CHARTER
REAL ESTATE INVESTMENT TRUST

# MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009

## TABLE OF CONTENTS

## OVERVIEW

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

The REIT is focused on acquiring a portfolio of retail and mixed-use retail community and neighbourhood centres, generally in the mid-market deal size range of $10 to $40 million, comprised of stable cash flow and value-add properties from both primary and secondary markets throughout Canada. Charter's principal goal is to generate a reliable and growing yield for its investors. The REIT currently owns ten retail properties located in Ontario and Quebec.

Charter's units are traded on the TSX Venture Exchange (the "TSXV") under the symbol CRH.UN.

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

## ADVISORY

This *Management's Discussion and Analysis* ("MD&A") presents an analysis of the financial condition of Charter for the three months ended March 31, 2009. The MD&A should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes of the REIT for the quarter ended March 31, 2009 and with the audited consolidated financial statements and accompanying notes of the REIT for the year ended December 31, 2008. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Additional information relating to the REIT, including the REIT's or the Company's (as applicable) interim and annual financial statements and MD&As can be found on SEDAR at www.sedar.com.

This MD&A and other public announcements by the REIT may contain information that to the extent they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information involves significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking information contained in this MD&A include expansion, capital expenditures, competitive conditions, gross economic conditions and current levels of distributions. Forward-looking information includes information concerning the REIT's future financial performance, business strategy, plans, goals, and objectives. Forward-looking information generally can be identified by the use of forward-looking terminology such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook", "aim" and other similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements involve known and unknown risks, uncertainties and other factors that could cause actual results or events to differ materially from those anticipated in such forward-looking statements, and accordingly, no undue reliance should be placed on any such forward-looking statements. Those risks and uncertainties include, among other things: the ability of the REIT to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; risks associated with the current economic conditions; real property ownership, including occupancy rates; competitive conditions in the business in which the REIT participates; the outcome of pending legal proceedings, if any exist; general economic conditions and normal business uncertainty; interest rate fluctuations and other changes in borrowing and borrowing costs; environmental matters; reliance on external sources of capital; and changes to the laws, rules, and regulations applicable to the REIT or the markets in which the REIT operates. Additional information about these risks and uncertainties and any corresponding plan to mitigate these risks, where possible, is contained in the REIT's filings with securities regulators, including the REIT's Annual Information Form dated February 27, 2009 which is available on www.sedar.com.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. The REIT intends the forward-looking information to speak only as of the first time made and does not undertake to update or revise it whether as a result of new information, future events or otherwise, except as required by law.

This MD&A is dated April 30, 2009 and presents material information up to this date, unless otherwise noted.

Effective January 1, 2009, the REIT adopted Section 3064, Goodwill and Intangible Assets, which was issued by the Canadian Institute of Chartered Accountants ("CICA"). The new standard and its impact on the 2008 comparative figures in the financial statements is described in more detail in Note 3 to the interim consolidated financial statements for the quarter ended March 31, 2009. Many of the prior year comparatives have been restated as a result of the implementation of this new accounting standard.

## HIGHLIGHTS

During the first quarter of 2009, Charter:

- received a commitment from a Canadian chartered bank for the early renewal and extension of its operating and acquisition facility for a two-year term for an amount, based on a loan-to-value ratio, but not to exceed $26,000,000;
- has a balance sheet that remains strong, with a debt-to-gross book value ratio of 63.3% and no mortgage debt maturities until December 2012;
- had an FFO[(1),(2)] payout ratio of 59.9% based on the current distribution level of $0.04 per quarter;
- had an average occupancy rate for the portfolio of 95.8% - slightly lower than at the end of 2008 of 95.9%;
- recorded same-property NOI[(1),(2)] for the quarter ended March 31, 2009 of $2,211,503, a 3.8% increase from the $2,130,909 recorded for the quarter ended March 31, 2008;
- recorded a 37.3% increase in NOI[(1),(2)] for the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008, mainly relating to acquisitions that have taken place during and since the first quarter of 2008;
- recorded NOI[(1),(2)] and same-property NOI[(1),(2)] from its properties of $2,794,806 for the quarter ended March 31, 2009, compared to $2,905,800 recorded for the quarter ended December 31, 2008, with the decrease mainly relating to a decrease in percentage rents and other income driven by the seasonality of the business, as well as an increase in the allowance for doubtful accounts to reflect the current retail environment;
- recorded FFO[(1),(2)] of $1,214,419 or $0.07 per unit basic and diluted for the quarter ended March 31, 2009, an increase of 3.8% from the quarter ended December 31, 2008 of $1,169,956 or $0.07 per unit basic and diluted and an increase of 71.0% from the quarter ended March 31, 2008 of $710,346 or $0.04 per unit basic and diluted.
- had a net loss[(2)] of $194,715 or $0.01 per unit basic and diluted for the quarter ended March 31, 2009 (for the quarter ended December 31, 2008 – net loss[(2)] of $228,370 or $0.01 per unit basic and diluted and for the quarter ended March 31, 2008 – net loss[(2)] of $462,121 or $0.03 per unit basic and diluted); and

The following is a summary chart of selected financial information:

| | Q1 2009 | Q1 2008 | Q4 2008 |
|---|---|---|---|
| NOI[1] | $ 2,794,806 | $ 2,034,971 | $ 2,905,800 |
| FFO[1] | $ 1,214,419 | $ 710,346 | $ 1,169,956 |
| FFO per unit - diluted[1] | $ 0.07 | $ 0.04 | $ 0.07 |
| Net loss | $ 194,715 | $ 462,121 | $ 228,370 |
| Net loss per unit - diluted | $ 0.01 | $ 0.03 | $ 0.01 |
| Distributions | $ 727,737 | $ 1,370,141 | $ 726,470 |
| Distributions per unit[3] | $ 0.040 | $ 0.078 | $ 0.040 |
| Cash distributions | $ 558,291 | $ 1,275,845 | $ 519,600 |
| Cash distributions per unit | $ 0.031 | $ 0.073 | $ 0.029 |
| Gross book value of real estate[4] | $ 141,848,215 | $ 112,650,057 | $141,578,346 |
| Secured debt and credit facilities | $ 92,190,962 | $ 63,330,140 | $ 92,345,108 |
| Debt-to-gross book value | 63.3% | 54.4% | 63.7% |

(1) Net operating income or "NOI" and funds from operations or "FFO" are non-GAAP financial measures widely used in the real estate industry. See "Financial Review" section for further details and advisories.
(2) As a result of new accounting standards implemented on January 1, 2009, prior year comparatives have been restated. Please see "Advisories" section for further details.
(3) Excluding the 3% bonus units given to participants in the Distribution Reinvestment and Optional Unit Purchase Plan.
(4) Includes income producing properties, intangible assets and intangible liabilities.

## CHARTER'S BUSINESS

Charter is focused on acquiring retail and mixed-use retail community and neighbourhood centres in the mid-market deal size range of $10 to $40 million from both primary and secondary markets throughout Canada. Management is of the view that retail centres are attractive investments because they offer stable cash flow where the majority of rents are derived from national and regional retailers with multi-year leases, as is the case with Charter's portfolio. These centres typically provide growth opportunities through the lease-up of vacant space, the upward trend in rental rates through contractual escalations and through management's active re-merchandising and re-development of the properties. The REIT will look to create a base of retail assets that provide both a reliable, stable cash flow and an opportunity for yield growth through re-leasing, re-development and/or development of assets.

Management believes that Charter has a differentiated position within the broader retail REIT universe by focusing on these community and neighbourhood shopping centres because there are only a small number of key public players focusing on these types of centres, and even fewer focusing on these types of centres in secondary markets. These centres would typically be between 100,000 and 500,000 square feet and anchored by department stores, discount retailers and/or supermarkets. Charter intends to maximize the value of its centres by executing the appropriate re-merchandising and re-development strategy wherever possible. Charter's goal is to own "institutional-grade" properties or properties with the potential to become "institutional-grade" through this re-merchandising and re-development.

By focusing on secondary markets, management believes that there are opportunities to obtain well-tenanted centres with strong national and regional retailers at attractive capitalization rates. Charter is building a portfolio of high quality secondary market real estate assets as well as high-yielding, opportunistic primary market real estate assets, allowing the REIT to generate higher returns at lower risk than if the REIT was to focus exclusively in primary markets.

The cost of the centres that Charter focuses on are generally in the $10 to $40 million range, which allows the REIT to differentiate itself from small public and private real estate investors, who management believes, generally look for smaller investments, while acquiring properties that are small enough to minimize competition from large real estate investment trusts, corporations and institutions.  The REIT will also look at larger acquisitions that do not fall into the investment parameters of larger entities but still provide good investment opportunities.

## REAL ESTATE PORTFOLIO

### *Real Estate Portfolio*

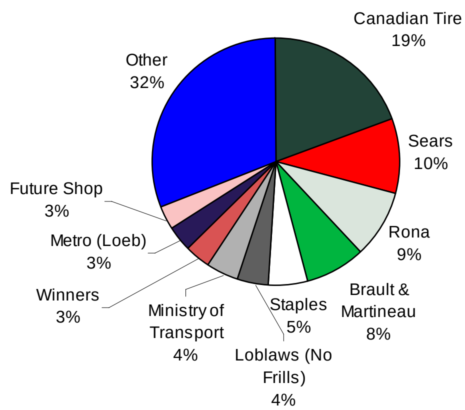
The REIT currently owns ten retail and mixed-use retail properties in Ontario and Quebec as follows:

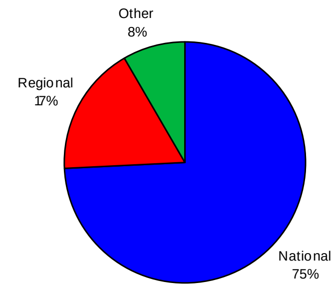
| Property and location | Property type | Date built /redeveloped | Anchor tenants | Gross Leaseable Area (sq.ft.) Retail[1] | Storage space | Occupancy[2] [3] | % of annualized base rental revenue[3] | Weighted average rent[3] |
|---|---|---|---|---|---|---|---|---|
| **Ontario:** | | | | | | | | |
| Cornwall Square<br>Cornwall, Ontario | Enclosed Mall | 1979/1989 | Sears<br>Loblaws (No Frills) | 250,100 | 1,258 | 97.7% | 27.9% | $11.86 |
| Place Val Est<br>Sudbury, Ontario | Grocery-anchored Strip Centre | 1983/1987, 1990, 1998 | Metro (Loeb) | 110,313 | - | 77.3% | 10.7% | $12.97 |
| Canadian Tire Property<br>Brockville, Ontario | Free Standing | 1995/2006 | Canadian Tire | 70,380 | - | 100% | 7.5% | $11.00 |
| Canadian Tire Property<br>Strathroy, Ontario | Free Standing | 2005 | Canadian Tire | 67,834 | - | 100% | 7.2% | $11.00 |
| Canadian Tire Property<br>Wasaga Beach, Ontario | Free Standing | 2007 | Canadian Tire | 54,081 | - | 100% | 5.7% | $11.00 |
| Rona Property<br>Exeter, Ontario | Free Standing | 1996/2000 | Rona | 42,780 | - | 100% | 1.3% | $3.21 |
| Rona Property<br>Seaforth, Ontario | Free Standing | 1962/2000 | Rona | 19,622 | - | 100% | 0.4% | $2.24 |
| Rona Property<br>Zurich, Ontario | Free Standing | 1961/2000 | Rona | 24,400 | - | 100% | 0.3% | $1.35 |
| **Quebec:** | | | | | | | | |
| Méga Centre<br>Montreal, Quebec | Community Power Centre | 1973/1993, 1999, 2000, 2004 | Brault & Martineau<br>Staples<br>Future Shop | 277,477 | 36,081 | 95.3% | 27.1% | $10.65 |
| Châteauguay<br>Montreal, Quebec | Mixed-use Strip Centre | 1970/1994 | Staples | 115,758 | - | 100% | 11.9% | $10.72 |
| **Total** | | | | **1,032,745** | **37,339** | **95.8%** [4] | **100%** | **$10.51** [4] |

Notes:

(1) Includes office space in mixed-use retail properties.
(2) Excluding storage space.
(3) Calculated at March 31, 2009 and include any new/renewal leasing done by March 31, 2009.
(4) Represents weighted average for the portfolio.

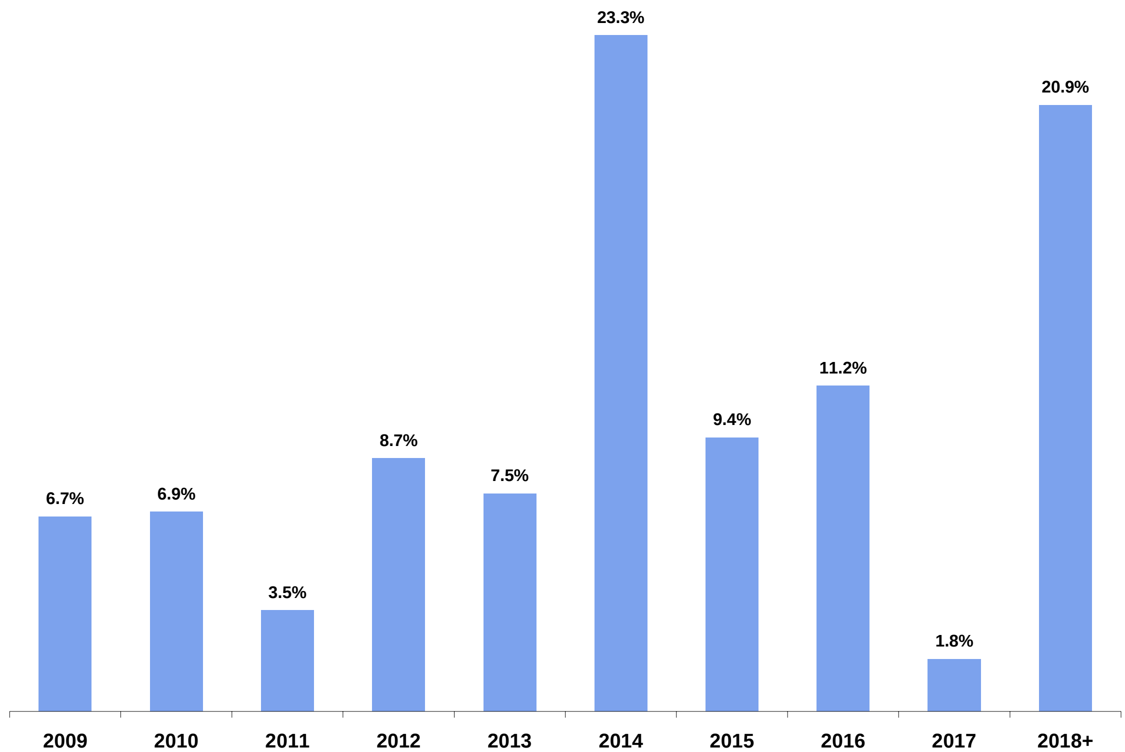
The REIT has a strong mix of national and regional tenants.  The tenant mix for the properties at March 31, 2009 is as follows:




Note:  Based on total leased sq. ft. excluding storage

The weighted average term to maturity of existing leases is approximately 7 years.  The chart below shows the lease expiration schedule of the properties as a percentage of leased square feet for 2009 and beyond:



Note:  Based on total leased sq. ft. excluding storage

***Leasing Activity and Occupancy***

For 2009, the portfolio has lease expiries of 79,809 square feet at an average base rent of $13.02 per square foot.  Of these, new or renewal leases of 14,103 square feet have been entered into at an average base rent of $18.07 per square foot.  The average occupancy rate for the portfolio decreased slightly to 95.8%, compared to December 31, 2008 at 95.9%.

At our Méga Centre mall in Montreal, a tenant who occupies approximately 34,000 square feet, vacated the premises in August 2008.  The lease expires at the end of September 2009 and the tenant is obligated and continues to pay rent until the end of its term.  Management did not expect the tenant to renew the lease at expiry and continues to actively seek a replacement tenant for the space.  The space is currently being sub-let by the tenant to a third party.

During the third quarter of 2008 at Place Val Est in Sudbury, SAAN Stores Ltd., which had entered into *Companies' Creditors Arrangement Act* (CCAA) protection, officially gave the REIT notice of termination of its lease.  SAAN occupied approximately 23,000 square feet in the shopping centre.  As part of the purchase of the property from the vendor in 2008, the REIT had obtained a rental guarantee from the vendor if the lease was altered or terminated through the CCAA proceedings.  As such, the REIT continues to receive rent on this space through the rental guarantee.  The rental guarantee ends at the end of July 2009.  Management is actively looking to re-lease this space.

## SUBSEQUENT EVENT

### *Acquisition Facility*

The REIT currently has a 364-day revolving operating and acquisition facility (the "Acquisition Facility") from a Canadian chartered bank in the amount of $31,275,000, secured by Cornwall Square. The Acquisition Facility expires in August 2009. The REIT has a commitment from the bank for an early renewal and extension of the facility pending formal legal documentation. The renewed Acquisition Facility will be a two-year revolving facility for an amount based on a loan-to-value ratio, not to exceed $26,000,000. Amounts drawn down will bear interest at a rate equal to the Bank's prime rate plus 3.50% per annum or Banker's Acceptances plus 4.50% per annum. At the current prime rate of interest and indicative 30-day Banker's Acceptance rate from the bank, the all-in rate would be 5.75% (using the prime rate) and 4.91% (using the indicative Banker's Acceptance rate from the bank).

For further details see the "Financial Review" section of this MD&A.

## FINANCIAL REVIEW

### *Financial Results*

The following is a summary of selected financial information.

| | Three months ended | | |
|---|---|---|---|
| | March 31, | | December 31, |
| | **2009** | **2008** | **2008** |
| Revenues from income producing properties | **$ 4,524,116** | $ 3,610,932 | $4,591,023 |
| Interest income | **$ 11,077** | $ 14,841 | $ 17,856 |
| Operating costs from income producing properties | **$ 1,729,310** | $ 1,575,961 | $1,685,223 |
| Interest expense | **$ 1,267,937** | $ 825,510 | $1,345,138 |
| General and administrative expenses | **$ 259,060** | $ 317,600 | $ 340,835 |
| Depreciation and amortization | **$ 1,456,260** | $ 1,314,754 | $1,446,983 |
| Incentive unit option compensation | **$ 17,341** | $ 54,069 | $ 19,070 |
| Net loss | **$ 194,715** | 462,121 | $ 228,370 |
| Net loss per unit-basic & diluted | **$ 0 .01** | $ 0.03 | $ 0.01 |

The net loss improved in the first quarter of 2009 compared to the first quarter of 2008 predominantly due to the impact of the net operating results from the Canadian Tire portfolio, which was acquired in September 2008, and the full quarter impact of Place Val Est, which was acquired in January 2008.

The first quarter 2009 net loss improved marginally compared to the fourth quarter of 2008 mainly as a result of interest and general and administrative cost savings, partially offset by lower net operating income. These items are discussed further below.

For a discussion of revenues from income producing properties and operating costs from income producing properties, see below under the heading "Net Operating Income".

Interest expense was $1,267,937 for the quarter ended March 31, 2009 compared to $825,510 for the quarter ended March 31, 2008. The increase was mainly as a result of financings obtained on the Canadian Tire property acquisitions completed in the latter half of 2008 as well as the full year impact of financings obtained on the acquisition of Place Val Est in the first quarter of 2008, partially offset by reduced interest paid on the Acquisition Facility as a result of lower interest rates.

Interest expense for the first quarter of 2009 was $1,267,937 compared to $1,345,138 for the fourth quarter of 2008. The decrease in interest expense between the first quarter of 2009 and the fourth quarter of 2008 is mainly a result of reduced interest paid on the Acquisition Facility due to a decrease in interest rates between quarters.

Interest expense for the quarter ended March 31, 2009 includes amortization of financing fees on secured debt of $30,350 (March 31, 2008 – $6,604; December 31, 2008 - $29,463).

General and administrative expenses decreased by $58,540 for the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008 primarily due to a decrease in audit and tax related expense, a decrease in filing fees, partly offset by an increase in asset management fee expense as a result of the REIT's asset base growing. General and administrative expenses decreased by $81,775 for the quarter ended March 31, 2009 compared to the quarter ended December 31, 2008, primarily due to higher legal and consulting fees. General and administrative expenses for the quarter ended March 31, 2009 consist of legal and consulting fees of $38,987, audit and tax compliance fees of $28,000, trustee fees of $37,203, asset management fees of $109,857, corporate filing, shareholder reports, news releases and transfer agent fees of $20,634 and other expenses of $24,379.

Depreciation and amortization for the quarter ended March 31, 2009 increased by $141,506 compared to the quarter ended March 31, 2008. The increase was mainly due to the full quarter impact of the acquisition of Place Val Est and the impact of the Canadian Tire properties which were acquired in September 2008. Depreciation and amortization remained relatively consistent, as expected, for the quarter ended March 31, 2009 compared to the quarter ended December 31, 2008.

### *Net Operating Income*

Net operating income ("NOI") is defined as revenues from income producing properties less operating costs from income producing properties. NOI is a non-GAAP ("GAAP" refers to Canadian generally accepted accounting principals) financial measure widely used in the real estate industry. Management considers NOI a meaningful additional measure of the results of the property portfolio and is useful in analyzing the operating performance of the property portfolio.

NOI should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP. Management's method of calculating NOI may differ from other issuers' methods of calculating NOI and accordingly, may not be comparable to NOI reported by other issuers.

**Net Operating Income – All Properties**

| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | Favourable/ (unfavourable) variance |
|---|---|---|---|
| Revenues from income producing properties | **$ 4,524,116** | $ 3,610,932 | $ 913,184 |
| Operating costs from income producing properties | **1,729,310** | 1,575,961 | (153,349) |
| Net operating income | **$ 2,794,806** | $ 2,034,971 | $ 759,835 |

The increase in NOI for the quarter ended March 31, 2009 compared to the same period in 2008 is primarily due to the acquisition of the Canadian Tire properties on September 5, 2008 amounting to approximately $583,000, the inclusion of the Place Val Est property for a full quarter in 2009 amounting to approximately $96,000 and an increase in NOI at the Méga Centre of approximately $89,000 mainly relating to a decrease in snow removal costs and a temporary tenant occupying one of the vacant units for part of the first quarter of 2009.

It should be noted that 4,871 square feet in the Place Val Est property is subject to a 'head lease' with the vendor for a 2 year term expiring in 2010. NOI from the head lease is not included in the statement of operations but rather reduced the purchase price of that property.

| | Three months ended March 31, 2009 | Three months ended December 31, 2008 | Favourable/ (unfavourable) variance |
|---|---|---|---|
| Revenues from income producing properties | **$ 4,524,116** | $ 4,591,023 | $ (66,907) |
| Operating costs from income producing properties | **1,729,310** | 1,685,223 | (44,087) |
| Net operating income | **$ 2,794,806** | $ 2,905,800 | $ (110,994) |

The decrease in NOI for the quarter ended March 31, 2009 compared to the quarter ended December 31, 2008 is primarily due to a decrease in percentage rents and other income driven by the seasonality of the business, as well as an increased provision for doubtful accounts of approximately $68,000.

As a result of new accounting standards that took effect on January 1, 2009, certain expenditures incurred on the REIT's properties that are recoverable from tenants will no longer be capitalized and amortized over the period of recoverability from the tenants. As such, NOI from the properties may show more volatility from period to period depending on when these expenditures are incurred and when they can be recovered from tenants. As well, it is anticipated that NOI from the REIT's properties will decrease by approximately $115,000 in the second quarter of 2009 solely relating to this accounting change and the related one-time adjustment to recoveries recorded in the first quarter of 2009.

### Net Operating Income – Same Properties

The same-property NOI included in the following table includes the operating results for the properties that were owned throughout the current and comparative periods. Any properties that were acquired during the comparative period have been "grossed-up" for a full period.

In the following table, same-property NOI reflects the Rona properties, Méga Centre, Cornwall Square, Châteauguay and Place Val Est. Place Val Est was acquired on January 31, 2008. All other properties listed were owned throughout both quarters being compared.

| | **Three months ended March 31, 2009** | **Three months ended March 31, 2008 (1)** | **Favourable/ (unfavourable) variance** |
|---|---|---|---|
| Revenues from income producing properties | **$3,940,661** | $ 3,790,477 | $ 150,184 |
| Operating costs from income producing properties | **1,729,158** | 1,659,568 | 69,590 |
| Net operating income | **$2,211,503** | $ 2,130,909 | $ 80,594 |

(1) These do not represent actual results. The results for properties acquired during this period have been "grossed-up" for a full period.

The increase in same-property NOI for the three months ended March 31, 2009 compared to the three months ended March 31, 2008 was primarily due to an increase in NOI from the Méga Centre of approximately $89,000 mainly relating to a decrease in snow removal costs and a temporary tenant occupying one of the vacant units for part of the first quarter of 2009.

All ten of the REIT's properties were owned during the entire quarters ended March 31, 2009 and December 31, 2008. As such, a same-property NOI comparison between these two quarters has not been prepared since the analysis of these two quarters prepared under the heading "Net Operating Income – All Properties" above, also serves as a same-property NOI analysis.

### *Funds From Operations*

Funds from operations ("FFO") is a non-GAAP financial measure of operating performance widely used by the real estate industry. Charter calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("RealPac"). The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modeled on the definition adopted by the National Association of Real Estate Investment Trusts ("NAREIT") in the United States.

Management considers FFO a meaningful additional measure of operating performance for financial analysts, investors and unitholders, as it primarily rejects the assumption that the value of real estate investments diminishes predictably over time and it adjusts for items included in GAAP net income that may not necessarily be the best determinants of operating performance.

FFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP. Management's method of calculating FFO may differ from other issuers' methods of calculating FFO and accordingly, may not be comparable to FFO reported by other issuers.

A reconciliation of GAAP net income to FFO is as follows:

| | **Three months ended March 31, 2009** | Three months ended March 31, 2008 | Three months ended December 31, 2008 |
|---|---|---|---|
| Net (loss) for the period | **$(194,715)** | $ (462,121) | $ (228,370) |
| Add depreciation & amortization of: | | | |
| Income producing properties | **925,792** | $ 731,550 | 914,002 |
| Deferred costs | **5,459** | $ 1,998 | 3,657 |
| Intangible assets | **477,883** | $ 438,919 | 480,667 |
| FFO | **1,214,419** | $ 710,346 | $ 1,169,956 |
| Weighted average units | | | |
| Basic | **18,056,628** | 17,612,784 | 18,010,444 |
| Diluted | **18,056,628** | 17,624,055 | 18,010,444 |
| FFO per unit | | | |
| Basic | **$ 0.07** | $ 0.04 | $ 0.07 |
| Diluted | **$ 0.07** | $ 0.04 | $ 0.07 |

FFO increased significantly during the three months ended March 31, 2009, compared to the same period in 2008 primarily as a result of the acquisition of Place Val Est on January 31, 2008, the acquisition of the Canadian Tire properties on September 5, 2008, general and administrative cost savings and reduced interest paid on the Acquisition Facility.

FFO for the quarter ended March 31, 2009 increased by $44,463 compared to the quarter ended December 31, 2008. The increase is predominantly due to interest and general and administrative cost savings, partially offset by lower NOI from the properties.

***Balance Sheet Analysis and Liquidity and Capital Resources***

| | As at March 31, 2009 | As at December 31, 2008 |
|---|---|---|
| Income producing properties | **$ 122,251,710** | $ 122,907,634 |
| Intangible assets | **11,474,358** | 11,952,241 |
| Deferred costs | **149,230** | 160,734 |
| Cash | **1,366,137** | 1,404,271 |
| Restricted cash | **422,830** | 422,830 |
| Other assets | **1,464,877** | 1,295,679 |
| **Total assets** | **$ 137,129,142** | $ 138,143,389 |
| | | |
| Secured debt | **$72,490,962** | $ 72,645,108 |
| Credit facilities | **19,700,000** | 19,700,000 |
| Other liabilities | **1,989,126** | 2,012,193 |
| **Total liabilities** | **94,180,088** | 94,357,301 |
| | | |
| Unitholders' equity | **42,949,054** | 43,786,088 |
| **Total liabilities and unitholders' equity** | **$ 137,129,142** | $ 138,143,389 |

The REIT allocates the purchase price of properties acquired largely to income producing properties (land, building and tenant improvements) and intangible assets (which represent above-market leases, lease origination costs and tenant relationship values that are acquired in a property purchase). No acquisitions were made in the first quarter of 2009. The change in the balances of income producing properties and intangible assets is primarily due to depreciation and amortization on these previously acquired assets, offset by approximately $270,000 of capital expenditures on income producing properties.

Deferred costs represent leasing costs, net of amortization, as well as deferred financing costs on the acquisition facility and the bridge facility, also net of amortization.

Restricted cash represents the remaining balance of the reserve fund the REIT was required to set up with its first mortgage lender on Méga Centre in order to fund capital expenditures at the centre. As all of the required capital expenditures have been completed, it is expected that the remaining balance of the reserve fund will be released and reimbursed back to the REIT in 2009.

Other assets of $1,464,877 at March 31, 2009 include accounts receivable of $841,222 and prepaid expenses of $623,655 (which primarily consist of prepaid property taxes, prepaid insurance and prepaid interest on Bankers' Acceptances entered into under the Acquisition Facility). Within accounts receivable, $424,316 relates to accumulated rental revenue recognized on a straight-line basis and the remainder is mainly comprised of amounts owing from tenants in the normal course of business.

For a discussion about the REIT's secured debt and credit facilities, see below under the heading "Mortgage and Other Financing".

Unitholders' equity was impacted by the net loss recorded, the cancellation of units under the normal course issuer bid, and $727,737 in distributions to unitholders recorded during the quarter ended March 31, 2009. In September 2008, the REIT reduced the monthly cash distribution to $0.01333 per unit from $0.02587 per unit, representing an annualized distribution of $0.16 per unit, down from the annualized distribution of $0.3104 per unit previously being paid. The REIT's trustees have discretion in declaring distributions and review those distributions on a regular basis.

For further discussion about the REIT's distributions, see below under the heading "Cash Flow". The REIT issues equity when it is appropriate to replenish cash, for acquisitions or other uses. The REIT generally uses its Acquisition Facility to fund the equity portion of acquisitions as well as to fund general working capital requirements between capital raises.

### Mortgages and Other Financing

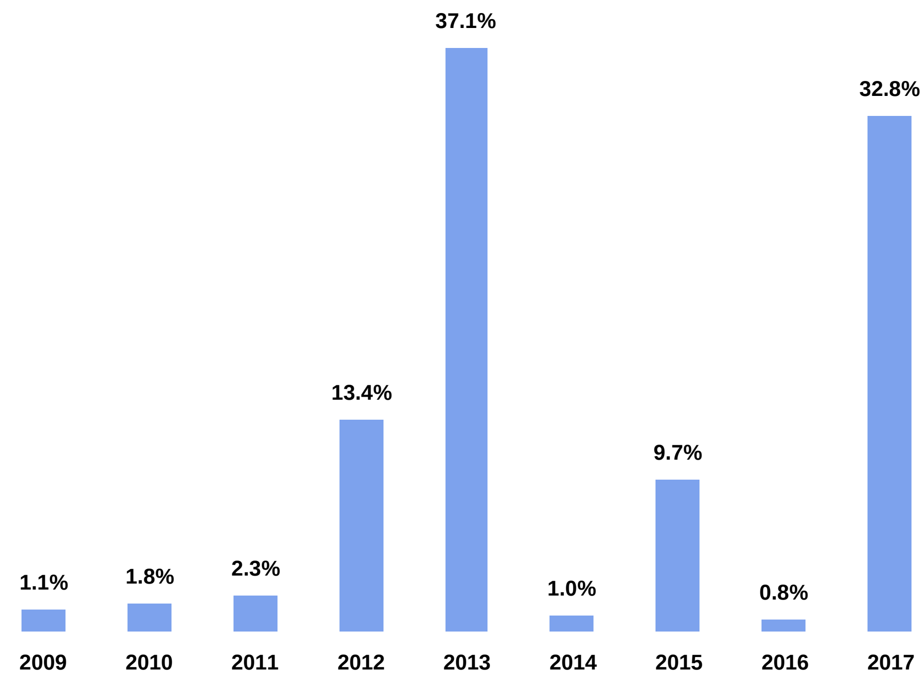
#### Secured Debt

The REIT's current average term to maturity on its secured debt (including mortgages payable and corporate secured debt both discussed below in more detail) is approximately 6 years, and the weighted average contractual interest rate is 5.87%.

Future principal repayments on the secured debt (including mortgages payable and corporate secured debt) are as follows:

| Year | Principal instalment payments | Balance maturing | Total | Contractual interest rate on debt maturing |
|---|---|---|---|---|
| 2009 | **$ 824,223** | **$ -** | **$ 824,223** | |
| 2010 | **1,298,790** | **-** | **1,298,790** | |
| 2011 | **1,697,518** | **-** | **1,697,518** | |
| 2012 | **1,805,741** | **8,014,133** | **9,819,874** | **5.39%** |
| 2013 | **1,479,292** | **25,627,933** | **27,107,225** | **6.69%** |
| Thereafter | **2,244,032** | **30,085,651** | **32,329,683** | **5.29%** |
| **Total** | **$ 9,349,596** | **$63,727,717** | **$73,077,313** | |

The following is a debt maturity table starting with the remainder of 2009:




## Mortgages Payable

The REIT's objective in securing mortgages for its properties and managing its long-term debt is to stagger the maturities in order to mitigate against short-term volatilities in the debt markets. The REIT has conventional first mortgages on all of its properties except for the Rona properties and Cornwall Square. The Rona properties are being used as security for the $8,600,000 corporate secured debt obtained in conjunction with the acquisition of the Canadian Tire properties (see below under "Corporate Secured Debt"). Cornwall Square is being used as security for the Acquisition Facility discussed in more detail under "Acquisition Facility" below.

Under the terms of the Méga Centre mortgage, $525,000 was required to be set up as a reserve fund in order to fund capital expenditures at the centre. At March 31, 2009, $422,830 remains outstanding in restricted cash and represents the remaining balance of the reserve fund. It is expected that the remaining balance of the reserve fund will be released and reimbursed back to the REIT in 2009 as a result of the required capital expenditures being completed in 2008.

## Corporate Secured Debt

Concurrent with the closing of the Canadian Tire properties in 2008, the REIT obtained corporate financing in the total amount of $10,000,000, made up of two facilities (the "Facilities"). The Facilities were primarily used to finance the equity portion of the Canadian Tire properties, as well as for working capital purposes.

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

The second facility is a $1,400,000 five-year facility that bears interest at 8.75% per annum 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%.

**Bridge Financing**

For the quarter ended March 31, 2009, the REIT had a bridge credit facility (the “Bridge Facility”) with C.A. Bancorp Inc. for $14,000,000. No amounts were drawn on the Bridge Facility at March 31, 2009. The Bridge Facility bore interest at an annual rate of 12% and expired on April 1, 2009. The REIT has not renewed this facility.

**Acquisition Facility**

The REIT has the Acquisition Facility available to it from a Canadian chartered bank. It is a 364-day revolving operating and acquisition facility in the amount of $31,275,000. The Acquisition Facility is secured by Cornwall Square. The Acquisition Facility may be used to fund the equity portion of future acquisitions (without lender approval of the particular acquisition) and for general working capital purposes. The facility was set to expire on August 6, 2009 but in April 2009, the REIT received a commitment from the bank for the early renewal and extension of the facility. The Acquisition Facility will now be for a two-year term (expiring on the two year anniversary of the closing of the final legal documentation relating to the early renewal and extension, which is expected to be in early May 2009). The amount of the renewed Acquisition Facility will be based on a maximum loan-to-value ratio, not to exceed $26,000,000. Pursuant to the terms of the Acquisition Facility, from time to time, the amount permitted to be drawn under the Acquisition Facility may be adjusted based on certain financial tests. Under the renewed terms, amounts drawn down under the Acquisition Facility bear interest at a rate equal to the Bank's prime rate plus 3.50% per annum (up from prime plus 1% per annum) and Banker's Acceptances bear interest at a rate equal to the Bank's Acceptance stamping fee plus 4.50% per annum (up from Banker’s Acceptances plus 2% per annum). The Acquisition Facility contains financial covenants with respect to maintaining agreed upon debt-to-gross book value ratios (being a maximum of 75%) and other tests customary for this type of facility.

Throughout the quarter ended March 31, 2009, the total balance outstanding under the Acquisition Facility remained at $19,700,000.

**Financing Costs**

The unamortized balance of financing costs of $586,351 at March 31, 2009 relating to secured debt (including mortgages payable and corporate secured debt), has been netted against the secured debt on the balance sheet. The unamortized balance of financing costs of $43,672 at March 31, 2009 relating to the Acquisition Facility, has been capitalized to deferred costs on the balance sheet.

These financing costs represent commitment fees and other fees paid in connection with securing these loans and facilities.

## Debt-to-Gross Book Value

Real estate is a capital intensive industry. As a result, debt capital[1] is a very important aspect to managing the business. In addition, financial leverage is used to enhance returns from purchased real estate. 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-gross book value threshold imposed on it in its Declaration of Trust, however the REIT's Acquisition Facility and corporate secured debt actually impose a restriction on the REIT's debt-to-gross book value ratio, being a maximum of 75%. At March 31, 2009, the REIT has a debt-to-gross book value ratio of 63.3%, calculated as follows:

| | As at March 31, 2009 | As at December 31, 2008 |
|---|---|---|
| **Debt:** | | |
| Gross value of secured debt[2] | **$ 73,077,313** | $ 73,261,809 |
| Amounts drawn on available credit facilities | **19,700,000** | 19,700,000 |
| | **$ 92,777,313** | $ 92,961,809 |
| **Gross Book Value of Assets:** | | |
| Total assets | **$ 137,129,142** | $ 138,143,389 |
| Accumulated depreciation and amortization | **9,346,203** | 7,889,942 |
| | **$ 146,475,345** | $ 146,033,331 |
| **Debt-to-Gross Book Value** | **63.3%** | 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.

### Cash Flow

Prior to its distribution reduction in September 2008, the REIT was paying distributions in excess of operating cash flow and FFO and had funded the excess using its Acquisition Facility. However, as a result of the distribution reduction, management believes that operating cash flow and FFO will continue to cover distributions.

To the extent operating cash flow is insufficient, the REIT may also use its Acquisition Facility to fund other expenditures including capital expenditures and leasing costs required on the properties as well as principal repayments on the secured debt.

The following table summarizes the net cash provided by or (used in) the REIT's activities:

| | Three months ended March 31, 2009 | Three months ended March 31, 2008 | Three months ended December 31, 2008 |
|---|---|---|---|
| Net cash provided by operating activities | **$ 1,153,333** | $1,154,128 | $ 1,696,139 |
| Net cash provided by (used in) financing activities | **$ (842,878)** | $6,067,285 | $ (1,012,268) |
| Net cash (used in) investing activities | **$ (348,589)** | $(7,286,870) | $ (481,315) |

Cash provided by operating activities for the three months ended March 31, 2009 compared to the same period in 2008 is relatively consistent.

Cash provided by operating activities decreased by $542,806 for the three months ended March 31, 2009 compared to the three months ended December 31, 2008. The decrease was predominantly due to a decrease in the change in non-cash working capital mainly relating to deposits on properties under option in 2008 that were returned to the REIT in the fourth quarter of 2008 as the REIT decided not to proceed with those particular acquisitions.

For the three months ended March 31, 2009, cash used in financing activities mainly relates to the $558,291 in cash distributions paid to unitholders, the buyback of REIT units under the normal course issuer bid in the amount of $96,280 and principal repayments on secured debt amounting to $184,496. Cash generated from financing activities decreased by $6,910,163 during the current quarter compared to the quarter ended March 31, 2008 mainly due to $7,500,000 in drawdowns on the Acquisition Facility obtained in the first quarter of 2008 for the acquisition of Place Val Est, partly offset by a decrease in cash distributions of $717,554 paid to unitholders as a result of the distribution reduction which occurred in September 2008.

Cash used in financing activities decreased by $169,390 during the current quarter compared to the quarter ended December 31, 2008, primarily due to a decrease in the buyback of units under the normal course issuer bid as well as some additional costs incurred in the fourth quarter of 2008 on new secured debt that was obtained during the year.

Cash used in investing activities for the three months ended March 31, 2009 decreased from the prior year comparable and the prior quarter comparable. This is due to the fact that no acquisitions were made in the first quarter of 2009. During the three months ended March 31, 2008, Place Val Est had been acquired, and during the fourth quarter of 2008, additional costs were incurred on the acquisition of the Canadian Tire properties. Cash used in investing activities in the first quarter of 2009 of approximately $349,000 pertains primarily to capital expenditures and tenant improvements at Place Val Est and Cornwall Square.

**Capital Expenditures**

Management believes that over the next five years, the Méga Centre will require capital expenditures of between $150,000 and $250,000 mainly for parking lot maintenance. As well, the REIT may choose to undertake certain cosmetic renovations that would cost approximately $500,000. The extent of these renovations will depend on leasing activity in the centre.

Over the past four years there has been ongoing parking deck maintenance at Cornwall Square. Capital expenditures for this maintenance have been approximately $150,000 per year. The REIT expects to continue parking deck maintenance and to spend approximately $150,000 per year, which amount will be recoverable from the tenants. Additionally, between 1996 and 2001 extensive roof repairs were completed. Capital expenditures during this period amounted to an aggregate of approximately $800,000. Accordingly, the REIT does not expect to make significant non-recoverable capital expenditures on the property in the next five years.

With respect to the Châteauguay property, in conjunction with the finalization of new anticipated leasing activity, management believes that over the next five years, approximately $100,000 to $200,000 will be required for renovations to enhance the appearance of the centre.

On Place Val Est management expects to spend between $175,000 and $350,000 in capital expenditures over the next five years. These expenditures are primarily for HVAC replacement, parking lot maintenance and sidewalk renovations. Management believes that approximately 50% of these amounts will be recoverable from tenants. During the first quarter of 2009, approximately $192,000 was spent on roof replacement at Place Val Est.

### *Related Party Transactions*

Pursuant to the REIT's management agreement with C.A. Realty Management Inc. (the "Manager") (a wholly-owned subsidiary of C.A. Bancorp Inc.), management fees of $109,857 for the quarter ended March 31, 2009 were payable to the Manager ($87,821 for the quarter ended March 31, 2008).

### *Quarterly Performance*

The following is a summary of the interim results for each of the last eight quarterly periods.

| | **Q2-2007** | **Q3-2007** | **Q4-2007** | **Q1-2008** | **Q2-2008** | **Q3-2008** | **Q4-2008** | **Q1-2009** |
|---|---|---|---|---|---|---|---|---|
| Total revenues | $1,153,438 | $2,048,114 | $3,013,462 | $3,625,773 | $3,714,219 | $3,938,207 | $4,608,879 | $4,535,193 |
| Expenses | $2,298,845 | $3,231,181 | $3,301,239 | $4,087,894 | $3,910,659 | $4,308,872 | $4,837,249 | $4,729,908 |
| Net loss | $1,145,407 | $1,183,067 | $ 287,777 | $462,121 | $196,440 | $370,665 | $228,370 | $194,715 |
| Net loss per unit – basic & diluted | $ 0.52 | $ 0.11 | $ 0.02 | $0.03 | $0.01 | $0.02 | $0.01 | $0.01 |

### *Changes in Accounting Policies*

Effective January 1, 2009, the REIT adopted Section 3064, Goodwill and Intangible Assets, which was issued by the Canadian Institute of Chartered Accountants ("CICA"). The new standard and its impact on the 2008 comparative figures in the financial statements is described in more detail in Note 3 to the interim unaudited consolidated financial statements for the quarter ended March 31, 2009.

With respect to future changes in accounting pronouncements, management monitors the CICA recently issued accounting pronouncements to assess the applicability and impact, if any, of those pronouncements on the REIT's consolidated financial statements and note disclosures.

#### Business Combinations

The CICA Accounting Standards Board ("AcSB") 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 for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. The CICA has issued a new accounting standard, CICA Handbook 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. CICA Handbook 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 CICA Handbook Sections 1581, Business Combinations and 1600, Consolidated Financial Statements.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook 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.

#### International Financial Reporting Standards ("IFRS")

The AcSB confirmed that the adoption of IFRS would be effective for interim and annual periods beginning on or after January 1, 2011 for Canadian publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be provided.

Management has an implementation strategy and is currently in the process of evaluating the potential impact of IFRS on the REIT's financial statements. The implementation strategy has been communicated to the REIT's trustees and updated quarterly and the REIT is currently on track with respect to relevant timelines. Management believes that it has enough internal resources to deal with the conversion. At the current time, it is anticipated that no significant system changes will be required, although appropriate training will need to be undertaken with the REIT's property managers to ensure that they understand the IFRS changes relevant to the REIT. Any relevant system changes and training is planned for 2009 and 2010. The REIT's trustees have made certain preliminary decisions regarding accounting policy choices under IFRS, namely to move to fair value reporting of income producing properties. The process of evaluating the potential impact of IFRS on the REIT's financial statements is an on-going process as new standards and recommendations are issued by the International Accounting Standards Board and the AcSB. The REIT's financial statements as currently disclosed under GAAP may be significantly different when presented in accordance with IFRS. As well, certain key arrangements that the REIT has in place, such as its Acquisition Facility, may need to be revised in order to deal with the changes to the REIT's financial statements that will occur. Any such changes are proposed to occur in 2009 and 2010.

***Critical Accounting Estimates***

The preparation of financial statements requires the REIT to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The REIT's significant accounting policies are described in Note 2 to the interim consolidated financial statements for the quarter ended March 31, 2009 and Note 2 to the consolidated financial statements for the year ended December 31, 2008. Management believes that the policies which are most subject to estimation and management's judgment relate to the following:

**Property Acquisitions**

In accordance with the CICA Handbook, management is required to allocate the purchase price to all identifiable tangible and intangible assets and liabilities, which may include land, buildings, tenant improvements, above and below market in-place leases, lease origination costs and tenant relationship values. Management uses estimates and judgments with respect to such items as market rates and discount rates to derive the fair values of these various components. Future depreciation and amortization is impacted by the derived allocations, due to the varying rates of amortization for these different assets.

**Impairment of Income Producing Properties**

Management must evaluate the recoverability of the net carrying amount of income producing properties. An impairment in the value of income producing properties is recognized when the carrying value exceeds the total undiscounted future cash flows expected from the use and eventual disposal of the asset. In making this evaluation, estimates are made regarding the future cash flows of the property, which involve assumptions on future occupancy, rental rates and residual value.

**Depreciation and Amortization**

Depreciation and amortization requires estimates of useful lives of the underlying assets.

**Incentive Unit Options**

Incentive unit compensation expense represents the amortization of the fair value of options granted. The derivation of the fair value of options granted uses the Black-Scholes option pricing model and requires assumptions regarding the REIT's underlying units, such as expected volatility, the risk-free rate of return and dividend yield.

### Fair Value Disclosures

Management is required to disclose the fair value of financial instruments in the financial statements. In determining the fair value of financial instruments, management must make estimates and assumptions with respect to current market interest rates, credit spreads and terms to maturity.

## CORPORATE STRATEGY AND OUTLOOK

Since mid-September 2008, global market conditions have significantly deteriorated. Stock markets have plummeted as investors have lost confidence in the public markets for several reasons, including: the continuing financial liquidity crisis; risky lending and derivatives practices that have led to large-scale bankruptcies and large government bailouts worldwide; and recessionary pressures impacting many economies. In terms of Charter, we have been affected like many other REITs in Canada in that our unit price continues to trade at levels that are below book value or net asset value; equity market conditions remain fragile, making it difficult to raise equity capital; financing for acquired real estate continues to be difficult to obtain; and leasing activity remains less robust than in previous years.

Although the REIT continues to seek additional property acquisitions, it is not likely that any acquisitions will take place until market conditions stabilize.

On a positive note, the REIT continues to maintain a strong balance sheet with a debt-to-gross book value ratio of 63.3% at March 31, 2009 and has no mortgage debt maturities until December 2012. The REIT has also been proactive in managing its liquidity by securing a commitment for the early renewal of its Acquisition Facility for a two-year term. This early renewal will allow the REIT to continue with its business plan and leasing initiatives. As well, the REIT currently generates sufficient operating cash flow and FFO to cover distributions. The REIT's payout ratio for the quarter ended March 31, 2009 is 59.9% of FFO based on the current distribution level of $0.04 per quarter.

In terms of the REIT's existing properties, Charter works very closely with its property managers to ensure that the properties are maintained and leased appropriately and in accordance with management's long-term visions for those properties. Lease expiries and new leasing/renewals to the date of this MD&A and for the remainder of 2009 are as follows:

| | Q1 | Q2 | Q3 | Q4 | Total | |
|---|---|---|---|---|---|---|
| Lease expiries | 6,006 | 19,283 | 40,346 | 14,174 | 79,809 | |
| Base rent per square foot | $19.83 | $10.97 | $9.72 | $22.31 | $13.02 | (1) |
| New leasing/renewals | 6,216 | 3,567 | 3,500 | 820 | 14,103 | |
| Base rent per square foot | $12.54 | $15.36 | $22.00 | $54.98 | $18.07 | (1) |

(1) weighted average

There are three large tenancies expiring in 2009 that the REIT is currently looking to re-lease – one in the Méga Centre, one in Place Val Est and one in Châteauguay. As previously mentioned, at Méga Centre a tenant who occupies approximately 34,000 square feet vacated the premises in August 2008. Their lease expires at the end of September 2009 and the tenant is obligated to pay rent until the end of its lease term and continues to do so. Management did not expect the tenant to renew the lease at expiry and continues to actively seek a replacement tenant for the space. Also at Place Val Est the SAAN space will need to be re-leased. SAAN occupied approximately 23,000 square feet in the shopping centre. The rental guarantee from the vendor is in place until the end of July 2009 and as such the REIT will continue to receive rent on the SAAN space until then. In terms of Châteauguay, a 15,000 square foot lease expires at the end of May 2009. The tenant has indicated that they do not want to renew. Management is currently working on a lease deal to replace this tenant. In terms of Cornwall Square, approximately 21,000 square feet is coming due in 2009. All are in-line small tenants and approximately 12,303 square feet of either renewal or new leasing has taken place.

With respect to tax treatment, the distributions made during 2009 are expected to be substantially tax deferred and will therefore not be included in the income of a unitholder for tax purposes but will reduce the adjusted cost base of that unitholder's units. Also, as currently structured, management believes that the REIT qualifies as a "real estate investment trust" under the recently passed SIFT tax legislation. Under the SIFT legislation, certain distributions to investors from certain publicly listed or traded trusts and partnerships (or "SIFTs") other than real estate investment trusts, will be subject to tax at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations and will be taxed in the hands of unitholders as though they were a dividend from a taxable Canadian corporation. The result is that SIFTs (other than real estate investment trusts) will be taxed in a similar manner to corporations and their investors will be taxed in a manner similar to investors in a corporation. The SIFT legislation applied commencing in the 2007 taxation year. The SIFT legislation does not apply to certain trusts that qualify as real estate investment trusts. Should it be found that the REIT fails to qualify as a real estate investment trust or the REIT undertakes subsequent activities that cause it to fail to qualify as a real estate investment trust, the SIFT legislation would allow the failure to be cured within the taxation year so that the REIT could qualify as a real estate investment trust for the next taxation year.

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. This includes establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management believes that the REIT's disclosure controls and procedures and internal controls over financial reporting as at March 31, 2009 were appropriately designed, however management is not required to certify the design and evaluation of the REIT's disclosure controls and procedures or internal controls over financial reporting and have not completed such an evaluation. As well, inherent limitations on the ability of management to design and implement on a cost-effective basis, disclosure controls and procedures or internal controls over financial reporting for the REIT, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

There has been no change in internal controls over financial reporting in the first quarter of 2009 that has materially affected, or is reasonably likely to materially affect the REIT's internal controls over financial reporting. On many of its properties, the REIT has engaged the services of third-party property managers whose internal controls form part of the REIT's system of internal controls. The REIT has documented and continues to review those internal controls, reports and other documentation provided by the property managers as part of its internal control activities.