

# Q2 2010



Les Jardins de Merici, Quebec QC



## CORPORATE PROFILE

Boardwalk Real Estate Investment Trust ("Boardwalk REIT," "Boardwalk," or "the Trust") is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT owns and operates in excess of 230 properties with 35,805 rental units totaling approximately 30 million net rentable square feet (as of June 30, 2010). The Trust's portfolio is concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario, and Quebec. Boardwalk REIT's Trust Units are listed on the Toronto Stock Exchange, trading under the symbol 'BEI.UN'. The Trust's total enterprise value at June 30, 2010 was \$4.37 billion. Boardwalk was incorporated as Boardwalk Equities Inc. (the "Corporation") in 1994. On May 3, 2004, the Corporation announced the successful completion of its reorganization to Boardwalk Real Estate Investment Trust. The Trust's principal objectives are to provide its Unitholders with stable and growing cash flow distributions and to increase the value of its Trust Units through the effective management of its residential, multi-family, revenue-producing properties and the selective acquisition and, where appropriate, disposition of multi family properties.

BOARDWALK REAL ESTATE INVESTMENT TRUST



## WITH YOU EVERY STEP OF THE WAY

## LETTER TO UNITHOLDERS

We are pleased to report on a solid second quarter of 2010 for Boardwalk Real Estate Investment Trust ("Boardwalk," "Boardwalk REIT", or the "Trust"). Funds from Operations (FFO) and FFO per Unit decreased approximately 6.2% and 5.7%, respectively, over the same quarter last year. Distributable Income (DI) and DI per Unit decreased approximately 6.3% and 5.7%, respectively, year-over-year. FFO and DI are non-GAAP measures; the reconciliation of FFO and DI to Net Earnings and Total Operating Cash Flows, respectively, can be found in the Management's Discussion and Analysis (MD&A) for the second quarter ended June 30, 2010, under the section titled, "Performance Measures". Although posted results were down from the prior year, they were in-line with internal expectations after adjusting for the income lost on the selective sale of some non-core assets. Further details on these sales will be discussed later in this document.

Overall occupancy for Boardwalk's portfolio was higher in the second quarter of 2010 compared to the same period last year. Our Calgary and Edmonton markets saw occupancy increase both quarter-over-quarter and year-over-year, and the average market rent in Calgary increased by approximately \$100 compared to the first three months of 2010, a positive sign for the Trust. Gross revenues in Calgary dropped by 6.2% year-over-year as a result of over aggressive rental discounts offered to existing customers in the first half of 2010. As part of its revenue maximization strategy, the Trust constantly monitors occupancy and adjusts market rents accordingly, and will continue to look for opportunities to adjust rents upward in selective markets. In addition, the Trust continues to move away from incentives, especially in its Alberta markets, as economic fundamentals improve. Our Saskatchewan markets also saw occupancy increase for the second quarter of 2010 compared to the previous quarter and the same three-month period in 2009. Revenues for the second quarter of 2010 were down slightly compared to the same period last year, but were higher compared to the first quarter of 2010. Rental expenses for the same period increased as a result of property taxes and rental operating costs.

## Highlights of the Trust's Second Quarter 2010 Financial Results

<i>\$ million, except per unit amounts</i>	Three Months Jun 2010	Three Months Jun 2009	% Change
Rental Revenue	\$ 105.0	\$ 105.2	-0.2%
Net Operating Income (NOI)	\$ 68.3	\$ 70.6	-3.3%
Net Earnings	\$ 23.5	\$ 15.0	56.7%
Funds From Operations (FFO)	\$ 34.6	\$ 36.8	-6.2%
Adjusted Funds From Operations (AFFO)	\$ 30.6	\$ 32.7	-6.4%
FFO Per Unit	\$ 0.66	\$ 0.70	-5.7%
AFFO Per Unit	\$ 0.58	\$ 0.62	-6.5%
Distributable Income (DI)	\$ 34.8	\$ 37.2	-6.3%
DI Per Unit	\$ 0.66	\$ 0.70	-5.7%
Distributions Declared	\$ 23.7	\$ 23.8	
Distributions Declared Per Unit (2010 Target \$1.80 Per Unit on an annualized basis)	\$ 0.45	\$ 0.45	
Payout as a % AFFO	77.6%	72.9%	
Payout as a % DI	68.0%	64.1%	

For further detail, please refer to pages 12-14 of the MD&A.

## Portfolio Highlights for the Second Quarter 2010

	Jun 2010	Dec 2009	Jun 2009
Average Occupancy (3 Months)	97.29%	96.65%	94.91%
Average Stabilized Monthly Rent (3 Months)	\$ 976	\$ 980	\$ 979
Average Market Rent (Period Ended)	\$ 1,010	\$ 988	\$ 1,011
Average Occupied Rent (Period Ended)	\$ 1,003	\$ 1,002	\$ 1,029
Annualized Loss-to-Lease (\$ million) (Period Ended)	\$ 3.2	\$ (6.0)	\$ (7.2)
Annualized Loss-to-Lease Per Trust Unit (Period Ended)	\$ 0.06	\$ (0.12)	\$ (0.14)
Cash & Cash Equivalents (Period Ended) ( <i>\$ million</i> )	\$ 215.4	\$ 190.3	\$ 165.6
Debt-to-GBV ("Gross Book Value") (Period Ended)	61.1%	61.1%	61.4%
Operating Margin (3 Months)	65.0%	61.7%	67.1%

	% Change Year-Over-Year 3 Months Jun 2010	% Change Year-Over-Year 6 Months Jun 2010
<b>Same Property Results</b>		
Rental Revenue	-0.3%	-0.6%
Operating Costs	6.4%	3.7%
Net Operating Income (NOI)	-3.4%	-2.8%

For further detail, please refer to pages 17-20 of the MD&A.

## Sequential Revenue Analysis

Stabilized Revenue Growth	# of Units	Q2 2010 vs. Q1	Q1 2010 vs. Q4	Q4 2009 vs. Q3	Q3 2009 vs. Q2
		2010	2009	2009	2009
Calgary	5,234	-1.3%	-3.1%	-0.9%	-1.1%
Edmonton	12,337	0.3%	-1.1%	0.1%	-0.4%
Other Alberta	2,203	2.0%	-1.9%	-1.7%	-3.4%
British Columbia	954	-1.3%	1.4%	2.2%	0.1%
Ontario	4,265	-0.2%	0.0%	2.1%	-0.2%
Quebec	6,088	0.7%	0.4%	1.3%	0.1%
Saskatchewan	4,636	1.4%	1.1%	2.0%	2.4%
	35,717	0.3%	-0.8%	0.5%	-0.3%

Note: Total number of units excludes Willow Glen Apartments, which sold and closed subsequent to June 30, 2010, but includes the 31-unit Eagle Manor building located in Grande Prairie, Alberta. The Eagle Manor building was destroyed by a fire in November 2009. The Trust settled with the insurers for approximately \$3.3 million subsequent to June 30, 2010.

On a sequential basis, stabilized revenues increased 0.3% from Q1 2010 to Q2 2010, decreased 0.8% from Q4 2009 to Q1 2010, increased 0.5% from Q3 2009 to Q4 2009, and decreased 0.3% from Q2 2009 to Q3 2009.

For further detail, please refer to page 20 of the MD&A.

## Rental Market Fundamentals From Across Canada:

Market Fundamentals	BC		Alberta		Saskatchewan		Ontario		Quebec	
	July 2010	July 2009	July 2010	July 2009	July 2010	July 2009	July 2010	July 2009	July 2010	July 2009
Unemployment Rate	7.5%	7.8%	6.3%	7.2%	5.1%	4.7%	8.5%	9.3%	8.2%	9.0%
	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Net Interprovincial Migration	1,642	-16	312	7,144	1,297	545	-2,069	-5,015	-1,451	-2,016
Net International Migration	12,323	13,535	5,941	8,796	1,549	2,013	26,940	25,166	11,833	12,307
Total Net Migration	13,965	13,519	6,253	15,940	2,846	2,558	24,871	20,151	10,382	10,291
	May 2009 to May 2010	May 2008 to May 2009	May 2009 to May 2010	May 2008 to May 2009	May 2009 to May 2010	May 2008 to May 2009	May 2009 to May 2010	May 2008 to May 2009	May 2009 to May 2010	May 2008 to May 2009
Average Weekly Wages Growth	3.0%	1.4%	4.4%	5.5%	5.0%	3.7%	3.7%	1.3%	3.8%	-0.8%

Source: Statistics Canada

## WESTERN CANADA

Overall, the Western provinces continue to see solid economic fundamentals, with positive wage growth and migration numbers, and GDP and employment growth, as well as migration, are expected to increase over 2010 and into 2011. Alberta has experienced a slower pace of employment growth and a decline in interprovincial migration. The unemployment rate in the province for July 2010 was 6.3%, down from 6.7% the previous month, and the lowest for the province since April 2009. Employment in Alberta increased for the fourth consecutive month, up 9,000 in July, although employment growth in the province over the past twelve months was 1.2%, one of the lowest in the country. The latest numbers show that Alberta saw its smallest gains in interprovincial migration for the quarter since 1995, but international migration to the province remained steady. Investment in major oil sands projects was estimated at \$144 billion as of June 2010, up from \$136 billion in the same period last year, and Alberta continues to have the highest average weekly earnings in the country. Economic fundamentals in Saskatchewan remained strong, with an unemployment rate for July of 5.1%, the lowest in the country, and gains in both interprovincial and international migration contributed to the province having the second-highest population growth in the country. British Columbia posted an unemployment rate of 7.5% for the month of July, and employment in the province increased by 16,000. The province had the

highest interprovincial migration gains for the third consecutive quarter, with half of its gains coming from Alberta, and also saw substantial gains in international migration for the same period.

### EASTERN CANADA

Economic fundamentals in Ontario and Quebec, including wage growth and migration, continue on a positive trend, although both provinces saw a drop in employment for July. Ontario had an unemployment rate of 8.5% for July, an increase from the previous month as a result of employment losses of 15,000. However, since July 2009, employment in the province has increased by 2.6%. The province saw its smallest interprovincial losses for the quarter since 2005 and posted gains in international migration. Employment in Quebec declined by 21,000, its first significant loss in the past year, but employment in the province increased 8.5% over the past twelve month period. The province's unemployment rate for July was 8.2%. Quebec saw decreased losses in interprovincial migration, as well as gains in international migration.

### MLS Housing Prices

British Columbia	Vancouver CMA		Victoria CMA	
	Jun 2010	Jun 2009	Jun 2010	Jun 2009
Average Single Family	na	na	\$ 649,280	\$ 588,186
Average Condo	na	na	\$ 331,131	\$ 298,200
Average Overall	\$ 580,237	\$ 518,855	na	na
Alberta	Calgary CMA		Edmonton CMA	
	Jun 2010	Jun 2009	Jun 2010	Jun 2009
Average Single Family	\$ 481,964	\$ 447,142	\$ 391,497	\$ 369,859
Average Condo	\$ 292,238	\$ 285,595	\$ 242,644	\$ 247,071
Saskatchewan	Saskatoon CMA		Regina CMA	
	Jun 2010	Jun 2009	Jun 2010	Jun 2009
Average Overall	\$ 295,963	\$ 276,867	\$ 274,673	\$ 245,097
Ontario	London CMA		Windsor CMA	
	Jun 2010	Jun 2009	Jun 2010	Jun 2009
Average Single Family	\$ 240,083	\$ 232,189	na	na
Average Condo	\$ 162,350	\$ 149,483	na	na
Average Overall	na	na	\$ 161,636	\$ 155,524
Quebec	Montreal CMA			
	Jun 2010	Jun 2009		
Average Overall*	\$ 302,853	\$ 275,578		

Internally generated, NA = Data not available, \* Internally calculated based on volume of sales and total sales as provided by the Greater Montreal Real Estate Board. Source: Association of Regina REALTORS®, Calgary Real Estate Board, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Edmonton Real Estate Board, Greater Montreal Real Estate Board, London and St. Thomas Association of REALTORS®, Real Estate Board of Greater Vancouver, Saskatoon Region Association of REALTORS®, Victoria Real Estate Board, Windsor-Essex County Real Estate Board

### WESTERN CANADA

Housing markets in the West continue to adjust to a more moderate and sustainable pace as a result of increased inventories and interest rates, with sales decreasing while prices remain stable. In Calgary, prices for both single-family homes and condominiums in June 2010 were lower than the previous month, but up 8% and 2%, respectively, compared to the same period last year. Sales for single-family homes and condominiums were down year-over-year for the month of June, a result of higher mortgage rates and fewer new home buyers entering the market, while inventories were up. Edmonton saw single-family home prices increase by 6% year-over-year in June, while condominium prices declined 2%. Inventories were up while sales declined year-over-year. Saskatchewan's housing market continues to perform well. Saskatoon and Regina saw their average residential sale prices for June increase 7% and 12%, respectively, year-over-year, while sales decreased in both centres for the same period, as increased inventories are providing more choice to home buyers. It is expected that interprovincial migration gains and job

creation will continue to sustain housing demand in the province. In Vancouver and Victoria, sales were also lower year-over-year for June, but prices continued to increase, with the overall sale price in Vancouver rising 12%, while single-family home and condominium prices in Victoria rose 10% and 11%, respectively, year-over-year.

### EASTERN CANADA

Eastern Canada has also seen housing markets adjust to a more moderate pace. In London, single-family home and condominium prices rose 3% and 9%, respectively, year-over-year for the month of June, while Windsor saw its overall sale price increase 4% year-over-year for the same period. In Montreal, it remains a seller's market, despite a decline in sales, and the overall sale price for June rose 10% year-over-year.

## Dispositions

As of August 13, 2010, the Trust's dispositions were as follow:

Building Name	City	# Units	Type	Price	\$/unit	\$/sq ft	Sale Cap Rate	Cap Rate with Required Cap Ex *	Debt Assumed	Debt Repaid	Date Closed
Habitat du Lac Leamy	Gatineau	321	High Rise	\$ 19,350,000	60,280	95	7.29%	6.89%	–	\$ 12,554,619	March 16, 2010
Heritage Gardens	Calgary	95	Mid Rise	\$ 13,585,000	143,000	211	6.20%	6.20%	\$ 3,951,101**	–	April 23, 2010
Les Jardins Bourassa	Montreal	178	Mid Rise	\$ 8,925,000	50,140	104	6.86%	6.36%	–	\$ 5,689,650	April 30, 2010
Cascade Lodge	Regina	12	Walk Up	\$ 1,075,000	89,583	140	6.02%	6.02%	–	–	July 7, 2010
Glen Garry	Regina	12	Walk Up	\$ 985,000	82,083	156	6.18%	6.18%	–	–	July 7, 2010
Willow Glen Apartments	Edmonton	88	Walk Up	\$ 9,750,000	110,795	136	6.20%	6.20%	–	\$ 3,844,761	August 6, 2010
Total		706		\$ 53,670,000	76,020	122	6.70%	6.48%	\$ 3,951,101	\$ 22,089,030	

\* Habitat required \$1,100,000 in capital expenditures; Bourassa required \$700,000 in capital expenditures

\*\* 6.38% maturing June 1, 2011

For further detail, please refer to page 22 of the MD&A.

## Unit Buyback

In August 2009, Boardwalk successfully renewed its Normal Course Issuer Bid, which allows Boardwalk to purchase up to 3,932,211 Trust Units, representing 10% of its public float of Trust Units, through the facilities of the Toronto Stock Exchange. The Bid commenced on August 24, 2009 and will terminate on August 23, 2010 or such earlier time as the Bid is complete.

With its significant liquidity position, the Trust continues to look for opportunities to deploy a portion of surplus funds. The Trust continues to view the purchase of its Trust Units on the public market as a good investment; however, it believes that a balanced approach is necessary with respect to its buyback strategy compared to other options for deploying surplus cash. In the second quarter of 2010, the Trust purchased and cancelled 189,700 Trust Units, representing a total purchase cost of approximately \$7.5 million, or an average of \$39.32 per Trust Unit. Cumulatively, since August 17, 2007, the Trust purchased and canceled 4,148,147 Trust Units, representing a total purchase cost of \$154.2 million, or an average cost of \$37.16 per Trust Unit. The Trust continues to review all available options that management believes will provide the greatest return to our Unitholders.

The Trust has begun the process of renewing its Normal Course Issuer Bid ("the "Bid"), subject to regulatory approval. Boardwalk currently has 48,080,351 issued and outstanding Trust Units. The Bid, if approved, would allow Boardwalk to purchase up to 3,918,288 Trust Units, representing 10% of the public float of its Trust Unit capital, through the facilities of The Toronto Stock Exchange. The average daily trading volume for the six calendar months prior to the date hereof was 89,843 Trust Units. The Bid, if approved, is expected to commence on August 24, 2010 and will terminate one year later, or at such earlier time as the Bid is complete.

As at June 30, 2010, Boardwalk REIT had 48,088,154 issued and outstanding Trust Units, plus 4,475,000 Class "B" Units of Boardwalk REIT Limited Partnership exchangeable for Trust Units on a one-for-one basis at the option of the holder. Accordingly, if all of the LP B Units were exchanged for REIT Units, the total issued and outstanding REIT Units would be 52,563,154.

For further detail, please refer to pages 24 & 25 of the MD&A.

### Liquidity and Continued Financial Strength

The Trust maintained its solid financial position throughout the second quarter of 2010. Boardwalk REIT's total principal mortgage and debt outstanding was \$2.36 billion as of June 30, 2010, as compared to \$2.32 billion as of June 30, 2009. As of June 30, 2010, the Trust's total debt had an average term maturity of approximately 3 years with a weighted average interest rate of 4.44% and the debt-to-total enterprise value ratio was 51.8%.

The Trust's current liquidity position remains stable, as the following table highlights:

Cash position June, 2010	\$ 215,438,000
Subsequent Committed Additional Financing	\$ 11,099,000
	\$ 226,537,000
Committed Revolving Credit Facility	\$ 198,228,000
<b>Total Available Liquidity</b>	<b>\$ 424,765,000</b>

Current new and renewal interest financing rates on National Housing Act insured mortgages are well below the stated 4.60% on its 2010 maturing mortgages.

The Trust's interest coverage ratio, excluding gains, for the second quarter ended June 30, 2010 was 2.40 times compared to 2.41 times for the same period last year.

For further detail, please refer to pages 25-27 of the MD&A.

### Outlook and 2010 Financial Guidance

We have adjusted our 2010 Financial Guidance, mainly to account for the loss of income generated from those properties that were sold at the end of 2009 and in 2010, and the following notes the effect of these revisions:

Description	Original Guidance	Revised
Acquisitions	None	None
Stabilized Building NOI growth	-2% to 0%	-3% to 0%
FFO per Trust Unit	\$2.45 to \$2.60	\$2.40 to \$2.55
DI per Trust Unit	\$2.47 to \$2.62	\$2.42 to \$2.57

As is customary, management will update the market on our Annual 2010 Guidance on a quarterly basis. The reader is cautioned that this information is forward-looking information and actual results may vary materially from those reported.

For further detail, please refer to page 32 of the MD&A.

### Special Distribution

As was previously noted, the Trust has been successful in the selective sale of non-core assets at very attractive prices. As always, the Trust continues to look for ways to add additional value for our Trust Unitholders. Previously, any net cash proceeds from the sale of these properties would be allocated to purchasing its Trust Units in the public market over a period of time. However, consistent with its overall balanced strategy, to help offset some of the dilutive effect of our dispositions, at the most recent Board of Trustee meeting, our board has approved a Special Distribution of 50 cents per Trust Unit to be paid on September 15th to Unitholders on record as of August 31st. More details on this can be found on page 13 of the MD&A.

## Supplementary Information

Boardwalk produces the Quarterly Supplemental Information that provides detailed information regarding the Trust's activities during the quarter. The Second Quarter 2010 Supplemental Information is available on our investor website at <http://www.boardwalkreit.com/FinancialReports/>.

## In Conclusion

I would like to thank our team of over 1,500 Associates for continuing to strive for our Customers by providing friendly quality service and value.

I would also like to thank our Board of Trustees for their indispensable guidance and continued focus on governance, and our Unitholders and key financial community and operational partners for their continued support of the Trust.

Finally, I would like to thank our Customers for calling Boardwalk home.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Kolias', written in a cursive style.

Sam Kolias,  
Chairman and CEO

# Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2010

## FORWARD-LOOKING STATEMENTS

### Caution regarding forward-looking statements

The terms "Boardwalk", "Boardwalk REIT", "the Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the three and six months ended June 30, 2010. Our MD&A should be read in conjunction with our interim financial statements along with the audited consolidated financial statements and MD&A for the two years ended December 31, 2009 and 2008 and all other publicly posted information on the Trust, including the most recently filed Annual Information Form. All these documents are located on SEDAR ([www.sedar.com](http://www.sedar.com)). Historical results and percent-age relationships contained in our annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of our future operations.

*Advisory: Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our objectives for 2010 and future periods, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue" or 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 are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described in the MD&A of Boardwalk REIT's 2009 Annual Report under the heading Risks and Risk Management, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with real property ownership, competition for real estate investments, financing and interest rates, governmental regulations, environmental matters, as well as Unitholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that the general economy remains stable, interest rates are relatively stable, acquisition capitalization rates are stable, competition for acquisitions of residential apartments remains intense, and equity and debt markets continue to provide access to capital. 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 these forward-looking statements.*

*All forward-looking statements in this report are qualified by these cautionary statements. Except as required by applicable law, Boardwalk REIT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

## Business Overview

Boardwalk Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust, dated January 9, 2004, and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, May 13, 2008, May 13, 2009 and May 18, 2010 (the "Declaration of Trust" or "DOT"), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue-producing multi-family residential properties and interests within Canada, initially through the acquisition of the operations of Boardwalk Equities Inc. (the "Corporation").

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT Trust Units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal objective is to enhance Unitholder value by providing stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, through capitalization of opportunities created by existing market conditions. At the end of the first six months of 2010, Boardwalk REIT owned and operated in excess of 230 properties, comprised of 35,805 units (of which 88 units were sold and closed and 31 units, previously destroyed by a Grande Prairie fire, were settled with the insurers subsequent to the quarter-end), totaling approximately 30 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario, and Quebec.

## Outlook

The first six months of 2010 continued to show signs of stability returning to the Canadian and global real estate markets. Whether this is temporary or a more permanent stabilization remains uncertain. The overall capital market continues to be open for selective, stable companies, although overall market sentiments appear to be one of cautious optimism. Although history has shown that the apartment real estate asset class tends to demonstrate lower volatility to these types of changes, it is not immune to them. Notwithstanding these factors, we believe that the fundamentals of our asset class and, in particular, our specific assets, generally remain strong, mainly due to the affordability of renting versus the cost of owning a home. This fact has kept our overall occupancy levels high and, when combined with our non-exposure to any major customer, has kept revenue relatively stable. On the debt capital front, the fact that approximately 99% of our secured debt carries NHA insurance, the benefits of which will be detailed later in this report, has significantly assisted us in renewing and obtaining new financing on our assets at rates that currently are better than the maturing interest rates. The Trust continues to be well-positioned in this current market place with a distribution payout ratio of approximately 74.0% of distributable income for the first six months of 2010. This compares to 70.4% for the first six months of 2009. The Trust continues to have access to low rate Government of Canada-backed debt in the form of NHA insurance, which is administered by Canada Mortgage and Housing Corporation.

As we move forward into the second half of 2010, we remain in a strong liquidity position, details of which will also be discussed later in this report. However, at this time we continue to look for accretive opportunities to deploy a portion of our overall liquidity, but have difficulty finding acquisitions that would benefit the Trust as a whole. We are in compliance with our existing Declaration of Trust and all existing debt covenants.

## Harmonized Sales Tax

Effective July 1, 2010, the Provinces of British Columbia and Ontario merged their provincial sales tax (PST) with the federal goods and services tax (GST) into a single harmonized sales tax (HST) that will be applied to many of the input costs currently incurred by the Trust. Many costs that prior to this tax implication were not subject to PST will, effective July 1, 2010, be subject to this tax. The affected costs include gas, heat, electricity and other operating costs. The ability of the Trust to pass these costs on to our Customers may be limited by existing rental legislation or rental market condition. The Trust's operations in British Columbia and Ontario, on an annualized basis, represented approximately 2.8% and 6.9%, respectively of total 2009 net operating income reported by the Trust. The estimated impact of the HST is higher operating costs of \$0.1 million for British Columbia and \$0.7 million for Ontario on an annualized basis.

## Declaration of Trust

The investment guidelines of the Trust are outlined in the Trust's DOT, a copy of which is available on request to all Unitholders. Further information of the DOT can also be located on page 38 of the Annual Information Form dated February 17, 2010. Some of the main investment guidelines and operating policies as set out in the DOT are as follows:

### INVESTMENT GUIDELINES

1. Acquire and operate multi-family residential properties; and
2. Enter into investments in joint ventures as long as the Trust's interest in the joint venture is at least 25%.

### OPERATING POLICIES

1. Maximum debt capacity not to exceed 70% of Gross Book Value;
2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;
3. Both structural and environmental third party surveys are required prior to the acquisition of any property; and
4. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing Corporation ("CMHC") towards on-site maintenance, compensation to on-site associates, repairs and maintenance, as well as capital upgrades.

### COMPLIANCE WITH DOT

At June 30, 2010, the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT. More details will be provided later with respect to certain detailed calculations.

### HEDGING ACTIVITIES

There were no new hedging activities in the first and second quarter of 2010.

In 2008, the Trust entered into forward hedging arrangements with respect to some of its mortgage interest obligations. The strategy consisted of hedging, or locking in, the interest rates on the underlying bonds used to set mortgage interest rates while layering an interest rate swap on top of this to reduce overall interest rates and variability in cash flows from fluctuating interest rates. The effect on current and prior years' financial results is outlined below.

### BOND FORWARD TRANSACTION

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which is comprised of bond forward contracts on specific mortgages set to mature and to be renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts, with a nominal amount of approximately \$21.8 million, and negotiated a settlement loss of \$100 thousand related to these changes. Boardwalk REIT assessed this one particular bond forward contract as no longer being an effective hedge and payment of this \$100 thousand settlement loss was included as part of the financing costs in the quarter ended March 31, 2008.

During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective hedges and the net settlement loss of \$168 thousand was included in financing costs in 2008. The bond forward contract assessed to be an effective hedge was settled for a loss of \$284 thousand, and the loss is being amortized over the term of the new financing. As at June 30, 2010, the unamortized amount of this effective hedge was \$212 thousand.

### INTEREST RATE SWAP

During the first quarter of 2008, Boardwalk REIT entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008. The effective date of the hedges was May 1, 2008, and will continue to be designated as such until the date of maturity, May 1, 2015. Hedge accounting has been applied to these agreements in accordance with CICA Handbook section 3865.

Boardwalk REIT has determined that there is no ineffectiveness in the hedging of its interest rate exposure in the above referenced swap. The effectiveness of the hedging relationship will be reviewed on a quarterly basis and measured at fair value. Any gains or losses which arise as a result of the "effectiveness" of the hedge will be recognized in Other Comprehensive Income ("OCI"). The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in net earnings. On recognition of the financial liability of the hedged item on the balance sheet, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of the hedged item affect net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, this amount will be immediately reclassified into net earnings.

As at June 30, 2010, the interest rate swap agreement was assessed to be an effective hedge and, consistent with the assessment at December 31, 2009, any gains or losses on the interest rate swap agreement were recognized in earnings in the periods during which the interest payments on the hedged items were recognized.

### DEBENTURES

During the first quarter of 2009, the Trust acquired in the open market a total face value of \$7.6 million of its unsecured debentures for cancellation. These were purchased at a discount to the face value and the cost paid by the Trust was \$7.2 million, of which \$55 thousand represented accrued interest. The remaining difference of \$408 thousand between the face value and the

discounted price paid has been reported as "Other Income" on the financial statements. There have been no debenture buy backs since the first quarter of 2009.

The debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Unsecured Debentures Indenture amending the definition of Gross Book Value ("GBV") for an additional \$410 million to be added to the one-time adjustment to assets, thereby, increasing it from \$231 million to \$641 million. In addition, the Consolidated Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") to Consolidated Interest Expense financial covenants was amended to 1.75 to 1 from 1.50 to 1 and the rate of interest on the debenture was increased to 5.61% from 5.31% commencing July 30, 2008 until the maturity date of January 23, 2012.

As we continue to move closer to the maturity of these unsecured debentures, management is preparing a plan to address this maturity and, at present, it appears such a plan would be accretive in nature.

### Non-GAAP Financial Measures

Boardwalk REIT assesses and measures operating results based on performance measures referred to as "Funds From Operations" ("FFO"), "Distributable Income" ("DI") and Adjusted Funds From Operations ("AFFO"). DI, FFO and AFFO are widely accepted supplemental measures of the performance of a Canadian real estate investment trust; however, they are not measures defined by generally accepted accounting principles ("GAAP"). The GAAP measurements most comparable to FFO and DI are net earnings and total cash flow from operating activities, respectively. The reconciliation from Net Earnings to FFO and the reconciliation from Total Operating Cash Flows to DI can be found below, under the section titled, "Performance Measures". The reconciliation from FFO to AFFO can be found in the section titled, "Maintenance of Productive Capacity". FFO, DI and AFFO, however, should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as indicators of Boardwalk REIT's performance. In addition, Boardwalk REIT's calculation methodology for FFO, DI and AFFO may differ from that of other real estate companies and trusts.

Changes to GAAP over the years have prompted the boards of certain public real estate investment trusts ("REITs") to revise their definition of Distributable Income, with the result being that it has become difficult to rely on Distributable Income as a relative financial measure amongst the various REITs and a less reliable financial measure for any one REIT over time. The Trust's definition of Distributable Income as adapted in 2004 was in response to the state of GAAP in effect at that time. Expected future changes in GAAP will only serve to further decrease the reliability of Distributable Income as it becomes increasingly disconnected with cash flow from operations. Accordingly, at the Annual and Special Meeting of Boardwalk REIT Unitholders on May 18, 2010 it was proposed by management to eliminate any reference to Distributable Income from the Declaration of Trust. This proposal was voted on and passed by Unitholders that day. It is the intent of the Trust to cease to report on Distributable Income effective January 1, 2011.

### Performance Review

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources – rental operations and the periodic sale of 'non-core' real estate properties.

Boardwalk REIT's most consistent and largest source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to Customers who have varying lease terms ranging from month-to-month to twelve-month leases.

Boardwalk REIT also generates additional income from the periodic sale of 'non-core' real estate properties or, on a very selective basis, the condominium conversion and sale of these suites. The sale of these properties is part of Boardwalk REIT's overall operating strategy, whereby the equity generated through the sale is then utilized by Boardwalk REIT for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of Boardwalk REIT's Trust Units in the public securities market.

## Performance Measures

DI is computed as outlined in the Trust's Declaration of Trust ("DOT"). The DOT requires the Trust to determine its DI and distribute it in the form of monthly distributions at the discretion of its Trustees. Currently, the Trust, at a minimum, pays out all taxable income to Unitholders in the form of monthly distributions. The Trust is distributing \$1.80 per Trust Unit on an annualized basis (or \$0.15 per Trust Unit on a monthly basis).

For the three and six months ended June 30, 2010, the Trust declared distributions of \$23.7 million and \$47.4 million, respectively, representing approximately 68.0% and 74.0% of the reported DI. The reader should note that the overall operating performance of the first and fourth quarters tend to generate the highest payout ratio, mainly due to the high seasonality in operating expenses. In particular, these quarters tend to be the highest demand periods for natural gas, a major operational cost for the Trust. The reader should not simply annualize these reported results. On a quarterly basis, the Trust's Board of Trustees reviews the current level of distributions and determines if any adjustment to the distributed amount is warranted.

In the following tables, Boardwalk REIT provides a reconciliation of both FFO and DI, both non-GAAP measures, to their closely related GAAP measures for the current period.

<b>FFO Reconciliation</b> <i>In \$000's, except per unit amounts</i>	<b>3 months</b> <b>June 2010</b>	3 months June 2009	% Change	<b>6 months</b> <b>June 2010</b>	6 months June 2009	% Change
Net earnings from continuing operations	\$ 11,039	\$ 13,293		\$ 18,767	\$ 30,294	
Adjustments						
Earnings from discontinued operations	\$ 12,501	\$ 1,742		\$ 15,338	\$ 1,780	
Gain on dispositions	\$ (12,355)	\$ (1,353)		\$ (15,018)	\$ (1,297)	
Other Income	\$ –	\$ –		\$ –	\$ (408)	
Future income taxes (recovery)	\$ 1,692	\$ 1,151		\$ 1,274	\$ (7,419)	
Amortization of assets (capital and intangibles)	\$ 21,702	\$ 22,016		\$ 43,227	\$ 43,725	
Funds from operations	\$ 34,579	\$ 36,849	(6.2)%	\$ 63,588	\$ 67,305	(5.5)%
Funds from operations – per unit	\$ 0.66	\$ 0.70	(5.7)%	\$ 1.21	\$ 1.27	(4.7)%

<b>Distributable Income Reconciliation</b> <i>In \$000's, except per unit amounts</i>	<b>3 months</b> <b>June 2010</b>	3 months June 2009	% Change	<b>6 months</b> <b>June 2010</b>	6 months June 2009	% Change
Total operating cash flows	\$ 35,656	\$ 38,129		\$ 59,253	\$ 61,411	
Net change in operating working capital	\$ 666	\$ (11)		\$ 7,851	\$ 8,366	
Deduct deferred financing costs amortization post May 2, 2004	\$ (1,451)	\$ (915)		\$ (2,924)	\$ (1,792)	
Mark-to-market debt adjustment post May 2004	\$ (26)	\$ (33)		\$ (52)	\$ (58)	
Distributable income	\$ 34,845	\$ 37,170	(6.3)%	\$ 64,128	\$ 67,927	(5.6)%
Distributable income – per unit	\$ 0.66	\$ 0.70	(5.7)%	\$ 1.22	\$ 1.28	(4.7)%

Overall, Boardwalk REIT earned FFO of \$34.6 million for the three months ended June 30, 2010 and \$63.6 million for the six months ended June 30, 2010 compared to \$36.8 million and \$67.3 million for the same periods last year. FFO on a per unit basis for the current quarter ended June 30, 2010 decreased approximately 5.7% compared to the same period in the prior year, from \$0.70 to \$0.66. DI for the three months ended June 30, 2010 was \$0.66 per unit compared \$0.70 for the same period last year. The slight decrease was the result of lower net operating income generated by its stabilized rental properties, mostly as a result of lower rental revenue in Alberta.

**FFO RECONCILIATION - Q2 2009 VERSUS Q2 2010 & SIX MONTHS 2009 VERSES SIX MONTHS 2010**

<b>FFO Reconciliation – Per Trust Unit</b>	<b>3 months</b>	<b>6 months</b>
FFO Opening – June 2009	\$ 0.70	\$ 1.27
NOI from Stabilized	\$ (0.05)	\$ (0.07)
Financing Costs	\$ 0.01	\$ 0.01
FFO Closing – June 2010	\$ 0.66	\$ 1.21

As the above table shows, the majority of the decrease in FFO per unit for the three and six months ended June 30, 2010 compared to the same periods in the prior year was the result of lower net operating income generated by its stabilized rental properties. The table also shows FFO per unit declined as a result of the sale of certain non-core properties, which accounted for declines of \$0.01 and \$0.02, respectively, for the three and six months ended June 30, 2010.

The Trust's cash position was \$215.4 million as at June 30, 2010. This large cash position was achieved as a result of the advantageous refinancing of matured mortgages at historically low interest rates in 2009 and the first part of 2010. While others in the real estate industry were more concerned about simply renewing existing maturing debt, the Trust was able to not only renew its matured debt, but was also able to raise additional funds for future opportunities. However, there is a cost to having this much liquidity on the balance sheet, which is currently earning a very conservative but safe investment return.

In late 2009, the Trust entered into an agreement with the existing mortgage lender of its largest CMHC secured property, which had outstanding mortgages totaling approximately \$216.8 million, to extend the maturity date of these mortgages for an additional two years. As the 2012 year previously had the highest amount of maturing mortgages, the Trust felt it would be prudent to move some of these maturing mortgages to another period. On a non-dilutive basis, the arrangement known as a "blend and extend" extended the maturity of this mortgage from November 1, 2012 to October 1, 2014. This early renewal resulted in an early renewal fee of approximately \$11 million dollars. The Trust is amortizing this early renewal fee over the new term of the mortgages and this has resulted in approximately \$500 thousand dollars per quarter in additional deferred financing amortization being reported.

**SPECIAL DISTRIBUTION**

Unlike many REITs and real estate companies, Boardwalk REIT does not include any gain reported on the sale of its properties in its calculation of FFO. The Trust feels that such income is volatile and would significantly dilute the relevance of FFO as a measure of performance.

During the last half of 2009 and in 2010, the Trust generated approximately \$47 million of free cash from the selective sale of certain non-core properties. The Trust has committed to return this equity to its Trust Unitholders. Historically, this has been in the form of purchasing its REIT units in the public market in an accretive manner. Although the Trust continues to be committed to this strategy, consistent with our balanced approach, it has been determined that a portion of these proceeds should be returned to the Trust Unitholders in the form of a special distribution. As this special distribution comes directly from the cash proceeds of the sale of these properties, the Trust is not dependant on its existing FFO to fund this distribution, but rather will continue its conservative distribution of \$0.15 per Trust Unit on a monthly basis (\$1.80 per Trust Unit on an annualized basis) from operational FFO. Boardwalk REIT's Board of Trustees agreed to have the Trust issue a special distribution of \$0.50 per outstanding Trust Unit. The date of record of the special distribution will be August 31, 2010, with a payment date of September 15, 2010.

## Review of Rental Operations

<i>In 000's, except per apartment unit amounts</i>	<b>3 months June 2010</b>	3 months June 2009	% Change	<b>6 months June 2010</b>	6 months June 2009	% Change
Rental revenue	<b>\$ 105,011</b>	\$ 105,219	(0.2)%	<b>\$ 209,664</b>	\$ 210,920	(0.6)%
Expenses						
Operating expenses	<b>\$ 19,266</b>	\$ 17,626	9.3%	<b>\$ 38,072</b>	\$ 35,726	6.6%
Utilities	<b>\$ 8,794</b>	\$ 8,609	2.1%	<b>\$ 22,860</b>	\$ 24,179	(5.5)%
Utility rebate	<b>\$ -</b>	\$ -	-	<b>\$ -</b>	\$ (375)	100%
Property taxes	<b>\$ 8,678</b>	\$ 8,395	3.4%	<b>\$ 17,560</b>	\$ 16,738	4.9%
	<b>\$ 36,738</b>	\$ 34,630	6.1%	<b>\$ 78,492</b>	\$ 76,268	2.9%
Net operating income	<b>\$ 68,273</b>	\$ 70,589	(3.3)%	<b>\$ 131,172</b>	\$ 134,652	(2.6)%
Average stabilized rental revenue per unit per month	<b>\$ 976</b>	\$ 979	0.1%	<b>\$ 976</b>	\$ 978	(0.3)%
Operating costs per unit per month	<b>\$ 342</b>	\$ 314	8.9%	<b>\$ 363</b>	\$ 346	5.0%
Operating margins	<b>65.0%</b>	67.1%		<b>62.6%</b>	63.8%	

Overall, Boardwalk REIT's rental operations for the first six months of 2010 reported slightly lower results compared to the same period in 2009. The Trust reported a 0.2% and 0.6% decrease in revenue for the three and six months ended June 30, 2010, respectively, compared to the same periods in the prior year. The decrease in rental revenues is mainly attributable to the performance of our properties in the province of Alberta. While occupancy levels increased in the province, this increase was more than offset by the decrease in market rents and the increase in incentives. Total rental expenses increased 6.1% and 2.9% respectively, for the three and six months ended June 30, 2010. For the three months ended June 30, 2010, the slight increase is mainly attributable to higher repairs and maintenance, utility costs and property taxes. Repairs and maintenance expenses were higher for the second quarter-end as a result of the timing of boiler and fire alarm inspections. Utility costs increased, largely in the province of Alberta, as a result of higher electrical prices in the second quarter. For the first six months of 2010, utility costs were lower as a result of lower natural gas prices. Overall property taxes increased 3.4% and 4.9% for the three and six months ended June 30, 2010, respectively, compared to the same periods last year, primarily due to increased property valuations, largely in the province of Alberta. Property taxes in Alberta increased 14.1% and 13.0% for the three and six months ended June 30, 2010, respectively, despite the Trust receiving property tax rebates for properties in the cities of Calgary and Edmonton. The Trust is constantly reviewing property tax assessments and related charges and, where it feels appropriate, will appeal all or a part of the related assessment. It is not uncommon for the Trust to receive property tax refunds; however, due to the uncertainty of the amount and timing of the refunds, these amounts are included in income when they are received.

Overall, the operating margin for the current quarter and the first six month of 2010 was slightly lower at 65.0% and 62.6%, compared to the 67.1% and 63.8% for the same periods in 2009.

Boardwalk REIT closely monitors and individually manages the performance of each of its rental properties. For the reader's convenience, we have provided a summary of our operating results on a province-by-province basis.

## BRITISH COLUMBIA RENTAL OPERATIONS

<i>In \$000's</i>	3 months June 2010 (Unaudited)	3 months June 2009 (Unaudited)	% Change	6 months June 2010 (Unaudited)	6 months June 2009 (Unaudited)	% Change
Rental revenue	\$ 2,864	\$ 2,797	2.4%	\$ 5,767	\$ 5,600	3.0%
Rental expenses:						
Operating expenses	\$ 432	\$ 348	24.1%	\$ 867	\$ 509	70.3%
Utilities	\$ 302	\$ 280	7.9%	\$ 649	\$ 671	(3.3)%
Property taxes	\$ 157	\$ 163	(3.7)%	\$ 314	\$ 314	0.0%
	\$ 891	\$ 791	12.6%	\$ 1,830	\$ 1,494	22.5%
Net operating income	\$ 1,973	\$ 2,006	(1.6)%	\$ 3,937	\$ 4,106	(4.1)%
Operating margins	68.9%	71.7%		68.3%	73.3%	

Boardwalk REIT's British Columbia portfolio continued to report good results. Rental revenue increased by 2.4% and 3.0% for the three and six months ended June 30, 2010, respectively, as a result of increased occupancy levels in the first quarter and first six months of 2010 compared to the same periods in 2009. Operating expenses increased significantly in the current quarter as a result of remediation costs to a suite destroyed by fire. In addition to this, operating expenses increased for the first half of 2010 as a result of an insurance refund received in the first quarter of 2009 and a 2009 first quarter inventory adjustment that lowered reported operating costs for 2009. Operating margins for the second quarter and first half of 2010 decreased compared to the same periods in the prior year, largely a result of higher operating expenses.

## ALBERTA RENTAL OPERATIONS

<i>In \$000's</i>	3 months June 30 2010 (Unaudited)	3 months June 2009 (Unaudited)	Change	6 months June 30 2010 (Unaudited)	6 months June 2009 (Unaudited)	Change
Rental revenue	\$ 61,312	\$ 63,212	(3.0)%	\$ 122,617	\$ 127,268	(3.7)%
Rental expenses:						
Operating expenses	\$ 10,125	\$ 9,298	8.9%	\$ 20,636	\$ 19,613	5.2%
Utilities	\$ 4,800	\$ 4,257	12.8%	\$ 12,114	\$ 12,125	(0.1)%
Utilities rebate	\$ -	\$ -	0.0%	\$ -	\$ (373)	(100.0)%
Property taxes	\$ 4,325	\$ 3,790	14.1%	\$ 8,838	\$ 7,824	13.0%
	\$ 19,250	\$ 17,345	11.0%	\$ 41,588	\$ 39,189	6.1%
Net operating income	\$ 42,062	\$ 45,867	(8.3)%	\$ 81,029	\$ 88,079	(8.0)%
Operating margins	68.6%	72.6%		66.1%	69.2%	

Boardwalk REIT's Alberta operations for the three and six months ended June 30, 2010 posted decreased rental revenue of 3.0% and 3.7%, respectively, when compared to the amount reported in the same periods during fiscal 2009. The reported rental revenue changes are largely the result of lower market rents and increased rental incentives offered in an effort to increase occupancy rates. Alberta occupancy rates for the three and six months ended June 30, 2010 were 97.1% and 96.8%, respectively, compared to 93.9% and 94.1% for the same periods in the prior year. Operating costs increased for the three and six months ended June 30, 2010, mainly as a result of higher repair and maintenance costs and an increase in reported property taxes. Repairs and maintenance were higher as a result of the timing of boiler and fire alarm inspections. Utility costs were higher in the second quarter of 2010, but lower overall for the first six months of 2010, as a result of higher electricity costs in the second quarter, despite overall lower natural gas prices in the first half of the year. Reported property tax increases of 14% for the second quarter of 2010 compared to the same period in the prior year were mainly the result of increased property taxes in the City of Edmonton, which took effect on July 1, 2009.

## SASKATCHEWAN RENTAL OPERATIONS

<i>In \$000's</i>	<b>3 months June 2010 (Unaudited)</b>	3 months June 2009 (Unaudited)	Change	<b>6 months June 2010 (Unaudited)</b>	6 months June 2009 (Unaudited)	Change
Rental revenue	\$ 13,834	\$ 12,912	7.1%	\$ 27,470	\$ 25,421	8.1%
Rental expenses:						
Operating expenses	\$ 1,910	\$ 1,828	4.5%	\$ 3,632	\$ 3,614	0.5%
Utilities	\$ 943	\$ 1,069	(11.8)%	\$ 2,542	\$ 3,149	(19.3)%
Property taxes	\$ 968	\$ 1,154	(16.1)%	\$ 1,945	\$ 2,307	(15.7)%
	\$ 3,821	\$ 4,051	(5.7)%	\$ 8,119	\$ 9,070	(10.5)%
Net operating income	\$ 10,013	\$ 8,861	13.0%	\$ 19,351	\$ 16,351	18.3%
Operating margins	72.4%	68.6%		70.4%	64.3%	

Boardwalk REIT's Saskatchewan operations continued to report strong results for the three and six months ended June 30, 2010 compared to the same periods in fiscal 2009. For the current quarter and first six months of 2010, overall rental revenue increased by 7.1% and 8.1%, respectively. The increases are mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Rental operating expenses decreased by 5.7% and 10.5% for the three and six months ended June 30, 2010 compared to the same periods in the prior year, mainly as a result of lower utility charges and a decrease in property taxes, despite slight increases to operating expenses. The Trust locked into a fixed price natural gas contract for its Saskatchewan natural gas consumption in November 2009 after the previous contract expired in October of 2009. This new contract expires in October 2010. The previous natural gas contract locked the price of natural gas at \$8.28/GJ compared to \$4.98/GJ under the current contract, resulting in a decrease in utility charges for the three and six months of 2010. More details of this commitment are reported in Note 16 of the Trust's consolidated financial statements for the three and six months ended June 30, 2010.

## ONTARIO RENTAL OPERATIONS

<i>In \$000's</i>	<b>3 months June 2010 (Unaudited)</b>	3 months June 2009 (Unaudited)	Change	<b>6 months June 2010 (Unaudited)</b>	6 months June 2009 (Unaudited)	Change
Rental revenue	\$ 9,601	\$ 9,440	1.7%	\$ 19,219	\$ 18,880	1.8%
Rental expenses:						
Operating expenses	\$ 1,634	\$ 1,529	6.9%	\$ 3,241	\$ 3,329	(2.6)%
Utilities	\$ 1,406	\$ 1,482	(5.1)%	\$ 3,483	\$ 3,508	(0.7)%
Property taxes	\$ 1,504	\$ 1,629	(7.7)%	\$ 3,009	\$ 2,967	1.4%
	\$ 4,544	\$ 4,640	(2.1)%	\$ 9,733	\$ 9,804	(0.7)%
Net operating income	\$ 5,057	\$ 4,800	5.4%	\$ 9,486	\$ 9,076	4.5%
Operating margins	52.7%	50.8%		49.4%	48.1%	

Boardwalk REIT's Ontario operations reported an increase in rental revenue for the three and six months ended June 30, 2010 compared to the same period last year. Rental expenses decreased slightly for the three and six months ended June 30, 2010 compared to the same periods in the prior year, as a result of decreases in utility expense and property taxes on our Ontario portfolio in the second quarter and decreases in repairs and maintenance and utility costs in the first six months of 2010. There is currently a fixed price natural gas contract in place for Ontario. The details of this are reported in Note 16 of the Trust's consolidated financial statements for the three and six months ended June 30, 2010. The fixed price of \$7.65/GJ for 50% of our Ontario usage is well above the current floating prices for natural gas.

## QUEBEC RENTAL OPERATIONS

<i>In \$000's</i>	3 months June 2010 (Unaudited)	3 months June 2009 (Unaudited)	Change	6 months June 2010 (Unaudited)	6 months June 2009 (Unaudited)	Change
Rental revenue	\$ 16,997	\$ 16,581	2.5%	\$ 33,881	\$ 33,083	2.4%
Rental expenses:						
Operating expenses	\$ 3,686	\$ 3,072	20.0%	\$ 7,279	\$ 5,932	22.7%
Utilities	\$ 1,212	\$ 1,563	(22.5)%	\$ 3,776	\$ 4,472	(15.6)%
Property taxes	\$ 1,696	\$ 1,639	3.5%	\$ 3,398	\$ 3,286	3.4%
	\$ 6,594	\$ 6,274	5.1%	\$ 14,453	\$ 13,690	5.6%
Net operating income	\$ 10,403	\$ 10,307	0.9%	\$ 19,428	\$ 19,393	0.2%
Operating margins	61.2%	62.2%		57.3%	58.6%	

Boardwalk REIT's Quebec operations reported increases in rental revenue of 2.5% and 2.4% for the three and six months ended June 30, 2010, respectively, compared to the same periods in the prior year, due to improving market fundamentals in that province. Reported rental expenses for the current quarter and the first six months of 2010 were up from the same periods in the prior year due to insurance-related adjustments on its Nuns' Island portfolio recorded in the first quarter of 2009. Utilities were lower for the second quarter and the first six months of 2010 compared to the same periods in the prior year due to lower natural gas and electricity consumption. Similar to Ontario, there is currently a fixed natural gas price in Quebec for 50% of the usage in the province. Additional details on this supply contract can be found in Note 16 of the Trust's consolidated financial statements for the three and six months ended June 30, 2010.

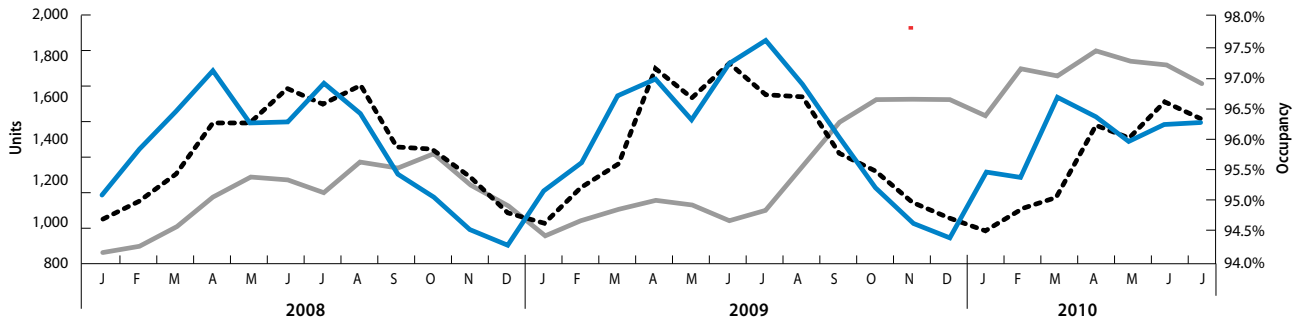
## BOARDWALK'S RENTAL STRATEGY

Boardwalk rental revenue strategy focuses on maximizing rental revenues through actively managing three main variables: occupancy levels, incentives offered and market rents. It is important to note that these variables are in constant flux and may be different between regions and buildings within the same region. The main goal of our strategy is to maximize revenues over the year. In a more competitive market like the one we are in, the Trust locks in rentals on selective suites for future months but does not collect revenue for certain months in the immediate future. What this means is that the Trust may decide to rent a suite today with the Customer not moving in until later in the year. Although the suite is rented, it will not generate revenue until the Customer actually moves in, for example, in July, which corresponds to the next quarter. The percentages reported as occupancy levels below represent those occupied units that are generating revenue for the period noted. The Trust closely monitors 'apartment availability', which represents unoccupied units not generating revenue for the period, after taking into account forward committed leases. Although occupancy rates provide a good indication of current revenue, apartment availability provides the reader a more detailed indication of future potential revenue.

City	Q2 2010	Q2 2009	Q1 2010	Q4 2009
Calgary	98.59%	95.31%	98.41%	96.87%
Edmonton	97.09%	93.51%	96.28%	96.35%
Other Alberta	93.02%	92.63%	92.88%	92.22%
Regina	97.77%	97.33%	96.83%	97.86%
Saskatoon	97.85%	96.77%	97.58%	98.22%
Kitchener	96.96%	98.98%	98.58%	98.68%
London	97.57%	95.95%	97.27%	97.35%
Windsor	96.34%	90.83%	96.34%	96.08%
Montreal	97.23%	96.35%	97.29%	96.66%
Quebec City	97.47%	98.50%	98.13%	97.90%
Gatineau	na	98.44%	98.91%	98.13%
Verdun	97.96%	96.29%	96.87%	96.91%
Vancouver	97.99%	93.89%	98.47%	97.27%
Victoria	97.02%	97.02%	97.92%	97.67%
Grand Total	97.29%	94.91%	96.85%	96.65%

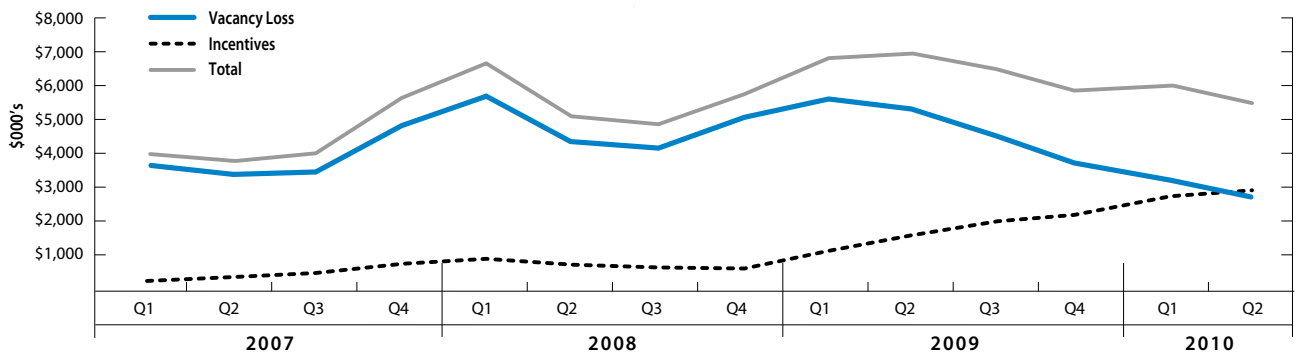
The second quarter of fiscal 2010 saw the portfolio’s overall occupancy rate increase to 97.29% from 94.91% for the same period in the prior year. At this time in the rental cycle, Boardwalk REIT is much more focused on increasing occupancy as this will result in higher overall revenue being earned. The 93.02% occupancy rate for “Other Alberta” includes Grande Prairie, which continued to experience lower occupancies as a result of a significant decrease in natural gas exploration and development activity.

Supply & Demand



The factors of demand and supply, as with any industry, are an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported occupancy relating to our portfolio. The cumulative impact of demand being greater than supply, or vice versa, is the primary driver in the reported occupancy rate. During 2009, the Trust made the decision to adjust downward market rents in selective markets – in particular, Alberta. This strategy was initiated with the intent of increasing occupancy rates in these markets. This strategy continues to be viewed as a success, although in selective markets it has been determined that the Trust may have adjusted rents downward more than was necessary; however, Boardwalk REIT has adjusted to this and continues with the overall goal of maximizing revenue. The Trust continues to see an increase in occupancy levels compared to the occupancy rate of 94.91% for the second quarter of 2009, mitigating the negative effects on our revenue from a contracting economy. Overall to date, Boardwalk REIT views this strategy to be a success, as the Trust is now in the position whereby it may see some upward rental adjustments in certain selective markets. The reader is cautioned that adjusting market rental rates is an on-going process for the Trust and consistent with its overall strategy of maximizing overall reported revenues; consequently, it will adjust rents upward or downward when it is deemed necessary.

Vacancy Loss & Incentives



Vacancy loss and rental incentives are strong indicators of current and future revenue potential. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. The above chart details, on a quarterly basis, rental incentives versus vacancy loss. The reported decrease in vacancy loss while seeing incentives increase, starting in the second quarter of 2009, was mainly the result of Boardwalk REIT’s

continued strategy of maximizing overall revenues through the optimization of the key revenue variables, these being market rents, vacancy levels and suite-selective incentives.

### STABILIZED PROPERTY RESULTS

Boardwalk REIT defines a stabilized property as one that the Trust has owned for a period of at least two years. The definition is simply one of term of ownership, and the Trust believes the metric to be the most useful on a comparative basis to the prior year. It is not the intent for the definition to indicate market maturity. As at June 30, 2010, Boardwalk REIT's entire rental unit portfolio was considered stabilized and consisted of a total of 35,717 units (not including the 88-unit property in Edmonton, Alberta that sold and closed July 15, 2010). The following compares the stabilized property results for the three and six months ended June 30, 2010 with the same periods in the prior year.

June 30 2010 – 3 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,234	-6.2%	8.2%	-11.1%	17.1%
Edmonton	12,337	-1.2%	15.0%	-7.4%	37.2%
Other Alberta	2,203	-4.9%	-3.4%	-5.6%	6.2%
British Columbia	954	2.4%	12.7%	-1.6%	2.8%
Ontario	4,265	1.7%	-2.1%	5.4%	7.3%
Quebec	6,088	2.5%	6.9%	-0.1%	15.0%
Saskatchewan	4,636	7.1%	-5.7%	13.0%	14.4%
	35,717	-0.3%	6.4%	-3.4%	100.0%

Note: Total number of units excludes Willow Glen Apartments, which sold and closed subsequent to June 30, 2010, but includes the 31-unit Eagle Manor building located in Grande Prairie, Alberta. The Eagle Manor building was destroyed by a fire in November 2009. The Trust settled with the insurers for approximately \$3.3 million subsequent to June 30, 2010.

June 30, 2010 – 6 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,234	-6.0%	0.4%	-8.5%	17.8%
Edmonton	12,337	-1.9%	11.2%	-7.9%	36.8%
Other Alberta	2,203	-6.6%	-7.7%	-6.1%	6.2%
British Columbia	954	3.0%	22.5%	-4.1%	3.0%
Ontario	4,265	1.8%	-0.7%	4.6%	7.1%
Quebec	6,088	2.4%	7.4%	-1.0%	14.6%
Saskatchewan	4,636	8.1%	-10.5%	18.3%	14.5%
	35,717	-0.6%	3.7%	-2.8%	100.0%

Note: Total number of units excludes Willow Glen Apartments, which sold and closed subsequent to June 30, 2010, but includes the 31-unit Eagle Manor building located in Grande Prairie, Alberta. The Eagle Manor building was destroyed by a fire in November 2009. The Trust settled with the insurers for approximately \$3.3 million subsequent to June 30, 2010.

The reader is cautioned that, due to seasonality and the timing of these related expenses, a better gauge of the performance of the stabilized properties is on a yearly basis.

For the second quarter of 2010, same-store revenue decreased by 0.3% compared to the same period in the prior year. Operating expenses increased by 6.4% and overall net operating income decreased by 3.4%. The decrease in reported stabilized revenue was driven mainly by the Trust's Calgary operations, which saw a very material increase in incentives offered to customers during this period. The majority of these incentives have been eliminated and the Trust continues to monitor this market closely. The majority of the reported increase in rental operating expenses for the three months ended June 30, 2010 was due to higher property tax assessments in Edmonton and insurance-related claims and adjustments recorded in the first quarter of 2009.

For the six months ended June 30, 2010, same store revenues decreased by 0.6% over the same period last year. Combined with an increase in operating expenses of 3.7% over the same period last year, this resulted in an overall decrease in net operating income of 2.8%.

Stabilized Revenue Growth	# of Units	Q2 2010 vs. Q1 2010	Q2 2010 vs. Q4 2009	Q2 2010 vs. Q3 2009	Q2 2010 vs. Q2 2009
Calgary	5,234	-1.3%	-4.3%	-5.1%	-6.2%
Edmonton	12,337	0.3%	-0.8%	-0.7%	-1.2%
Other Alberta	2,203	2.0%	0.1%	-1.6%	-4.9%
British Columbia	954	-1.3%	0.1%	2.3%	2.4%
Ontario	4,265	-0.2%	-0.2%	1.9%	1.7%
Quebec	6,088	0.7%	1.1%	2.4%	2.5%
Saskatchewan	4,636	1.4%	2.5%	4.6%	7.1%
	35,717	0.3%	-0.5%	0.0%	-0.3%

Note: Total number of units excludes Willow Glen Apartments, which sold and closed subsequent to June 30, 2010, but includes the 31-unit Eagle Manor building located in Grande Prairie, Alberta. The Eagle Manor building was destroyed by a fire in November 2009. The Trust settled with the insurers for approximately \$3.3 million subsequent to June 30, 2010.

On a sequential basis, stabilized revenues reported in the second quarter of 2010 increased slightly by 0.3% over Q1 2010, decreased by 0.5% compared to Q4 2009, were flat compared to Q3 2009 and decreased by 0.3% compared to Q2 2009. As previously highlighted, occupancy levels have increased compared to Q1 2010 as a result of increased rental incentives and reduced market rents being offered. An aggressive approach to this strategy has resulted in a slight decrease in overall rental revenues, despite an increase in the Trust's occupancy rate. The Trust strives toward balancing the optimum level of rental incentives and occupancy rates in order to achieve its revenue maximization strategy. The Trust continues to control operating expenses, in addition to its revenue-maximization strategy. Operating expenses have increased in the second quarter of 2010 largely as a result of higher occupancy rates despite lower revenue. These changes have resulted in a decrease in stabilized net operating income by 3.4% compared to the same period last year.

### Estimated Loss-to-Lease Calculation

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on June 30, 2010, adjusted for current occupancy levels, totaled \$3.2 million on an annualized basis, or \$0.06 per outstanding Trust Unit. For the first time in a number of quarters, the loss-to-lease has returned to a positive, annualized number. The reader should note that the estimated loss-to-lease, calculated at a point in time, is a non-GAAP measure, of which there is no comparable GAAP measure, and that reported market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance assuming consistent economic conditions and trends.

	June 2010 Occupied Rent	June 2010 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,091	\$ 1,148	\$ 57	\$ 3,508	5,310	15%
Edmonton	\$ 1,060	\$ 1,034	\$ (25)	\$ (3,668)	12,585	36%
Other Alberta	\$ 1,019	\$ 1,018	\$ (1)	\$ (21)	1,936	5%
Total Alberta	\$ 1,064	\$ 1,063	\$ (1)	\$ (182)	19,831	55%
Saskatchewan	\$ 1,006	\$ 1,022	\$ 16	\$ 905	4,636	13%
Ontario	\$ 777	\$ 786	\$ 9	\$ 470	4,265	12%
Quebec	\$ 963	\$ 977	\$ 15	\$ 1,079	6,088	17%
British Columbia	\$ 972	\$ 1,054	\$ 82	\$ 906	954	2%
Total Portfolio	\$ 1,003	\$ 1,010	\$ 7	\$ 3,180	35,774	100%

## Revenue Opportunities



As was previously mentioned, the opportunity in the short term will be to significantly reduce the amount of reported vacancy loss and suite-specific incentives. Boardwalk will continue to focus on these areas, trying to balance the amount of increased incentives we offer to new and existing customers with the increased revenue derived from a decrease in the noted vacancy loss. Since vacancy loss is a factor of market rents, as we have adjusted market rents downward, the vacancy loss amount will also decrease accordingly.

## Financing Costs

Financing costs for the second quarter and first half of 2010 have decreased from the same periods in the prior year, from \$26.4 million and \$52.7 million to \$25.9 million and \$51.9 million, due primarily to lower interest rates. Boardwalk Trust's overall liquidity as of the date of this report is estimated to be approximately \$424.8 million; the details of this will be discussed later in this report. Of this, approximately \$215.4 million is represented by cash reported on its June 30, 2010 balance sheet.

As at June 30, 2010, the reported weighted average interest rate on its mortgage and debt portfolio was 4.44% compared to 4.49% at March 31, 2010, 4.52% at December 31, 2009, 4.62% reported at September 30, 2009 and 4.69% at June 2009. The average term maturity of the mortgage and debt portfolio is approximately 3.2 years. Approximately \$263.8 million of secured mortgages is set to mature in the second half of 2010. Current 5-year renewal interest rates are approximately 3.0%, 160 basis points lower than the weighted average maturing rate of 4.60%. Subsequent to the end of the third quarter of 2009, as a normal part of Boardwalk's review of its mortgage maturity schedule, the Trust was successful in "blending and extending" its largest mortgage scheduled to mature in 2012. The Trust was able, on a non-dilutive basis, to extend the maturity of this debt for an additional 2 years. Boardwalk REIT concentrates on multi-family residential real estate; thus, it is able to obtain government-backed insurance through the National Housing Act ("NHA"), which is administered by the Canadian Mortgage and Housing Corporation ("CMHC"). The benefits of purchasing this insurance are twofold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing compared to spreads on conventional mortgage financing, leading to a lower overall cost of debt after including the cost of the NHA insurance.

The second benefit of the CMHC insurance relates to the lowering of Boardwalk REIT's debt renewal risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, typically between 25 and 40 years depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of Boardwalk REIT not being able to refinance the asset on maturity.

Management cannot over-emphasize the importance of this Government-backed mortgage insurance program administered by Canada Mortgage and Housing Corporation. Despite the recent volatility in the overall credit markets, the Trust has not had any difficulty finding mortgage lenders willing to assume or underwrite additional mortgages under this program.

At June 30, 2010, approximately 99% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period of approximately 30 years.

## Administration

Administration expenses were \$6.3 million and \$12.8 million for the three and six months ended June 30, 2010 compared to \$7.1 million and \$13.8 million for the same period in the prior year. This represents a decrease of approximately 11.3% and 7.2% in comparison to the corresponding periods in 2009.

## Deferred Financing Costs Amortization

The amounts reported here relate primarily to the amortization and write-off of CMHC premiums, which are paid as part of its mortgage financing. Under current reporting requirements, if Boardwalk REIT pays off an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be included in earnings in the period that this occurs. In late 2009, the Trust entered into an agreement with the existing mortgage lender of its largest CMHC-secured property, which had an outstanding balance of approximately \$216.8 million, to extend the maturity date of these mortgages for an additional two years. As the 2012 year previously had the highest amount of maturing mortgages, the Trust felt it would be prudent to move some of these maturing mortgages to another period. This early renewal resulted in an early renewal fee of approximately \$11 million dollars. The Trust is amortizing this fee paid over the term of the new mortgages and, as such, recorded approximately \$0.8 million dollars in additional deferred financing amortization in the first six months of 2010.

## Amortization

The amounts reported as amortization of capital and intangible assets from continuing operations for the three and six months ended June 30, 2010 were \$21.6 million and \$42.9 million, compared to \$21.5 million and \$42.6 million for the same periods in the prior year.

## Real Estate Assets

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Dispositions (\$000's)</b>				
Cash received	\$ 24,570	\$ 11,000	\$ 43,920	\$ 11,000
Cost of dispositions	(273)	(21)	(540)	(21)
Net cash received and receivables	24,297	10,979	43,380	10,979
Net book value	11,942	9,626	28,362	9,682
Gain (loss) on dispositions	\$ 12,355	\$ 1,353	\$ 15,018	\$ 1,297
Multi-family units sold	293	133	614	133

During the three and six months ended June 30, 2010 and 2009, Boardwalk REIT did not acquire any additional rental units. During the second quarter of 2010, the Trust completed the disposition of three properties. These sales consisted of a 91-unit rental property located in Calgary, Alberta, a 178-unit rental property located in Montreal, Quebec and two 12-unit rental buildings located in Regina, Saskatchewan. In the second quarter of 2009, the Trust completed the disposition of one property. The sale consisted of a 133-unit building located in Surrey, British Columbia. In addition to these sales, dispositions for the six months ended June 30, 2010 also included the sale of a 321-unit rental property located in Gatineau, Quebec, that was reported in the first quarter of 2010. For the six months ended June 30, 2009, there was also an adjustment made under the percentage of completion method relating to a 90-unit property located in Calgary, Alberta that was developed into condominium units for sale. The final unit of this property was sold in the third quarter of 2009.

It should be noted that the Trust does not include any gain or loss reported on the sale of any of its assets in the computation of FFO.

## Capital Improvements

For the first six months of fiscal 2010, Boardwalk REIT invested approximately \$28.7 million on its properties in the form of project enhancements, a decrease of \$1.8 million from the \$30.5 million invested in the same period in 2009. The decrease from the previous year is mainly the result of more selective capital investment undertaken due to current market conditions as compared to the same period in the prior year, along with the Trust doing significantly more capital projects internally.

Included in these amounts is approximately \$10.0 million of capitalized on-site wages and salaries, compared to \$6.8 million for the same period last year. The increase is the direct result of the Trust continuing to internalize work that was previously contracted out to a third party. This amount is an estimate of site personnel cost associated with the completion of capital projects, and is consistent with internal expectations, as a significant portion of the improvements are now performed "in-house".

### MAINTENANCE OF PRODUCTIVE CAPACITY

The Trust has two separate areas in which capital is invested back into its residential buildings. These are referred to as "maintenance capital expenditures" and "stabilizing and value enhancing capital expenditures".

Maintenance capital expenditures are funded from operating cash flows. These expenditures are deducted from FFO in order to estimate a sustainable amount of Adjusted Funds From Operations ("AFFO") that can be distributed to Unitholders.

Maintenance capital includes those expenditures of a capital nature that are not considered to add to productive capacity, and relate more to maintaining the existing earnings capacity of our property portfolio. In contrast, stabilizing and value-enhancing capital expenditures are more discretionary in nature and more focused on increasing the productivity of the property, with the goal of increasing the FFO generated at that property.

The following chart provides Management's estimate of the two capital expenditure categories.

<i>In \$000's except per suite amounts</i>	3 months	Per Suite	6 months	Per Suite
	June 2010		June 2010	
Maintenance Capital Expenditures	\$ 4,027	\$ 113	\$ 8,109	\$ 225
Stabilizing and value Enhancing Capital Expenditures	\$ 11,589	\$ 324	\$ 20,634	\$ 573
	\$ 15,616	\$ 437	\$ 28,743	\$ 798

If we compare the funds generated by the Trust after adjusting for the required maintenance capital expenditures, we note that the Trust is currently paying out an estimated 68.5% of reported FFO and 77.6% of AFFO for the current quarter ended June 30, 2010 and 74.6% of FFO and 85.5% of AFFO for the six month period ended June 30, 2010.

<i>(000's)</i>	3 months	6 months
	June 2010	June 2010
Funds From Operations (FFO)	\$ 34,579	\$ 63,588
Maintenance Capital Expenditures	\$ 4,027	\$ 8,109
Adjusted Funds From Operations (AFFO)	\$ 30,552	\$ 55,479
Unitholder Distributions	\$ 23,697	\$ 47,435
Distribution as a % of FFO	68.5%	74.6%
Distribution as a % of AFFO	77.6%	85.5%

Maintenance capital expenditures for our income-producing properties are dependent upon many factors, including but not limited to the number of suites, age and location of our properties and the Trust's policy of ongoing investment that results in safe and desirable apartments (for Customers and Associates).

## Unitholders' Equity

The following chart discloses the changes in reported Unitholders' Capital:

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2008	53,477,042	\$ 256,773
Deferred unit plan	–	389
Units issued for vested deferred units	57,425	1,979
Units purchased and cancelled	(790,000)	(22,756)
December 31, 2009	52,744,467	\$ 236,385
Deferred unit plan	–	864
Units issued for vested deferred units	8,387	325
Units purchased and cancelled	(189,700)	(7,460)
<b>June 30, 2010</b>	<b>52,563,154</b>	<b>\$ 230,114</b>

In the third quarter of fiscal 2007, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "First Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allowed Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bid terminated on August 17, 2008.

In August of 2008, Boardwalk REIT filed an application for a Normal Course Issuers Bid (the "Second Bid"), which received regulatory approval from the Toronto Stock Exchange on August 18, 2008. The Second Bid allowed Boardwalk REIT to purchase and cancel up to 4,040,192 Trust Units representing 10% of the public float of its Trust Units at the time of the TSX approval. The Second Bid terminated on August 19, 2009.

Under the Second Bid, the Trust purchased and cancelled, on a cumulative basis, 1,436,000 REIT Units (790,000 in the first nine months of 2009 and 646,000 in fiscal 2008), representing a total purchase cost of approximately \$42.9 million (first nine months of 2009 – \$22.8 million and fiscal 2008 – \$20.1 million), or an average of \$29.86 per Trust Unit.

In August of 2009, Boardwalk REIT filed an application for a Normal Course Issuer bid (the "Third Bid"), which received regulatory approval from the Toronto Stock Exchange on August 24, 2009. The Third Bid allows Boardwalk REIT to purchase and cancel up to 3,932,211 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Third Bid will terminate on the earlier of August 23, 2010 or at such time as the purchases under the Third Bid are complete.

Under the Third Bid, the Trust purchased and cancelled 189,700 REIT Units in the second quarter of 2010 (none in fiscal 2009), representing a total purchase cost of approximately \$7.5 million, or an average of \$39.32 per Trust Unit.

To date since August 2007, on a cumulative basis, the Trust purchased and cancelled 4,148,147 REIT Units, representing a total purchase cost of approximately \$154.2 million, or an average of \$37.16 per Trust Unit.

Subsequent to June 30, 2010, the Trust renewed its Normal Course Issuer Bid ("Fourth Bid"), subject to regulatory approval. The Fourth Bid, if approved, would allow Boardwalk to purchase up to 3,918,288 Trust Units, representing 10% of the public float of its Trust Unit capital, through the facilities of The Toronto Stock Exchange. The Fourth Bid, if approved, is expected to commence on August 24, 2010 and will terminate one year later, or at such earlier time as the Bid is complete.

As is reported on the face of the balance sheet, the Trust has Unitholders' Equity (Deficit) of \$ (64.6) million. To better allow the reader to review the details of this account, the Trust now includes a separate Consolidated Statement of Unitholders' Equity. As shown on this statement, there is a continued drawdown of reported cumulative income, which is the direct result of the Trust's distributions paid to its Unitholders. The Trust's monthly distribution has two components. The first relates to the distribution of income and the second relates to a return of capital for tax purposes. On an annualized tax basis, it is estimated that about 60% of Boardwalk REIT's distribution will be in the form of a return of capital with the remaining 40% constituting income and capital gains, if any.

As these two components together determine the reported distributions, it was inevitable that the Trust would, over time, distribute amounts in excess of reported cumulative earnings. The Trust moved closer to reporting cumulative distributions being in excess of cumulative earnings at the end of the second quarter of 2007, when it recorded a future tax loss of \$111.1 million. The Income Tax Act (Canada) (the "Tax Act") contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). The SIFT Legislation provides for a transition period until 2011 for publicly traded trust which existed prior to November 1, 2006. In addition, the SIFT Legislation will not impose tax on a trust which qualifies as a real estate investment trust ("REIT") as defined in the Tax Act. Based on a detailed review of the SIFT Legislation at the time, it could be interpreted that the Trust will not qualify as a REIT. The future tax liability as a result of the SIFT Legislation is reviewed and adjusted quarterly, as necessary. As at the end of the 2009 fiscal year, this future tax liability was \$95.2 million. This future tax liability was decreased by \$0.4 million for the three months ended March 31, 2010 to \$94.8 million due to a decrease in enacted future tax rates and increased by \$2.2 million for the second quarter of 2010 to \$97.0 million due to changes in the timing differences between accounting and tax asset values.

As a result of Bill C-10, which passed Third Reading in the House of Commons on March 4, 2009, technical amendments proposed in December 2007 were enacted, which clarified the definition of a REIT for Canadian income tax purposes, including the definition of what is considered "rent from real or immoveable properties". However, despite this clarification, further clarification is still needed, particularly as it relates to gains on the disposition of real or immoveable properties and whether such gains retain their characteristics as they flow from one trust entity to another trust. As a result, the previously recorded future income tax liability will continue to be reported by the Trust until further clarity for qualifying as a REIT for Canadian income tax purposes become available. More details on this risk can be found in the MD&A section of the Trust's 2009 Annual Report.

Boardwalk REIT, as was previously noted, calculates its distributions not on net earnings but rather on distributable income ("DI"). As was previously noted, DI is a non-GAAP measure and we have provided a reconciliation from reported total operating cash flows (which is a GAAP measurement). The basis for this is that, like most other real estate entities, the key determination for these distributions is available cash generated from operations.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at June 30, 2010, there were 48,088,154 REIT Units issued and outstanding. In addition, there are currently 4,475,000 Class "B" Special Voting Units of Boardwalk REIT Limited Partnership ("LP B Units") each of which also has a Special Voting Unit in the REIT. Each LP B Unit is exchangeable for REIT Units on a one-for-one basis at the option of the holder. Each LP B Unit through the Special Voting Unit entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT Units, the total issued and outstanding REIT Units would be 52,563,154. Under Canadian GAAP, the LP B Units are included as equity. Under IFRS, the LP B Units may have to be reported as debt in the future. Based on our preliminary review, this reclassification will have no impact on any of Boardwalk's reported Debt or equity covenants.

## Liquidity and Capital Resources

Liquidity refers to the Trust's ability to generate sufficient cash to fund our on-going operations and capital commitments as well as our distributions to Unitholders. Generally, distributions are funded from FFO. However, in common with the majority of real estate entities, we rely on lending institutions for a significant portion of capital required to fund mortgage principal payments, capital expenditures, acquisitions, unit buyback and refinancing maturing debt.

Over the past fiscal year, many of our lending partners have suffered losses that were mainly the result of the overall weaker economy and a general erosion of financial strength. As a result, many of these lenders have tightened their lending standards, making access to additional cost-effective debt capital more difficult. Although it is impossible to eliminate this risk, the Trust does significantly mitigate this with the use of NHA mortgage insurance, the benefits of which are discussed in detail earlier. The ability to access this financing product has been very beneficial to the Trust.

The Trust's current liquidity position, as of the date of this report, remains stable as the following table highlights:

Cash position June, 2010	\$ 215,438,000
Subsequent Committed Additional Financing	\$ 11,099,000
	\$ 226,537,000
Committed Revolving Credit Facility	\$ 198,228,000
<b>Total Available Liquidity</b>	<b>\$ 424,765,000</b>

In addition to these amounts, the Trust anticipates that, assuming market conditions remain the same, if warranted the Trust could arrange an additional \$174.6 million of net new mortgage financing proceeds to be in place prior to the end of the fiscal year 2010. This would not include any new financing on its portfolio of \$279.0 million in unencumbered assets, of which \$96.2 million are pledged against the Trust's committed revolving credit facility.

Approximately 99% of Boardwalk REIT's secured mortgages carry NHA insurance. Maturing mortgages that already have commitments are at interest rates that are lower than their existing (maturing) interest rates.

The reader should also be aware that all of the \$264.0 million of debt coming due in 2010 (as shown in the table below) 100% has NHA insurance and represents in aggregate approximately 47%<sup>(1)</sup> of the current estimated values on those individually secured assets. Currently, interest rates for terms five years or less are well below the reported weighted average interest rates we have coming due in 2010 and 2011. The reader, however, is cautioned that these rates do fluctuate and by the time these maturing mortgages are set for renewal, with or without additional financing, interest rates may have changed materially.

(1) This does not include dispositions which occurred subsequent to June 30, 2010. See note 19 in the unaudited consolidated financial statements for June 30, 2010.

## MORTGAGE AND DEBT SCHEDULE

Year	% NHA Insured	Principal Outstanding as at Jun 30, 2010	Weighted Average Interest Rate By Maturity	% of Total
2010	92%	263,773,605	4.60%	11.18%
2011	100%	216,185,106	4.77%	9.16%
2012	100% <sup>(1)</sup>	581,971,084	4.89%	24.67%
2013	100%	293,858,027	4.51%	12.45%
2014	100% <sup>(2)</sup>	436,620,999	3.51%	18.51%
2015	100%	259,919,789	4.25%	11.02%
2016	100%	126,279,969	4.67%	5.35%
2017	100%	67,704,864	3.77%	2.87%
2018	100%	6,083,130	6.18%	0.26%
2019	100%	77,931,953	5.09%	3.30%
2020	100%	29,129,282	4.66%	1.23%
<b>Total Principal Outstanding</b>	<b>99%</b>	<b>2,359,457,808</b>	<b>4.44%</b>	<b>100.00%</b>

(1) Includes Principal balance of Unsecured Debenture.

(2) In September 2009, approximately \$216.8 million secured by our Nuns' Island Portfolio was extended to a maturity date of October 1, 2014 on an anti-dilutive basis.

In Q3 2009, as part of Boardwalk's normal review of its mortgage maturity schedule, the Trust entered into an agreement with the existing mortgage lender of its largest CMHC-secured property with an outstanding balance of approximately \$216.8 million to extend the maturity date for an additional two years. The 2012 year has the highest amount of maturing mortgages. On a non-dilutive basis, the arrangement known as a "blend and extend" extended the maturity of this mortgage from November 1, 2012 to October 1, 2014.

Notwithstanding the Trust's current liquidity situation, Boardwalk REIT's liquidity and access to capital resources were previously constrained by certain tests that were adopted in both its Declaration of Trust and Unsecured Debentures Indenture. The most

constraining was what is referred to as its Debt-to-Gross Book Value. With this in mind, the Trust recommended and received approval from both its Unitholders as well as its Unsecured Debenture Holders for an interim step of adjusting upward the current basis of this calculation. At its Unitholders meeting in May of 2008 and at the Debenture Holders special meeting dated July 30, 2008, the holders of these instruments approved an additional provisional bump to the calculation of the Trust's Gross Book Value. The additional bump was in the amount of \$410 million. The determination was completed in a similar manner to the original one completed in May of 2004 in conjunction with our conversion to a Trust – with one significant difference. In the most recent adjustment, we recommended an adjustment that would only move the Trust to one-half of the estimated enterprise value of its investment assets, an amount the Trust feels is still well below the fair value of its assets. In total, the adjustment of \$641 million will improve the Trust's ability to fully implement its strategy.

Boardwalk REIT's financial position better reflects its low leverage, with the overall debt level reported at 61% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately \$641 million (\$231 million prior to May 13, 2008 – see NOTE 13 to the unaudited consolidated financial statements for the three and six months ended June 30, 2010). The following chart sets out the Trust's recomputed GBV:

<b>Gross Book Value Calculation</b> (\$000's)	<b>June 2010</b>	<b>December 2009</b>
Total reported assets	\$ 2,364,509	\$ 2,378,278
Accumulated amortization	710,820	677,613
Conversion adjustment	641,460	641,460
	<b>\$ 3,716,789</b>	<b>\$ 3,697,351</b>
Mortgages payable	\$ 2,158,162	\$ 2,145,638
Debentures	\$ 112,022	\$ 111,834
	<b>\$ 2,270,184</b>	<b>\$ 2,257,472</b>
Debt to GBV	61%	61%
DOT Limit	70%	70%

With a DOT stipulation not to exceed 70% of Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio of approximately \$331.6 million to facilitate the Trust's business and financial strategies.

Currently, Boardwalk REIT has a committed revolving credit facility with a major financial institution with the amount available varying with the value of pledged real estate assets and with a maximum limit not to exceed \$200 million and an available limit of \$200 million as at June 30, 2010. The revolving facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due 364 days later (which was amended to two years subsequent to June 30, 2010). The due date was amended from 364 days to two years subsequent to the quarter-end. As at June 30, 2010, no amount of the credit facility was owing and outstanding. For the first six months of 2010, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense excluding gains was 2.28 as compared to 2.30 for the same period last year.

## Critical Accounting Policies

Boardwalk REIT's accounting policies are described in Note 2 (on page 63 of Boardwalk REIT's 2009 Annual Report) to the consolidated financial statements for the year ended December 31, 2009. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Real Property Association of Canada ("REALpac"). In applying these policies, in certain cases, it is necessary to use estimates. In determining estimates, Management uses the information available to the Trust at the time.

Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the three and six months ended June 30, 2010 provides an update to Boardwalk REIT's critical accounting policies. No new accounting pronouncements have been issued in the first six months of 2010 that are expected to have a significant impact on Boardwalk REIT.

## FUTURE INCOME TAXES

The Income Tax Act (Canada) (the "Tax Act") contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). Based on a detailed review of the SIFT Legislation, it could be interpreted that the Trust will not qualify as a "real estate investment trust" ("REIT") in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through ("SIFT") rules nor remain within certain "normal growth" limits. As such, Boardwalk REIT recorded an estimate of its the future income tax liability at June 30, 2007, and adjusted quarterly, if necessary, recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The Trust adjusted the June 30, 2007 estimate and reported a future income tax liability at December 31, 2007 of \$99.9 million, which was revised upward by \$0.3 million to \$100.2 million at December 31, 2008, revised downward by \$5.0 million to \$95.2 million at December 31, 2009 and revised upward by \$1.8 million to \$97.0 million as at June 30, 2010.

On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons and on March 12, 2009 received Royal Assent, and therefore considered substantively enacted under Canadian GAAP. This Bill clarifies the definition of and criteria for being a "real estate investment trust" for Canadian income tax purposes, including the definition of what is considered "rent from real or immovable properties". However, despite clarifying the definition of and criteria for qualifying as a "real estate investment trust", further clarification is still needed within these definitions, particularly as it relates to gains on the dispositions of real or immovable properties and whether such gains retain their characteristics as they flow from one trust entity to another trust. As a result, the Trust continues to report a future income tax liability until further clarity for qualifying as "real estate investment trust" becomes available. If further clarification is not provided, it is still the belief of management that we will be able to adjust existing policies and/or restructure to qualify as a "real estate investment trust" under the new SIFT rules at January 1, 2011. Management continues to work with industry organizations as well as the Department of Finance on these and other outstanding issues.

## FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Boardwalk REIT monitors new CICA accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures. During 2008, the CICA issued two new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2011:

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. As such, transactions which are now typically accounted for as an asset acquisition will likely come within the scope of a business combination. Finally, acquisition costs are not part of the consideration and, with the exception of Trust Unit issue costs, acquisition-related costs are to be expensed when incurred. With the adoption of these standards, Boardwalk expects that more transactions which are now typically accounted for as an asset acquisition will be considered a business combination and all acquisition related costs will be expensed through the income statement.

### INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the change over date of January 1, 2011 as the date in which all publicly accountable enterprises ("PAEs"), including Boardwalk REIT, will be required to report all interim and annual financial statement information in accordance International Financial Reporting Standards ("IFRS"), which will become Canadian GAAP.

The impact of the adoption of IFRS on the consolidated financial statements of Boardwalk REIT will likely be significant and the Trust continues to develop its convergence and implementation plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. Boardwalk REIT continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be an on-going one as new standards and recommendations are issued by the International Accounting Standards Board and the AcSB.

The Canadian Securities Administrators issued Staff Notice 52-321, "Early Adoption of International Financial Reporting Standards", which provided issuers with the option to early adopt IFRS effective January 1, 2009. Boardwalk REIT has chosen not to early adopt IFRS standards.

The following table outlines certain elements of the Trust's transition plan to IFRS and an assessment of the related progress. The reader should be aware that, as the Trust works through its detailed project plan, certain project activities and milestones could change. Given the progress of the project and the outcomes identified, changes in regulation or economic condition at the date of transition or throughout the project could result in changes to the project activities outlined.

KEY ACTIVITY	KEY MILESTONES	STATUS
<p><b>Accounting Policy and Implementation</b></p> <ul style="list-style-type: none"> <li>Identify differences in Canadian GAAP and IFRS accounting policies</li> <li>Select Boardwalk's ongoing IFRS policies</li> <li>Assess and quantify the effects of change upon initial and continuous IFRS implementation</li> <li>Develop financial statement format under IFRS</li> </ul>	<ul style="list-style-type: none"> <li>Detail analysis of IFRS standards and their impact on the Trust's financial statements</li> <li>Prepare January 1, 2010 opening balance sheet in accordance with IFRS standards</li> <li>Board sign-off of IFRS policies which will be implemented upon transition to IFRS</li> <li>Develop action plans to implement policy choices</li> <li>Develop mock up financial statements under IFRS which outline disclosure requirements</li> </ul>	<ul style="list-style-type: none"> <li>A large portion of the analyses of the relevant IFRS standards has essentially been completed in 2009; however, further analysis on more detailed items within various standards will continue in 2010.</li> <li>Board sign off of the policy choices to be implemented under IFRS is expected in 2010.</li> <li>The completion of mock up financial statements is expected in 2010.</li> </ul>
<p><b>Information Technology and Data Systems</b></p> <ul style="list-style-type: none"> <li>IT initiatives required, developed and tested</li> </ul>	<ul style="list-style-type: none"> <li>Identify information requirements under IFRS and develop IT initiatives to meet these requirements</li> <li>Design and develop these IT initiatives</li> <li>Test IT systems to ensure information requirements are met</li> <li>Implementation of new systems</li> </ul>	<ul style="list-style-type: none"> <li>The identification of systems and information requirements under IFRS was completed in 2008.</li> <li>The design and development of systems required was essentially completed in 2009.</li> <li>Testing of new systems has been completed in 2010 and the new systems are operational.</li> </ul>
<p><b>Internal Controls over Financial Reporting and Disclosure</b></p> <ul style="list-style-type: none"> <li>For all IFRS accounting policy changes, assess control design and effectiveness implications</li> <li>Document and test process changes</li> </ul>	<ul style="list-style-type: none"> <li>Assess material impacts of IFRS standards on entity level, information technology, disclosure and business process controls</li> <li>Map and test process and control changes which result from the implementation of IFRS standards</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of control issues is essentially completed.</li> </ul>
<p><b>Financial Reporting Expertise</b></p> <ul style="list-style-type: none"> <li>Define and introduce the appropriate level of IFRS expertise for the IFRS transition team, accounting staff, senior management and Audit Committee/Board of Trustees</li> </ul>	<ul style="list-style-type: none"> <li>Training for the IFRS transition team to occur on an ongoing basis as required</li> <li>Training for accounting staff, Audit Committee and Board on an ongoing basis as required</li> </ul>	<ul style="list-style-type: none"> <li>Project team expert resources have been identified and training for the project team members is occurring throughout the project.</li> <li>Training of accounting staff and Board/Audit Committee is ongoing throughout the project.</li> </ul>
<p><b>Business Activities</b></p> <ul style="list-style-type: none"> <li>Assess impact of transition to IFRS on businesses activities such as hedging, debt covenants, performance measures and compensation arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Determine the impact of IFRS policies on various business activities</li> <li>Identify changes to structure, Declaration of Trust or other requirements which need to be addressed prior to the transition date</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary projections of the impact to debt covenants and the Declaration of Trust have already been completed in 2009. Assessment of business activities and documentation requirements continue to be assessed in 2010.</li> </ul>
<p><b>External Communications</b></p> <ul style="list-style-type: none"> <li>Assess the impact of IFRS related accounting policy on external communications including, investor communications, public reporting documents and processes implemented to deal with IFRS queries from the public.</li> </ul>	<ul style="list-style-type: none"> <li>Assess the initial and ongoing impact the transition to IFRS will have on all public forms of communication</li> <li>Disclose the effects of the implementation to the public</li> <li>Develop a process to receive and deal with external IFRS inquiries</li> </ul>	<ul style="list-style-type: none"> <li>IFRS disclosure in the MD&amp;A will be updated throughout the project in accordance with CSA Staff Notice 52-320.</li> <li>Individuals involved in the completion of the external communication are part of the IFRS project team.</li> </ul>

Boardwalk REIT continues to evaluate and assess the impact of IFRS standards, their differences from Canadian GAAP and the effects of these differences on the Trusts financial statements. As this convergence project moves through its life cycle and towards the transition date of January 1, 2011, areas are being identified where significant differences from Canadian GAAP may not have initially been considered, but upon further examination, have been identified. One such area exists within IAS 32-Financial Instruments: Presentation. Upon initial examination of this standard, the Trust disclosed in its 2009 Annual Report that Boardwalk expects its REIT Units and LP Class B Units to be treated as equity under IFRS. However, upon further examination, the Trust has now identified that while the REIT Units are still expected to be treated as equity, the LP Class B Units may be treated as either equity or debt. If these LP Units are classified as Debt, any distributions would then be treated as financing costs. In either case, the Trust will continue to be on-side with all of its debt covenants. The Trust continues to evaluate this issue within IAS 32 and its impact on the Trust's financial statements prepared in accordance with IFRS.

Additional disclosure on the Trust's transition to IFRS and its convergence plan is outlined in Boardwalk REIT's 2009 Annual Report.

### Disclosure Controls and Procedures & Internal Control over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO, President and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The preparation of this information is supported by a set of disclosure controls and procedures implemented by management. In fiscal 2009, these controls and procedures were reviewed and the effectiveness of their design and operation was evaluated. This evaluation confirmed the effectiveness of the design and operation of disclosure controls and procedures as at December 31, 2009. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework adopted by the Trust and the requirements of National Instrument 52-109 of the Canadian Securities Administrators, Certification of Disclosure in Issuers' Annual and Interim Filings.

Boardwalk REIT continues to review the design of disclosure controls and procedures to provide reasonable assurance that material information relating to Boardwalk REIT is made known to the CEO, President and CFO.

As at December 31, 2009, Boardwalk REIT also confirmed the effectiveness of the design of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements and information. Boardwalk REIT may, from time to time, make changes aimed at enhancing their effectiveness and ensuring that our systems evolve with our business. There were no changes made in our internal controls over financial reporting during the six months ended June 30, 2010, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Based on management's current assessment, Boardwalk has not and does not expect to make changes to its existing ICFR that will materially affect or is reasonably likely to affect its ICFR in fiscal 2010 and 2011 due to Boardwalk REIT's transition to IFRS. For fiscal year 2010, the Trust will be required to maintain financial information in accordance with two different accounting standards, one in accordance with current Canadian generally accepted accounting principles ("Canadian GAAP") and the other in accordance with IFRS. Accordingly, both the general ledger accounting system and asset tracking system module are currently being updated to accommodate two sets of books. Internal controls exist to ensure the updates to the general ledger accounting system and the asset tracking system module will be operating as intended prior to the new changes 'going live'. These controls are similar to controls previously designed and in effect when Boardwalk REIT upgrades any of its software applications.

## 2010 Financial Outlook and Market Guidance

As is customary, the Trust, on a quarterly basis, reviews its key assumptions used in deriving its public financial guidance. Based on this review, we have adjusted our 2010 full-year guidance downward. The adjustment for the most part relates to the amount of FFO lost due to the sales of non-core assets. It is estimated that the sale of these assets accounted for approximately \$0.05 of Boardwalk REIT's original 2010 guidance. To date, the Trust has not been able to deploy the proceeds of these sales to offset the loss of income. The following table summarizes our original and revised 2010 Financial Guidance:

Description	Original Guidance	Revised
Acquisitions	None	None
Stabilized Building NOI Growth	-2% to 0%	-3% to 0%
FFO per Trust Unit	\$2.45 to \$2.60	\$2.40 to \$2.55
DI per Trust Unit	\$2.47 to \$2.62	\$2.42 to \$2.57
	Low	High
Original FFO Guidance	\$2.45	\$2.60
Adjustment For FFO Lost on Non-Core Property Sales	(\$0.05)	(\$0.05)
Adjusted FFO Guidance	\$2.40	\$2.55

In addition to the above financial guidance for 2010, the Trust has assumed the following capital will be invested back into its existing portfolio for the 2010 fiscal year.

Capital Budget	2010 Budget	Per Suite	Six months ended	
			June 2010	Per Suite
Total Approved	\$ 79,000	\$ 2,155	\$ 28,743	\$ 798
Maintenance Capital	\$ 16,493	\$ 450	\$ 8,109	\$ 225
Stabilizing & Value Added Capital	\$ 62,507	\$ 1,705	\$ 20,634	\$ 573
	\$ 79,000	\$ 2,155	\$ 28,743	\$ 798

For the first six months of 2010, Boardwalk REIT has incurred \$28.7 million (or \$798 per apartment unit) of capital improvements.

## Additional Information

Additional information relating to Boardwalk REIT, including the Annual Information of Boardwalk REIT, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Respectfully,



Roberto A. Geremia  
President



William Wong  
Chief Financial Officer

# Consolidated Balance Sheets

(Cdn\$ Thousands) (UNAUDITED)

As at	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
Revenue producing properties (NOTE 4)	\$ 2,113,108	\$ 2,126,559
Other assets (NOTE 5)	15,517	13,908
Mortgages and accounts receivable	4,189	3,049
Segregated tenants' security deposits	12,710	12,917
Cash and cash equivalents	215,438	190,325
Discontinued operations (NOTE 6)	3,547	31,520
	<b>\$ 2,364,509</b>	<b>\$ 2,378,278</b>
<b>LIABILITIES</b>		
Mortgages payable	\$ 2,154,078	\$ 2,119,864
Debentures (NOTES 7 and 11)	112,022	111,834
Accounts payable and accrued liabilities	46,450	54,627
Refundable tenants' security deposits and other	16,274	16,263
Discontinued operations (NOTE 6)	4,084	25,774
	<b>2,332,908</b>	<b>2,328,362</b>
Future income taxes (NOTE 12)	96,230	94,956
	<b>2,429,138</b>	<b>2,423,318</b>
<b>UNITHOLDERS' EQUITY (DEFICIT)</b>		
Unitholders' equity (deficit)	(64,629)	(45,040)
	<b>\$ 2,364,509</b>	<b>\$ 2,378,278</b>

Commitments and contingencies (NOTE 16)

Guarantees (NOTE 17)

See accompanying notes to the consolidated financial statements

On behalf of the Trust:



Sam Kolas  
Trustee



Al Mawani  
Trustee

## Consolidated Statements of Earnings and Comprehensive Income

<i>(Cdn\$ Thousands, except NUMBER OF UNITS and PER UNIT amounts)</i> <i>(UNAUDITED)</i>	<b>3 months ended June 30, 2010</b>	3 months ended June 30, 2009	<b>6 months ended June 30, 2010</b>	6 months ended June 30, 2009
<b>REVENUE</b>				
Rental revenue	\$ 105,011	\$ 105,219	\$ 209,664	\$ 210,920
<b>EXPENSES</b>				
Revenue producing properties:				
Operating expenses	19,266	17,626	38,072	35,726
Utilities	8,794	8,609	22,860	24,179
Utility rebate and rebate adjustments (NOTE 16)	–	–	–	(375)
Property taxes	8,678	8,395	17,560	16,738
Administration	6,264	7,060	12,824	13,817
Financing	25,890	26,386	51,923	52,719
Amortization of deferred financing costs	1,739	1,235	3,480	2,406
Amortization of capital assets	21,649	21,174	42,904	41,939
Amortization of intangibles	–	298	–	671
	<b>92,280</b>	90,783	<b>189,623</b>	187,820
<b>Earnings from continuing operations before the following</b>	<b>12,731</b>	14,436	<b>20,041</b>	23,100
Other income (NOTE 11)	–	–	–	408
<b>Earnings from continuing operations before income taxes</b>	<b>12,731</b>	14,436	<b>20,041</b>	23,508
Current income taxes	–	(8)	–	3
Future income taxes (recovery) (NOTE 12)	1,692	1,151	1,274	(7,419)
<b>Earnings from continuing operations</b>	<b>11,039</b>	13,293	<b>18,767</b>	30,924
Earnings from discontinued operations, net of tax (NOTE 6)	12,501	1,742	15,338	1,780
<b>Net earnings</b>	<b>23,540</b>	15,035	<b>34,105</b>	32,704
Other comprehensive income (NOTE 15)	2	10	12	19
<b>Comprehensive income</b>	<b>\$ 23,542</b>	\$ 15,045	<b>\$ 34,117</b>	\$ 32,723
<b>Basic earnings per unit (NOTE 10)</b>				
– from continuing operations	\$ 0.21	\$ 0.25	\$ 0.36	\$ 0.59
– from discontinued operations	0.24	0.03	0.29	0.03
<b>Basic earnings per unit</b>	<b>\$ 0.45</b>	\$ 0.28	<b>\$ 0.65</b>	\$ 0.62
<b>Diluted earnings per unit (NOTE 10)</b>				
– from continuing operations	\$ 0.21	\$ 0.25	\$ 0.36	\$ 0.59
– from discontinued operations	0.24	0.03	0.29	0.03
<b>Diluted earnings per unit</b>	<b>\$ 0.45</b>	\$ 0.28	<b>\$ 0.65</b>	\$ 0.62
<b>Weighted average number of units – fully diluted (NOTE 10)</b>	<b>52,718,850</b>	53,019,407	<b>52,738,474</b>	53,171,071

See accompanying notes to the consolidated financial statements

## Consolidated Statements of Unitholders' Equity (Deficit)

<i>(Cdn\$ Thousands, EXCEPT NUMBER OF UNITS) (UNAUDITED)</i>	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Trust units (NOTE 9)</b>		
Balance, beginning of period	\$ 236,385	\$ 256,773
Deferred unit plan (NOTE 8)	864	1,107
Units issued for vested deferred units (NOTE 8)	325	209
Units purchased and cancelled (NOTE 8)	(7,460)	(17,139)
Balance, end of period	\$ 230,114	\$ 240,950
<b>Cumulative earnings</b>		
Balance, beginning of period	\$ 203,343	\$ 141,276
Net earnings	34,105	32,704
Balance, end of period	\$ 237,448	\$ 173,980
<b>Cumulative distributions to unitholders</b>		
Balance, beginning of period	\$ (484,544)	\$ (389,294)
Distributions declared to unitholders (NOTE 10)	(47,435)	(47,792)
Balance, end of period	\$ (531,979)	\$ (437,086)
<b>Deficit</b>	\$ (294,531)	\$ (263,106)
<b>Accumulated other comprehensive income (loss)</b>		
Balance, beginning of period	\$ (224)	\$ (262)
Other comprehensive income (NOTE 15)	12	19
Balance, end of period	\$ (212)	\$ (243)
Total unitholders' equity (deficit)	\$ (64,629)	\$ (22,399)
<b>Units issued and outstanding (NOTE 9)</b>	<b>52,563,154</b>	<b>52,864,883</b>

See accompanying notes to the consolidated financial statements

## Consolidated Statements of Cash Flows

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<i>(Cdn\$ Thousands) (UNAUDITED)</i>				
<b>Operating activities</b>				
Net earnings	\$ 23,540	\$ 15,035	\$ 34,105	\$ 32,704
(Earnings) from discontinued operations, net of tax	(12,501)	(1,742)	(15,338)	(1,780)
Future income taxes (recovery)	1,692	1,151	1,274	(7,419)
Amortization of deferred financing costs	1,739	1,235	3,480	2,406
Amortization of capital assets	21,649	21,174	42,904	41,939
Amortization of intangibles	–	298	–	671
Other income (NOTE 11)	–	–	–	(408)
	<b>36,119</b>	<b>37,151</b>	<b>66,425</b>	<b>68,113</b>
Cash from discontinued operations	203	967	679	1,664
Net change in operating working capital (see below)	(666)	11	(7,851)	(8,366)
<b>Total operating cash flows</b>	<b>35,656</b>	<b>38,129</b>	<b>59,253</b>	<b>61,411</b>
<b>Financing activities</b>				
Issuance of trust units (net of issue costs) (NOTE 9)	–	25	–	209
Distributions paid to unitholders	(23,727)	(23,884)	(47,463)	(47,886)
Unit repurchase program (NOTE 9)	(7,460)	(9,252)	(7,460)	(17,139)
Financing of revenue producing properties	77,263	134,088	77,263	180,372
Repayment and maturity of debt on revenue producing properties	(36,876)	(54,995)	(64,423)	(100,968)
Repurchase of debentures (NOTE 11)	–	–	–	(7,187)
Deferred financing costs incurred	(3,946)	(4,537)	(4,157)	(6,357)
Bond forward settlement, net of amortization (NOTE 15)	2	10	12	19
	<b>5,256</b>	<b>41,455</b>	<b>(46,228)</b>	<b>1,063</b>
<b>Investing activities</b>				
Improvements to revenue producing properties	(15,616)	(14,757)	(28,743)	(30,457)
Net cash proceeds from sale of properties (NOTE 4)	22,297	10,979	41,380	10,979
Additions to corporate technology assets	(271)	(356)	(549)	(664)
	<b>6,410</b>	<b>(4,134)</b>	<b>12,088</b>	<b>(20,142)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>47,322</b>	<b>75,450</b>	<b>25,113</b>	<b>42,332</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>168,116</b>	<b>90,116</b>	<b>190,325</b>	<b>123,234</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 215,438</b>	<b>\$ 165,566</b>	<b>\$ 215,438</b>	<b>\$ 165,566</b>
<b>Supplementary cash flow information:</b>				
Taxes paid	\$ –	\$ –	\$ –	\$ 3
Interest paid	\$ 24,473	\$ 25,216	\$ 52,502	\$ 53,979
<b>Net change in operating working capital:</b>				
Net change in mortgages and accounts receivable	\$ 301	\$ 167	\$ 861	\$ 3,331
Net change in other assets	(167)	(281)	(781)	(1,307)
Net change in tenants' security deposits	65	27	218	87
Net change in accounts payable and accrued liabilities	(865)	98	(8,149)	(10,477)
	<b>\$ (666)</b>	<b>\$ 11</b>	<b>\$ (7,851)</b>	<b>\$ (8,366)</b>

See accompanying notes to the consolidated financial statements

# Notes To Consolidated Financial Statements

THREE MONTHS ENDED JUNE 30, 2010 AND 2009

*(Tabular amounts in Cdn\$ thousands, except number of units and per unit amounts UNLESS OTHERWISE STATED)*

## 1. ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust ("DOT"), dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, May 13, 2008, May 13, 2009 and May 18, 2010, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests, initially through the acquisition of the assets and operations of Boardwalk Equities Inc. (the "Corporation"), which were acquired on May 3, 2004.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2009. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The operating results for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010 due to seasonal variations in utility costs and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first and fourth quarter as a result of the winter months, resulting in variations in the quarterly results.

Certain comparative figures have been reclassified to conform to the presentation of the current period, or as a result of accounting changes.

## 3. ACCOUNTING CHANGES

### Future Changes in Significant Accounting Policies

Boardwalk REIT monitors new CICA accounting pronouncements to assess the applicability and impact, if any, these new pronouncements may have on the consolidated financial statements and note disclosures. During 2008, the CICA issued three new accounting standards that are effective for the Trust's fiscal year commencing January 1, 2011:

Section 1582 – Business Combinations will replace the current Section 1581 – Business Combinations while Sections 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests will replace the current Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners, members or participants. As such, transactions, which are now typically accounted for as an asset acquisition, will likely come within the scope of a business combination. Thus, as a result, acquisition costs are not part of the consideration and, with the

exception of trust unit issue related costs, acquisition-related costs are to be expensed when incurred. With the adoption of these Standards, Boardwalk expects that more transactions will be considered a business combination and all acquisition related costs will be expensed through the income statement.

International Financial Reporting Standards ("IFRS") – On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed a changeover date of January 1, 2011 as the date in which all publicly accountable enterprises ("PAEs") will be required to adopt IFRS in the preparation of their financial disclosure. At that date, all PAEs, including Boardwalk REIT, will be required to report all interim and annual financial statement information, including comparative information for the prior period, in accordance with IFRS. The impact of the adoption of IFRS on the consolidated financial statements of the Trust will be significant and, as such, the Trust has developed a convergence plan in order to transition its financial statement reporting, presentation and disclosure for IFRS to meet the January 1, 2011 deadline. Boardwalk REIT continues the process of evaluating the potential impact of IFRS on its consolidated financial statements. The process will be an on-going one as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. It is not Boardwalk REIT's intention to early adopt IFRS prior to January 1, 2011.

#### 4. REVENUE PRODUCING PROPERTIES

##### Acquisitions

During the three and six months ended June 30, 2010 and 2009, the Trust did not acquire any rental units.

##### Dispositions

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
Cash received	\$ 24,570	\$ 11,000	\$ 43,920	\$ 11,000
Cost of dispositions	(273)	(21)	(540)	(21)
Net cash proceeds and receivables	24,297	10,979	43,380	10,979
Net book value	11,942	9,626	28,362	9,682
Gain on dispositions	\$ 12,355	\$ 1,353	\$ 15,018	\$ 1,297
Multi-family units sold	293	133	614	133

Dispositions for the second quarter ended June 30, 2010 consist of the sale of a 91-unit rental property located in Calgary, Alberta, a 178-unit rental property located in Montreal, Quebec and two 12-unit rental buildings located in Regina, Saskatchewan. For the second quarter ended June 30, 2009, dispositions consisted of the sale of a 133-unit rental property located in Surrey, British Columbia. In addition to these sales, dispositions for the six months ended June 30, 2010 included the sale of a 321-unit rental property located in Gatineau, Quebec that was reported in the first quarter of 2010. For the six months ended June 30, 2009, under the percentage of completion method relating to a 90-unit property located in Calgary, Alberta that was developed into condominium units for sale, sales of \$nil were recorded against cost of sales of \$250 thousand. The final unit of this property was sold in the third quarter of 2009.

#### 5. OTHER ASSETS

As at	June 30, 2010	December 31, 2009
Corporate technology assets	\$ 19,846	\$ 19,302
Less: accumulated amortization	(16,744)	(16,147)
Head office building	4,427	4,406
Less: accumulated amortization	(1,581)	(1,482)
Prepaid parts and supplies	2,981	2,899
Prepaid property taxes	3,326	739
Prepaid and other	3,262	4,191
	\$ 15,517	\$ 13,908

## 6. DISCONTINUED OPERATIONS

During the second quarter of 2010, the Trust: (i) completed the sale of a 91-unit rental property located in Calgary, Alberta. This property formed part of our Alberta segment in our segmented information disclosure; (ii) completed the sale of a 178-unit rental property located in Montreal, Quebec. This property formed part of our Quebec segment in our segmented information disclosure; (iii) completed the sale of two 12-unit rental buildings located in Regina, Saskatchewan. These buildings formed part of our Saskatchewan segment in our segmented information disclosure; and (iv) reclassified a revenue producing property consisting of 88 units in Edmonton, Alberta as discontinued operations as a result an unconditional sale to a third party that closed subsequent to the quarter-end. This property was previously part of our Alberta segment in our segmented information disclosure.

During the first quarter of 2010, the Trust completed the sale of a 321-unit rental property located in Gatineau, Quebec. This property formed part of our Quebec segment in our segmented information disclosure.

The following tables set forth the results of operations as well as the assets and liabilities associated with the discontinued operations.

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Revenue</b>				
Rental revenue	\$ 471	\$ 2,634	\$ 1,893	\$ 5,163
<b>Expenses</b>				
Revenue producing properties:				
Operating expenses	98	581	375	1,094
Utilities	17	255	274	771
Utility rebate	–	–	–	(3)
Property taxes	41	226	182	455
Financing costs	112	605	383	1,182
Amortization of deferred financing costs	4	32	36	65
Amortization of capital assets	53	546	323	1,116
	325	2,245	1,573	4,680
	146	389	320	483
Gain on dispositions	12,355	1,353	15,018	1,297
<b>Earnings from discontinued operations</b>	<b>\$ 12,501</b>	<b>\$ 1,742</b>	<b>\$ 15,338</b>	<b>\$ 1,780</b>
As at			June 30, 2010	December 31, 2009
<b>Discontinued Assets</b>				
Properties held for redevelopment and sale			\$ 3,547	\$ 31,520
<b>Discontinued Liabilities</b>				
Mortgages payable			\$ 4,084	\$ 25,774

## 7. DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.61% (5.31% prior to July 30, 2008), and will mature on January 23, 2012. Net proceeds of approximately \$119 million were used to fund acquisitions, repay operating lines of credit and for general trust purposes. In conjunction with the debenture issue, the Trust also entered into a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture.

The bond forward contract was settled when the debentures were issued for the settlement amount of \$0.7 million. The settlement amount is being amortized over the term of the unsecured debentures.

During the first quarter of 2009, the Trust acquired in the open market a total face value of \$7.6 million of these unsecured debentures for cancellation. These were purchased at a discount to the face value of the reported debentures (see NOTE 11).

The debenture holders, in a special meeting held July 30, 2008, approved an amendment to the Trust Indenture amending the definition of Gross Book Value ("GBV") to increase the Bump (see NOTE 13) to its existing GBV calculation by an additional \$410 million, resulting in a total asset bump of \$641 million. In addition, the Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to Consolidated Interest Expense financial covenant was amended to 1.75 to 1 from 1.50 to 1 and the rate of interest on the debenture was increased to 5.61% from 5.31% commencing July 30, 2008 until the maturity date of January 23, 2012.

These covenants are discussed in NOTE 14(d).

## 8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and executives, at the participant's option, to receive deferred units in consideration for trustee fees or a portion of executive cash bonuses, respectively, with the Trust matching the number of units received. The deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (that is, had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled to receive an equivalent number of Trust Units representing the vesting deferred units and the corresponding additional deferred units. Cash is granted for any fractional units. The deferred unit plan was approved by unitholders on May 10, 2006 and amended on May 13, 2008, May 13, 2009 and May 18, 2010. The deferred units had a weighted average fair value of \$39.42 per unit at the grant date in 2010 (2009 – \$31.98). For the three months ended June 30, 2010, total compensation costs of \$0.6 million were recognized (2009 – \$0.9 million) in income related to executive bonuses and trustee fees under the deferred unit plan, while \$1.2 million (2009 – \$1.3 million) was recognized on a year-to-date basis.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	# of Units	
	Outstanding	# of Units Vested
<b>December 31, 2008</b>	184,865	–
Deferred units granted	62,822	54,317
Additional deferred units earned on units	11,633	3,121
Deferred units converted to Trust Units or cash	(57,438)	(57,438)
<b>December 31, 2009</b>	201,882	–
Deferred units granted	42,762	32,725
Additional deferred units earned on units	4,710	3,493
Deferred units converted to Trust Units or cash	(8,391)	(8,391)
<b>June 30, 2010</b>	<b>240,963</b>	<b>27,827</b>

## 9. UNITHOLDERS' CAPITAL

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, Boardwalk Equities Inc. incurred \$10.3 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT Units or Class B Limited Partnership ("LP Class B") Units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

The LP Class B Units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT Units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the Units of Boardwalk REIT been issued. Each LP Class B Unit was accompanied by a Special Voting Unit, which entitles the holder to receive notice of, attend and vote at all meetings of Unitholders. There is no value assigned to the Special Voting Units. The LP Class B Units issued are included in the Unitholders' capital contributions on the balance sheet. The changes in Unitholders' capital contribution are as follows:

<b>Summary of Unitholders' Capital Contributions</b>	Units	Amount
<b>December 31, 2008</b>	53,477,042	\$ 256,773
Deferred unit plan (NOTE 8)	–	389
Units issued for vested deferred units (NOTE 8)	57,425	1,979
Units purchased and cancelled	(790,000)	(22,756)
<b>December 31, 2009</b>	52,744,467	\$ 236,385
Deferred unit plan (NOTE 8)	–	864
Units issued for vested deferred units (NOTE 8)	8,387	325
Units purchased and cancelled (see below)	(189,700)	(7,460)
<b>June 30, 2010</b>	<b>52,563,154</b>	<b>\$ 230,114</b>

In August of 2007, Boardwalk REIT filed an application for a normal course issuer bid (the "First Bid"), and received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The First Bid allowed Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The First Bid terminated on August 17, 2008.

In August of 2008, Boardwalk REIT filed an application for a normal course issuer bid (the "Second Bid"), and received regulatory approval from the Toronto Stock Exchange on August 18, 2008. The Second Bid allows Boardwalk REIT to purchase and cancel up to 4,040,192 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Second Bid terminated on August 19, 2009.

Under the Second Bid, the Trust purchased and cancelled, on a cumulative basis, 1,436,000 REIT Units (790,000 in fiscal 2009 and 646,000 in fiscal 2008), representing a total purchase cost of approximately \$42.9 million (fiscal 2009 – \$22.8 million and fiscal 2008 – \$20.1 million), or an average of \$29.86 per Trust Unit (fiscal 2009 – \$28.81 per Trust Unit and fiscal 2008 – \$31.15 per Trust Unit).

In August of 2009, Boardwalk REIT filed an application for a Normal Course Issuer bid (the "Third Bid"), and received regulatory approval from the Toronto Stock Exchange on August 24, 2009. The Third Bid allows Boardwalk REIT to purchase and cancel up to 3,932,211 Trust Units representing 10% of the public float of its Trust Units at the time of the TSX Approval. The Third Bid will terminate on the earlier of August 23, 2010 or at such time as the purchases under the Third Bid are complete.

Under the Third Bid, the Trust purchased and cancelled, on a cumulative basis, 189,700 REIT units (none in fiscal 2009), representing a total purchase cost of approximately \$7.5 million, or an average of \$39.32 per Trust Unit.

To date since August 2007, on a cumulative basis, the Trust has purchased and cancelled 4,148,147 REIT Units, representing a total purchase cost of approximately \$154.2 million, or an average of \$37.16 per Trust Unit.

The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of units for the consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as "REIT Units" and a class described and designated as "Special Voting Units". The beneficial interest of the two classes of units is as follows:

**REIT Units**

REIT Units represent an undivided beneficial interest in Boardwalk REIT and in distributions made by Boardwalk REIT. The REIT Units are freely transferable, subject to applicable securities regulatory requirements. Each REIT Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the REIT Units have no conversion, retraction, redemption or preemptive rights.

REIT Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by Boardwalk REIT of a written redemption notice and other documents that may be required, all rights to and under the REIT Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per REIT Unit equal to the lesser of:

- i) 90% of the "market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading during the twenty-day period ending on the trading day prior to the day on which the REIT Units were surrendered to Boardwalk REIT for redemption; and
- ii) 100% of the "closing market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

**Special Voting Units**

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of LP Class B units or other securities that are, directly or indirectly, exchangeable for REIT Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of Unitholders, which is equal to the number of REIT Units that may be obtained upon surrender of the LP Class B Unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Boardwalk REIT.

The breakdown of trust units of Boardwalk REIT by class is as follows:

	Units	Amount
Boardwalk REIT Units	48,088,154	
Special Voting Units issued to holders of LP Class B Units	4,475,000	
Total Trust Units	52,563,154	\$ 230,114

**10. DISTRIBUTABLE INCOME AND PER UNIT INFORMATION****Distributable income per unit**

Boardwalk REIT makes distributions to Unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under the DOT, as amended and restated, the monthly distributions are determined at the discretion of the Board of Trustees. It is the current policy of the Trust to distribute, at a minimum, its reported taxable income to Unitholders; however, the amount of this distribution is at the absolute discretion of the Board of Trustees, who is authorized to determine and declare a different amount. The reconciliation of distributable income and per unit information begins with total operating cash flows calculated in accordance with Canadian generally accepted accounting principles and is defined in the Declaration of Trust for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
Total operating cash flows	\$ 35,656	\$ 38,129	\$ 59,253	\$ 61,411
Net change in operating working capital	666	(11)	7,851	8,366
Deduct:				
Deferred financing costs amortization post May 2, 2004	(1,451)	(915)	(2,924)	(1,792)
Amortization of net premium on long-term debt assumed after May 2, 2004	(26)	(33)	(52)	(58)
Distributable income	\$ 34,845	\$ 37,170	\$ 64,128	\$ 67,927
Distributions declared to unitholders	\$ 23,697	\$ 23,837	\$ 47,435	\$ 47,792
Distributable income withheld	\$ 11,148	\$ 13,333	\$ 16,693	\$ 20,135
	\$ 34,845	\$ 37,170	\$ 64,128	\$ 67,927
Weighted average units outstanding – basic	52,713,246	53,016,718	52,730,941	53,169,167
Weighted average units outstanding – diluted	52,718,850	53,019,047	52,738,474	53,171,071
Distributable income earned per unit – basic	\$ 0.661	\$ 0.701	\$ 1.216	\$ 1.278
Distributable income earned per unit – diluted	\$ 0.661	\$ 0.701	\$ 1.216	\$ 1.278
Actual distributions declared per unit – basic and diluted	\$ 0.450	\$ 0.450	\$ 0.900	\$ 0.900
Distributions declared as a % of distributable income	68.0%	64.1%	74.0%	70.4%

#### Earnings per unit

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Numerator</b>				
Earnings from continuing operations	\$ 11,039	\$ 13,293	\$ 18,767	\$ 30,924
Earnings from discontinued operations	\$ 12,501	\$ 1,742	\$ 15,338	\$ 1,780
<b>Denominator</b>				
Denominator for basic earnings per unit – weighted average units	52,713,246	53,016,718	52,730,941	53,169,167
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	52,718,850	53,019,047	52,738,474	53,171,071
<b>Earnings per unit from continuing operations</b>				
Basic	\$ 0.21	\$ 0.25	\$ 0.36	\$ 0.59
Diluted	\$ 0.21	\$ 0.25	\$ 0.36	\$ 0.59
<b>Earnings per unit from discontinued operations</b>				
Basic	\$ 0.24	\$ 0.03	\$ 0.29	\$ 0.03
Diluted	\$ 0.24	\$ 0.03	\$ 0.29	\$ 0.03

## 11. OTHER INCOME

During the first quarter of 2009, the Trust purchased and cancelled \$7.6 million of unsecured debentures (see NOTE 7) at a discount to their face value. The cost paid by the Trust was \$7.2 million, of which \$55 thousand related to accrued interest. The remaining difference of \$408 thousand between the face value and the discounted purchase price has been included in other income.

## 12. INCOME TAXES

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and, accordingly, is not taxable on its income to the extent that its taxable income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax.

The Income Tax Act (Canada) (the "Tax Act") contains legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"). Based on a detailed review of the SIFT Legislation, it could be interpreted that the Trust will not qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in the legislation, which would be exempt from the specified investment flow-through ("SIFT") rules nor remain within certain "normal growth" limits. As such, the Trust recorded an estimate of its future income tax liability at June 30, 2007, which is adjusted quarterly if necessary, recognizing the probability that it would be subject to the tax prescribed by the SIFT rules on January 1, 2011. The Trust reported a future income tax liability at December 31, 2007 of \$99.9 million, which was revised upward by \$0.3 million to \$100.2 million at December 31, 2008, and revised downward by \$5.0 million to \$95.2 million at December 31, 2009.

On March 4, 2009, Bill C-10 passed Third Reading in the House of Commons and on March 12, 2009 received Royal Assent, and therefore considered substantively enacted under Canadian GAAP. This Bill clarifies the definition of and criteria for being a REIT, including the definition of what is considered 'rent from real or immoveable properties'. However, despite clarifying the definition of and criteria for being a REIT, further clarification is still required on the characteristics of gains on dispositions of real or immoveable properties as it flows through the Trust's organizational structure. While the Trust waits for such further clarification from the Government of Canada, Boardwalk REIT continued to carry forward the previously recorded future income tax liability of \$95.2 million as at December 31, 2009, and increased the amount by \$1.8 million for the six months ended June 30, 2010 to \$97.0 million due to an increase in the timing differences between accounting and tax asset values.

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
Continuing operations	\$ 1,692	\$ 1,151	\$ 1,274	\$ (7,419)
Total future income taxes (recovery)	\$ 1,692	\$ 1,151	\$ 1,274	\$ (7,419)

Future income taxes consist of the following:

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
Tax expense (recovery) based on expected rate	\$ (337)	\$ 234	\$ (401)	\$ (72)
Adjustment to future income tax liability	2,029	917	1,675	(7,347)
Future income taxes (recovery)	\$ 1,692	\$ 1,151	\$ 1,274	\$ (7,419)

The future income tax liability is calculated as follows:

As at	June 30, 2010	December 31, 2009
Tax asset related to operating losses	\$ 728	\$ 594
Tax liability related to differences in tax and book basis	(96,958)	(95,550)
Future income tax liability	<b>\$ (96,230)</b>	<b>\$ (94,956)</b>

### 13.

#### CAPITAL MANAGEMENT

The Trust defines capital resources as the aggregate of Unitholders' equity at market value, debt (both secured and unsecured), internally generated funds, amounts available under credit facilities and cash on hand. The Trust's capital management framework is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to Boardwalk REIT's DOT, as well as existing debt covenants and continue building long-term Unitholder value while maintaining sufficient capital contingency. The main components of the Trust's capital allocation are approved by its Unitholders as stipulated in the Trust's DOT and on a regular basis by its Board of Trustees (the "Board") through their annual review of the Trust's strategic plan and budget, supplemented by periodic Board and Board Committee meetings. Capital adequacy is monitored by the Trust by assessing performance against the approved annual plan throughout the year, which is updated accordingly, and by monitoring adherence to investment and debt restrictions contained in the DOT and debt covenants. Boardwalk REIT's DOT provides for a maximum total debt level of up to 70% of Gross Book Value ("GBV"), defined in the DOT as total assets plus accumulated amortization of income properties as recorded by the Trust (and calculated in accordance with Canadian GAAP) and to this amount an additional amount of \$641 million (the "Bump") is added as previously approved by the Trust's Unitholders. As a matter of internal policy, the Trust has a target of total debt levels not to exceed 65% of GBV. The following table highlights Boardwalk REIT's existing leverage ratio in accordance with the DOT:

As at	June 30, 2010	December 31, 2009
Total assets	\$ 2,364,509	\$ 2,378,278
Accumulated amortization on building and non-building assets	710,820	677,613
Exchange value bump	641,460	641,460
	<b>\$ 3,716,789</b>	<b>\$ 3,697,351</b>
Mortgages payable	\$ 2,158,162	\$ 2,145,638
Unsecured debentures	112,022	111,834
	<b>\$ 2,270,184</b>	<b>\$ 2,257,472</b>
Adjusted Debt-to-GBV	<b>61%</b>	<b>61%</b>

With a DOT limit not to exceed 70% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional debt of approximately \$331.6 million (2009 – \$330.7 million) to its existing portfolio. Additionally, the Trust's DOT contains provisions that have the effect of limiting capital expended by the Trust.

As outlined in NOTE 14(d), Boardwalk REIT's debenture and committed revolving credit facility agreements contain financial covenants.

Boardwalk REIT's capital resources, comprised of cash on hand, long-term fixed rate debt (both secured and unsecured), Unitholders' capital and amounts available under its committed revolving credit facility, totalled \$2.6 billion as at June 30, 2010 (December 31, 2009 – \$2.6 billion). Available liquidity as at June 30, 2010 included cash on hand of \$215.4 million (December 31, 2009 – \$190.3 million) as well as an unused committed revolving credit facility of \$198.2 million (December 31, 2009 – \$198.2 million). As at June 30, 2010 and 2009, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

## 14. FINANCIAL INSTRUMENTS

**Fair Value of Financial Instruments**

The Trust's financial instruments consist of mortgages and accounts receivable, tenants' security deposits, cash and cash equivalents, mortgages payable, debentures and accounts payable and accrued liabilities. All of the Trust's financial instruments were classified as either held for trading (cash and cash equivalents), loans and receivables (carried at amortized cost) or other financial liabilities (carried at amortized cost using the effective interest rate method). The fair values of the Trust's financial instruments were determined as follows:

- i) The carrying amounts of mortgages and accounts receivable, tenants' security deposits, cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.
- ii) The fair values of the Trust's mortgages payable and debentures are estimates made at a specific point in time, based on relevant market information. These estimates are based on quoted market prices for the same or similar issues or on the current rates offered to the Trust for similar financial instruments subject to similar risks and maturities. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values. The significant financial instruments of Boardwalk REIT and their carrying values as at June 30, 2010 and December 31, 2009 are as follows:

As at	June 30, 2010	December 31, 2009
Mortgages and accounts receivable		
Carrying value	\$ 4,189	\$ 3,049
Fair market value	\$ 4,189	\$ 3,049
Mortgages payable and debentures		
Carrying value	\$ 2,270,184	\$ 2,257,472
Fair market value	\$ 2,362,647	\$ 2,309,217

The fair value of the Trust's mortgages payable and debentures exceeded the recorded value by approximately \$92.5 million at June 30, 2010 (December 31, 2009 – \$51.7 million), due to changes in interest rates since the dates on which the individual mortgages and debentures were last contracted. The fair value of the mortgages payable and debentures have been estimated based on the current market rates for mortgages and debentures with similar terms and conditions. The fair value of the Trust's mortgages payable and debentures is an amount computed based on the interest rate environment prevailing at June 30, 2010 and December 31, 2009, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Boardwalk REIT if the mortgages and debentures are held to maturity.

The fair value hierarchy of financial instruments measured at fair value on the balance sheet is as follows:

As at	June 30, 2010			December 31, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Assets:						
Cash and cash equivalents	\$ 215,438	\$ –	\$ –	\$ 190,325	\$ –	\$ –

The three levels of the fair value hierarchy are described as follows:

*Level 1:* Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

*Level 2:* Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

*Level 3:* Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As at June 30, 2010 and December 31, 2009, the Trust had no embedded derivatives requiring separate recognition.

The nature of these financial instruments and the Trust's operations expose the Trust to certain principal financial risks. The main objective of the Trust's risk management process is to properly identify financial risks and minimize the exposure to potential losses arising from those risks. The principal financial risks to which the Trust is exposed are described below.

### Risk Management

#### a) Interest rate risk

The Trust is exposed to interest rate risk as a result of its mortgages payable, debentures and credit facilities; however, this risk is minimized through the Trust's current strategy of having the majority of its mortgage payable and debentures in fixed terms arrangements. As such, the Trust's cash flows are not significantly impacted by a change in market interest rates. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to interest rates in any one year. The majority of the Trust's mortgages are also insured by the Canadian Mortgage and Housing Corporation ("CMHC") under the National Housing Act ("NHA") mortgage program. This added level of insurance offered to lenders allows the Trust to receive advantageous interest rates while minimizing the risk of mortgage renewals or extensions, and significantly reduces the potential for a lender to call a loan prematurely. In addition, management is constantly reviewing its committed revolving credit facility (floating-rate debt) and, if market conditions warrant, the Trust has the ability to convert its existing floating-rate debt to fixed rate debt.

As at June 30, 2010, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at June 30, 2010, 100% was fixed-rate debt and 0% was floating-rate debt. For the quarter ended June 30, 2010, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be \$nil (June 30, 2009 – \$nil).

#### b) Credit risk

The Trust is exposed to credit risk as a result of its mortgages receivable and accounts receivable. This balance is comprised of mortgage holdbacks and refundable mortgage fees, funds held in solicitor's trust accounts, accounts receivable from significant customers and tenant receivables. As at June 30, 2010, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers was past due.

In relation to mortgage holdbacks, refundable mortgage fees and funds held in trust, the Trust's exposure to credit risk is low given the nature of these balances. These funds will be advanced when the Trust has met the conditions pursuant to the mortgage agreement (in the case of the mortgage holdback), when financing is completed (in the case of refundable mortgage fees) or when funds are transferred to the Trust (in the case of funds held in solicitor's trust accounts), all of which are expected to occur.

Similar to mortgage holdbacks and refundable mortgage fees, the Trust assesses the credit risk on accounts receivable to be low due to the assured collection of these balances. Given the Trust's collection history and the nature of these customers, credit risk is assessed as low. Additionally, an amount is owed by insurance companies in relation to current outstanding claims. In all circumstances, the insurance deductible has been paid and amounts incurred and owing for reimbursement are due to an insurable event. Recoverability may differ from the amount owing solely due to discrepancies between the Trust and the insurance provider regarding the value of replacement costs.

With tenant receivables, credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The maximum exposure to credit risk is equal to the carrying value of the financial assets. Rent payments from tenants are due on the first of the month and tenants generally pay a security deposit – both of these actions mitigate against bad debts.

As stated above, the carrying amount of tenant receivables reflects management's assessment of the credit risk associated with its tenants; however, the Trust mitigates this risk of credit loss by geographically diversifying its existing portfolio, by limiting its exposure to any one tenant and by conducting thorough credit checks with respect to all new rental leasing arrangements. In addition, where legislation allows, the Trust obtains a security deposit from a tenant to assist in the recovery of monies owed to the Trust.

Past due receivables are reviewed by management on a monthly basis and tenant receivables are considered for impairment on a case-by-case basis. The Trust takes into consideration the tenant's payment history, their credit worthiness and the current economic environment; however, tenant receivable balances exceeding 60 days are typically written off to bad debt expense as the Trust does not utilize an allowance for doubtful accounts. The amount of the loss is recognized in the consolidated statement of earnings and comprehensive income within operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses during the period of settlement. As tenant receivables are typically written off after 60 days, none of the balance is considered to be past due by the Trust.

The credit risk of both Boardwalk REIT and the counter party have been taken into account in determining the fair value of Boardwalk REIT's mortgages receivable and accounts receivable.

#### c) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they become due. The Trust maintains what it believes to be conservatively leveraged assets and can finance any future growth through one or a combination of internally generated cash flows (including potential asset sales), borrowing under an existing committed revolving credit facility, the issuance of debt or the issuance of equity, according to its capital management objectives. In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to liquidity risk in any one year. In addition, cash flow projections are completed and reviewed on a regular basis to ensure the Trust has sufficient cash flows to make its monthly distributions to its Unitholders. Given the Trust's currently available liquid resources (from both financial assets and on-going operations) as compared to its contractual obligations, management assesses the Trust's liquidity risk to be low.

#### d) Debt covenants

As outlined in its mortgages payable agreements, the Trust is required to make equal monthly payments of principal and interest based on the respective amortization period. Additionally, the Trust must ensure that all property taxes have been paid in full when they become due and that no arrears exist.

CMHC provides mortgage loan insurance in connection with mortgages made to Boardwalk REIT. In an agreement dated September 13, 2002 and as amended and restated on January 19, 2005 and April 25, 2006, the Trust agreed to provide certain financial information to the CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect to unitholders' capital in the event of default, and maintenance of certain financial ratios. In the event of default, the Trust's total financial liability under this Agreement is limited to a one-time penalty payment of \$250 thousand under a Letter of Credit issued in favour of CMHC.

In accordance with the debenture agreement, the Trust is required to pay semi-annual interest instalments on January 23 and July 23 of each year. The Trust is also required to maintain in good condition, repair and working order all of the properties owned by it or any of its subsidiaries while maintaining property and liability insurance.

The Trust's Unsecured Debenture agreement contains three financial covenants as follows:

- i) The Trust will maintain a Consolidated EBITDA, as defined, to Consolidated Interest Expense ratio of not less than 1.75 to 1. As at June 30, 2010, this ratio was 2.28 to 1 (June 30, 2009 – 2.30 to 1) and the Trust was in compliance.
- ii) The Trust will not incur or assume any indebtedness unless the quotient obtained by dividing the Adjusted Consolidated Indebtedness by the Adjusted Gross Book Value would be less than or equal to 70%. As outlined in NOTE 13, as at June 30, 2010, this amount was 61% (December 31, 2009 – 61%) and the Trust was in compliance.
- iii) The Trust will maintain at all times, an Adjusted Unitholders' Equity of at least \$300 million. Adjusted Unitholders' Equity was \$1.3 billion as at June 30, 2010 (December 31, 2009 – \$1.3 billion) and the Trust was in compliance.

The Trust has a committed revolving credit facility with a major financial institution. This credit facility is secured by a pledge of a group of specific real estate assets (estimated value less prior encumbrances at December 31, 2009 of approximately \$206.0 million). The amount available through the committed revolving

credit facility varies with the value of the pledged assets, with a maximum limit not to exceed \$200.0 million and an available limit of \$200.0 million as at June 30, 2010. The revolving facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. In the event the committed revolving credit facility is not extended, the drawn-down principal would be due 364 days later. The due date was amended from 364 days to two years subsequent to the quarter-end (see NOTE 19).

The credit facility contains three financial covenants as follows:

- i)* The Trust will maintain an overall Debt Service Coverage Ratio of at least 1.20. As at June 30, 2010, this ratio was 1.68 (December 31, 2009 – 1.73).
- ii)* The Trust will maintain a Debt Service Coverage Ratio, specific to the Security Portfolio of at least 1.15 (tested semi-annually). As at June 30, 2010, this ratio was 1.57 (December 31, 2009 – 1.51) and, as such, the Trust was in compliance.
- iii)* Total indebtedness of the Trust will not exceed 70% of the GBV of all assets as defined in the DOT. As outlined in NOTE 13, as at June 30, 2010, this ratio was 61% (December 31, 2009 – 61%).

As at June 30, 2010, the Trust was in compliance with all covenants.

#### **e) Utility risk**

The Trust is exposed to utility risk as a result of fluctuations in the prices of natural gas and electricity service charges. As outlined in NOTE 16, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

## **HEDGING TRANSACTIONS**

In the beginning of 2008, the Trust entered into a forward bond transaction (the "Transaction") with a major Canadian financial institution. In total, the Transaction, which comprised of bond forward contracts on specific mortgages set to mature and be renewed in 2008, was for a total nominal amount of \$101.6 million with a weighted average term and interest rate of 7.2 years and 3.63%, respectively. Subsequent to entering into this Transaction, the Trust initiated changes to the terms of one of the contracts in the Transaction and negotiated a settlement loss of \$100 thousand related to the changes. This contract was assessed to be an ineffective hedge and the settlement loss of \$100 thousand was included in financing costs for the quarter ended March 31, 2008. During the second quarter ended June 30, 2008, the remaining bond forward contracts in the Transaction were settled. Except for one of the contracts, all remaining contracts were assessed to be ineffective hedges and the net settlement loss of \$168 thousand was included in financing costs for the second quarter. The bond forward contract assessed to be an effective hedge was settled for a loss of \$284 thousand, which will be amortized over the term of the new financing. As at June 30, 2010, the unamortized balance is \$212 thousand (December 31, 2009 unamortized balance – \$224 thousand) as \$12 thousand was recognized in income under financing charges for the six months ended June 30, 2010.

During the first quarter of 2008, the Trust entered into an interest rate swap agreement on the mortgages of specific properties within its portfolio in an effort to hedge the variability in cash flows attributed to fluctuating interest rates. These interest rate swap agreements were designated as cash flow hedges on March 11, 2008. The effective date of the hedge was May 1, 2008 and the agreements will continue to be designated as such until May 1, 2015. Settlements on both the fixed and variable portion of the interest rate swap will occur on a monthly basis. The fixed interest rate is 4.15%, plus a stamping fee of 0.25%, while the total amount of the mortgage debt subject to the interest rate swap is \$91.5 million. Hedge accounting has been applied to these agreements in accordance with CICA Handbook section 3865.

The Trust has determined the interest rate swap agreement described above to be an effective cash flow hedge. The effectiveness of the hedging relationship will be reviewed on a quarterly basis and measured at fair value. The portion of the gain or loss on the swap transaction that is determined to be an effective hedge will be recognized in other comprehensive income ("OCI"). The ineffective portion of the hedging gain or loss on the swap transaction will be recognized immediately in net earnings. On recognition of the financial liability of the hedged item on the balance sheet, the associated gains or losses that were recognized in OCI will be reclassified into net earnings in the same period or periods during which the interest payments of

the hedged item affected net earnings. However, if all or a portion of the net loss recognized in OCI will not be recovered in one or more future periods, the amount not expected to be recovered will be immediately reclassified into net earnings.

As at June 30, 2010, the interest rate swap agreement was reassessed to be an effective hedge and, consistent with the previous periods, any gains or losses on the interest rate swap agreement were recognized in earnings in the periods during which the interest payments on the hedged items were recognized.

## 16. COMMITMENTS AND CONTINGENCIES

The Alberta government implemented natural gas rebate program ended March 31, 2009. The rebate program became active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeded \$5.50/GJ for any individual winter usage month. For January through March 2009, Boardwalk REIT was eligible for estimated rebates totalling approximately \$0.4 million.

From time to time, the Trust enters into various supply contracts for energy commodities to hedge its usage.

A supply contract was entered into to provide price certainty for natural gas usage in the province of Saskatchewan. The contract covered all of the Trust's natural gas requirements for this province. The contract was for the period from November 1, 2008 to October 31, 2009 and provided the commodity at a price of \$8.28/GJ. The Trust also negotiated a new physical supply agreement for Saskatchewan, which covers the period from November 1, 2009 to October 31, 2010. The new supply contract provides the commodity at a price of \$4.98/GJ.

In addition to the province of Saskatchewan, the Trust entered into a natural gas supply contract for the provinces of Ontario and Quebec. The contract covers between 85% and 95% of the Trust's natural gas requirements for these provinces. The physical supply agreement for Ontario and Quebec covered the period from November 1, 2008 to October 31, 2009 and provided the commodity at a price of \$7.68/GJ. Furthermore, an additional supply contract covering the period from November 1, 2009 to October 31, 2010 was negotiated to ensure supply of approximately 50% of the natural gas usage for Ontario and Quebec at a price of \$7.65/GJ.

On June 10, 2010, the Trust entered into a long-term supply contract with one electrical utility company to supply the Trust with its electrical power needs for southern Alberta for a three-year period commencing October 1, 2010 and ending September 30, 2013 at a blended rate of approximately \$0.06/kWh.

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust, most of which are minor in nature. Management and the Trust's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims.

## 17. GUARANTEES

In the normal course of business, various agreements may be entered that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires an entity to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

In connection with the sales of properties, a mortgage assumed by the purchaser may have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at June 30, 2010 is approximately \$3.0 million (December 31, 2009 – \$3.1 million). In the event of default by the purchaser, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at June 30, 2010 and December 31, 2009, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

## 18. SEGMENTED INFORMATION

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in five provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location.

	3 months ended June 30, 2010	3 months ended June 30, 2009	6 months ended June 30, 2010	6 months ended June 30, 2009
<b>Alberta</b>				
Revenue	\$ 61,312	\$ 63,212	\$ 122,617	\$ 127,268
Expenses				
Operating	10,125	9,298	20,636	19,613
Utilities	4,800	4,257	12,114	12,125
Utility rebate	-	-	-	(373)
Property taxes	4,325	3,790	8,838	7,824
	19,250	17,345	41,588	39,189
Net operating income	\$ 42,062	\$ 45,867	\$ 81,029	\$ 88,079
<b>Saskatchewan</b>				
Revenue	\$ 13,834	\$ 12,912	\$ 27,470	\$ 25,421
Expenses				
Operating	1,910	1,828	3,632	3,614
Utilities	943	1,069	2,542	3,149
Property taxes	968	1,154	1,945	2,307
	3,821	4,051	8,119	9,070
Net operating income	\$ 10,013	\$ 8,861	\$ 19,351	\$ 16,351
<b>Ontario</b>				
Revenue	\$ 9,601	\$ 9,440	\$ 19,219	\$ 18,880
Expenses				
Operating	1,634	1,529	3,241	3,329
Utilities	1,406	1,482	3,483	3,508
Property taxes	1,504	1,629	3,009	2,967
	4,544	4,640	9,733	9,804
Net operating income	\$ 5,057	\$ 4,800	\$ 9,486	\$ 9,076
<b>British Columbia</b>				
Revenue	\$ 2,864	\$ 2,797	\$ 5,767	\$ 5,600
Expenses				
Operating	432	348	867	509
Utilities	302	280	649	671
Property taxes	157	163	314	314
	891	791	1,830	1,494
Net operating income	\$ 1,973	\$ 2,006	\$ 3,937	\$ 4,106
<b>Quebec</b>				
Revenue	\$ 16,997	\$ 16,581	\$ 33,881	\$ 33,083
Expenses				
Operating	3,686	3,072	7,279	5,932
Utilities	1,212	1,563	3,776	4,472
Property taxes	1,696	1,639	3,398	3,286
	6,594	6,274	14,453	13,690
Net operating income	\$ 10,403	\$ 10,307	\$ 19,428	\$ 19,393
<b>Total</b>				
Net operating income	\$ 69,508	\$ 71,841	\$ 133,231	\$ 137,005
Unallocated revenue*	\$ 403	\$ 277	\$ 710	\$ 668
Unallocated expenses**	\$ 46,371	\$ 57,083	\$ 99,836	\$ 104,969
Net earnings for the period	\$ 23,540	\$ 15,035	\$ 34,105	\$ 32,704

As at	June 30, 2010	December 31, 2009
<b>Alberta</b>		
Identifiable assets		
Revenue producing properties	\$ 1,271,090	\$ 1,280,828
Mortgages and accounts receivable	461	1,166
Tenants' security deposit	9,280	9,509
	<b>\$ 1,280,831</b>	<b>\$ 1,291,503</b>
<b>Saskatchewan</b>		
Identifiable assets		
Revenue producing properties	\$ 162,688	\$ 163,424
Mortgages and accounts receivable	511	556
Tenants' security deposits	2,911	2,824
	<b>\$ 166,110</b>	<b>\$ 166,804</b>
<b>Ontario</b>		
Identifiable assets		
Revenue producing properties	\$ 200,602	\$ 202,320
Mortgages and accounts receivable	51	191
	<b>\$ 200,653</b>	<b>\$ 202,511</b>
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$ 377,130	\$ 379,194
Mortgages and accounts receivable	348	342
	<b>\$ 377,478</b>	<b>\$ 379,536</b>
<b>British Columbia</b>		
Identifiable assets		
Revenue producing properties	\$ 95,618	\$ 95,343
Mortgages and accounts receivable	19	30
Tenants' security deposits	496	483
	<b>\$ 96,133</b>	<b>\$ 95,856</b>
<b>Total assets</b>		
Identifiable assets	\$ 2,121,205	\$ 2,136,210
Unallocated assets***	\$ 243,304	\$ 242,068
	<b>\$ 2,364,509</b>	<b>\$ 2,378,278</b>

\* Unallocated revenue includes property sales, interest income, revenue from discontinued operations and other non-rental income.

\*\* Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, corporate administration, financing costs, amortization, income taxes and other provisions.

\*\*\* Unallocated assets include discontinued assets, cash, short-term investments and other assets.

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**19. SUBSEQUENT EVENTS**

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On August 6, 2010, the Trust closed and completed the sale of an 88-unit property located in Edmonton, Alberta for an aggregate purchase price of \$9.8 million.

Subsequent to the quarter-end, the Trust settled with the insurers of a 31-unit building located in Grande Prairie, Alberta, previously destroyed by fire, for approximately \$3.3 million.

Effective July 28, 2010, the Trust amended its committed revolving credit facility so that any drawn-down principal would be due two years later rather than 364 days, if the facility is not extended by the financial institution.

Subsequent to June 30, 2010, the Trust renewed its Normal Course Issuer Bid ("Fourth Bid"), subject to regulatory approval. The Fourth Bid, if approved, would allow Boardwalk to purchase up to 3,918,288 Trust Units, representing 10% of the public float of its Trust Unit capital, through the facilities of The Toronto Stock Exchange. The Fourth Bid, if approved, is expected to commence on August 24, 2010 and will terminate one year later, or at such earlier time as the Bid is complete.

Subsequent to the end of the quarter, Boardwalk REIT's Board of Trustees agreed to have the Trust issue a special distribution of \$0.50 per outstanding Trust Unit. The date of record of the special distribution will be August 31, 2010, with a payment date of September 15, 2010. This payment represents a partial distribution of the net cash proceeds generated from the sale of selected non-core properties.



Brentview Towers, Calgary AB



## CORPORATE INFORMATION

### EXECUTIVE OFFICES

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### BOARD OF TRUSTEES

#### Sam Kolias

Chairman of the Board  
Calgary, Alberta

#### James Dewald <sup>(2)</sup>

Calgary, Alberta

#### Gary Goodman <sup>(2)</sup> <sup>(3)</sup>

Toronto, Ontario

#### Art Havener <sup>(3)</sup>

St. Louis, MO

#### Al Mawani <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

Thornhill, Ontario

<sup>(1)</sup> Lead Trustee

<sup>(2)</sup> Member of the Audit and Risk Management Committee

<sup>(3)</sup> Member of the Compensation, Governance and Nominations Committee

### SENIOR MANAGEMENT

#### Jonathan Brimmell

Vice President, Operations  
Ontario and Quebec

#### Dean Burns

General Counsel and  
Secretary

#### William Chidley

Senior Vice President,  
Corporate Development

#### Jean Denis

Vice President, Acquisitions  
Eastern Canada

#### Ian Dingle

Vice President, Purchasing  
and Contracts

#### Roberto Geremia

President

#### Michael Guyette

CIO, Vice President, Operations  
for Southern Alberta and BC

#### Sam Kolias

Chief Executive Officer

#### Van Kolias

Senior Vice President,  
Quality Control

#### Kelly Mahajan

Vice President,  
Customer Service and  
Process Design

#### Helen Mix

Vice President,  
Human Resources

#### Lisa Russell

Vice President, Acquisitions  
Western Canada

#### William Wong

Chief Financial Officer

#### Bill Zigomanis

Vice President, Investments