Interim Consolidated Financial Statements of

CHARTER REAL ESTATE INVESTMENT TRUST

As at and for the Three and Six Months Ended June 30, 2010

(unaudited)

CHARTER REAL ESTATE INVESTMENT TRUST
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June 30, 2010 (unaudited)

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(unaudited)

		As at June 30, 2010		As at December 31, 2009
ASSETS				
Cash	**$**	**557,710**	$	1,074,765
Accounts receivable (Note 5)		**728,808**		819,243
Income producing properties (Note 6)		**120,835,819**		122,216,906
Intangible assets (Note 7)		**8,724,379**		9,738,939
Deferred costs (Note 8)		**392,229**		403,390
Other assets		**1,143,745**		346,206
	$	**132,382,690**	$	134,599,449
LIABILITIES				
Secured debt (Note 9)	**$**	**71,190,250**	$	71,725,963
Credit facility (Note 10)		**22,350,000**		20,500,000
Accounts payable and other liabilities		**2,644,688**		2,609,811
Intangible liabilities (Note 7)		**236,115**		267,611
		96,421,053		95,103,385
UNITHOLDERS' EQUITY		**35,961,637**		39,496,064
	$	**132,382,690**	$	134,599,449

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

"Janet Graham"
……………………………………… Trustee

"John van Haastrecht"
……………………………………… 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
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
			(Note 14)	(Note 14)
REVENUE				
Revenues from income producing properties	**$ 4,041,667**	$ 4,216,397	**$ 8,193,473**	$ 8,740,513
Interest income	**897**	1,368	**1,999**	12,445
	4,042,564	4,217,765	**8,195,472**	8,752,958
EXPENSES				
Operating costs from income producing properties	**1,600,808**	1,545,286	**3,334,664**	3,274,596
Interest expense on long-term secured debt and credit facility	**1,222,505**	1,172,659	**2,570,424**	2,265,689
Interest expense on short-term secured debt and credit facility	**139,323**	75,682	**141,858**	250,589
General and administrative expenses	**288,451**	274,455	**508,893**	530,015
Depreciation and amortization of income producing properties	**950,734**	938,167	**1,880,714**	1,863,959
Amortization of deferred costs	**61,535**	64,883	**112,541**	117,468
Amortization of intangible assets	**457,984**	802,821	**1,014,559**	1,280,704
Incentive unit option compensation	**-**	1,373	**-**	18,714
Corporate transaction costs (Note 14)	**695,388**	7,000	**803,889**	10,500
	5,416,728	4,882,326	**10,367,542**	9,612,234
NET LOSS AND COMPREHENSIVE LOSS	**$ (1,374,164)**	$ (664,561)	**$ (2,172,070)**	$ (859,276)
LOSS PER UNIT (Note 13)				
Basic	**$ (0.07)**	$ (0.04)	**$ (0.12)**	$ (0.05)
Diluted	**$ (0.07)**	$ (0.04)	**$ (0.12)**	$ (0.05)

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

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity
(unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Trust Units (Note 11)				
BALANCE, BEGINNING OF PERIOD	**$ 54,757,913**	$ 54,369,515	**$ 54,697,477**	$ 54,544,101
Issuance of units under distribution reinvestment plan, net of costs	**61,507**	206,624	**121,943**	373,217
Units cancelled under normal course issuer bid, net of costs	-	-	-	(341,179)
BALANCE, END OF PERIOD	**54,819,420**	54,576,139	**54,819,420**	54,576,139
Contributed Surplus				
BALANCE, BEGINNING OF PERIOD	**1,040,336**	1,029,052	**1,040,336**	769,048
Incentive unit option compensation	-	1,373	-	18,714
Value associated with units cancelled under normal course issuer bid	-	-	-	242,663
BALANCE, END OF PERIOD	**1,040,336**	1,030,425	**1,040,336**	1,030,425
Deficit and Accumulated Other Comprehensive Loss				
BALANCE, BEGINNING OF PERIOD	**(17,780,782)**	(12,449,513)	**(16,241,749)**	(11,527,061)
Net loss	**(1,374,164)**	(664,561)	**(2,172,070)**	(859,276)
Distributions to unitholders	**(743,173)**	(737,450)	**(1,484,300)**	(1,465,187)
BALANCE, END OF PERIOD	**(19,898,119)**	(13,851,524)	**(19,898,119)**	(13,851,524)
TOTAL UNITHOLDERS' EQUITY	**$ 35,961,637**	$ 41,755,040	**$ 35,961,637**	$ 41,755,040
Units issued and outstanding (Note 11)	**18,552,040**	18,359,282	**18,552,040**	18,359,282

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

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
OPERATING ACTIVITIES				
Net loss	**$ (1,374,164)**	$ (664,561)	**$ (2,172,070)**	$ (859,276)
Adjusted for non-cash items:				
Depreciation and amortization	**1,470,253**	1,805,872	**3,007,814**	3,262,132
Amortization of below-market rate leases	**(13,281)**	(21,300)	**(31,496)**	(42,601)
Non cash portion of interest expense	**28,982**	(6,599)	**53,990**	23,751
Incentive unit option compensation	**-**	1,373	**-**	18,714
Leasing costs	**(65,607)**	(8,500)	**(70,831)**	(34,614)
Net change in non-cash working capital	**263,197**	(329,027)	**59,588**	(437,515)
Net cash provided by operating activities	**309,380**	777,258	**846,995**	1,930,591
FINANCING ACTIVITIES				
Financing fees on credit facility	**(40,000)**	(275,145)	**(40,000)**	(275,145)
Principal repayments on secured debt	**(296,820)**	(250,059)	**(589,703)**	(434,555)
Drawdowns on credit facility	**700,000**	-	**2,200,000**	-
Repayments of credit facility	**(100,000)**	(200,000)	**(350,000)**	(200,000)
Cancellation of units under normal course issuer bid	**-**	-	**-**	(96,280)
Cost of issuance and cancellation of units	**(1,540)**	(1,630)	**(3,060)**	(5,441)
Distributions to unitholders	**(679,494)**	(525,804)	**(1,358,409)**	(1,084,095)
Net cash used in financing activities	**(417,854)**	(1,252,638)	**(141,172)**	(2,095,516)
INVESTING ACTIVITIES				
Additions to buildings and building improvements	**(87,034)**	(87,302)	**(179,511)**	(375,891)
Additions to tenant improvements	**(458,976)**	(163,238)	**(1,043,367)**	(223,238)
Net change in restricted cash (Note 4)	**-**	422,830	**-**	422,830
Net cash provided by (used in) investing activities	**(546,010)**	172,290	**(1,222,878)**	(176,299)
NET DECREASE IN CASH DURING THE PERIOD	**(654,484)**	(303,090)	**(517,055)**	(341,224)
CASH, BEGINNING OF PERIOD	**1,212,194**	1,366,137	**1,074,765**	1,404,271
CASH, END OF PERIOD	**$ 557,710**	$ 1,063,047	**$ 557,710**	$ 1,063,047
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Income taxes paid	**$ -**	$ -	**$ -**	$ -
Interest paid	**$ 1,337,310**	$ 1,311,675	**$ 2,668,179**	$ 2,497,101

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

CHARTER REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated Financial Statements

June 30, 2010 (unaudited)

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".

2. CHANGE OF SPONSORSHIP

In April 2009, the Board of Trustees began to consider the various strategic alternatives available to Charter and a committee of independent Trustees (the "Independent Committee") was formed. The mandate of the Independent Committee was to identify strategic alternatives that would enhance unitholder value including, without limitation, entering into strategic alliances, the sale of all or some of the assets of Charter, the purchase by others of some or all of the outstanding units of Charter, including by existing major unitholders, the issuance of units of Charter from treasury to others in exchange for either cash or non-cash consideration, and the recapitalization of Charter to enable additional acquisitions and the internalization of management of Charter. To assist in this mandate, in October 2009, the Independent Committee formally engaged the services of a financial advisor and legal counsel.

Pursuant to the strategic review process, among different options considered and after negotiation between League Assets Corp. ("League") and Charter, it was determined by the Independent Committee on May 3, 2010 that they would be prepared to recommend that Charter enter into a non-binding letter of intent with League and with C.A. Bancorp Inc. ("CAB") providing for the following transactions:

- CAB selling all of its units in the capital of Charter, being 6,047,095 units representing approximately 33% of the outstanding Charter units, to League or an affiliate of League (the "Unit Sale"); and
- CAB and Charter terminating the management agreement dated March 27, 2007 between the REIT and CAB's subsidiary, C.A. Realty Management Inc. and League (or an affiliate) and Charter entering into a new management agreement (the "Management Changes").

The letter also contemplated a separate transaction regarding an investment by League, which took the form of a standby purchase agreement to a Charter rights offering, described in more detail in Note 18.

It was the view of the Independent Committee that the League proposal would allow Charter to obtain a new sponsor with the experience necessary to stabilize, enhance and grow the business of Charter, as well as provide funding for acquisitions and ongoing operations.

2. CHANGE OF SPONSORSHIP (continued)

On June 4, 2010 IGW Public Limited Partnership ("IGW Public LP"), an affiliate of League, completed the Unit Sale at $1.45 per unit. The Management Changes were also completed on June 4, 2010 with LAPP Global Asset Management Corp. ("LAPP"), a wholly owned subsidiary of IGW Public LP, becoming the new manager. The new management agreement with LAPP is on substantially similar terms to the previous management agreement with C.A. Realty Management Inc.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the REIT's December 31, 2009 annual consolidated financial statements. These interim consolidated financial statements do not include all the information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the December 31, 2009 annual consolidated financial statements.

4. RESTRICTED CASH

The movement in 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

		June 30, 2010		December 31, 2009
Tenant receivables	$	171,382	$	273,323
Unbilled recoveries and rents receivable		(49,179)		1,500
Revenues receivable from income producing properties recognized on a straight-line basis		766,334		655,562
Corporate and other amounts receivable		10,068		21,320
		898,605		951,705
Allowance for doubtful accounts		(169,797)		(132,462)
	$	728,808	$	819,243

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.

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

		June 30, 2010		December 31, 2009
Less than 30 days	$	56,090	$	72,577
Between 31 and 60 days		(41,602)		48,843
Between 61 and 90 days		49,712		3,237
More than 90 days		107,182		148,666
	$	171,382	$	273,323

6. INCOME PRODUCING PROPERTIES

	June 30, 2010		
	Gross Book Value	**Accumulated Depreciation/ Amortization**	**Net Book Value**
Land	**$ 22,988,880**	**$ -**	**$ 22,988,880**
Buildings	**95,332,538**	**6,595,688**	**88,736,850**
Building improvements	**1,683,874**	**310,316**	**1,373,558**
Tenant improvements	**3,114,294**	**192,658**	**2,921,636**
Tenant improvements acquired in an income producing property acquisition	**7,841,416**	**3,026,521**	**4,814,895**
	$ 130,961,002	**$ 10,125,183**	**$ 120,835,819**

	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

7. INTANGIBLE ASSETS AND LIABILITIES

	June 30, 2010		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**
Intangible assets			
Lease origination costs	**$ 7,608,768**	**$ 3,884,698**	**$ 3,724,070**
Tenant relationships	**6,538,715**	**1,538,406**	**5,000,309**
	$ 14,147,483	**$ 5,423,104**	**$ 8,724,379**
Intangible liabilities			
Below market in-place leases	**$ 476,471**	**$ 240,356**	**$ 236,115**

	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

8. DEFERRED COSTS

	June 30, 2010		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**
Leasing costs	**$ 315,083**	**$ 82,801**	**$ 232,282**
Deferred financing costs	**320,620**	**160,673**	**159,947**
	$ 635,703	**$ 243,474**	**$ 392,229**

	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

9. SECURED DEBT

Secured debt can be summarized as follows:

		June 30, 2010		December 31, 2009
Mortgages payable	**$**	**61,663,387**	$	62,253,090
Corporate secured debt		**10,000,000**		10,000,000
		71,663,387		72,253,090
Unamortized balance of commitment and other fees		**(473,137)**		(527,127)
	$	**71,190,250**	$	71,725,963

Scheduled repayments of secured debt are as follows:

		Principal Instalment Payments		Balance Maturing		Total
2010 (remainder of the year)	**$**	**709,087**	**$**	**-**	**$**	**709,087**
2011		**1,697,518**		**-**		**1,697,518**
2012		**1,805,741**		**8,014,133**		**9,819,874**
2013		**1,479,292**		**25,627,933**		**27,107,225**
2014		**755,905**		**-**		**755,905**
Thereafter		**1,488,127**		**30,085,651**		**31,573,778**
Contractual obligations	**$**	**7,935,670**	**$**	**63,727,717**	**$**	**71,663,387**

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 facility relates to current bank charges as well as interest expense on the REIT's revolving operating and acquisition facility after May 19, 2010, as the facility expires May 19, 2011 (2009 – prior to May 19, 2009, when the facility was for a one-year term).

(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, 2009 – 5.15% and 5.77%) per annum and contractual rates ranging between 5.17% and 5.65% (December 31, 2009 – 5.17% and 5.65%) per annum with a weighted average effective interest rate of 5.48% (December 31, 2009 – 5.48%) per annum and a contractual rate of 5.41% (December 31, 2009 - 5.41%) per annum, and mature at various dates between 2012 and 2017.

9. SECURED DEBT (continued)

(b) Corporate secured debt

At June 30, 2010, total corporate secured debt of $10,000,000 was outstanding (December 31, 2009 - $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 FACILITY

The REIT has a revolving operating and acquisition facility (the "Acquisition Facility") with a Canadian chartered bank. The Acquisition Facility expires on May 19, 2011 and is for a maximum amount of $26,000,000. 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 June 30, 2010, $22,350,000 was outstanding under the Acquisition Facility (December 31, 2009 - $20,500,000) and the amount available for borrowing was $23,750,000 throughout the quarter.

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

Amongst a number of customary tests for this type of facility, the Acquisition Facility contains financial covenants with respect to maintaining a debt-to-gross book value ratio of no more than 75% (June 30, 2010 – 63.5%) and maintaining a debt service coverage ratio of no less than 1.25:1 calculated on a rolling four quarter basis (June 30, 2010 – 1.39:1) as well as requiring that cash distributions do not exceed funds from operations (calculated excluding corporate transaction costs) in any quarter.

The unamortized balance of financing fees relating to the facility is $159,947 at June 30, 2010 (December 31, 2009 - $194,128) and has been classified as deferred costs.

Interest expense on the Acquisition Facility 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 currently issued and outstanding.

(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 six months ended June 30, 2009, 112,000 units were repurchased and cancelled at an average price of $0.86 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. 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 to accommodate the issuance of units under the Plan.

(e) Outstanding units

	Three Months Ended June 30,					
	2010			2009		
	Units		**$**	Units		$
Units Outstanding, Beginning of Period	**18,508,958**	**$**	**54,757,913**	18,119,378	$	54,369,515
Units issued:						
Distribution reinvestment plan	**43,082**		**63,047**	239,904		208,254
Unit issue costs			**(1,540)**			(1,630)
Units Outstanding, End of Period	**18,552,040**	**$**	**54,819,420**	18,359,282	$	54,576,139

	Six Months Ended June 30,					
	2010			2009		
	Units		**$**	Units		$
Units Outstanding, Beginning of Period	**18,465,531**	**$**	**54,697,477**	18,023,485	$	54,544,101
Units issued:						
Distribution reinvestment plan	**86,509**		**125,003**	447,797		376,422
Unit issue costs	**-**		**(3,060)**	-		(3,205)
Units cancelled:						
Normal course issuer bid	-		-	(112,000)		(338,943)
Cancellation costs	-		-	-		(2,236)
Units Outstanding, End of Period	**18,552,040**	**$**	**54,819,420**	18,359,282	$	54,576,139

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).

There were no unit options granted to employees in the six months ended June 30, 2010 or during the year ended December 31, 2009. During the six months ended June 30, 2010, 170,000 options were cancelled.

The following table summarizes the information about the unit options outstanding as of June 30, 2010.

Outstanding Number of Units	Expiry Date	Exercisable Number of Units	Exercise Price	
19,500	September 15, 2010	19,500	$	2.00
28,500	October 19, 2011	28,500	$	2.40
90,000	February 26, 2012	90,000	$	2.00
10,000	February 28, 2012	10,000	$	2.00
900,000	September 5, 2012	900,000	$	3.45
1,048,000		1,048,000	$	3.26

The weighted average remaining contractual life at June 30, 2010 for the exercisable unit options is approximately 2 years (June 30, 2009 – approximately 3 years).

13. PER UNIT CALCULATIONS

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

	Three Months Ended June 30,					
	2010			2009		
	Average Number of Units	Loss per unit		Average Number of Units	Loss per unit	
Basic and Diluted	18,529,623	$	(0.07)	18,246,319	$	(0.04)

	Six Months Ended June 30,					
	2010			2009		
	Average Number of Units	Loss per unit		Average Number of Units	Loss per unit	
Basic and Diluted	18,509,671	$	(0.12)	18,151,997	$	(0.05)

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

14. CORPORATE TRANSACTION COSTS

Corporate transaction costs represent a portion of the legal, consulting and trustee fees and other costs associated with the strategic review process described in Note 2. Costs incurred in prior periods were reclassified to conform to the presentation in the current period.

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 facility, divided by the gross book value of its assets.

At June 30, 2010, the REIT is in compliance with its debt-to-gross book value ratio at 63.5%, which is calculated as follows:

	As at June 30, 2010	As at December 31, 2009
Debt:		
Gross value of secured debt[2]	**$ 71,663,387**	$ 72,253,090
Amounts drawn on available credit facility	**22,350,000**	20,500,000
	$ 94,013,387	$ 92,753,090
Gross Book Value of Assets:		
Total assets	**$ 132,382,690**	$ 134,599,449
Accumulated depreciation and amortization	**15,791,761**	13,252,337
	$ 148,174,451	$ 147,851,786
Debt-to-Gross Book Value	**63.5%**	62.7%

[1] debt capital refers to secured debt and credit facility
[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.

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, all of the distributions paid in 2009 were considered discretionary.

16. FINANCIAL INSTRUMENTS

(a) Fair value

The REIT's cash, accounts receivable, accounts payable, credit facility 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 4.20% 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 $72,000,000 at June 30, 2010 (December 31, 2009 - $71,000,000).

In accordance with the three-level hierarchy of financial instruments measured at fair value on the balance sheet, at June 30, 2010 the REIT has included cash of $557,710 in the Level 1 category (December 31, 2009 - $1,074,765). The Level 1 category of fair value measurements are determined by reference to quoted prices in active markets for identical assets and liabilities.

(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.

a. Interest rate risk

At June 30, 2010, 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 June 30, 2010, a 1% increase or decrease in the Bank's prime rate could impact the REIT's annual interest expense by approximately $224,000 (2009 - $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.

b. 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 June 30, 2010 and December 31, 2009 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)

c. 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 at maturity 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 for the remainder of 2010 and beyond:

	2010	2011	2012	2013	2014	Thereafter	Total
Secured debt							
Interest	$ 2,081,198	$ 4,084,694	$ 3,976,471	$ 3,093,560	$ 1,674,791	$ 3,279,122	$ 18,189,836
Principal payments	709,087	1,697,518	1,805,741	1,479,292	755,905	1,488,127	7,935,670
Balances due on maturity	-	-	8,014,133	25,627,933	-	30,085,651	63,727,717
Credit facility							
Interest	575,513	438,336	-	-	-	-	1,013,849
Balance due on maturity	-	22,350,000	-	-	-	-	22,350,000
Accounts payable and other liabilities	2,644,688	-	-	-	-	-	2,644,688
Total	$ 6,010,486	$ 28,570,548	$ 13,796,345	$ 30,200,785	$ 2,430,696	$ 34,852,900	$ 115,861,760

17. RELATED PARTY TRANSACTIONS

The REIT enters into related party transactions with IGW Public LP and LAPP, the REIT's major unitholder and asset manager, respectively. Prior to the transactions described under Note 2, the REIT entered into related party transactions with CAB and C.A. Realty Management Inc. 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

As part of the transactions described under Note 2, the REIT formalized management arrangements with LAPP (the "Manager"), a wholly-owned subsidiary of IGW Public LP. Pursuant to the 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 for a three year period, expiring on June 4, 2013. Upon expiry of the initial term, the management agreement will renew automatically for successive three year terms, unless terminated in accordance with its terms. The management agreement also provides that the management agreement may be terminated if the independent Trustees make the decision to employ individuals directly by the REIT rather than by the Manager, where the independent Trustees determine the cost of doing so would be less on an annual basis than the fees paid to the Manager under the management agreement. 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 two 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 is providing the services of certain executives, consultants and other employees to the REIT. As the REIT grows, the Manager will provide additional executives to the REIT in order to fulfill its obligations under the management agreement as recommended by the Trustees and agreed to by the Trustees and the Manager. All costs associated with the executives and additional executives and additional personnel shall be borne by the Manager. In accordance with the terms of the management agreement, the Manager is required to consult with the independent Trustees with regard to compensation decisions for executives who devote substantially all of their time to the business of the REIT. In the event that any executive providing services to the REIT ceases to do so for any reason, the Manager will replace such individual with another employee with similar qualifications and experience.

Under the terms of the current management agreement and the old management agreement with C.A. Realty Management Inc., the REIT has incurred the following fees:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Management fees	**$ 115,486**	$ 109,309	**$ 226,549**	$ 219,166

The management fees were charged to general and administrative expenses in the consolidated statements 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 League Assets LP and IGW Public LP (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 restricted 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 the equity interests in which are not all held by the Restricted Parties or their respective affiliates. 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) six months after the termination of the management agreement in certain circumstances; or (ii) the date of termination of the management agreement under other circumstances.

(b) *Related party balances*

Amounts owing to the Manager at June 30, 2010 are $38,000. Amounts owing to CAB and C.A. Realty Management Inc. at June 30, 2010 are $46,450 (December 31, 2009 – $95,165). These amounts have been classified in accounts payable and other liabilities, and consist of outstanding management fees and net reimbursements payable.

18. SUBSEQUENT EVENT

On June 16, 2010, Charter filed a prospectus with Canadian securities regulators to offer units to its unitholders by way of a $10,000,000 rights offering. Charter distributed rights to subscribe for units to the unitholders of record on June 30, 2010. Each 2.5787 rights entitled the holder to purchase one unit at $1.39 per unit. The rights expired on July 23, 2010.

As part of the transactions described in Note 2, IGW Public LP entered into a standby purchase agreement (the "Standby Agreement"), whereby IGW Public LP agreed to purchase all of the units not otherwise purchased by other unitholders pursuant to the exercise of the rights under the rights offering, subject to IGW Public LP owning no more than 49.9% of Charter after the exercise of the rights. Charter issued 7,110,089 units under the rights offering for total capital raised of $9,883,023. Of this, 6,765,765 units were issued to IGW Public LP. As a result, IGW Public LP currently owns approximately 49.9% of the outstanding units of Charter.