Interim Consolidated Financial Statements of

CHARTER REAL ESTATE INVESTMENT TRUST

As at and for the Three Months Ended March 31, 2010

(unaudited)

CHARTER REAL ESTATE INVESTMENT TRUST
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CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(unaudited)

		As at March 31, 2010		As at December 31, 2009
ASSETS				
Cash	**$**	**1,212,194**	$	1,074,765
Accounts receivable (Note 3)		**842,351**		819,243
Income producing properties (Note 4)		**121,583,256**		122,216,906
Intangible assets (Note 5)		**9,182,363**		9,738,939
Deferred costs (Note 6)		**350,925**		403,390
Other assets		**591,180**		346,206
	$	**133,762,269**	$	134,599,449
LIABILITIES				
Secured debt (Note 7)	**$**	**71,458,088**	$	71,725,963
Credit facility (Note 8)		**21,750,000**		20,500,000
Accounts payable and other liabilities		**2,287,318**		2,609,811
Intangible liabilities (Note 5)		**249,396**		267,611
		95,744,802		95,103,385
UNITHOLDERS' EQUITY		**38,017,467**		39,496,064
	$	**133,762,269**	$	134,599,449

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

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

"Janet Graham"
…………………………………… Trustee

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

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

	Three Months Ended March 31,	
	2010	2009
REVENUE		
Revenues from income producing properties	**$ 4,151,806**	$ 4,524,116
Interest income	**1,102**	11,077
	4,152,908	4,535,193
EXPENSES		
Operating costs from income producing properties	**1,733,856**	1,729,310
Interest expense on long-term secured debt and credit facility	**1,347,919**	1,093,030
Interest expense on short-term secured debt and credit facility	**2,535**	174,907
General and administrative expenses	**328,943**	259,060
Depreciation and amortization of income producing properties	**929,980**	925,792
Amortization of deferred costs	**51,006**	52,585
Amortization of intangible assets	**556,575**	477,883
Incentive unit option compensation	**-**	17,341
	4,950,814	4,729,908
NET LOSS AND COMPREHENSIVE LOSS	**$ (797,906)**	$ (194,715)
LOSS PER UNIT (Note 11)		
Basic	**$ (0.04)**	$ (0.01)
Diluted	**$ (0.04)**	$ (0.01)

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 March 31,	
	2010	2009
Trust Units (Note 9)		
BALANCE, BEGINNING OF PERIOD	**$ 54,697,477**	$ 54,544,101
Issuance of units under distribution reinvestment plan, net of costs	**60,436**	166,593
Units cancelled under normal course issuer bid, net of costs	**-**	(341,179)
BALANCE, END OF PERIOD	**54,757,913**	54,369,515
Contributed Surplus		
BALANCE, BEGINNING OF PERIOD	**1,040,336**	769,048
Incentive unit option compensation	**-**	17,341
Value associated with units cancelled under normal course issuer bid	**-**	242,663
BALANCE, END OF PERIOD	**1,040,336**	1,029,052
Deficit and Accumulated Other Comprehensive Loss		
BALANCE, BEGINNING OF PERIOD	**(16,241,749)**	(11,527,061)
Net loss	**(797,906)**	(194,715)
Distributions to unitholders	**(741,127)**	(727,737)
BALANCE, END OF PERIOD	**(17,780,782)**	(12,449,513)
TOTAL UNITHOLDERS' EQUITY	**$ 38,017,467**	$ 42,949,054
Units issued and outstanding (Note 9)	**18,508,958**	18,119,378

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 March 31, **2010**	2009
OPERATING ACTIVITIES		
Net loss	**$ (797,906)**	$ (194,715)
Adjusted for non-cash items:		
Depreciation and amortization	**1,537,561**	1,456,260
Amortization of below-market rate leases	**(18,215)**	(21,301)
Non cash portion of interest expense	**25,008**	30,350
Incentive unit option compensation	**-**	17,341
Leasing costs	**(5,224)**	(26,114)
Net change in non-cash working capital	**(203,609)**	(108,488)
Net cash provided by operating activities	**537,615**	1,153,333
FINANCING ACTIVITIES		
Principal repayments on secured debt	**(292,883)**	(184,496)
Drawdowns on credit facility	**1,500,000**	-
Repayments of credit facility	**(250,000)**	-
Cancellation of units under normal course issuer bid	**-**	(96,280)
Cost of issuance and cancellation of units	**(1,520)**	(3,811)
Distributions to unitholders	**(678,915)**	(558,291)
Net cash provided by (used in) financing activities	**276,682**	(842,878)
INVESTING ACTIVITIES		
Additions to buildings and building improvements	**(92,477)**	(288,589)
Additions to tenant improvements	**(584,391)**	(60,000)
Net cash used in investing activities	**(676,868)**	(348,589)
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	**137,429**	(38,134)
CASH, BEGINNING OF PERIOD	**1,074,765**	1,404,271
CASH, END OF PERIOD	**$ 1,212,194**	$ 1,366,137
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	**$ -**	$ -
Interest paid	**$ 1,330,869**	$ 1,185,426

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

1. ORGANIZATION

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

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

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

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

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

2. 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.

3. ACCOUNTS RECEIVABLE

	March 31, 2010	December 31, 2009
Tenant receivables	**$ 237,295**	$ 273,323
Unbilled recoveries and rents receivable	**(4,468)**	1,500
Revenues receivable from income producing properties recognized on a straight-line basis	**752,248**	655,562
Corporate and other amounts receivable	**9,737**	21,320
	994,812	951,705
Allowance for doubtful accounts	**(152,461)**	(132,462)
	$ 842,351	$ 819,243

3. ACCOUNTS RECEIVABLE (continued)

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:

		March 31, 2010		December 31, 2009
Less than 30 days	**$**	**122,904**	$	72,577
Between 31 and 60 days		**21,046**		48,843
Between 61 and 90 days		**18,013**		3,237
More than 90 days		**75,332**		148,666
	$	**237,295**	$	273,323

4. INCOME PRODUCING PROPERTIES

	March 31, 2010					
		Gross Book Value		**Accumulated Depreciation/ Amortization**		**Net Book Value**
Land	**$**	**22,988,880**	**$**	**-**	**$**	**22,988,880**
Buildings		**95,332,538**		**5,988,158**		**89,344,380**
Building improvements		**1,627,752**		**258,840**		**1,368,912**
Tenant improvements		**2,967,119**		**131,873**		**2,835,246**
Tenant improvements acquired in an income producing property acquisition		**7,841,416**		**2,795,578**		**5,045,838**
	$	**130,757,705**	**$**	**9,174,449**	**$**	**121,583,256**

	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

5. INTANGIBLE ASSETS AND LIABILITIES

	March 31, 2010					
		Gross Book Value		**Accumulated Amortization**		**Net Book Value**
Intangible assets						
Lease origination costs	**$**	**7,608,768**	**$**	**3,554,217**	**$**	**4,054,551**
Tenant relationships		**6,538,715**		**1,410,903**		**5,127,812**
	$	**14,147,483**	**$**	**4,965,120**	**$**	**9,182,363**
Intangible liabilities						
Below market in-place leases	**$**	**476,471**	**$**	**227,075**	**$**	**249,396**

	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

6. DEFERRED COSTS

	March 31, 2010					
		Gross Book Value		**Accumulated Amortization**		**Net Book Value**
Leasing costs	**$**	**252,244**	**$**	**60,850**	**$**	**191,394**
Deferred financing costs		**280,620**		**121,089**		**159,531**
	$	**532,864**	**$**	**181,939**	**$**	**350,925**

	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

7. SECURED DEBT

Secured debt can be summarized as follows:

		March 31, 2010		December 31, 2009
Mortgages payable	$	**61,960,207**	$	62,253,090
Corporate secured debt		**10,000,000**		10,000,000
		71,960,207		72,253,090
Unamortized balance of commitment and other fees		**(502,119)**		(527,127)
	$	**71,458,088**	$	71,725,963

Scheduled repayments of secured debt are as follows:

		Principal Instalment Payments		Balance Maturing		Total
2010 (remainder of the year)	$	**1,005,907**	$	**-**	$	**1,005,907**
2011		**1,697,518**		**-**		**1,697,518**
2012		**1,805,741**		**8,014,133**		**9,819,874**
2013		**1,479,292**		**25,627,933**		**27,107,225**
2014		**755,905**		**-**		**755,905**
Thereafter		**1,488,127**		**30,085,651**		**31,573,778**
Contractual obligations	**$**	**8,232,490**	**$**	**63,727,717**	**$**	**71,960,207**

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 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.

7. SECURED DEBT (continued)

(b) Corporate secured debt

At March 31, 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.

8. 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 March 31, 2010, $21,750,000 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% (March 31, 2010 – 63.3%) and maintaining a debt service coverage ratio of no less than 1.25:1 calculated on a rolling four quarter basis (March 31, 2010 – 1.44:1) as well as requiring that cash distributions do not exceed funds from operations in any quarter.

The unamortized balance of financing fees relating to the facility is $159,531 at March 31, 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.

9. 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.

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

(b) Normal course issuer bid

On August 15, 2008, the REIT announced its intention to purchase up to 894,262 units for cancellation by way of a normal course issuer bid through the facilities of the TSX Venture Exchange (the "Exchange"). The normal course issuer bid expired on August 19, 2009. During the three months ended March 31, 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.

9. 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 March 31,					
	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	**43,427**		**61,956**	207,893		168,168
Unit issue costs			**(1,520)**			(1,575)
Units cancelled:						
Normal course issuer bid	-		-	(112,000)		(338,943)
Cancellation costs			-			(2,236)
Units Outstanding, End of Period	**18,508,958**	**$**	**54,757,913**	18,119,378	$	54,369,515

10. 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 three months ended March 31, 2010 or during the year ended December 31, 2009.

The following table summarizes the information about the unit options outstanding as of March 31, 2010.

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

The weighted average remaining contractual life at March 31, 2010 for the exercisable unit options is approximately 2 years (December 31, 2009 – approximately 3 years).

11. PER UNIT CALCULATIONS

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

	Three Months Ended March 31,					
	2010			2009		
	Weighted Average Number of Units		**Loss per unit**	**Weighted Average Number of Units**		**Loss per unit**
Basic and Diluted	**18,504,160**	**$**	**(0.04)**	18,056,628	$	(0.01)

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

12. 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 March 31, 2010, the REIT is in compliance with its debt-to-gross book value ratio at 63.3%, which is calculated as follows:

	As at March 31, 2010	As at December 31, 2009
Debt:		
Gross value of secured debt [2]	**$ 71,960,207**	$ 72,253,090
Amounts drawn on available credit facilities	**21,750,000**	20,500,000
	$ 93,710,207	$ 92,753,090
Gross Book Value of Assets:		
Total assets	**$ 133,762,269**	$ 134,599,449
Accumulated depreciation and amortization	**14,321,508**	13,252,337
	$ 148,083,777	$ 147,851,786
Debt-to-Gross Book Value	**63.3%**	62.7%

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

In terms of the REIT's equity capital, the REIT issues equity when it is available and appropriate to replenish cash, for acquisitions, or other uses. The REIT has its Acquisition Facility, which it generally uses to fund the equity portion of acquisitions as well as to fund general working capital requirements. This allows the REIT to grow and manage its business between capital raises.

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.

13. 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 4.66% and 12.75% that reflect current market conditions for instruments of similar term and risk. The fair value of the REIT's secured debt is approximately $71,000,000 at March 31, 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 March 31, 2010 the REIT has included cash of $1,212,194 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 March 31, 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 March 31, 2010, a 1% increase or decrease in the Bank's prime rate could impact the REIT's annual interest expense by approximately $218,000 (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 March 31, 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 3 for details of accounts receivable.

13. 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 7) 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	$ 3,126,466	$ 4,084,694	$ 3,976,471	$ 3,093,560	$ 1,674,791	$ 3,279,122	$ 19,235,104
Principal payments	1,005,907	1,697,518	1,805,741	1,479,292	755,905	1,488,127	8,232,490
Balances due on maturity	-	-	8,014,133	25,627,933	-	30,085,651	63,727,717
Credit facility							
Interest	799,313	405,861	-	-	-	-	1,205,174
Balance due on maturity	-	21,750,000	-	-	-	-	21,750,000
Accounts payable and other liabilities	2,287,318	-	-	-	-	-	2,287,318
Total	$ 7,219,004	$ 27,938,073	$ 13,796,345	$ 30,200,785	$ 2,430,696	$ 34,852,900	$ 116,437,803

14. RELATED PARTY TRANSACTIONS

The REIT enters into related party transactions with C.A. Bancorp Inc., the REIT's major unitholder. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Management agreement

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

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

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

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

	Three Months Ended March 31, **2010**	2009
Management fees	**$ 111,063**	$ 109,857

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

14. RELATED PARTY TRANSACTIONS (continued)

(a) *Management agreement* (continued)

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

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

(b) *Related party balances*

Amounts owing to the Manager at March 31, 2010 are $299,499 (December 31, 2009 – $95,165), and have been classified in accounts payable and other liabilities, and consist of outstanding management fees and reimbursements payable.