Consolidated Financial Statements of

CHARTER REAL ESTATE INVESTMENT TRUST

December 31, 2008

Deloitte.

Auditors' Report

To the Trustees of Charter Real Estate Investment Trust

We have audited the consolidated balance sheets of Charter Real Estate Investment Trust (the "REIT") as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the REIT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 19, 2009

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For the years ended December 31, 2008 and 2007

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets

	As at December 31, 2008	As at December 31, 2007
ASSETS		
Cash	$ **1,404,271**	$ 1,423,523
Restricted cash (Notes 4 and 10 (a))	**422,830**	481,475
Accounts receivable (Note 5)	**847,632**	223,927
Income producing properties (Note 6)	**122,556,262**	85,718,514
Intangible assets (Note 7)	**11,952,241**	9,935,606
Deferred costs (Note 8)	**627,274**	759,250
Other assets (Note 9)	**448,047**	1,034,138
	$ **138,258,557**	$ 99,576,433
LIABILITIES		
Secured debt (Note 10)	$ **72,645,108**	$ 36,316,387
Credit facilities (Notes 11 and 19)	**19,700,000**	11,500,000
Accounts payable and other liabilities	**1,659,379**	2,424,214
Intangible liabilities (Note 7)	**352,814**	438,016
	94,357,301	50,678,617
UNITHOLDERS' EQUITY	**43,901,256**	48,897,816
	$ **138,258,557**	$ 99,576,433

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 and Comprehensive Loss

	Years ended December 31, 2008	2007
REVENUE		
Revenues from income producing properties	**$ 15,822,563**	$ 6,218,855
Interest income	**64,515**	57,365
	15,887,078	6,276,220
EXPENSES		
Operating costs from income producing properties	**6,117,353**	2,390,330
Interest expense on long-term secured debt and credit facilities	**2,999,006**	1,371,337
Interest expense on short-term secured debt and credit facilities	**1,039,263**	522,291
General and administrative expenses	**1,246,958**	1,088,565
Depreciation and amortization of income producing properties	**3,192,250**	1,299,638
Amortization of deferred costs	**584,481**	345,582
Amortization of intangible assets	**1,842,747**	820,886
Incentive unit option compensation	**166,447**	251,402
Corporate transaction costs and other (Note 15)	**-**	1,228,274
	17,188,505	9,318,305
NET LOSS AND COMPREHENSIVE LOSS	**$ (1,301,427)**	$ (3,042,085)
LOSS PER UNIT (Note 14)		
Basic	**$ (0.07)**	$ (0.38)
Diluted	**$ (0.07)**	$ (0.38)

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

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity

	Years ended December 31, 2008	2007
Trust Units (Note 12)		
BALANCE, BEGINNING OF YEAR	**$ 54,069,575**	$ 902,869
Issuance of units, net of costs	**(15,321)**	53,130,706
Issuance of units under distribution reinvestment plan, net of costs	**1,020,614**	-
Units cancelled under normal course issuer bid, net of costs	**(530,767)**	-
Proceeds from exercise of options	**-**	30,000
Value associated with exercise of options	**-**	6,000
BALANCE, END OF YEAR	**54,544,101**	54,069,575
Contributed Surplus		
BALANCE, BEGINNING OF YEAR	**275,432**	30,030
Incentive unit option compensation	**166,447**	251,402
Value associated with units cancelled under normal course issuer bid	**327,169**	-
Value associated with exercise of options	**-**	(6,000)
BALANCE, END OF YEAR	**769,048**	275,432
Deficit and Accumulated Other Comprehensive Loss		
BALANCE, BEGINNING OF YEAR	**(5,447,191)**	(163,763)
Net loss	**(1,301,427)**	(3,042,085)
Distributions to unitholders	**(4,663,275)**	(2,241,343)
BALANCE, END OF YEAR	**(11,411,893)**	(5,447,191)
TOTAL UNITHOLDERS' EQUITY	**$ 43,901,256**	$ 48,897,816
Units issued and outstanding (Note 12)	**18,023,485**	17,601,912

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

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows

	Years ended December 31, 2008	2007
OPERATING ACTIVITIES		
Net loss	**$ (1,301,427)**	$ (3,042,085)
Adjusted for non-cash items:		
Depreciation and amortization	**5,619,478**	2,466,106
Amortization of below-market rate leases	**(96,079)**	(27,578)
Non cash portion of interest expense	**54,968**	11,832
Incentive unit option compensation	**166,447**	251,402
Leasing costs	**(81,852)**	(1,013)
Deferred recoverable expenditures	**(173,097)**	(149,558)
Net change in non-cash working capital	**(64,623)**	12,855
Net cash provided by (used in) operating activities	**4,123,815**	(478,039)
FINANCING ACTIVITIES		
Proceeds net of financing costs from new secured debt	**28,573,587**	36,317,912
Principal repayments on secured debt	**(412,415)**	-
Drawdowns on credit facilities (Note 11)	**10,000,000**	26,000,000
Repayments of credit facilities (Note 11)	**(1,800,000)**	(14,500,000)
Standby fees on credit facilities	**(133,285)**	(639,583)
Cancellation of units under normal course issuer bid	**(197,126)**	-
Proceeds from issuance of units (Note 12)	**-**	56,874,446
Proceeds from exercise of unit options (Note 12)	**-**	30,000
Cost of issuance and cancellation of units	**(71,008)**	(3,709,894)
Distributions to unitholders	**(3,842,402)**	(1,785,981)
Net cash provided by financing activities	**32,117,351**	98,586,900
INVESTING ACTIVITIES		
Income producing properties acquired (Note 6)	**(35,245,798)**	(96,918,339)
Additions to building and building improvements	**(834,730)**	(50,586)
Additions to tenant improvements	**(238,535)**	(40,065)
Net change in restricted cash (Notes 4 and 10 (a))	**58,645**	(481,475)
Net cash used in investing activities	**(36,260,418)**	(97,490,465)
NET (DECREASE) INCREASE IN CASH DURING THE YEAR	**(19,252)**	618,396
CASH, BEGINNING OF YEAR	**1,423,523**	805,127
CASH, END OF YEAR	**$ 1,404,271**	$ 1,423,523

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	2008	2007
Income taxes paid	**$ -**	$ -
Interest paid	**$ 3,935,654**	$ 1,630,928

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

1. ORGANIZATION

Charter Real Estate Investment Trust ("Charter" or the "REIT") is an unincorporated open-ended real estate investment trust and was formed pursuant to a Declaration of Trust dated March 27, 2007.

On May 10, 2007, under a Plan of Arrangement (the "Arrangement"), Charter Realty Holdings Ltd. (the "Company") completed its conversion to a trust structure. The Arrangement resulted in the 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. Pursuant to the Arrangement, the Company is a wholly-owned subsidiary of the REIT.

The conversion of the Company to the REIT was accounted for on a continuity of interest basis. Accordingly, the comparative figures and note disclosures are presented as if the Company had converted to a trust structure from the inception of the Company's formation.

The consolidated financial statements reflect the accounts of the REIT and the Company.

The units of the REIT trade under the symbol "CRH.UN".

The REIT's major unitholder is C.A. Bancorp Inc., which currently owns 33% of the outstanding units of the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES

These 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Purchase price allocation

The REIT allocates the purchase price for acquired income producing properties as follows:

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 income producing properties.

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, buildings, building improvements and tenant improvements acquired in an income producing property acquisition, which are carried at cost less accumulated depreciation and amortization.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Intangible assets and liabilities

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

(e) Deferred costs

Deferred costs include tenant improvements not acquired in income producing property acquisitions, tenant inducements and leasing costs incurred through leasing activities, expenditures incurred on income producing properties that are recoverable from tenants and financing costs incurred in connection with credit facilities.

Deferred costs are carried at cost less accumulated amortization.

(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, intangible assets and certain deferred costs.

(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 acquired in an income producing property acquisition and tenant improvements included in deferred costs are amortized on a straight-line basis over the useful life of the associated asset, which generally approximates the terms of the associated leases.

Leasing costs included in deferred costs are amortized on a straight-line basis over the terms of the associated leases.

Tenant inducements included in deferred costs are amortized on a straight-line basis to revenues over the terms of the associated leases.

Recoverable expenditures are amortized on a straight-line basis over terms appropriate to the expenditure.

Above and below market in-place leases are amortized to revenues on a straight-line basis 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financing fees incurred in connection with credit facilities are amortized on a straight-line basis over the term of the related debt.

(h) Financing fees

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

Standby fees and certain other costs related to credit facilities are classified as deferred costs and are amortized on a straight-line basis over the term of the related credit facility and the amortization is included in amortization of deferred costs.

(i) Incentive unit 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 and consultants that provide employee-related services to the REIT are considered employees and other parties are considered non-employees.

(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 makes distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

The Company is the REIT’s wholly-owned incorporated subsidiary and is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments – recognition and measurement

All financial assets are 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, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. In accordance with Canadian generally accepted accounting principles, the REIT may designate any financial instrument as held-for-trading upon initial recognition.

The REIT designates its cash and restricted cash as held-for-trading; accounts receivable as loans and receivables; and secured debt, credit facilities and accounts payable and other liabilities as other financial liabilities.

(l) 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. Significant estimates are required in the allocation of the purchase price of income producing properties acquired, determining future cash flows when assessing assets for impairment, determining the useful lives of assets for amortization purposes, determining the fair value of options granted and determining fair values of financial instruments.

(m) Future accounting changes

Effective January 1, 2009 the REIT will adopt Section 3064, Goodwill and Intangible Assets which replaces the existing Section 3062, Goodwill and Intangible Assets and Section 3450, Research and Development Costs, respectively. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset.

The impact of this change on the REIT's financial statements is that certain expenditures incurred on income producing properties that are recoverable from tenants and that have been capitalized as deferred costs will no longer meet the definition of an asset and will need to be derecognized. Deferred recoverable expenditures which represent betterments or replacement of capital items will be reclassified as building improvements and included in income producing properties. These adjustments will be adopted on a retrospective basis and reflected on January 1, 2009 with the restatement of certain financial statement comparative amounts.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

At December 31, 2008, the net book value of deferred recoverable expenditures included in deferred costs which no longer meet the definition of an asset, amounts to $115,168, of which $106,698 will be restated as operating costs for the year ended December 31, 2008 and the balance will be restated to opening deficit on January 1, 2008.

At December 31, 2008, the net book value of deferred recoverable expenditures included in deferred costs which represent betterments and will be reclassified as building improvements and included in income producing properties amount to $110,443.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the REIT adopted three new accounting presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”). The REIT applied the new accounting standards at the beginning of its 2008 fiscal year and their implementation did not have an impact on the REIT’s results of operations or financial position.

(a) Capital disclosures – CICA Section 1535

Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The REIT has included these disclosures in Note 17.

(b) Financial instruments – disclosures and presentation – CICA Sections 3862 and 3863

Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. These new standards revise and enhance disclosure requirements, and carry forward unchanged existing presentation requirements with respect to financial instruments. These new standards require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Additional disclosures have been included in Notes 5, 10 and 18 to comply with these standards.

4. RESTRICTED CASH

The restricted cash balance relates to a deposit with the first mortgage lender on the REIT’s Méga Centre property to cover capital expenditures on that property. The terms of the first mortgage financing required this deposit and as amounts are spent by the REIT for the related projects, the restricted cash is released and reimbursed back to the REIT, subject to lender approval (see Note 10 (a)).

5. ACCOUNTS RECEIVABLE

	December 31, 2008	December 31, 2007
Tenant receivables	**$ 324,235**	$ 221,086
Revenues from income producing properties recognized on a straight-line basis, receivable	**327,791**	88,057
Corporate and other amounts receivable	**284,847**	3,500
	936,873	312,643
Allowance for doubtful accounts	**(89,241)**	(88,716)
	$ 847,632	$ 223,927

The REIT records an allowance for doubtful accounts on tenant rent receivables and straight-line rent receivables on a tenant-by–tenant basis and on an individual basis for corporate and other amounts receivable, using specific, known facts and circumstances that exist at the time of the analysis. Accounts are written off only when collection efforts have been exhausted.

6. INCOME PRODUCING PROPERTIES

	December 31, 2008		
	Gross Book Value	**Accumulated Depreciation/ Amortization**	**Net Book Value**
Land	**$ 22,988,880**	**$ -**	**$ 22,988,880**
Buildings	**95,332,538**	**2,950,513**	**92,382,025**
Building improvements	**885,316**	**38,409**	**846,907**
Tenant imprvoements acquired in an income producing property acquisition	**7,841,416**	**1,502,966**	**6,338,450**
	$ 127,048,150	**$ 4,491,888**	**$ 122,556,262**

	December 31, 2007		
	Gross Book Value	Accumulated Depreciation/ Amortization	Net Book Value
Land	$ 12,987,047	$ -	$ 12,987,047
Buildings	68,949,993	823,958	68,126,035
Building improvements	72,586	1,721	70,865
Tenant imprvoements acquired in an income producing property acquisition	5,008,526	473,959	4,534,567
	$ 87,018,152	$ 1,299,638	$ 85,718,514

6. INCOME PRODUCING PROPERTIES (continued)

2008 acquisitions

(a) Canadian Tire properties

On September 5, 2008, the REIT acquired a portfolio of three properties leased on a triple-net basis for a 15-year term to Canadian Tire (the vendor). The properties are located in Brockville, Strathroy and Wasaga Beach, Ontario (the "Canadian Tire Properties") and were acquired for an aggregate purchase price of $27,250,000 (before closing costs) (the "Canadian Tire Acquisition"). The Canadian Tire Acquisition was financed with a $19,050,000 first mortgage loan secured and cross-collateralized by the Canadian Tire Properties. In addition to the first mortgage loan, the REIT obtained corporate level financing in the amount of $10,000,000, comprised of two facilities. (See Notes 10 (a) and (b)).

(b) Place Val Est

On January 31, 2008, the REIT completed the acquisition of Place Val Est located in Sudbury, Ontario, for an aggregate purchase price of $14,720,000 (before closing costs). The REIT funded the acquisition by assuming an $8,099,224 existing first mortgage loan secured by the property and the remainder of the acquisition was funded by the REIT borrowing on its acquisition facility (see Notes 10 and 11 (a)). One of the centre's tenants, SAAN Stores Ltd. (which occupied approximately 23,000 square feet), which had entered into *Companies' Creditors Arrangement Act* ("CCAA") protection just prior to the REIT acquiring the centre, officially gave the REIT notice of termination of its lease during the third quarter of 2008. In connection with the Place Val Est acquisition, the REIT had received a rental guarantee from the vendor if the lease was altered or terminated through the CCAA proceedings. As such, the REIT continues to receive rent on this space through the rental guarantee. The rental guarantee expires on July 31, 2009.

6. INCOME PRODUCING PROPERTIES (continued)

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.

(b) Méga Centre

On March 30, 2007, the REIT completed the acquisition of the Méga Centre, a shopping centre located in St. Laurent (Montreal), Quebec for $36,700,000 (before closing costs). The Méga Centre acquisition was financed with a $27,525,000 first mortgage loan secured by the property and the remainder through advances under two credit facilities that were subsequently repaid in 2007 (see Note11 (b)).

(c) Cornwall Square shopping centre

On August 9, 2007, the REIT completed the acquisition of Cornwall Square shopping centre, for an aggregate purchase price of $41,700,000 (before closing costs). Cornwall Square is a two-level enclosed shopping centre located in Cornwall, Ontario. The Cornwall Square acquisition was financed with the proceeds of a public offering completed on August 9, 2007.

(d) Châteauguay property

On November 30, 2007, the REIT completed the acquisition of a shopping centre located in Châteauguay (Montreal), Quebec for $14,200,000 (before closing costs). The acquisition was financed with a first mortgage loan in the amount of $9,000,000 secured by the property and the remainder of the acquisition was financed through the acquisition facility (see Notes 10 and 11(a)).

6. INCOME PRODUCING PROPERTIES (continued)

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

	Years Ended December 31, 2008	2007
Land	**$ 10,001,833**	$ 12,987,047
Building	**26,382,545**	68,949,993
Tenant improvements	**2,832,890**	5,008,526
Intangible assets		
Lease origination costs	**1,456,244**	6,152,524
Tenant relationships	**2,403,138**	4,603,968
Intangible liabilities		
Below market in-place leases	**(10,877)**	(465,594)
	43,065,773	97,236,464
Working capital acquired, net	**279,249**	20,709
Total purchase price including closing costs	**43,345,022**	97,257,173
Assumption of first mortgage on acquisition	**8,099,224**	-
Purchase price net of liablities assumed	**$ 35,245,798**	$ 97,257,173

	2008	2007
The acquisitions were funded as follows:		
Proceeds from secured debt,		
net of reserve fund in restricted cash	**$ 27,971,436**	$ 36,000,000
Credit facilities	**7,274,362**	15,500,000
Cash	**-**	45,418,339
	35,245,798	96,918,339
Change in closing costs included in accounts payable	**-**	338,834
Total cash paid for acquisitions	**$ 35,245,798**	$ 97,257,173

7. INTANGIBLE ASSETS AND LIABILITIES

	December 31, 2008		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**
Intangible assets			
Lease origination costs	**$ 7,608,768**	**$ 1,898,693**	**$ 5,710,075**
Tenant relationships	**7,007,106**	**764,940**	**6,242,166**
	$ 14,615,874	**$ 2,663,633**	**$ 11,952,241**
Intangible liabilities			
Below market in-place leases	**$ 476,471**	**$ 123,657**	**$ 352,814**

	December 31, 2007		
	Gross Book Value	Accumulated Amortization	Net Book Value
Intangible assets			
Lease origination costs	$ 6,152,524	$ 597,438	$ 5,555,086
Tenant relationships	4,603,968	223,448	4,380,520
	$ 10,756,492	$ 820,886	$ 9,935,606
Intangible liabilities			
Below market in-place leases	$ 465,594	$ 27,578	$ 438,016

8. DEFERRED COSTS

	December 31, 2008		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**
Leasing costs	**$ 82,865**	**$ 12,929**	**$ 69,936**
Tenant improvements	**278,600**	**37,671**	**240,929**
Deferred recoverable expenditures	**423,003**	**197,392**	**225,611**
Deferred financing costs	**772,869**	**682,071**	**90,798**
	$ 1,557,337	**$ 930,063**	**$ 627,274**

8. DEFERRED COSTS (continued)

	December 31, 2007		
	Gross Book Value	Accumulated Amortization	Net Book Value
Leasing costs	$ 47,540	$ 1,466	$ 46,074
Tenant improvements	247,295	6,507	240,788
Deferred recoverable expenditures	170,414	11,415	158,999
Deferred financing costs	639,583	326,194	313,389
	$ 1,104,832	$ 345,582	$ 759,250

9. OTHER ASSETS

	December 31, 2008	December 31, 2007
Prepaid expenses and other assets	**$ 448,047**	$ 114,872
Deposits and costs on properties under option	**-**	919,266
	$ 448,047	$ 1,034,138

10. SECURED DEBT

Secured debt consists of secured mortgages payable and corporate secured debt.

Scheduled repayments of secured debt are as follows:

	Principal instalment payments	**Balance maturing**	**Total**
2009	**1,008,719**	**-**	**$ 1,008,719**
2010	**1,298,790**	**-**	**1,298,790**
2011	**1,697,518**	**-**	**1,697,518**
2012	**1,805,741**	**8,014,133**	**9,819,874**
Thereafter	**3,723,324**	**55,713,584**	**59,436,908**
Contractual obligations	**9,534,092**	**63,727,717**	**73,261,809**
Unamortized debt financing costs			**(616,701)**
			$ 72,645,108

10. SECURED DEBT (continued)

Total commitment and other fees of $683,501 (2007 - $220,445) were incurred on the secured debt. At December 31, 2008, the unamortized balance of these fees is $616,701 (December 31, 2007 - $208,613).

Interest expense on the secured debt is considered an operating item in the statement of cash flows.

(a) Mortgages payable

At December 31, 2008 mortgages payable are secured by the income producing properties to which they relate and some of the mortgages also have recourse to the REIT. The mortgages bear interest at effective rates ranging between 5.154% and 5.77% (December 31, 2007 – 5.36% and 5.48%) per annum and contractual rates ranging between 5.166% and 5.65% (December 31, 2007 – 5.32% and 5.39%) per annum with a weighted average effective interest rate of 5.46% (December 31, 2007 – 5.39%) per annum and a contractual rate of 5.41% (December 31, 2007 - 5.34%) per annum, and mature at various dates between 2012 and 2017.

On the acquisition of Place Val Est, the REIT assumed a first mortgage loan in the amount of $8,099,224 secured by the property. The loan matures in 2015 and bears interest at a rate of 5.166% per annum. The amortization period for the loan from the date of acquisition (January 31, 2008) is 273 months or 22.75 years.

On the acquisition of the Canadian Tire Properties, the REIT obtained a first mortgage loan in the amount of $19,050,000, secured and cross-collateralized by the Canadian Tire Properties. The loan is for a 5-year term and amortizes over a 25-year period. The loan bears interest at 5.65% per annum.

During 2007 the following mortgages were obtained:

On the acquisition of Méga Centre a first mortgage loan was obtained 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 period. The loan bears interest at 5.32%. The terms of the financing required that $525,000 be deposited with the lender to cover future capital expenditures on the property. During the year ended December 31, 2008, $72,539 (2007 - $55,995) was released and reimbursed back to the REIT as a result of the REIT completing some of the required capital expenditures and interest income of $13,894 has been earned on the funds (2007 - $12,470).

On the acquisition of the Châteauguay property, a first mortgage loan was obtained in the amount of $9,000,000 secured by the property. The loan is for a 5-year term and will be amortized over a 25-year period. The loan bears interest at 5.39%.

10. SECURED DEBT (continued)

(b) Corporate secured debt

Concurrent with the closing of the Canadian Tire Acquisition, the REIT obtained corporate financing in the total amount of $10,000,000, made up of two facilities (the "Facilities"). The Facilities were primarily used to finance the balance of the Canadian Tire Acquisition, as well as for working capital purposes.

The first facility is an $8,600,000 five-year facility that bears interest at 8.75% per annum (effective interest rate of 9.69%) on an interest-only basis. The facility can be prepaid without penalty at any time and is secured by (a) a first charge on the REIT's three Rona properties located in Exeter, Seaforth and Zurich, Ontario; (b) second charges on the Méga Centre property, the Châteauguay property and the Canadian Tire Properties; and (c) a general security agreement relating to the above properties.

The second facility is a $1,400,000 five-year facility that bears interest at 8.75% per annum (effective interest rate of 10%) on an interest-only basis for the first two years and is then self-amortizing over the final three years. The facility can be prepaid without penalty at any time and is secured by a second charge on the Cornwall Square shopping centre.

The Facilities require that the REIT maintain an overall debt-to-gross book value ratio of no more than 75%. Both of these facilities have recourse to the REIT.

11. CREDIT FACILITIES

(a) Acquisition facility

In 2007, the REIT obtained a $32,250,000 revolving operating and acquisition facility (the "Acquisition Facility") from a Canadian chartered bank for a term of 364 days expiring on August 8, 2008. The Acquisition Facility is secured by the REIT's Cornwall Square shopping centre. The Acquisition Facility was renewed effective August 6, 2008 by the lender in the amount of $31,275,000 for another 364 days. Pursuant to the terms of the Acquisition Facility, from time to time, the amount permitted to be drawn under the Acquisition Facility may be adjusted based on certain financial tests. Under the renewed terms, any amounts drawn in excess of $29,190,000 must be repaid within 120 days.

Prior to renewal, amounts drawn down under the Acquisition Facility bore interest at a rate equal to the Bank's prime rate plus 0.75% per annum or the Banker's Acceptance stamping fee plus 1.75% per annum. Under the renewed terms, amounts drawn down bear interest at a rate equal to the Bank's prime rate plus 1% per annum or the Banker's Acceptance stamping fee plus 2% per annum. However, if the REIT's drawdowns exceed $29,190,000, interest will be at a rate equal to the Bank's prime rate plus 1.50% per annum or the Banker's Acceptance stamping fee plus 2.50% per annum. The Acquisition Facility contains financial covenants with respect to maintaining a debt-to-gross book value ratio of no more than 75% as well as other tests customary for this type of facility.

11. CREDIT FACILITIES (continued)

(a) Acquisition facility (continued)

For the year ended December 31, 2008, an additional $10,000,000 (2007 - $15,500,000) was drawn and $1,800,000 (2007 - $4,000,000) was repaid under the Acquisition Facility for a total amount outstanding at December 31, 2008 of $19,700,000 (December 31, 2007 - $11,500,000).

During the year ended December 31, 2008, financing fees of $122,616 (2007 - $292,939) were incurred on the renewal of the Acquisition Facility. At December 31, 2008, the unamortized balance of these financing fees is $73,906 and has been classified as deferred costs (December 31, 2007 - $176,566).

(b) Bridge financing

In 2007, KingSett Capital and C.A. Bancorp Inc. (the REIT's major unitholder) (see Notes 1 and 19) had 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 had been 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 were repaid during 2007.

The KingSett Capital facility was a $10,000,000 facility, bore interest at an annual rate of 12% and expired on April 1, 2008. The facility was not renewed by the REIT.

The C.A. Bancorp Inc. facility is a $14,000,000 facility. The facility bears interest at an annual rate of 12% and expires on April 1, 2009. 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 facility can be used to fund future acquisitions subject to lender approval of the particular acquisition and other restrictions. At December 31, 2008, there were no amounts drawn on this facility (December 31, 2007 - nil).

Total commitment and other fees of $357,314 were incurred on these facilities, of which $10,670 were incurred during the year ended December 31, 2008. At December 31, 2008, the unamortized balance of these fees is $16,892 and has been classified as deferred costs (December 31, 2007 - $136,823).

Interest expense on all the credit facilities is considered an operating item in the statement of cash flows.

12. 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 own 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.

On August 15, 2008, the REIT announced its intention to purchase up to 894,262 units for cancellation by way of a normal course issuer bid through the facilities of the TSX Venture Exchange (the "Exchange"). The normal course issuer bid expires on August 19, 2009. Any such purchases will be made by the REIT at the prevailing market price at the time of such purchases in accordance with the requirements of the Exchange. The REIT will not purchase in any 30 day period more than 357,704 units. During the year ended December 31, 2008, 171,900 units have been repurchased and cancelled at an average price of $1.15 per unit. Subsequent to December 31, 2008 and up to February 26, 2009, 275,900 units have been repurchased at an average price of $1.04 per unit.

In August 2007, the REIT commenced monthly cash distributions to unitholders in an amount of $0.02587 per unit, representing an annualized distribution of $0.3104 per unit. In September 2008, the REIT reduced the monthly cash distributions to $0.01333 per unit, representing an annualized distribution of $0.16 per unit. The reduction was effective for the September 2008 distribution.

The amount of the REIT's cash distributions is determined by, or in accordance with, the guidelines established from time to time by the Trustees. The REIT's Trustees have discretion in declaring distributions. Pursuant to the REIT's Declaration of Trust, the aggregate amount of cash 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.

In January 2008, the REIT established a Distribution Reinvestment and Optional Unit Purchase Plan ("the Plan") to enable Canadian resident unitholders to acquire additional units of the REIT:

(a) through the reinvestment of regular monthly distributions on all or any part of their units; and

(b) once enrolled in the Plan, through optional cash payments subject to a minimum of $1,000 per month and a maximum of $12,000 per calendar year.

12. UNITHOLDERS' EQUITY (continued)

Units issued in connection with the Plan are issued directly from the treasury of the REIT at a price based on the volume-weighted average of the closing price for the 20 trading days immediately preceding the relevant distribution date. Participants receive "bonus units" in an amount equal in value to 3% of each cash distribution.

The REIT has reserved for issuance with the TSX Venture Exchange 2,000,000 additional units (increased from 500,000 in February 2009) to accommodate the issuance of units under the Plan.

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. In the following table, the units issued prior to the Arrangement have been restated to reflect the 10-for-1 consolidation associated with the Arrangement.

Issued:

	Years Ended December 31,			
	2008		2007	
	Units	**$**	Units	$
Units Outstanding, Beginning of Year	**17,601,912**	**$ 54,069,575**	600,000	$ 902,869
Units issued:				
Distribution reinvestment plan	**593,473**	**1,035,983**	-	-
Public offering	**-**	**-**	14,745,912	50,873,396
Private placements	**-**	**-**	2,241,000	6,001,050
Proceeds from exercise of options	**-**	**-**	15,000	30,000
Value associated with exercise of options	**-**	**-**	-	6,000
Unit issue costs	**-**	**(30,690)**	-	(3,743,740)
Units cancelled:				
Normal course issuer bid	**(171,900)**	**(524,295)**	-	-
Cancellation costs	**-**	**(6,472)**	-	-
Units Outstanding, End of Year	**18,023,485**	**$ 54,544,101**	17,601,912	$ 54,069,575

13. INCENTIVE UNIT OPTIONS

The REIT's incentive unit option plan provides that the maximum number of units which may be reserved and set aside for issue under the incentive unit option plan shall not exceed 10% of the issued and outstanding units at the time of the option grant (on a non-diluted basis).

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. In the table below, the options issued prior to the Arrangement have been restated to reflect the 10-for-1 consolidation associated with the Arrangement.

The fair value of the incentive unit options granted during the prior years were 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 to July 31, 2007 of 0%; dividend yield for September 5, 2007 grant of 9.46%; expected volatility of 25% to 30%; risk-free interest rate of approximately 4.0%; and expected life of five years.

A summary of the unit options granted at December 31, 2008 and 2007 is as follows:

Employees incentive unit options

	Years Ended December 31,			
	2008		2007	
	Units	**Weighted Average Exercise Price**	Units	Weighted Average Exercise Price
Options Outstanding, Beginning of Year	**1,370,000**	**$ 3.28**	55,000	$ 2.24
Options granted	**-**	**-**	1,315,000	3.32
Options Outstanding, End of Year	**1,370,000**	**$ 3.28**	1,370,000	$ 3.28
Options Exercisable at End of Year	**931,667**	**$ 3.26**	482,166	$ 3.22
Weighted Average Fair Value Per Unit of Options Granted During the Year		**$ -**		$ 0.34

Non-employees incentive unit options

There are currently no non-employees incentive unit options outstanding. During the year ended December 31, 2007, 15,000 options were exercised with a weighted average exercise price of $2.00 per unit.

13. INCENTIVE UNIT OPTIONS (continued)

The following table summarizes the information about the unit options outstanding as of December 31, 2008.

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	33,500	$ 2.40
100,000	February 26, 2012	66,667	$ 2.00
15,000	February 28, 2012	10,000	$ 2.00
1,200,000	September 5, 2012	800,000	$ 3.45

The weighted average remaining contractual life at December 31, 2008 for the exercisable unit options is 3.6 years (December 31, 2007 – 4.5 years).

14. PER UNIT CALCULATIONS

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

	Years Ended December 31,			
	2008		2007	
	Weighted Average Number of Units	**Loss per Unit**	Weighted Average Number of Units	Loss per Unit
Basic and Diluted	**17,821,282**	**$(0.07)**	8,035,413	$(0.38)

15. CORPORATE TRANSACTION COSTS AND OTHER

Corporate transaction costs in 2007 represent legal, audit, printing and other costs associated with the conversion to a real estate investment trust and due diligence costs incurred on a proposed acquisition which was not completed.

16. 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 have complied 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 is not subject to tax under the SIFT legislation. As a result, no provision for income taxes is required. 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. As required by its Declaration of Trust, the REIT intends to distribute all taxable income to its unitholders and to deduct these distributions for income tax purposes.

In respect of the assets and liabilities of the REIT, the net book value for accounting purposes of those net assets is less than their tax basis by approximately $740,000 (December 31, 2007 – approximately $2,900,000).

The Company (the REIT's wholly-owned incorporated subsidiary) has cumulative losses of approximately $430,000, which commence expiring in 2026. The benefit from these losses has not been recognized in the financial statements. The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rate to income before income taxes as follows:

	Years Ended December 31,	
	2008	2007
Income (loss) before taxes	**$ 20,249**	$ (1,411,195)
Combined federal and provincial income tax rate	**33.50%**	36.12%
Expected income taxes	**6,783**	(509,724)
Permanent differences	**-**	12,952
Valuation allowance	**(6,783)**	496,772
Income taxes	**$ -**	$ -

17. CAPITAL MANAGEMENT

The REIT actively manages both its debt capital[(1)] and its equity capital with the objectives of ensuring that the REIT can continue to grow and operate its business. This ultimately allows the REIT to generate appropriate returns for its unitholders commensurate with the level of risk.

The real estate industry is capital intensive by nature. As a result, debt capital is a very important aspect in managing the business. In addition, financial leverage is used to enhance returns from purchased real estate. Part of the REIT's objectives in securing mortgages for its properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. As well, given the importance of debt capital to real estate entities, the REIT monitors its debt-to-gross book value ratio, a ratio that has become a common industry metric reviewed by analysts, unitholders and others within the industry. The REIT does not have a specific debt-to-gross book value threshold imposed on it in its Declaration of Trust, however the REIT's Acquisition Facility and corporate secured debt impose a restriction on the REIT's debt-to-gross book value ratio, being a maximum of 75%. The debt-to-gross book value ratio is measured as the REIT's total debt, including mortgages payable, corporate secured debt and credit facilities, divided by the gross book value of its assets.

At December 31, 2008, the REIT is in compliance with its debt-to-gross book value ratio at 63.5%, which is calculated as follows:

	As at December 31, 2008	As at December 31, 2007
Debt:		
Gross value of secured debt [(2)]	**$ 73,261,809**	$ 36,525,000
Amounts drawn on available credit facilities	**19,700,000**	11,500,000
	$ 92,961,809	$ 48,025,000
Gross Book Value of Assets:		
Total assets	**$138,258,557**	$99,576,433
Accumulated depreciation and amortization	**8,085,584**	2,466,106
	$146,344,141	$102,042,539
Debt-to-Gross Book Value	**63.5%**	47.1%

[(1)] debt capital refers to secured debt and credit facilities.
[(2)] represents actual balance of mortgages and corporate secured debt without netting the unamortized balance of the financing fees .

In terms of the REIT's equity capital, the REIT issues equity when it is appropriate and when it believes that it can deploy that capital accretively. The REIT has its Acquisition Facility, which it generally uses to fund the equity portion of acquisitions as well as to fund general working capital requirements. This allows the REIT to grow and manage its business between capital raises.

17. CAPITAL MANAGEMENT (continued)

The REIT currently makes monthly cash distributions to unitholders in an amount of $0.01333 per unit, representing an annualized distribution of $0.16 per unit. In accordance with the REIT's Declaration of Trust, 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 a result of the REIT recording a loss under Part I of the Tax Act, all of the distributions paid during the year were discretionary.

18. FINANCIAL INSTRUMENTS

(a) Fair value

The REIT's cash, restricted cash, accounts receivable, accounts payable, credit facilities and other liabilities are carried at cost which approximates fair value due to their short-term nature. The fair value of the REIT's secured debt is based on discounted future cash flows, using interest rates ranging between 5.44% and 12.5% that reflect current market conditions for instruments of similar term and risk. The fair value of the REIT's secured debt is approximately $70,000,000 at December 31, 2008 (December 31, 2007 - $34,700,000).

(b) Risk management

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

Interest rate risk

Currently the REIT's only floating rate debt is the Acquisition Facility. An increase in interest rates would increase the interest cost of the REIT's Acquisition Facility and have an adverse effect on the REIT's net loss and loss per unit. Based on the outstanding balance of the Acquisition Facility at December 31, 2008, a 1% increase or decrease in the Bank's prime rate could impact the REIT's annual interest expense by approximately $200,000.

The REIT structures its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations and liquidity risk.

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.

19. RELATED PARTY TRANSACTIONS

The REIT has various related party transactions with C.A. Bancorp Inc., the REIT's major unitholder. 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.

(a) C.A. Bancorp Inc. credit facility

In connection with the C.A. Bancorp Inc. credit facility as described in Note 11, during the year ended December 31, 2008, total standby fees of $ nil (2007 - $70,000) were paid to C.A. Bancorp Inc. and are classified as deferred costs on the consolidated balance sheets. Interest paid or payable to C.A. Bancorp Inc. for the year ended December 31, 2008 amounted to $ nil (2007 - $204,986).

(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.

In accordance with the management agreement, the Manager covers all expenses of the employees providing services under the agreement, including the Manager's overhead incurred in connection with the performance of its duties thereunder.

Under the terms of the management agreement, the REIT has incurred the following fees:

	Years Ended December 31,	
	2008	2007
Acquisition fees	**$ 210,100**	$ 463,000
Management fees	**$ 396,029**	$ 210,096

The management fees were charged to general and administrative expenses in the consolidated statement of operations and comprehensive loss.

19. RELATED PARTY TRANSACTIONS (continued)

(b) Management agreement (continued)

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.

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.

(c) Related party balances

Amounts owing to related parties at December 31, 2008 are $120,792 (December 31, 2007 – $148,267) and have been classified in accounts payable and other liabilities.