(2,775)
<b>Amortization</b>	-	(6,388)	(17,252)	(50,042)
<b>Income (loss) from discontinued operations</b>	\$ -	\$ 19,064	\$ 19,603	\$ (2,447)

The gain on disposal for the above noted properties is as follows:

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
<b>Gain on disposition of property</b>	\$ -	\$ -	\$ 530,088	\$ 44,819

## Cash flow from operating activities

Cash flow from continuing operating activities for the three and nine months ended September 30, 2009 was \$4.2 million and \$10.4 million respectively, compared to \$8.6 million and \$12.3 million respectively in the comparative prior year periods. Cash flow from continuing operations in the three and nine months ended September 30, 2009 was impacted by the additional income from acquisitions, the timing of operating expenses, higher contractual rents and synergies of the larger operating platform in 2009. Cash flow in 2008 was positively impacted by improved working capital amounting to \$5.0 million and \$2.3 million in the three and nine months ended September 30, 2008.

Cash flow from discontinued operating activities for the three and nine months ended September 30, 2009 was nil and \$0.05 million respectively, compared to \$0.01 million and \$(0.1) million in the comparative prior year periods. The disposition of a non-core industrial property in Quebec City, Quebec in the nine months ended September 30, 2009 generated net cash proceeds of \$0.8 million and \$0.6 million was used to repay cross guaranteed mortgages. The disposition of an industrial property in

Regina, Saskatchewan in the nine months ended September 30, 2008 generated net cash proceeds of \$6.4 million.

### Funds from Operations and Adjusted Funds from Operations

FFO and 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.

FFO for the three and nine months ended September 30, 2009 and 2008 is calculated in accordance with guidance issued by the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007, and February 10, 2009 as follows:

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Income (loss) for the period	\$ (1,412,089)	\$ 377,359	\$ (1,931,913)	\$ 1,355,924
Add back amortization:				
Building and improvements	2,140,864	2,049,966	6,422,591	5,440,443
Tenant inducements on acquisitions	805,611	516,741	2,191,229	1,407,908
Leasing costs	214,486	130,170	577,814	311,916
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
Discontinued operations	-	6,388	17,252	50,042
Equity investments	139,403	-	139,403	-
Add back:				
Future income tax expense	-	-	-	70,000
Less:				
Gain on disposition of property	-	-	(530,088)	(44,819)
<b>Funds from Operations (FFO)</b>	<b>\$ 3,699,478</b>	<b>\$ 4,036,496</b>	<b>\$ 10,984,035</b>	<b>\$ 10,926,544</b>

AFFO for the nine months ended September 30, 2009 and 2008 is calculated as follows:

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
<b>Funds from Operations (FFO)</b>	<b>\$ 3,699,478</b>	\$ 4,036,496	<b>\$ 10,984,035</b>	\$ 10,926,544
Amortization of deferred finance costs				
Continuing operations	<b>352,748</b>	277,425	<b>1,060,460</b>	728,071
Discontinued operations	-	1,483	<b>1,523</b>	4,393
Equity investments	<b>1,975</b>	-	<b>1,975</b>	-
Convertible debentures implicit interest rate in excess of coupon rate	<b>127,619</b>	114,161	<b>373,627</b>	304,869
Non cash compensation expense	<b>137,368</b>	48,589	<b>137,952</b>	173,951
Gain on disposition of properties, net of accumulated amortization <sup>(1)</sup>	-	-	<b>317,892</b>	-
Accrued straight line rental revenue				
Continuing operations	<b>(291,099)</b>	(319,553)	<b>(828,006)</b>	(932,522)
Discontinued operations	-	74	<b>124</b>	223
Equity investments	<b>(14,228)</b>	-	<b>(14,228)</b>	-
Above and below market lease amortization				
Continuing operations	<b>(402,930)</b>	(534,560)	<b>(1,378,550)</b>	(1,315,625)
Discontinued operations	-	-	-	(8,831)
Equity investments	<b>(14,446)</b>	-	<b>(14,446)</b>	-
Normalized revenue sustaining capital expenditures and leasing costs				
Continuing operations	<b>(300,000)</b>	(300,000)	<b>(900,000)</b>	(850,000)
Discontinued operations	-	-	-	-
Equity investments	<b>(8,000)</b>	-	<b>(8,000)</b>	-
<b>Adjusted Funds from Operations (AFFO)</b>	<b>\$ 3,288,485</b>	\$ 3,324,115	<b>\$ 9,734,358</b>	\$ 9,031,073

(1) 400 Volta - Gain on disposition - \$530,088, accumulated amortization - \$212,196

FFO for the three months ended September 30, 2009 is \$3.7 million compared to \$4.0 million in 2008. FFO for the three months ended September 30, 2009 was impacted by increased net operating income from the effect of new leases and rent escalations and accretive acquisitions in 2008 which was fully offset by the cost of increased liquidity generated from the issuance of equity as these funds were not re-invested for the full period. FFO was also impacted by temporary vacancies in 193 Malpeque Road and 655 Bay Street and by increased interest costs as the Trust refinanced short term credit facilities with long term debt in order to realize more stable cash flows.

FFO for the nine months ended September 30, 2009 is \$11.0 million compared to \$10.9 million in 2008. FFO for the nine months ended September 30, 2009 was impacted by increased net operating income from the effect of new leases and rent escalations and accretive acquisitions in 2008 partially offset by cost of the increased liquidity generated from new mortgages and equity as these funds were not re-invested for the full period. FFO was also impacted by temporary vacancies in 193 Malpeque Road and 655 Bay Street and by increased interest costs as the Trust refinanced short term credit facilities with long term debt in order to realize more stable cash flows.

AFFO for the three and nine months ended September 30, 2009 is \$3.3 million and \$9.7 million respectively compared to \$3.3 million and \$9.0 million respectively in the prior year comparative periods.

AFFO for the three months ended September 30, 2009 was impacted by an increase in amortization of deferred financing costs as a result of additional long term debt, and by an increase in the value of non-cash compensation expense as a result of unit options granted to management and members of the board of trustees.

This nine-month period increase in AFFO is primarily the result of the gain (net of accumulated amortization) on the sale of 400 Volta, increased net operating income from the impact of accretive

acquisitions, new leases and rent escalations partially offset by a decrease in occupancy level compared to the prior year period, primarily from temporary vacancies in 193 Malpeque Road and 655 Bay Street and provisions for doubtful accounts and bad debt expense. AFFO was also impacted by the cost of increased liquidity generated from new mortgages and equity as these funds were not re-invested for the full period and by the cost of refinancing short term credit facilities with long term debt in order to realize more stable cash flows.

Leasing costs and capital expenditures incurred in the three and nine months ended September 30, 2009 considered to be revenue sustaining in nature totaled \$0.2 million and \$0.9 million respectively. Costs undertaken to upgrade Courthouse facilities in 277 Pleasant Street in the three and nine months ended September 30, 2009 totaled \$0.6 million and \$1.6 million respectively. Costs undertaken to upgrade the existing HVAC system at 900 D'Youville in Quebec City in the three and nine months ended September, 2008 totaled nil and \$0.9 million respectively. These costs are revenue enhancing rather than revenue sustaining and are excluded from the calculation of AFFO. Normalized revenue sustaining capital expenditures and leasing costs, used in the calculation of AFFO, are \$0.3 million and \$0.9 million in the three and nine months ended September 30, 2009 respectively.

Weighted average units outstanding and basic and diluted FFO and AFFO are as follows:

	Three months ended		Nine months ended	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Weighted average units outstanding				
Basic	<b>4,729,062</b>	3,868,812	<b>4,353,745</b>	3,637,550
Diluted - FFO	<b>5,017,306</b>	4,948,998	<b>4,641,188</b>	4,581,273
Diluted - AFFO	<b>5,845,514</b>	4,948,998	<b>5,469,396</b>	4,581,273
FFO per unit - basic	<b>\$ 0.78</b>	\$ 1.04	<b>\$ 2.52</b>	\$ 3.00
FFO per unit - diluted	<b>\$ 0.78</b>	\$ 0.99	<b>\$ 2.50</b>	\$ 2.89
AFFO per unit - basic	<b>\$ 0.70</b>	\$ 0.86	<b>\$ 2.24</b>	\$ 2.48
AFFO per unit - diluted	<b>\$ 0.68</b>	\$ 0.81	<b>\$ 2.16</b>	\$ 2.36

FFO per unit (basic) decreased by \$0.26 or 25% for the three months ended September 30, 2009 and \$0.48 or 16% for the nine months ended September 30, 2009, compared to the previous year comparable period. The decrease is as a result of the change in FFO generated in 2009 as described above, offset by the impact of the issuance of equity in the nine months ended September 30, 2009 which created additional liquidity but that was not invested for the full period. Basic FFO per unit of \$0.78 for the three months ended September 30, 2009 represents a payout ratio of 93.7% on Whiterock's cash distributions in the quarter.

AFFO per unit (basic) decreased \$0.16 per unit or 19% for the three months ended September 30, 2009 and \$0.25 or 10% for the nine months ended September 30, 2009 compared to the same period in 2008. AFFO per unit (diluted) decreased \$0.12 per unit and \$0.19 per unit for the three and nine months ended September 30, 2009 respectively, compared to the same period in 2008.

## FINANCIAL POSITION

Selected balance sheet information follows:

	September 30, 2009	December 31, 2008
Investment in real estate <sup>(1)</sup>		
- continuing operations	\$ 448,316,361	\$ 443,900,430
- discontinued operations	\$ -	\$ 1,059,504
Total assets	\$ 425,971,878	\$ 432,904,905
Mortgages payable and facilities		
- continuing operations	\$ 279,551,549	\$ 283,511,907
- discontinued operations	\$ -	\$ 642,002
Convertible debentures	\$ 53,293,494	\$ 52,533,520
Unitholders' Equity	\$ 78,109,072	\$ 80,068,509

(1) Includes \$7.3 million in mortgages receivable secured by real estate assets as at December 31, 2008

## MORTGAGES PAYABLE AND FACILITIES

Whiterock strives to match the mortgage term on its acquisitions to the average lease term of its properties. At September 30, 2009, Whiterock's mortgages payable have a weighted average remaining term of 6.4 years and a weighted average interest rate of 5.7% with 100% at fixed rates.

Whiterock's fixed and floating rate mortgage debt and credit facilities payable as at September 30, 2009 and as at December 31, 2008 are as follows:

	September 30, 2009		December 31, 2008	
	Total	%	Total	%
<b>Mortgages payable</b>				
Fixed rate	\$ 273,597,658	100.0%	\$ 254,842,888	100.0%
Floating rate	-	-	-	-
	<b>273,597,658</b>	<b>100.0%</b>	254,842,888	100.0%
Discontinued operations	-	-	654,202	100.0%
Mortgage liability	<b>273,597,658</b>	<b>100.0%</b>	255,497,090	100.0%
Deferred financing fees - continuing	(3,113,713)		(2,424,292)	
Deferred financing fees -				
Accumulated amortization - continuing	738,930		488,614	
Deferred financing fees - discontinued	-		(26,363)	
Accumulated amortization - discontinued	-		14,163	
Mortgages payable -				
net of deferred financing fees	<b>271,222,875</b>		253,549,212	
<b>Acquisition and Operating facilities</b>				
Acquisition and Operating facilities liability	<b>8,574,483</b>		30,855,442	
Deferred financing fees	(838,788)		(477,596)	
Deferred financing fees -				
Accumulated amortization	592,979		226,851	
Acquisition and Operating facilities -				
Deferred financing fees (net)	(245,809)		(250,745)	
<b>Mortgages payable and facilities</b>	<b>\$ 279,551,549</b>		\$ 284,153,909	

The increase in mortgages payable at September 30, 2009 results primarily from the refinancing of a second mortgage that matured in March 2009 on a Quebec City, Quebec property, for net new proceeds of \$4.5 million and from obtaining a new \$12.5 million first mortgage on an existing property in Calgary, Alberta and a new \$5.3 million second mortgage on an existing property in St. Hyacinthe, Quebec. These proceeds together with the proceeds from the new \$10.9 million equity issuance were used to pay down Whiterock's operating facilities and create additional financial flexibility. 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 Whiterock's acquisition and operating facilities.

The following table summarizes Whiterock's mortgage maturity schedule as at September 30, 2009:

<b>Year of Maturity</b>	<b>Scheduled Amortization</b>	<b>Balloon Payments</b>	<b>Total</b>	<b>Weighted Average Interest Rate</b>
2009	\$ 1,099,212	\$ -	\$ 1,099,212	5.63%
2010 <sup>(1)</sup>	4,596,727	11,426,390	16,023,117	5.28%
2011	5,231,241	-	5,231,241	5.56%
2012	6,219,681	20,250,892	26,470,573	5.86%
2013	5,868,991	23,593,756	29,462,747	5.58%
2014	5,406,474	24,632,619	30,039,093	7.42%
2015	5,347,780	46,290,081	51,637,861	5.27%
2016	3,133,069	87,690,977	90,824,046	5.29%
2017	1,470,148	3,251,950	4,722,098	5.74%
2018	1,411,561	2,571,466	3,983,027	5.97%
Thereafter	7,538,788	6,565,855	14,104,643	5.54%
<b>Total continuing operations</b>	<b>\$ 47,323,672</b>	<b>\$ 226,273,986</b>	<b>\$ 273,597,658</b>	<b>5.68%</b>

(1) 2010 Balloon payments due November 1, 2010

### *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 Whiterock'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 facilities.

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 acquisition and operating facilities.

### *Total Indebtedness to Gross Book Value*

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of GBV (all as defined in the Declaration of Trust). 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%) as per the table below. This ratio has increased in 2009 primarily due to the issuance of long term mortgage debt to repay short term credit facility debt. It is management's intention to reduce Whiterock's leverage ratio over time. A special resolution was passed 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 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.

The Total Indebtedness to GBV calculation, in accordance with the Declaration of Trust, is as follows as at September 30, 2009 and December 31, 2008:

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
<b>Total Indebtedness</b>		
Mortgages payable		
- continuing operations	\$ 273,597,658	\$ 254,842,888
- discontinued operations	-	654,202
<b>Total Indebtedness</b>	<b>273,597,658</b>	<b>255,497,090</b>
<b>Gross Book Value</b>		
Total GBV of real estate assets		
- continuing operations	462,064,178	457,665,898
- discontinued operations	-	1,059,504
Other assets	8,610,786	7,642,878
<b>Total Gross Book Value</b>	<b>\$ 470,674,964</b>	<b>\$ 466,368,280</b>
<b>Total Indebtedness to Gross Book Value</b>	<b>58.1%</b>	<b>54.8%</b>

## CONVERTIBLE DEBENTURES

Whiterock had \$55.4 million (principal amount) of redeemable subordinated convertible debentures outstanding at September 30, 2009 (December 31, 2008 - \$55.4 million) 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 -</b>						
<b>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>

No convertible debentures were issued, converted or redeemed in the three and nine months ended September 30, 2009.

A continuity of the liability component of the convertible debentures is as follows:

	Series A	Series C	Series D	Series E	Series F	Total
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 -</b>						
<b>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 Convertible Debentures**

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.

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, \$2.5 million of Series A debentures were converted into 82,067 units.

**Series C Convertible Debentures**

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, \$0.5 million of Series C debentures were converted into 12,917 units.

**Series D Convertible Debentures**

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 the principal amount.

**Series E Convertible Debentures**

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 Convertible Debentures**

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.

These debentures were issued as partial consideration for the acquisition of eight properties in Alberta.

### Series G Convertible Debentures

On October 1, 2009, the Trust issued 7% 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 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.

## UNITHOLDERS' EQUITY

Unitholders' equity at September 30, 2009 and December 31, 2008 consists of the following:

	September 30, 2009	December 31, 2008
Units	\$ 126,165,907	\$ 115,426,201
Unit options	976,546	838,594
Warrants	314,800	314,800
Equity component of convertible debentures	2,397,246	2,397,246
Cumulative earnings and accumulated comprehensive earnings	(6,984,721)	(5,052,808)
Cumulative distributions to unitholders	(44,760,706)	(33,855,524)
	<b>\$ 78,109,072</b>	<b>\$ 80,068,509</b>

Distributions per unit totaled \$2.52 for the nine months ended September 30, 2009 and \$3.37 per unit for the year ended December 31, 2008.

### 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.

Subsequent to September 30, 2009, the Trust announces its intention to split the number of outstanding units on the basis of two units for every one pre-subdivision unit. The unit split is expected to be completed in November 2009.

During the three months ended September 30, 2009, 29,881 (September 30, 2008 – 14,419) units were issued under Whiterock's Distribution Reinvestment Plan ("DRIP"). The DRIP allows Unitholders to purchase additional units using their distributions, without brokerage fees, at 96% of the volume weighted average trading price for the ten days immediately preceding a distribution payment date and conserves cash for the Trust.

In the nine months ended September 30, 2009, the Trust closed a \$10.9 million bought deal public offering at a price of \$14.80 per unit, resulting in 735,900 additional units being issued. An additional 50,628 units were issued under Whiterock's DRIP.

During 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. During the nine months ended September 30, 2008 the Trust issued 82,067 units upon conversion of \$2.5 million of Series A Debentures.

During the nine months ended September 30, 2008 the Trust issued 12,917 units upon conversion of \$0.5 million of Series C debentures.

A summary of units issued in the three and nine months ended September 30, 2009 follows:

	Units	\$
Issued and outstanding at December 31, 2008	3,956,516	\$ 115,426,201
Units Issued		
Distribution Reinvestment Plan	7,103	102,645
Unit issue costs		(24,392)
Issued and outstanding at March 31, 2009	3,963,619	\$ 115,504,454
Units issued		
Public Offering	735,900	10,891,320
Distribution Reinvestment Plan	13,644	203,982
Unit issue costs		(923,107)
Issued and outstanding at June 30, 2009	4,713,163	\$ 125,676,649
Units Issued		
Distribution Reinvestment Plan	29,881	527,686
Unit issue costs		(38,428)
<b>Issued and outstanding at September 30, 2009</b>	<b>4,743,044</b>	<b>\$ 126,165,907</b>

## 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 all securities based 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 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 \$1.0 million were outstanding at September 30, 2009 (September 30, 2008 – \$0.8 million). 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 dividend of \$3.37, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

Details of unit options granted and exercised for the three months ended September 30, 2009 and 2008 follow:

	<b>Three months ended September 30, 2009</b>		<b>Three months ended September 30, 2008</b>	
	<b>Unit Options</b>	<b>Weighted Average Exercise Price</b>	<b>Unit Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	<b>295,417</b>	<b>\$30.44</b>	261,146	\$31.18
Granted	<b>175,900</b>	<b>\$20.13</b>	23,333	\$30.63
Expired	-	-	(4,063)	\$34.11
Outstanding, end of period	<b>471,317</b>	<b>\$26.59</b>	280,416	\$31.08
Options vested, end of period	<b>470,275</b>	<b>\$26.58</b>	276,250	\$31.11
Weighted average remaining life (years)	<b>3.2</b>		3.1	

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 interests of Whiterock and its unitholders.

	<b>Nine months ended September 30, 2009</b>		<b>Nine months ended September 30, 2008</b>	
	<b>Unit Options</b>	<b>Weighted Average Exercise Price</b>	<b>Unit Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	<b>295,417</b>	<b>\$30.44</b>	192,292	\$31.87
Granted	<b>175,900</b>	<b>\$20.13</b>	98,333	\$29.71
Exercised	-	-	(2,083)	\$25.80
Expired	-	-	(5,105)	\$34.59
Cancelled	-	-	(3,021)	\$33.30
Outstanding, end of period	<b>471,317</b>	<b>\$26.59</b>	280,416	\$31.08
Options vested, end of period	<b>470,275</b>	<b>\$26.58</b>	276,250	\$31.11
Weighted average remaining life (years)	<b>3.2</b>		3.1	

## Warrants

Details of warrants issued and exercised for the three months ended September 30, 2009 and 2008 follow:

	<u>Three months ended September 30, 2009</u>		<u>Three months ended September 30, 2008</u>	
	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>	Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable, beginning and end of period	<b>71,833</b>	<b>\$41.83</b>	71,833	\$41.83
Weighted average remaining life (years)	<b>1.7</b>		2.7	

Details of warrants issued and exercised for the nine months ended September 30, 2009 and 2008 follows:

	<u>Nine months ended September 30, 2009</u>		<u>Nine months ended September 30, 2008</u>	
	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>	Warrants	Weighted Average Exercise Price
Warrants outstanding and exercisable, beginning and end of period	<b>71,833</b>	<b>\$41.83</b>	71,833	\$41.83
Weighted average remaining life (years)	<b>1.7</b>		2.7	

The Black-Scholes calculated value of the warrants outstanding at September 30, 2009 was \$0.3 million (September 30, 2008 – \$0.3 million).

## CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The following table lists all convertible securities of the Trust at September 30, 2009 and December 31, 2008 and the number of units resulting if they were converted or exercised:

(as at)	Exercise / Conversion Price	September 30, 2009	December 31, 2008
Units outstanding		<b>4,743,044</b>	3,956,516
Unit options	\$ 18.27	<b>15,000</b>	15,000
	\$ 20.13	<b>175,900</b>	-
	\$ 25.80	<b>60,000</b>	60,000
	\$ 29.22	<b>10,000</b>	10,000
	\$ 29.40	<b>56,667</b>	56,667
	\$ 29.55	<b>4,167</b>	4,167
	\$ 30.00	<b>43,750</b>	43,750
	\$ 30.12	<b>4,167</b>	4,167
	\$ 30.63	<b>23,333</b>	23,333
	\$ 32.64	<b>16,666</b>	16,666
	\$ 34.80	<b>6,250</b>	6,250
	\$ 39.24	<b>55,417</b>	55,417
Warrants	\$ 41.28	<b>41,667</b>	41,667
	\$ 42.60	<b>30,166</b>	30,166
Convertible debentures			
Series A (8.0%)	\$ 30.60	<b>222,147</b>	222,147
Series C (9.0%)	\$ 36.00	<b>61,444</b>	61,444
Series F (6.0%)	\$ 39.66	<b>287,443</b>	287,443
Series E (6.3%)	\$ 41.25	<b>606,060</b>	606,060
Series D (7.5%)	\$ 45.00	<b>222,222</b>	222,222
		<b>6,685,510</b>	5,723,082

### 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 0.6% to 16.3% of the annualized tenant revenue in Whiterock's portfolio.

Whiterock's lease maturity profile at September 30, 2009 is as follows:

<b>Date</b>	<b>Square Feet</b>	<b>% of Total Square Feet</b>	<b>% of Annualized Tenant Revenue</b>
2009	70,608	2.1%	0.6%
2010	124,594	3.7%	4.0%
2011	425,254	12.7%	16.3%
2012	180,477	5.4%	6.2%
2013	343,491	10.3%	12.9%
2014	254,748	7.6%	8.3%
2015	345,385	10.3%	8.8%
2016	227,030	6.8%	6.4%
2017	184,986	5.5%	8.1%
2018	76,706	2.3%	3.0%
Thereafter	983,877	29.3%	25.4%
Occupied	3,217,156	96.0%	100.0%
Vacant	135,585	4.0%	
<b>Total</b>	<b>3,352,741</b>	<b>100.0%</b>	<b>100.0%</b>

## Credit

The following table summarizes Whiterock's top ten tenants at September 30, 2009, which together represent 43.7% of Whiterock's annualized revenues from its income property portfolio as at September 30, 2009:

<b>Tenant</b>	<b>Rank</b>	<b>Square Feet</b>	<b>% of Annualized Tenant Revenue <sup>(1)</sup></b>
SIQ (Quebec Gov't Agency)	1	504,776	13.4%
Province of Ontario	2	103,320	5.9%
Intact Insurance Company	3	231,500	5.4%
Federal Government	4	72,303	4.7%
Province of Nova Scotia	5	68,477	3.0%
Crown Investment Corp. <sup>(2)</sup>	6	67,592	2.6%
Saskatchewan Ministry of Government Services	7	80,857	2.5%
Province of New Brunswick	8	80,162	2.2%
Teranet	9	35,694	2.1%
Sobeys	10	55,795	1.9%
<b>Total: Top 10 Tenants</b>		<b>1,300,476</b>	<b>43.7%</b>

(1) Tenant revenue comprises income property rentals excluding straight line rents and market rent adjustments.

(2) Holding company for Government of Saskatchewan utility companies.

## CASH DISTRIBUTIONS

The Trust makes distributions on the units equal to or greater than the amounts under the Declaration of Trust. As per the Declaration of Trust, the Trust shall distribute in each taxation year an amount equal to the greater of: (i) 85% of its Distributable Income for such taxation year; and (ii) an amount of net income and net realized capital gains of the Trust for such taxation year as is necessary to ensure that the Trust

will not be subject to tax on its net income and net capital gains under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Distributable Income is defined as net income determined in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization and excluding any gains or losses on the disposition of any asset. Interest expense on convertible debentures for purposes of determining distributable income is calculated based on the actual interest payable on debentures.

100% of the distributions made in 2008 were considered to be a return of capital for tax purposes.

## **CAPITAL RESOURCES AND LIQUIDITY**

Cash flow from continuing operating activities for the three and nine months ended September 30, 2009 was \$4.2 million and \$10.4 million respectively compared to \$8.6 million and \$12.3 million respectively in the comparative prior year periods. Cash flow from continuing operations in 2009 was primarily impacted by the additional income from acquisitions, the timing of operating expenses, higher contractual rents and synergies of the larger operating platform.

On June 19, 2008, Whiterock 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 can be used for acquisitions, operations and general trust purposes. On August 5, 2009, the facility was renewed and bears interest at floating rates determined, at Whiterock'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, \$8.0 million was outstanding under the facility. In the nine months ended September 30, 2009 the Trust used the net proceeds from \$22.2 million of new mortgages and the net cash proceeds from a \$10.9 million bought deal public offering to partially pay down the balance on its revolving acquisition and operating facilities and create additional financial flexibility. On October 1, 2009, the Trust used \$8.0 million of the proceeds from the issuance of \$20 million of new convertible debentures to pay down the remaining outstanding balance under the 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, \$0.6 million was outstanding under this facility (December 31, 2008 – \$4.2 million). On October 1, 2009, the Trust used \$0.6 million of the proceeds from the issuance of \$20 million of new convertible debentures to pay down the remaining outstanding balance under the facility.

The main sources of acquisition funds for Whiterock are its revolving acquisition and operating facilities (see "Mortgages Payable and Facilities"), proceeds from convertible debentures (see "Convertible Debentures") unit offerings (see "Units") and cash flows (see "Cash flow from operating activities") from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions (see "Mortgages Payable and Facilities").

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 continue to meet all of its existing obligations.

## **SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

Whiterock's significant accounting policies are described in Note 2 to its December 31, 2008 audited consolidated financial statements and in Note 2 to its September 30, 2009 unaudited consolidated financial statements. Management's discussion and analysis for the year ended December 31, 2008 outlines the policies that management believes are most subject to estimation and management's judgment.

## **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 has issued a new accounting standard, CICA Handbook Section 3064 - Goodwill and Intangible Assets, effective for the Trust's 2009 fiscal year, 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.

## **FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES**

The Canadian Accounting Standards Board has confirmed that it will require publicly accountable profit-oriented enterprises to adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. IFRS will replace Canada's current GAAP for these enterprises. These new standards will be effective for the Trust during the first quarter of 2011.

The Trust's financial results and results of its operations may be significantly different when presented in accordance with IFRS. The Trust is in the process of determining the impact that the adoption of IFRS accounting policies and transition elections will have on the classification or valuation of the Trust's consolidated financial statements. In order to prepare for the conversion, the Trust is developing and implementing a plan to transition its financial reporting to IFRS by January 1, 2011.

The conversion plan will address first time adoption and transition activities. To date, activities being undertaken as part of the conversion plan include, but are not limited to:

- Establishment of a project team led by the Chief Financial Officer which will include representatives from various areas of the Trust as required. Regular reporting to the Audit Committee of the Board of Trustee's has begun;
- Ongoing training and education sessions for staff;
- Identification of internal and external resource requirements;
- Preliminary identification of the main differences between Canadian GAAP and IFRS. To date, the main differences identified relate to accounting for investment properties, impairment testing for assets, accounting for Trust units when the Declaration of Trust requires that taxable income be distributed, and the effects of transitional provisions of IFRS for first-time adopters. Further progress is necessary before the Trust can disclose specific pre-and-post IFRS changeover accounting, if any, policy differences and the impact on financial results. The IASB also has activities currently underway which may, or will, impact the Trust; The Trust also intends to assess such changes as they occur.

In addition, the conversion plan involves:

- Assessing the impact of IFRS on internal controls over financial reporting and disclosure controls and procedures;
- Assessing the impact of IFRS standards on business processes;
- Developing a real estate valuations strategy and process, and;
- Developing a data systems strategy.

The plan will continue to develop and change as more information on the Trust's adoption of IFRS becomes known.

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.

## **CONTROLS AND PROCEDURES**

The Trust's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to Management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer of the Trust, with the assistance of senior management, are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

During the nine months ended September 30, 2009 no changes were made to the Trust's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the Trust will be continually monitoring and seeking to improve its systems of controls and procedures.

## **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 disclosed herein as well as in Whiterock's Annual Information Form dated March 18, 2009, filed under Whiterock's profile on the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).