



FOR IMMEDIATE RELEASE

SYMBOL: "RYL.UN"

ROYAL HOST REIT ANNOUNCES FIRST QUARTER RESULTS

Calgary, Alberta, May 12, 2009 - Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") today announced results for the three months ended March 31, 2009.

As a result primarily of a decline in occupancy, Royal Host reported a 10.2% decrease in hospitality revenue to \$21.7 million and a \$1.8 million decrease in hospitality gross margin to \$3.1 million. Royal Host generated investment income of \$3.2 million and reported a first quarter net loss of \$1.6 million, or \$0.07 per unit.

"Amid the challenges in the Canadian lodging sector, we are firmly committed to delivering Unitholders value," commented Brad Cann, Executive Vice President and Chief Financial Officer. "We have continued to respond to the decline in demand for accommodations by intensifying our focus on cost controls and revenue generation. We have maintained a strong balance sheet and enhanced our liquidity, yet have also taken advantage of compelling opportunities to repurchase our units and debentures."

Income from discontinued operations decreased to \$nil (2008 - \$12.1 million; due primarily to the recognition of an \$11.7 million gain on sale in the first quarter of 2008). The Trust also recognized an other comprehensive loss of \$8.0 million on its portfolio of marketable securities.

The Trust declared \$3.3 million of monthly distributions to Unitholders, or \$0.165 per unit. Royal Host continued to actively repurchase its securities during the quarter, deploying \$3.5 million towards the repurchase of 1.2 million trust units (or approximately 6% of its outstanding units) and \$1.5 million towards the repurchase of \$2.2 million of its convertible debentures.

The following table highlights the Trust's financial results for the three months ended March 31, 2009.

SELECTED FINANCIAL INFORMATION

Three months ended March 31

(\$000's, except as otherwise noted)	2009	2008	Change (%)
Hospitality Revenue (Continuing Operations)	21,684	24,151	(10.2)
Hospitality Expenses	18,622	19,281	(3.4)
Hospitality Gross Margin	3,062	4,870	37.1
Hospitality Gross Margin %	14.1%	20.2%	
Investment Income	3,188	2,068	54.2
Other Expenses	(7,732)	(6,968)	11.0
Loss from Continuing Operations	(1,482)	(30)	
Income (Loss) from Discontinued Operations	(69)	12,088	
Net Income (Loss)	(1,551)	12,058	
Other Comprehensive Loss	(7,979)	(1,554)	
Comprehensive Income (Loss)	(9,530)	10,504	
Basic Per Unit Net Earnings (Loss) (\$)			
From Continuing Operations	(0.07)	-	
From Discontinued Operations	-	0.44	
	(0.07)	0.44	
Distributable Income	(92)	1,310	
Monthly Distributions Declared	3,296	4,153	(20.6)
Basic Per Unit Distributable Income (\$)	-	0.05	(100.0)
Per Unit Monthly Distributions Declared (\$)	0.165	0.165	-

Management of Royal Host will host an investor conference call on Wednesday, May 13, 2009 at 11:00 a.m. Eastern Time. The call may be accessed by dialing 1-416-642-5213 or 1-866-321-8231 and providing confirmation code 3238642. A recording of this call will be available shortly after the call until May 20, 2009. To access this recording please dial 1-647-436-0148 or 1-888-203-1112 and provide the playback passcode 3238642. Alternatively, a recording of the audio webcast will also be available on the Trust's website after May 15, 2009.

Royal Host is a uniquely diversified hospitality trust that delivers Unitholder value through hotel ownership, investment, management and franchising. Royal Host's portfolio of Canadian hotels operates under a variety of recognizable brands as well as a number of unbranded properties. The Trust's hotel portfolio is further enhanced by a stable franchising business, a successful hotel management operation, and a sizable portfolio of publicly-traded securities from within the hospitality and service sectors.

Royal Host trust units and convertible debentures are traded on the Toronto Stock Exchange under the trading symbols "RYL.UN", "RYL.DB.B", "RYL.DB.C" and "RYL.DB.D", respectively.

The above statements in regard to the financial results should be read in conjunction with Royal Host's unaudited consolidated financial statements for the three months ended March 31, 2009 and its management's discussion and analysis, which are available on Royal Host's website at www.royalhost.com as well as the SEDAR website at www.sedar.com.

This press release contains certain forward-looking statements relating, but not limited to, Royal Host's operations, anticipated financial performance, business prospects, and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by such forward-looking statements. Such factors include, but are not

SELECTED FINANCIAL INFORMATION

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Other Expenses	(7,732)	(6,968)	11.0
Loss from Continuing Operations	(1,482)	(30)	
Income (Loss) from Discontinued Operations ⁽²⁾	(69)	12,088	
Net Income (Loss)	(1,551)	12,058	
Other Comprehensive Loss	(7,979)	(1,554)	
Comprehensive Income (Loss)	(9,530)	10,504	
Basic Per Unit Net Earnings (Loss) (\$)			
From Continuing Operations	(0.07)	-	
From Discontinued Operations	-	0.44	
	(0.07)	0.44	
Distributable Income ⁽¹⁾	(92)	1,310	
Monthly Distributions Declared	3,296	4,153	(20.6)
Basic Per Unit Distributable Income (\$) ⁽¹⁾	-	0.05	(100.0)
Per Unit Monthly Distributions Declared (\$)	0.165	0.165	-
Weighted Average Number of Trust Units Outstanding (000's)	20,210	27,055	(25.3)
Number of Trust Units Outstanding, End of Period (000's)	19,543	26,928	(27.4)
Closing Trust Unit Trading Price, End of Period (\$)	2.48	6.50	(61.8)

As at May 12, 2009, Royal Host had 19,708,283 trust units outstanding.

⁽¹⁾ Items represent non-GAAP financial measures.

⁽²⁾ Discontinued operations are comprised of the Grand Okanagan Lakefront Resort and Conference Centre, the Holiday Inn Edmonton - The Palace, the El Rancho Motor Hotel & Convention Centre, the Travelodge Hotel Burlington on the Lake, the Thriftlodge Fort Nelson and the Sundial Inn, as described below in "Discontinued Operations and Property"

limited to economic, competitive, and lodging industry conditions. Royal Host disclaims any responsibility to update any such forward-looking statements except as required by law.

For more information please contact:

A. Brad Cann, CA, CBV Executive Vice President and Chief Financial Officer
Royal Host Real Estate Investment Trust
(888) 259 9899 Telephone
investorinfo@royalhost.com
www.royalhost.com

2009 Q1
Report

MANAGEMENT'S
DISCUSSION AND ANALYSIS
& FINANCIAL STATEMENTS

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Management's Discussion and Analysis

FOR THE THREE MONTHS ENDED MARCH 31, 2009

In Review

During the first quarter of 2009, the Canadian lodging industry continued to face a difficult operating environment characterized by weak demand. Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") continued to concentrate on maximizing opportunities and maintained its revenue generation and cost control initiatives. During the quarter, Royal Host:

- Generated \$3.1 million of hospitality gross margin (2008 - \$4.8 million) from \$21.7 million of hospitality revenue (2008 - \$24.2 million);
- Produced \$3.2 million of investment income (2008 - \$2.1 million);
- Realized a \$1.6 million net loss (2008 - \$12.1 million - income), or \$0.07 per unit (2008 - \$0.44 per unit - income);
- Declared \$3.3 million of monthly distributions, or \$0.165 per unit, to Unitholders;
- Deployed \$3.5 million towards the repurchase of 1.2 million trust units (approximately 6% of its outstanding trust units) and \$1.5 million towards the repurchase of \$2.2 million of its convertible debentures;
- Entered into a \$20 million secured revolving credit facility, further enhancing its financial flexibility.

This Management's Discussion & Analysis ("MD&A") dated May 12, 2009 is the responsibility of Management. The Trustees carry out their responsibility for review of this MD&A principally through their Audit Committee. This MD&A should be read in conjunction with the unaudited Consolidated Financial Statements of Royal Host Real Estate Investment Trust for the three months ended March 31, 2009. The Consolidated Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Royal Host – At a Glance

Royal Host is a diversified hospitality trust that delivers Unitholder value through hotel ownership, investment, management and franchising. Royal Host's portfolio of Canadian hotels operate under a variety of recognizable brands as set forth in the table below, as well as a number of unbranded properties. The Trust's hotel portfolio is further enhanced by a stable franchising business, a successful hotel management operation, and a portfolio of publicly-traded securities from within the hospitality and service sectors.

HOTEL OWNERSHIP	INVESTMENT PORTFOLIO	OPERATIONS
Generated \$3.1 million of hospitality gross margin in first quarter of 2009	\$42.3 million portfolio of marketable securities	99 franchised Travelodge® and Thriftlodge® hotels
Portfolio of 31 properties	Recognized \$2.7 million of distribution and interest income	Management of owned and third-party hotels

	ONTARIO			ATLANTIC			WESTERN			TOTAL		
	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms
Travelodge® Thriftlodge®	9	1,316	32.6%	-	-	-	4	378	10.1%	13	1,694	42.0%
Country Inns & Suites®	-	-	-	4	276	7.4%	3	228	6.1%	7	504	13.5%
Independent	1	256	6.9%	-	-	-	1	129	3.5%	2	385	10.3%
Hilton®	1	323	8.7%	-	-	-	-	-	-	1	323	8.7%
Super 8®	2	159	4.3%	-	-	-	2	132	3.5%	4	291	7.8%
Holiday Inn®	2	254	6.8%	-	-	-	-	-	-	2	254	6.8%
Best Western®	-	-	-	-	-	-	1	159	4.3%	1	159	4.3%
Ramada®	1	124	3.3%	-	-	-	-	-	-	1	124	3.3%
	16	2,432	65.1%	4	276	7.4%	11	1,026	32.8%	31	3,734	100.0%
Full Service	7	1,480	60.9%	-	-	-	2	288	28.1%	9	1,768	47.3%
Limited Service	9	952	39.1%	4	276	100.0%	9	738	71.9%	22	1,966	52.7%

The Trust's hotel portfolio of mostly upper and lower mid-scale hotel properties is diversified geographically among seven provinces and territories and derives its revenues from numerous customer segments. The majority of the Trust's hotels derive the bulk of their revenue from corporate business; they depend less on leisure business as they are not situated in locations generally considered to be primary leisure markets. Approximately 75-80% of the Trust's room revenue is derived from transient room nights while 20-25% is derived from group business.

Non-GAAP Measures

This MD&A includes certain non-GAAP measures (measures that are not calculated or presented in accordance with GAAP). Because these measures are not defined under GAAP, Royal Host's method of calculation may not be comparable to similar measures presented by other entities. These measures should not be used as an alternative to net earnings or cash flows from operations determined in accordance with GAAP when assessing Royal Host's financial performance. However, the Trust believes these measures are useful in supplementing the reader's understanding of the Trust's performance.

This MD&A includes the following non-GAAP measures: Revenue per Available Room ("RevPAR"), Average Daily Rate ("ADR"), Occupancy, Hospitality Gross Margin, Distributable Income (and Basic and Diluted per Unit Distributable Income), Standardized Distributable Cash, Funds from Operations and Adjusted Funds from Operations.

Key Performance Drivers and Measures

The hospitality industry and hotel real estate investment trusts commonly use three lodging statistics as key performance indicators:

- **RevPAR**, which combines information about both pricing levels and occupancy. This measure of efficiency is based on all available rooms regardless of whether they are occupied or not. RevPAR is calculated by dividing the number of rooms available in a given period into the room revenue in the same period;
- **Occupancy**, which measures the level of hotel room utilization and is calculated by dividing the number of rooms rented in a given period by the number of rooms available in the same period; and
- **ADR**, which measures the average room price for all guest rooms and is calculated by dividing total room revenue by the number of rooms rented in a given period.

Management and the Board of Trustees use these measurements, among other purposes, to assess each property's market position among its competitive set and to assess Management's effectiveness in optimizing each property's transitory room inventory.

RevPAR, Occupancy and ADR

Revenue generation remained a key priority in 2009. Royal Host continued to devote substantial resources and attention to maintaining and growing market share and revenue, including revenue management, stimulating demand through sales and marketing initiatives, management of brand reservation systems and improvements to its properties.

In the first quarter of 2009, sustained weakness in the Canadian economy continued to negatively impact travel, translating into lower Occupancy.

Stronger performance in the Trust's Western portfolio continued to be offset by softer performance in Ontario, most notably the London Hilton and the Travelodge Toronto Airport, as well as the Trust's Atlantic properties.

The properties sold in 2008 have been excluded from both 2009 and 2008 figures.

CONTINUING OPERATIONS

31 hotels / 3,734 rooms*	Three months ended March 31		
	2009	2008	Change (%)
RevPAR	\$49.19	\$54.24	(9.3)
Occupancy	49.0%	56.0%	(12.6)
ADR	\$100.45	\$96.84	3.7

*Excludes the Grand Okanagan Lakefront Resort and Conference Centre, the Holiday Inn Edmonton - The Palace, the El Rancho Motor Hotel & Convention Centre, the Travelodge Hotel Burlington on the Lake, the Thriftlodge Fort Nelson and the Sundial Inn.

Occupancy has been calculated including all available room nights at the Trust's hotels; available room nights have not been adjusted to exclude rooms/room nights unavailable during the renovation of the Yellowknife Inn or other hotels renovated.

ONTARIO

Northern Ontario

The Trust's six properties in resource-based Northern Ontario as a whole delivered ADR growth and relatively stable Occupancy. Although the Super 8 Sudbury delivered strong market penetration and growth in market share, it has been impacted by significant supply growth.

Eastern Ontario

Higher ADR at the Trust's four Eastern Ontario properties as a whole was offset by lower Occupancy. The Ottawa market declined, in part because of market strength in the first quarter of 2008 and a decline in demand resulting from the closure of the Ottawa Congress Centre during the first quarter of 2009.

Central Ontario

Higher ADR at the Trust's three Central Ontario properties as a whole was offset by lower Occupancy. The Travelodge Toronto Airport continued to be impacted by reduced airline crew business and aggressive discounting on the airport strip. The Holiday Inn Oakville's Occupancy also declined. Although the property continued to achieve more than its "fair share" of market share, the Oakville market has been impacted by the difficulties experienced by the struggling automotive sector.

Southern Ontario

The Trust's three properties in Southern Ontario delivered modest RevPAR growth despite declines in Occupancy. Although the London Hilton continued to maintain its market share, the property derives a significant percentage of its business from conferences. Conference hotels as a whole continued to experience lower group volume as a result of event postponements and cancellations and higher group attrition (reduced attendance) at events. London and the surrounding area continued to be hit hard by the downturn in manufacturing, further impacting both the London Hilton and, to a much lesser extent, the Travelodge London South. Occupancy has also been impacted by supply growth during 2008.

Ontario	Three months ended March 31		
	2009	2008	Change (%)
RevPAR	\$49.66	\$56.51	(12.1)
Occupancy	49.5%	57.3%	(13.6)
ADR	\$100.33	\$98.63	1.7

WESTERN

Alberta

The 159-room Best Western Village Park Inn in Calgary continued to lead its competitive set and delivered strong Occupancy despite a weaker market. While the Trust's Southern Alberta limited service hotel portfolio delivered relatively stable results as a whole, the Trust's two Red Deer properties were impacted by weaker demand due, in part, to stronger construction and oil and gas activity in the first quarter of 2008.

Saskatchewan and Manitoba

The Trust's property in Winnipeg and two properties in Regina continued to produce solid results both in terms of Occupancy and ADR, similar to past quarter. The Country Inn & Suites delivered exceptional results marked by significant Occupancy and ADR growth.

Yellowknife

The Yellowknife Inn was completely renovated during 2008, mostly during the second quarter, and the property was relaunched in the fall of 2008. Management has aggressively marketed the property, primarily to corporate travelers. Occupancy and ADR both increased over the first quarter of 2008, resulting in a 12% increase in RevPAR.

Western	Three months ended March 31		
	2009	2008	Change (%)
11 hotels / 1,026 rooms*			
RevPAR	\$49.97	\$49.74	0.5
Occupancy	48.6%	52.6%	(7.6)
ADR	\$102.79	\$94.57	8.7

ATLANTIC

The Trust's Atlantic region has continued to generate year-over-year growth in ADR. The Country Inn & Suites Dartmouth delivered RevPAR growth. While each of the Trust's three other Country Inn & Suites hotels were fortunate to grow ADR, they also were impacted by a sharp decline in demand, each experiencing notable declines in Occupancy, due largely to above-average demand in the first quarter of 2008 attributable, in part, to construction activity and the supply growth in 2008.

Atlantic	Three months ended March 31		
	2009	2008	Change (%)
4 hotels / 276 rooms*			
RevPAR	\$42.15	\$52.07	(19.1)
Occupancy	45.8%	58.1%	(21.2)
ADR	\$92.06	\$89.66	2.7

Hospitality Gross Margin

Hospitality Gross Margin is calculated by deducting gross margin generated by investment from gross margin. Hospitality gross margin on continuing hotels was impacted in absolute terms as well as on a percentage of hospitality revenue by the larger decline in hospitality revenue than hospitality expenses, compared to the first quarter of 2008.

(\$000's, except as otherwise noted)	Three months ended March 31		Change (%)
	2009	2008	
Hospitality Gross Margin	3,062	4,870	(37.1%)
Hospitality Gross Margin %	14.1	20.2	

Standardized Distributable Cash, Distributable Income, Funds From Operations and Adjusted Funds From Operations

Standardized Distributable Cash, Distributable Income, Funds from Operations and Adjusted Funds from Operations are non-GAAP measures commonly used by hotel real estate investment trusts. As a "non-GAAP" measure, the calculation of each of these measures and reporting practices varies widely.

The Trust has reconciled distributable cash to Cash Flows from Operating Activities as prescribed by the policies of the Canadian Securities Administrators and the July 6, 2007 Interpretive Release issued by the Canadian Institute of Chartered Accountants ("CICA").

The Trust calculates Funds from Operations and Adjusted Funds from Operations as prescribed by the Real Property Association of Canada.

Distributable Income

Distributable Income is commonly used to measure the performance of real estate investment trusts. The Trust believes that Distributable Income provides useful supplemental information. Distributable Income is not a measure defined by GAAP, nor does it have a standard definition, and as such may not be comparable to measures by other trusts that use similar terms. Royal Host calculates Distributable Income by deducting a provision for capital replacement (calculated as 4.0% of rooms and food and beverage revenue) from cash flows from total operations, as presented in the Trust's Interim Consolidated Financial Statements.

(\$000's, except as otherwise noted)	Three months ended March 31		Change (%)
	2009	2008	
Cash Flows from Operating Activities	198	3,572	(94.5)
Changes in Non-Cash Working Capital	510	(1,203)	
Cash Flows from Total Operations	708	2,369	(69.9)
Provision for Capital Replacement ⁽¹⁾	(800)	(1,059)	(24.5)
Distributable Income	(92)	1,310	
Monthly Distributions Declared ⁽²⁾	3,296	4,153	(20.6)
Basic Per Unit Distributable Income (\$)	-	0.05	(100.0)
Diluted Per Unit Distributable Income (\$) ⁽³⁾	-	0.05	(100.0)
Per Unit Monthly Distributions Declared (\$)	0.165	0.165	-

⁽¹⁾ This provision is calculated as 4.0% of rooms and food and beverage revenue (as originally reported).

⁽²⁾ Excludes the special distribution declared in February 2009, payable to Unitholders of record on December 29, 2008.

⁽³⁾ Based on a weighted-average number of trust units of 20,209,969 (2008 – 27,054,925) for the three months ended March 31, 2009, respectively.

Distributable Income decreased comparatively for the three months ended March 31, 2009 to (\$0.1 million), or \$nil per unit (2008 - \$1.3 million, or \$0.05 per unit), due primarily to decreases in cash flow from total operations as outlined below.

The Trust sets monthly distributions at a sustainable level as determined by its Trustees based on, among other considerations, annual performance, projected cash flows, capital requirements and working capital requirements. Accordingly, cash distributions will not necessarily equal Distributable Income in any given period.

Distributions declared in the first quarter of 2009 exceeded Distributable Income due to seasonality, cyclical softness and the declaration of a \$2.1 million special distribution in February 2009.

The table below illustrates the component of cash flows from total operations.

CASH FLOWS FROM TOTAL OPERATIONS

(\$'000's, except as otherwise noted)	Three months ended March 31		Change
	2009	2008	
CONTINUING OPERATIONS			
Hospitality Gross Margin	3,062	4,870	(1,808)
Distributions and Interest	2,739	2,306	433
Other Expenses ⁽¹⁾ :			
Trust Administration	(691)	(407)	(284)
Interest on Mortgages and Capital Leases	(1,790)	(1,863)	73
Interest on Convertible Debentures	(2,550)	(2,810)	260
Other	7	54	(47)
Cash Flows from Continuing Operations	777	2,150	(1,373)
DISCONTINUED OPERATIONS			
Hospitality Gross Margin	(69)	923	(992)
Other Expenses ⁽¹⁾ :			
Interest on Mortgages and Capital Leases	-	(703)	703
Other	-	(1)	1
Cash Flows from Discontinued Operations	(69)	219	(288)
CASH FLOWS FROM TOTAL OPERATIONS	708	2,369	(1,661)

⁽¹⁾Excluding items not affecting cash.

Cash flows from total operations declined to \$0.7 million (2008 - \$2.4 million), due largely to the downturn experienced in certain lodging markets and the loss of cash flows from hotels sold in 2008; cash flows from operations do not include proceeds or gains realized on the sales of properties. These declines were partially offset by an increase in distributions and interest, resulting from the redeployment of capital into higher-yielding investments.

Standardized Distributable Cash

Standardized Distributable Cash is defined by the Canadian Institute of Chartered Accountants as the periodic cash flows from operating activities determined in accordance with GAAP, including the effect

of changes in non-cash working capital and any operating cash flows provided for or used in discontinued operations, less adjustments for:

- a) total capital expenditures; and
- b) restrictions on distributions arising from compliance with financial covenants and limitations arising from the existence of a minority interest in a subsidiary.

(\$000's, except as otherwise noted)	Three months ended March 31	
	2009	2008
Net Cash Provided by Operating Activities	198	3,572
Capital Expenditures	(171)	(3,375)
Standardized Distributable Cash	27	197
Distributions Declared	5,370	4,153
Repurchases of Trust Units ⁽¹⁾	3,504	3,468
	8,874	7,621

⁽¹⁾ On April 3, 2008, the Trust disbursed \$35.3 million in connection with its substantial issuer bid which expired on March 27, 2008.

The table below reconciles Standardized Distributable Cash and Distributable Income.

(\$000's, except as otherwise noted)	Three months ended March 31	
	2009	2008
Standardized Distributable Cash	27	197
Capital Expenditures in Excess of Provision for Capital Replacement	(629)	2,316
Increase (Decrease) in Non-cash Working Capital	510	(1,203)
Distributable Income	(92)	1,310

The calculation of Standardized Distributable Cash includes the effect of changes in non-cash working capital, whereas the calculation of Distributable Income excludes the effect of changes in non-cash working capital. Furthermore, the calculation of Standardized Distributable Cash includes the deduction of total capital expenditures, whereas the calculation of Distributable Income includes the deduction of the Trust's provision for capital replacement (calculated as 4.0% of total rooms and food and beverage revenue).

Funds From Operations and Adjusted Funds From Operations

For the three months ended March 31, 2009, the Trust had an inflow of Funds from Operations of \$1.4 million (2008 - \$1.7 million) due, in part, to the decline in cash flows from total operations, as described previously. Funds from operations reflect: the addition (deduction) of realized and unrealized gains and losses on marketable securities included in net income, and the deduction of accretion on mortgages and convertible debentures. Debt issuance costs and conversion options are accreted over the term of the related debt. Unrealized gains and losses on marketable securities included in other comprehensive income are not taken into account in the calculation of Funds From Operations or Adjusted Funds From Operations.

Adjusted Funds from Operations is calculated by deducting the Trust's provision for capital replacement from Funds from Operations. Adjusted Funds from Operations for the three months ended March 31, 2009 was a \$0.6 million (2008 - \$0.7 million).

(\$000's, except as otherwise noted)	Three months ended March 31	
	2009	2008
Cash Flows provided by Total Operations	708	2,369
Realized Gains (Losses) on Marketable Securities	795	3
Unrealized Losses on Marketable Securities	(346)	(241)
Accretion on Mortgages and Capital Leases ⁽¹⁾	(70)	(113)
Accretion on Convertible Debentures	(299)	(305)
Discount (Premium) on Repurchases of Convertible Debentures	612	-
Funds From Operations	1,400	1,713
Provision for Capital Replacement	(800)	(1,059)
Adjusted Funds From Operations	600	654
Per Unit Funds From Operations (\$)		
Basic	0.07	0.06
Diluted ⁽²⁾	0.07	0.06
Per Unit Adjusted Funds From Operations (\$)		
Basic	0.03	0.02
Diluted ⁽²⁾	0.03	0.02

⁽¹⁾ Including discontinued operations.

⁽²⁾ Based on a weighted-average number of trust units of 20,209,969 (2008 - 27,054,925).

Distributions to Unitholders

During the first quarter of 2009, the Trust maintained monthly distributions of \$0.055 per trust unit.

2009 distributions, excluding and including the special distribution declared in 2009, represent an annualized pre-tax yield of 23.0% and 26.4%, respectively, based on Royal Host's three-month weighted average closing price of \$2.87. Royal Host's monthly distribution represented a pre-tax yield of 26.6%, based on the closing price as of March 31, 2009.

Seasonality

The hospitality industry business is seasonal in nature and the periods during which individual properties experience higher demand vary depending primarily on location. While the Trust's revenue is typically higher in the second and third quarters, as compared to the first and fourth quarters, several of the Trust's costs, including property taxes and interest are fixed, and other costs such as utilities are largely fixed. Consequently, profitability varies significantly from quarter to quarter and distributions in the first and fourth quarters typically exceed the Trust's corresponding Distributable Income.

Results of Operations

Three months ended March 31, 2009

The Trust's hospitality revenue for the three months ended March 31, 2009 decreased \$2.5 million and hospitality gross margin decreased \$1.7 million for the comparable period in 2008. The Trust recognized investment income of \$3.2 million (2008 - \$2.1 million), and a loss from continuing operations of \$1.5 million (2008 - \$0.1 million loss).

Three months ended March 31				
(\$000's, except as otherwise noted)	2009	2008	Change	Change (%)
Hospitality Revenue	21,684	24,151	(2,467)	(10.2)
Hospitality Expenses	18,622	19,281	659	(3.4)
Hospitality Gross Margin	3,062	4,870	(1,808)	(37.1)
Investment Income	3,188	2,068	1,120	54.2
Gross Margin	6,250	6,938	(688)	(9.9)
Other Expenses	7,732	6,968	764	11.0
Loss from Continuing Operations	(1,482)	(30)	(1,452)	

Hospitality Revenue

Hospitality revenue from continuing operations for the three months ended March 31, 2009 decreased by \$2.5 million to \$21.7 million (2008 - \$24.2 million). \$0.5 million of the decline in hospitality revenue is attributable to the London Hilton.

During the first quarter of 2009, 77.1% (2008 - 76.5%) of the Trust's hospitality revenue was attributable to rooms, 15.1% (2008 - 16.7%) was attributable to the food and beverage, and 2.1% (2008 - 2.1%) was attributable to franchising and management.

Three months ended March 31				
(\$000's, except as otherwise noted)	2009	2008	Change	Change (%)
Revenue (continuing operations)				
Rooms	16,717	18,471	(1,754)	(9.5)
Food and Beverage	3,276	4,027	(751)	(18.6)
Franchising and Management	455	509	(54)	(10.6)
Other	1,236	1,144	92	8.0
	21,684	24,151	(2,467)	(10.2)

Rooms revenue decreased by 9.5% to \$16.7 million (2008 - \$18.5 million). Growth in ADR was offset by a decline in Occupancy, as described herein under "Room Statistics".

Food and beverage revenue derived from restaurants, lounges, banquets and room service, decreased \$0.8 million, or 18.63%, to \$3.3 million (2008 - \$4.0 million). The decrease is due to an overall decline in Occupancy and fewer banquets than in 2008, most notably at the London Hilton.

Food and beverage revenue was also impacted by the conclusion of a long-term catering contract at the Travelodge Thunder Bay Airline and the closure of two restaurants in 2008. Revenue was somewhat impacted in the Trust's other food and beverage operations by less tour and other group business.

Franchising and management revenue decreased \$0.1 million to \$0.5 million. As at March 31, 2009, the Trust franchised 99 Travelodge® and Thriftlodge® properties representing 8,854 guest rooms (December 31, 2008 – 98 properties representing 8,794 guest rooms and March 31, 2008 – 102 properties representing 9,057 guest rooms), and managed four properties for third parties.

Other revenue increased 8.0% to \$1.2 million (2008 - \$1.1 million). Tenant revenue (four of the Trust's properties have leased restaurants) and parking revenue increased over the first quarter of 2008, while telephone and in-room movie revenue declined modestly.

Hospitality Expenses

(\$000's, except as otherwise noted)	Three months ended March 31			
	2009	2008	Change	Change (%)
Hospitality Expenses	18,622	19,281	659	(3.4)

In the first quarter, Management continued to reinforce and introduce additional strict measures to align its costs with market conditions and ensure costs were well controlled. Subsequent to March 31, 2009, these initiatives were further intensified.

Departmental (rooms and food and beverage) payroll and related costs were relatively flat compared to the first quarter of 2008. Expressed as a percentage of rooms and food and beverage revenue, this category increased one-half of a percentage point, attributable more so to the food and beverage department.

Cost of sales such as the cost of food and beverages and in-room movies decreased significantly from the prior year both in absolute terms as well as a percentage of associated revenue.

Other departmental costs (such as continental breakfast and other amenities, and travel agent commissions) remained constant as a percentage of total hotel revenue compared with the prior year.

Undistributed payroll and related costs (administration, sales and marketing, and property operation and maintenance) increased modestly compared to 2008 due to additional resources being applied to the area of sales.

Other undistributed costs such as franchise fees, utilities, property taxes and insurance were, as a whole, essentially unchanged, as were operating costs in the Trust's franchising and management businesses.

Hospitality expenses were impacted by the inclusion of certain asset management costs which did not satisfy the criteria for capitalization, as well as certain non-cash expenses recorded in the quarter.

Hospitality Gross Margin

(\$000's, except as otherwise noted)	Three months ended March 31			
	2009	2008	Change	Change (%)
Hospitality Gross Margin	3,062	4,870	(1,808)	(37.1)

Hospitality gross margin decreased by \$1.8 million, or 36.3%, to \$3.1 million in the three months ended March 31, 2009 (2008 - \$4.8 million). Hospitality gross margin as a percentage of hospitality revenue decreased to 14.1% (2008 - 19.9%).

Rooms margins declined from 2008 levels due to a larger decline in rooms revenue (resulting from lower Occupancy) than the corresponding reduction in hospitality expenses. Food and beverage margins declined, in part, to fewer high margin banquets.

Investment Income

Distributions and interest income on cash and cash equivalents and fixed maturity and equity investments increased 18.8% to \$2.7 million (2008 - \$2.3 million), as a result of a significantly larger investment portfolio and higher yielding investments. The Trust also recognized \$0.3 million (2008 - \$0.2 million) of unrealized losses on marketable securities classified as held for trading. In 2009, the Trust recognized realized gains on marketable securities of \$0.8 million (2008 - \$nil).

Other Expenses and Income

Interest and accretion on mortgages and capital leases for the three months ended March 31, 2009 was unchanged at \$1.9 million (2008 - \$2.0 million) and included \$0.1 million of accretion (2008 - \$0.1 million).

Interest and accretion on convertible debentures for the three months ended March 31, 2009 decreased \$0.3 million to \$2.8 million (2008 - \$3.1 million). Accretion on convertible debentures was unchanged at \$0.3 million in the first quarter of 2009 (2008 - \$0.3 million). Accretion is a monthly charge recorded to income to recognize debt issuance costs and the value of any conversion option over the term of the security.

During the three months ended March 31, 2009, the Trust recognized discounts/gains on repurchases of its convertible debentures of \$0.6 million (2008 - \$nil), representing the excess of the carrying value of the debentures retired over the cost of repurchasing the debentures.

Trust administration expense increased to \$0.7 million (2008 - \$0.4 million), primarily as a result of increased trustee compensation and consulting fees (see "Related Party Transactions").

Depreciation and amortization increased to \$3.2 million (2008 - \$3.2 million).

The Trust recognized a future income tax recovery of \$0.3 million during the three months ended March 31, 2009. Future income taxes are related to timing differences between tax and accounting values of capital assets and debt issuance costs. During the first quarter of 2008, Royal Host recognized a future income tax recovery of \$1.6 million in connection with its reorganization.

Net Loss, Other Comprehensive Loss and Comprehensive Loss

The Trust's loss from continuing operations for the three months ended March 31, 2009 was \$1.5 million (2008 - \$nil). The Trust's loss from discontinued operations was \$0.1 million (2008 - \$12.1 million income), as described further in "Discontinued Operations and Property Held For Sale". Net loss was \$1.6 million (2008 - \$12.1 million income).

The Trust recognized other comprehensive loss of \$8.0 million (2008 - \$1.6 million loss), attributable to unrealized losses on marketable securities classified as available-for-sale. Unrealized losses included \$7.5 million on the Trust's Holloway Lodging REIT and InnVest REIT trust units. The Trust has sufficient liquidity and possesses the flexibility to dispose of marketable securities when it is in the best interests of Unitholders.

Comprehensive loss, the combination of net loss and other comprehensive loss, was \$9.5 million for the three months ended March 31, 2009 (2008 - \$10.5 million income).

Discontinued Operations

The operations of properties and businesses that were sold prior to March 31, 2009 or that are held for sale as at March 31, 2009 have been included in discontinued operations on the consolidated

statements of net income and comprehensive income, and reflected as assets and liabilities of discontinued operations and property held for sale on the consolidated balance sheets beginning in the period they are determined to be discontinued.

Discontinued operations is comprised of the four properties sold in 2008: Travelodge Hotel Burlington on the Lake, El Rancho Motor Hotel & Convention Centre, Holiday Inn Edmonton – The Palace, and Grand Okanagan Lakefront Resort and Conference Centre), as well as the Thriftlodge Fort Nelson, which was destroyed by fire on January 11, 2008 and the Sundial Inn which was decommissioned effective January 31, 2008.

INCOME FROM DISCONTINUED OPERATIONS

(\$000's, except as otherwise noted)	Three months ended March 31	
	2009	2008
Hospitality Revenue	-	6,141
Hospitality Expenses	69	5,218
Hospitality Gross Margin	(69)	923
Other Expenses	-	559
	(69)	364
Gain (Loss) on Sales	-	11,724
Income (Loss) from Discontinued Operations	(69)	12,088

Hospitality revenue from discontinued operations for the three months ended March 31, 2009 was \$nil (2008 - \$6.1 million).

The Trust generated a loss from discontinued operations for the three months ended March 31, 2009 of \$0.1 million (2008 – income of \$12.1 million, due primarily to the sale of the Travelodge Hotel Burlington on the Lake, which generated a gain on sale of \$11.7 million, in the first quarter of 2008).

The Trust recognized future income taxes of \$1.0 million during the three months ended March 31, 2008, as differences between tax and accounting values of discontinued properties' capital assets reversed.

Liquidity and Capital Resources

The Trust's principal sources of funds to satisfy cash requirements are cash flows from hospitality operations and distributions and interest income from its portfolio of marketable securities.

Liquidity

As at March 31, 2009, the Trust's financial condition continued to be of high quality, and the Trust had sufficient liquidity. Cash and cash equivalents were \$2.2 million (December 31, 2008 - \$6.4 million), and Royal Host also had access to potential additional borrowing on its unencumbered properties. As at March 31, 2009, marketable securities were \$42.3 million (December 31, 2008 - \$56.4 million).

Factors which most significantly affected the Trust's liquidity in the first quarter of 2009 were the repurchases of its trust units and convertible debentures, equity distributions and the sale of marketable securities.

Royal Host's cash and cash equivalents, additional borrowing potential on its unencumbered properties, and marketable securities, together with its future cash flows, are expected to be sufficient to fund all

anticipated cash requirements over the next year, including distributions, planned debt repayments and capital investment, and operating expenses, as well as to pursue other opportunities to create Unitholder value.

The Trust's Series A, 7.9% Convertible Debentures matured on April 30, 2009 (principal outstanding as at March 31, 2009 - \$7.3 million). Repayment was funded from working capital and the Trust's credit facility as described herein.

The Trust's 2009 debt maturities consist of a single mortgage in the amount of \$22.0 million in October 2009, which includes a 6-month extension provision.

The Trust intends to continue to invest in its hotel portfolio in 2009, particularly in circumstances where doing so has the potential to markedly enhance the hotel's ability to compete during these difficult economic times. Costs to complete the casino expansion at the Grand Okanagan Resort (a condition of the sale of the property) totaled \$3.5 million as at March 31, 2009; the project is anticipated to conclude in the second half of 2009.

Subsequent to the first quarter of 2009, the Trust entered into a \$20 million secured revolving credit facility to enhance its liquidity. Royal Host will continue to balance preserving its liquidity and utilizing its cash to maximize Unitholder value.

Marketable Securities

During the first quarter, Royal Host sold \$6.6 million of its marketable securities, primarily for redeployment into repurchases of the Trust's units and convertible debentures.

Management believes that the highest risk-adjusted rate of return is currently achievable by holdings its investments in InnVest REIT and Holloway Lodging REIT, hotel real estate investment trusts which offered income and an expectation of long-term capital appreciation. Both InnVest and Holloway's trust units are trading at prices significantly below Management's estimates of underlying value, offering good perceived downside protection.

These investments continue to offer attractive yields compared to direct investments in hotels and the additional diversification associated with a larger number of properties, as well as an expectation of above-average capital appreciation.

As at March 31, 2009, the Trust's portfolio of marketable securities has a carrying value of \$42.3 million (December 31, 2008 - \$56.4 million).

In December 2008, the Trust pledged certain of its marketable securities as security for a \$9.5 million letter of credit obtained in connection with the casino expansion project. Royal Host is entitled to reduce the amount of the letter of credit as the cost to complete the casino decreases. Subsequent to March 31, 2009, the letter of credit was reduced to \$5.3 million, secured by marketable securities with a market value of \$6.6 million.

As at March 31, 2009, substantially all of Royal Host's portfolio of marketable securities was invested in equity instruments.

Major Holdings of Marketable Securities

(as at March 31, 2009)	# of Units	% of Total	Carrying Value	Monthly Distribution Per Unit	Monthly Distribution
InnVest REIT	10.4 million	14.0%	\$33.1 million	\$0.0625	\$0.7 million
Holloway Lodging REIT	7.7 million	19.9%	\$ 6.0 million	\$0.0175	\$0.1 million

As a result of the higher levels of invested capital in 2009, the Trust realized distribution and interest income of \$2.7 million during the three months ended March 31, 2009 (2008 – \$2.3 million).

Royal Host may, in the future, take such actions in respect of its holdings as it may deem appropriate in light of the circumstances then existing, including the purchase of additional securities of InnVest and/or Holloway through open market purchases or privately negotiated transactions, or the sale of all or a portion of its holdings in the open market or in privately negotiated transactions to one or more purchasers.

Notwithstanding the recent decreases in market prices and distribution reductions, these securities are anticipated to generate attractive returns for the Trust and each of these REITs possesses quality hotel portfolios. Each of these trusts' units trade at significant discounts to commonly-held estimates of net asset value, affording Royal Host the opportunity for future capital appreciation. Royal Host has sufficient capital resources to fund its cash requirements and is under no compulsion to dispose of securities.

On March 13, 2009, InnVest REIT adopted an amended and restated unitholder rights plan, effective April 8, 2009. The plan will be effective for a period of approximately three years, subject to regulatory approval, upon the occurrence of certain triggering events, including the acquisition by a person or group of persons of 20% or more of the outstanding trust units of InnVest in a transaction not approved by InnVest's Board of Trustees, unitholders other than the acquiring person or group of persons, will be entitled to acquire additional trust units of InnVest at a substantial discount became exercisable.

On April 13, 2009, Royal Host withdrew its requisition of a special meeting of InnVest unitholders to consider certain changes to InnVest's Board of Trustees, more specifically, to nominate representatives of Royal Host to the InnVest board, due to inadequate support from other InnVest unitholders.

As at March 31, 2009, the Trust also had restricted cash of \$4.5 million (December 31, 2008 - \$4.7 million) in the form of funds held by lenders pursuant to financing arrangements for future planned capital expenditures.

Off Balance Sheet Arrangement

During 2008, Royal Host entered into a \$9.5 million credit facility. As at March 31, 2009, marketable securities with a carrying value of \$7.9 million were pledged as security for a \$6.4 million letter of credit in connection with the Grand Okanagan Resort casino expansion. Otherwise, Royal Host had no undisclosed off balance sheet arrangements as at March 31, 2009. As at May 11, 2009, the letter of credit had been reduced to \$5.3 million; \$6.6 of marketable securities were pledged as security.

Cash Flows

The following table details the Trust's cash flows:

Cash Flows (\$000's)	Three months ended March 31	
	2009	2008
Cash Generated from (Utilized in) Operating Activities	198	3,572
Cash Utilized in Financing Activities	(9,265)	(8,748)
Cash Generated from Investing Activities	4,806	7,098
Decrease in Cash and Cash Equivalents	(4,261)	1,922

Cash Flows From Operating Activities

Cash flows from operating activities totaled \$0.2 million, a \$3.4 million decrease compared to 2008.

CONTINUING OPERATIONS

During the first quarter of 2009, Royal Host's continuing operations provided \$0.8 million of cash flow before changes in working capital, representing a \$1.3 million decrease from 2008. A \$1.7 million decline in hospitality gross margin and a \$0.3 million increase in trust administration costs was offset by a \$0.4 million increase in distribution and interest income. Interest on mortgages, capital leases and convertible debentures was relatively flat.

DISCONTINUED OPERATIONS

During the first quarter of 2009, Royal Host's discontinued operations utilized \$0.1 million of cash flow before changes in working capital, excluding proceeds from the sale of assets (see "Cash Flow From Investing Activities" below).

CHANGES IN NON-CASH WORKING CAPITAL

Changes in continuing non-cash working capital utilized \$0.5 million of cash flow (2008 – utilized \$4.6 million). Changes in discontinued non-cash working capital utilized \$45,000 of cash flows (2008 – generated \$5.8 million), including proceeds received on the sale of the Grand Okanagan Resort and yet to be spent on the casino expansion.

Cash Flows From Financing Activities

REPURCHASES OF SECURITIES

In the interest of delivering value to its Unitholders, the Trust has undertaken a number of Normal Course Issuer Bids ("NCIBs") and a Substantial Issuer Bid to repurchase trust units and convertible debentures. Management believes that the market price of the Trust's securities may, from time to time, not fully reflect the underlying value of the securities, and therefore believes that the repurchase of the Trust's securities may at times represent an excellent use of available cash.

Significant declines in the price of the Trust's units and convertible debentures during 2008 and 2009 offered the Trust the opportunity to repurchase its securities at significant discount to their underlying value.

		Three Months ended March 31, 2009		
	NCIB Term (Maximum)	Cost to Repurchase (\$)	Average Cost (\$)	Cost (\$)
Trust Units	January 2, 2008 to January 1, 2009 (2,157,622 units)	\$0.1 million (21,600 units)	\$3.00	\$0.2 million
	January 12, 2009 to January 11, 2010 (1,472,468 units)	\$3.4 million (1,174,456 units)	\$2.91	\$9.2 million

		Three Months Ended March 31, 2009		
	NCIB Term (Maximum)	Cost to Repurchase (\$)	Average Cost (\$)	Face Value (\$)
6.0% Convertible Debentures	September 10, 2008 to September 9, 2009 (\$5.5 million)	\$nil	n/a	n/a
6.25% Convertible Debentures	September 10, 2008 to September 9, 2009 (\$5.9 million)	\$1.4 million	\$71.00	\$2.0 million
5.9% Convertible Debentures	September 10, 2008 to September 9, 2009 (\$6.0 million)	\$0.1 million	\$58.23	\$0.2 million

Subsequent to March 31, 2009, the Trust repurchased 9,300 million trust units with an aggregate cost of \$0.02 million (average cost of \$2.45 per unit).

DISTRIBUTIONS TO UNITHOLDERS

During 2009, the Trust declared \$5.4 million of distributions to Unitholders, comprised of three monthly distributions of \$0.055 per unit, as well as a special distribution of \$0.10 per unit.

Cash Flows From Investing Activities

During 2009, the Trust received \$6.6 million of proceeds from the sale of marketable securities.

Royal Host is committed to optimizing its hotel portfolio through broad reinvestment across its properties and the Trust will deploy maintenance and growth capital when it deems it appropriate. Recent capital improvements have been predominantly deployed in areas that directly improve the guest experience; however, due to current conditions, the Trust restricted capital reinvestment in the first quarter of 2009. Capital additions totaled \$0.5 million (2008 - \$2.2 million) and utilized cash of \$0.2 million (2008 - \$3.4 million).

During 2009, the Trust also expended \$2.6 million on the casino expansion at the Grand Okanagan Lakefront Resort and Conference Centre (a condition of the sale of the property), which is scheduled to be completed in the second quarter of 2009).

Capital Structure

As at March 31, 2009, total debt had an aggregate carrying value of \$240.8 million (December 31, 2008 - \$243.4 million); principal outstanding at March 31, 2009 totaled \$248.7 million (December 31, 2008 - \$251.2 million).

Debt

Royal Host's debt (excluding convertible debentures) is limited by its Declaration of Trust to 45% of gross book value. As at March 31, 2009, Royal Host's debt (excluding convertible debentures) to gross book value was 20.3% (December 31, 2008 – 19.7%). As at March 31, 2009, Royal Host's debt (including convertible debentures) to gross book value was 60.5% (December 31, 2008 – 58.9%).

Mortgages

As at March 31, 2009, the carrying value of the Trust's mortgages was \$82.9 million (December 31, 2008 - \$83.6 million). The carrying value reflects total outstanding principal of \$83.4 million (December 31, 2008 - \$84.3 million) less \$0.5 million of debt issuance costs (December 31, 2008 - \$0.6 million). The \$0.7 million decrease in carrying value during the year is attributable to the accretion of debt issuance costs of \$0.1 million and \$0.9 million of scheduled mortgage principal repayments made during 2009.

MORTGAGE MATURITIES

As at March 31, 2009	Principal Outstanding (\$'000's)	Interest Rate	Security
November 2009 ⁽¹⁾	21,972	7.35%	2 hotel properties ⁽²⁾
September 2010	25,009	9.38%	11 hotel properties
October 2011	12,287	8.46%	1 hotel property
March 2013	5,189	8.50%	2 hotel properties
October 2013	7,725	7.37%	1 hotel property
November 2018	<u>11,198</u>	9.30%	8 hotel properties
Total	83,380		

⁽¹⁾ The mortgage maturing contains an additional 6-month extension provision, and Management anticipates being otherwise able to obtain replacement financing if it does not obtain the extension.

⁽²⁾ The London Hilton and Chimo Hotel Ottawa.

Royal Host is solidly financed; and it will continue to proactively manage its debt maturities. As at March 31, 2009, the Trust's secured debt as a whole represents a loan-to-net book value of 37.4%.

As at May 12, 2009, the Trust has three unencumbered operating hotel properties – the Yellowknife Inn, the Travelodge Thunder Bay and the Travelodge Thunder Bay Airline. During the first quarter of 2009, the Trust entered into a \$20 million secured revolving credit facility, secured by three hotel properties with interest accruing at the bank's prime lending rate plus a spread of 0.25% to 1.25% per annum, depending on a leverage test.

Convertible Debentures

Royal Host's convertible debentures have a total outstanding balance at March 31, 2009 of \$165.3 million (March 31, 2008 - \$167.5 million). The carrying value of the convertible debentures as at March 31, 2009, reflects \$5.0 million of debt issuance costs and \$2.3 million of conversion options.

(\$000's)	Maturity Date	March 31, 2009		December 31, 2008		Conversion Price
		Carrying Value	Outstanding Balance	Carrying Value	Outstanding Balance	
Current:						
7.9% Convertible Debenture, Series A	April 2009	7,272	7,288	7,252	7,288	n/a ⁽²⁾
Long Term:						
6.00% Convertible Debenture, Series B	October 2015	45,222	47,718	45,154	47,718	\$4.14 ⁽¹⁾
6.25% Convertible Debenture, Series C	September 2013	50,991	53,756	52,771	55,771	\$4.23 ⁽¹⁾
5.90% Convertible Debenture, Series D	June 2014	54,487	56,564	54,590	56,757	\$5.38 ⁽¹⁾
		150,700	158,038	152,515	160,246	

⁽¹⁾ As a result of the special distribution and pursuant to the terms and conditions of the Trust Indenture dated February 21, 2002, as supplemented by a Supplemental Trust Indenture thereto, the conversion prices of the Trust's convertible debentures were adjusted effective from and after the close of business on December 29, 2008.

⁽²⁾ The 7.9% debentures matured and were repaid on April 30, 2009.

As at March 31, 2009, Royal Host's convertible debentures had a market capitalization of \$102.6 million.

During the three months ended March 31, 2009, Royal Host repurchased \$2.2 million of convertible debentures.

CONVERSIONS AND REPURCHASES OF CONVERTIBLE DEBENTURES

(\$000's)	7.9% Series A	6.00% Series B	6.25% Series C	5.90% Series D	Total
Outstanding Balance, December 31, 2008	7,288	47,718	55,771	56,757	167,534
Repurchased Pursuant to Normal Course Issuer Bids	-	-	(2,015)	(193)	(2,208)
Converted into Trust Units	-	-	-	-	-
Outstanding Balance, March 31, 2009	7,288	47,718	53,756	56,564	165,326

Subsequent to March 31, 2009, \$0.8 million of the Trust's 6.0% convertible debentures were converted into trust units.

MATURITY DATES AND INTEREST RATES

	Weighted Average Interest Rate		Weighted Average Maturity (Years)	
	December 31, 2008	March 31, 2009	December 31, 2008	March 31, 2009
Mortgages	8.46%	8.46%	3.2	2.9
Convertible Debentures	6.13%	6.13%	5.4	5.2
Mortgages and Convertible Debentures	6.91%	6.91%	4.7	4.4

Unitholders' Equity

During the three months ended March 31, 2009, equity decreased by \$18.5 million from \$36.8 million to \$18.3 million as illustrated below:

(\$000's)	Three months ended March 31	
	2008	2009
Unitholders' Equity, Beginning of Period	99,714	36,761
Comprehensive Loss	10,504	(9,530)
Repurchases of Trust Units	(38,911)	(3,504)
Distributions to Unitholders	(4,153)	(5,370)
Other	52	(53)
Unitholders' Equity, End of Period	67,206	18,304

As at March 31, 2009, 19,542,947 trust units were issued and outstanding (December 31, 2008 – 20,739,003).

TRUST UNITS	Three months ended March 31	
	2008	2009
Number of Trust Units, Beginning of Period	27,487,825	20,739,003
Trust Units Cancelled Pursuant to Normal Course Issuer Bid	(559,240)	(1,196,056)
Number of Trust Units, End of Period	26,928,585	19,542,947

As at March 31, 2009, Royal Host's trust units had a market capitalization of \$48.5 million.

Subsequent Events

On April 30, 2009, the Trust entered into an Amended and Restated Loan Agreement (the "Loan"). The Loan has a principal value of \$21,972,500, is secured by the London Hilton and the Chimo Hotel Ottawa and matures on November 8, 2009, with a further 6-month extension provision.

On April 30, 2009, the Trust repaid the \$7.3 million 7.9% convertible unsecured subordinated debentures, series A.

Subsequent to March 31, 2009, the Trust entered into a conditional purchase and sale agreement to sell the Fort Nelson land.

Summary of Quarterly Financial Results

(\$000's, except as otherwise noted)	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	21,684	25,266	27,542	27,638	24,151	26,578	29,740	27,659
Income (Loss)								
From Continuing Operations	(1,482)	(86,271)	1,246	2,940	(30)	(888)	2,293	1,792
From Discontinued Operations	(69)	205	75,112	15,087	12,088	578	5,234	3,017
	(1,551)	(86,066)	76,358	18,027	12,058	(310)	7,527	4,809
Per Unit Results (\$)								
Income (Loss) from Continuing Operations								
Basic	(0.07)	(4.13)	0.06	0.14	0.00	(0.03)	0.11	0.07
Diluted	(0.07)	(4.13)	0.06	0.13	0.00	(0.03)	0.11	0.07
Income (Loss) from Total Operations								
Basic	(0.07)	(4.12)	3.54	0.84	0.44	(0.01)	0.29	0.19
Diluted	(0.07)	(4.12)	3.54	0.84	0.44	(0.01)	0.29	0.19

Note: the sum of quarterly per unit figures do not equal annual per unit figures

Related Party Transactions

At March 31, 2009, Clarke Inc. owned approximately 5.3 million (approximately 27%) of Royal Host's issued and outstanding trust units and, as such, is a related party. As at March 31, 2009, Royal Host owned Clarke's 6.0% convertible debentures with a carrying value of approximately \$1.7 million, which were included in the Trust's marketable securities.

During the three months ended March 31, 2009, the Trust incurred professional and management fees totaling \$0.1 million for services provided by Clarke Inc. (primarily related to the Grand Okanagan Resort casino expansion and asset management).

The Trust incurred consulting fees totaling \$0.1 million for services supplied by a company controlled by a former trustee of the REIT, primarily in the area of real estate transactions. Included in accounts payable and accrued liabilities as of March 31, 2009 is \$25,000 (December 31, 2008 - \$25,000). Subsequent to March 31, 2009, the arrangement was terminated.

Business Environment and Outlook

Canadian Economy

The Canadian economy has been profoundly impacted by the severe turmoil in financial markets due to the global financial crisis, a U.S. recession and a fragile global economy. During 2009, the Canadian economy deteriorated markedly into a recession, marked by lower business profits, investment and spending, employment and consumer spending. Notwithstanding global monetary stimulus, the evolution of the global financial crisis and its impact on the Canadian and global economies is unclear. Some economic forecasts suggest the possibility of some strengthening of the U.S. economy in the second half of 2009 and possibly a recovery in late 2009, while others call for a more prolonged period of economic weakness.

Canadian Hotel Sector

The demand for hotel accommodations is significantly impacted by macroeconomic conditions and consumer and business confidence. Although the outlook for the Canadian hotel sector is uncertain, there remain relatively few favourable lodging sector indicators. Although some positive indicators are emerging, continuing Canadian and International economic uncertainty provide little visibility and make predicting the future difficult.

The remainder of 2009 is expected to continue to be very challenging. Demand for lodging, both corporate and leisure, is anticipated to remain below 2008 levels; and competition has intensified. Travelers have become more price conscious, in some cases 'trading down' in their choice of accommodations.

The Canadian hotel sector is generally considered to be in a stronger position than in previous sector downturns, with a generally healthy supply and demand balance.

The cessation of conduit (commercial mortgage-backed securities) lending to the Canadian hotel sector, traditionally a significant source of capital, is anticipated to potentially impact the Canadian hotel sector as existing debt matures.

The impact of the H1N1 Influenza outbreak is indeterminable at this time, but has the potential to significantly adversely impact Canadian tourism and travel.

Royal Host

Royal Host owns and operates a portfolio of hotels with the added diversity of successful hotel management and franchise businesses. The Trust's substantial investment portfolio further enhances its diversification. Royal Host has a solid financial condition and sufficient liquidity.

Royal Host has, and will continue to, adapt to the economic slowdown by implementing operational contingency plans and comprehensive reviews of operating expenditures. Key priorities include protecting gross margin and cash flows through revenue generation and reducing costs; and enhancing liquidity. The Trust remains well positioned for the Canadian hotel sectors' eventual emergence from the current downturn.

Taxation Changes to Income Trusts

The provisions of Bill C-52 will apply a tax, which we refer to as the "SIFT tax", on certain income earned by a "specified investment flow-through" ("SIFT") trust as well as taxing the taxable distributions received by investors from such entities as dividends.

Commencing on January 1, 2011, certain distributions from Royal Host which would otherwise have been taxed as ordinary income generally will be characterized as dividends, in addition to Royal Host

generally being subject to tax on certain income at rates that approximate those applicable to corporations. Return of capital is tax-deferred for Unitholders who are residents of Canada for purposes of the Income Tax Act (and reduce such Unitholders' adjusted cost base in such Unit for purposes of the Income Tax Act). Commencing on January 1, 2011, Royal Host will no longer be permitted to deduct for tax purposes its taxable distributions and, as such, will be required to pay tax prior to distribution. Distributions that are classified as return of capital are not subject to this tax.

Management has reviewed applicable legislative provisions and other applicable guidance. Management currently believes that hotel operations, management and franchising are each non-compliant activities, and Royal Host constitutes a SIFT trust. As a result, unless Royal Host disposes of assets and activities that do not qualify under exemptions, Royal Host and its Unitholders will be subject to the SIFT tax.

Income trusts have essentially three alternatives: convert to a corporation; complete a sale; or remain an income trust and position themselves as advantageously as possible in terms of post-2010 taxation. In 2008, the Minister of Finance introduced two methods of enabling a SIFT trust to convert into a publicly-traded corporation generally without material adverse tax consequences for the trust or its unitholders.

The Trust has deliberated extensively on these matters and continues to consider what actions, if any, it will take as a result of post-2010 legislation.

Risks and Uncertainties

Royal Host's business is subject to various risks and uncertainties, which occur in the normal course of business that could adversely affect its earnings and cash flow, as well as its ability to make distributions to Unitholders.

Additional information with respect to key risks and uncertainties to which Royal Host is subject, and the strategies adopted to mitigate these risks, is contained in its Annual Information Form, which may be viewed on SEDAR at www.sedar.com.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Trust is communicated to Management, including the Executive Vice President/Chief Financial Officer, on a timely basis to allow timely and appropriate decisions regarding required public disclosure.

An evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures was conducted as of March 31, 2009 by Management under the supervision of the Executive Vice President/Chief Financial Officer (in the capacity of both Chief Financial Officer and Chief Executive Officer for this purpose). Based on that evaluation, the Executive Vice President/Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at March 31, 2009.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

Management, under the supervision of the Executive Vice President/Chief Financial Officer, has evaluated the effectiveness of the Trust's ICFR using the COSO framework, published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that the design and operating effectiveness of the Trust's ICFR was effective as of March 31, 2009.

Changes In Controls Over Financial Reporting

There have been no changes in Royal Host's internal control over financial reporting during the three months ended March 31, 2009 that have materially affected, or are reasonably likely to materially affect, Royal Host's internal control over financial reporting.

During the first quarter of 2009, certain management changes occurred and certain management responsibilities were reassigned. These changes have not materially affected Royal Host's internal controls over financial reporting.

Key Accounting Policies and Estimates

Note 2 to the consolidated financial statements for the three months ended March 31, 2009 includes a summary of the Trust's significant accounting policies.

The application of some of these policies requires the Trust to make estimates of future events that may have a material effect on current or future financial results. These estimates require experience and judgment and are subject to the inherent risk of inaccuracy, particularly where they relate to events that are expected to take place well into the future.

Changes in Accounting Policies

Goodwill and Intangible Assets

The CICA has a new accounting standard, Section 3064 "Goodwill and Intangible Assets" to replace Handbook Section 3062 "Goodwill and Other Intangible Assets". Handbook Section 3064 clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Royal Host adopted this section on January 1, 2009. The adoption of Section 3064 did not have a material effect on the financial statements of Royal Host.

Future Changes in Accounting Policies

Business Combinations

The CICA issued Section 1582 Business Combinations, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The adoption of the revised standard is expected to impact Royal Host's financial statements only to the extent that business combinations are entered into after the effective date.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board ("AcSB") announced the replacement of Canadian GAAP with International Financial Reporting Standards ("IFRS") for publicly accountable profit-oriented enterprises including listed companies, effective for years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for 2010.

The Trust's Consolidated Financial Statements are currently prepared in accordance with Canadian GAAP and may be significantly different when presented in accordance with IFRS.

The Trust's management is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. The International Accounting Standards Board ("IASB") is currently undertaking a significant reform program. As a result, a number of international standards are subject to new issuance, update and revision. Current and proposed projects will result in changes to standards, and the changes could materially affect how Royal Host would account for transactions. Management will continue to monitor standards issued by the ISAB and the AcSB, as well as regulations issued by the CSA, which may affect the timing, nature or disclosure of the Trust's adoption of IFRS.

The Trust has performed a high-level preliminary assessment of the differences between Canadian GAAP and IFRS and the potential impact of the adoption of IFRS to accounting and reporting processes, disclosure, information systems and business processes. The Trust is currently in the process of developing an IFRS convergence plan. An IFRS Steering Committee comprised of senior level management will monitor the Trust's IFRS Convergence Project and provide periodic updates to the Trust's Senior Management, Audit Committee and Board of Trustees.

The Trust's IFRS Convergence Plan will encompass, among other elements of adoption of IFRS: differences between Canadian GAAP and IFRS; training and education of employees; resource requirements; assessing impact on internal controls over financial reporting; assessing impact on business activities; assessing impact on information systems; and communication.

Cautionary Statement Regarding Forward-looking Information and Statements

This MD&A sets out Management's assessment of the Trust's future plans and operations and contains forward-looking statements as defined under applicable Canadian securities legislation. These forward-looking statements typically contain the words "anticipate", "believe", "estimate", "expect", "may", "will", "should", "plan" or other similar terms and contain estimates or assumptions about the outcome of future events. These forward-looking statements are provided in the interest of providing readers with information regarding the Trust. Readers are cautioned that Management's expectations, estimates and assumptions, although considered reasonable, may prove to be incorrect and readers should not place undue reliance on forward-looking statements. Forward-looking statements are subject to risks, uncertainties, and other factors that could result in the outcome of these events being materially different from those anticipated in this MD&A. These factors include, but are not limited to: general economic conditions, levels of travel in Royal Host's key market areas, political conditions and events, competitive pressures, changes in government policy or regulations and other risk factors including risks and uncertainties described above. The Trust's actual results could differ materially from those expressed in, or implied by, these forward-looking statements. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Royal Host does not undertake to update forward-looking statements should its estimates or assumptions change, except as required by law. Additional information relating to Royal Host and the risks to which its business is subject is contained in its Annual Information Form, which is available at www.sedar.com.

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HOTELS & RESORTS^{REIT}

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investorinfo@royalhost.com

1-888-259-9899

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Interim Financial Statements

2009

FOR THE THREE MONTHS ENDED MARCH 31, 2009

ROYAL HOST[®]
HOTELS & RESORTS^{REIT}

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

in \$000's

(unaudited)

	As at	
	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	2,179	6,440
Marketable securities	42,270	56,350
Accounts, notes and distributions receivable	6,289	4,876
Prepaid expenses	3,038	2,588
Assets of discontinued operations (Note 4)	281	1,177
Inventories	2,133	2,220
	<u>56,190</u>	<u>73,651</u>
Capital assets (Note 5)	222,898	225,081
Intangible assets (Note 2)	4,010	4,533
Property held for sale (Note 4)	2,025	2,025
Restricted cash	4,548	4,746
	<u>289,671</u>	<u>310,036</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 13)	12,550	11,869
Equity distributions payable	3,149	1,141
Interest accrued on convertible debentures	2,267	1,445
Mortgages (Note 6)	24,894	24,636
Convertible debentures (Note 7)	7,272	7,252
Obligations under capital leases	66	65
Other liabilities	314	269
Liabilities of discontinued operations (Note 4)	3,644	6,356
	<u>54,156</u>	<u>53,033</u>
Mortgages (Note 6)	57,964	59,000
Convertible debentures (Note 7)	150,700	152,515
Obligations under capital leases	161	178
Deferred revenue	524	408
Future income taxes (Note 11)	7,862	8,141
	<u>271,367</u>	<u>273,275</u>
Unitholders' equity (Note 8)	<u>18,304</u>	<u>36,761</u>
	<u>289,671</u>	<u>310,036</u>

See accompanying Notes to the Consolidated Interim Financial Statements.

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Net Loss and Comprehensive Loss

in \$000's (except per unit amounts)

(unaudited)

	Three Months Ended	
	March 31, 2009	March 31, 2008
Hospitality revenue		
Rooms	16,717	18,471
Food and beverage	3,276	4,027
Franchising and management	455	509
Other	1,236	1,144
	<u>21,684</u>	<u>24,151</u>
Hospitality expenses	<u>18,622</u>	<u>19,281</u>
	<u>3,062</u>	<u>4,870</u>
Investment income		
Distributions and interest	2,739	2,306
Unrealized losses on marketable securities	(346)	(241)
Realized gains on marketable securities	795	3
	<u>3,188</u>	<u>2,068</u>
	<u>6,250</u>	<u>6,938</u>
Other expenses		
Trust administration (Note 13)	691	407
Interest and accretion on mortgages and capital leases	1,860	1,976
Interest and accretion on convertible debentures	2,849	3,115
(Discount) premium on convertible debenture repurchases	(612)	-
Depreciation and amortization	3,230	3,166
Future income taxes recovery (Note 11)	(279)	(1,642)
Gain on foreign currency translation	(7)	(54)
	<u>7,732</u>	<u>6,968</u>
Loss from continuing operations	<u>(1,482)</u>	<u>(30)</u>
(Loss) income from discontinued operations (Note 4)	<u>(69)</u>	<u>12,088</u>
Net (loss) income	<u>(1,551)</u>	<u>12,058</u>
Other comprehensive loss (Note 12)	<u>(7,979)</u>	<u>(1,554)</u>
Comprehensive (loss) income	<u>(9,530)</u>	<u>10,504</u>
Basic per unit net (loss) earnings (Note 9)		
- from continuing operations	(0.07)	0.00
- from discontinued operations	0.00	0.44
	<u>(0.07)</u>	<u>0.44</u>
Diluted per unit net (loss) earnings (Note 9)		
- from continuing operations	(0.07)	0.00
- from discontinued operations	0.00	0.44
	<u>(0.07)</u>	<u>0.44</u>

See accompanying Notes to the Consolidated Interim Financial Statements.

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

in \$000's

(unaudited)

	Three Months Ended	
	March 31, 2009	March 31, 2008
Operating activities		
Loss from continuing operations	(1,482)	(30)
Items not affecting cash:		
Depreciation and amortization	3,230	3,166
Future income taxes recovery	(279)	(1,642)
Unrealized losses on marketable securities	346	241
Realized gains on marketable securities	(795)	(3)
Discount on repurchases of convertible debentures	(612)	-
Accretion on mortgages and capital leases	70	113
Accretion on convertible debentures	299	305
Cash flows provided by continuing operations	777	2,150
Cash flows provided by discontinued operations (Note 4)	(69)	219
Changes in non-cash working capital - continuing operations (Note 10)	(465)	(4,871)
Changes in non-cash working capital - discontinued operations (Note 4)	(45)	6,074
	198	3,572
Financing activities		
Repurchases of trust units pursuant to normal course issuer bids	(3,504)	(3,468)
Repurchases of convertible debentures pursuant to normal course issuer bids	(1,543)	-
Equity distributions	(3,362)	(4,480)
Principal repayments on mortgages and capital leases - continuing operations	(864)	(605)
Principal repayments on mortgages and capital leases - discontinued operations (Note 4)	-	(247)
Proceeds from repayment of employee unit purchase program loan	8	52
	(9,265)	(8,748)
Investing activities		
Proceeds on dispositions of marketable securities	6,550	460
Purchases of marketable securities	-	(14,409)
Acquisitions of capital assets - continuing operations	(171)	(3,217)
Acquisitions of capital assets - discontinued operations (Note 4)	-	(158)
Net acquisitions on expansion of property - discontinued operations (Note 4)	(2,578)	-
Decrease in restricted cash and restricted cash equivalents	198	156
Net cash on dispositions of capital assets (Note 4)	-	24,266
Net cash on insurance recovery (Note 4)	807	-
	4,806	7,098
(Decrease) increase in cash and cash equivalents	(4,261)	1,922
Cash and cash equivalents, beginning of period	6,440	46,823
Cash and cash equivalents, end of period	2,179	48,745
Cash interest paid		
Mortgages and capital leases	1,669	2,557
Convertible debentures	1,728	1,853
	3,397	4,410

See accompanying Notes to the Consolidated Interim Financial Statements.

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity

in \$000's

(unaudited)

	Trust Units	Convertible Equity	Contributed Surplus	Accumulated Income	Accumulated Other Comprehensive Loss	Distributions	Total
Balance, December 31, 2007	217,138	3,637	9,628	39,163	(2,210)	(167,642)	99,714
Comprehensive income	-	-	-	12,058	(1,554)	-	10,504
Equity distributions							
Trust units	-	-	-	-	-	(4,153)	(4,153)
Trust units repurchased pursuant to normal course issuer bid	(4,530)	-	957	-	-	-	(3,573)
Trust units repurchased pursuant to substantial issuer bid	(35,338)	-	-	-	-	-	(35,338)
Employee loans pursuant to employee unit purchase program	52	-	-	-	-	-	52
Balance, March 31, 2008	177,322	3,637	10,585	51,221	(3,764)	(171,795)	67,206
Comprehensive income	-	-	-	8,319	3,764	-	12,083
Equity distributions							
Trust units	-	-	-	-	-	(38,514)	(38,514)
Issuance of trust units pursuant to debenture conversion option	3,144	(81)	-	-	-	-	3,063
Convertible debentures repurchased pursuant to normal course issuer bid	-	(263)	-	-	-	-	(263)
Trust units repurchased pursuant to normal course issuer bid	(10,120)	-	3,042	-	-	-	(7,078)
Trust units repurchased pursuant to substantial issuer bid	(7,234)	-	7,382	-	-	-	148
Employee loans pursuant to employee unit purchase program	101	-	15	-	-	-	116
Balance, December 31, 2008	163,213	3,293	21,024	59,540	-	(210,309)	36,761
Comprehensive loss (Note 12)	-	-	-	(1,551)	(7,979)	-	(9,530)
Equity distributions							
Trust units	-	-	-	-	-	(5,370)	(5,370)
Convertible debentures repurchased pursuant to normal course issuer bid (Note 8)	-	(61)	-	-	-	-	(61)
Trust units repurchased pursuant to normal course issuer bid (Note 8)	(9,413)	-	5,909	-	-	-	(3,504)
Employee loans pursuant to employee unit purchase program	(16)	-	24	-	-	-	8
Balance, March 31, 2009	153,784	3,232	26,957	57,989	(7,979)	(215,679)	18,304

Accumulated income, accumulated other comprehensive loss and distributions at March 31, 2009 amounted to **-\$165,669** (December 31, 2008 - **(\$150,769)**).

See accompanying Notes to the Consolidated Interim Financial Statements.

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements

(unaudited)

1. GENERAL INFORMATION

Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") was created pursuant to the Declaration of Trust dated August 27, 1997. Royal Host is an unincorporated open-end mutual fund trust established for the purpose of investing in hotel properties and hospitality businesses, under specified guidelines as defined under the Declaration of Trust.

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these financial statements are consistent with those used in the annual consolidated financial statements of the year ended December 31, 2008. These financial statements do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2008.

2. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

The CICA has issued a new accounting standard, Section 3064, "*Goodwill and Intangible Assets*", which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. This standard is effective for the Trust's 2009 fiscal year, and adopted on a retroactive basis with restatement. This change in accounting policy did not have a material impact on the financial statements of Royal Host.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The CICA issued Section 1582 *Business Combinations*, which replaces Section 1581. This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The adoption of the revised standard is expected to impact Royal Host's financial statements only to the extent that business combinations are entered into after the effective date.

4. PROPERTY HELD FOR SALE, DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

The operations of properties and businesses that were disposed of prior to March 31, 2009 and those held for sale as at March 31, 2009 have been included in discontinued operations on the consolidated statements of net income and comprehensive income, and reflected as assets and liabilities of discontinued operations and property held for sale on the consolidated balance sheets.

On January 11, 2008, the Thriftlodge Fort Nelson was destroyed by fire. Royal Host received total insurance proceeds of \$5.3 million. During the three months ended March 31, 2009, Royal Host received insurance proceeds of \$0.8 million (year ended December 31, 2008 - \$4.5 million). The Trust recognized a gain from insurance recovery of \$2.1 million during the year ended December 31, 2008.

Effective January 31, 2008, the Trust decommissioned the Sundial Inn in Orillia, Ontario. Royal Host continues to pursue disposing of this property. The carrying amount of this property is recorded as property held for sale.

On February 21, 2008, Royal Host sold the Travelodge Hotel Burlington on the Lake for total proceeds of \$24.8 million. The Trust, after selling expenses of \$0.4 million, recognized a gain on the sale of \$11.7 million during the three months ended March 31, 2008.

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements

*(unaudited)***4. PROPERTY HELD FOR SALE, DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS (continued)**

On April 30, 2008, Royal Host sold the El Rancho Motor Hotel and Convention Centre in Lethbridge, Alberta for total proceeds of \$2.9 million. The Trust recognized a property impairment provision of \$0.1 million during the year ended December 31, 2008. The Trust, after selling expenses of \$0.1 million, recognized a loss on the sale of \$19,000 for the year ended December 31, 2008.

On June 9, 2008, Royal Host sold the Holiday Inn Edmonton - The Palace for total proceeds of \$25.0 million. The Trust, after selling expenses of \$0.3 million, recognized a gain on the sale of \$13.1 million during the year ended December 31, 2008.

On August 15, 2008, Royal Host sold the Grand Okanagan Lakefront Resort and Conference Centre for total proceeds of \$131.0 million including \$12.4 million in respect of a casino expansion. The total proceeds of \$131.0 million were reduced by \$35.0 million as the purchaser assumed the existing mortgage. The Trust, after selling expenses of \$1.0 million, recognized a gain on the sale of \$78.4 million during the year ended December 31, 2008. Liabilities of discontinued operations include \$3.5 million (December 31, 2008 - \$6.1 million) of costs to complete the expansion of the casino, as agreed with the purchaser.

The following table sets forth the results of operations associated with the above noted properties and businesses held for sale and long-lived assets, separately reported as discontinued operations for the current and prior quarter.

	Three Months Ended	
	<i>(in \$000's)</i>	
	March 31, 2009	March 31, 2008
Hospitality revenue		
Rooms	-	3,377
Food and beverage	-	1,399
Management	-	58
Other	-	1,307
	-	6,141
Hospitality expenses	69	5,218
Gross margin	(69)	923
Other expenses		
Depreciation and amortization	-	651
Interest and accretion on mortgages and capital leases	-	703
Property impairment provision	-	132
Future income taxes (recovery)	-	(928)
Capital and other taxes	-	1
	-	559
	(69)	364
Gain on sales	-	11,724
(Loss) income from discontinued operations	(69)	12,088

ROYAL HOST REAL ESTATE INVESTMENT TRUSTNotes to the Consolidated Financial Statements
(unaudited)**4. PROPERTY HELD FOR SALE, DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS (continued)**

Cash flows from discontinued operations, reported on the statement of cash flows, are reconciled to the earnings from discontinued operations as follows:

	Three Months Ended	
	<i>(in \$000's)</i>	
	March 31, 2009	March 31, 2008
Operating activities		
(Loss) income from discontinued operations	(69)	12,088
Items not affecting cash:		
Future income tax recovery	-	(928)
Depreciation and amortization	-	651
Gains on sales	-	(11,724)
Property impairment provision	-	132
Cash flows provided by discontinued operations	(69)	219
Changes in non-cash working capital		
Assets of discontinued operations	89	2,525
Liabilities of discontinued operations	(134)	3,549
	(45)	6,074
Financing activities		
Principal repayments on mortgages and capital leases	-	(247)
Investing activities		
Net acquisitions on expansion of property	(2,578)	-
Net cash on insurance recovery	807	-
Net cash on dispositions of capital assets	-	24,266
Acquisitions of capital assets	-	(158)
	(1,771)	24,108

5. CAPITAL ASSETS

March 31, 2009	<i>(in \$000's)</i>		
	Gross Book Value	Accumulated Amortization	Net Book Value
Buildings	255,799	69,618	186,181
Land	28,679	-	28,679
Furniture, fixtures and equipment	42,827	36,021	6,806
Other	1,004	197	807
	328,309	105,836	222,473
Capital assets under development	425	-	425
	328,734	105,836	222,898

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements
(unaudited)

5. CAPITAL ASSETS (continued)

December 31, 2008	<i>(in \$000's)</i>		
	Gross Book Value	Accumulated Amortization	Net Book Value
Buildings	255,553	67,580	187,973
Land	28,679	-	28,679
Furniture, fixtures and equipment	42,659	35,384	7,275
Other	1,003	187	816
	<u>327,894</u>	<u>103,151</u>	<u>224,743</u>
Capital assets under development	338	-	338
	<u>328,232</u>	<u>103,151</u>	<u>225,081</u>

During the three months ended March 31, 2009, capital additions to Royal Host's hotel properties totalled \$0.5 million (March 31, 2008 - \$2.2 million).

6. MORTGAGES

	<i>(in \$000's)</i>	
	March 31, 2009	December 31, 2008
Mortgages secured by hotel properties	82,858	83,636
Less: current portion	24,894	24,636
	<u>57,964</u>	<u>59,000</u>

Principal repayments required for the twelve months ending March 31:

	<i>(in \$000's)</i>
2010	24,768
2011	25,370
2012	13,026
2013	1,539
2014	12,075
Subsequent	6,602
Total principal outstanding	83,380
Debt issuance costs	(522)
	<u>82,858</u>

During the three months ended March 31, 2009, the Trust entered into a new \$20.0 million credit facility. This new facility is payable on demand and interest is calculated based on current market rates. The facility has a first fixed financial charge on three properties owned by the Trust.

7. CONVERTIBLE DEBENTURES

	<i>(in \$000's)</i>	
	March 31, 2009	December 31, 2008
7.90% Convertible Unsecured Subordinated Debentures, Series A	7,272	7,252
6.00% Convertible Unsecured Subordinated Debentures, Series B	45,222	45,154
6.25% Convertible Unsecured Subordinated Debentures, Series C	50,991	52,771
5.90% Convertible Unsecured Subordinated Debentures, Series D	54,487	54,590
	<u>157,972</u>	<u>159,767</u>
Less: current portion	7,272	7,252
	<u>150,700</u>	<u>152,515</u>

ROYAL HOST REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements

*(unaudited)***7. CONVERTIBLE DEBENTURES (continued)**

Principal repayments required for the twelve months ending March 31:

	<u>(in \$000's)</u>
2010	7,288
2011	-
2012	-
2013	-
2014	53,756
Subsequent	<u>104,282</u>
Total principal outstanding	165,326
Debt issuance costs	(5,028)
Equity conversion option	<u>(2,326)</u>
	<u><u>157,972</u></u>

As a result of the special distributions declared on December 10, 2008 and February 27, 2009, and pursuant to the trust indenture dated February 21, 2002, as supplemented by a supplemented indenture thereto dated April 20, 2004, the conversion prices of the Trust's convertible unsecured subordinated debentures were adjusted such that the conversion prices in effect from and after the close of business on December 29, 2008 for each trust unit to be issued upon the conversion of the convertible unsecured subordinated debentures shall be equal to \$3.63 per unit for the 7.90% convertible debentures, \$4.14 per unit for the 6.00% convertible debentures, \$4.23 per unit for the 6.25% convertible debentures, and \$5.38 per unit for the 5.90% convertible debentures.

(a) 7.90% Convertible Unsecured Subordinated Debentures, Series A

During the three months ended March 31, 2009, none of Royal Host's 7.90% convertible unsecured subordinated debentures were converted into trust units (March 31, 2008 - \$nil).

The \$7.3 million of the 7.90% convertible unsecured subordinated debentures were redeemed upon maturity on April 30, 2009.

(b) 6.00% Convertible Unsecured Subordinated Debentures, Series B

During the three months ended March 31, 2009, none of Royal Host's 6.00% convertible unsecured subordinated debentures were converted into trust units (March 31, 2008 - \$nil).

Subsequent to March 31, 2009, \$0.8 million of Royal Host's 6.00% convertible unsecured subordinated debentures were converted into 186,713 trust units.

(c) 6.25% Convertible Unsecured Subordinated Debentures, Series C

During the three months ended March 31, 2009, none of Royal Host's 6.25% convertible unsecured subordinated debentures were converted into trust units (March 31, 2008 - \$nil).

(d) 5.90% Convertible Unsecured Subordinated Debentures, Series D

During the three months ended March 31, 2009, none of Royal Host's 5.90% convertible unsecured subordinated debentures were converted into trust units (March 31, 2008 - \$nil).

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8. NORMAL COURSE ISSUER BIDS AND SUBSTANTIAL ISSUER BID

(a) Trust Units

Normal Course Issuer Bid

Commencing on January 12, 2009, Royal Host initiated a normal course issuer bid to repurchase a maximum of 1.5 million of its issued and outstanding trust units. During the three months ended March 31, 2009, Royal Host repurchased 1.2 million units with an aggregate cost of \$3.4 million (average cost of \$2.98 per unit) pursuant to this bid. Subsequent to March 31, 2009, Royal Host repurchased 9,300 trust units with an aggregate cost of \$0.02 million (average cost of \$2.45 per unit) pursuant to this bid.

Commencing on January 2, 2008, Royal Host initiated a normal course issuer bid to repurchase a maximum of 2.1 million of its issued and outstanding trust units. During the three months ended March 31, 2009, Royal Host repurchased 21,600 units with an aggregate cost of \$0.1 million (average cost of \$3.00 per unit) pursuant to this bid. During the three months ended March 31, 2008, Royal Host repurchased 0.6 million units with an aggregate cost of \$3.5 million (average cost of \$6.20 per unit) pursuant to this bid.

Substantial Issuer Bid

On February 20, 2008, Royal Host initiated a substantial issuer bid, pursuant to which Royal Host offered to purchase for cancellation up to 5.4 million of its issued and outstanding trust units at a price of \$6.50 per trust unit. The offer remained open for acceptance until March 27, 2008. Unitholders tendered 6.4 million trust units pursuant to the substantial issuer bid, of which Royal Host purchased the maximum of 5.4 million on a pro rata basis, or approximately 85% of the units that were tendered, with an aggregate cost of \$35.2 million. Payment for trust units tendered, and accepted for repurchase, was made on April 3, 2008. The 5.4 million trust units were cancelled on April 9, 2008.

(b) 7.90% Convertible Unsecured Subordinated Debentures, Series A

Commencing on November 28, 2007, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$0.8 million in principal of its issued and outstanding 7.90% convertible debentures. During the three months ended March 31, 2008, none of Royal Host's 7.9% convertible debentures were repurchased pursuant to this bid.

(c) 6.00% Convertible Unsecured Subordinated Debentures, Series B

Commencing on September 10 2008, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$5.5 million in principal of its issued and outstanding 6.00% convertible debentures. During the three months ended March 31, 2009, none of Royal Host's 6.00% convertible debentures were repurchased pursuant to this bid.

Commencing on March 30, 2007, Royal Host initiated a normal course issuer bid to repurchase up to \$5.9 million in principal of its issued and outstanding 6.00% convertible debentures. During the three months ended March 31, 2008, none of Royal Host's 6.00% convertible debentures were repurchased pursuant to this bid.

(d) 6.25% Convertible Unsecured Subordinated Debentures, Series C

Commencing on September 10 2008, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$5.9 million in principal of its issued and outstanding 6.25% convertible debentures. During the three months ended March 31, 2009, Royal Host repurchased \$2.0 million in principal of the 6.25% convertible debentures with an aggregate cost of \$1.4 million (average cost \$71.00) pursuant to this bid. Subsequent to March 31, 2009, Royal Host repurchased \$50,000 in principal of the 6.25% convertible unsecured subordinated debentures with an aggregate cost of \$30,935 (average cost of \$61.87) pursuant to this bid.

Commencing on March 30, 2007, Royal Host initiated a normal course issuer bid to repurchase up to \$6.0 million in principal of its issued and outstanding 6.25% convertible debentures. During the three months ended March 31, 2008, none of Royal Host's 6.25% convertible debentures were repurchased pursuant to this bid.

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8. NORMAL COURSE ISSUER BIDS AND SUBSTANTIAL ISSUER BID (continued)

(e) 5.90% Convertible Unsecured Subordinated Debentures, Series D

Commencing on September 10, 2008, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$6.0 million in principal of its issued and outstanding 5.90% convertible debentures. During the three months ended March 31, 2009, Royal Host repurchased \$0.2 million in principal of the 5.90% convertible debentures with an aggregate cost of \$0.1 million (average price of \$58.23) pursuant to this bid. Subsequent to March 31, 2009, Royal Host repurchased \$0.1 million in principal of the 5.90% convertible unsecured subordinated debentures with an aggregate cost of \$0.1 million (average cost of \$54.72) pursuant to this bid.

9. PER UNIT CALCULATIONS

As at March 31, 2009, a total of 19,542,947 trust units (December 31, 2008 - 20,739,003) were issued and outstanding.

For the three months ended March 31, 2009:

	(in \$000's)	Weighted Average Units (in 000's)	Per Unit (\$)
Basic earnings - continuing operations	(1,482)		(0.07)
Basic earnings - discontinued operations	(69)		0.00
Basic earnings - total operations	(1,551)	20,210	(0.07)
Diluted earnings - continuing operations	(1,482)		(0.07)
Diluted earnings - discontinued operations	(69)		0.00
Diluted earnings - total operations	(1,551)	20,210	(0.07)

For the three months ended March 31, 2008:

	(in \$000's)	Weighted Average Units (in 000's)	Per Unit (\$)
Basic earnings - continuing operations	-30		0.00
Basic earnings - discontinued operations	12,088		0.44
Basic earnings - total operations	12,058	27,055	0.44
Diluted earnings - continuing operations	(30)		0.00
Diluted earnings - discontinued operations	12,088		0.44
Diluted earnings - total operations	12,058	27,055	0.44

The diluted earnings per unit for the three months ended March 31, 2009 and March 31, 2008 include no trust units issuable on the conversion of any convertible unsecured subordinated debentures because all of the conversions are anti-dilutive.

10. CHANGES IN NON-CASH WORKING CAPITAL (CONTINUING OPERATIONS)

	Three Months Ended (in \$000's)	
	March 31, 2009	March 31, 2008
(Increase) decrease in:		
Accounts and notes receivable	(1,413)	(3,188)
Prepaid expenses	(450)	(75)
Inventories	87	(435)
	(1,776)	(3,698)
Increase (decrease) in:		
Accounts payable and accrued liabilities	328	(2,058)
Interest accrued on convertible debentures	822	955
Other liabilities	45	(70)
Deferred revenue	116	-
	1,311	(1,173)
	(465)	(4,871)

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11. FUTURE INCOME TAXES

The net future income tax liability is made up of the following:

	<i>(in \$000's)</i>	
	<u>March 31,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
Tax liabilities related to temporary differences on debt issuance costs	1,102	1,102
Tax liabilities relating to temporary differences on capital assets	6,760	7,039
Future income tax liability	7,862	8,141

On June 12, 2007, Bill C-52 *An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007* ("Bill C-52") received Third Reading in the Canadian House of Commons. Bill C-52 includes legislative provisions to implement proposals originally announced on October 31, 2006 and amended on March 27, 2007 relating to the taxation of certain income trust and partnerships under the Income Tax Act. Pursuant to the October 31, 2006 proposals, commencing on January 1, 2011 (provided Royal Host does not exceed "normal growth" as defined in guidelines issued by the Department of Finance) certain distributions from Royal Host which would have otherwise been taxed as ordinary income generally will be characterized as dividends, in addition to Royal Host generally being subject to tax on certain income at tax rates that approximate those applicable to corporations. Returns of capital generally are (and under the October 31, 2006 proposals will continue to be) tax-deferred for Unitholders who are resident in Canada for purposes of the Tax Act (and reduce such Unitholder's adjusted cost base in Unit for purposes of the Tax Act). Distributions, whether of income or capital, to a Unitholder who is not resident in Canada for purposes of the Tax Act, or that is a partnership that is not a "Canadian partnership" for purposes of the Tax Act, generally will be subject to Canadian withholding tax.

On June 12, 2007, the taxation changes in Bill C-52 became substantively enacted and received royal assent on January 27, 2009.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

	<i>Three Months Ended</i>	
	<i>(in \$000's)</i>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>2009</u>	<u>2008</u>
Accumulated other comprehensive loss, beginning of period	-	2,210
Other comprehensive loss	7,979	1,554
Accumulated other comprehensive loss, end of period	7,979	3,764

Other comprehensive loss above, and on the consolidated statements of net income and comprehensive loss, includes the following:

	<i>Three Months Ended</i>	
	<i>(in \$000's)</i>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>2009</u>	<u>2008</u>
Unrealized losses generated on available-for-sale assets	7,184	1,551
Realized losses on available-for-sale assets transferred to net income	795	3
Other comprehensive loss	7,979	1,554

13. RELATED PARTY TRANSACTIONS

At March 31, 2009, Clarke Inc. owned approximately 5.3 million (27%) of Royal Host's issued and outstanding trust units and, as such, is a related party (December 31, 2008 - 5.3 million). At March 31, 2009, Royal Host owns approximately \$1.7 million of Clarke Inc. 6.0% Convertible Debentures, which are included in the Trust's marketable securities (December 31, 2008 - \$2.1 million).

During the three months ended March 31, 2009, the Trust incurred professional and management fees of \$66,000 for services supplied by Clarke Inc. (March 31, 2008 - \$nil). As at March 31, 2009, \$54,000 was owing in respect of these fees (December 31, 2008 - \$17,000).

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13. RELATED PARTY TRANSACTIONS (continued)

During the three months ended March 31, 2009, the Trust incurred consulting fees for services provided by a Company controlled by a Trustee of Royal Host of \$75,000 (March 31, 2008 - \$nil). As at March 31, 2009, \$25,000 was owing in respect of these fees (December 31, 2008 - \$25,000).

14. MEASUREMENT UNCERTAINTY

Royal Host is involved in various legal claims associated with the normal course of operations. Where appropriate, Royal Host believes it has made adequate provisions for such legal claims.

On February 23, 2005, Royal Host completed the sale of its 50% interest in a hotel property located in Toronto, Ontario to a condominium developer. The net cost of winding up the business, to a maximum of \$2.0 million, is to be reimbursed by the purchaser to Royal Host in the form of a non-interest bearing vendor take-back mortgage.

In December 2007, the purchaser commenced an action against Royal Host for alleged breach of the agreement of purchase and sale. Royal Host is vigorously defending against the claim. Royal Host filed a Statement of Defence and Counterclaim seeking enforcement of the mortgage and payment of \$2.0 million. No amounts have been recorded with respect to this lawsuit.

There is measurement uncertainty as to the final resolution of amounts recorded with respect to the above transactions. Such adjustments could be material.

15. CAPITAL MANAGEMENT

Royal Host's capital consists of cash and cash equivalents, mortgages, convertible debentures and Unitholders' equity.

The following table provides a summary of certain information with respect to the Trust's capital structure and financial position:

	<i>(in \$000's)</i>	
	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Mortgages	82,858	83,636
Convertible debentures	157,972	159,767
Total debt	<u>240,830</u>	<u>243,403</u>
Cash and cash equivalents	<u>(2,179)</u>	<u>(6,440)</u>
Net debt	<u>238,651</u>	<u>236,963</u>
Unitholders' equity	<u>18,304</u>	<u>36,761</u>
Total capitalization (net debt plus unitholders' equity)	<u>256,955</u>	<u>273,724</u>

The Trust's primary objective for managing capital is to maximize long-term Unitholder value by:

- (i) providing sufficient capital to provide sustainable cash distributions to Unitholders and fund operations and capital expenditures;
 - (ii) maintain adequate financial flexibility to fund attractive investment opportunities that may arise;
 - (iii) maintain a strong financial position, and
 - (iv) maintain a low cost of debt.
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15. CAPITAL MANAGEMENT (continued)

The Trust's objectives and strategies in maintaining capital have remained unchanged from December 31, 2008.

The Trust relies on its cash flow from operations to fund distributions to Unitholders and capital expenditures. This cash flow is supplemented, when necessary, by the issuance of its securities. Royal Host sets distributions at a sustainable level as determined by the Trustees based on, among other considerations, annual performance, projected cash flows, capital requirements and working capital requirements.

The Trust monitors key short-term and long-term capital ratios including interest coverage (cash flow from operations to interest), net debt to cash flow from operations, and net debt to total capitalization.

The Trust is subject to certain capital growth restrictions referred to as "normal growth" equity rules. These rules limit the amount of Unitholders' capital that can be issued by the Trust, based on the Trust's market capitalization on October 31, 2006, to \$102.5 million in 2009 and \$50.0 million in 2010. If the maximum growth allowed is exceeded, the Trust may be subject to taxation prior to 2011. The Trust has not exceeded the maximum growth allowed.

The Trust's long-term debt obligations have certain covenants concerning debt service coverage, compliance with the Trust's Declaration of Trust, and replacement reserves. The covenants remain unchanged from December 31, 2008 and the Trust is in compliance with those covenants.

The Trust has complied with externally imposed capital restrictions.

The Declaration of Trust under which the Trust was formed provides that indebtedness (defined to exclude convertible debentures) is not permitted to exceed 45% of gross book value (defined as the book value of the Trust's assets plus accumulated amortization). As at March 31, 2009, the Trust's indebtedness excluding convertible debentures was 17.8% of gross book value (December 31, 2008 - 19.8%).

The Declaration of Trust under which the Trust was formed, provides that no more than 49% of the Units of the Trust can be held by non-Canadian residents. The potential impact of exceeding this maximum foreign ownership may be the loss of mutual fund trust status, which may adversely impact the valuation of the Units. At March 31, 2009, the Trust's estimate of foreign ownership was less than 2.0%.

16. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash and cash equivalents, marketable securities, accounts and notes receivable, accounts payable and accrued liabilities, equity distributions payable, interest accrued on convertible debentures, mortgages and convertible debentures and capital leases.

(a) Fair Values

The carrying value of cash and cash equivalents, marketable securities, accounts, notes and distributions receivable, restricted cash, accounts payable and accrued liabilities, equity distributions payable, interest accrued on convertible debentures, current portion of mortgages, current portion of convertible debentures and capital leases approximates their fair market value. The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair market value of marketable securities are based on the quoted market prices at the balance sheet date.

The fair value of non-current portion of mortgages and other debt and convertible equity instruments are as follows:

	March 31, 2009		December 31, 2008	
	<i>(in \$000's)</i>		<i>(in \$000's)</i>	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages	57,964	58,309	59,000	63,320
Convertible debentures	150,700	156,588	152,515	158,896
Capital leases	161	154	178	166

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16. FINANCIAL INSTRUMENTS (continued)

(a) Fair Values (continued)

Fair value estimates are made at a specific point in time based on relevant market information. These are estimates and involve uncertainties and matters of significant judgment and cannot be determined with precision. Changes in assumptions and estimates could significantly affect fair values.

(b) Credit Risk

As at March 31, 2009, the Trust held investments in the form of Banker's Acceptance Notes. The credit risk on cash and cash equivalents is limited because the counter-parties are banks with high credit-ratings.

As at March 31, 2009, the Trust had accounts receivable of \$7.2 million (December 31, 2008 - \$4.9 million), net of allowances for doubtful accounts, estimated by management based on prior collectability and assessment of overall credit risk. Management does not believe the Trust is subject to any significant concentrations of credit risk. Credit risk arising from trade receivables are minimized, as amounts due from any one debtor are not significant and routine credit assessments are carried out prior to credit being granted.

As at March 31, 2009, the accounts and notes receivable include \$0.7 million of accounts receivables over 30 days (December 31, 2008 - \$1.0 million). The average days outstanding for accounts receivable past due are 64 days (December 31, 2008 - 67 days).

(c) Interest Rate and Liquidity Risk

Interest rate risk is continually monitored and managed through limiting the amount of variable rate debt as well as the total amount of debt. As at March 31, 2009 Royal Host had \$0.1 million variable rate debt outstanding. (December 31, 2008 - \$nil).

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the Trust to refinance its debts as they mature. Royal Host manages its liquidity risk through its capital management program described in Note 21 of the consolidated financial statements.

As at March 31, 2009, the Trust's mortgages had a weighted average maturity of 1.8 years (December 31, 2008 - 3.17 years) and convertible debentures had a weighted average maturity of 5.2 years (December 31, 2008 - 5.4 years).

(d) Market Risk

Marketable securities include both available-for-sale and assets held for trading. The following table summarizes the carrying value of each category of marketable securities included under marketable securities on the balance sheet:

	<i>(in \$000's)</i>	
	<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Marketable securities available for sale	<u>40,542</u>	53,622
Marketable securities held for trading	<u>1,728</u>	2,728
	<u>42,270</u>	<u>56,350</u>

Royal Host has certain exposures to fluctuations in market prices of its financial instruments. Historical movements and volatilities in these market variables may significantly increase or decrease the value of the Trust's financial instruments. Based on the Trust's knowledge and experience of the financial markets, Royal Host believes the following movements are "reasonably possible" over a 12 month period. Fluctuations in market prices over the amounts presented below are possible. The information provided below is for presentation purposes only and does not represent an estimate of expected volatility in its financial instruments.

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16. FINANCIAL INSTRUMENTS (continued)

(d) Market Risk (continued)

Other price risk represents the risk of an increase or decrease in the trading price of marketable securities listed on the TSX. If these movements were to occur, the impact on the consolidated statement of comprehensive income would be as follows:

	Other Price Risk (in \$000's)		
	Carrying amount	(+10%) Income	(-10%) Income
Marketable securities			
Available for sale (other comprehensive income)	40,542	4,054	(4,054)
Held for trading (net income)	1,728	173	(173)
Total marketable securities	<u>42,270</u>	<u>4,227</u>	<u>(4,227)</u>

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2009, the \$6.4 million letter of credit was reduced to \$5.3 million from \$7.8 million, and the marketable securities pledged on the letter of credit were reduced to \$6.6 million from \$9.8 million.

On January 1, 2008, certain wholly-owned subsidiaries of Royal Host were amalgamated in connection with the reorganization of the Trust. One of Royal Host's lenders asserted that the amalgamation constituted an event of default under the loan agreement. The mortgage matures in November 2009 and is classified as current on the Trust's balance sheet. Subsequent to March 31, 2009, the lender entered into a restated loan agreement, curing the event of default. In addition, Royal Host is considering exercising its right to extend the mortgage by six months.

On April 30, 2009, the Trust repaid the \$7.3 million 7.9% convertible unsecured subordinated debentures, series A.

Subsequent to March 31, 2009, \$0.8 million of Royal Host's 6.00% convertible unsecured subordinated debentures, series B were converted into 186,713 trust units.

Subsequent to March 31, 2009, the Trust entered into a conditional purchase and sale agreement to sell the Fort Nelson land.

18. COMPARATIVE FIGURES

Comparatives figures for operations of properties and businesses that were disposed of prior to March 31, 2009, or held for sale at March 31, 2009, have been reclassified from continuing operations to discontinued operations on the consolidated statements of net loss and comprehensive loss and the consolidated statements of cash flows.
