Consolidated Interim Financial Statements of

CHARTER REAL ESTATE INVESTMENT TRUST

June 30, 2007

(unaudited)

CHARTER REAL ESTATE INVESTMENT TRUST
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June 30, 2007 (unaudited)

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(unaudited)

		As at June 30, 2007		As at December 31, 2006
ASSETS				
Cash	**$**	**3,218,548**	$	805,127
Restricted cash (Note 8)		**525,000**		-
Income producing properties (Note 4)		**28,725,488**		-
Deferred costs (Note 5)		**1,536,025**		-
Intangible assets (Note 6)		**9,161,889**		-
Accounts receivable		**103,648**		12,624
Other assets (Note 7)		**1,364,493**		35,243
	$	**44,635,091**	$	852,994
LIABILITIES				
Secured debt (Note 8)	**$**	**27,353,573**	$	-
Bridge financing (Notes 9 and 16)		**10,268,826**		-
Intangible liabilities (Note 6)		**117,322**		-
Accounts payable and other liabilities		**1,908,600**		83,858
		39,648,321		83,858
UNITHOLDERS' EQUITY				
Units (2006 - common shares) (Note 10)		**6,814,054**		902,869
Contributed surplus		**66,719**		30,030
Deficit		**(1,894,003)**		(163,763)
		4,986,770		769,136
	$	**44,635,091**	$	852,994

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

"John F. Driscoll"
…………………………………… Trustee

"Janet Graham"
…………………………………… Trustee

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Operations, Comprehensive Loss and Deficit
(unaudited)

	Three months ended June 30, **2007**	Three months ended June 30, 2006	Six months ended June 30, **2007**	Six months ended June 30, 2006
REVENUE				
Revenues from rental properties	**$ 1,142,657**	$ -	**$ 1,194,111**	$ -
Interest income	**10,781**	3,829	**20,533**	7,215
	1,153,438	3,829	**1,214,644**	7,215
EXPENSES				
Rental property operating costs	**320,655**	-	**347,209**	-
Interest expense	**746,140**	-	**765,397**	-
Incentive unit option compensation (Note 11)	**11,957**	-	**42,689**	-
General and administrative expenses	**293,211**	24,912	**503,058**	55,070
Depreciation and amortization (Note 13)	**522,650**	-	**532,464**	-
Corporate transaction costs (Note 14)	**404,232**	-	**754,067**	-
	2,298,845	24,912	**2,944,884**	55,070
LOSS BEFORE INCOME TAXES	**(1,145,407)**	(21,083)	**(1,730,240)**	(47,855)
PROVISION FOR INCOME TAXES	**-**	-	**-**	-
NET LOSS AND COMPREHENSIVE LOSS	**(1,145,407)**	(21,083)	**(1,730,240)**	(47,855)
DEFICIT, BEGINNING OF PERIOD	**(748,596)**	(52,134)	**(163,763)**	(25,362)
DEFICIT, END OF PERIOD	**$ (1,894,003)**	$ (73,217)	**$ (1,894,003)**	$ (73,217)
LOSS PER UNIT (Note 12)				
Basic	**$ (0.52)**	$ (0.060)	**$ (1.01)**	$ (0.140)
Diluted	**$ (0.52)**	$ (0.060)	**$ (1.01)**	$ (0.140)

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended June 30, **2007**	Three months ended June 30, 2006	Six months ended June 30, **2007**	Six months ended June 30, 2006
OPERATING ACTIVITIES				
Net loss	**$ (1,145,407)**	$ (21,083)	**$ (1,730,240)**	$ (47,855)
Adjusted for non-cash items:				
Depreciation and amortization	**522,650**	-	**532,464**	-
Amortization of below-market rate leases	**(2,889)**	-	**(5,387)**	-
Amortization of financing fees	**58,264**	-	**58,264**	-
Rent revenue recognized on a straight-line basis	**(26,393)**	-	**(26,393)**	-
Incentive unit option compensation	**11,957**	-	**42,689**	-
Net change in non-cash working capital				
Changes in other assets and liabilities	**(350,946)**	(21,836)	**237,168**	7,033
Net cash used in operating activities	**(932,764)**	(42,919)	**(891,435)**	(40,822)
FINANCING ACTIVITIES				
Proceeds from new mortgage financing (Note 8)	**-**	-	**27,525,000**	-
Proceeds from bridge financing (Note 9)	**-**	-	**10,500,000**	-
Debt issuance costs	**(146,338)**	-	**(410,859)**	-
Proceeds from issuance of units (Note 10)	**3,001,050**	-	**6,001,050**	-
Proceeds from exercise of unit options (Note 10)	**28,000**	-	**30,000**	-
Cost of issuance of units	**(98,805)**	(425)	**(117,295)**	(425)
Net cash provided by (used in) financing activities	**2,783,907**	(425)	**43,527,896**	(425)
INVESTING ACTIVITIES				
Rental properties acquired (Note 4)	**(23,385)**	-	**(39,771,635)**	-
Net change in working capital relating to investing activities	**(817,314)**	-	**73,595**	-
Net change in restricted cash (Note 8)	**-**	-	**(525,000)**	-
Net cash used in investing activities	**(840,699)**	-	**(40,223,040)**	-
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	**1,010,444**	(43,344)	**2,413,421**	(41,247)
CASH, BEGINNING OF PERIOD	**2,208,104**	414,620	**805,127**	412,523
CASH, END OF PERIOD	**$ 3,218,548**	$ 371,276	**$ 3,218,548**	$ 371,276

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Income taxes paid	**$ -**	$ -	**$ -**	$ -
Interest paid	**$ 425,373**	$ -	**$ 433,407**	$ -

The accompanying notes are an integral part of these consolidated financial statements

1. ORGANIZATION

On May 10, 2007, Charter Realty Holdings Ltd. (the "Company") completed its conversion to a trust structure under a Plan of Arrangement (the "Arrangement"). The Arrangement resulted in shareholders of the Company transferring their shares to Charter Real Estate Investment Trust ("Charter" or the "REIT"), in consideration for units of the REIT. Each 10 issued shares of the Company were transferred to the REIT in exchange for 1 unit of the REIT. The REIT was formed pursuant to a Declaration of Trust dated March 27, 2007, specifically for the purposes of the Arrangement. After the Arrangement, the Company is a wholly-owned subsidiary of the REIT.

The REIT is an unincorporated open-ended real estate investment trust.

The REIT trades under the symbol "CRH.UN".

The REIT has acquired the Company on a continuity of business basis, and therefore the REIT directly and indirectly owns all of the assets of the Company including the Rona properties and the Méga Centre. In addition, the comparative figures and note disclosures are presented as if the Company had converted to a trust structure on January 1, 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies that are used in the preparation of these financial statements.

(a) Revenue recognition

The REIT uses the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the terms of the respective leases. Accordingly, an accrued rent receivable/payable is recorded from the tenants for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenants.

Revenues from rental properties also include percentage rent, realty tax and operating cost recoveries, and other incidental income which are recognized on an accrual basis.

(b) Operating leases acquired in either an asset acquisition or a business combination

In accordance with Emerging Issues Committee Abstract No. 140 "Accounting for Operating Leases Acquired in either an Asset Acquisition or a Business Combination", the REIT allocates the purchase price for income producing properties as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Land

Land is recorded at its estimated fair value. Land is included in income producing properties.

b. Buildings

Buildings are recorded at depreciated replacement cost based on estimates of prevailing construction costs for buildings of a similar class and age. Buildings are included in income producing properties

c. Tenant improvements

Tenant improvements are recorded at depreciated replacement cost based on estimates of prevailing construction costs, taking into account the condition of tenants' premises. Tenant improvements are included in deferred costs.

d. Above and below market in-place leases

Values ascribed to above and below market in-place leases are determined based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents. Above and below market in-place leases are included in intangible assets or intangible liabilities, as applicable.

e. Lease origination costs

Lease origination costs are determined based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions. These costs include leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period. Lease origination costs are included in intangible assets.

f. Tenant relationship values

Tenant relationship values are determined based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew. Tenant relationship values are included in intangible assets.

(c) Income producing properties

Income producing properties include land and buildings and improvements, which are carried at cost less accumulated depreciation.

(d) Intangible assets and liabilities

Intangible assets and liabilities include lease origination costs, the value of above and below market in-place leases and the value of tenant relationships. Intangbile assets and liabilities are carried at cost less accumulated amortization.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Deferred costs

Deferred costs include tenant improvements related to rental property acquisitions, and tenant inducements and leasing fees incurred through leasing activities. Deferred costs are carried at cost less accumulated depreciation.

(f) Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may be impaired. If it is determined that the carrying value exceeds the total undiscounted future cash flows expected from the use and eventual disposal of the asset, the asset is written down to its fair value. Assets reviewed for impairment under this policy include income producing properties, deferred costs and intangible assets.

(g) Depreciation and amortization

Depreciation on buildings and improvements is provided using the straight-line method over their estimated useful lives of up to 40 years.

Tenant improvements, tenant inducements and leasing fees included in deferred costs are amortized on a straight-line basis over the terms of the associated leases.

Above and below market in-place leases are amortized to revenues over the remaining terms of the associated leases.

Lease origination costs are amortized over the remaining terms of the associated leases.

Tenant relationship values are amortized over the expected term of the relationship.

(h) Financing fees

Commitment fees and other fees incurred in connection with debt financing are netted in the balance sheet against the debt to which they relate. These costs are amortized into interest expense using the effective interest method over the term of the debt.

(i) Incentive stock options

The REIT has an incentive unit option plan. The REIT follows the fair value method of accounting for the expense associated with the plan, whereby an estimate of the fair value of the unit options granted is measured and recorded as an expense over the vesting period or at the date of grant if options vest immediately, with the related offset recorded as contributed surplus. The effect of actual forfeitures of previously granted options is recognized as they occur. Any consideration paid to the REIT with respect to the exercise of unit options is credited to units. For the purpose of accounting for incentive unit options trustees and officers of the REIT are considered employees and other parties are considered non-employees.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income taxes

The REIT is an unincorporated open-ended investment trust and is taxed as a "Mutual Fund Trust" for income tax purposes. Pursuant to the terms of the Declaration of Trust, the REIT intends to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

After the Arrangement, the Company is the REIT's wholly-owned incorporated subsidiary and subject to tax on its taxable income. Income taxes are accounted for using the liability method, whereby future income tax assets and liabilities are determined based on differences between the carrying amount of the balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

(k) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES

The REIT adopted the following new accounting policies, none of which had a material impact on the consolidated financial statements of the REIT. As well, there were no transitional adjustments required for the application of these standards.

(a) Comprehensive income – CICA Section 1530

Effective January 1, 2007, the REIT implemented CICA Handbook Section 1530, "Comprehensive Income". As a result of adopting this standard, a Statement of Comprehensive Income (Loss) has been included in the REIT's consolidated financial statements. Comprehensive income consists of net income (loss) and other comprehensive income (loss). Major components of other comprehensive income (loss) include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, net of the impact of related hedges, and changes in fair value of the effective portion of cash flow hedging instruments. For the three and six months ended June 30, 2007, comprehensive loss of the REIT is the same as its net loss.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) Financial instruments – recognition and measurement – CICA Section 3855

Effective January 1, 2007, the REIT implemented CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Under this new standard, all financial assets will be classified as one of the following: held-to-maturity; loans and receivables; held-for-trading; or available-for-sale. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition. The standard also requires any fees and amounts paid and transaction costs incurred in borrowing money to be netted against the debt to which it relates and amortized generally over the expected life of the debt using an effective interest rate method.

Upon adoption of this new standard, the REIT designated its cash and restricted cash as held-for-trading; accounts receivable as loans and receivable; and secured debt, bridge financing, accounts payable and other liabilities as other financial liabilities.

(c) Hedges – CICA Section 3865

Effective January 1, 2007, the REIT implemented CICA issued Section 3865, "Hedges". This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for each of the permitted hedging strategies: fair value hedges; cash flow hedges; and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recognized in net income. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in other comprehensive income, net of tax. The ineffective portion will be recognized in net income. The amounts recognized in accumulated other comprehensive income will be reclassified to net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, foreign exchange gains and losses on the hedging instruments will be recognized in other comprehensive income, net of tax. For the three and six months ended June 30, 2007, the REIT had no hedges in place.

4. INCOME PRODUCING PROPERTIES

		June 30, 2007		December 31, 2006
Land	$	8,147,705	$	-
Buildings and improvements		20,722,490		-
		28,870,195		-
Accumulated depreciation		(144,707)		-
	$	28,725,488	$	-

2007 acquisitions

a. Rona properties

On February 23, 2007, the REIT completed the acquisition of three free-standing, single-use retail facilities leased to Rona Ontario Inc. for an aggregate cash purchase price of $2,065,000 (before closing costs). The properties are located in Exeter, Seaforth and Zurich, Ontario and comprise approximately 34,000 square feet of leasable retail space and an additional 52,000 square feet of enclosed warehouse space.

b. Méga Centre

On March 30, 2007, the REIT completed the acquisition of the Méga Centre, a shopping centre located in St. Laurent, Quebec for $36,700,000 (before closing costs). The Méga Centre comprises approximately 277,000 square feet of rentable retail space and an additional 36,000 square feet of warehouse space. The warehouse space remains vacant. The Méga Centre acquisition was financed with a standard first mortgage loan and advances under two credit facilities (see Notes 8 and 9). The vendor has guaranteed 41/2 months of rent of a tenant that leases 6.5% of the retail area in the shopping centre.

4. INCOME PRODUCING PROPERTIES (continued)

The allocation of the total cost of the acquisitions and consideration given are as follows:

	Rona Properties	Mega Centre	Total
Land	$ 595,651	$ 7,552,054	$ 8,147,705
Building	1,179,841	19,542,649	20,722,490
Tenant improvements	-	1,580,492	1,580,492
Intangible assets			
Lease origination costs	299,302	7,495,977	7,795,279
Tenant relationships	206,853	1,503,047	1,709,900
Intangible liabilities			
Below market in-place leases	(122,709)	-	(122,709)
	2,158,938	37,674,219	39,833,157
Working capital acquired, net	(7,325)	(54,197)	(61,522)
Total purchase price including closing costs	$ 2,151,613	$ 37,620,022	$ 39,771,635
The acquisitions were funded as follows:			
Proceeds from first mortgage, net of reserve fund in restricted cash	$ -	$ 27,000,000	$ 27,000,000
Credit facilities	-	10,500,000	10,500,000
Cash	2,151,613	120,022	2,271,635
Net outlay for acquisitions	$ 2,151,613	$ 37,620,022	$ 39,771,635

5. DEFERRED COSTS

	June 30, 2007			December 31, 2006
	Gross Book Value	Accumulated Amortization	Net Book Value	Net Book Value
Tenant improvements recorded on acquisition of shopping centre	$ 1,580,492	$ 44,467	$ 1,536,025	$ -

6. INTANGIBLE ASSETS AND LIABILITIES

	June 30, 2007			December 31, 2006
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Intangible assets				
Lease origination costs	**$ 7,795,279**	**$ 301,446**	**$ 7,493,833**	$ -
Tenant relationships	**1,709,900**	**41,844**	**1,668,056**	-
	$ 9,505,179	**$ 343,290**	**$ 9,161,889**	$ -
Intangible liabilities				
Below market in-place leases	**$ 122,709**	**$ 5,387**	**$ 117,322**	$ -

7. OTHER ASSETS

	June 30, 2007	December 31, 2006
Costs incurred on equity offerings	**$ 577,892**	$ 20,000
Deposits and costs on properties under option	**381,204**	14,122
Prepaid expenses and other assets	**405,397**	1,121
	$ 1,364,493	$ 35,243

8. SECURED DEBT

Secured debt consists of the following:

	June 30, 2007		
	Interest Rate	**Term to Maturity**	**Total**
Fixed rate mortgage	**5.32%**	**10 years**	**$ 27,525,000**

8. SECURED DEBT (continued)

The principal repayments are as follows:

	Principal Instalment Payments	Balance Maturing	Total	Interest Rate on Debt Maturing
2007	$ -		$ -	
2008	-		-	
2009	**276,007**		**276,007**	
2010	**385,549**		**385,549**	
2011	**406,596**		**406,596**	
Thereafter	**2,528,228**	**23,928,620**	**26,456,848**	**5.32%**
	$ 3,596,380	**$ 23,928,620**	**$ 27,525,000**	

On the acquisition of the Méga Centre, a standard first mortgage loan was obtained from a Canadian chartered bank in the amount of $27,525,000, secured by the property. The loan is for a 10-year term and is interest only for the first two years. Thereafter, the loan will be amortized over a 30-year term. The loan bears interest at 5.32%. The terms of the first mortgage financing required the set up of a $525,000 reserve fund with the first mortgage lender to cover future capital expenditures on the property.

The secured debt has been reduced by commitment fees and other fees of $171,421 associated with the first mortgage financing.

9. BRIDGE FINANCING

KingSett Capital and C.A. Bancorp Inc. (the REIT’s majority unitholder) (see Note 16) have each provided the REIT with acquisition facilities, for total facilities available of $24,000,000. Of the $24,000,000 available, a total of $10,500,000 was drawn in order to finance the Méga Centre acquisition, with $6,000,000 being drawn under the KingSett Capital facility and $4,500,000 being drawn under the C.A. Bancorp Inc. facility. Both facilities can be used to fund future acquisitions subject to lender approval of the particular acquisition and other restrictions.

The KingSett Capital facility is a $10,000,000 facility, bears interest at an annual rate of 12% and has a 12-month term. Any principal drawn is repayable without penalty, subject to a minimum 4-month interest payment. The facility is secured by a second mortgage on the Méga Centre, a first mortgage on the Rona properties and a general security agreement with the REIT.

The C.A. Bancorp Inc. facility was initially a $10,000,000 facility and was increased by $4,000,000 in June 2007 for a total facility of $14,000,000. The facility bears interest at an annual rate of 12% and has a 2-year term. Any principal drawn is repayable without penalty. The facility is secured by a general security agreement with the REIT, which is subordinate to the security held by other lenders.

The bridge financing has been reduced by commitment fees and other fees of $289,438 associated with these facilities.

10. UNITHOLDERS' EQUITY

The REIT is authorized to issue an unlimited number of units and special voting units. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. Units are redeemable at any time on demand for a price per unit (the "Redemption Price") as determined by a market formula. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

Special voting units may only be issued in connection with or in relation to securities exchangeable, directly or indirectly, for units, in each case for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Each special voting unit will entitle the holder thereof to that number of votes at any meeting of unitholders that is equal to the number of units that may be obtained upon the exchange of the exchangeable security to which it is attached. No special voting units are currently issued and outstanding.

Provided that C.A. Bancorp Inc. and its affiliates beneficially owns at least 10% of the issued and outstanding units, the Trustees shall not issue or offer or agree to issue, any units to any person, unless they first make an offer to C.A. Bancorp Inc. to sell to them that number of units as would be required to ensure that C.A. Bancorp Inc. would maintain their pro rata ownership level.

The REIT's Trustees have discretion in declaring distributions, provided that the aggregate amount of distributions made in respect of a calendar year shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year. As of June 30, 2007, no distributions have been declared by the REIT's Trustees.

Issued:

Units	Number of Units *	Gross Proceeds	Issue Costs	Net Proceeds
Balance, December 31, 2005	3,500,000	$ 500,000	$ (91,341)	$ 408,659
May 4, 2006	-		(425)	(425)
Balance, June 30, 2006	3,500,000	$ 500,000	$ (91,766)	$ 408,234
Balance, December 31, 2006	6,000,000	$ 1,000,000	$ (97,131)	$ 902,869
February 23, 2007	15,000,000	3,000,000	(100,865)	2,899,135
March 22, 2007	-	400	-	400
March 22, 2007	10,000	2,000	-	2,000
April 27, 2007	140,000	28,000	-	28,000
April 27, 2007	-	5,600	-	5,600
Balance, May 10, 2007	21,150,000	4,036,000	(197,996)	3,838,004
May 10, 2007 - 10 for 1 consolidation	2,115,000	4,036,000	(197,996)	3,838,004
June 21, 2007	741,000	3,001,050	(25,000)	2,976,050
Balance, June 30, 2007	**2,856,000**	**$ 7,037,050**	**$ (222,996)**	**$ 6,814,054**

* Amounts to May 10, 2007, represent number of common shares of Charter Realty Holdings Ltd. prior to its conversion to a real estate investment trust as described below.

10. UNITHOLDERS' EQUITY (continued)

On February 23, 2007, the Company completed a private placement of 15,000,000 shares at $0.20 per share for gross proceeds of $3,000,000.

On March 22, 2007, 10,000 agent's options were exercised at $0.20 per share. The fair value of the options exercised of $400 previously booked to contributed surplus was released from contributed surplus and booked to units.

On April 27, 2007, the balance of the 140,000 agent's options were exercised at the exercise price of $0.20 per share. The fair value of the options exercised of $5,600 previously booked to contributed surplus was released from contributed surplus and booked to units.

On May 10, 2007, the Company completed its conversion to a trust structure under the Arrangement. The Arrangement resulted in shareholders of the Company transferring their shares to the REIT, in consideration for units of the REIT. Each 10 issued shares of the Company were transferred to the REIT in exchange for 1 unit of the REIT.

On June 21, 2007, the REIT completed a private placement of 741,000 units at $4.05 per unit for gross proceeds of $3,001,050.

11. INCENTIVE UNIT OPTIONS

On February 26, 2007, the Company granted, to certain of its Directors and Officers, an aggregate of 1,000,000 options to purchase shares at a price of $0.20 per share for a period of five years from the date of grant. The options vest in equal proportions on each of the following three dates: February 26, 2007, February 26, 2008 and February 26, 2009. The estimated fair value of these options on the date of grant was $64,180 and the amortization of this fair value for the six months ended June 30, 2007 was $32,382 and was charged to incentive unit option compensation on the consolidated statement of operations.

On February 28, 2007 the Company granted to certain of its Officers, an aggregate of 150,000 options to purchase shares at a price of $0.20 per share for a period of five years from the date of grant. The options vest in equal proportions on each of the following three dates: February 28, 2007, February 28, 2008 and February 28, 2009. The estimated fair value of these options on the date of grant was $9,599 and the amortization of this fair value was $4,817 for the six months ended June 30, 2007 and was charged to incentive unit option compensation on the consolidated statement of operations.

On May 10, 2007 as part of the Arrangement, REIT unit options were issued with similar terms to replace the stock options issued by the Company, except that each 10 stock options of the Company were exchanged for 1 unit option at 10 times the applicable exercise price.

The amortization of the fair value of previously granted options amounted to $5,490 for the six months ended June 30, 2007 and was charged to incentive unit option compensation on the consolidated statement of operations.

11. INCENTIVE UNIT OPTIONS (continued)

The fair value of the incentive unit options granted during the year was estimated on the date of grant using a Black-Scholes option pricing model. In determining the fair value of options, management is required to make assumptions that could have a material impact on the valuation. The following are the assumptions: dividend yield of 0%; expected volatility of 25% to 30%; risk-free interest rate of 4.0%; and expected life of five years.

A summary of the status of the unit options as of June 30, 2007 and change during the period is presented below:

Employees incentive unit options

	Number of Units	Exercise Price
Outstanding, as at December 31, 2005	215,000	
Outstanding, as at June 30, 2006	215,000	
Outstanding, as at December 31, 2006	**550,000**	
Granted February 26, 2007	**1,000,000**	**$ 0.20**
Granted February 28, 2007	**150,000**	**$ 0.20**
Ten-for-one stock consolidation - May 10, 2007	**(1,530,000)**	
Outstanding, as at June 30, 2007	**170,000**	

Non-employees incentive unit options

	Number of Units	Exercise Price
Outstanding, as at December 31, 2005	150,000	
Outstanding, as at June 30, 2006	150,000	
Outstanding, as at December 31, 2006	**150,000**	
Exercised March 22, 2007	**(10,000)**	**$ 0.20**
Exercised April 27, 2007	**(140,000)**	**$ 0.20**
Outstanding, as at June 30, 2007	**-**	

11. INCENTIVE UNIT OPTIONS (continued)

The following table summarizes the information about the unit options outstanding as of June 30, 2007.

Outstanding Number of Units	Expiry Date	Exercisable Number of Units	Exercise Price
21,500	September 15, 2010	21,500	$ 2.00
33,500	October 19, 2011	11,167	$ 2.40
100,000	February 26, 2012	33,333	$ 2.00
15,000	February 28, 2012	5,000	$ 2.00

12. PER UNIT CALCULATIONS

The weighted average numbers of units outstanding and loss per unit were as follows:

	Three Months Ended June 30, 2007		Six Months Ended June 30, 2007	
	Weighted Average Number of Units	**Loss per Unit**	**Weighted Average Number of Units**	**Loss per Unit**
Basic	**2,192,429**	**$(0.52)**	**1,707,298**	**$(1.01)**
Diluted*	**2,192,429**	**$(0.52)**	**1,707,298**	**$(1.01)**

	Three Months Ended June 30, 2006		Six Months Ended June 30, 2006	
	Weighted Average Number of Units	Loss per Unit	Weighted Average Number of Units	Loss per Unit
Basic	350,000	$(0.06)	350,000	$(0.14)
Diluted*	350,000	$(0.06)	350,000	$(0.14)

* The incentive unit options were excluded from the calculations of diluted loss per unit because they were anti-dilutive.

13. DEPRECIATION AND AMORTIZATION

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Buildings and improvements	$ 142,927	$ -	$ 144,707	$ -
Tenant improvements	44,467	-	44,467	-
Intangible assets				
Lease origination costs	295,809	-	301,446	-
Tenant relationships	39,447	-	41,844	-
	$ 522,650	$ -	$ 532,464	$ -

14. CORPORATE TRANSACTION COSTS

Corporate transaction costs reflect legal, audit, printing and other costs associated with the conversion to a real estate investment trust.

15. FINANCIAL INSTRUMENTS

(a) Fair value

The REIT's cash, restricted cash, accounts receivable and accounts payable and other liabilities are carried at cost which approximates fair value due to their short-term nature. The fair value of the REIT's other financial instruments are based on discounted future cash flows, using discount rates that reflect current market conditions for instruments of similar term and risk. The fair value of the REIT's secured debt is approximately $26.6 million at June 30, 2007. The fair value of the REIT's other financial instruments approximates their recorded values.

(b) Risk management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant.

16. RELATED PARTY TRANSACTIONS

(a) C.A. Bancorp facility

In connection with the C.A. Bancorp Inc. facility as described in Note 9, interest payable to C.A. Bancorp Inc. for the quarter ended June 30, 2007 amounted to $134,630 and for the six months ended June 30, 2007 amounted to $145,808. As well, in connection with that facility, total commitment fees of $70,000 were paid and payable to C.A. Bancorp Inc.

(b) Management agreement

On March 27, 2007, the REIT formalized management arrangements with C.A. Realty Management Inc. (the “Manager”), a wholly-owned subsidiary of C.A. Bancorp Inc. Pursuant to a management agreement, the Manager will provide the REIT with strategic, advisory, asset management and administrative services in exchange for an annual management fee equal to 0.30% of the “adjusted book value” of the REIT’s assets, paid quarterly in arrears, and an acquisition fee equal to 0.50% of the “property cost” of each property acquired by the REIT.

The initial term of the management agreement is five years. Upon expiry of the initial term, the management agreement will renew automatically for successive three year terms. The management agreement provides each party with termination rights, the exercise of which may, in certain situations, require the REIT to pay a termination fee equal to three times the annual management fee paid in respect of the last full calendar year prior to the date of termination.

The Manager has agreed to pay all expenses of the employees providing services under the management agreement and the Manager’s overhead incurred in connection with the performance of its duties under the management agreement, excluding any expenses related to securities compensation options granted by the REIT.

Under the terms of the management agreement, the REIT has paid an acquisition fee in the amount of $183,500 for the acquisition of the Méga Centre, and has incurred management fees of $66,806 for the six months ended June 30, 2007. The acquisition fee has been capitalized to the purchase of the property.

In connection with entering into the management agreement, the Manager and C.A. Bancorp Inc. (collectively referred to as the “Restricted Parties”) entered into a non-competition agreement with the REIT. Pursuant to the non-competition agreement, each of the Restricted Parties agreed that it will not, and will cause its affiliates not to, directly or indirectly, (i) create, manage or provide strategic, advisory and asset management services to another person who carries on the primary business of the acquisition, development and/or management of “retail properties” or “mixed-use retail properties” (the retail properties and mixed-use retail properties collectively are referred to as the “Restricted Real Estate Assets”); (ii) purchase any Restricted Real Estate Asset or develop any property that, on completion of development, will be a Restricted Real Estate Asset; or (iii) provide strategic, advisory and asset management services for any Restricted Real Estate Asset. Exceptions from the foregoing include the purchase of properties or the making of investments that have been first offered to the REIT and which the REIT notified the Restricted Party that it was not interested in pursuing such property.

16. RELATED PARTY TRANSACTIONS (continued)

The non-competition agreement remains in effect until the earlier of (i) one year after the termination of the management agreement; and (ii) the date of termination of the management agreement by Charter or the Manager under specific situations.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. INCOME TAXES

On June 22, 2007, Bill C-52, *The Budget Implementation Act 2007* (“Bill C-52”), received Royal Assent for the federal income taxation of certain publicly listed or traded trusts, other than real estate investment trusts (the “SIFT legislation”). Publicly traded trusts formed after October 31, 2006, must comply with the SIFT legislation for the 2007 taxation year.

As currently structured, management believes that the REIT qualifies as a real estate investment trust under the SIFT legislation and therefore will not be subject to tax under the legislation. Should it be found that the REIT fails to qualify as a real estate investment trust or undertakes subsequent activities that cause it to fail to qualify, the SIFT legislation would allow the failure to be remedied within the taxation year so that the REIT will not be subject to tax in the following taxation year.

18. SUBSEQUENT EVENTS

(a) On June 29, 2007, the REIT announced that it had agreed to acquire the Cornwall Square Shopping Centre, for an aggregate purchase price of $41.7 million (before closing costs). Cornwall Square is a two-level enclosed shopping centre located in Cornwall, Ontario and comprises 250,503 square feet of commercial retail space and 1,470 square feet of rentable storage space and administration offices. The acquisition is expected to close on August 9, 2007. Deposits in the amount of $2.25 million have already been put down for the purchase of the property. The balance of the purchase price (subject to customary closing adjustments), is expected to be financed with cash from the equity offering, expected to also be completed on August 9, 2007.

(b) Concurrent with the closing of the Cornwall Square acquisition, the REIT will obtain a $32.3 million revolving operating and acquisition facility (the “Facility”) from a Canadian chartered bank for a term of 364 days. The facility will be secured by Cornwall Square Shopping Centre. Pursuant to the terms of the facility, the REIT will not be permitted to draw down more than the $32.3 million and from time to time, the amount permitted to be drawn under the facility may be adjusted based on certain financial tests.

Amounts drawn down under the facility will bear interest at a rate equal to the Bank’s prime rate plus 0.75% per annum and Banker’s Acceptances will bear interest at a rate equal to the Bank’s Acceptance stamping fee plus 1.75% per annum. The facility contains financial covenants with respect to maintaining agreed upon debt-to-gross book value ratios and other tests customary for this type of facility.

18. SUBSEQUENT EVENTS (continued)

(c) On July 3, 2007, the REIT filed a preliminary prospectus in each of the provinces and territories of Canada in connection with a marketed offering of trust units to raise proceeds of between $55 million and $60 million. The offering price was initially $4.50 per unit.

The final prospectus was filed on August 3, 2007 for a public offering of 13,375,000 units at a price of $3.45 per unit for gross proceeds of $46,143,750. The offering is expected to close on August 9, 2007. The underwriters have been granted an over-allotment option to acquire up to an additional 2,006,250 units at a price of $3.45 per unit for a period of 30 days from closing. In connection with the offering, the underwriters will receive a fee of $1,868,625 (assuming no exercise of the over-allotment option). The REIT intends to commence monthly cash distributions to unitholders following completion of the offering with the first cash distribution for the month of August 2007 in an amount of $0.02587 per unit expected to be paid on or about September 17, 2007 to unitholders of record on August 31, 2007, representing an annualized distribution of $0.3104 per unit. Distributions will be paid on or about the 15th day following the end of each monthly distribution period.

The proceeds of the offering are intended to be used to acquire Cornwall Square, to reduce outstanding indebtedness on the REIT's bridge financing (following to a 30-day notice period) and for general working capital purposes. The REIT will use any proceeds from the exercise of the over-allotment option to further reduce outstanding indebtedness under the bridge financing, to acquire additional properties that meet its acquisition criteria and/or for general working capital purposes.

C.A. Bancorp Inc. has subscribed for 4,347,826 units under the offering pursuant to their pre-emptive right.