Consolidated Financial Statements of

CHARTER REAL ESTATE INVESTMENT TRUST

December 31, 2009

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Auditors' Report

To the Unitholders of the
Charter Real Estate Investment Trust

We have audited the consolidated balance sheets of Charter Real Estate Investment Trust (the "Trust") as at December 31, 2009 and 2008 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 Trust'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 Trust as at December 31, 2009 and 2008 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
March 2, 2010

CHARTER REAL ESTATE INVESTMENT TRUST
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For the years ended December 31, 2009 and 2008

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets

		As at December 31, 2009		As at December 31, 2008 (restated - Note 3)
ASSETS				
Cash	**$**	**1,074,765**	$	1,404,271
Restricted cash (Note 4)		**-**		422,830
Accounts receivable (Note 5)		**819,243**		847,632
Income producing properties (Notes 3 and 6)		**122,216,906**		122,907,634
Intangible assets (Note 7)		**9,738,939**		11,952,241
Deferred costs (Notes 3 and 8)		**403,390**		160,734
Other assets		**346,206**		448,047
	$	**134,599,449**	$	138,143,389
LIABILITIES				
Secured debt (Note 9)	**$**	**71,725,963**	$	72,645,108
Credit facilities (Note 10)		**20,500,000**		19,700,000
Accounts payable and other liabilities		**2,609,811**		1,659,379
Intangible liabilities (Note 7)		**267,611**		352,814
		95,103,385		94,357,301
UNITHOLDERS' EQUITY		**39,496,064**		43,786,088
	$	**134,599,449**	$	138,143,389

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, 2009	2008 (restated - Note 3)
REVENUE		
Revenues from income producing properties	**$ 17,118,069**	$ 15,822,563
Interest income	**21,675**	64,515
	17,139,744	15,887,078
EXPENSES		
Operating costs from income producing properties (Note 3)	**6,377,991**	6,257,751
Interest expense on long-term secured debt and credit facilities	**4,964,427**	2,999,006
Interest expense on short-term secured debt and credit facilities	**254,330**	1,039,263
General and administrative expenses	**1,145,361**	1,246,958
Depreciation and amortization of income producing properties (Note 3)	**3,713,160**	3,225,162
Amortization of deferred costs (Note 3)	**214,945**	367,340
Amortization of intangible assets	**2,213,302**	1,842,747
Incentive unit option compensation	**28,625**	166,447
	18,912,141	17,144,674
NET LOSS AND COMPREHENSIVE LOSS	**$ (1,772,397)**	$ (1,257,596)
LOSS PER UNIT (Note 13)		
Basic	**$ (0.10)**	$ (0.07)
Diluted	**$ (0.10)**	$ (0.07)

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, 2009	2008 (restated - Note 3)
Trust Units (Note 11)		
BALANCE, BEGINNING OF YEAR	**$ 54,544,101**	$ 54,069,575
Issuance of units, net of costs	**-**	(15,321)
Issuance of units under distribution reinvestment plan, net of costs	**494,555**	1,020,614
Units cancelled under normal course issuer bid, net of costs	**(341,179)**	(530,767)
BALANCE, END OF YEAR	**54,697,477**	54,544,101
Contributed Surplus		
BALANCE, BEGINNING OF YEAR	**769,048**	275,432
Incentive unit option compensation	**28,625**	166,447
Value associated with units cancelled under normal course issuer bid	**242,663**	327,169
BALANCE, END OF YEAR	**1,040,336**	769,048
Deficit and Accumulated Other Comprehensive Loss		
BALANCE, BEGINNING OF YEAR (Note 3)	**(11,527,061)**	(5,606,190)
Net loss	**(1,772,397)**	(1,257,596)
Distributions to unitholders	**(2,942,291)**	(4,663,275)
BALANCE, END OF YEAR	**(16,241,749)**	(11,527,061)
TOTAL UNITHOLDERS' EQUITY	**$ 39,496,064**	$ 43,786,088
Units issued and outstanding (Note 11)	**18,465,531**	18,023,485

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, 2009	2008 (restated - Note 3)
OPERATING ACTIVITIES		
Net loss	**$ (1,772,397)**	$ (1,257,596)
Adjusted for non-cash items:		
Depreciation and amortization	**6,141,407**	5,435,249
Amortization of below-market rate leases	**(85,203)**	(96,079)
Non cash portion of interest expense	**89,574**	54,968
Incentive unit option compensation	**28,625**	166,447
Leasing costs	**(167,753)**	(81,852)
Net change in non-cash working capital	**198,391**	(68,528)
Net cash provided by operating activities	**4,432,644**	4,152,609
FINANCING ACTIVITIES		
Proceeds net of financing costs from secured debt	**-**	28,573,587
Financing fees on credit facilities	**(280,619)**	(133,285)
Principal repayments on secured debt	**(1,008,719)**	(412,415)
Drawdowns on credit facilities	**1,000,000**	10,000,000
Repayments of credit facilities	**(200,000)**	(1,800,000)
Cancellation of units under normal course issuer bid	**(96,280)**	(197,126)
Cost of issuance and cancellation of units	**(9,001)**	(71,008)
Distributions to unitholders	**(2,435,809)**	(3,842,402)
Net cash (used in) provided by financing activities	**(3,030,428)**	32,117,351
INVESTING ACTIVITIES		
Income producing properties acquired	**-**	(35,245,798)
Additions to buildings and building improvements	**(587,590)**	(863,524)
Additions to tenant improvements	**(1,566,962)**	(238,535)
Net change in restricted cash (Note 4)	**422,830**	58,645
Net cash used in investing activities	**(1,731,722)**	(36,289,212)
NET DECREASE IN CASH DURING THE YEAR	**(329,506)**	(19,252)
CASH, BEGINNING OF YEAR	**1,404,271**	1,423,523
CASH, END OF YEAR	**$ 1,074,765**	$ 1,404,271

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	2009	2008
Income taxes paid	**$ -**	$ -
Interest paid	**$ 5,070,618**	$ 3,935,654

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 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 owns 33% of the outstanding units of the REIT at December 31, 2009 and 2008.

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, tenant 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 inducements and leasing costs incurred through leasing activities 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 and intangible assets.

(g) Depreciation and amortization

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

Tenant improvements and tenant improvements acquired in an income producing property acquisition 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.

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 on a straight-line basis over the remaining terms of the associated leases.

Tenant relationship values are amortized on a straight-line basis over the expected term of the relationship.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, it is the intention of the REIT’s Trustees to make 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. All financial liabilities are classified as held for trading or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in the statement of operations. 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.

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.

3. CHANGES IN ACCOUNTING POLICIES

(a) Current accounting changes

a. Credit risk and the fair value of financial assets and financial liabilities – EIC-173

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which requires entities to consider their own credit risk as well as the credit risk of their counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments. The standard was effective for the first quarter of 2009 and was required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of the REIT's financial assets or financial liabilities.

b. Financial instruments – disclosures – Section 3862

In June 2009, the CICA amended Section 3862, Financial Instruments-Disclosures to include new disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. The amendments to Section 3862 apply to annual financial statements for fiscal years ending after September 30, 2009.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Current accounting changes (continued)

b. Financial instruments – disclosures – Section 3862 (continued)

The amended standard requires that financial instruments measured at fair value on the balance sheet will be classified based on a three-level hierarchy methodology that reflects the significance of the inputs used when determining fair value measurements for financial instruments as follows:

Level 1 – determined by reference to quoted prices in active markets for identical assets and liabilities;

Level 2 – determined using inputs other than the quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – determined using inputs that are not based on observable market data.

The REIT has included these new disclosure requirements in Note 16.

c. Financial instruments – recognition and measurement – Section 3855

In August 2009, the CICA made amendments to Section 3855, Financial Instruments – Recognition and Measurement, adding and amending requirements for financial asset measurement categories and impairment. These amendments did not have an impact on the REIT's operations, financial position or disclosures.

d. Goodwill and intangible assets – Section 3064

Effective January 1, 2009, the REIT adopted Section 3064, Goodwill and Intangible Assets, which was issued by the CICA. This Section replaced the existing Section 3062, Goodwill and Intangible Assets and Section 3450, Research and Development Costs. 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. In addition, various changes have been made to other sections of the CICA Handbook for consistency purposes.

The impact of these changes on the REIT's financial statements is that certain expenditures incurred for income producing properties that are recoverable from tenants that had previously been capitalized as deferred costs no longer meet the definition of an asset and, as such, have been derecognized. Certain recoverable expenditures previously capitalized as deferred costs which represent betterments or replacement of capital items have been reclassified as building improvements and included in income producing properties. These adjustments have been adopted on a retrospective basis and have resulted in the restatement of certain financial statement comparative amounts.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Current accounting changes (continued)

d. Goodwill and intangible assets – Section 3064 (continued)

Deferred recoverable expenditures at December 31, 2008 having a net book value of $115,168 have been restated to record them as operating costs in the years in which the expenditures were incurred, and the amortization taken on these expenditures has also been restated. The net effect of the restatement was a charge to the opening deficit on January 1, 2008 of $158,999, a charge to the opening deficit on January 1, 2009 of $115,168 and a decrease in the net loss for the year ended December 31, 2008 of $43,831. Deferred recoverable expenditures at December 31, 2008 having a net book value of $110,443 were reclassified as building improvements and included in income producing properties. There was no impact to net loss per unit for the year ended December 31, 2008.

Other certain comparative amounts have also been reclassified to reflect the presentation adopted in the current year relating to tenant improvements. Tenant improvements are now classified as income producing properties rather than deferred costs.

The details of the net effect of the restatement and reclassifications on the consolidated financial statements are summarized below:

December 31, 2008 balance sheet	Income Producing Properties	Deferred Costs	Unitholders' Equity
Balance as previously reported, as at December 31, 2008	$ 122,556,262	$ 627,274	$ 43,901,256
Restatement to reflect change in accounting standard	110,443	(225,611)	(115,168)
Reclassification to reflect current year presentation	240,929	(240,929)	-
Balance as restated, as at December 31, 2008	$ 122,907,634	$ 160,734	$ 43,786,088

Year ended December 31, 2008 statement of operations and comprehensive loss	Operating Costs	Depreciation and Amortization of Income Producing Properties	Amortization of Deferred Costs
Balance as previously reported - year ended December 31, 2008	$ 6,117,353	$ 3,192,250	$ 584,481
Restatement to reflect change in accounting standard	140,398	1,748	(185,977)
Reclassification to reflect current year presentation	-	31,164	(31,164)
Balance as restated for the year ended December 31, 2008	$ 6,257,751	$ 3,225,162	$ 367,340

Statements of unitholders' equity	Deficit and Accumulated Other Comprehensive Loss As At January 1, 2009	Deficit and Accumulated Other Comprehensive Loss As At January 1, 2008
Balance as previously reported	$ (11,411,893)	$ (5,447,191)
Restatement to reflect change in accounting standard	(115,168)	(158,999)
Balance as restated	$ (11,527,061)	$ (5,606,190)

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) Future accounting changes

a. IFRS convergence

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. As a result, the REIT will present its financial statements in accordance with IFRS for the fiscal year ending December 31, 2011 with comparative information.

b. Business combinations, consolidated financial statements and non-controlling interests – Sections 1582, 1601 and 1602

The CICA has issued a new accounting standard, Section 1582, Business Combinations which will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601, Consolidations and 1602, Non-controlling Interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these Sections is permitted as of the beginning of a fiscal year. All three Sections must be adopted concurrently. These Sections replace the former Sections 1581, Business Combinations and 1600, Consolidated Financial Statements.

Section 1582 establishes standards for the accounting for a business combination. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The REIT is currently considering the effect on the financial statements of the new standards.

c. Financial instruments – recognition and measurement – Section 3855

In April 2009, the CICA made amendments to Section 3855, Financial Instruments – Recognition and Measurement, in connection with embedded prepayment options. These amendments are effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. These amendments are not expected to have an impact on the REIT's financial statements.

4. RESTRICTED CASH

The restricted cash balance related to a deposit with the first mortgage lender on the REIT's Méga Centre property to cover capital expenditures on that property. As all such expenditures were completed, the lender restriction was released during the second quarter of 2009.

5. ACCOUNTS RECEIVABLE

		December 31, 2009		December 31, 2008
Tenant receivables	$	**273,323**	$	194,925
Unbilled recoveries and rents receivable		**1,500**		129,310
Revenues receivable from income producing properties recognized on a straight-line basis		**655,562**		327,791
Corporate and other amounts receivable		**21,320**		284,847
		951,705		936,873
Allowance for doubtful accounts		**(132,462)**		(89,241)
	$	**819,243**	$	847,632

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.

The following is an aging analysis of tenant receivables past due, excluding the allowance for doubtful accounts:

		December 31, 2009		December 31, 2008
Less than 30 days	$	**72,577**	$	59,133
Between 31 and 60 days		**48,843**		5,285
Between 61 and 90 days		**3,237**		(8,776)
More than 90 days		**148,666**		139,283
	$	273,323	$	**194,925**

6. INCOME PRODUCING PROPERTIES

	December 31, 2009		
	Gross Book Value	**Accumulated Depreciation/ Amortization**	**Net Book Value**
Land	**$ 22,988,880**	**$ -**	**$ 22,988,880**
Buildings	**95,332,538**	**5,380,629**	**89,951,909**
Building improvements	**1,591,715**	**210,048**	**1,381,667**
Tenant improvements	**2,706,826**	**93,818**	**2,613,008**
Tenant improvements acquired in an income producing property acquisition	**7,841,416**	**2,559,974**	**5,281,442**
	$ 130,461,375	**$ 8,244,469**	**$ 122,216,906**

	December 31, 2008 (restated see Note 3)		
	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	997,509	40,159	957,350
Tenant improvements	278,600	37,671	240,929
Tenant improvements acquired in an income producing property acquisition	7,841,416	1,502,966	6,338,450
	$ 127,438,943	$ 4,531,309	$ 122,907,634

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)).

6. INCOME PRODUCING PROPERTIES (continued)

2008 acquisitions (continued)

(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 operating and acquisition facility (see Notes 10). 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 continued to receive rent on this space through the rental guarantee during 2008 and part of 2009. The rental guarantee expired on July 31, 2009.

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

		Year Ended December 31, 2008
Land	$	10,001,833
Building		26,382,545
Tenant improvements		2,832,890
Intangible assets		
Lease origination costs		1,456,244
Tenant relationships		2,403,138
Intangible liabilities		
Below market in-place leases		(10,877)
		43,065,773
Working capital acquired, net		279,249
Total purchase price including closing costs		43,345,022
Assumption of first mortgage on acquisition		8,099,224
Purchase price net of liabilities assumed	$	35,245,798
The acquisitions were funded as follows:		
Proceeds from secured debt	$	27,971,436
Credit facilities		7,274,362
Total cash paid for acquisitions	$	35,245,798

7. INTANGIBLE ASSETS AND LIABILITIES

	December 31, 2009		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**
Intangible assets			
Lease origination costs	**$ 7,608,768**	**$ 3,224,393**	**$ 4,384,375**
Tenant relationships	**6,685,686**	**1,331,122**	**5,354,564**
	$ 14,294,454	**$ 4,555,515**	**$ 9,738,939**
Intangible liabilities			
Below market in-place leases	**$ 476,471**	**$ 208,860**	**$ 267,611**

	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

8. DEFERRED COSTS

	December 31, 2009		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**
Leasing costs	**$ 253,703**	**$ 44,441**	**$ 209,262**
Deferred financing costs	**280,620**	**86,492**	**194,128**
	$ 534,323	**$ 130,933**	**$ 403,390**

	December 31, 2008 (restated see Note 3)		
	Gross Book Value	Accumulated Amortization	Net Book Value
Leasing costs	$ 82,865	$ 12,929	$ 69,936
Deferred financing costs	772,869	682,071	90,798
	$ 855,734	$ 695,000	$ 160,734

9. SECURED DEBT

Secured debt can be summarized as follows:

		December 31, 2009		December 31, 2008
Mortgages payable	$	**62,253,090**	$	63,261,809
Corporate secured debt		**10,000,000**		10,000,000
		72,253,090		73,261,809
Unamortized balance of commitment and other fees		**(527,127)**		(616,701)
	$	**71,725,963**	$	72,645,108

Scheduled repayments of secured debt are as follows:

		Principal Instalment Payments		Balance Maturing		Total
2010	$	**1,298,790**	$	**-**	$	**1,298,790**
2011		**1,697,518**		**-**		**1,697,518**
2012		**1,805,741**		**8,014,133**		**9,819,874**
2013		**1,479,292**		**25,627,933**		**27,107,225**
2014		**755,905**		**-**		**755,905**
Thereafter		**1,488,127**		**30,085,651**		**31,573,778**
Contractual obligations	$	**8,525,373**	$	**63,727,717**	$	**72,253,090**

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

Interest expense on short-term secured debt and credit facilities relates to interest expense on the REIT's revolving operating and acquisition facility prior to May 19, 2009, when the facility was for a one-year term (see Note 10(a)).

9. SECURED DEBT (continued)

(a) Mortgages payable

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 5.15% and 5.77% (December 31, 2008 – 5.15% and 5.77%) per annum and contractual rates ranging between 5.17% and 5.65% (December 31, 2008 – 5.17% and 5.65%) per annum with a weighted average effective interest rate of 5.48% (December 31, 2008 – 5.46%) per annum and a contractual rate of 5.41% (December 31, 2008 - 5.41%) per annum, and mature at various dates between 2012 and 2017.

During 2008 the following mortgages were obtained:

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) was 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.

(b) Corporate secured debt

At December 31, 2009, total corporate secured debt of $10,000,000 was outstanding (December 31, 2008 - $10,000,000). This amount is comprised of two facilities (the “Facilities”). The first facility is an $8,600,000 five-year facility maturing in 2013 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 maturing in 2013 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% and the Facilities have recourse to the REIT.

10. CREDIT FACILITIES

(a) Acquisition facility

In May 2009 the REIT early renewed its revolving operating and acquisition facility (the "Acquisition Facility") that it has with a Canadian chartered bank. The Acquisition Facility is now for a two-year term expiring on May 19, 2011 (previously a one-year term) and is for a maximum amount of $26,000,000 (previously $31,275,000). The Acquisition Facility is secured by the REIT's Cornwall Square shopping centre. 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 (including a loan-to-value ratio). At December 31, 2009, $20,500,000 was outstanding under the Acquisition Facility (December 31, 2008 - $19,700,000) and the amount available for borrowing was $23,750,000 throughout the year.

Amounts drawn down bear interest at a rate equal to the Bank's prime rate plus 3.50% per annum (previously Bank prime plus 1% per annum) or the Banker's Acceptance stamping fee plus 4.50% per annum (previously Banker's Acceptance stamping fee plus 2% 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.

The unamortized balance of financing fees relating to the renewal of the facility is $194,128 at December 31, 2009 (December 31, 2008 - $73,906), and has been classified as deferred costs.

(b) Bridge financing

In 2007, C.A. Bancorp Inc. (the REIT's major unitholder) provided the REIT with a $14,000,000 12% bridge acquisition facility. The facility expired on April 1, 2009 and was not renewed by the REIT.

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

11. UNITHOLDERS' EQUITY

(a) *Authorized units*

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 issued and outstanding at December 31, 2009 and 2008.

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.

(b) *Normal course issuer bid*

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 expired on August 19, 2009. During the year ended December 31, 2009, 112,000 units were repurchased and cancelled at an average price of $0.86 per unit. In the period from commencement of the bid to expiry, 283,900 units were repurchased and cancelled at an average price of $1.03 per unit. All purchases were made at the prevailing market price at the time of such purchases in accordance with the requirements of the Exchange.

(c) *Distributions*

The REIT makes monthly cash distributions to unitholders in an amount of $0.01333 per unit, representing an annualized distribution of $0.16 per unit. This was reduced in September 2008 from $0.02587 per unit monthly. 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, it is the intention of the REIT's Trustees to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes under Part I of the Tax Act.

11. UNITHOLDERS' EQUITY (continued)

(d) Distribution reinvestment plan

The REIT has 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.

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 Exchange 2,000,000 additional units (increased from 500,000 in February 2009) to accommodate the issuance of units under the Plan.

(e) Outstanding units

	Years Ended December 31,					
	2009			2008		
	Units		**$**	Units		$
Units Outstanding, Beginning of Year	**18,023,485**	**$**	**54,544,101**	17,601,912	$	54,069,575
Units issued:						
Distribution reinvestment plan	**554,046**		**501,320**	593,473		1,035,983
Unit issue costs			**(6,765)**			(30,690)
Units cancelled:						
Normal course issuer bid	**(112,000)**		**(338,943)**	(171,900)		(524,295)
Cancellation costs			**(2,236)**			(6,472)
Units Outstanding, End of Year	**18,465,531**	**$**	**54,697,477**	18,023,485	$	54,544,101

12. 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).

A summary of the unit options granted to employees at December 31, 2009 and 2008 is as follows:

	Years Ended December 31,					
	2009			2008		
	Units		**Weighted Average Exercise Price**	Units		Weighted Average Exercise Price
Options Outstanding, Beginning of Year	**1,370,000**	**$**	**3.28**	1,370,000	$	3.28
Options granted	**-**		**-**	-		-
Options forfeited	**(152,000)**		**3.43**	-		-
Options Outstanding, End of Year	**1,218,000**	**$**	**3.26**	1,370,000	$	3.28
Options Exercisable, End of Year	**1,218,000**	**$**	**3.26**	931,667	$	3.26
Weighted Average Fair Value Per Unit of Options Granted During the Year			**N/A**			N/A

12. INCENTIVE UNIT OPTIONS (continued)

The following table summarizes the information about the unit options outstanding as of December 31, 2009.

Outstanding Number of Units	Expiry Date	Exercisable Number of Units		Exercise Price
19,500	**September 15, 2010**	**19,500**	**$**	**2.00**
33,500	**October 19, 2011**	**33,500**	**$**	**2.40**
100,000	**February 26, 2012**	**100,000**	**$**	**2.00**
15,000	**February 28, 2012**	**15,000**	**$**	**2.00**
1,050,000	**September 5, 2012**	**1,050,000**	**$**	**3.45**
1,218,000		**1,218,000**	**$**	**3.26**

The weighted average remaining contractual life at December 31, 2009 for the exercisable unit options is approximately 3 years (December 31, 2008 – approximately 4 years).

13. PER UNIT CALCULATIONS

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

	Years Ended December 31,					
	2009			2008		
	Weighted Average Number of Units		**Loss per unit**	**Weighted Average Number of Units**		**Loss per unit**
Basic and Diluted	**18,284,298**	**$**	**(0.10)**	17,821,282	$	(0.07)

The impact of the unit options has been excluded from the per unit calculations above, as the effect would have been anti-dilutive.

14. 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").

As currently structured, management determined 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. Pursuant to the REIT's 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 $523,000 (December 31, 2008 – approximately $740,000).

The Company (the REIT's wholly-owned incorporated subsidiary) has cumulative non-capital losses of approximately $440,000, which commence expiring in 2026. The benefit from these losses has not been recognized in the financial statements. The provision for income taxes for the Company 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,			
		2009		2008
Income (loss) before taxes	**$**	**27,284**	$	20,249
Combined federal and provincial income tax rate		**33.00%**		33.50%
Expected income taxes		**9,004**		6,783
Valuation allowance		**(9,004)**		(6,783)
Income taxes	**$**	**-**	$	-

15. 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.

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, 2009 and 2008, the REIT is in compliance with its debt-to-gross book value ratio at 62.7% and 63.7%, respectively, which is calculated as follows:

		As at December 31, 2009		As at December 31, 2008
				(restated - Note 3)
Debt:				
Gross value of secured debt [2]	**$**	**72,253,090**	$	73,261,809
Amounts drawn on available credit facilities		**20,500,000**		19,700,000
	$	**92,753,090**	$	92,961,809
Gross Book Value of Assets:				
Total assets	**$**	**134,599,449**	$	138,143,389
Accumulated depreciation and amortization		**13,252,337**		7,889,942
	$	**147,851,786**	$	146,033,331
Debt-to-Gross Book Value		**62.7%**		63.7%

(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 available and appropriate to replenish cash, for acquisitions, or other uses. 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.

15. 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. Pursuant to the REIT's Declaration of Trust, it is the intention of the REIT's Trustees to make distributions in an amount not 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. As a result of the REIT incurring a loss under Part I of the Tax Act for 2009 and 2008, all of the distributions paid in 2009 and 2008 were considered discretionary.

16. FINANCIAL INSTRUMENTS

(a) Fair value

The REIT's 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 4.55% and 12.75% that reflect current market conditions for instruments of similar term and risk. The fair value of the REIT's secured debt is approximately $71,000,000 at December 31, 2009 (December 31, 2008 - $70,000,000).

In accordance with the three-level hierarchy of financial instruments measured at fair value on the balance sheet, at December 31, 2009 the REIT has included cash of $1,074,765 in the Level 1 category (see Note 3 (a)).

(b) Risk management

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

Interest rate risk

At December 31, 2009 and 2008, the REIT's 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, 2009, a 1% increase or decrease in the Bank's prime rate could impact the REIT's annual interest expense by approximately $200,000 (2008 - $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.

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. The maximum credit risk exposure at December 31, 2009 and 2008 relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants. Refer to Note 5 for details of accounts receivable.

16. FINANCIAL INSTRUMENTS (continued)

(b) *Risk management* (continued)

Liquidity risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favourable terms.

The REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations and property acquisitions, are generally funded from cash flows from operations or from drawing on the REIT's Acquisition Facility. Debt repayment obligations (see Note 9) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property – although between capital raises, the REIT may use its Acquisition Facility to fund the equity portion of property acquisitions.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT attempts to mitigate its liquidity risk by staggering the maturities of its debt. As well, the REIT's distributions are made at the discretion of the REIT's Trustees. Finally, the REIT doesn't enter into property acquisitions unless it has secured or knows that it can secure the appropriate capital (debt and equity) to fund the particular acquisition.

The following table shows the contractual cash flows (including principal and interest) on all of the REIT's non-derivative financial liabilities:

	2010	2011	2012	2013	2014	Thereafter	Total
Secured debt							
Interest	$ 4,176,993	$ 4,084,694	$ 3,976,471	$ 3,093,560	$ 1,674,791	$ 3,279,122	$ 20,285,631
Principal payments	1,298,790	1,697,518	1,805,741	1,479,292	755,905	1,488,127	8,525,373
Balances due on maturity	-	-	8,014,133	25,627,933	-	30,085,651	63,727,717
Credit facilities							
Interest	1,004,500	382,536	-	-	-	-	1,387,036
Balance due on maturity	-	20,500,000	-	-	-	-	20,500,000
Accounts payable and other liabilities	2,609,811	-	-	-	-	-	2,609,811
Total	$ 9,090,094	$ 26,664,748	$ 13,796,345	$ 30,200,785	$ 2,430,696	$ 34,852,900	$ 117,035,568

17. RELATED PARTY TRANSACTIONS

The REIT enters into 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) 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,	
	2009	2008
Acquisition fees	**$ -**	$ 210,100
Management fees	**$ 439,906**	$ 396,029

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

17. RELATED PARTY TRANSACTIONS (continued)

(a) *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.

(b) *Related party balances*

Amounts owing to related parties at December 31, 2009 are $95,165 (December 31, 2008 – $120,792) and have been classified in accounts payable and other liabilities.