LANESBOROUGH REIT

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	March 31 2009	December 31 2008 (audited)
Assets		
Income properties (Note 3)	**$578,342,611**	$554,090,286
Properties under development (Note 4)	**9,766,633**	35,957,774
Cash	**2,965,227**	3,549,892
Other assets (Note 5)	**9,004,211**	8,480,947
Future income taxes (Note 10)	**-**	3,429,431
	$600,078,682	$605,508,330
Liabilities and Equity		
Mortgage loans payable (Note 6)	**$451,836,590**	$453,927,161
Convertible debentures (Note 7)	**43,250,384**	42,427,966
Accounts payable and accrued liabilities (Note 8)	**68,685,724**	63,312,264
Bank indebtedness (Note 9)	**4,720,000**	3,320,000
Future income taxes (Note 10)	**2,829,133**	3,518,197
	571,321,831	566,505,588
Non-controlling interest (Note 11)	**1,578,576**	1,573,258
Equity	**27,178,275**	37,429,484
	$600,078,682	$605,508,330

Approved by the Board of Trustees

"Charles Loewen"

"Cheryl Barker"

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended March 31, 2009:

	Units	Cumulative Loss	Cumulative Distributions	Equity Component of Debentures	Total
Equity, December 31, 2008	$ 79,750,666	$ (17,929,355)	$ (37,496,464)	$ 13,104,637	$ 37,429,484
Units purchased under normal course issuer bid	(275,757)	-	-	-	(275,757)
Issue costs	(6,502)	-	-	-	(6,502)
Unit-based compensation	88,331	-	-	-	88,331
Units issued on distribution reinvestment plan	108,517	-	-	-	108,517
Loss and comprehensive loss	-	(8,530,719)	-	-	(8,530,719)
Distributions declared	-	-	(1,635,079)	-	(1,635,079)
Equity, March 31, 2009	$ 79,665,255	$ (26,460,074)	$ (39,131,543)	$ 13,104,637	$ 27,178,275

Three Months Ended March 31, 2008:

	Units	Cumulative Income (loss)	Cumulative Distributions	Equity Component of Debentures	Total
Equity, December 31, 2007	$ 79,124,607	$ (8,322,299)	$ (27,666,613)	$ 13,427,295	$ 56,562,990
Maturity of Series D debentures	322,658	-	-	(322,658)	-
Units purchased under normal course issuer bid	(11,856)	-	-	-	(11,856)
Issue costs	(36,088)	-	-	-	(36,088)
Unit-based compensation	191,891	-	-	-	191,891
Units issued on distribution reinvestment plan	198,747	-	-	-	198,747
Income	-	301	-	-	301
Distributions declared	-	-	(2,456,901)	-	(2,456,901)
Equity, March 31, 2008	$ 79,789,959	$ (8,321,998)	$ (30,123,514)	$ 13,104,637	$ 54,449,084

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
Revenue		
Rentals from income properties (Note 16)	**$ 19,601,942**	$ 13,276,821
Interest and other income	**259,753**	352,172
	19,861,695	13,628,993
Expenses		
Property operating costs	**8,149,047**	5,679,051
Income before the undernoted	**11,712,648**	7,949,942
Financing expense (Note 17)	**13,062,531**	6,814,465
Trust expense	**744,190**	734,907
Amortization (Note 18)	**3,616,653**	2,332,098
	17,423,374	9,881,470
Income (loss) before income taxes	**(5,710,726)**	(1,931,528)
Future income tax expense (recovery) (Note 10)	**2,781,390**	(1,953,199)
Income (loss) before non-controlling interest	**(8,492,116)**	21,671
Non-controlling interest (Note 11)	**(38,603)**	(21,370)
Income (loss) and comprehensive income (loss) for the period	**$ (8,530,719)**	$ 301
Loss per unit (Note 20)		
Basic	**$ (0.488)**	$ -
Diluted	**$ (0.488)**	$ -
Weighted average number of units (Note 20)		
Basic	**17,468,642**	17,469,441
Diluted	**17,468,642**	17,469,441

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31 2009	2008
Cash provided by (used in) operating activities		
Income (loss) for the period	**$ (8,530,719)**	$ 301
Items not affecting cash		
Straight-line rent adjustment	**(2,682)**	(1,019)
Accretion on debt component of convertible debentures	**666,355**	598,510
Unit-based compensation	**88,331**	191,891
Amortization (Note 18)	**4,186,202**	2,705,649
Change in fair value of interest rate swaps	**2,443,974**	-
Future income taxes	**2,781,390**	(1,953,199)
Non-controlling interest	**38,603**	21,370
	1,671,454	1,563,503
Changes in non-cash operating items (net of effects of acquisition of income properties)	**1,579,070**	(229,110)
Tenant inducements and leasing expenditures incurred through leasing activity	**(110,694)**	(2,178)
	3,139,830	1,332,215
Cash provided by (used in) financing activities		
Proceeds of mortgage loan financing	**-**	11,894,520
Repayment of Series D debentures	**-**	(1,593,000)
Repayment of principal on mortgage loans	**(1,894,436)**	(1,421,203)
Transaction costs	**(614,365)**	(221,020)
Draws against (repayment of) line of credit	**1,400,000**	(930,000)
Units purchased and cancelled under normal course issuer bid	**(275,757)**	(11,856)
Distributions paid on units (Note 21)	**(1,530,736)**	(1,447,300)
Distributions paid on LP units of Village West LP	**(33,285)**	(33,284)
	(2,948,579)	6,236,857
Cash provided by (used in) investing activities		
Improvements to income properties	**(268,683)**	(131,172)
Increase in properties under development	**(128,641)**	(6,290,300)
Deposits on potential acquisitions	**200,000**	-
Increase in restricted cash	**(578,592)**	(151,686)
	(775,916)	(6,573,158)
Cash increase (decrease)	**(584,665)**	995,914
Cash, beginning of period	**3,549,892**	1,416,349
Cash, end of period	**$ 2,965,227**	$ 2,412,263

Supplementary cash flow information (Note 19)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009 AND 2008

1 Organization and going concern

Lanesborough Real Estate Investment Trust ("the Trust") is a closed-end real estate investment trust which was created under a Declaration of Trust dated April 23, 2002 and amended on June 12, 2006 and on June 18, 2008.

The consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and the settlement of liabilities for the next fiscal year. Should the Trust be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The consolidated financial statements do not give effect to adjustments that would be necessary should the Trust be required to realize its assets in other than the normal course of business. The use of Canadian generally accepted accounting principles applicable to a going concern may be inappropriate as a result of the potential inability of the Trust to continue as a going concern. The Trust sustained net losses in the year ended December 31, 2008 and the first quarter of fiscal 2009, has a working capital deficit, is in violation of debt service coverage covenants on two first mortgage loans at March 31, 2009 and has two first mortgage loans that have matured and alternate financing arrangements have not been concluded.

The Trust is in violation of the 1.4 times debt service coverage requirement on two first mortgage loans, totalling $46,978,265, in Fort McMurray. The terms of the mortgage loans provide the Trust with a six-month period, from the date of notice of default by the lender, to remedy the violation of the covenant. The Trust has not received notice of default from the lender and has requested the lender to reduce the existing debt service covenant. There is no assurance, however, that the lender will not demand payment of the mortgage loans, should the Trust be unable to remedy the default. There are no cross-default covenants with respect to the other mortgage loans of the Trust.

The cross default clauses of the Series E and F secured convertible debentures provide that the convertible debentures may become payable, on demand, if a lender demands the repayment of a mortgage loan. If the lender demands the repayment of the loans, the secured convertible debentures, with a face value of $25,630,000, may become payable on demand.

In addition, the Trust has two first mortgage loans, totalling $6,646,755, that have matured and alternate financing arrangements have not been concluded. Extensions have been requested. There is no assurance, however, that the lender will not demand payment of mortgage loans.

Management believes the going concern assumption to be appropriate for the financial statements as the Trust has been able to refinance its lending facilities at appropriate rates and has implemented both a cash management and divestiture strategy. The increased vacancy rates and reduced rental rates experienced in a portion of the Fort McMurray property portfolio in 2009, however, have created uncertainty as to the Trust's ability to continue to secure the necessary financing required to fund the mortgage debt on the properties.

If the going concern assumption is inappropriate, adjustments would be necessary to the carrying values of assets and liabilities and reported revenues and expenses used in the consolidated financial statements.

2 Accounting policy development

Goodwill and intangible assets

In February 2008, the CICA issued a new Handbook Section 3064, "Goodwill and Intangible Assets". This new section replaces Section 3062, "Goodwill and Intangible Assets", and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The new and amended standards are effective for the Trust's 2009 fiscal year, and were adopted on a retroactive basis with restatement of the prior years.

On January 20, 2009, the CICA issued Emerging Issues Committee ("EIC") abstract EIC-173-Credit Risks and the Fair Value of Financial Assets and Financial Liabilities. This abstract provides guidance on CICA Handbook Section 3855 Financial Instruments - Recognition and Measurement and requires an entity to consider its own credit risk as well as the credit risk of the counter party when determining the fair value of financial assets and liabilities, including derivative instruments. The Trust has adopted EIC-173 on a retroactive basis without restatement of prior periods.

The adoption of these standards did not have an impact on the Consolidated Financial Statements.

Future changes to significant accounting policies

(a) International Financial Reporting Standards ("IFRS")

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

Management is currently in the process of evaluating the potential impact of the International Financial Reporting Standards to the consolidated financial statements. This will be an ongoing process as new standards and recommendations are issued by the International Accounting Standards Board and the CICA. The consolidated financial performance and financial position as disclosed in our current GAAP financial statements may be significantly different when presented in accordance with International Financial Reporting Standards.

The CICA has provided public companies with the option to early adopt International Financial Reporting Standards effective January 1, 2009. The Trust has not adopted these standards on January 1, 2009.

2 *Significant accounting policies (continued)*

Future changes to significant accounting policies (continued)

(b) Business Combinations

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

3 *Income properties*

March 31, 2009	Cost	Accumulated Amortization	Net Book Value
Land	$ 89,773,716	$ -	$ 89,773,716
Buildings and improvements	502,304,044	(25,424,300)	476,879,744
Furniture, equipment and appliances	13,644,869	(3,190,705)	10,454,164
Intangible assets	4,264,427	(3,029,440)	1,234,987
	$609,987,056	$ (31,644,445)	$578,342,611

December 31, 2008 (audited)	Cost	Accumulated Amortization	Net Book Value
Land	$ 88,689,716	$ -	$ 88,689,716
Buildings and improvements	476,182,353	(22,480,820)	453,701,533
Furniture, equipment and appliances	13,073,030	(2,787,885)	10,285,145
Intangible assets	4,264,427	(2,850,535)	1,413,892
	$582,209,526	$ (28,119,240)	$554,090,286

On February 1, 2009, Clarington Seniors Residence was re-classified from properties under development to income properties. As a result, costs totalling $26,319,782 were transferred to income properties and amortization commenced.

The tenant at Lakewood Manor has the option to purchase the townhouse portion of the property for $26,873,600 to June 30, 2009 and $27,667,200 to June 30, 2010. The net book value of the townhouse portion of Lakewood Manor at March 31, 2009 is $25,191,887.

At March 31, 2009, the carrying value of the income properties was not impaired.

4 *Properties under development*

	March 31 2009	December 31 2008 (audited)
Clarington Seniors Residence	$ -	$ 26,164,803
Elgin Lodge	9,766,633	9,792,971
	$ 9,766,633	$ 35,957,774

Properties under development includes rental revenue less property operating costs and financing expense of $26,338 for the three months ended March 31, 2009 (2008 - property operating costs and financing expense less rental revenue - $1,052,216).

5 *Other assets*

	March 31 2009	December 31 2008 (audited)
Amounts receivable	$ 1,758,852	$ 1,442,421
Prepaid expenses, deposits and other	2,145,622	2,317,519
Deposits on potential acquisitions	10,000	210,000
Straight-line rent receivable	305,132	302,451
Restricted cash	4,735,448	4,156,856
Above market in place leases, net of accumulated amortization of $74,569, (2008 - $72,026)	49,157	51,700
	$ 9,004,211	$ 8,480,947

Amounts receivable includes rent receivable of $1,351,965 (2008 - $1,027,396) net of an allowance for doubtful accounts of $139,560 (2008 - $108,816).

Restricted cash consists primarily of funds held in trust for residential tenant security deposits, as well as interest and repair reserves required by mortgage lenders of $1,668,847 (2008 - $846,659).

6 *Mortgage loans payable*

	Interest Rates at March 31, 2009 Range	Interest Rates at March 31, 2009 Weighted Average Interest Rate	Weighted Average Term to Maturity	March 31 2009
Income properties				
Fixed rate mortgages	4.5% - 16.0%	6.4%	4.3 years	$361,362,127
Floating rate mortgages	3.8% - 6.3%	4.0%	Demand	86,000,000
				447,362,127
Properties under development				
Floating rate mortgages	3.8%	3.8%	Demand	6,935,570
				454,297,697
Difference between contractual and market interest rates on mortgage loans assumed				99,755
Unamortized transaction costs				(2,560,862)
				$451,836,590

The Trust has entered into interest rate swap arrangements whereby the interest rate on the floating rate mortgages in the amounts of $20,618,502 and $22,471,379 have been fixed at 5.74% and 5.82% for the five and ten year terms of the respective mortgages.

	Interest Rates at December 31, 2008 Range	Interest Rates at December 31, 2008 Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31 2008 (audited)
Income properties				
Fixed rate mortgages	4.5% - 12.0%	6.4%	4.7 years	$351,886,563
Floating rate mortgages	4.5% - 6.3%	4.6%	Demand	80,500,000
				432,386,563
Properties under development				
Fixed rate mortgages	5.8% - 16.0%	9.4%	0.7 years	11,370,000
Floating rate mortgages	4.5% - 5.5%	4.9%	Demand	12,435,570
				23,805,570
				456,192,133
Difference between contractual and market interest rates on mortgage loans assumed				110,798
Unamortized transaction costs				(2,375,770)
				$453,927,161

6 Mortgage loans payable (continued)

Approximate principal repayments are as follows:

Year ending December 31	
2009 - Remainder of year	$148,019,703
2010	54,218,248
2011	13,885,554
2012	41,738,302
2013	24,963,804
Thereafter	171,472,086
	$454,297,697

The difference between contractual and market interest rates on mortgage loans assumed upon acquisition is amortized over the term of the respective mortgages. The balance of $99,755 (2008 - $110,798) is net of accumulated amortization of $758,918 at March 31, 2009 (2008 - $747,875). The difference relates to mortgage loans assumed on acquisition of a property under development. The property under development was classified to income properties on February 1, 2009. Amortization of $3,660 for January 2009 was recorded as a reduction of the carrying value of properties under development. Amortization of $7,383 was included in mortgage loan interest expense.

Certain of the mortgage loans payable are subject to covenants, including minimum debt service ratios. The Trust is not in compliance with two first mortgage loans totalling $46,978,265, as a result of a violation of the debt service coverage requirement, as disclosed in Note 1.

Additionally, two first mortgage loans, totalling $6,646,755, have matured and alternate financing arrangements have not been concluded.

Mortgage loans are secured by mortgage charges registered against the title of specific income properties and are secured by assignment of book debts, by assignments of rents and repayment guarantees.

7 Convertible debentures

The face value of the outstanding convertible debentures is as follows:

	March 31 2009	December 31 2008 (audited)
Series E	$ 11,950,000	$ 11,950,000
Series F	13,680,000	13,680,000
Series G	25,732,000	25,732,000
	$ 51,362,000	$ 51,362,000

7 ***Convertible debentures (continued)***

During the three months ended March 31, 2009 and the year ended December 31, 2008 there were not any conversions of convertible debentures.

March 31, 2009	Debt	Equity	Total
Convertible debentures			
Series E - 8%, due February 17, 2010	$ 11,251,959	$ 2,835,690	$ 14,087,649
Series F - 7.5%, due March 11, 2011	11,976,619	3,564,376	15,540,995
Series G - 7.5%, due December 31, 2011	21,528,174	6,704,571	28,232,745
	44,756,752	13,104,637	57,861,389
Unamortized transaction costs	(1,506,368)	-	(1,506,368)
	$ 43,250,384	$ 13,104,637	$ 56,355,021

December 31, 2008 (audited)	Debt	Equity	Total
Convertible debentures			
Series E - 8%, due February 17, 2010	$ 11,081,742	$ 2,835,690	$ 13,917,432
Series F - 7.5%, due March 11, 2011	11,791,848	3,564,376	15,356,224
Series G - 7.5%, due December 31, 2011	21,216,807	6,704,571	27,921,378
	44,090,397	13,104,637	57,195,034
Unamortized transaction costs	(1,662,431)	-	(1,662,431)
	$ 42,427,966	$ 13,104,637	$ 55,532,603

The Series E and F convertible debentures of the Trust are secured by a security interest on all the property and assets of the Trust. The security interest ranks senior to the trust units and subordinate to mortgage loans payable and related collateral security.

The allocation of the convertible debentures to debt and equity components is based on the net present value of future interest and principal payments with an estimated cost of borrowing without conversion option of 15% for Series E, Series F and Series G debentures.

The accretion of the debt component for the three months ended March 31, 2009 of $666,355 (2008 - $598,510), which increases the debt component from the initial carrying amount, is included in financing expense.

The series E and F debentures provide for the outstanding amount of the debentures to become payable on demand upon default, under certain terms and conditions, of a mortgage loan or a convertible debenture. The Trust is not in compliance with two first mortgage loans totalling $46,978,265, as a result of a violation of the debt service coverage requirement. Additionally, two first mortgage loans, totalling $6,646,755, have matured and alternate financing arrangements have not been concluded, as disclosed in Note 1.

If the lenders demand the repayment of any of the loans, the secured convertible debentures, with a face value of $25,630,000, may become payable on demand.

8 Accounts payable and accrued liabilities

	March 31 2009	December 31 2008 (audited)
Accounts payable and accrued liabilities	$ 6,362,132	$ 4,298,537
Payable on acquisition of Parsons Landing	48,220,000	48,220,000
Construction costs payable	534,373	254,432
Mortgage and debenture interest payable	2,763,090	2,830,930
Mortgage guarantee fees payable	875,442	-
Tenant security deposits	3,473,845	3,695,263
Interest rate swaps	6,456,377	4,012,403
Below market in-place leases, net of accumulated amortization of $75,129 (2008 - $74,895)	465	699
	$ 68,685,724	$ 63,312,264

The amount payable on the acquisition of Parsons Landing includes the acquisition cost payable in the amount of $45,733,000 and is expected to be paid during the second quarter of 2009.

Included in accounts payable and accrued liabilities are income taxes payable of $72,443 at March 31, 2009 (2008 - $31,420) by a wholly owned operating subsidiary.

Interest Rate Swaps

The Trust entered into interest rate swap arrangements whereby the interest rate on the floating rate mortgages have been fixed for the five and ten year terms of the mortgages. The interest rate swaps are derivative financial instruments classified as held-for-trading and are recorded on the balance sheet at fair value. The change in the fair value is recognized in net income. Included in financing expense is a charge of $2,443,974 for the three months ended March 31, 2009.

9 Bank indebtedness

Bank indebtedness consists of a revolving line of credit. The Trust obtained a revolving chartered bank line of credit in 2007 in the maximum amount of $5,000,000, bearing interest at prime and repayable on demand. The line of credit is secured by a second mortgage on an income property. The amount available on the line of credit is reduced by $125,000 relating to the issue of a letter of credit. As at March 31, 2009, $155,000 (2008 - $1,555,000) is available to the Trust under the terms of the line of credit.

10 Future income taxes

Future income taxes consists of the following components:

	March 31 2009	December 31 2008 (audited)
Future income tax asset relating to the assets of Trust:		
Future income tax asset relating to the temporary difference between the accounting and tax basis held in the Trust expected to reverse after 2010 for:		
Income properties	$ 10,903,240	$ 3,518,985
Transaction costs	(15,344)	(89,554)
	10,887,896	3,429,431
Valuation allowance	(10,887,896)	-
	$ -	$ 3,429,431

During the quarter, in recognition of the uncertainty with respect to the realization of the income tax asset, a full valuation allowance was recorded to reduce the future income tax asset to nil at March 31, 2009.

	March 31 2009	December 31 2008 (audited)
Future income tax liability relating to the wholly owned subsidiaries:		
Future income tax liability relating to the temporary differences between the accounting and tax basis of income properties held in wholly owned subsidiaries	$ 2,829,133	$ 3,518,197
Future income tax asset relating to operating losses of wholly owned subsidiaries	(1,752,510)	(1,569,604)
	1,076,623	1,948,593
Valuation allowance	1,752,510	1,569,604
	$ 2,829,133	$ 3,518,197

10 Future income taxes (continued)

	Three Months Ended March 31 2009	2008
Future income tax expense (recovery):		
Decrease (increase) in future income tax asset resulting from a change in temporary differences relating to:		
Income properties	$ (7,384,255)	$ (1,729,796)
Transaction costs	(74,210)	(12,836)
Valuation allowance	10,887,896	-
	3,429,431	(1,742,632)
Wholly owned subsidiaries		
Increase (decrease) in future income tax liability resulting from a change in temporary differences relating to income properties	(657,970)	39,260
Increase (decrease) in future income tax liability resulting from changes in tax rates	(31,094)	-
Decrease (increase) in future income tax asset resulting from operating losses	(182,906)	(249,827)
Valuation allowance	182,906	-
	(689,064)	(210,567)
Current income taxes at statutory tax rates	41,023	-
	(648,041)	(210,567)
	$ 2,781,390	$ (1,953,199)

The wholly owned subsidiaries have the following operating losses available to reduce income for tax purposes in future years. The potential benefit of these losses has not been reflected in the consolidated financial statements.

Operating losses carried forward expiring in:

2026	$ 113,256
2027	2,353,597
2028	2,437,741
2029	571,584
	$ 5,476,178

11 *Non-controlling interest*

Non-controlling interest represents the interest of the holder of the Class B units (LP Units) of LREIT Village West LP, an entity controlled by the Trust, which is consolidated in the financial statements. The holder of the LP Units of Village West LP is entitled to receive distributions equal to those provided to holders of units of the Trust. LP Units are transferable and are exchangeable, at the option of the holder on a one for one basis for units of the Trust. As at March 31, 2009, there were 356,617 (2008 - 356,617) LP Units of Village West LP outstanding.

The change in non-controlling interest is summarized as follows:

	March 31 2009	December 31 2008 (audited)
Balance, beginning of period	$ 1,573,258	$ 1,685,103
Share of income of Village West Townhouses	38,603	87,860
Distributions on LP Units of Village West LP	(33,285)	(199,705)
Balance, end of period	$ 1,578,576	$ 1,573,258

12 *Related party transactions*

Related party transactions have occurred in the normal course of operations and are measured at the exchange amount which is the amount established and agreed by the related parties. Shelter Canadian Properties Limited is a related party by virtue of the property management and services agreements with the Trust.

Management agreement

The Trust has renewed the property management agreement with Shelter Canadian Properties Limited with the same terms and conditions, for a five year term expiring on August 30, 2012. Under the property management agreement, Shelter Canadian Properties Limited will administer the day-to-day operations of the Trust's portfolio of income properties, except for the seniors housing complexes. The Trust pays property management fees equal to 4% of gross receipts from the income properties owned by the Trust. In regards to commercial properties, Shelter Canadian Properties Limited is also entitled to leasing commissions on new leases of 3% to 5% of base rental payments and leasing commissions on renewal of 1 1/2% to 2 1/2% of base rental payments. Shelter Canadian Properties Limited is also entitled to tenant improvement and renovation fees equal to 5% of the total cost of such work.

The Trust incurred property management fees payable to Shelter Canadian Properties Limited of $678,568 for the three months ended March 31, 2009 (2008 - $489,560). Property management fees are included in property operating costs and during the period of major in-suite renovations or development are capitalized to the cost of buildings and properties under development.

The Trust incurred leasing commissions on commercial properties to Shelter Canadian Properties Limited of $15,579 for the three months ended March 31, 2009 (2008 - nil). The amounts are capitalized to income properties.

Included in accounts payable and accrued liabilities at March 31, 2009 is a balance of $155,441 (2008 - $125,691), payable to Shelter Canadian Properties Limited in regard to outstanding property management fees.

12 Related party transactions (continued)

Services agreement
The Trust has renewed the services agreement with Shelter Canadian Properties Limited, with the same terms and conditions, for a term expiring June 30, 2009. Under the services agreement, Shelter Canadian Properties Limited provides the Trust management and support services for the administration of the day-to-day activities of the Trust. The Trust pays service fees equal to 0.3% of the gross book value of the assets of the Trust, excluding cash.

The Trust incurred service fees payable to Shelter Canadian Properties Limited of $494,862 for the three months ended March 31, 2009 (2008 - $387,242). Service fees are included in trust expense.

Included in accounts payable and accrued liabilities at March 31, 2009 is a balance of $341,164 (2008 - nil), payable to Shelter Canadian Properties Limited in regard to outstanding service fees.

Guarantees
Certain of the mortgage loans payable have been guaranteed by Shelter Canadian Properties Limited. There were not any fees charged to the Trust in regard to the guarantees.

13 Units

The number of units issued, and purchased and cancelled, are as follows:

	Three Months Ended March 31 2009	Year Ended December 31 2008 (audited)
Outstanding, beginning of period	17,588,081	17,529,894
Issued on distribution reinvestment plan	48,576	514,387
Purchased and cancelled under normal course issuer bid	(99,507)	(456,200)
Outstanding, end of period	17,537,150	17,588,081

Distribution Reinvestment Plan
Pursuant to the distribution reinvestment plan ("DRIP"), holders of Units may elect to have all or a portion of their regular monthly distributions automatically reinvested in additional Units. Participants in the DRIP receive a bonus distribution of units equal to 4% of the amount of the cash distribution which is reinvested. The purchase price of the units is equal to the weighted average closing price of the Units for the five trading days immediately preceding the distribution payment date. During the three months ended March 31, 2009, 48,576 (2008 - 514,387) units have been issued pursuant to the DRIP.

Units purchased and cancelled under normal course issuer bid
On January 16, 2008, the Trust announced its intention to make a normal course issuer bid to acquire up to 876,494 units, representing 5% of the issued and outstanding units of the Trust, over the twelve month period ended January 20, 2009, in accordance with the policies of the Toronto Stock Exchange. Units purchased by the Trust under its normal course issuer bid are cancelled. During the three months ended March 31, 2009 the Trust has purchased and cancelled 99,507 units under its normal course issuer bid at a weighted average price of $2.77 per unit.

13 Units (continued)

On January 21, 2009, the Trust announced its intention to make a normal course issuer bid to acquire up to 877,404 units, representing 5% of the issued and outstanding units of the Trust, over the twelve month period ending January 22, 2010.

14 Unit option plan

The Trust may grant options to the Trustees, senior officers and consultants of the Trust. The maximum number of units reserved for issuance under the unit option plan will be limited to 5% of the total number of issued and outstanding units. The Trustees shall set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the discounted market price of the units as determined under the policies of the Exchange on the date of grant. The options will have a maximum term of five years from the date of grant.

The fair value of each unit option granted is estimated on the date of grant using the Black-Scholes option pricing model.

Unit-based compensation expense of $88,331 for the three months ended March 31, 2009 (2008 - $191,891), relating to options issued was recorded to expense the fair value unit-based compensation. Unit-based compensation is included in trust expense.

A summary of the status of the unit options and changes during the period is as follows:

	Three Months Ended March 31, 2009		Year Ended December 31, 2008	
	Units	Weighted Average Exercise Price	Units (audited)	Weighted Average Exercise Price
Outstanding, beginning of period	1,452,000	$ 5.56	1,110,000	$ 5.72
Granted, January 7, 2008	-	-	370,000	5.10
Expired, August 11, 2008	-	-	(28,000)	5.73
Outstanding, end of period	1,452,000	$ 5.56	1,452,000	$ 5.56
Vested, end of period	1,009,800		960,400	

At March 31, 2009 the following unit options were outstanding:

Exercise price	Options outstanding	Options vested	Expiry date
$ 5.42	30,000	30,000	January 17, 2011
5.80	935,000	641,000	July 26, 2011
5.30	120,000	120,000	June 8, 2012
5.10	367,000	218,800	January 7, 2013
	1,452,000	1,009,800	

15 Deferred unit plan

The Trust has adopted a deferred unit plan, under which, any trustee, officer, employee, or consultant employee of the Trust may elect to have their annual bonus, annual board retainer or board meeting fees payable to that person by the Trust paid in the form of deferred units. The number of deferred units received by a participant is determined by dividing the amount of the annual bonus, annual board retainer or board meeting fees as applicable to be paid in the form of deferred units on that date by the fair market value of the Trust's units.

Deferred units granted to Trustees shall vest immediately. Deferred units granted to participants other than Trustees shall vest 33% on the first anniversary of grant, 33% on the second anniversary of grant, and 34% on the third anniversary of grant. In the event of any change of control, any unvested deferred units shall vest upon the earlier of the next applicable vesting date and the date that is immediately prior to the date upon which the change of control is completed. The board shall have the discretion to vary the manner in which deferred units vest for any participant.

The deferred units credited to a participant (including deferred units that have not yet vested) shall vest immediately and be redeemable by the participant following the termination other than for cause, retirement, or death, of the participant. In the event that a participant is terminated for cause, only the deferred units that have vested shall be redeemable and any unvested deferred units shall be cancelled.

Whenever cash distributions are paid on the units of the Trust, additional deferred units will be credited to the participant based on the number of deferred units held, the amount of the distribution and the market value of a unit of the Trust on the date of the distribution. Additional deferred units shall vest at the same time and on the same basis as the deferred units in respect of which they are credited.

Deferred units granted to Trustees totaled 45,277 for the three months ended March 31, 2009 and 68,805 aggregate deferred units were outstanding at March 31, 2009.

Unit-based compensation expense of $56,219 for the three months ended March 31, 2009, relating to deferred units granted was recorded to expense the fair value unit-based compensation. Unit-based compensation is included in trust expense.

16 Rentals from income properties

Rental revenue contractually due from tenants includes the recovery of property operating costs and property taxes from tenants of $997,521 (2008 - $698,814) for the three months ended March 31, 2009.

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17 Financing expense

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
Mortgage loan interest	$ 6,427,366	$ 4,401,713
Interest on acquisition payable	1,979,621	431,300
Convertible debenture interest	977,975	1,009,835
Accretion of the debt component of convertible debentures	666,355	598,510
Amortization of transaction costs	567,240	373,107
Change in fair value of interest rate swaps	2,443,974	-
	$ 13,062,531	$ 6,814,465

18 Amortization

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
Building	$ 3,034,825	$ 1,902,906
Furniture, equipment and appliances	402,923	216,040
Intangible assets, except for in-place leases	178,905	213,152
	3,616,653	2,332,098
Transaction costs	567,240	373,107
Above market in-place leases	2,543	2,543
Below market in-place leases	(234)	(2,099)
	4,186,202	2,705,649
Difference between contractual and market interest rates on mortgage loans assumed	(11,043)	(158,244)
	$ 4,175,159	$ 2,547,405

19 Supplementary cash flow information

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
Interest paid and received		
Interest paid on mortgage loans	$ 6,482,182	$ 4,771,967
Interest paid on acquisition payable	$ 1,376,772	$ 284,385
Interest paid on convertible debentures	$ 991,000	$ 1,029,926
Interest received on mortgage loans receivable	$ -	$ 152,926
Other interest received	$ 259,753	$ 164,974
Cash distributions		
Distributions declared	$ 1,635,079	$ 2,456,901
Distributions payable end of period	-	(819,940)
Distributions to participants in the DRIP	(104,343)	(189,661)
Distributions paid on units	$ 1,530,736	$ 1,447,300

20 Per unit calculations

Basic per unit information is calculated based on the weighted average number of units outstanding for the year, including vested deferred units. Diluted per unit information is calculated based on the weighted average diluted number of units for the year, considering the dilutive effect of unvested deferred units, the potential exercise of outstanding unit options to the extent that the unit options are dilutive and the potential conversion of outstanding convertible debentures to the extent that the debentures are dilutive and the potential conversion of the outstanding Class B units of LREIT Village West LP to the extent that the units are dilutive.

Loss per unit calculations are based on the following:

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
Income (loss)	$ (8,530,719)	$ 301
Diluted income (loss)	$ (8,530,719)	$ 301
Units	17,467,741	17,469,441
Vested deferred units	901	-
Weighted average basic number of units	17,468,642	17,469,441
Weighted average diluted number of units	17,468,642	17,469,441

21 Financial instruments and risk management

Risk management
In the normal course of business, the Trust is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its tenants. Management's involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Trust, management takes steps to avoid undue concentrations of risk. The Trust manages the risks, as follows:

Liquidity risk
The Trust is in violation of the 1.4 times debt service coverage requirement on two first mortgage loans, totalling $46,978,265, in Fort McMurray. The terms of the mortgage loans provide the Trust with a six-month period, from the date of notice of default by the lender, to remedy the violation of the covenant. The Trust has not received notice of default from the lender and has requested the lender to reduce the existing debt service covenant. There is no assurance, however, that the lender will not demand payment of the mortgage loans, should the Trust be unable to remedy the default. There are no cross-default covenants with respect to the other mortgage loans of the Trust.

The cross default clauses of the Series E and F secured convertible debentures provide that the convertible debentures may become payable, on demand, if a lender demands the repayment of a mortgage loan. If the lender demands the repayment of the loans, the secured convertible debentures, with a face value of $25,630,000, may become payable on demand.

21 Financial instruments and risk management (continued)

Liquidity risk (continued)

In addition, the Trust has 2 first mortgage loans, totalling $6,646,755, that have matured and alternate financing arrangements have not been concluded. Extensions have been requested. There is no assurance, however, that the lender will not demand payment of mortgage loans.

In addition to the liquidity risk relating to the mortgage financing for Parsons Landing, liquidity risk arises from the possibility of the Trust not having sufficient debt and equity capital available to fund its growth and refinance its debt as it matures.

The economic uncertainty which currently exists throughout the global marketplace has resulted in a more conservative and restrictive lending market.

The risk associated with the refinancing of maturing debt is mitigated as the maturity dates of the mortgage portfolio are staggered over a number of years and, except for properties under development, by limiting the use of floating interest rate debt.

As at March 31, 2009, the weighted average term to maturity of the fixed rate mortgages on income properties, excluding properties under development, is 4.3 years (2008 - 4.7 years).

The repayment obligations in regard to mortgage loans payable and convertible debentures are as follows:

Year ending December 31	Mortgage Loans Payable	Convertible Debentures	Total
2009 - remainder of year	$148,019,703	$ -	$148,019,703
2010	54,218,248	11,950,000	66,168,248
2011	13,885,554	39,412,000	53,297,554
2012	41,738,302	-	41,738,302
2013	24,963,804	-	24,963,804
Thereafter	171,472,086	-	171,472,086
	$454,297,697	$ 51,362,000	$505,659,697

Interest rate risk

Interest risk arises from debt financing including the risk that the Trust will not be able to refinance the mortgages with terms as favourable as those of existing mortgages. The risk is minimized by having the majority of the mortgage loans on fixed term arrangements. In addition, the maturity dates of the mortgages are staggered over a number of years to reduce the exposure in any one year. At March 31, 2009 the percentage of fixed rate mortgage loans to total mortgage loans was 80% (2008 - 80%).

As at March 31, 2009, the Trust has total contractual mortgage principal maturities on income properties to December 31, 2012 of $142,593,198, representing 31.4% of the mortgage loans principal balance. Should the amounts be refinanced upon maturity at an interest rate differential of 1%, financing expense would change by $1,425,932 per year.

21 Financial instruments and risk management (continued)

Interest rate risk (continued)
The Trust has floating rate mortgages on income properties (excluding floating rate mortgages in the amount of $20,618,502 and $22,471,379, with interest rates fixed at 5.74% and 5.82% respectively by use of interest rate swap arrangements) totaling $86,000,000.00, or 19.0% of the total mortgage loans principal balance as at March 31, 2009 (2008 -18.0%).

Floating rate mortgages on properties under development comprise construction loans and loans on properties during the period of lease-up.

As at March 31, 2009, the Trust had total floating rate mortgages of $92,935,570. Should interest rates change by 1%, financing expense would change by $929,356 per year.

With the exception of interest rate swap arrangements, the Trust does not trade in financial instruments.

Credit risk
Credit risk arises from the possibility that tenants may be unable to fulfil their lease commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Trust has credit policies to address credit risk which include the analysis of financial position and credit history of a prospective tenant and by obtaining security deposits whenever permitted by legislation. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

Thirteen properties, representing 51% of rentals from income properties, are located in Fort McMurray, Alberta. The credit risk associated with the tenants in Fort McMurray is mitigated due to the long-term nature of the oil sands industry and the credit worthiness of the commercial tenants which comprise a significant portion of the rent receivable. The Trust has a corporate tenant that accounts for 15% of rentals from income properties for the three months ended March 31, 2009. Credit risk, in this regard, has been managed by the Trust leasing to a credit worthy tenant.

Rent is past due when a tenant has failed to make a payment when contractually due. The following is an aging of rent receivable past due but not impaired:

	March 31 2009	December 31 2008
Rent receivable overdue:		
0 to 30 days	$ 476,912	$ 372,485
31 to 60 days	127,873	123,340
More than 60 days	343,557	271,116
	$ 948,342	$ 766,941

21 Financial instruments and risk management (continued)

A reconciliation of allowance for doubtful accounts is as follows:

	March 31 2009	December 31 2008 (audited)
Balance, beginning of period	$ 108,816	$ 42,185
Amount charged to bad debt expense relating to impairment of rent receivable	66,195	344,711
Amounts written off as uncollectible	(35,451)	(278,080)
Balance, end of period	$ 139,560	$ 108,816
Amount charged to bad debts as a percent of rentals from income properties	0.34%	0.52%

Currency risk
Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Trust does not have any transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk
Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Trust are not exposed to other price risk.

Fair values
Financial instruments include cash, mortgage loans receivable, amounts receivable, interest rate swap, restricted cash, mortgage loans payable, accounts payable and accrued liabilities, the debt component of convertible debentures, bank indebtedness and distributions payable. Except for the mortgage loans payable and the debt component of convertible debentures, the carrying values of these financial instruments approximate fair value due to the short term nature of the financial instruments.

The fair value of the fixed rate mortgage loans payable are impacted by changes in market yields which can result in differences between the carrying value and fair value of the instruments. The fair value of mortgage loans payable has been estimated based on the current market rates for mortgages with similar terms and conditions. The estimated fair value of fixed rate mortgage loans payable for the period ended March 31, 2009 is $477,000,000 (December 31, 2008 - $476,000,000).

The carrying value of the debt components of convertible debentures payable are impacted by changes in market yields which can result in differences between the carrying value and fair value of instruments. The fair value of the debt component of convertible debentures payable has been estimated based on the current market rates for debentures with similar terms and conditions. The estimated fair value of the debt component of convertible debentures payable for the period ended March 31, 2009 is $25,078,400 (December 31, 2008 - $33,290,680).

22 Management of capital

The capital structure of the Trust is comprised of the following:

	March 31 2009	December 31 2008
Mortgage loans payable	$454,297,697	$456,192,133
Convertible debentures		
Debt component	44,756,752	44,090,397
Equity component	13,104,637	13,104,637
	57,861,389	57,195,034
Trust units	79,665,255	79,750,666
	$591,824,341	$593,137,833

The Trust manages capital in order to safeguard its ability to continue as a going concern; to ensure that returns are provided to Unitholders and to ensure an appropriate balance of risk and return.

The overall capital management strategy addresses the following considerations:

- The equity component of acquired properties is primarily funded from the proceeds of trust units or convertible debentures.
- Mortgage debt financing is arranged to optimize the leveraged returns from the real estate portfolio.
- Total mortgage debt financing is maintained within the overall debt limits as established by the Declaration of Trust. The Declaration of Trust provides for mortgage indebtedness of the Trust up to 75% of the appraised value of all properties.
- Whenever possible, the Trust will utilize fixed rate debt financing.
- Mortgage due dates are structured to reflect the properties being financed and debt maturity dates will be staggered, to the extent possible, in order to reduce refinancing risk.

The Trust monitors capital from time-to-time using a variety of measures. Monitoring procedures are performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Trust to access capital and/or reduce the cost of capital.

In order to maintain or adjust the capital structure the Trust may issue units, debentures or mortgage debt; adjust the amount of distributions paid to unitholders; return capital to unitholders; purchase units; or reduce debt.

Market requirements for attracting capital may vary in ways that the Trust may not be able to accurately predict.

23 Segmented financial information

The assets are located in and revenue is derived from the operation of commercial, light industrial and residential real estate in Canada. Commercial real estate consists of retail properties and office and retail mixed-use properties. Residential real estate consists of multi family residential properties and seniors housing complexes.

Three months ended March 31, 2009:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	1,427,146	39,735	18,135,061	-	19,601,942
Interest and other income	7,592	2,455	233,673	16,033	259,753
Property operating costs	703,525	40,445	7,405,077	-	8,149,047
Financing expense	242,118	37,145	9,643,385	3,139,883	13,062,531
Amortization	340,091	7,837	3,268,725	-	3,616,653
Income (loss)	149,004	(43,238)	(1,339,014)	(7,297,471)	(8,530,719)
Total assets	26,547,978	2,745,651	570,238,438	546,615	600,078,682

Three months ended March 31, 2008

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	925,467	92,643	12,258,711	-	13,276,821
Interest and other income	4,752	193	131,410	215,817	352,172
Property operating costs	438,986	22,193	5,217,872	-	5,679,051
Financing expense	247,471	37,864	4,023,755	2,505,375	6,814,465
Amortization	187,061	7,836	2,137,201	-	2,332,098
Income (loss)	56,701	24,944	1,200,488	(1,281,832)	301
Total assets	18,542,970	2,714,830	445,747,542	12,795,337	479,800,679

Three months ended March 31, 2009:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	11,167,092	377,468	2,769,340	718,775	1,530,521	3,038,746	-	19,601,942
Interest and other income	202,899	2,380	16,667	32	5,294	16,448	16,033	259,753
Property operating costs	3,439,616	234,214	1,431,635	585,745	632,647	1,825,190	-	8,149,047
Financing expense	7,929,718	81,616	689,179	369,390	317,592	535,153	3,139,883	13,062,531
Amortization	2,005,852	49,278	747,661	135,814	223,335	454,713	-	3,616,653
Income (loss)	(2,005,189)	14,740	(82,468)	255,854	362,241	221,574	(7,297,471)	(8,530,719)
Total assets	370,697,945	10,700,968	71,820,852	46,159,870	38,765,345	61,387,087	546,615	600,078,682

Three months ended March 31, 2008

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	6,926,203	364,869	1,406,509	230,770	1,507,022	2,841,448	-	13,276,821
Interest and other income	99,137	3,229	6,935	103	10,291	16,660	215,817	352,172
Property operating costs	2,379,389	217,246	681,190	132,405	614,220	1,654,601	-	5,679,051
Financing expense	2,787,414	86,082	394,923	161,125	323,678	555,868	2,505,375	6,814,465
Amortization	1,138,452	48,280	321,742	69,255	219,080	535,289	-	2,332,098
Income (loss)	720,092	16,490	15,586	44,607	360,335	125,023	(1,281,832)	301
Total assets	275,138,708	10,846,245	33,824,879	45,397,886	39,193,737	62,603,887	12,795,337	479,800,679

24 Commitments

Acquisition

Parsons Landing Apartments

On September 1, 2008, the Trust acquired possession of Parsons Landing, a residential property located in Fort McMurray, Alberta, for a total cost of $63,200,000, including GST. On November 1, 2007, the Trust provided a $10,000,000 second mortgage loan, which bore interest at 8%. On possession of Phase I of the property on May 14, 2008, a purchase instalment payment of $2,500,000 was made and $5,250,000 of the second mortgage loan was applied to the purchase price. On possession of Phase II of the property on September 1, 2008, the balance of the second mortgage loan of $4,750,000 was applied to the purchase price. After accounting for the payment of an additional deposit of $2.5 Million on October 1, 2008, the balance owing on Parsons Landing was $48.2 Million as of December 31, 2008, including GST.

The balance owing of the acquisition cost payable in the amount of $48,220,000 was due on February 28, 2009.

The permanent mortgage financing for Parsons Landing is uncompleted and, as a result, the vendor has agreed to extend the deadline for payment of the balance owing until July 31, 2009 with interest from March 1, 2009 of $4,429,367. The vendor has accepted payment of $500,000 on May 12, 2009 and has agreed to accept a further payment of $500,000 by July 15, 2009 to be applied to the balance owing. The vendor has accepted payment of $300,000 per month for March and April 2009 and has agreed to accept payment of $300,000 per month for May and June 2009, to be applied to interest. The vendor has also agreed to provide a $15,000,000 second mortgage with a one year term, and to reduce the balance by $2,700,000 on closing. The payment extension is conditional upon the Trust obtaining a commitment for mortgage financing of $30,000,000 by June 5, 2009. In the event that a financing commitment is not received by June 5, 2009 or any other act of default, the vendor shall be permitted to list the property for sale.

In the event of the sale of Parsons Landing, the Trust will be liable to the vendor for any shortfall between the net proceeds of the sale and the acquisition cost payable of $45,233,000 plus interest.

Management Contracts

The Trust has retained the following third party managers to provide on-site management services to the seniors housing complexes:

Property	Manager	Term Expiring
Riverside Terrace	LutherCare Communities	July 31, 2015
Chateau St. Michael's	Integrated Life Care Inc.	September 30, 2010
Elgin Lodge	Kingsway Arms Management Inc.	May 31, 2016
Clarington Seniors Residence	Kingsway Arms Management Inc.	February 12, 2017

In addition, Siena apartments condominium is managed by Pacer Management Inc. for a term expiring 2012.

25 Contingent consideration on acquisition

Elgin Lodge

During the five year period from June 1, 2006, Kingsway Arms Management Services Inc. is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the expanded Elgin Lodge property exceeds the total of the cost to the Trust, including the expansion costs and the unpaid portion of a 12% return on equity. Consideration for the three months ended March 31, 2009 of $344,897 (2008 - $53,705), which increases the cost of the building, is included in accounts payable and accrued liabilities.

Clarington Seniors Residence

During the five year period after lease-up is achieved, Kingsway Arms Management Services Inc. is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the property exceeds the total of the acquisition cost to the Trust and the unpaid portion of an 8% return on equity. Consideration for the three months of $354,939 (2008 - $43,269), which increases the cost of properties under development, is included in accounts payable and accrued liabilities.

26 Subsequent events

Effective April 1, 2009, the second mortgage loan on Kenaston and McIvor Mall in the amount of $4,000,000 was renewed for a one year term maturing April 1, 2010. The mortgage bears interest at 12%.

On April 9, 2009, the first mortgage loan in the amount of $2,060,168 secured by the Village West property was upward refinanced with a new first mortgage loan in the amount of $4,400,000 bearing interest at 5.2% and due April 8, 2014.

27 Comparative figures

Certain of the prior year figures have been reclassified to be comparable to the current year.