FIRST PLACE TOWER
BROOKFIELD PROPERTIES INC.

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2009

Balance Sheets

(Thousands)	Notes	March 31, 2009	December 31, 2008 Restated (note 3)
Assets			
Rental property	5	**$ 238,594**	$ 239,177
Due from related parties	6	**9,769**	9,769
Future income taxes	7	**24,685**	24,246
Other assets	8	**31,777**	31,332
Cash	9	**16,527**	10,488
		$ 321,352	$ 315,012
Liabilities			
Secured and unsecured indebtedness	10	**$ 237,972**	$ 240,179
Due to related parties	6	**305,203**	299,801
Accounts payable and accrued charges		**19,981**	15,761
		563,156	555,741
Shareholder's deficiency			
Share capital	11	**58,112**	58,112
Deficit		**(299,916)**	(298,841)
		(241,804)	(240,729)
		$ 321,352	$ 315,012

See accompanying notes to the financial statements

Statements of Revenue and Expenditures and Comprehensive Loss

(Thousands)	Notes	Three months ended March 31 2009	2008 Restated (note 3)
Revenues			
Rents and recoveries		**$ 35,599**	$ 35,805
Expenses			
Rental property operating expenses and taxes		**18,210**	18,351
Ground rent and entitlements	12	**5,483**	6,999
Financing expense		**8,822**	11,349
Depreciation and amortization		**3,998**	3,528
General and administrative expenses		**600**	598
		37,113	40,825
Loss before income taxes		**(1,514)**	(5,020)
Future income tax recovery	13	**439**	1,495
Net loss and comprehensive loss		**$ (1,075)**	**$** (3,525)

See accompanying notes to the financial statements

Statements of Changes in Shareholder's Deficiency

(Thousands)	Three months ended March 31 2009	2008 Restated (note 3)
Deficit, beginning of period	**$ (298,841)**	$ (291,534)
Net loss	**(1,075)**	(3,525)
Deficit, end of period	**(299,916)**	(295,059)
Accumulated other comprehensive income ("AOCI")	—	—
Deficit and AOCI, end of period	**$ (299,916)**	$ (295,059)

See accompanying notes to the financial statements

Statements of Cash Flows

(Thousands)	Notes	Three months ended March 31 2009	2008 Restated (note 3)
Operating activities			
Net loss		**$ (1,075)**	$ (3,525)
Add (deduct) non-cash items:			
Depreciation and amortization		**3,998**	3,528
Amortization of deferred financing costs		**157**	151
Future income tax recovery		**(439)**	(1,495)
Interest payable to 2072790 Ontario Inc.		**3,966**	6,367
Net change in operating assets and liabilities		**3,827**	1,627
Tenant inducements and leasing costs		**(48)**	(46)
Recoverable expenditures		**(2,596)**	(521)
Cash flows provided by operating activities		**7,790**	6,086
Investing activity			
Expenditures on rental property		**(823)**	(6)
Cash flows used in investing activity		**(823)**	(6)
Financing activities			
Repayment of secured and unsecured indebtedness	11	**(2,364)**	(2,184)
Increase (decrease) in amounts due to related parties		**1,436**	(1,808)
Cash flows used in financing activities		**(928)**	(3,992)
Increase in cash during the period		**6,039**	2,088
Cash, beginning of period		**10,488**	4,075
Cash, end of period		**$ 16,527**	$ 6,163
Supplementary information:			
Interest paid in cash		**$ 4,735**	$ 4,915
Income taxes paid in cash		**$ 81**	$ 132

See accompanying notes to the financial statements

Notes to the Financial Statements

March 31, 2009
(all tabular amounts stated in thousands of dollars)

1. REORGANIZATION AND BASIS OF PRESENTATION

On October 21, 2005, 2072790 Ontario Inc., a company owned by a consortium consisting of BPO Properties Ltd., a subsidiary of Brookfield Properties Corporation, CPP Investment Board and ARCA Investments Inc. (the "Consortium"), acquired all the issued and outstanding shares of O&Y Properties Corporation ("OYPC"), the ultimate parent company of O&Y FPT Inc. ("O&Y FPT") and O&Y Properties Inc. ("OYPI"). OYPC subsequently amalgamated with OYPI and certain other affiliates (including the Company's shareholder) to form Brookfield Properties (PI) Inc. ("BP(PI)I"). 2083503 Ontario Inc., a subsidiary of 2072790 Ontario Inc., through a series of transactions, then acquired the shares of O&Y FPT from BP(PI)I for $215 million. The acquisition was satisfied by the issuance of 58,112,021 common shares and a promissory note for $157 million to 2072790 Ontario Inc. Subsequently, 2083503 Ontario Inc. and O&Y FPT amalgamated to form First Place Tower Brookfield Properties Inc. ("FPTBPI" or the "Company"). As this was effectively a transfer between companies under common control, the transfer was recorded at the carrying amount, the amount paid for the acquisition was recorded as a capital distribution and the comparative figures have been restated to reflect the operations of 2083503 Ontario Inc. and O&Y FPT as though they had been combined since inception.

The Company is the owner of 1 First Canadian Place ("FCP"), a 2.8 million square foot office tower and retail complex in the heart of Toronto's financial district, through a 50% freehold interest and a 50% leasehold interest in the land on which the property is built and a 100% ownership interest in the office tower, retail complex and podium. As the Company has a 100% ownership interest in the office tower, retail complex and podium, the financial statements include all of the revenue and operating costs of FCP less provisions for the ground rent and entitlements of the other FCP land owner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reference is made to the most recently-issued annual financial statements of FPTBPI which includes information necessary or useful to understanding the Company's businesses and financial statement presentation. In particular, the Company's significant accounting policies and practices were presented as Notes 2 and 4 to these financial statements, and have been consistently applied in the preparation of these interim financial statements. Financial information in this report reflects any adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary to reflect a fair statement of results for the interim periods in accordance with Canadian generally accepted accounting principles.

The results reported in these interim financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

3. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (the "CICA") issued Handbook Section 3064, "Goodwill and Intangible Assets". Section 3064 replaces Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs." Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Standards concerning goodwill are unchanged from those included in the previous Section 3062. In addition, various changes have been made to other sections of the CICA Handbook for consistency purposes. As a result of the related amendments to Section 1000, "Financial Statement Concepts," any expenses deferred pursuant to previously existing "matching" concepts and which do not otherwise meet the definition of an asset, are no longer eligible for capitalization as an asset. The Company adopted the new standards relating to Section 3064 on January 1, 2009, retrospectively with restatement. The comparative figures have been reclassified as follows:

December 31 (Thousands)		2008
Retained earnings		
Opening balance at January 1, 2008 as previously reported	$	(290,329)
Cumulative impact of changes in accounting policy, net of taxes of $0.5 million(1)		(1,205)
Opening balance at January 1, 2008 – as restated		**(291,534)**
Ending balance at December 31, 2008 as previously reported	$	(297,969)
Cumulative impact of changes in accounting policy(2)		(872)
Ending balance at December 31, 2008 – as restated		**(298,841)**

(1) A decrease of $1.2 million to opening retained earnings, representing changes to recoverable capital expenditures prior to January 1, 2008 that do not qualify as an asset under Handbook Section 3064.

(2) Subsequent to January 1, 2008, an increase of $0.08 million to retained earnings (net of taxes of $0.03 million), representing a reduction of $0.1 million in depreciation and amortization, was recorded as a result of adopting Handbook Section 3064, for the quarter ended March 31, 2008. Subsequent to March

31, 2008, an increase of $0.2 million to retained earnings (net of taxes of $0.1 million), representing a decrease of $0.3 million to operating expenses, was recorded during the period ended December 31, 2008.

December 31 (Thousands)		2008
Rental property		
Balance at December 31, 2008 as previously reported	$	240,405
Cumulative impact of changes in accounting policy[1]		(1,228)
Balance at December 31, 2008 – as restated		**239,177**
Future income taxes		
Balance at December 31, 2008 as previously reported	$	23,890
Cumulative impact of changes in accounting policy[1]		356
Balance at December 31, 2008 – as restated		**24,246**

[1] A total decrease of $0.9 million was recorded as a result of adopting Handbook Section 3064.

4. LAND LEASE

FCP is subject to a land lease in respect of 50% of the land on which the property stands.

The FCP land lease will expire on December 31, 2023 subject to extension under certain circumstances (as described below). At the expiry of the land lease, the other FCP land owner has the option to acquire a 50% interest in FCP for a nominal amount.

The land lease provides that the gross receipts (revenues) of FCP are to be distributed each year in a specific order of priority. The order of priority for the annual entitlements is as follows:

(a) operating costs - annual property operating costs including capital expenditures, tenant allowances and leasing costs.

(b) amortization of the construction amount - an amount allocated to the Company calculated based on an annual blended payment of principal and interest on the construction amount. This amortized payment is recalculated each year using the Average Interest Rate ("AIR") and a period commencing on January 1 of the year of calculation and ending on December 31, 2023. The AIR fluctuates periodically and is based on a formula in the land lease. The AIR for the period ended March 31, 2009 was 4.85% (March 31, 2008 – 4.85%).

(c) ground rents - annual ground rents on a pari passu basis as to 50% to the other FCP land owner and a corresponding 50% payment to the Company. Ground rents are adjusted when the AIR is below 9%.

(d) amortization of additional amounts - an amount allocated to the Company calculated based on annual blended payments of principal and interest on funds advanced for certain cost overruns. The amortized payments are recalculated each year using the AIR plus 1% and a period commencing on January 1 of the year of calculation and ending on December 31, 2023.

(e) recovery of additional funding - an amount allocated to the Company and the other FCP land owner on a pari passu basis representing their entitlements with respect to funds advanced to cover cash flow shortfalls resulting from deficiencies in prior years. All future annual gross receipts, after satisfaction of entitlements (a) to (d) above, will be allocated to satisfy the entitlements remaining under this level until the Company and the other FCP land owner are satisfied in full. The balance of any remaining entitlements will accrue interest at the AIR, compounded annually. All allocations under this level of entitlement were satisfied in 2003.

(f) earnings participation - a fixed non-cumulative annual amount allocated to the other FCP land owner, of $887,500.

(g) recovery of the capital tax amount - an amount allocated to the Company representing Ontario capital tax computed upon an amount deemed to have been borrowed to finance the costs of construction of FCP. For this purpose, in each year, capital tax amounts are calculated based upon a notional amount of capital which decreases over the term of the land lease by the same percentage as the maximum capital cost allowance permitted under the Income Tax Act (Canada). All future annual gross receipts, after satisfaction of entitlements (a) to (f) above, will be allocated to satisfy the remaining capital tax entitlement of the Company until it is received in full and any remaining amounts will accrue interest at the AIR plus 1% compounded annually.

(h) remaining gross receipts - any remaining gross receipts will be allocated 50% to the Company and 50% to the other FCP land owner.

Entitlements of the other FCP land owner are included as ground rent and entitlements in the statements of revenue and expenditures and comprehensive loss.

Changes during the year in the Company's entitlement balances are set out below:

(Thousands)	Three months ended March 31 **2009**		2008
Unamortized principal balance of the construction amount (b)			
Beginning of period	**$**	**133,622**	$ 139,595
Interest		**1,581**	1,650
Repayments		**(2,635)**	(3,117)
	$	**132,568**	$ 138,128
Unamortized principal balance of additional amounts (d)			
Beginning of period	**$**	**15,819**	$ 16,468
Interest		**225**	234
Repayments		**(130)**	(392)
	$	**15,913**	$ 16,310
Accumulated capital tax amount (g)			
Beginning of period	**$**	**—**	$ —
Interest		**—**	—
Capital tax		**122**	128
Repayments		**(122)**	(128)
	$	**—**	$ —

If all of the outstanding entitlements in respect of levels (b), (d) and (g) above have been recovered as of December 31, 2023, the land lease will expire and the other FCP land owner will have the option to acquire, for a nominal amount, an undivided 50% beneficial interest in the office tower, retail complex and the podium. If, however, there are amounts still to be recovered, the land lease may be extended for a maximum of 50 years until all such amounts have been paid.

The AIR used in the calculation of the annual amortization at levels (b) and (d), the amount at level (c) and the remaining balances at levels (e) and (g) is calculated in accordance with the terms of the land lease and was fixed at 4.85% for the three years ending December 31, 2009.

5. RENTAL PROPERTY

The rental property is comprised as follows:

(Thousands)	**March 31, 2009**			December 31, 2008 Restated (note 3)		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	**$ 37,600**	**$ —**	**$ 37,600**	$ 37,600	$ —	$ 37,600
Building	**252,026**	**91,267**	**160,759**	251,255	89,426	161,829
Tenant improvements and leasing costs	**22,444**	**10,672**	**11,772**	22,396	10,089	12,307
Major replacements and repairs	**43,931**	**15,468**	**28,463**	41,336	13,895	27,441
	$ 356,001	**$ 117,407**	**$ 238,594**	$ 352,587	$ 113,410	$ 239,177

As of March 31, 2009, the net book value of the rental property was approximately $238.6 million (December 31, 2008 - $239.2 million, restated) and is situated on a land lease that expires on December 31, 2023, subject to the requirements of satisfying the accrued entitlements (Note 4). At that time, assuming the other FCP land owner exercises its option to purchase for nominal consideration, the office tower, retail complex and podium, the property will be co-owned by the FCP land owners in amounts equal to their respective undivided ownership interest in the FCP lands.

Accumulated depreciation and amortization for the period ended March 31, 2009 was $117.4 million (December 31, 2008 - $113.4 million, restated)

6. DUE FROM/TO RELATED PARTIES

Due from related parties consists of:

(Thousands)	**March 31, 2009**	December 31, 2008
Advances receivable from BP(PI)I, non interest bearing	**$ 9,769**	$ 9,769
	$ 9,769	$ 9,769

Due to related parties consists of:

(Thousands)	March 31, 2009	December 31, 2008
Participating loan and accrued interest payable to 2072790 Ontario Inc. (a)	$ 94,028	$ 94,065
Promissory note payable to 2072790 Ontario Inc. (b)	157,000	157,000
Accrued interest payable to 2072790 Ontario Inc. (b)	48,721	44,718
Advances payable to 2072790 Ontario Inc., non-interest bearing	5,454	4,018
	$ 305,203	$ 299,801

(a) Participating loan payable to 2072790 Ontario Inc.

On June 27, 2001, the Company received $55.0 million in respect of the proceeds of a participating loan with a related party, O&Y Real Estate Investment Trust which was another subsidiary of OYPI's parent company, OYPC. On November 29, 2005, in connection with the transactions described in Note 1, the participating loan was acquired by 2072790 Ontario Inc., the parent company of FPTBPI. The loan is due December 1, 2009 and bears interest payable monthly, equal to, on an annual basis, the sum of (i) 11.0% and (ii) 25.0% of the Company's interest in annual cash flow before debt service from FCP exceeding $40.0 million, subject to a maximum yield of 12.5% per annum. Interest on the participating loan for the period ended March 31, 2009 was accrued at a rate of 11.0% (December 31, 2008 - 11.0%). To the extent that annual cash flow after debt service from the Company's interest in FCP is insufficient to fund any monthly payment on the participating loan, such shortfall will be added to the principal amount outstanding. No interest has been paid on the participating loan since December 2005.

In consideration of being granted the participating loan, the Company agreed not to place further financial encumbrances on FCP. In addition, all outstanding shares of the Company have been pledged as security for the FCP participating loan. At maturity (or earlier in the event of a sale or partial sale of the Company's interest in FCP), the principal amount outstanding (or the proportionate amount thereof in the event of a partial sale) will be repaid to 2072790 Ontario Inc. In addition, at maturity (or earlier in the event of a sale or partial sale of the Company's interest in FCP) 2072790 Ontario Inc. will be entitled to receive 10.0% of the amount by which the then appraised fair market value of the Company's interest in FCP (or net proceeds in the event of a sale or partial sale) exceeds $514.0 million (or proportionate amount thereof in the event of a partial sale). In the event of a partial sale prior to maturity, the $40.0 million cash flow threshold and the $514.0 million fair market value threshold referred to above will be proportionately reduced to reflect such partial sale.

The amount due on the participating loan, including the accrued interest payable and the participation bonus, for the period ended March 31, 2009 was $94.0 million (December 31, 2000 - $94.1 million). The total interest expense related to this liability for the period ended March 31, 2009 was a credit adjustment of $0.04 million (March 31, 2008 – $2.8 million) as a result of the lower fair value of the property on which the participation bonus is based.

(b) Promissory note payable to 2072790 Ontario Inc.

On October 21, 2005, in conjunction with the transactions described in Note 1, a $157.0 million promissory note was issued by the Company to 2072790 Ontario Inc. The promissory note payable is a subordinated unsecured obligation of the Company and bears interest at 8.01% per annum payable on June 30th and December 31st in each year. The total interest expense for the period ended March 31, 2009 was $4.0 million (March 31, 2008 - $3.6 million). Interest has not been paid since December 2005. The note payable is due October 21, 2015 and may be prepaid in whole or any portion of the principal amount subject to a minimum principal prepayment of $1.0 million.

Amounts due from/to related parties are classified as loans and receivables, or as other financial liabilities under CICA issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and are measured at amortized cost.

Credit risk related to amounts due from related parties arises from the possibility that related parties may be unable to fulfill their obligations. The risk of default is minimal given the related parties are affiliate companies of FCP.

Financing risk arises when related parties will not refinance maturing debt on terms and conditions acceptable to the Company, or on any terms at all. The refinancing risk is minimal given that the related party is the parent company of FCP.

7. FUTURE INCOME TAXES

Components of future income tax assets of the Company are as follows:

(Thousands)		March 31, 2009	December 31, 2008 Restated (note 3)
Future income tax assets related to:			
i)	Non-capital losses	$ 21,044	$ 20,549
ii)	Debt redemption and share issuance costs	2,839	2,945
iii)	Difference in tax and book base of rental property and other assets, net	802	752
		$ 24,685	$ 24,246

8. OTHER ASSETS

(Thousands)	March 31, 2009	December 31, 2008
Accounts receivable	$ 28,918	$ 28,146
Prepaid expenses and deposits	729	1,056
Restricted cash	2,130	2,130
	$ 31,777	$ 31,332

Financial assets in other assets are classified as loans and receivables under CICA issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and are measured at amortized cost.

Accounts receivable are generally short-term in trade nature. The carrying value of accounts receivable approximates fair value due to its short-term nature.

For the period ended March 31, 2009, the Company did not record any reserve against uncollectible accounts receivable (December 31, 2008 - $0.3 million). There were no uncollectible accounts receivable written off for the periods ended March 31, 2009 and March 31, 2008.

As of March 31, 2009, $0.03 million (December 31, 2008 - $0.06 million) in accounts receivable are over 90-days due.

Credit risk related to accounts receivable arises from the possibility that tenants may be unable to fulfill their lease commitments. The Company mitigates this risk by ensuring that its tenant mix is diversified by limiting its exposure to any one tenant, and ensuring the credit-worthiness of its tenants. Currently no one tenant represents more than 40.8% of total leasable area or 40.5% of accounts receivable. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings.

The following table summarizes tenants with more than 10% of the total leasable area:

Tenant		Area Leased (Square Feet)	Percentage of Total Leasable Area
1.	Bank of Montreal/Nesbitt Burns	1,066,000	40.8%
2.	Osler, Hoskin & Harcourt	270,000	10.3%
Total		**1,336,000**	51.1%

Cash is considered restricted when it is subject to contingent rights of third parties. As at March 31, 2009, restricted cash consists of $2.1 million (December 31, 2008 - $2.1 million) of cash held in trust pursuant to the trust indenture governing the 8.06% First Mortgage Bonds.

9. CASH

Cash is classified as held-for-trading under CICA issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Due to their short term nature, carrying value approximates fair value.

Included in cash is $16.5 million (December 31, 2008 - $9.2 million) held for use in the building's operations.

For the period ended March 31, 2009, interest income of $0.05 million (March 31, 2008 - $0.1 million) was recorded on cash.

10. SECURED AND UNSECURED INDEBTEDNESS

(Thousands)		March 31, 2009		December 31, 2008
8.06% First Mortgage Bonds (a)	**$**	**236,855**	$	239,062
Unsecured indebtedness (b)		**1,117**		1,117
	$	**237,972**	$	240,179

(a) 8.06% First Mortgage Bonds

The 8.06% First Mortgage Bonds with an initial aggregate principal amount of $300.0 million attract interest calculated semi-annually, at 8.06% per annum. The First Mortgage Bonds are secured under a bond indenture by a fixed and floating charge and security interest on all assets of the Company.

Included in the 8.06% First Mortgage Bonds are $0.5 million of net deferred financing costs (December 31, 2008 - $0.6 million).

The First Mortgage Bonds mature in December 2009, and are due as follows:

(Thousands)		March 31, 2009
2009	**$**	**237,335**
Deferred financing costs		**(480)**
	$	**236,855**

(b) Unsecured indebtedness

The unsecured debentures bear interest payable semi-annually, in arrears, at 11.0% per annum and mature in 2015. They are direct, unsecured obligations of the Company and rank subordinate to all other present and future indebtedness of the Company.

Secured and unsecured indebtedness is classified as other financial liabilities under CICA issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and is measured at amortized cost.

For the period ended March 31, 2009, interest expense of $4.7 million for both secured and unsecured indebtedness (March 31, 2008 - $4.9 million) was recorded.

The Company has debt totaling $230.0 million maturing in the fourth quarter of 2009, representing 49.1% of the Company's total debt outstanding at March 31, 2009. Management is currently working on refinancing the debt. In addition, the Company has a related party participating loan totaling $72.8 million as well $21.2 million for the expected payout on the participation feature on the loan, maturing in December 2009. The Company has the ability to extend the maturity date of this loan with the approval from the shareholders of 2072790 Ontario Inc.

The Company is exposed to interest rate risk on its borrowings. It minimizes this risk by attaining long-term fixed rates.

11. SHARE CAPITAL

The components of shareholder's deficiency are as follows:

(Thousands)		March 31, 2009		December 31, 2008 Restated (note 3)
Common shares	**$**	**58,112**	$	**58,112**
Deficit		**(299,916)**		**(298,841)**
	$	**(241,804)**	$	**(240,729)**

Authorized share capital consists of an unlimited number of common shares.

There are 58,112,022 common shares of the Company outstanding at March 31, 2009 (December 31, 2008 – 58,112,022) all of which are owned by 2072790 Ontario Inc.

12. GROUND RENT AND ENTITLEMENTS

The land lease provides that the gross receipts, after operating costs, of FCP are to be distributed to the owners in a specific order of priority as described in Note 4. Entitlements to FCP's gross receipts under the land lease consist of various levels, whereby the entitlements under each prior level must be met before payments are made with respect to the next level in any given year. The entitlements of the other FCP land owner are included in these financial statements as ground rent and entitlements expense.

The amounts of the other land owner's entitlements are as follows:

		Three months ended March 31		
(Thousands)		**2009**		2008
Ground rent Note 4(c)	**$**	**74**	$	223
Earnings participation Note 4(f)		**888**		888
Remaining gross receipts Note 4(h)		**4,521**		5,888
Ground rent and entitlements		**5,483**		6,999
Entitlements paid		**(2,962)**		(7,611)
Undistributed (excess distribution) of entitlement, beginning of period		**709**		(1,478)
Undistributed (excess distribution) of entitlements, end of period	**$**	**3,230**	$	(2,090)

13. INCOME TAX RECOVERY

A reconciliation between the income tax computed on pre-tax income at statutory rates and the actual provision, using the liability method, is as follows:

		Three months ended March 31		
(Thousands)		**2009**		2008
				Restated (note 3)
Income taxes based on combined basic Canadian federal and provincial rate 29.0% (2008 – 29.0%)	**$**	**439**	$	1,456
Other		**—**		39
Income tax recovery	**$**	**439**	$	1,495

14. RELATED PARTY TRANSACTIONS

The following related party amounts were included in the statements of revenue and expenditures and comprehensive loss:

		Three months ended March 31		
(Thousands)		**2009**		2008
Property Management Agreement with BP(PI)I				
Property management fee	**$**	**667**	$	664
Leasing fees		**50**		50
General contracting fees		**95**		41
Administrative costs paid to BP(PI)I		**128**		117
Interest payable to 2072790 Ontario Inc.		**3,968**		6,367
Asset management fee paid to a wholly-owned subsidiary of BPO Properties Ltd.		**439**		442

These transactions have been measured at exchange value and are recognized in the financial statements.

15. ECONOMIC DEPENDENCE

Revenues from Bank of Montreal/Nesbitt Burns were as follows:

		Three months ended March 31		
(Thousands)		**2009**		2008
Bank of Montreal/Nesbitt Burns	**$**	**12,869**	$	12,679
Percentage of total revenue		**36.1%**		35.4%

16. COMMITMENTS AND CONTINGENCIES

The Company has obligations as lessee under a long term land lease as described in Notes 4 and 12.

The Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Company.

17. CAPITAL MANAGEMENT AND LIQUIDITY

The Company employs a broad range of financing strategies to facilitate growth and manage financial risk.

The Company continually strives to reduce its weighted average cost of capital and improve shareholder's equity returns through value enhancement initiatives and the consistent monitoring of the balance between debt and equity financing. As at March 31, 2009, the Company's weighted average cost of capital, assuming a 12.0% return on equity, was 6.1%. The following schedule details the components of the Company's capital as at March 31, 2009 and the related costs thereof:

	Cost of Capital[1]		Underlying Value[2]	
December 31 (Thousands)	**Mar. 31, 2009**	Dec. 31, 2008	**Mar. 31, 2009**	Dec. 31, 2008
Liabilities				
Amounts due to related parties and other indebtedness[3]	**7.6%**	**7.6%**	**$ 468,252**	**$** 473,916
Shareholder's equity				
Common shares	**12.0%**	**12.0%**	**58,112**	58,112
Total[4]	**6.1%**	**6.1%**	**$ 526,364**	**$** 532,028

[1] *As a percentage of average book value.*

[2] *Underlying value of liabilities represents the cost to retire on maturity. Underlying value of shareholder's equity is based on the book value of the Company's common shares.*

[3] *Amounts due to related parties and other indebtedness include: the participating loan payable to 2072790 Ontario Inc., the promissory note payable to 2072790 Ontario Inc., and secured and unsecured indebtedness.*

[4] *In calculating the weighted average cost of capital, the cost of debt has been tax-effected.*

The Company's amounts due to related parties and other indebtedness which include: the participating loan payable to 2072790 Ontario Inc., the promissory note payable to 2072790 Ontario Inc., and the secured and unsecured indebtedness, are fixed-rate and non-recourse to the Company, thereby reducing the overall financial risk to the Company.

Management believes the Company's liquidity needs will be satisfied using cash on hand, cash flows generated from operating activities, and financings from external and related parties. Rental revenue, recoveries from tenants, available cash balances, draws on credit facilities and refinancing of maturing indebtedness are the Company's principal sources of capital used to pay operating expenses, debt service and recurring capital and leasing costs in its rental property portfolio. Management believes the Company's revenue along with proceeds from financing activities will continue to provide the necessary funds for its short-term liquidity needs.

The principal liquidity needs for periods beyond the next twelve months are for scheduled debt maturities and non-recurring capital expenditures. Management plans to meet these needs with one or more of the following:

- income from operations; and
- financing

The following table presents the contractual maturities of the Company's financial liabilities.

Debt repayment obligations at March 31, 2009 were as follows:

	Maturing debt (in thousands of dollars)						
Year ending December 31	Principal Repayments	8.06 % First Mortgage Bonds	Unsecured indebtedness	Participating Loan payable to 2072790 Ontario Inc.	Promissory Note Payable to 2072790 Ontario Inc.	Total Debt[2]	Interest Expense[1]
2009	7,378	229,957	—	72,800	—	310,135	24,861
2010	—	—	—	—	—	—	12,699
2011	—	—	—	—	—	—	12,699
2012	—	—	—	—	—	—	12,699
Thereafter			1,117	—	157,000	158,117	35,644
	$ 7,378	$ 229,957	$ 1,117	$ 72,800	$ 157,000	$ 468,252	$ 98,602

[1]Represents aggregate interest expense expected to be paid over the term of the debt, on an undiscounted basis, based on current interest rates.

[2]Debt excludes $0.5 million of deferred financing costs.