



Management's Discussion and Analysis
December 31, 2006

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

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

This MD&A is based on information available to management as at March 21, 2007.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

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

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the market for Whiterock's securities, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by Whiterock, lease maturities, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth opportunities, diversification, reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the market price of Whiterock's Units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled "Risks and Uncertainties" and in other sections of this MD&A.

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

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.

Funds from Operations, Adjusted Funds from Operations and property operating income are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, Funds from Operations and Adjusted Funds from Operations may not be comparable to similar measures presented by other issuers. However, Whiterock presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007.

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

HIGHLIGHTS – DECEMBER 31, 2006

- **Strong Annual FFO Growth** – FFO per Unit (basic) for the year ended December 31, 2006 increased by \$0.83 to \$0.84 per Unit (adjusted for the one-time costs of management internalization and the loss on redemption of the Series B Debentures) compared to \$0.01 per Unit (basic) for the year ended December 31, 2005.
- **Continued Quarterly FFO Growth** – In the three months ended December 31, 2006, FFO per Unit (basic) is \$0.28 (adjusted for the one-time costs of management internalization), an increase of \$0.19 per Unit over the same period in 2005.
- **2006 Acquisitions** – Acquired 21 properties in 12 cities across Canada for \$256 million. The total GLA acquired of over 1.8 million square feet represents 10 office, 5 retail, and 6 industrial properties.
- **Investment Grade Tenants on Long-Term Leases** – At December 31, 2006, 46.0% of revenues from government leases, 70.5% of revenues from government and other investment grade tenants. Average lease term of portfolio is 8.7 years.
- **Unit Price Appreciation** – Unit price closed at \$13.30, an eighteen month increase of 78%, including reinvestment of distributions, since the June 2005 initial public offering.
- **Completed \$48.5 Million Equity and \$25 Million Convertible Debenture Offerings** – successfully raised \$48.5 million of equity and \$25 million of convertible debt throughout 2006. The proceeds of the offerings were used to acquire properties, significantly pay down the acquisition facility and for general business purposes.
- **Debenture Refinancing** – \$10 million of 7.5% Redeemable Subordinated Convertible Debentures were issued to fund the redemption of all of Whiterock’s 9% Redeemable Subordinated Series B Convertible Debentures, resulting in reduced interest payments, an extension of term and an increase in conversion price.
- **Acquisition Facility** – Announced a \$23.5 million revolving facility to fund acquisitions, with an affiliate of Kimco Realty Corporation. Subsequently negotiated an increase in the acquisition facility to \$45 million.

- **Completed Internalization of Management** – On December 12, 2006, successfully completed the internalization of asset management and management services for \$3.5 million, settled in Units (before transaction costs).
- **Expanded Board of Trustees** – Appointed a new independent Chairman of the Board, an independent Audit Committee Chair and an independent Investment Committee Chair.
- **Unit Consolidation** – Completed a four for one Unit consolidation, effective August 21, 2006.
- **TSX Listing** – Listing moved to the Toronto Stock Exchange (TSX) from the TSX Venture Exchange.
- **DRIP Plan Established** – Distribution Reinvestment Plan established for Unitholders.

HIGHLIGHTS – SUBSEQUENT EVENTS

- **Announced process to solicit acquisition or merger proposals** – On January 16, 2007, announced the commencement of a process to solicit proposals to acquire or merge with the REIT, in an effort to enhance Unit value.
- **Adopted Unitholder Rights Plan** – in connection with the process to solicit proposals to acquire or merge with the REIT the Trust adopted a Unitholder rights plan.
- **Announced the proposed sale of three jointly owned Quebec properties** – On February 16, 2007, announced the agreement to sell to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreement, which were initiated by Whiterock, 50% undivided, non-managed interests in three Quebec City properties, being 410 Charest, 750 Charest, and 880-930 Ste Foy, subject to closing conditions and adjustments, for \$51.75 million. This represents an in-place cap rate of slightly below 7%.

UNIT CONSOLIDATION

On August 21, 2006, Whiterock consolidated its issued and outstanding Units on the basis of one post-consolidated Unit for every four pre-consolidated Units. All references to Units contained herein are on a post-consolidated basis.

BUSINESS OVERVIEW

During 2006, Whiterock continued as a rapidly expanding, growth-oriented real estate investment trust (“REIT”) focused on increasing Unitholder value through the strategic acquisition, ownership and management of high quality office, industrial and retail properties in select markets across Canada which generally provide high returns while maintaining high tenant credit quality.

Whiterock began active operations on June 28, 2005. It acquired 1.2 million square feet of properties with gross book values totaling approximately \$120.8 million in 2005 and 1.8 million square feet with gross book values of approximately \$256.1 million in 2006.

The following table summarizes Whiterock's acquisitions by quarter:

Acquisition Period	Number of Properties	Gross Leasable Area (GLA)	Gross Book Value (000's)⁽¹⁾
June 28, 2005 to September 30, 2005	4	309,010	\$ 22,078
October 1, 2005 to December 31, 2005	8	871,145	98,725
January 1, 2006 to March 31, 2006	4	417,132	59,879
April 1, 2006 to June 30, 2006	7	691,874	68,756
July 1, 2006 to September 30, 2006	5	189,658	28,627
October 1, 2006 to December 31, 2006	5	561,120	98,862
Total - December 31, 2006	33	3,039,939	\$ 376,927

(1) Gross Book Value is as at December 31, 2006

At December 31, 2006, 46.0% of Whiterock's revenue stream was derived from government leases. Government leases combined with other investment grade tenants supply 70.5% of the revenue stream with an average remaining lease term of 8.7 years.

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

Province	Office		Retail		Industrial	
	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA
Quebec	10	1,345,643			1	29,700
Saskatchewan	3	178,459	3	174,593	2	273,432
New Brunswick	1	80,162			2	134,704
Nova Scotia	1	75,989	1	33,857	1	115,773
Ontario	2	326,774			4	243,160
Prince Edward Island			2	27,693		
Total	17	2,007,027	6	236,143	10	796,769

Management believes that there are significant leasing and operating synergies which can be derived from a critical mass of properties in defined regions and has continued to execute this strategy. In 2006, management 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.

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

Whiterock's business strategy throughout 2006 continued to be the acquisition and operation of 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 executes on this strategy by focusing on properties that are not the primary focus of larger institutional investors while adhering to Whiterock's real estate investment criteria.

The objectives of Whiterock are to: (i) 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 acquisition program. Whiterock achieved its objectives by employing the external and internal growth strategies set out below. In the shorter term, during the initial period of operations, Whiterock's objectives were 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.

High Growth through Opportunistic and Disciplined Acquisitions

Throughout 2006, Whiterock continued to be a growth-oriented REIT that has averaged over \$60 million in property acquisitions per quarter. As of December 31, 2006, Whiterock has increased its Gross Book Value ("GBV") of real estate assets since its initial public offering in June 2005 from \$3 million to \$377 million and increased its real estate portfolio from 26,000 square feet of GLA to 3.0 million square feet of Gross Leasable Area ("GLA").

Whiterock's growth strategy includes acquiring real estate at capitalization rates which are above national averages, while maintaining the high credit quality of its tenants and the physical condition of the assets being acquired. By virtue of Whiterock's relatively small size, each additional acquisition can have a material impact on the REIT's overall performance. Completing acquisitions at higher capitalization rates, while obtaining mortgage financing at current low fixed interest rates, also 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: the Greater Toronto Area; Quebec City; Regina; Montreal; Ottawa; Halifax; Windsor; Saskatoon; Fredericton; Moncton; Dartmouth and Charlottetown. Whiterock targets economic centres nationwide in the office, industrial and retail segments.

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 with 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.

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 continued to engage in rigorous financial, physical and market due diligence in 2006, 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 on a below replacement cost basis:* Management believes this provides a significant advantage in retaining tenants.

Internal Growth through Active Asset 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 eight properties and has the ability to self-manage additional select assets, such as 655 Bay Street in Toronto, Ontario. Management believes that selective self management may further contribute to operating results.

Sale or Merger Process

On January 16, 2007, Whiterock announced that its Board of Trustees had approved a process to solicit proposals to acquire or merge with Whiterock, in an effort to continue to enhance its Unit value.

The Board of Trustees of Whiterock has established a Special Committee of Independent Trustees to advise the Board of Trustees, which is comprised of David Thomson, currently serving as Chairman of the Board of Trustees, and Stanley Swartzman, currently serving as Chairman of the Investment Committee. Whiterock has retained Canaccord Adams and BMO Capital Markets to act as co-financial advisors to manage the process. There can be no assurance that a transaction will result from the process initiated by the Board of Trustees and there is no certainty as to the price at which a transaction will be effected, if one does take place.

During the sale process, Whiterock will continue to manage its business in the normal course. However, significant amounts of new capital will not be committed to new acquisitions during the sale process.

KEY PERFORMANCE MEASURES

Several factors contribute to the successful operation of Whiterock's business. These include rental and renewal rates, occupancy levels, quality of tenant revenue stream, availability of properties that meet our acquisition criteria, financing rates and availability, tenant inducements, capital expenditures and the general economic environment. Whiterock's success is 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:

KEY PERFORMANCE MEASURES	2006	2005
FFO (basic) per Unit	\$ 0.21	\$ 0.01
FFO (basic) per Unit (adjusted) ⁽¹⁾	\$ 0.84	\$ 0.01
AFFO (basic) per Unit	\$ 0.62	\$ 0.02
AFFO (basic) per Unit (adjusted) ⁽²⁾	\$ 0.69	\$ 0.02
Property operating income	\$ 20,773,567	\$ 2,044,593
Percentage of investment grade tenants	70.5%	67.4%
Investment in real estate	\$ 260,524,541	\$ 116,402,537
Weighted average fixed mortgage rate	5.4%	5.4%
Weighted average debenture rate	7.1%	8.5%
Interest coverage ratio ⁽³⁾	1.5	1.0
Average lease term	8.7	6.8
Occupancy level ⁽⁴⁾	98.4%	97.8%
FFO payout ratio (Q4) ⁽⁵⁾	100%	311%

(1) FFO per Unit (adjusted) excludes the effect of the one-time costs relating to the internalization of management of \$3,703,112 and the redemption of the Series B convertible debentures of \$690,838.

(2) AFFO per Unit (adjusted) excludes the effect of the one-time cash costs relating to the internalization of management of \$203,112 and the redemption of the Series B convertible debentures of \$254,998.

(3) Interest Coverage for the year is calculated based on property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest income. For the fourth quarter, the interest coverage ratio has improved to 1.6 compared to 1.3 in the prior year comparative quarter.

(4) Occupancy includes space under head lease

(5) FFO payout ratio (Q4) is calculated as distributions divided by FFO, adjusted to exclude the effect of the one-time costs relating to the internalization of management of \$3,703,112.

Due to its high growth rate and the relatively short period that Whiterock has been in operation and owning properties, management believes it is important to measure payout ratio based on its most recent quarterly performance rather than on a full year historical basis in order to better measure Whiterock's performance.

Management believes Whiterock has met or exceeded all of its objectives. In the year ended December 31, 2006, Whiterock acquired 21 properties, significantly improved its FFO, AFFO, FFO per Unit, AFFO per Unit, property operating income, weighted average debenture interest rate, and increased its interest coverage ratio while maintaining occupancy levels.

SELECTED ANNUAL INFORMATION

Additional selected annual information for Whiterock as at, and for the year ended, December 31, 2006 and 2005 is as follows:

(000's except per Unit data and ratios)	2006	2005 ⁽¹⁾
Investment in real estate during the year	\$ 260,525	\$ 116,403
Total assets	\$ 398,971	\$ 157,719
Mortgages payable	\$ 247,286	\$ 84,193
Acquisition facility	\$ 3,600	\$ -
Convertible debentures	\$ 48,894	\$ 24,039
Cash	\$ 9,298	\$ 29,282
Unitholders' equity	\$ 80,252	\$ 38,218
Total revenue	\$ 33,564	\$ 3,666
Income property rental revenue	\$ 32,905	\$ 3,386
Property operating costs	\$ 12,132	\$ 1,341
Property operating income	\$ 20,774	\$ 2,045
Interest expense	\$ 12,961	\$ 1,606
Income (loss)	\$ (6,471)	\$ (661)
Income (loss) per Unit - basic and diluted	\$ (0.94)	\$ (0.32)
Funds from operations (FFO)	\$ 1,430	\$ 25
FFO (adjusted) ⁽²⁾	\$ 5,824	\$ 25
FFO per Unit - basic	\$ 0.21	\$ 0.01
FFO per Unit - basic (adjusted) ⁽²⁾	\$ 0.84	\$ 0.01
FFO per Unit - diluted	\$ 0.20	\$ 0.01
FFO per Unit - diluted (adjusted) ⁽²⁾	\$ 0.83	\$ 0.01
Adjusted funds from operations (AFFO)	\$ 4,289	\$ 40
AFFO (adjusted) ⁽³⁾	\$ 4,747	\$ 40
AFFO per Unit - basic	\$ 0.62	\$ 0.02
AFFO per Unit - basic (adjusted) ⁽³⁾	\$ 0.69	\$ 0.02
AFFO per Unit - diluted	\$ 0.61	\$ 0.02
AFFO per Unit - diluted (adjusted) ⁽³⁾	\$ 0.67	\$ 0.02
Weighted average units outstanding		
Basic	6,894,247	2,095,534
Diluted - Income (loss) and Income (loss) adjusted	6,894,247	2,095,534
- FFO, FFO (adjusted), AFFO, & AFFO (adjusted)	7,034,168	2,157,989
Net debt to total market capitalization - debentures as equity	56.7%	40.6%
Net debt to total market capitalization - debentures as debt	68.9%	58.6%
Interest coverage - including debentures as equity	1.9	2.5
Interest coverage - including debentures as debt	1.5	1.0
Total annual distributions	\$ 7,844	\$ 2,117
Total annual distributions - per Unit	\$ 1.12	\$ 0.56

(1) Certain comparative amounts have been reclassified to conform to the current year's presentation.

(2) FFO per Unit (adjusted) excludes the effect of the one-time costs relating to the internalization of management of \$3,703,112 and the redemption of the Series B convertible debentures of \$690,838.

(3) AFFO per Unit (adjusted) excludes the effect of the one-time cash costs relating to the internalization of management of \$203,112 and the redemption of the Series B convertible debentures of \$254,998.

INVESTMENT ACTIVITIES

Whiterock acquired 12 properties from the time of its initial public offering in June 2005 to December 31, 2005 with a gross leasable area of 1.2 million square feet and a current gross book value of \$120.8 million with \$84.2 million of financing on acquisition. In the year ended December 31, 2006, Whiterock has invested in 21 new properties as follows:

(\$ in thousands)

Property Name	City	Province	Acquired	GLA (Sq. Ft.) ⁽¹⁾	Acquisition Cost ⁽²⁾	Mortgage Financing ⁽³⁾
First Quarter						
4250 Albert	Regina	SK	01/10/06	41,181	\$ 7,267	\$ 5,750
2550 Quance	Regina	SK	01/12/06	84,861	14,035	10,500
2220 College	Regina	SK	02/28/06	59,590	7,599	5,650
2450 Girouard	St.-Hyacinthe	QC	03/23/06	231,500	30,923	20,000
				417,132	59,824	41,900
Second Quarter						
410 Charest	Quebec City	QC	05/17/06	84,324	16,733	10,201
750 Charest	Quebec City	QC	05/17/06	107,403	11,312	7,800
880 & 930 Chemin Ste-Foy	Quebec City	QC	05/17/06	175,947	20,667	14,100
722 Edinburgh	Moncton	NB	06/01/06	41,200	1,747	1,285
250 King Street	Fredericton	NB	06/13/06	80,162	9,582	5,977
222 Edinburgh	Moncton	NB	06/15/06	93,504	3,376	2,400
603 Park Street	Regina	SK	06/30/06	109,334	5,320	-
				691,874	68,737	41,763
Third Quarter						
998 Parkland Drive	Halifax	NS	08/01/06	33,857	6,925	4,721
9305 Twin Oaks	Windsor	ON	08/09/06	74,239	6,385	2,725
650 University	Charlottetown	PEI	08/17/06	1,650	787	-
7 Capella Court	Ottawa	ON	08/28/06	31,361	5,180	-
Royal Centre	Saskatoon	SK	09/06/06	48,551	9,350	-
				189,658	28,627	7,446
Fourth Quarter						
4515 & 4525 Rhodes	Windsor	ON	10/05/06	91,057	7,430	5,175
2946 Walker Road	Windsor	ON	10/05/06	32,264	2,195	1,480
655 Bay Street	Toronto	ON	10/30/06	295,413	67,370	40,635
277 Pleasant Street	Halifax	NS	11/15/06	75,989	11,630	4,675
8550 Newman Blvd	Montreal	QC	11/16/06	66,397	10,215	7,425
				561,120	98,840	59,390
Leasing, capital expenditures, and other acquisition costs					4,497	
Total				1,859,784	\$ 260,525	\$ 150,499

(1) Whiterock's interest

(2) Acquisition cost includes land transfer taxes and closing costs

(3) on acquisition

4250 Albert - is a 41,181 square foot retail property located on the primary north-south artery in Regina and is anchored by a Sobeys. Other tenants include TD Bank, a UPS store and Ultracuts.

2550 Quance - is an 84,861 square foot retail property located at 2510-2640 Quance Street, 2660 Starlight Street and 625-635 University Park Drive, one of the busiest intersections in Regina. Primary tenants include Staples, Saskatchewan Liquor Store, Boston Pizza and Scotiabank. The centre is shadow anchored by a Costco Superstore.

2220 College – is a 59,590 square foot office property located at 2220 College Avenue in Regina, directly adjacent to Wascana Park and the Legislative Buildings. It is 100% leased to the Saskatchewan Provincial Government until 2011.

2450 Girouard – is a newly constructed and renovated office complex which is 100% leased on a long-term sale lease-back until 2026 to ING Insurance Company of Canada, the largest provider of property and casualty insurance in Canada with an A+ credit rating by Standard & Poor's. The property is located in Saint-Hyacinthe, a growing community located 30 minutes east of Montreal. 2450 rue Girouard Ouest consists of two buildings: 115,000 square feet built in 2005, and 87,000 square feet with recently completed renovations. A third building, at 455 Saint-Joseph Avenue, totaling 29,500 square feet, was significantly upgraded in 1990, and again in 2005.

410 Charest – is an award winning property which recently underwent a complete redevelopment from the ground up, resulting in a state of the art office building with high end finishes. This Class A+ office building's major tenants are CGI, a large multinational corporation, and Le Soleil, a premier Quebec newspaper. Located in downtown Quebec City, its leases have a weighted average lease term of 9.4 years. Also included is a newly constructed 375 stall, 24 hour underground parkade.

750 Charest – is 100% occupied, with 89% of the building leased to the SIQ. The property underwent a complete renovation in 2001, and includes a 400 stall parkade. It is situated one block from 410 Charest within a highly desirable office and retail submarket.

880 & 930 Chemin Ste-Foy – the two properties are located across the street from one another and are 99% leased to the SIQ, with 89% of the project on new long-term leases. Both buildings were significantly renovated in 2005 and 2006, and include 390 on-site interior and exterior parking stalls.

Whiterock has a 50% interest in 410 Charest, 750 Charest and 880 & 930 Chemin Ste-Foy. In addition to Whiterock's interest, another 45% is owned by major Montreal and Quebec City based pension funds and 5% by the developer of the properties.

722 Edinburgh – is a single tenant industrial building originally built in 1977-78, with an addition and further capital improvements completed in 1999. The building is 100% leased on a long-term basis to Hercules Canada, an international tire and wheel supplier whose Canadian division achieves annual sales in excess of \$150 million.

250 King Street - is a four storey office building located in Fredericton's downtown business district. The building has been 100% leased to the Province of New Brunswick since its original construction in 2000. The site comprises an area of approximately 1.41 acres and provides 132 above ground parking spaces.

222 Edinburgh - is a one storey, multiple tenant industrial building located on one of the major roadways in the Moncton Industrial Park, with excellent access to all major transportation corridors. The property is fully leased, with the majority of the building occupied by Sonoco, a world leader in packaging products.

603 Park Street - is a 109,334 square foot flex industrial property located in the same submarket as Whiterock's Chestemere property in Regina. The property is 100% leased. The property was subsequently financed with a \$3.6 million 10 year mortgage at an interest rate of 5.6%

998 Parkland Drive - is a newly constructed, 100% leased retail plaza located at the intersection of Highway 102 and Kearney Lake Road in Halifax. Lawtons Drug Stores occupies two thirds of the project on a ten year lease, with the balance of the space occupied by retail and professional tenants.

9305 Twin Oaks - is a new industrial facility with 28 foot clear heights situated on 5.2 acres in the newly developed Twin Oaks Business Park, having excellent access to the E.C. Row Expressway, Lauzon Parkway and the airport. The property is 100% leased to Magna Closures Inc., a subsidiary of Magna International, a leading supplier of technologically advanced interior vehicle systems, components and complete modules. Subsequent to the acquisition date, the second phase of the property, which was unencumbered at the time of acquisition, was financed by a second draw of \$1.9 million on the original loan at an interest rate of 5.1%, resulting in a blended interest rate of 5.3% on the final loan amount of \$4.6 million over the remaining term of 118 months.

650 University - is a newly built 1,650 square foot A&W Restaurant in Charlottetown, acquired on August 17, 2006. It is across the street from an existing single tenant retail building of the Trust's which is leased to Staples.

7 Capella Court - Built in 2001, 7 Capella is a 31,361 square foot, three-storey office building located in the Rideau Heights Business Park, just west of the Ottawa International Airport. The 1.8 acre site provides 150 parking spaces and room for a 10,000 square foot expansion. The primary tenant, Lumenera, occupies 84% of the building, and is a leading developer and manufacturer of high performance digital cameras for the industrial, scientific and security markets. The property was subsequently financed by a 10 year mortgage of \$3.2 million at an interest rate of 5.2%.

Royal Centre - is a collection of three buildings designed for retail and office use, located in the Central Business District of Saskatoon. The site has a premier location, occupying nearly one-half of a city block directly across the street from the main entrance to Midtown Plaza, Saskatchewan's largest regional mall. The property is 100% leased to a number of high quality tenants, the largest of which is the Royal Bank of Canada, occupying approximately 51% of the rentable area. The property was subsequently financed by a 10 year mortgage of \$5.8 million at an interest rate of 5.3%.

4515 & 4525 Rhodes Drive - These two flex-industrial properties, totaling 91,057 square feet located in Windsor, Ontario, are immediately adjacent to a major arterial expressway and the Windsor International Airport. Built in 1998, these multi-tenant buildings offer 22 foot clear height and are serviced by both truck-level and grade-level doors. The nine acre site provides easy access to expressway connectors, provincial highways, railways, air transportation and the United States via tunnel or bridge.

2946 Walker Road - This 32,264 square foot, single-tenant industrial property is located two blocks from the Chrysler Assembly Plant in Windsor, Ontario. The building underwent significant renovation in 2004. The building's clear height varies from 16 feet to 28 feet, with ample access provided by nine truck-level doors. Situated on four acres of land, the building is occupied by Ground Effects, a leading and diversified supplier of exterior and interior accessories for the automotive industry.

655 Bay Street - is a 98% leased, 17-story, Class A multi-tenant office building with 295,413 square feet of GLA located just north of the financial district on the corner of Bay and Elm Streets in downtown Toronto, Ontario. The building was constructed in 1980 and renovated in 2006 and includes a three storey underground parking deck. The building's proximity to the Province of Ontario's legislative building at Queen's Park makes it a logical choice for the government tenants who occupy 42% of the building, which includes the Canada Revenue Agency, the Ontario Municipal Board and the Ministry of the Attorney General.

277 Pleasant Street - Dartmouth Professional Centre is a 75,989 square foot multi-tenant office building located immediately north of the new Nova Scotia Community College and the Dartmouth General Hospital. The property is 100% leased, with the primary tenants being the Departments of Justice (48%) and Community Services (26%), and the remaining tenants consisting of various medical practices and a pharmacy.

8550 Newman Boulevard – is a 66,397 square foot, Class A medical office building is currently 100% leased, with the primary tenants being government funded healthcare institutions. The first phase was built in 2001, and is 100% occupied by the Centre Locaux de Services Communautaires Lasalle and the Douglas Hospital. The second phase was added in 2004-2005, and is currently approximately 70% occupied by a mix of medical tenants.

Subsequent Agreements to Acquire Properties

Whiterock enters into conditional agreements to acquire properties in the normal course of business. As of December 31, 2006, Whiterock has one property under conditional agreement, as follows:

Property Name	City	Province	GLA (sq. ft.)	Purchase Price ⁽¹⁾
193 Malpeque	Charlottetown	PEI	41,710	\$ 6,375,000
Total			41,710	\$ 6,375,000

(1) Before closing costs and land transfer taxes.

Whiterock intends to fund this acquisition with cash on hand and its acquisition facility; however, there can be no assurance that Whiterock will complete the potential acquisition in this manner or at all.

Subsequent Agreements to Dispose of Properties

Whiterock has agreed to sell to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreement, which were initiated by Whiterock, its 50% undivided, non-managed interest in three Quebec City properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy, subject to closing conditions and adjustments, for \$51.75 million. This represents an in-place cap rate of slightly below 7%.

The sale is expected to close in April 2007, however there can be no assurance that the transaction will be completed on these terms or at all.

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. Whiterock's quarterly information reflects this situation and the asset acquisitions identified under "Investment Activities".

(in \$000's except per Unit information)	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	12,185	9,151	7,043	5,185	3,129	523	14	-
Property operating income	7,539	5,677	4,421	3,137	1,814	228	2	-
Income (loss)	(4,243)	(438)	(1,297)	(493)	(257)	(300)	(79)	(25)
Income (loss) (adjusted) ⁽¹⁾	(540)	(438)	(606)	(493)	(257)	(300)	(79)	(25)
Income (loss) per Unit								
- basic	(0.50)	(0.06)	(0.22)	(0.10)	(0.07)	(0.09)	(0.11)	(0.08)
- basic (adjusted) ⁽¹⁾	(0.06)	(0.06)	(0.10)	(0.10)	(0.07)	(0.09)	(0.11)	(0.08)
- diluted	(0.50)	(0.06)	(0.22)	(0.10)	(0.07)	(0.09)	(0.11)	(0.08)
- diluted (adjusted) ⁽¹⁾	(0.06)	(0.05)	(0.10)	(0.09)	(0.07)	(0.09)	(0.11)	(0.08)
Funds from operations (FFO)	(1,297)	1,711	365	651	352	(225)	(78)	(25)
FFO (adjusted) ⁽²⁾	2,406	1,711	1,056	651	352	(225)	(78)	(25)
FFO per Unit								
- basic	(0.15)	0.22	0.06	0.13	0.09	(0.06)	(0.11)	(0.08)
- basic (adjusted) ⁽²⁾	0.28	0.22	0.18	0.13	0.09	(0.06)	(0.11)	(0.08)
- diluted	(0.15)	0.21	0.06	0.12	0.09	(0.06)	(0.11)	(0.08)
- diluted (adjusted) ⁽²⁾	0.28	0.21	0.17	0.12	0.09	(0.06)	(0.11)	(0.08)
Adjusted Funds From Operations (AFFO)	1,683	1,605	501	500	282	(143)	(75)	(25)
AFFO (adjusted) ⁽³⁾	1,886	1,605	756	500	282	(143)	(75)	(25)
AFFO per Unit								
- basic	0.20	0.20	0.08	0.10	0.07	(0.04)	(0.11)	(0.08)
- basic (adjusted) ⁽³⁾	0.22	0.20	0.13	0.10	0.07	(0.04)	(0.11)	(0.08)
- diluted	0.20	0.20	0.08	0.09	0.07	(0.04)	(0.11)	(0.08)
- diluted (adjusted) ⁽³⁾	0.22	0.20	0.12	0.09	0.07	(0.04)	(0.11)	(0.08)
Cash distribution per Unit	0.28	0.28	0.28	0.28	0.28	0.28	-	-

(1) Income (loss) (adjusted) excludes the effect of the one-time costs relating to the internalization of management of \$3,703,112 in the fourth quarter and the redemption of the Series B convertible debentures of \$690,838 in the second quarter.

(2) FFO per Unit (adjusted) excludes the effect of the one-time costs relating to the internalization of management of \$3,703,112 in the fourth quarter and the redemption of the Series B convertible debentures of \$690,838 in the second quarter.

(3) AFFO per Unit (adjusted) excludes the effect of the one-time cash costs relating to the internalization of management of \$203,112 in the fourth quarter and the redemption of the Series B convertible debentures of \$254,998 in the second quarter.

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

After adjusting the fourth quarter 2006 results for the effect of the one-time costs relating to the internalization of management and the second quarter 2006 results for the effect of the one-time loss on redemption of the Series B Convertible Debentures, FFO, AFFO, FFO per Unit and AFFO per Unit, have consistently increased since Whiterock began active operations since June 2005, reflecting the impact of the accretive acquisitions Whiterock has undertaken to date.

RESULTS OF OPERATIONS

Statement of income

Summarized financial results for the three months and year ended December 31, 2006 and 2005 are as follows.

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Property operating income	\$ 7,538,867	\$ 1,813,825	\$ 20,773,567	\$ 2,044,593
Interest income	142,337	92,541	659,088	280,440
Interest expense	(4,501,103)	(1,205,727)	(12,961,276)	(1,606,219)
General and administrative expenses	(552,654)	(283,977)	(1,900,730)	(629,715)
Asset management and management services	(3,913,484)	(64,461)	(4,414,060)	(64,461)
Provision for loss on debenture redemption	-	-	(690,838)	-
Amortization	(2,956,546)	(609,649)	(7,937,019)	(685,591)
Income (loss)	\$ (4,242,583)	\$ (257,448)	\$ (6,471,268)	\$ (660,953)
Income (loss) per Unit				
Basic and diluted	\$ (0.50)	\$ (0.07)	\$ (0.94)	\$ (0.32)

Whiterock's loss for the three months ended December 31, 2006 was \$4.2 million (2005 – \$0.3 million) or \$0.50 loss per Unit basic and diluted (2005 – \$0.07 loss per Unit basic and diluted). Whiterock's loss for the year ended December 31, 2006 was \$6.5 million (2005 – \$0.7 million), or \$0.94 loss per Unit basic and diluted (2005 – \$0.32 loss per Unit basic and diluted).

During 2006, Whiterock completed the internalization of its asset management and management services functions for a one-time cost of \$3.7 million (see "Asset management and management services fees") as well as redeemed its Series B convertible debentures for a one-time cost of \$0.7 million (see "Provision for loss on debenture redemption"). The effect on income (loss) per Unit of these transactions for 2006 is \$(0.64). Adjusting for these items, adjusted income per Unit becomes \$(0.30), an increase of \$0.02 per Unit from 2005.

A discussion of individual income components follows.

Property operating income

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Income property rentals				
2006 acquisitions				
Rental income	\$ 7,314,468	\$ -	\$ 14,768,838	\$ -
Straight-line rent	101,902	-	183,200	-
Above and below market lease amortization	159,747	-	368,382	-
2005 acquisitions				
Rental income	3,951,804	2,758,091	15,888,356	3,091,576
Straight-line rent	234,158	40,661	547,371	41,735
Above and below market lease amortization	280,353	238,093	1,149,159	252,677
Income property rentals	12,042,432	3,036,845	32,905,306	3,385,988
Property operating costs				
2006 acquisitions	(2,827,714)	-	(5,334,316)	-
2005 acquisitions	(1,675,851)	(1,223,020)	(6,797,423)	(1,341,395)
Property operating costs	(4,503,565)	(1,223,020)	(12,131,739)	(1,341,395)
Property operating income	\$ 7,538,867	\$ 1,813,825	\$ 20,773,567	\$ 2,044,593

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

Whiterock acquired interests in 5 properties in the three months ended December 31, 2006, (2005 – 8) and 21 properties in the year ended December 31, 2006 (2005 – 12). Whiterock's property operating income is derived from these acquisitions and the acquisitions completed in 2005. Property operating income in the three months and year ended December 31, 2006 includes \$0.2 million and \$0.5 million respectively, from leases with contractual rent increases, which are recognized on a straight-line basis.

Property operating income also includes amortization of above and below market lease adjustments. As at December 31, 2006, the net recorded value of below market leases on acquisition was \$10 million. Management intends to capture the value of the below market leases over time in the form of higher rental rates as tenants' leases are renewed.

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

	Office	Retail	Industrial	Total
Income property rentals	\$ 9,266,260	\$ 1,320,804	\$ 1,455,368	\$ 12,042,432
Property operating costs	3,686,075	418,131	399,359	4,503,565
Property operating income	\$ 5,580,185	\$ 902,673	\$ 1,056,009	\$ 7,538,867

Property operating income by segment for the year ended December 31, 2006 was as follows:

	Office	Retail	Industrial	Total
Income property rentals	\$ 25,339,489	\$ 3,810,809	\$ 3,755,008	\$ 32,905,306
Property operating costs	9,877,354	1,137,334	1,117,051	12,131,739
Property operating income	\$ 15,462,135	\$ 2,673,475	\$ 2,637,957	\$ 20,773,567

Interest income

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Interest income	\$ 142,337	\$ 187,899	\$ 659,088	\$ 280,440

Interest income for the three months and year ended December 31, 2006 totaled \$0.1 million and \$0.7 million respectively, and was derived primarily from interest on funds raised from equity and convertible debenture offerings in advance of the use of those funds to acquire properties.

Interest expense

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Mortgage and other interest	\$ 3,087,264	\$ 767,487	\$ 8,856,711	\$ 804,853
Acquisition facility interest	450,430	-	841,663	-
Debenture interest	626,791	337,280	2,185,175	576,630
Deferred finance cost - mortgages				
- mortgages	64,948	26,732	220,595	26,732
- acquisition facility	99,871	-	181,574	-
- convertible debentures	103,346	74,228	459,589	139,113
Implicit interest rate in excess of coupon				
- convertible debentures	68,453	31,335	215,969	58,891
Interest expense	\$ 4,501,103	\$ 1,237,062	\$ 12,961,276	\$ 1,606,219

Interest expense for the year ended December 31, 2006, excludes \$435,840 (2005 - \$nil) of convertible debenture financing fees included in the Loss on Debenture Redemption (see "Provision for loss on debenture redemption").

Interest for the three months and year ended December 31, 2006 results from mortgages on properties acquired in 2005 and 2006, convertible debentures issued during the same periods, and the acquisition credit facility obtained in the current year.

General and administrative expenses

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Salaries and wages	\$ 263,363	\$ 128,657	\$ 1,057,971	\$ 175,574
Non-cash compensation expense	23,518	12,172	162,595	20,336
Trustee fees	43,125	-	54,417	-
Legal and regulatory	26,046	19,126	72,596	67,140
Audit & tax	31,801	38,400	87,457	52,500
Shelter Agreement costs	-	-	-	98,000
Office rent	20,559	9,844	63,211	18,688
Insurance	12,546	10,791	44,435	24,034
Other general and administrative	56,124	46,747	197,238	96,577
	477,082	265,737	1,739,920	552,849
Recruiting costs	32,750	16,908	77,919	40,888
Costs related to properties not acquired	42,822	1,332	82,891	35,978
General and administrative expenses	\$ 552,654	\$ 283,977	\$ 1,900,730	\$ 629,715

For the three months and year ended December 31, 2006, general and administrative expenses are \$0.5 million and \$1.9 million respectively. The increase in general and administrative expenses reflects the increasing operations of the Trust as it continued to grow its portfolio throughout 2006.

Asset management and management services fees

In June 2005, the Trust entered into exclusive agreements (“the Agreements”) with Whiterock Real Estate Capital Inc. (“Whiterock Capital”) to provide the services of two officers of the Trust (the “Officers”). The Officers are Trustees of the Trust and principals of Whiterock Capital. Under these Agreements, Whiterock Capital earned acquisition fees equal to 0.5% of the cost of property acquired, as defined, and an annual advisory fee, equal to 0.3% of the adjusted cost base, as defined, of Whiterock’s assets. The Agreements had a five year term. Acquisition fees of \$1.2 million and advisory fees of \$0.7 million were earned by Whiterock Capital under these agreements in the year ended December 31, 2006.

In 2006, an independent committee of the Board of Trustees was formed to determine whether it would be in the best interests of Whiterock, and its unitholders, to internalize the management function, thereby more fully aligning the interests of Whiterock and its senior management (see “Related Party Transactions”).

On December 12, 2006, the Trust issued, through its subsidiary Whiterock Limited Partnership (“Whiterock LP”) 286,671 LP Class C Units valued at \$3.5 million to a company controlled by the Officers in connection with the internalization of the management function and the acquisition of the Agreements, and the Officers became employees of a subsidiary of the Trust.

During the year ended December 31, 2006, the Trust issued 120,676 Units valued at \$1,482,176 (2005 – \$nil), 286,671 LP Class B Units valued at \$3,500,000 (2005 - \$nil) and paid \$167,138 cash (2005 - \$nil) under these agreements. In January, 2007, the Trust issued 34,708 Units valued at \$449,077 and paid \$238,705 cash to settle the remaining outstanding fees in accordance with the original terms of the agreements.

The total expenses related to fees paid under the agreements and for cancellation of the agreements, since inception, are as follows:

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Management Services Fees - Units	\$ 210,372	\$ 64,381	\$ 710,948	\$ 64,461
Acquisition Fees	477,410	318,134	1,243,553	318,134
Acquisition of Agreements				
- LP Class C Units	3,500,000	-	3,500,000	-
	4,187,782	382,515	5,454,501	382,595
Less: Acquisition Fees				
- capitalized to acquisitions	(477,410)	(318,134)	(1,243,553)	(318,134)
Third party transaction costs				
- Acquisition of agreements	203,112	-	203,112	-
	\$ 3,913,484	\$ 64,381	\$ 4,414,060	\$ 64,461

Provision for loss on debenture redemption

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Impairment of convertible debenture deferred financing fees	\$ -	\$ -	\$ 435,840	\$ -
Provision for early redemption of debenture liability	-	-	254,998	-
	\$ -	\$ -	\$ 690,838	\$ -

During 2006, Whiterock redeemed \$8.1 million outstanding principal amount of its 9% Redeemable Subordinated Series B Convertible Debentures which had a conversion price \$12.00 per Unit and matured in December 2008. The premium paid on the early redemption of the debentures was \$0.7 million which was charged to income as a loss on debenture redemption in the second quarter of 2006. The redemption was funded with part of the proceeds from the issuance of \$10 million Redeemable Subordinated Convertible Debentures (the "Series D Debentures") which carry an interest rate of 7.5%, a conversion price of \$15.00 per unit (after July 31, 2007) and mature on July 31, 2011. This refinancing resulted in reduced interest payments, an extension of term and an increase in conversion price.

Amortization

	Three months ended		Year ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Building and improvements	\$ 1,702,524	\$ 421,590	\$ 4,778,510	\$ 477,706
Deferred charges				
- tenants inducements on acquisitions	455,766	94,959	1,245,286	101,895
- leasing costs	81,934	-	117,575	-
Intangible assets				
- lease origination	430,904	56,589	1,075,830	64,201
- tenant relationships	274,020	35,334	683,680	39,528
Furniture and fixtures	11,398	1,177	36,138	2,261
Amortization	\$ 2,956,546	\$ 609,649	\$ 7,937,019	\$ 685,591

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$3.0 million and \$7.9 million for the three months and year ended December 31, 2006 respectively.

Cash flow from operating activities

Cash flow from operating activities for the three months and year ended December 31, 2006 was \$7.0 million and \$10.0 million respectively, compared to \$0.9 million and \$0.8 million in the comparative prior year periods. This was primarily due to property operating income on the properties acquired and the invested cash being partly offset by interest on its mortgages and convertible debentures and by the costs related to the asset management and management services agreements.

Funds from Operations and Adjusted Funds from Operations

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

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Income (loss) for the period	\$ (4,242,583)	\$ (257,448)	\$ (6,471,268)	\$ (660,953)
Add:				
Amortization of building and improvements	1,702,524	421,590	4,778,510	477,706
Amortization of tenant inducements on acquisition	455,766	94,959	1,245,286	101,895
Amortization of other assets	-	1,177	-	2,261
Amortization of leasing costs	81,934	-	117,575	-
Amortization of lease origination costs	430,904	56,589	1,075,830	64,201
Amortization of tenant relationships	274,020	35,334	683,680	39,528
Funds from Operations (FFO)	(1,297,435)	352,201	1,429,613	24,638
Amortization of deferred finance costs	268,165	100,960	861,758	165,845
Provision for deferred finance costs - debentures	-	-	435,840	-
Convertible debentures implicit interest rate in excess of coupon rate	68,453	31,335	215,969	58,891
Non cash compensation expense	23,518	12,172	162,595	20,336
Non cash management services fees	210,372	64,461	710,948	64,461
Non cash internalization payment	3,500,000	-	3,500,000	-
Accrued straight line rental revenue	(336,060)	(40,661)	(730,571)	(41,735)
Above and below market lease amortization	(440,100)	(238,093)	(1,517,540)	(252,677)
Leasing costs and capital expenditures ⁽¹⁾	(313,520)	-	(779,218)	-
Adjusted Funds from Operations (AFFO)	\$ 1,683,393	\$ 282,375	\$ 4,289,394	\$ 39,759

(1) Leasing costs and capital expenditures excludes \$3.6 million of leasing fees paid to extend the existing SIQ leases for an additional 15 years at 200 Chemin Ste-Foy and 900 D'Youville.

FFO Adjustments

Funds from Operations	\$ (1,297,435)	\$ 352,201	\$ 1,429,613	\$ 24,638
Add back:				
- Acquisition of asset management and management services agreements	3,703,112	-	3,703,112	-
- Loss on redemption of debentures	-	-	690,838	-
FFO (Adjusted)	\$ 2,405,677	\$ 352,201	\$ 5,823,563	\$ 24,638

AFFO Adjustments

Adjusted Funds from Operations	\$ 1,683,393	\$ 282,375	\$ 4,289,394	\$ 39,759
Add back:				
- Acquisition of asset management and management services agreements	203,112	-	203,112	-
- Loss on redemption of debentures	-	-	254,998	-
AFFO (Adjusted)	\$ 1,886,505	282,375	\$ 4,747,504	39,759

	Three months ended December 31,		Year ended December 31,	
	2006	2005	2006	2005
Weighted average units outstanding				
Basic	8,486,958	3,831,030	6,894,247	2,095,534
Diluted				
- Income (loss) & Income (loss) adjusted	8,486,958	3,831,030	6,894,247	2,095,534
- FFO	8,486,958	3,831,030	7,034,168	2,157,989
- FFO (adjusted), AFFO & AFFO (adjusted)	8,592,922	3,831,030	7,034,168	2,157,989
FFO per unit - basic	\$ (0.15)	\$ 0.09	\$ 0.21	\$ 0.01
FFO per unit - basic (adjusted)	\$ 0.28	\$ 0.09	\$ 0.84	\$ 0.01
FFO per unit - diluted	\$ (0.15)	\$ 0.09	\$ 0.20	\$ 0.01
FFO per unit - diluted (adjusted)	\$ 0.28	\$ 0.09	\$ 0.83	\$ 0.01
AFFO per unit - basic	\$ 0.20	\$ 0.07	\$ 0.62	\$ 0.02
AFFO per unit - basic (adjusted)	\$ 0.22	\$ 0.07	\$ 0.69	\$ 0.02
AFFO per unit - diluted	\$ 0.20	\$ 0.07	\$ 0.61	\$ 0.02
AFFO per unit - diluted (adjusted)	\$ 0.22	\$ 0.07	\$ 0.67	\$ 0.02

Basic and diluted FFO per Unit decreased \$0.24 per Unit to \$(0.15) for the three months ended December 31, 2006 compared to the same period in 2005. This decrease is a result of the management internalization costs, which were expensed. FFO for the three months ended December 31, 2006, adjusted for the management internalization costs of \$3.7 million, is \$2.4 million or \$0.28 per Unit, an increase of \$0.19 per Unit compared to the same period in 2005.

For the year ended December 31, 2006, basic FFO per Unit increased \$0.20 to \$0.21 per Unit compared to the same period in 2005. Diluted FFO per Unit increased \$0.19 to \$0.20 per Unit compared to the same period in 2005. Basic FFO for the year ended December 31, 2006, adjusted for the effect of the management internalization and the loss on redemption of the debentures, is \$0.84 per Unit, an increase of \$0.83 per Unit over the prior year.

The increases, after adjusting for the one-time costs, are due to the income from accretive acquisitions completed in 2005 and 2006 exceeding interest and administrative costs.

AFFO includes the impact of leasing costs and capital expenditures, which totaled \$0.3 million and \$0.8 million respectively, for the three months and year ended December 31, 2006 (2005 – nil and nil). The above leasing costs exclude \$3.6 million of leasing fees paid to extend the existing Société Immobilière Québec (a Quebec government agency) (“SIQ”), leases for an additional 15 years at 200 Chemin Ste-Foy and 900 D’Youville. The maturity dates of these leases are now 2030 and 2026 respectively. Basic and diluted AFFO per Unit increased \$0.13 to \$0.20 per Unit for the three months ended December 31, 2006 compared to the same period in 2005. Basic AFFO per Unit increased \$0.60 to \$0.62 per Unit for the year ended December 31, 2006 compared to the same period in 2005. For the year ended December 31, 2006, diluted AFFO per Unit increased \$0.59 to \$0.61 per Unit compared to the same period in 2005. Basic AFFO for the three months and year ended December 31, 2006 was negatively impacted by \$0.02 and \$0.03 per Unit, respectively because of the costs incurred relating to the internalization of management. In addition, basic AFFO was negatively impacted by \$0.04 per Unit due to the redemption of the Series B convertible debentures.

RELATED PARTY TRANSACTIONS

Services and asset management agreements

In June 2005, the Trust entered into exclusive agreements with Whiterock Real Estate Capital Inc. (“Whiterock Capital”) to provide the services of two officers of Whiterock, Mr. Jason Underwood and Mr. Paul Simcox, under an Asset Management Agreement and a Management Services Agreement (the “Agreements”). The two officers are trustees of Whiterock and principals of Whiterock Capital. Whiterock Capital earns acquisition fees equal to 0.5% of the cost of property acquired, as defined, and an annual advisory fee, equal to 0.3% of the adjusted cost base, as defined, of Whiterock’s assets. The agreements had a five year term. Acquisition fees of \$1.2 million and advisory fees of \$0.7 million were earned by Whiterock Capital under these agreements in the year ended December 31, 2006.

Through its subsidiary Whiterock Limited Partnership (“Whiterock LP”), Whiterock reached an agreement with Whiterock Capital to acquire all of its rights and obligations under the Agreements (“the Transaction”). Consideration consisted of \$3.5 million Class B units of Whiterock LP which could only be exchanged on a one-for-one basis for Units of Whiterock and had, in all material respects, the same economic and voting rights as Whiterock’s Units. Following the Transaction, Messrs. Underwood and Simcox became employees of a subsidiary of Whiterock, with customary terms for these types of arrangements as determined by the Compensation Committee of the Board of Trustees of Whiterock.

The Transaction required Toronto Stock Exchange approval and was subject to disinterested Unitholder approval. At a special meeting of Unitholders held on December, 28 2006 the transaction was approved.

The Transaction is “a related party transaction” for the purposes of Ontario Securities Commission Rule 61-501 but because the fair market value of the assets acquired and the consideration provided for the Proposed Transaction was less than 25% of the market capitalization of Whiterock, the Transaction was exempt from the formal valuation and minority approval requirements of such rule.

To evaluate the Transaction, the Compensation Committee of Whiterock, which was comprised entirely of independent trustees (the “Independent Committee”), was asked to consider the Transaction and whether it was in the best interests of Whiterock and fair to its Unitholders other than Messrs. Underwood and Simcox (the “Public Unitholders”). To assist it in evaluating the Transaction, the Independent Committee retained independent legal counsel and engaged an independent financial advisor. The independent financial advisor delivered its opinion (the “Fairness Opinion”) to the Independent Committee that the terms of the Transaction were fair to Whiterock and its Public Unitholders. The Fairness Opinion was subject to various assumptions and limitations and should be reviewed in its entirety. A copy of the Fairness Opinion is available at www.sedar.com.

Based on the fairness opinion and other considerations, the Independent Committee concluded that the Transaction was in the best interests of Whiterock and fair to its Public Unitholders, and recommended that Whiterock’s Board of Trustees approve the Transaction. Based on this recommendation, Whiterock’s Board of Trustees determined that the Proposed Transaction was in the best interests of Whiterock and fair to the Public Unitholders and approved the Proposed Transaction, with those trustees who had a material interest in the Proposed Transaction declaring their interest and abstaining from voting.

The Board of Trustees of Whiterock believed that the Proposed Transaction was in the best interests of Unitholders as it was accretive to Whiterock’s income available for distribution and will provide additional benefits to Whiterock and its Unitholders, including (among other things):

- a) improved harmonization of the interests of senior management with those of Whiterock and its Unitholders;
- b) increased liquidity of Whiterock’s units as internalization of its asset management functions may make Whiterock’s units more attractive to investors (particularly institutional investors) resulting in a more active market for the units;

- c) broader access to capital markets in Canada and a more attractive investment, including in particular, many institutional investors who require that management be internal as a condition to any investment made by them;
- d) an effective increase in the net yield from property investments due to the effective elimination of advisory and acquisition fees, thereby allowing more flexibility in future property acquisitions; and,
- e) continuity of existing management through employment agreements and management's increased ownership of Whiterock units thus avoiding operational and capital markets disruption that would likely occur in the event of the departure of current management.

Shelter Agreement costs

In 2005, the Trust entered into an agreement for a two year term with Shelter Canadian Properties Limited ("Shelter"). Under the agreement, Shelter provided all accounting, reporting and financial preparation relating to the activities of the Trust. An officer of Shelter was a Trustee of Whiterock during that period. The agreement was cancelled effective August 31, 2005 on the payment of a \$60,000 cancellation fee. In the year ended December 31, 2005, general and administrative expenses included \$98,000 paid to Shelter under the Shelter Agreement.

FINANCIAL POSITION

Selected balance sheet information follows:

	December 31, 2006	December 31, 2005 ⁽¹⁾
Investment in real estate	\$ 376,927,078	\$ 116,402,537
Total assets	\$ 398,970,679	\$ 157,718,681
Mortgages payable	\$ 247,285,884	\$ 84,193,305
Acquisition facility	\$ 3,600,000	\$ -
Convertible debentures	\$ 48,893,755	\$ 24,039,144
Cash	\$ 9,298,240	\$ 29,281,723
Unitholders' Equity	\$ 80,252,439	\$ 38,218,035

(1) Certain comparative amounts have been reclassified to conform to the current year's presentation.

The major changes to the balance sheet accounts at December 31, 2006 result from the acquisition and financing of 21 properties as described under "Investment Activities". Further detail for mortgages payable, convertible debentures and Unitholders' equity follows.

MORTGAGES PAYABLE

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of Gross Book Value (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. At December 31, 2006, this ratio was 65.6% (2005 – 72.3%). 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 Gross Book Value, which reduction shall take effect at such time as the total assets of the Trust, as reflected on its audited annual consolidated financial statements for its most recently completed fiscal year, exceeds \$750 million.

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

	December 31, 2006		December 31, 2005	
	Total	%	Total	%
Fixed rate	\$ 236,404,959	95.6%	\$ 73,075,080	86.8%
Floating rate	10,880,925	4.4%	11,118,225	13.2%
	\$ 247,285,884	100.0%	\$ 84,193,305	100.0%

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

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

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2007	\$ 3,321,526	\$ 10,674,185	\$ 13,995,711	6.34%
2008	3,294,187	4,500,000	7,794,187	6.77%
2009	3,484,124	-	3,484,124	5.50%
2010	3,729,230	12,716,598	16,445,828	5.24%
2011	4,327,018	-	4,327,018	5.48%
2012	5,323,580	-	5,323,580	5.45%
2013	5,626,703	-	5,626,703	5.46%
2014	5,920,050	8,059,462	13,979,512	6.09%
2015	5,802,274	46,290,082	52,092,356	5.27%
2016	3,202,673	104,323,896	107,526,569	5.37%
Thereafter	10,124,441	6,565,855	16,690,296	5.56%
	\$ 54,155,806	\$ 193,130,078	\$ 247,285,884	5.50%

CONVERTIBLE DEBENTURES

Whiterock has \$51 million (principal amount) of redeemable subordinated convertible debentures outstanding at December 31, 2006 (December 31, 2005 - \$25 million) as follows:

	Series A	Series B	Series C	Series D	Series E	Total
Liability	\$ 12,328,078	\$ 8,769,115	\$ 2,883,060	\$ 9,564,256	\$ 23,888,615	\$ 57,433,124
Equity	671,922	230,885	116,940	435,744	1,111,385	2,566,876
Principal on issuance	13,000,000	9,000,000	3,000,000	10,000,000	25,000,000	60,000,000
Conversion of debentures	-	(900,000)	-	-	-	(900,000)
Redemption of debentures	-	(8,100,000)	-	-	-	(8,100,000)
Principal -						
December 31, 2006	\$ 13,000,000	\$ -	\$ 3,000,000	\$ 10,000,000	\$ 25,000,000	\$ 51,000,000

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

	Series A	Series B	Series C	Series D	Series E	Total
Liability, December 31, 2005	\$ 12,383,116	\$ 8,772,416	\$ 2,883,612	\$ -	\$ -	\$ 24,039,144
Issuance of debentures	-	-	-	9,564,256	23,888,615	33,452,871
Implicit interest rate in excess of coupon rate	115,501	41,813	18,458	27,463	12,734	215,969
Conversion of debentures	-	(888,531)	-	-	-	(888,531)
Redemption of debentures	-	(7,925,698)	-	-	-	(7,925,698)
Liability - December 31, 2006	\$ 12,498,617	\$ -	\$ 2,902,070	\$ 9,591,719	\$ 23,901,349	\$ 48,893,755

Series A Convertible Debentures

On June 28, 2005, the Trust issued 8% redeemable subordinated unsecured convertible debentures in the amount of \$13,000,000 with interest payable semi-annually and which mature on June 28, 2010. The debentures are convertible at the request of the holder after June 28, 2007, subject to certain terms and conditions at a conversion price per unit of \$10.20.

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 \$15.30 and, after June 28, 2009, providing that the 20-day weighted average trading price is at least \$12.75.

On the date of issue, the debentures were allocated into a \$12.3 million liability component and a \$0.7 million equity component.

Series C Convertible Debentures

On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the 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 \$12.00.

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 \$13.00 and, after June 21, 2008, providing that the 20-day weighted average trading price is at least \$14.00.

On the date of issue, the debentures were allocated into a \$2.9 million liability component and \$0.1 million equity component.

Subsequent to December 31, 2006, \$323,000 of the Series C debentures have been converted into 26,914 units.

Series D Convertible Debentures

On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the 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 \$15.00.

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 \$18.75 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 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 \$13.75.

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 \$17.19 and, after December 30, 2010, at their principal amount.

UNITHOLDERS' EQUITY

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

	December 31, 2006	December 31, 2005
Units	\$ 94,226,033	\$ 39,401,889
Unit options	840,738	499,299
Warrants	320,020	75,400
Equity component of convertible debentures	2,335,991	1,019,747
Cumulative earnings (loss)	(7,509,446)	(660,953)
Cumulative distributions to unitholders	(9,960,897)	(2,117,347)
	\$ 80,252,439	\$ 38,218,035

Distributions per Unit totaled \$1.12 for the year ended December 31, 2006 and \$0.56 in 2005 (from June 28, 2005, the date of the initial public offering of Whiterock).

Units

A summary of Units issued in 2006 follows:

	Units	\$
Issued and outstanding at December 31, 2005	5,164,472	\$ 39,401,889
Units Issued		
Exercise of warrants	27,250	147,150
Exercise of options	113	450
Value associated with unit option grants exercised		126
Value associated with warrants exercised		25,288
Unit issue costs		(6,398)
Issued and outstanding at March 31, 2006	5,191,835	39,568,505
Units Issued		
Private Placement	2,579,662	33,535,612
Conversion of Series B Debentures	75,000	902,337
Distribution Reinvestment Plan	2,856	36,242
Financing fees paid in Units	9,811	134,999
Exercise of warrants	12,500	67,500
Exercise of options	42,875	348,500
Value associated with unit option grants exercised		50,005
Value associated with warrants exercised		11,600
Unit issue costs		(2,164,252)
Issued and outstanding at June 30, 2006	7,914,539	72,491,048
Units Issued		
Distribution Reinvestment Plan	10,990	137,233
Exercise of warrants	35,875	193,725
Exercise of options	6,250	25,000
Value associated with unit option grants exercised		7,000
Value associated with warrants exercised		33,292
Unit issue costs		(34,255)
Issued and outstanding at September 30, 2006	7,967,654	72,853,043
Units Issued		
Public Offering	1,261,000	15,005,900
Management Internalization	286,671	3,500,000
LP Class B Units issued on acquisition	205,354	2,500,000
Management services fees paid in Units	120,676	1,482,176
Distribution Reinvestment Plan	15,586	186,976
Financing fees paid in Units	9,811	135,000
Exercise of options	3,125	31,250
Value associated with unit option grants exercised		7,375
Unit issue costs		(1,475,687)
Issued and outstanding at December 31, 2006	9,869,877	\$ 94,226,033

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

On June 8, 2006, Whiterock completed a private placement offering, raising gross proceeds of \$33.5 million from the issuance of 2.6 million Units.

During the year ended December 31, 2006, \$0.9 million of Series B convertible debentures were converted into 75,000 Units of Whiterock.

On August 3, 2006, Whiterock announced a four-for-one consolidation of its Units, effective August 21, 2006.

On November 15, 2006, the Trust issued 205,354 LP Class B Units in an arms length transaction as part of the acquisition price of 277 Pleasant Street for gross proceeds of \$2.5 million. The LP Class B Units have economic and voting rights equivalent in all material respects to the Trust Units. Subsequent to December 31, 2006, all of the remaining 205,354 LP Class B Units were converted to Units of the Trust.

On December 8, 2006, Whiterock completed a public placement offering, raising gross proceeds of \$15 million for the issuance of 1.3 million Units.

On December 12, 2006 the Trust completed the internalization of its asset management and management services functions for \$3.5 million settled with 286,671 Units. Prior to the cancellation of the agreements, 120,676 Units were issued for proceeds of \$1.5 million in the fourth quarter as payment under the terms of the original agreements (see "Asset management and management services fees").

Unitholder Rights Plan

On January 29, 2007, Whiterock announced that, in connection with its previously announced process to solicit proposals to acquire or merge with the Trust, its Board of Trustees has adopted a Unitholder rights plan (the "Plan"), which was effective immediately and which obtained TSX approval on February 1, 2007. The Plan remains subject to Unitholder ratification within six months.

The Plan was adopted in order to ensure that the Board has sufficient time to consider any take-over bid or other change of control transaction that may arise outside of the sale or merger process and, in the event that such a bid or transaction is proposed, to provide the Board of Trustees and the Special Committee thereof with an appropriate period of time to permit the sale or merger process to effectively operate in order to maximize unitholder value for all Unitholders.

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 \$0.6 million were outstanding at December 31, 2006 (December 31, 2005 - \$0.4 million). The fair value associated with the unit options issued during the year ended December 31, 2006 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 26% (2005 – 45%) on the underlying units, the term to expiry of 5 years, an annual dividend of \$1.12, 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 follow:

	Three months ended December 31, 2006		Three months ended December 31, 2005	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	633,375	\$ 10.66	273,750	\$ 7.47
Granted	25,000	\$ 12.16	187,500	\$ 10.00
Exercised	(3,125)	\$ 10.00	(38,012)	\$ 4.00
Cancelled	(10,000)	\$ 13.08	-	-
Outstanding, end of period	645,250	\$ 10.68	423,238	\$ 8.90
Weighted average remaining life (years)	4.0		4.8	
	Year ended December 31, 2006		Year ended December 31, 2005	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of year	423,238	\$ 8.88	-	-
Granted	293,750	\$ 12.78	461,250	\$ 8.50
Exercised	(52,363)	\$ 7.73	(38,012)	\$ 4.00
Cancelled	(19,375)	\$ 11.59	-	-
Outstanding, end of year	645,250	\$ 10.68	423,238	\$ 8.90
Options vested, end of year	557,750	\$ 10.70	323,238	\$ 8.78
Weighted average remaining life (years)	4.0		4.8	

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

Warrants

	Three months ended December 31, 2006		Three months ended December 31, 2005	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	221,125	\$ 13.73	81,250	\$ 5.40
Issued	-	-	-	-
Exercised	-	-	-	-
Outstanding, end of period	221,125	\$ 13.73	81,250	\$ 5.40
Weighted average remaining life (years)	4.2		1.2	

	Year ended December 31, 2006		Year ended December 31, 2005	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	81,250	\$ 5.40	-	-
Issued	215,500	\$ 13.94	81,250	\$ 5.40
Exercised	(75,625)	\$ 5.40	-	-
Outstanding, end of year	221,125	\$ 13.73	81,250	\$ 5.40
Warrants exercisable, end of year	221,125	\$ 13.73	81,250	\$ 5.40
Weighted average remaining life (years)	4.2		1.2	

The fair value associated with the warrants issued during the year ended December 31, 2006 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 31% (2005 – 75%) on the underlying units, the term to expiry of 5 years, an annual dividend of \$1.12, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

Subsequent to December 31, 2006, there were 5,625 warrants exercised at a weighted average exercise price of \$5.40.

CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The maximum number of Units that would be outstanding if all convertible securities were to be converted is as follows:

	December 31, 2006	December 31, 2005
Units outstanding	9,664,523	5,164,472
LP Class B Units	205,354	-
Unit options	645,250	423,238
Warrants	221,125	81,250
Convertible debentures		
Series A	1,274,509	1,274,509
Series B	-	750,000
Series C	250,000	250,000
Series D	666,667	-
Series E	1,818,182	-
	14,745,610	7,943,469

CASH DISTRIBUTIONS

The Trust makes distributions on its Units equal to or greater than the amounts under the Declaration of Trust. Effective with the October 31, 2005 distribution, Whiterock amended its Declaration of Trust to provide for a monthly distribution instead of a quarterly distribution. 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 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.

CAPITAL RESOURCES AND LIQUIDITY

Whiterock's cash flow from operating activities for the three months and year ended December 31, 2006 was \$7.0 million and \$10.0 million, respectively. As funds continued to be invested in properties throughout 2006, cash flow from operating activities continued to increase. At December 31, 2006, Whiterock's cash balance was \$9.3 million.

The main sources of acquisition funds for Whiterock are proceeds from convertible debenture (see "Convertible Debentures") and trust 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"). In April 2006, Whiterock completed the negotiation of a \$23.5 million revolving debt facility to further assist in the initial funding of future acquisitions, which was subsequently increased to \$45 million. As at December 31, 2006, \$3.6 million was drawn on this facility and \$41.4 million was available to fund acquisitions.

Whiterock enters into conditional agreements to acquire properties in the normal course of business. As of December 31, 2006, Whiterock has one property under conditional agreement, being 193 Malpeque.

Whiterock intends to fund this acquisition with cash on hand and its acquisition facility (see "Subsequent Agreements to Acquire Properties").

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 the December 31, 2006 audited Consolidated Financial Statements. Management believes the policies that are most subject to estimation and management's judgment are outlined below.

Income Property Acquisitions

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

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

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

Amortization of Income Properties

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

Impairment of Income Properties

Under Canadian GAAP, management is required to write down to fair value long-lived assets that are determined to have been impaired. If events or circumstances indicate that the carrying value of an income property may be impaired, a recoverability analysis is performed based on the estimated undiscounted cash flows to be generated from the income property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income property is written down to its estimated fair value and an impairment loss is recognized.

Subsequent to year end, the Trust entered into an agreement to sell its 50% interest in three properties. The carrying amount of these assets does not exceed the fair value and therefore no impairment loss will be recognized.

Fair Value of Mortgages and Debentures Payable

Management determines the fair value of Whiterock's mortgages and debentures payable on a quarterly basis. In determining the fair value, Management uses internally developed models that are based upon current market conditions. The process involves discounting the future contractual mortgage or debenture payments based upon a current market rate. In determining market rates, Management adds a credit spread to the quoted yields on Canadian government bonds with similar maturity dates to Whiterock's mortgages and debentures. The credit spread is estimated based upon experience in obtaining similar financing, and is also affected by current market conditions.

FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

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

The CICA has issued three new accounting standards that will be effective for the fiscal period commencing January 1, 2007, as follows:

(i) Comprehensive income

This standard provides for a new statement, Other Comprehensive Income ("OCI"), to be included in the consolidated financial statements. OCI generally would include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments net of hedging arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Trust's consolidated financial statements will include a consolidated statement of other comprehensive income while the cumulative amount and accumulated other comprehensive income ("AOCI"), will be presented as a new category of unitholders' equity.

(ii) Financial instruments – recognition and measurement

This standard provides guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value with gains and losses recognized in net earnings. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost. Derivative instruments must be recorded on the

balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are required to be recognized in net earnings, except for derivatives that are designated as a cash flow hedge, in which case the fair value change for the effective portion of such hedging relationship is required to be recognized in OCI.

The standard permits the Trust to designate any financial instrument whose fair value can be reliably measured as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

The standard specifically excludes Section 3065, Leases, from the definition of financial instruments, except for derivatives that are embedded in a lease contract. Other significant accounting implications arising on adoption of the standard include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

(iii) Hedges

This standard specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies, including fair value hedges and cash flow hedges and hedges.

In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in net earnings. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective as defined by the standard ("effective"), will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion as defined by the standard ("ineffective") will be recognized in net earnings. The amounts recognized in AOCI will be reclassified to net earnings in those periods in which net earnings is affected by the variability in the cash flows of the hedged item.

Deferred gains or losses on the hedging instrument with respect to fair value hedging relationships that were discontinued prior to the transition date but qualify for hedge accounting under the new standards will be recognized in the carrying amount of the hedged item and amortized to net earnings over the remaining term of the hedged item for fair value hedges, and for cash flow hedges will be recognized in AOCI and reclassified to net earnings in the same period during which the hedged item affects net earnings. However, for discontinued hedging relationships that do not qualify for hedge accounting under the new standards, the deferred gains and losses will be recognized in the opening balance of deficit on transition.

Management is in the process of determining the impact of the above noted standards on the financial statements.

CONTROLS AND PROCEDURES

As at December 31, 2006, the Chief Executive Officer, the Chief Financial Officer and other members of management, have evaluated the design and effectiveness of the Trust's disclosure controls and procedures, as defined in Multilateral Instrument 52-109. They have concluded that the disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information relating to the Trust and its consolidated subsidiary entities for the year ended December 31, 2006 would have been made known to them.

In addition, as of December 31, 2006, the Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the design of the Trust's internal controls over financial reporting. The internal controls were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. They have concluded that the design of the internal controls over financial reporting were adequate and effective to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

There were no significant changes made to the design of our internal controls over financial reporting during the three months ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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 below and in Whiterock's Annual Information Form dated March 21, 2007, filed on SEDAR.

Public Market Risk

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

Real Property Ownership

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

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Whiterock's financial performance would be adversely affected if its tenants were

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

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

Lease Maturities Risk Management

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 4.3% to 14.6% of the annualized tenant revenue in Whiterock's portfolio.

Whiterock's lease maturity profile at December 31, 2006 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Tenant Revenue⁽¹⁾
2007	140,519	4.6%	4.3%
2008	218,165	7.2%	9.9%
2009	299,902	9.9%	8.7%
2010	239,032	7.9%	7.3%
2011	348,113	11.5%	14.6%
2012	202,881	6.7%	9.5%
2013	146,425	4.8%	4.3%
2014	13,726	0.5%	0.7%
2015	225,445	7.4%	5.0%
2016	132,684	4.4%	5.0%
Thereafter	1,025,477	33.7%	30.7%
Total / Average	2,992,369	98.4%	100.0%
Vacant	47,570	1.6%	
	3,039,939	100.0%	100.0%

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

Liquidity

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

Income available for distribution

A return on an investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions.

Although Whiterock intends to make distributions of a significant percentage of its available cash to Unitholders, such cash distributions are not assured and may be reduced, suspended or discontinued.

The ability of Whiterock to make cash distributions and the actual amount of cash distributed will be dependent upon, among other things, the financial performance of the properties in its portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the Units may decline for a variety of reasons, including if Whiterock is unable to meet its cash distribution targets in the future, and such decline may be significant.

It is important for a person making an investment in Units to consider the particular risk factors that may affect both Whiterock and the real estate industry in which Whiterock operates and which may therefore affect the stability of the cash distributions on Units.

The after-tax return from an investment in Units to Unitholders that is subject to Canadian income tax can be made up of both a "return on" and a "return of" capital. That composition may change over time, thus affecting a Unitholder's after-tax return. Returns on capital are generally taxed as ordinary income, capital gains or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred and reduce the Unitholder's cost base in the Unit for tax purposes.

Debt Financing

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

The property mortgage indebtedness and acquisition facility are senior to the indebtedness under Whiterock's convertible debentures.

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

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

Credit

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

The following table summarizes Whiterock's the top ten tenants at December 31, 2006, which together represents 51.6% of Whiterock's annualized revenues from its income property portfolio as at December 31, 2006:

Tenant	Rank	Square Feet	% of Annualized Tenant Revenue⁽¹⁾
SIQ (Quebec Gov't Agency)	1	778,539	23.4%
ING	2	231,500	6.5%
Canada Revenue Agency	3	53,544	4.3%
Province of New Brunswick	4	80,162	2.9%
Government of Ontario	5	38,476	2.7%
Teranet Inc.	6	44,297	2.6%
SPMC (Saskatchewan Gov't Agency)	7	70,287	2.5%
Crown Investment Corp.	8	68,119	2.4%
Sobeys	9	55,795	2.3%
ITI	10	26,583	2.0%
Total: Top 10 Tenants		1,447,302	51.6%

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

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

Competition

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

General Uninsured Losses

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

Interest Rate Fluctuations and Financing

Whiterock's financing may include indebtedness with interest rates based on variable interest rates that result in fluctuations in Whiterock's cost of borrowing. There is a potential negative impact on Whiterock's cash available for distribution from such fluctuations. As at December 31, 2006, 95.6% of Whiterock's debt was at fixed rates.

Environmental Matters

As an owner of real property, Whiterock will be subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Whiterock could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Whiterock's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims

against Whiterock. Management is not aware of any material non-compliance with environmental laws with respect to its income properties. Moreover, Whiterock is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with its properties.

Restrictions on Redemptions

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

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

Lack of Availability of Growth Opportunities

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

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

Diversification

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

Reliance on Anchor or Single Tenant Properties

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

Certain of Whiterock’s properties have only a single tenant or a limited number of tenants and in the event that the tenant defaults on payment obligations under its lease, there will be a negative effect on Whiterock. Whiterock’s largest tenant is SIQ, a Quebec government agency. Its top 10 tenants are identified under “Credit Risk”.

Unitholder Liability

On June 16, 2005, *The Investment Trust Unitholders' Protection Act (Manitoba)* came into force. This legislation creates a statutory limitation on the liability of beneficiaries of Manitoba income trusts such as Whiterock. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation, or liability of Whiterock. Further, the Declaration of Trust provides that no Unitholder or annuitant under a plan in which a Unitholder acts as trustee or carrier (an "annuitant") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Whiterock or its Trustees.

Notwithstanding the Declaration of Trust, Unitholders may not be protected from liabilities of Whiterock to the same extent as a shareholder of a corporation is protected from the liabilities of the corporation. There is the possibility that personal liability may also arise in respect of claims against Whiterock (to the extent that not satisfied by Whiterock) that do not arise out of contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

Potential Conflicts of Interest

The Trustees and officers of the Trust, or entities owned and/or controlled by them, or which they are affiliated or associated with, may become involved in transactions in which their interests actually, or are perceived to, conflict with the interests of Whiterock. Such conflicts will be subject to procedures and remedies similar to those provided under the *Canada Business Corporations Act ("CBCA")*, except as otherwise disclosed herein.

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

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

Availability of Cash Flow

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

Fluctuations in Cash Distributions

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

Market Price of Units

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

Legal Rights Attaching to Units

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

Failure to Obtain Additional Financing

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

Dilution

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

Reliance on Key Personnel

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

Changes in Legislation

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

Failure to Maintain Mutual Fund Trust Status

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

Other Tax Related Risk Factors

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

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

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

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

SIFT Proposals

On December 21, 2006, the Canadian Minister of Finance introduced draft Legislative Proposals Concerning Specified Investment Flow-Through Trusts and Partnerships (the "Proposed SIFT Legislation"), relating to the federal income taxation of publicly traded income trusts and certain other public flow-through entities ("SIFTs"). Under the Proposed SIFT Legislation, certain distributions will no longer be deductible in calculating a trust's taxable income, and therefore a trust may be subject to tax on distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian Corporation.

The Proposed SIFT Legislation provided that a SIFT which was publicly listed before November 1, 2006 (an "Existing trust") would become subject to the tax on distribution commencing with the 2011 taxation year end. However, an Existing trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain safe harbour limits measured against its market capitalization of the Existing trust at the close of trading on October 31, 2006 (the "Safe Harbour Limits").

Under the Proposed SIFT Legislation, a real estate investment trust (a "REIT") that meets defined criteria relating to the nature of its income and investments will not be subject to the new tax rules. An existing REIT must meet all of the defined criteria, otherwise if the Proposed SIFT Legislation is enacted without modification, it would subject an existing REIT to tax after it exceeds the Safe Harbour Limits or in 2011, which may adversely impact the level of cash otherwise available for distribution.

As the Proposed SIFT Legislation is drafted, the Trust may not meet the defined REIT criteria, which contain a number of technical provisions that do not fully accommodate common real estate properties and business structures.

It is possible that changes may be made to the Proposed SIFT Legislation prior to the enactment, which would make it more likely that an existing REIT would not be subject to income tax in 2011. If the Proposed SIFT Legislation is not changed, the Trust may need to restructure its business entities and processes in order to minimize or eliminate the impact of the legislation. There can be no assurances, however, that changes will be made to the Proposed SIFT Legislation or that the Trust would be able to restructure such that the Trust would not be subject to the tax contemplated by the Proposed SIFT Legislation.