2009
Annual
Financial Review

TSX: **BEI.UN**

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 260 properties with 36,419 rental units totaling approximately 31 million net rentable square feet (as of December 31, 2009). 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 December 31, 2009 was $4.21 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 acquisition of additional properties.

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OF THE WAY

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BOARDWALK REAL ESTATE INVESTMENT TRUST

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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 two years ended December 31, 2009 and 2008. Our MD&A should be read in conjunction with our interim financial statements and MD&A, the audited consolidated financial statements 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). Historical results and percentage 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 current estimates and assumptions, which we believe are reasonable as of February 17, 2010. These estimates and assumptions 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 and environmental matters. 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 at the time of preparation of this MD&A, these assumptions may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements and actual results may differ materially from what is currently expected.

All forward-looking statements in this report are qualified by these cautionary statements. You should not place undue importance on forward looking information and should not rely on the forward-looking information contained in this MD&A as of any other date than as noted above. 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.

EXECUTIVE SUMMARY

Business Overview

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "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 and May 13, 2009 (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 or interests, initially through the acquisition of the assets and 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 units trade on the Toronto Stock Exchange ("TSX") under the trading symbol 'BEI.UN'. Boardwalk REIT's principal objectives are to provide its unitholders ("Unitholders") with stable and growing monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. At the end of 2009, Boardwalk REIT owned and operated in excess of 260 properties, comprising 36,419 residential units and totaling approximately 31 million net rentable square feet. As of December 31, 2009, Boardwalk REIT's property portfolio was concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec.

Boardwalk REIT is Canada's largest multi-family real estate investment trust as measured by assets and total enterprise value, and Canada's largest owner/operator of multi-family rental communities.

To accomplish its main objective, the Trust follows a strategy of owning, managing and operating multi-family residential units in Canada, and has developed operating and investment strategies, detailed later in this document, that primarily focus on its key stakeholders, these being its valued Associates, Customers and Trust Unitholders.

MD&A Overview

This Management's Discussion and Analysis ("MD&A") focuses on key statistics from the audited consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry, in general, and the Trust's business, in particular. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in other parts of the Annual Report, the audited consolidated financial statements for the years ended December 31, 2009 and 2008 and the Annual Information Form ("AIF") dated February 17, 2010, along with all other publicly posted information on the Corporation and Boardwalk REIT. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Outlook

In 2009, there appeared to be signs of stability returning to the Canadian and global real estate markets. Whether this is temporary or a more permanent stabilization remains uncertain. At this time, there appears to be an increased ability for select companies to access capital in a less dilutive manner. 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 at reasonable levels and, when combined with our non-exposure to any one non-public sector customer, has kept revenue stable and risks low. In the debt capital market, 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 70% of Distributable Income ("DI") and approximately 80% of Adjusted Funds From Operations ("AFFO") in 2009 and with continued access to low-rate Government of Canada-backed debt in the form of NHA insurance (which is administrated by Canada Mortgage and Housing Corporation).

In 2010, signs of cautious optimism appear to be returning to the Canadian and global economic markets. As we move forward, 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 these funds while still maintaining a strong overall liquidity position. We are currently, and have been since becoming a real estate investment trust, in compliance with our existing Declaration of Trust and all existing debt covenants.

Beginning July 1, 2010, the Provinces of British Columbia and Ontario will merge 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 in these regions. The affected costs may 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 conditions. At December 31, 2009, Boardwalk's operations in British Columbia and Ontario represented approximately 3% and 7%, respectively, of the total net operating income reported by the Trust.

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 AIF. Some of the main financial guidelines and operating policies as set out in the DOT are as follow:

INVESTMENT GUIDELINES

1. Acquire, develop and operate multi-family residential property;
2. No investment will be made that would disqualify Boardwalk REIT as a "mutual fund trust" or a "registered investment" as defined in the Income Tax Act (Canada); and
3. Investments in joint ventures are permitted, subject to the approval of the Board of Trustees.

OPERATING POLICIES

1. Maximum debt capacity not to exceed 70% of Gross Book Value;
2. No guaranteeing of third-party debt unless related to direct or indirect ownership or acquisition of real property, including potential joint venture partner structures;
3. Third party surveys of structural and environmental conditions are required prior to the acquisition of a multi-family asset; 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") on site maintenance compensation to associates, repairs and maintenance, as well as capital upgrades.

DISTRIBUTION POLICY

Boardwalk REIT may distribute to holders of REIT Units on or about each Distribution Date[1] respectively such percentage of the Distributable Income for the calendar month then ended as the Trustees determine in their discretion. Distributions will not be less than Boardwalk REIT's taxable income, unless the Trustees, otherwise in their absolute discretion, determine another amount.

COMPLIANCE WITH DOT

At December 31, 2009, the Trust was in material compliance with all investment guidelines and operating policies as stipulated in the DOT. More details will be provided later in this document with respect to certain detailed calculations.

Values, Vision and Objectives

Boardwalk REIT is a fully integrated, Customer-oriented, multi-family residential real estate ownership and management organization. The Trust was built on focusing on its values and vision.

A COMMITMENT TO VALUE

Boardwalk REIT's Vision and business strategy are targeted on effectively meeting the needs of our Customers. It is our belief that this focus will result in the most significant long-term value creation for all our stakeholders. Our key stakeholders include our Associates, major financial and mortgage partners, including CMHC, strategic operational partners and Unitholders.

[1] "Distribution Date" means with respect to a distribution by Boardwalk REIT, a business day determined by the Trustees for any calendar month to be on or about the 15th day of the follow-ing month.

OUR VISION

Boardwalk REIT's Vision is to be Canada's leading provider of multi-family residential housing. We believe we will accomplish this through the continued careful cultivation of internal growth, combined with a targeted and disciplined external acquisition program.

Our employee Associates are expected to adhere to the following guiding principles:

WE WILL:

- Work together in a team environment of mutual respect, trust and honesty between all Associates and Customers;
- Serve our Customers' need for an affordable, quality, well-kept home;
- Maintain building exteriors and landscaping, thereby increasing "curb appeal", have well-kept common areas and ensure our homes are clean and well maintained;
- Maintain a balance between the needs of our Customers, Associates, Unitholders, Communities and families;
- Nurture and promote a learning environment where our Associates' skills and capabilities grow with the needs of both the Trust and our Customers, and accept that these needs will be consistently evolving and improving the definition of "Rental Communities";
- Provide access to the latest tools and technology and utilize the latest tools and technology designed to increase the operating efficiency of the Trust as a whole.

WE VALUE:

- ***Integrity***
  We will be honest, accountable, transparent, respectful, and trusting in our dealings with others, appreciating their views and differences.
- ***Teamwork***
  We will effectively work as a team, appreciating and benefiting from each other's unique talents and skills in an open environment while recognizing that the team's successes are our successes.
- ***Customer Service***
  We will promptly respond to Customer concerns and needs with thoughtfulness, compassion and innovation. We will strive to develop proactive solutions through a support network and a positive service attitude.
- ***Social Responsibility***
  We will contribute to our communities and encourage our Associates to contribute in ways that reflect the Golden Rule of treating others in a way we would wish to be treated, balancing our needs with those of others.
- ***Our Associates***
  We will provide a safe and respectful work environment that attracts, supports, develops, and recognizes high-performing and innovative team members.

We believe that by adhering to our Vision and Values, and implementing strategies consistent with these principles, Boardwalk REIT will produce higher sustainable operating cash flows and a continued appreciation of its property values. The result will be enhanced value for all our stakeholders.

Achieving this goal requires the full integration of our core strategies of focused investing, superior property management and the implementation and effective use of new technologies. Boardwalk REIT can best achieve this goal by strategically:

- Maximizing customer satisfaction by providing an above-average level of service and product;
- Acquiring selected multi-family residential properties;

- Selling properties ("Non-Core") with lower future growth prospects or converting properties into condominium units for sale, and the reinvesting of these funds back into other accretive opportunities;
- Purchasing Trust Units on the open market;
- Enhancing property values, operating returns and cash flows through pro-active management, stabilization and capital improvements;
- Reviewing and considering the development of new selective multi-family projects on excess density currently existing on the Trust’s properties, if the economics warrant;
- Managing capital prudently while maintaining a conservative financial structure;
- Pursuing opportunities to form selective partnerships or joint ventures; and
- Reinvesting the released equity from asset sales back into the Trust’s portfolio to create additional value added opportunities.

To support our overall operating strategy, it is necessary to:

- Ensure ample capital is available at all times for acquisitions and value-added enhancements;
- Appropriately allocate available capital to existing project enhancement and on-going new acquisitions;
- Utilize appropriate levels of debt leverage;
- Determine and utilize sources with the lowest cost of capital;
- Actively manage our exposure to interest rate and debt renewal risk;
- Optimize the use of NHA insurance, which is administered by CMHC, to access more cost-effective debt capital.

INVESTMENT PHILOSOPHY

Throughout Boardwalk’s history, the Trust has constantly looked for opportunities to continue to create value for our Trust Unitholders. This is achieved by investing managerial resources and capital in activities that increase Funds From Operations (“FFO”) per unit and Adjusted Funds From Operations (“AFFO”) per unit on a sustaining basis and/or increase Net Asset Value (“NAV”) per unit. Prior to 2008, a large part of this opportunity was focused on investment opportunities, both in capital improvements of our existing portfolio and in acquisition of additional properties. However, our investment strategy is not simply one by which we are constantly looking to expand our existing footprint, but rather one by which we are constantly looking to create value. Starting in 2008, but more pronounced during 2009, it was evident to us that our investment opportunity was not in the acquisition of additional apartment units, but rather in the deployment of capital to acquire addition Boardwalk REIT Trust Units on the public markets through our published Normal Course Issuer Bid (“NCIB”), the details of which will be further discussed later in this document. During 2009, the Trust bought back a total of 790,000 Trust Units for a total investment of $22.8 million. In 2008, the Trust bought back a total of 2.3 million Trust Units for a total investment of $85.4 million. To fund these acquisitions, the Trust used a combination of the net proceeds from the sale of Non-Core properties (which were sold at prices well in excess of the current trading value of our remaining real estate assets based on the trading price of our Trust Units on the TSX) and *National Housing Act (Canada)* (“NHA”) insured debt capital issued at historical low interest rates.

The Non-Core properties, consisting of 367 apartment units, were sold for a total selling price of $39.8 million. The implied capitalization rate on these sales was 5.77%, a valuation well-above the implied value of our Trust Units, thus, demonstrating a continued arbitrage between “Main Street” and “Bay Street” apartment pricing. Boardwalk REIT, therefore, believes the focus on sale of these Non-Core properties was, and continues to be, the best investment at this time.

As previously highlighted, the Trust has an on-going program of selling non-core properties in its portfolio and re-deploying the released capital to acquiring additional properties and/or investing it back in its existing properties to achieve superior returns.

COST OF CAPITAL

In understanding Boardwalk REIT's investment strategy, it is also necessary to review its cost of capital. The Trust's cost of capital is generally defined as its weighted average cost of raising incremental capital and, thus, its hurdle rate for evaluating incremental investments. It can be also thought of as the rate of return that the Trust would otherwise be able to earn given the same level of risk. As with most real estate entities, the cost of capital is the combination of the cost of debt and the cost of equity. As will be discussed in a later section, the Trust currently has access to a low cost of debt through its access to the NHA-insured market. But even this market has different levels of risk that are mainly priced through the term selected on the related mortgage. That is, the longer the mortgage finance term, the longer the borrower is removing the interest rate risk from the investment. It is our view that on those investments where you do not have the benefit of hindsight, for example, with the actual purchase, ownership and management of a particular building, there is an increased level of performance risk. To moderate this risk, it is necessary to hedge the interest rate risk by taking a longer-term mortgage to allow you time to better understand the performance risk of the specific property investment. The other major component in the cost of capital relates to the cost of equity required for the investment. The determination of this amount has a number of different models and definitions. However, for simplicity purposes, Boardwalk determines its current cost of equity as the amount of FFO reported compared to its current market capitalization. For 2009, the Trust reported FFO per Trust Unit of $2.51. When compared to the simple average Trust Unit market price of $36.66 for the month of December 2009, this equates to approximately 7% as its cost of equity.

Once we have determined the cost of capital, management then analyzes and evaluates the opportunities available to the Trust against a base case scenario. The base case will be determined on two distinct questions: (i) is the investment accretive at the Trust's implied capitalization rate ("Cap Rate") adjusting for related risk, and (ii) given the existing leverage of the Trust, is the investment accretive on a FFO basis given its existing portfolio's internal growth profile? The investment is also evaluated on a stabilized basis, that is, after considering the impact of funding deferred capital expenditures and leasing up the property. The base case of the Cap Rate test focuses on the implied Cap Rate on the Trust's underlying portfolio as the Trust best understands the operations and risk profile of its own apartment units, and its ability to purchase its own real estate through the use of our current NCIB really does set the base. In general, for an investment to be accretive, not only does it have to trade at or above this level, it must also be of equivalent (or better) quality and location. The amount of expectation above this base rate is the anticipated risk adjustment rate. Each investment is looked at in isolation and evaluated accordingly. In response to the second question, it is necessary to understand that, historically, multi-family rental real estate has been an investment based on leverage. As such, it is necessary for us to analyze the underlying ability to obtain debt and the cost of that debt. Boardwalk currently does have access to NHA insurance from the Government of Canada, the details of which are discussed later in this document. As with other debt in most instances, the longer the proposed term maturity, the higher the price typically paid for this debt. This difference is the adjustment the market puts on the risk that the interest rates will be higher during the term of the loan. Accordingly, the investment consideration for the Trust also adjusts for this risk by building into its current cost of debt a term at the longer end of the curve, usually with terms ranging from seven and ten years.

It is management's belief that the Trust's investment strategy addresses the key components in determining whether an investment is accretive for the Trust as a whole. When comparing the external investment opportunity to our internal opportunity of acquiring our own Trust Units for 2009, management felt that, on a risk adjusted basis, the better investment was in the Trust's own real estate through the purchase of Trust Units on the open market.

Hedging Activities

In 2009, no new forward hedging strategies were implemented. In 2008, the Trust entered into forward hedging strategies with respect to its upcoming 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.

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 for the 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 December 31, 2009, the unamortized amount of this effective hedge was $224 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 the hedging of its interest rate exposure was effective. The effectiveness of the hedging relationship is 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.

Settlements on both the fixed and variable portion of the interest rate swaps will occur on a monthly basis. The fixed interest rate has been set at 4.15%, plus a stamping fee of 0.25%, while the total amount of mortgage debt subject to the interest rate swaps was approximately $90 million (2008 – $91 million).

As at December 31, 2009, the interest rate swap agreement was reassessed to be an effective hedge and, consistent with the previous year, 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.

UNSECURED DEBENTURES

The Unsecured 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") 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 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 the current 5.31%, commencing July 30, 2008 until the maturity date of January 23, 2012.

Note Regarding 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"). FFO and DI are widely accepted supplemental measures of the performance of a Canadian real estate entity; however, they are not measures defined by generally accepted accounting principles ("GAAP"). In recent periods, additional attention has been given to AFFO as a supplemental measurement as well. 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

Performance Review Of 2009

All Canadian investment trusts are governed by the rules set out in a trust indenture or Declaration of Trust. This document outlines both qualitative and quantitative guidelines for management to follow. One of the key financial indicators in the Trust's DOT is "Distributable Income" ("DI"). Two other key performance indicators, although not specifically referred to in the DOT, are FFO and AFFO. Although these reported amounts are non-GAAP measures (unlike net earnings and cash flow from operating activities), both the real estate industry and management feel they are useful indicators of performance. More particularly, DI is a key financial measure that is defined in our DOT, and a leading indicator of potential distributions to be made by the Trust.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values, instead, have historically risen or fallen with market conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, the Real Property Association of Canada ("REALpac") feels the use of FFO as a supplemental measure of operating performance that excludes historical costs depreciation, among other items, from net income based on generally accepted accounting principles is appropriate. The use of FFO, combined with the required presentations, has been fundamentally beneficial, improving the understanding of operating results of real estate companies and investment trusts among the investing public and making financial comparisons between such corporations and trusts more meaningful. We generally consider FFO to be useful measures for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net earnings, which remains the primary measure of performance). By excluding real estate asset depreciation and amortization, as well as future income taxes, FFO can help better compare the operating performance of a real estate entity between periods and across different companies or trusts. We believe that FFO is the best measure of economic profitability for real estate investment trusts. Although not a standardized term, DI is the basis on which the Trust will determine the amount of distributions it will pay to Unitholders. Over the past few years, AFFO has begun to surface as an additional performance measurement. AFFO is determined by taking the amounts reported as FFO and deducting what is commonly referred to as Maintenance Capital Expenditures. Maintenance Capital Expenditures are referred to as expenditures that by standard Accounting definitions are accounted for as capital in that the expenditure itself has a useful life in excess of the current financial year and also adds or maintains the value of the related asset. A more detailed discussion of this topic will be provided in the Maintenance of Productive Capacity section later in this document.

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources – from rental operations and from the sale of 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 selective "Non-Core" real estate properties. 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 market.

PERFORMANCE MEASURES

DI is computed as outlined in the Trust's DOT. The Trust pays out, at a minimum, all taxable income to Unitholders in the form of monthly distributions unless the Trustees, otherwise in their absolute discretion, determine a different amount. Throughout the year, the Trust distributed $1.80 per outstanding trust unit on an annualized basis (or $0.15 per trust unit on a monthly basis).

For the year ended December 31, 2009, the Trust declared distributions of $95.3. million, representing approximately 70% of the reported DI for the year. Although the Trust believes it is important to distribute a significant portion of its DI, it also maintains that it should withhold a portion of the available cash flow to assist with the execution of its business strategy. On an overall basis, the Trust aims to pay out approximately 80% of its reported DI and the current year's distributions are in-line with our expectations. The Trust previously had in place a Distribution Reinvestment Plan ("DRIP"). The essence of this plan was that the Unitholder had the option, in lieu of receiving monthly distributions, to receive Trust Units from treasury. The DRIP allowed participants to accept all or part of their monthly distributions in additional Trust Units. To promote this plan, the Trust offered a 3% premium on the units distributed under the plan. Effective February 29, 2008, Boardwalk REIT suspended the DRIP plan for Unitholders. The suspension of the DRIP does not affect regular distributions and Unitholders will continue to receive the regular distribution as declared. The Board of Trustees, in suspending the DRIP, noted that the Trust is in a strong liquidity position and is currently acquiring its own publicly traded Trust units on the Toronto Stock Exchange and, as such, the ability to access additional equity capital through this program was not needed.

HOW DID WE DO?

At the beginning of the 2009 fiscal year, certain selective performance targets were set out for fiscal 2009. The assumptions used in these performance targets were reviewed on a quarterly basis and the full-year guidance was adjusted if such assumptions have changed. The following table compares our forecasted performance to our actual results in fiscal 2009.

	2009 Actual	2009 Objectives Revised in Q3 2009	2009 Original Objectives
FFO Rental Operations	**$2.51**	$2.50 to $2.55	$2.45 to $2.55
Distributable Income	**$ 2.55**	$2.52 to $2.57	$2.47 to $2.57
New Unit Acquisitions	**1**	No new apartment acquisitions	No new apartment acquisitions
Stabilized Building NOI	**4.9%**	4.0% to 6.0%	4.0% to 6.0%

The reader is cautioned the financial objectives, when generated, were considered forward-looking information and that actual results may vary materially from these objectives reported.

Both actual FFO and DI for fiscal 2009 were within the revised guidance given at the end of the third quarter of fiscal 2009. The following table outlines, on a per trust unit basis, where the growth was derived for the Trust compared to the results posted for fiscal 2008.

FFO RECONCILIATION FROM 2008 TO 2009

FFO per Trust Unit Reconciliation	12 Months
FFO December 31, 2008	$ 2.39
NOI from Stabilized	$ 0.24
NOI from Unstabilized	$ 0.02
Unit Buyback	$ 0.05
Financing Costs	$ (0.12)
Deferred Financing Cost	$ (0.02)
Administration and Other	$ (0.05)
FFO December 31, 2009	**$ 2.51**

Several factors negatively impacted our results for 2009, including the continued downturn of economic conditions, higher utility consumption and higher property taxes largely related to the Trust's Alberta portfolio. However, the largest additional cost related to maintaining a substantial cash liquidity position, which earned only minimal interest income. It is estimated that this Liquidity cost the Trust approximately $0.10 per Trust Unit for fiscal 2009.

LIQUIDITY

In late 2008, with all the economic uncertainty that the market was experiencing, particularly in the area of availability of debt capital, management felt that with the Trust's mortgage program (which focused on the use of NHA insurance on virtually all of its mortgages), presented an opportunity to access more credit than needed for the short term. In the past, the Trust accessed credit as and when necessary; however, given the economic uncertainly and the potential for accretive acquisitions, it was felt that Increasing its overall cash liquidity position was prudent in order to capitalize swiftly on any opportunities that would be in the best interest of the Trust. Even though the credit spread had increased dramatically from more recent levels, when combined with the unprecedented decrease in the underlying Government of Canada bonds, total overall interest rates were still at historical lows.

At of December 31, 2009, the Trust increased its cash position to $190.3 million from the $123.2 million reported as of December 31, 2008. However, there is a cost to having this much liquidity on the balance sheet, which earned, and is continuing to earn, a very conservative but safe investment return. The Trust continues to look into opportunities to acquire a portion of its existing outstanding Boardwalk NHA-insured mortgages as an alternative investment for its excess liquidity. In 2009, the Trust paid off nine maturing mortgages associated with some of its Windsor, Ontario properties with some of the excess cash on hand. These properties now sit free and clear, and the Trust still has the ability to finance these at a future date when we find an opportunity for these funds. If the Trust added back the write-off of approximately $1 million in deferred financing costs, FFO per Trust Unit for the year ended December 31, 2009 would have been $2.53.

STABILIZED PROPERTIES

"NOI", or Net Operating Income, includes all rental revenue generated at the rental property level, less related direct costs such as utilities, property taxes, insurance and on-site customer service and maintenance wages and salaries.

***"Stabilized Properties"** are defined as properties that have been owned by us for a 24-month period or greater.*

Boardwalk's Stabilized Properties reported an increase of 4.9% in NOI for fiscal 2009 compared to the same period in 2008. In our 2009 original guidance and subsequent quarterly revisions, it was our expectation that the NOI on our stabilized properties would increase between 4.0 and 6.0%, after taking into account lower utility costs anticipated for 2009. The reported result was in-line with our projection, despite higher utility consumption due to the unanticipated cold snap in December and the continued softening of the economy.

FFO AND DI RECONCILIATIONS

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 year.

FFO Reconciliation *Cdn$ Thousands, except per unit amounts*	**12 Months** **Dec-09**	12 Months Dec-08	% Change
Net earnings from continuing operations	**$ 50,110**	$ 40,550	
Adjustments			
Earnings from discontinued operations	**$ 11,957**	$ 5,135	
Deduct gain on dispositions	**$ (11,614)**	$ (4,908)	
Other income	**$ (408)**	$ –	
Future income taxes (recovery)	**$ (5,646)**	$ 315	
Amortization of assets	**$ 88,695**	$ 88,826	
Funds from operations	**$ 133,094**	$ 129,918	2.4 %
Funds from operations – per unit	**$ 2.51**	$ 2.39	5.0%

Distributable Income Reconciliation *Cdn$ Thousands, except per unit amounts*	**12 Months Dec-09**	12 Months Dec-08	% Change
Total Operating Cash Flows	**$ 141,859**	$ 146,438	
Net change in operating working capital	**$ (2,605)**	$ (11,488)	
Deduct deferred financing costs amortization after May 3, 2004	**$ (3,837)**	$ (3,078)	
Add (deduct) net discounts (premiums) adjustment after May 3, 2004	**$ (109)**	$ (429)	
Distributable income	**$ 135,308**	$ 131,443	2.9%
Distributable income – per unit	**$ 2.55**	$ 2.41	5.8%

Overall, Boardwalk REIT earned $133.1 million in FFO for year ended December 31, 2009 compared to $129.9 million for the same period last year. FFO on a per unit basis for 2009 increased approximately 5.0% compared to the same period in the prior year, from $2.39 to $2.51. DI for the year ended December 31, 2009 was $2.55 per Trust Unit, compared to $2.41 for the same period last year, representing an increase of approximately 5.8%.

NEW PROPERTY ACQUISITIONS

In 2009, Boardwalk REIT acquired one new unit in an Edmonton, Alberta property, which the Trust already owned substantially all of the units. In 2008, 298 units were acquired, all of which were located in Alberta.

DISPOSITIONS

In 2009, Boardwalk REIT reported total gains of approximately $11.6 million on the sale 367 apartments located in four select non-core assets plus the sale of the final condominium conversion unit located in Calgary, Alberta.

Cdn$ Thousands, except units sold	**Year ended December 31, 2009**	Year ended December 31, 2008
Cash received	**$ 40,072**	$ 12,978
Cost of dispositions	**(37)**	–
Net cash proceeds	**40,035**	12,978
Net book value	**(28,421)**	(8,070)
Gain (loss) on dispositions	**$ 11,614**	$ 4,908
Multi-family units sold	**368**	39

During the second quarter of 2009, the Trust completed the sale of a 133-unit rental property located in Surrey, British Columbia. This property formed part of our British Columbia portfolio.

During the fourth quarter of 2009, the Trust completed: (i) the sale of a 65-unit property in Calgary, Alberta, which formed part of our Alberta portfolio; and (ii) the sale of a 105-unit property and a 64-unit revenue producing property located in Quebec City, Quebec, both of which formed part of our Quebec portfolio.

FINANCIAL PERFORMANCE SUMMARY

At a Glance *Cdn$ Thousands, except per unit amounts*	**2009**	2008	% Change
Total Assets	**$ 2,378,278**	$ 2,358,924	0.8%
Total Rental Revenue	**$ 427,686**	$ 419,799	1.9%
Net Earnings	**$ 62,067**	$ 45,685	
Total Funds From Operations	**$ 133,094**	$ 129,918	2.4%
Distributable Income	**$ 135,308**	$ 131,443	2.9%
Net Earnings Per Unit	**$ 1.17**	$ 0.84	
Funds From Operations Per Unit	**$ 2.51**	$ 2.39	5.0%
Distributable Income Per Unit	**$ 2.55**	$ 2.41	5.8%

Total Assets increased slightly compared to the prior year, mainly the result of an increased cash liquidity position Total Rental Revenue increased by 1.9%, the result of an increase in occupancy rates on our overall portfolio.

Net Earnings increased significantly, due to a decrease in overall operating and utility costs, in addition to the slight increase in rental revenues as noted above.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Overall Review

Boardwalk has implemented a top down approach to its convergence plan, which consists of a number of steps to allow the Trust to meet its transition deadline of January 1, 2011. The first of these steps include a diagnostic analysis of the standards to assess their impact on the Trusts financial statements, including impact and selection of appropriate option, information technology and systems, and disclosure requirements. The second step involves the design and planning for the implementation of IFRS standards as well as determining their impact on the Trust's internal controls. The third step involves the implementation of the IFRS standards once final approval has been received from the Board of Trustees. The final step in Boardwalk's transition plan is a post implementation step.

The following table outlines certain keys of the transition plan 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. A more detailed analysis of the Trust's transition to IFRS can be found later in Management's Discussion and Analysis.

KEY ACTIVITY	KEY MILESTONES	STATUS
Accounting Policy and Implementation • Identify differences in Canadian GAAP and IFRS accounting policies • Select Boardwalk's ongoing IFRS policies • Assess and quantify the effects of change upon initial and continuous IFRS implementation • Develop financial statement format under IFRS	• Detailed analysis of IFRS standards relating to various options available and their impact on the Trust's financial statements • Board sign-off of most appropriate IFRS option and policies which will be implemented upon transition to IFRS • Develop action plans to implement policy choices • Develop mock up financial statements under IFRS which outline disclosure requirements	• 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. • Board sign off of the policy choices to be implemented under IFRS is expected in 2010. • The completion of mock up financial statements is expected in 2010.
Information Technology and Data Systems • IT initiatives required, developed and tested	• Identify information requirements under IFRS and develop IT initiatives to meet these requirements • Design and develop these IT initiatives • Test IT systems to ensure information requirements are met • Implementation of new systems	• The identification of systems and information requirements under IFRS was completed in 2008. • The design and development of systems required was essentially completed in 2009. Minor development issues are still being addressed. • Testing of new systems is on going and will be completed in 2010 • New systems will be implemented in 2010

Internal Controls over Financial Reporting and Disclosure • For all IFRS accounting policy changes, assess control design and effectiveness implications • Document and test process changes	• Assess material impacts of IFRS standards on entity level, information technology, disclosure and business process controls. • Map and test process and control changes which result from the implementation of IFRS standards.	• Analysis of control issues is currently under way.
Financial Reporting Expertise • Define and introduce the appropriate level of IFRS expertise for the IFRS transition team, accounting staff, senior management and Audit Committee/Board of Trustees	• Training for the IFRS transition team to occur on an ongoing basis as required • Training for accounting staff, Audit Committee and Board on an ongoing basis as required	• Project team expert resources have been identified and training for the project team members is occurring throughout the project • Training of accounting staff and Board/Audit Committee is ongoing throughout the project
Business Activities • Assess impact of transition to IFRS on businesses activities such as hedging, debt covenants, performance measures and compensation arrangements	• Determine the impact of IFRS policies on various business activities • Identify changes to structure, Declaration of Trust or other requirements which need to be addressed prior to the transition date.	• 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.
External Communications • 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.	• Assess the initial and ongoing impact the transition to IFRS will have on all public forms of communication • Disclose the effects of the implementation to the public • Develop a process to receive and deal with external IFRS inquiries.	• IFRS disclosure in the MD&A will be updated throughout the project in accordance with CSA Staff Notice 52-320. • Individuals involved in the completion of the external communication are part of the IFRS project team.

CONSOLIDATED OPERATIONS AND EARNINGS REVIEW

Overall Review

CONSOLIDATED STATEMENTS OF EARNINGS AND OTHER COMPREHENSIVE INCOME

Rental Operations

Boardwalk REIT's rental revenue strategy focuses on maximizing overall rental revenues. In the determination of these overall revenues, we continuously look at the optimal balance between market rents, rental incentives and vacancy revenue losses. The application of this strategy is ongoing on a market-by-market analysis, again with the focus on obtaining the optimal balance of these variables given existing market conditions.

Boardwalk REIT, from time to time, will generate interest revenue from interest charged on vendor mortgages receivable and from the investment of excess cash available. These excess funds are invested in low-risk, interest-bearing investments. The amount of interest revenue reported for fiscal 2009 was $1.3 million compared to $2.3 million for fiscal 2008. Interest revenue is included in rental revenue in the consolidated statements of earnings and other comprehensive income. However, the amounts referred to as rental revenues in the segmented operations review by geographic provinces exclude the interest revenue component.

Cdn$ Thousands, except number of suites	**12 Months Dec-09**	12 Months Dec-08	% Change
Rental revenue	**$ 427,686**	$ 419,799	1.9%
Expenses			
Operating expenses	**$ 71,737**	$ 73,539	(2.4%)
Utilities	**$ 43,934**	$ 50,823	(13.6%)
Utility rebate	**$ (377)**	$ (1,917)	(80.3%)
Property taxes	**$ 36,325**	$ 33,616	8.1%
	$ 151,619	$ 156,061	(2.8%)
Net operating income	**$ 276,067**	$ 263,738	4.7%
Operating margins	**65%**	63%	
Number of suites at Dec. 31	**36,419**	36,785	

Overall, Boardwalk REIT's rental operations reported strong results. The Trust reported a 1.9% increase in revenues for the year ended December 31, 2009. The reader should note that the amounts reported above have been reduced to remove revenues and any costs related to properties classified as discontinued operations in the fiscal year in accordance with the treatment required under Canadian GAAP. The majority of the increase is mainly the effect of revenues generated from our same-store properties, or properties referred to as stabilized. More specifically, the increase in rental revenue for the year ended December 31, 2009 is mainly attributable to the performance of our properties in the provinces of British Columbia, Saskatchewan and Quebec and the city of Edmonton, Alberta. Total rental expenses decreased by 2.8% for the year ended December 31, 2009. This decrease is mainly attributable to lower rental operating expenses and utility costs. Utility cost decreases occurred largely in the province of Alberta as a result of lower natural gas and electrical prices, while a concerted effort by the Trust to do more internally has resulted in a reduction in certain operating expenses, such as repairs and maintenance. Property taxes increased 8.1% for the year ended December 31, 2009 compared to the same period last year, primarily due to increased property valuations, largely in the province of Alberta. 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.

During fiscal 2009, recurring utility rebates totaling $0.4 million were received from the Government of Alberta compared to the $1.9 million estimated for fiscal 2008. Lower natural gas rebates were recorded in fiscal 2009 compared to fiscal 2008 as a result of consistently lower natural gas prices in Alberta and the discontinuance of the natural gas rebate program after March 31, 2009. On March 31, 2009, the Natural Gas Rebate Program expired, and the Government of Alberta announced it will not be renewed for the Province's 2009-10 fiscal year.

Overall, the operating margin for the year increased slightly to 65%, when compared to 63% for the same period in 2008.

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

Segmented Operational Review

BRITISH COLUMBIA RENTAL OPERATIONS

Cdn$ Thousands, except number of suites	12 Months 2009	12 Months 2008	% Change
Rental revenue	$ 11,262	$ 11,026	2.1%
Expenses			
Operating expenses	$ 1,429	$ 1,878	(23.9%)
Utilities	$ 1,240	$ 1,340	(7.4%)
Property taxes	$ 648	$ 593	9.3%
	$ 3,317	$ 3,811	(12.9%)
Net operating income	$ 7,945	$ 7,215	10.1%
Operating margins	71%	65%	
Number of suites at Dec. 31	954	1,087	

Boardwalk REIT's British Columbia portfolio continued to report good results. British Columbia represents approximately 3% of the Trust's rental revenue and related operating expenses. Rental revenues increased slightly while overall operating expenses decreased as a result of Boardwalk's strategy to reduce operating costs by moving towards performing more repairs and maintenance work in-house rather than hiring external contractors, where permitted. Operating expenses also decreased for the year ended December 31, 2009 due to an insurance reimbursement received in 2009 for an event that occurred in fiscal 2008 and to an adjustment to parts and supplies inventory levels. Operating margins for the year ended December 31, 2009 increased compared to the same period in the prior year as a result of both an increase in rental revenues and a decrease in overall rental expenses.

ALBERTA RENTAL OPERATIONS

Cdn$ Thousands, except number of suites	12 Months 2009	12 Months 2008	% Change
Rental revenue	$ 254,425	$ 252,881	0.6%
Expenses			
Operating expenses	$ 39,812	$ 39,911	(0.2%)
Utilities	$ 22,379	$ 28,624	(21.8%)
Utility rebate	$ (375)	$ (1,920)	(80.5%)
Property taxes	$ 19,289	$ 15,955	20.9%
	$ 81,105	$ 82,570	(1.8%)
Net operating income	$ 173,320	$ 170,311	1.8%
Operating margins	68%	67%	
Number of suites at Dec. 31	19,953	20,017	

Alberta represents the Trust's largest holding, reporting 60% of total rental revenue while only representing 55% of the apartment units owned by the Trust. Boardwalk REIT's Alberta operations for the year ended December 31, 2009 posted a modest increase in rental revenue for 2009 when compared to the amount reported in fiscal 2008. The reported rental revenue change is the combined effect of changes to in-place occupied rents and incentives to maintain, and in some cases increase, overall occupancy levels compared to the prior year. Operating costs have decreased in the year ended December 31, 2009, mainly as a result of decreases in operating expenses by emphasizing repairs and maintenance work completed in-house as opposed to contracting this work out as was previously done. This, along with a decrease in overall utility charges, has resulted in an increase in net operating income, despite an increase in property taxes. The reported property tax increases were the result of an increase in property tax assessments on our Alberta properties. Rental revenue increased by 0.6% in the year ended December 31, 2009 compared to the prior year.

Over the past several years, until March 31, 2009, Boardwalk's Alberta portfolio has been the beneficiary of the Alberta Provincial Government energy rebate program. Details of this program can be located at the Alberta provincial government web site (http://www.energy.gov.ab.ca). On March 31, 2009, the Natural Gas Rebate Program expired, and the Government of Alberta announced it will not be renewed for the Province's 2009-10 fiscal year.

During the fourth quarter of 2009, one of Boardwalk's buildings, consisting of 31 apartment units and located in Grande Prairie, was destroyed by a fire. As is the Trust's policy, this building was insured up to its replacement value and also had business interruption insurance coverage for one year. We continue to work on the details of this with our insurance companies.

SASKATCHEWAN RENTAL OPERATIONS

Cdn$ Thousands, except number of suites	12 Months 2009	12 Months 2008	% Change
Rental Revenue	**$ 52,365**	$ 46,473	12.7%
Expenses			
Operating expenses	**$ 7,329**	$ 7,650	(4.2%)
Utilities	**$ 5,351**	$ 5,628	(4.9%)
Property taxes	**$ 3,781**	$ 4,442	(14.9%)
	$ 16,461	$ 17,720	(7.1%)
Net operating income	**$ 35,904**	$ 28,753	24.9%
Operating margins	**69%**	62%	
Number of suites at Dec. 31	**4,660**	4,660	

Saskatchewan reported 12% of total rental revenue while representing 13% of the apartment units owned by the Trust.

Boardwalk REIT's Saskatchewan operations reported strong results for the year ended December 31, 2009 compared to the same periods in fiscal 2008. Overall, the rental revenue increased by 12.7%. The increase is mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Rental expenses decreased by 7.1% for the year ended December 31, 2009 compared to the same period in the prior year, mainly as a result of lower operating expenses, a decrease in utility costs and a decrease in property taxes for our Saskatchewan properties. The Trust had previously locked into a fixed price natural gas contract for its Saskatchewan natural gas consumption at a quoted price of $8.28/GJ. This compared to a current AECO natural gas market price for Alberta in the low $3.00/GJ range. The current contract expired in October of 2009 and the Trust negotiated a new physical supply contract 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. More details of this commitment are reported in Note 19 of the Trust's consolidated financial statements for the year ended December 31, 2009.

ONTARIO RENTAL OPERATIONS

Cdn$ Thousands, except number of suites	12 Months 2009	12 Months 2008	% Change
Rental revenue	**$ 37,950**	$ 37,776	0.5%
Expenses			
Operating expenses	**$ 6,548**	$ 6,636	(1.3%)
Utilities	**$ 6,604**	$ 6,584	0.3%
Property taxes	**$ 5,536**	$ 6,530	(15.2%)
	$ 18,688	$ 19,750	(5.4%)
Net operating income	**$ 19,262**	$ 18,026	6.9%
Operating margins	**51%**	48%	
Number of suites at Dec. 31	**4,265**	4,265	

Ontario reported 9% of total rental revenue while representing 12% of the apartment units owned by the Trust. Overall, Ontario's reported net operating income increased by approximately 6.9% from the prior year. Rental revenues were relatively consistent with the prior year while total operating expenses decreased by 5.4%. This overall increase is largely due to a decrease in property tax assessments for our Ontario portfolio. As with the Trust's Saskatchewan property portfolio, there is currently a fixed price natural gas contract in place for Ontario and Quebec. The details of this are reported in Note 19 of the Trust's consolidated financial statements for the year ended December 31, 2009. The fixed price is above the current floating prices for natural gas.

QUEBEC RENTAL OPERATIONS

Cdn$ Thousands, except number of suites	12 Months 2009	12 Months 2008	% Change
Rental revenue	**$ 70,345**	$ 69,025	1.9%
Expenses			
Operating expenses	**$ 11,418**	$ 12,994	(12.1%)
Utilities	**$ 8,097**	$ 8,266	(2.0%)
Property taxes	**$ 6,961**	$ 5,971	16.6%
	$ 26,476	$ 27,231	(2.8%)
Net operating income	**$ 43,869**	$ 41,794	5.0%
Operating margins	**62%**	61%	
Number of suites at Dec. 31	**6,587**	6,756	

Quebec represents the Trust's second largest holding, reporting 16% of total rental revenue while representing 18.1% of the apartment units owned by the Trust. Boardwalk REIT's Quebec operations reported a slight increase in rental revenues of 1.9% for the year ended December 31, 2009 compared to the same periods in the prior year, due to improving results on our stabilized properties. Reported rental expenses for the current year were down from the same period in the prior year. Utilities were lower for the 2009 due to lower consumption compared to the prior year. The significant increase in property taxes for year ended December 31, 2009 is mainly due to a property tax rebate of approximately $600 thousand dollars Included in the amounts reported in 2008. This property tax rebate was received on our Nuns' Island Portfolio. If we were to exclude this rebate from the 2008 amounts reported, property taxes for the current year would be slightly higher when compared with the same period in 2008, as a result of higher property tax assessments on our Quebec portfolio. As noted above, the Trust has entered into a fixed rate natural gas supply contract for the province of Quebec. More details of this commitment are reported in Note 19 of the Trust's consolidated financial statements for the year ended December 31, 2009.

Operational Sensitivities

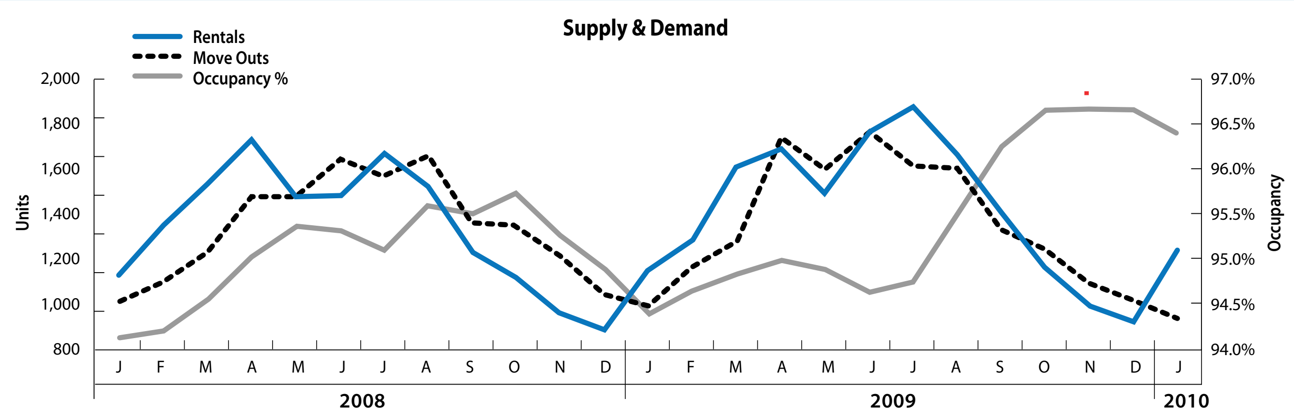
Boardwalk's rental revenue strategy focuses on maximizing rental revenues through actively managing three main variables: occupancy levels, incentives offered and market rents. It is important to note that these variables are in constant flux and may be different between regions and buildings within 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 revenues 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 the new year. Although the suite is rented, it will not generate revenue until the Customer actually moves in, for example, in January, which corresponds to the next fiscal year. 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.

BOARDWALK REIT'S PORTFOLIO OCCUPANCY

City	2009	2008
Calgary	**95.57%**	95.37%
Edmonton	**94.80%**	94.25%
Gatineau	**97.71%**	96.95%
Kitchener	**98.25%**	97.37%
London	**96.28%**	95.57%
Montreal	**96.54%**	95.74%
Other Alberta	**92.38%**	92.32%
Quebec City	**97.63%**	97.36%
Regina	**97.06%**	96.24%
Saskatoon	**96.66%**	97.28%
Vancouver	**94.90%**	96.46%
Victoria	**97.08%**	96.73%
Windsor	**92.13%**	91.17%
Total	**95.43%**	95.09%

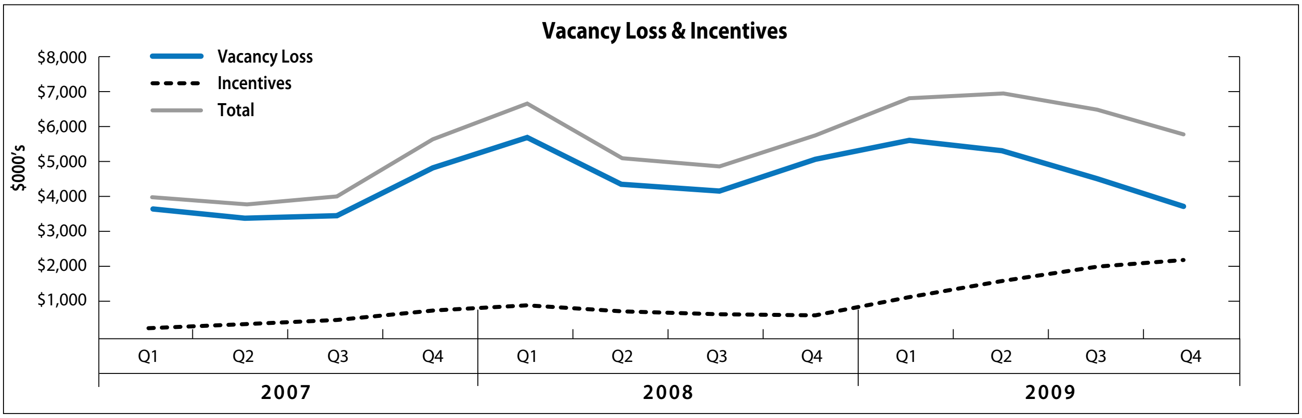
Fiscal 2009 saw the portfolio's overall occupancy rate increase to 95.43% from 95.09% for the same period in the prior year. The reported increase is mainly the result of increased occupancy rates reported in Alberta, Ontario and Quebec. Boardwalk's overall rental revenue maximization strategy focuses on the Trust balancing the key inputs, including occupancy levels and existing rental market rates. 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 reported increase in occupancy rates in Calgary, Edmonton and Regina can be attributable to Boardwalk REIT decreasing market rates to levels where demand increased, resulting in overall higher reported occupancy levels. The 92.38% occupancy rate for "Other Alberta" includes Grande Prairie, which experienced lower occupancies as a result of low rig utilization and increased unemployment in the oil and gas sector due to a continuing trend of low natural gas prices. As a strategy, the Trust is constantly adjusting market rents based on demand and seasonal factors

SUPPLY VERSUS DEMAND & IMPACT ON REPORTED OCCUPANCY



The issue of demand and supply, as with any industry, is 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. In the first quarter of fiscal 2008, 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; as a result, we have been able to increase the overall occupancy rate to 95.43% compared to the 2008 when the occupancy rate was 95.09%. Boardwalk REIT will continue with this strategy; however, the Trust is now in the position whereby we 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 AND INCENTIVES



Vacancy loss and rental incentives are strong indicators of current and future revenue performance. Depending on specific market conditions, to best manage overall economic rental revenue, the correct balance between rental incentives and vacancy loss is important. The chart details, on a quarterly basis, rental incentives verses vacancy loss. The reported decrease in vacancy loss while seeing incentives increase during 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.

VACANCY SENSITIVITY

As with all real estate rental operators, Boardwalk REIT's financial performance is sensitive to occupancy rates. Based on the current reported market rents, a 1% annualized change in reported occupancy would impact overall rental revenue by approximately $4.4 million, or $0.08 per Trust Unit on a diluted basis.

Same-Property Results

Boardwalk defines a same-property (or stabilized property) as one that has been owned by the Trust for a period of 24 months or more from the reporting date. It should be noted that all properties acquired as part of the REIT conversion in May of 2004 were grandfathered to their original acquisition date for the purpose of this metric. Boardwalk REIT's overall percentage of stabilized properties was 99.2% of its total rental unit portfolio as at December 31, 2009, or a total of 36,120, units. The table below provides a regional breakdown on these properties for fiscal 2009 as compared to fiscal 2008.

Dec 31 2009 – 12 M	# of Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	5,028	-1.8%	-6.2%	-0.1%	17.9%
Edmonton	12,423	1.0%	-0.8%	1.9%	37.3%
Other Alberta	2,203	-2.2%	-4.2%	-1.1%	6.2%
British Columbia	954	2.5%	-12.9%	10.7%	2.9%
Ontario	4,265	0.4%	-5.4%	6.7%	6.9%
Quebec	6,587	1.9%	-2.7%	4.9%	15.8%
Saskatchewan	4,660	12.7%	-7.1%	24.9%	13.0%
	36,120	1.8%	-3.7%	4.9%	100.0%

Overall, rental revenue increased by 1.8% compared to the prior year. Operating expenses reported for the year decreased by 3.7% from 2008, resulting in NOI increasing by 4.9% compared to the prior year. The increase in reported stabilized revenue was driven mainly by the Trust's Saskatchewan operations, which account for approximately 13.0% of the Trust's reported stabilized net operating income. The majority of the reported decrease in expenses for the year ended December 31, 2009 was due to lower operating expenses and utility costs.

The 2009 reported results were favorably impacted by Alberta natural gas rebates in the amount totaling approximately $0.4 million compared to approximately $1.9 million for the prior year. As was previously noted, this rebate program expired in March of 2009 and was not renewed for the 2009-10 fiscal year and, as such, we were not eligible for any additional rebates for the remainder of the fiscal year. If we were to exclude the effect of these rebates received, overall Stabilized NOI would have increased by 5.5%. For a more detailed analysis of the program, please visit the following Alberta provincial government website (http://www.energy.gov.ab.ca).

Estimated Loss-to-Lease

ESTIMATED LOSS-TO-LEASE CALCULATION

Boardwalk REIT's estimated negative loss-to-lease, representing the difference between estimated market rents and actual occupied rents on December 31, 2009, adjusted for current occupancy levels, totaled $6.4 million on an annualized basis, representing $0.12 per outstanding Trust Unit. The estimated negative loss-to-lease is the direct result of Boardwalk's proactive strategy to reduce rents in Alberta to increase its occupancy. For the most part, Boardwalk REIT's rental lease agreements last no longer than twelve months. On physical turnover, the rental units are then re-leased directly at current market rent. If a Customer of Boardwalk REIT decides to remain in his/her apartment unit at the end of the lease agreement and market rents are increasing, it is the Trust's self-imposed internal policy that the rent will not increase more than $150 in any twelve-month period.

The reader should note that estimated loss-to-lease is a non-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. The reader should also note that it would take a significant amount of time for these market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market-based rents in the short term.

	Dec 2009 Occupied Rent	Dec 2009 Market Rent	Mark to Market Per Month	Annualized Mark to Market Adjusted for Vacancies ($000's)	Weighted Average Units	% of Portfolio
Calgary	$ 1,156	$ 1,093	$ (62)	$ (3,894)	5,401	15%
Edmonton	$ 1,082	$ 1,039	$ (43)	$ (6,158)	12,585	36%
Other Alberta	$ 1,043	$ 1,032	$ (12)	$ (253)	1,967	5%
Alberta Portfolio	$ 1,098	$ 1,053	$ (45)	$ (10,306)	19,953	55%
Saskatchewan	$ 993	$ 1,017	$ 24	$ 1,295	4,660	13%
Ontario	$ 779	$ 790	$ 12	$ 557	4,265	12%
Quebec	$ 929	$ 956	$ 27	$ 2,122	6,587	18%
British Columbia	$ 978	$ 974	$ (4)	$ (43)	954	2%
Total Portfolio	$ 1,013	$ 998	$ (15)	$ (6,373)	36,419	100%

Below is a table that reconciles the change in estimated loss-to-lease at December 2009 compared to the amount at December 2008 for our entire portfolio.

	Total	Per Trust Unit
December 2008 – Entire Portfolio	$ 7,959,000	$ 0.15
In-place Rents Increases	$ 10,990,000	$ 0.21
Vacancy Adjustment	$ 707,000	$ 0.01
Market Rent Adjustment	$ (26,029,000)	$ (0.49)
December 2009 – Entire Portfolio	**$ (6,373,000)**	**$ (0.12)**
Total Vacancy Loss for 2009	$ 19,275,000	
Current Reported Occupancy	95.4%	
Target Occupancy	97.5%	
Potential Annual Pick-up From Higher Occupancy	$ 9,637,500	$ 0.18

The decrease in the loss-to-lease for our portfolio, from a positive $8.0 million at December 2008 to a negative $6.4 million at December 2009, was due primarily to the Trust's focused strategy in 2009 of reducing market rent prices in an attempt to increase overall occupancy, with the main focus on increasing overall rental revenue. If Boardwalk REIT was able to increase and maintain its overall occupancy target at 97.5%, the potential increase in rental revenue from a higher occupancy level (as a result of a reduction in vacancy loss) would have more than offset the negative loss-to-lease estimate at December 2009. Boardwalk REIT continues to focus on the maximization of all rental revenue, with attention to appropriate levels of market rents with certain occupancy level targets as well as suite-selective incentives, when warranted.

INVESTING IN OUR PROPERTIES

Boardwalk is continually re-investing in its properties. A detailed analysis of this investment can be found later in the MD&A under the section titled, "Capital Improvements". The purpose of the "Capital Improvements" section is to provide the reader with a consolidated view of what the Trust spent on its real estate asset base.

Financing Costs

Financing costs for fiscal 2009 of $111.2 million have increased from $105.8 million reported for the prior year. At December 31, 2009, the reported weighted average interest rate of 4.52% was down from the weighted average interest rate of 4.83% at December 31, 2008. Boardwalk REIT has continued to take advantage of lower interest rates to refinance and renew certain mortgages, resulting in a lower overall weighted average mortgage and debt rate. The average term to maturity of the mortgage and debt portfolio is approximately three years. Subsequent to the end of the third quarter, 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. More details on this will be discussed later in the document.

Boardwalk REIT's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value and are positive to the Trust's reported Distributable Income. Once acquired, these properties undergo various value-enhancing upgrades as part of Boardwalk REIT's stabilization program. Boardwalk REIT utilizes external financing to leverage these properties up to a maximum of 75% of the purchase price and, where appropriate, Boardwalk REIT adds additional financing for all upgrades performed.

Boardwalk REIT concentrates on multi-family residential real estate. It is, therefore, eligible to obtain government-backed insurance through the NHA, which is administered by CMHC. The benefits of purchasing this insurance are two-fold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing as compared to other financing alternatives in either the residential or any other real estate class. Although the amount of the interest rate spreads will vary, they are currently between 80 and 120 basis points above the respective Government of five-year Canada Bonds. This compares favorably to the spreads on conventional financing, which currently range from 200 to 250 basis points above such bonds.

The second benefit of the CMHC insurance relates to the lowering of Boardwalk REIT's overall 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. The current cost of this insurance is 2.25% of the loan amount and is included as part of the loan proceeds. This cost is amortized over the useful life of the insurance, which equates to the amortization period of the respective mortgage.

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 been able to find a number of mortgage lenders willing to assume or underwrite additional mortgages under this program.

At December 31, 2009, approximately 99% of Boardwalk REIT's mortgages were backed by this NHA insurance, with a weighted average amortization period of approximately 32 years.

INTEREST RATE SENSITIVITY

Although Boardwalk REIT manages its financing risk in a variety of ways, as discussed later in the MD&A, it is important for the reader to understand the potential impact to the Trust as a whole with respect to significant interest rate changes. Due to the size of Boardwalk's overall mortgage portfolio, it has been prudent to spread out the maturity of these mortgages over a number of years. In fiscal 2010, the Trust anticipates having approximately $446 million of mortgages maturing with a weighted average rate of 4.63%. If we were to renew these mortgages today with a new 5-year term, we estimate, based upon interactions with possible lenders, that the new rate would be approximately 3.30%, resulting in a 133 basis points cushion built into our soon-to-mature mortgages.

PROPERTY SALES

Part of Boardwalk REIT's overall strategy is selling properties with lower future growth prospects or condominium converting properties and the reinvesting of these funds back into other accretive opportunities;

Cdn$ Thousands, except number of units	**Year Ended Dec. 31, 2009**	Year Ended Dec. 31, 2008
Cash received	**$ 40,072**	$ 12,978
Cost of dispositions	**(37)**	–
Total proceeds	**40,035**	12,978
Net book value	**(28,421)**	(8,070)
Gain on dispositions	**$ 11,614**	$ 4,908
Multi-family units sold	**368**	39

Dispositions in 2008 solely consisted of 39 unit sales and closings in a 90-unit property located in Calgary, Alberta that was developed into condominium units for sale. In 2009, the final unit remaining in the 90-unit property was sold and closed. The percentage of completion method was used to record sales and cost of sales for the disposition of units in the condominium conversion. Under the percentage of completion method, sales of $0.5 million for the year were recorded against cost of sales of $0.6 million, resulting in a reported loss of 0.1 million.

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.

During the fourth quarter of 2009, the Trust completed: (i) the sale of a 65-unit property in Calgary, Alberta, which formed part of our Alberta portfolio and (ii) the sale of a 105-unit property and a 64-unit revenue producing property located in Quebec City, Quebec, both of which formed part of our Quebec portfolio.

During the second quarter of 2009, the Trust completed the sale of a 133-unit rental property located in Surrey, British Columbia. This property formed part of our British Columbia portfolio.

ADMINISTRATION

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions. The amount reported for fiscal 2009 of $26.7 million was an increase of $2.5 million over the $24.2 million reported in fiscal 2008. The reported increase for the year ended December 31, 2009 is mainly the result of the retirement of Boardwalk's Senior Vice President of Operations and the separate retirement of one of our Trustees, which under the existing deferred Trust Unit plan calls for the immediate vesting of all the related outstanding deferred units relating to these individuals. All unamortized deferred compensation costs related to these deferred units were written off in the second quarter of 2009.

For the current and prior comparative years, Boardwalk REIT has reclassified certain administration costs from corporate and non-operating to rental operating expenses. The amounts reclassified relate to specific administrative costs associated with primarily operation-specific staff and related support initiatives. The total of these adjustments were $17.1 million for the year ended December 31, 2009, compared to $17.3 million for the year ended December 31, 2008.

DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization of CMHC premiums, which are paid as part of mortgage financing. Under current reporting requirements, if Boardwalk REIT replaces 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 charged to income in the period that this occurs. As a result, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. Rather than refinance the entire mortgage on term maturity to a higher amount, Boardwalk REIT continues to take advantage of CMHC's newer insurance product to increase its leverage.

For the year ended December 31, 2009, deferred financing costs of approximately $1.0 million were written off due to the maturity and payout of nine mortgages in Boardwalk's secured portfolio. All nine mortgages had NHA insurance on them. The Trust decided to pay out these maturing mortgages, totaling approximately $31.8 million, with some of the excess cash it had generated from previous financings during the year. The properties associated with these maturing mortgages now sit unencumbered and can be leveraged at a future date, if warranted.

AMORTIZATION

Amortization expense is a charge taken against earnings to reflect the estimated depreciation that has occurred to our fixed assets during the reporting period in question. Although multi-family property assets have historically appreciated in value over time, under existing generally accepted accounting principles, amortization charges are required during each reporting period.

Boardwalk reviews its key amortization estimates on an ongoing basis and, if warranted, will adjust these estimates on a prospective basis.

The amounts reported as amortization of capital and intangible assets from continuing operations for the year ended December 31, 2009 were $88.0 million, consistent with the $87.9 million for the prior year.

Other Income and Expenses

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, the Trust 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 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.

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 required on the characteristics of gains on dispositions of real or immoveable properties as it flows through the Trust's organizational structure. As a result, the Trust continued to carry forward the previously recorded future income tax liability of $100.2 million as at December 31, 2008, and decreased the amount by $5.0 million for the year ended December 31, 2009 to $95.2 million due to a decrease in enacted future tax rates.

EARNINGS FROM DISCONTINUED OPERATIONS

Dispositions in 2008 solely consisted of the sales and closings in a 90-unit property located in Calgary, Alberta that was developed into condominium units for sale. In 2009, the final unit remaining in the 90-unit property was sold and closed (39 condominium units were sold in 2008). The percentage of completion method was used to record sales and cost of sales for the disposition of units in the condominium conversion. 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. Dispositions in 2009 also included: (i) a 133-unit property located in Surrey, British Columbia, (ii) a 65-unit property located in Calgary, Alberta, and (iii) a 105-unit property and a 64-unit property, both located in Quebec City, Quebec.

Although, as was previously noted, the selective selling of rental properties is part of its business strategy, under existing generally accepted accounting principles, the selling of these assets is treated as a disposal of discontinued assets and, as such, is accounted for separately and is reported net of any applicable tax. The gains on disposition of $11.6 million on the residential properties are not included when the Trust computes either FFO or DI and, therefore, have no impact on reported FFO and DI.

NET EARNINGS

For fiscal 2009, Boardwalk REIT reported net earnings before other comprehensive income of $62.1 million, or $1.17 per Trust Unit. This compares to a reported net income before other comprehensive income for 2008 of $45.7 million, or $0.84 per Trust Unit.

FINANCIAL CONDITION

Review of Consolidated Statements of Cash Flows

OPERATING ACTIVITIES

Cash Flow from Operations

Boardwalk REIT prepares its financial statements in accordance with the recommendations of the REALpac and the Canadian Institute of Chartered Accountants ("CICA"). REALpac has adopted a measurement called Funds From Operations ("FFO") to supplement net income as a measure of operating performance. This is considered to be a meaningful and useful measure of real estate operating performance. Boardwalk REIT's presentation of FFO is consistent with the definition provided by REALpac. This measurement is not necessarily indicative of cash that is available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. FFO does not represent cash flow from operations as defined by Canadian generally accepted accounting principles ("Canadian GAAP"). Boardwalk REIT considers FFO to be an appropriate measure of the performance of a publicly listed multi-family residential entity. In order to facilitate a clear understanding of the combined historical operating results of Boardwalk REIT, management feels FFO should be considered in conjunction with net earnings as presented in the audited consolidated financial statements. Boardwalk REIT computes FFO as follows:

Cdn$ Thousands, except per unit amounts	**Dec-09**	Dec-08	% Change
Net earnings from continuing operations	**$ 50,110**	$ 40,550	
Adjustments			
Earnings from discontinued operations	**$ 11,957**	$ 5,135	
Deduct gain on disposition	**$ (11,614)**	$ (4,908)	
Other income	**$ (408)**	$ –	
Future income taxes (recovery)	**$ (5,646)**	$ 315	
Amortization of assets	**$ 88,695**	$ 88,826	
Funds from operations	**$ 133,094**	$ 129,918	2.4%
Funds from operations – per unit	**$ 2.51**	$ 2.39	5.0%

The reader is cautioned that Boardwalk REIT's calculation of FFO may be different from other real estate corporations or REITs and, as such, a straight comparison may not be warranted. For the fiscal period ended December 31, 2009, Boardwalk REIT reported total FFO of $133.1 million, or $2.51 per fully diluted Trust Unit. This represented an increase of 2.4% and 5.0% compared to the $129.9 million, or $2.39 per fully diluted Trust Unit, reported for fiscal 2008. The increase is primarily due to the continued improved performance of Boardwalk REIT's Alberta and Saskatchewan portfolios.

FINANCING ACTIVITIES

Distributions

Boardwalk distributes payments on a monthly basis to its Unitholders. These payments are referred to as distributions. The distinct nature and classification of these payments are unique to each trust and the components of these distributions may have differing tax treatments. For fiscal 2009, the Trust declared distributions of $95.3 million to its Unitholders compared to $98.0 million for fiscal 2008.

The reader should understand the nature of these payments as, in general, the majority of the quoted market yields are presumed to be solely a return on investment rather than a combination of a return on investment and a return of capital. The following table provides the reader with a breakup of the distributions declared in 2009 and 2008, showing the portion that would be considered as income and the component considered as a return of capital. The following table attempts to break up the reported distribution into reported accounting income, commonly referred to as return on capital, and the portion allocated to return of capital.

Cdn$ Thousands, except per unit amounts	**2009**	**Per Unit**		2008	Per Unit	
Total Distributions Declared	**$ 95,250**	**$ 1.80**	**100%**	$ 97,972	$ 1.80	100%
Net Earnings	**$ 62,067**	**$ 1.17**	**65.2%**	$ 45,685	$ 0.84	46.6%
Return of Capital	**$ 33,183**	**$ 0.63**	**34.8%**	$ 52,287	$ 0.96	53.4%
	$ 95,250	**$ 1.80**	**100%**	$ 97,972	$ 1.80	100%

The reader should be cautioned that this reported information is based on the reported accounting information found elsewhere in this report, and will differ from the amounts reported for tax purposes. Subsequent to the date of this report, the Trust will be posting its distribution allocation for tax purposes and these amounts may have a materially different allocation than what is illustrated above.

Financing of Revenue Producing Properties

During the year ended December 31, 2009, the refinancing of existing properties totaled approximately $307.7 million versus $484.9 million for the year ended December 31, 2008. In addition, the Trust decided to pay out nine mortgages related to our Ontario portfolio in 2009. The total payout of these maturing mortgages totaled $31.8 million. The properties associated with these mortgages now sit unencumbered and can be leveraged at a future date, if warranted. During the financing and refinancing process, Boardwalk REIT was able to decrease the weighted average interest rate on its mortgage and debt portfolio from 4.83% at December 31, 2008 to 4.52% at December 31, 2009.

Acquisitions

Cdn$ Thousands, except number of units	**Year ended Dec. 31, 2009**	Year ended Dec. 31, 2008
Cash paid	**$ 217**	$ 48,925
Debt assumed	**–**	–
Total purchase price	**$ 217**	$ 48,925
Fair value adjustments to debt	**–**	–
Book value	**$ 217**	$ 48,925
Allocation of book value to revenue producing properties	**$ 217**	$ 47,413
Allocation of book value to other assets	**–**	1,512
	$ 217	$ 48,925
Multi-family units acquired	**1**	298

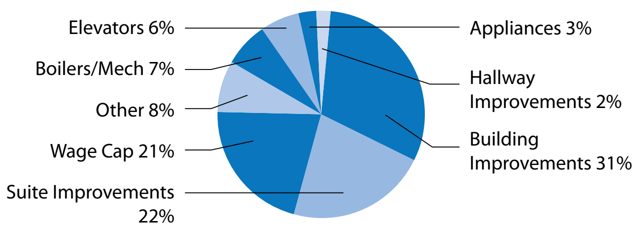
Due to the nature of multi-family residential real estate, the amount paid for apartment units may vary dramatically based on a number of parameters, including location, type of ownership (that is, free hold versus land lease) and type of construction. As required under Canadian GAAP, on acquisition, an analysis is performed on the mortgage debt assumed. The analysis focuses on the interest rates of the debt assumed. If it is determined that the in-place rates are materially below or above market rates, an adjustment is made to the book cost of the recorded asset. No mortgages were assumed in 2009 and 2008. Therefore, the adjustment for fiscal 2009 and 2008 was nil.

During 2009, one only one additional rental unit was acquired in a property already owned by Boardwalk. This compares to a total of 298 new rental units acquired in 2008 for a total purchase price of $48.9 million. The average cost in 2008 was approximately $164 thousand per rental unit, with an average going-in capitalization rate of 5.86% on the purchase price. In accordance with Canadian GAAP under EIC-140, a portion of the purchase price on an acquisition is allocated to the value of in-place operating leases. The amount of this allocation was insignificant in 2009 and was approximately $1.5 million in 2008.

CAPITAL IMPROVEMENTS

In fiscal 2009, Boardwalk REIT invested approximately $70.4 million in its properties in the form of project enhancements, a decrease of $17.9 million from the $88.3 million invested in the same period in 2008. The decrease in the current year compared to the same period in the prior year is due primarily to a decrease in the expenditures largely related to building exterior and suite improvements. The following chart details in which areas these funds were expended for the twelve months ended December 31, 2009.

Capital Investment



Included in these amounts is approximately $14.5 million of capitalized on-site wages and salaries, an increase of 58% compared to $9.2 million for the same period last year. This amount is an estimate of site personnel cost associated with the completion of these capital projects, and is consistent with internal expectations since a significant portion of the improvements are now performed "in-house". The capitalized wages and salaries do not include any administrative costs.

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 (AFFO) that can be distributed to Unitholders. Maintenance capital expenditures include those expenditures that are not considered productive, 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 focus on increasing the productivity of the property, with the goal of increasing the FFO generated at that location. In addition, the Trust invests funds in its portfolio in the form of ongoing repairs and maintenance as well as on-site maintenance Associates. Both of these expenditures are also designed to maintain the productive capacity of our assets.

The following table provides management's estimate of these expenditure categories.

Cdn$ Thousands, except for per suite amounts	**12 Months Dec-09**	**Per Suite**	12 Months Dec-08	Per Suite
Repairs and Maintenance – expense	**$ 19,912**	**$ 543**	$ 24,516	$ 669
On-Site Maintenance Personnel - expense	**$ 22,704**	**$ 619**	$ 19,910	$ 543
	$ 42,616	**$ 1,162**	$ 44,426	$ 1,212
Estimated Maintenance Capital Expenditures	**$ 16,507**	**$ 450**	$ 16,491	$ 450
Stabilizing & Value Enhancing Capital	**$ 53,940**	**$ 1,470**	$ 71,856	$ 1,961
Invested Capital – cost	**$ 70,447**	**$ 1,920**	$ 88,347	$ 2,411
Total	**$ 113,063**	**$ 3,082**	$ 132,773	$ 3,623

Items reported as capital are determined as investments in assets that have a useful life longer than the current reporting period and, as such, the related cost of these assets are depreciated over this useful economic life period. Management has determined that for both fiscal 2009 and fiscal 2008, the amount allocated to maintenance capital was $16.5 million for both years, or $450 per apartment unit, with investment in value-enhancing expenditures totaling $53.9 million and $71.9 million, respectively, or $1,470 and $1,961 per apartment unit. On an overall basis, the Trust invested $113.1 million in fiscal 2009, or $3,082 per residential unit on its real estate portfolio compared to $132.8 million, or $3,623 per residential unit, in 2008 in the form of both expensed and capitalized items. The reader should note that the above financial analysis is consistent with the previously discussed operating guidelines of the Trust as a whole.

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 71.6% of reported FFO and 81.7% of AFFO for the twelve month period ended December 31, 2009 compared to 75.4% and 86.4%, respectively, for the prior year.

Cdn$ Thousands	**12 months Dec 2009**	12 months Dec 2008
Funds From Operations (FFO)	**$ 133,094**	$ 129,918
Maintenance Capital Expenditures	**$ 16,507**	$ 16,491
Adjusted Funds From Operations (AFFO)	**$ 116,587**	$ 113,427
Unitholder Distributions	**$ 95,250**	$ 97,972
Distribution as a % of FFO	**71.6%**	75.4%
Distribution as a % of AFFO	**81.7%**	86.4%

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).

Review of Consolidated Balance Sheets

MORTGAGES AND ACCOUNTS RECEIVABLE

The majority of the amounts reported as mortgages and accounts receivable in 2009 consist of mortgage holdbacks, refundable mortgage fees and tenant receivables.

Capital Structure and Liquidity

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 on their loan portfolio that were mainly the result of the overall weaker economy and an overall general erosion of financial strength. As a result, many of these lenders have tightened their borrowing standards, and that may make accessing additional cost-effective debt capital more difficult. Although it is impossible to eliminate this risk, the Trust does mitigate this with the use of NHA mortgage insurance, the benefits of which we discussed in detail above. In these current volatile times, the ability to access this product has been very beneficial to the Trust as a whole.

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

Cash position December 31, 2009	$ 190,300,000
Committed Revolving Credit Facility	$ 200,000,000
Total Available Liquidity	$ 390,300,000

In addition to this, the Trust currently has approximately 2,980 rental apartment units that currently have no debt encumbrances at all. Management estimates that, based on current underwriting parameters, the value of these properties is approximately $284 million and, if necessary, the Trust could obtain NHA-insured mortgages on these properties.

The reader should also be aware that the $446.2 million of debt coming due in 2010 (as shown in the table below) all have NHA insurance and represent in aggregate approximately 48% of current estimated values on those individual secured assets. Currently, all interest rates for terms five years or less are well below the reported 4.63% weighted average we have coming due next year. 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.

One of Boardwalk REIT's objectives is to ensure, in advance, ample capital resources available for the execution of its business plan. Capital resources are defined as the combination of mortgage debt, unsecured debentures, unit capital equity, internally generated funds and cash on hand. Significant liquidity provides greater certainty as to execution, which in turn gives the Trust a competitive advantage in its negotiation and acquisition of additional investments. The selective conversion of lower yielding mature properties into cash for deployment into higher yielding investments is another source of liquidity.

The Trust's principal liquidity demands in the future are expected to be the repayment of maturing mortgage debt, interest on its debts, ongoing operating costs, capital improvements, acquisition of new rental units, the potential for Trust Unit repurchases in the public market, and the payment of declared distributions.

The Trust intends to meet its short-term liquidity requirements through net cash flows provided by operating activities, the financing or refinancing of real estate properties, the issuance of additional unsecured debentures, and the use of existing cash reserves. If warranted, the Trust will issue units to the public.

MORTGAGES PAYABLE AND DEBENTURES

Boardwalk REIT's long-term debt consists mainly of low-rate, fixed-term mortgage financing and unsecured debentures. Long-term debt consists of individual mortgages or debentures registered against the appropriate real estate assets. The maturity dates for these mortgages have been staggered to lower the overall interest rate risk.

Total mortgages payable on December 31, 2009 were $2.15 billion compared to $2.04 billion reported on December 31, 2008. The increase was due primarily to refinancing activities of existing properties in 2009.

During fiscal 2009 and in prior years, Boardwalk REIT refinanced certain maturing mortgages to higher levels, demonstrating the value creation that is occurring in its portfolio. We utilized these additional funds to assist in the financing of capital improvement projects.

Boardwalk REIT's overall weighted average interest rate on its long-term debt has decreased from the prior year. The weighted average interest rate on December 31, 2009 was 4.52% compared to 4.83% on December 31, 2008.

To better maintain cost effectiveness and flexibility of capital, Boardwalk REIT continuously monitors short and long-term interest rates. If the environment warrants, the Trust will convert short-term, floating rate debt to longer term, fixed rate mortgages.

Debt Maturity Table

Year	Principal Outstanding as at Dec. 31, 2009	Weighted Average Interest Rate By Maturity	% of Total
2010	446,232,631	4.63%	19.02%
2011	208,510,959	4.99%	8.89%
2012	585,517,481	4.88%	24.95%
2013	268,698,422	4.55%	11.45%
2014	440,117,608	3.51%	18.76%
2015	182,355,341	4.52%	7.77%
2016	127,078,921	4.67%	5.42%
2018	6,228,854	6.18%	0.27%
2019	78,515,199	5.10%	3.35%
2020	3,362,433	7.24%	0.14%
Total Principal Outstanding	2,346,617,849	4.52%	100.00%

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, and management felt it would be prudent to move some of these maturities 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.

UNSECURED 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 5.31% 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 will be accounted for over the seven-year term of the unsecured debentures.

The Unsecured 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") 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 the current 1.50 to 1 and the rate of interest on the debenture was increased to 5.61% from the current 5.31%, commencing July 30, 2008 until the maturity date of January 23, 2012.

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 were no debenture buybacks during the remainder of 2009.

Boardwalk had $111.8 million of unsecured debentures, net of transaction costs, outstanding at December 31, 2009, with principal repayment of $112.4 million on the maturity date of January 23, 2012.

CREDIT RATING

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally AAA) to very highly speculative (generally C). DBRS has provided Boardwalk with a credit rating of BBB with a stable trend relating to the unsecured debentures. A credit rating in the BBB category is generally an indication of adequate credit and investment quality as defined by DBRS. A rating outlook, expressed as a positive, stable or negative trend, provides an opinion regarding the likely direction of any medium term rating actions. The credit rating accorded to the debentures is not a recommendation to purchase, hold or sell the debentures. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by DBRS at any time. The credit rating, as well as the stability rating described below, is reviewed periodically with DBRS. More information regarding the credit ratings of DBRS can be found on their website at: http://www.dbrs.com.

STABILITY RATING

DBRS provides stability ratings for real estate investment trusts. DBRS has assigned a stability rating of STA-3 (high) to the Trust. This stability rating is based on a rating scale developed by DBRS that provides an indication of both the stability and sustainability of a real estate investment trust's distributions per unit. Rating categories range from STA-1 to STA-7, with STA-1 being the highest. DBRS further separates the ratings into high, middle and low to indicate where within the ratings category they fall. Ratings take into consideration seven main factors of (i) operating and industry characteristics, (ii) asset quality, (iii) financial flexibility, (iv) diversification, (v) size and market position, (vi) sponsorship/governance, and (vii) growth. In addition, consideration is given to specific structural or contractual elements that may eliminate or mitigate risks or other potential negative factors. Income funds rated STA-3 (high) are considered by DBRS to be investment quality and have good stability and sustainability of distributions per unit. A stability rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal by DBRS at any time. More information regarding the stability ratings of DBRS can be found on their website at: http://www.dbrs.com.

IMPACT OF THE SUBPRIME MARKET ON REITS

In 2008 and 2009, the global financial markets experienced a significant amount of volatility in the overall debt markets. In general, credit spreads offered widened dramatically. Although the majority of Boardwalk's mortgage debt was backed by the Government of Canada, through the issuance of NHA insurance, Boardwalk REIT was not immune from this credit spread widening. Credit spreads were volatile over this period of time, ranging from as low as 80 basis points (which we are currently witnessing today) to as high as 220 basis points on the same term maturing instruments. The one benefit is that, at the same time credit spreads increased, the underlying bond yields decreased by well over 150 basis points, leaving the Trust with an overall lower cost of debt capital in the 2009 year. Boardwalk, as a major user of the NHA program, was a beneficiary of the volatility, as the Trust witnessed a flight to quality in the debt market.

ADJUSTED DEBT TO GROSS BOOK VALUE

Notwithstanding the Trust's current liquidity situation, Boardwalk's liquidity and access to capital resources was constrained by certain tests that have been adopted in both its Declaration of Trust, as well as in its Unsecured Debentures Indenture. The most constraining to date is what is referred to as its Debt- to-Gross Book Value. With this in mind, along with the fact that, effective January 1, 2011, Canadian GAAP will be following IFRS standards, which will allow the Trust to replace the existing book cost of its investment assets (apartments) with their reported fair value, the Trust recommended and received approval from both its Unitholders as well as its Unsecured Debenture Holders 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.

With these adjustments, Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 61% of 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 (see NOTE 16 to the audited consolidated financial statements for the year ended December 31, 2009). The following table sets out the Trust's recomputed GBV:

Gross Book Value Calculation *Cdn$ Thousands*	**December 2009**	December 2008
Total reported assets	**$ 2,378,278**	$ 2,358,924
Reported amortization	**677,613**	596,107
Conversion adjustment	**641,460**	641,460
	$ 3,697,351	$ 3,596,491
Mortgages payable	**$ 2,145,638**	$ 2,057,314
Debentures	**111,834**	119,073
Market adjustment on mortgages (May 2004)	**–**	341
	$ 2,257,472	$ 2,176,728
Debt to GBV	**61%**	61%
DOT Limit	**70%**	70%

With a DOT stipulation not to exceed 70% on Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage of approximately $330.7 million on its existing debt portfolio to facilitate with 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. As at December 31, 2009, no amount of the credit facility was owing and outstanding. For the year ended December 31, 2009, Boardwalk REIT's overall interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense after excluding gains was 2.28 as compared to 2.29 for the same period last year.

UNITHOLDERS' EQUITY

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

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2007	55,708,934	$ 338,084
Units issued under distribution reinvestment plan	56,718	2,121
Deferred unit plan	–	1,162
Units issued for vested deferred units	23,390	819
Units purchased and cancelled	(2,312,000)	(85,413)
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**

In the third quarter of fiscal 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 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..

Under the First Bid, the Trust purchased and cancelled 1,666,000 REIT Trust Units in the first nine months of 2008, representing a total purchase cost of approximately $65.3 million, or an average of $39.19 per Trust Unit. Together with the 856,447 Trust Units purchased and cancelled in 2007, the Trust has purchased and cancelled 2,522,447 Trust Units representing a total purchase cost of approximately $103.9 million at December 31, 2008, or an average of $41.18 per trust unit.

In August of 2008, Boardwalk REIT filed an application for a normal course issuers 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% oft the public float of its trust units at the time of the TSX approval. The Second Bid terminated on of August 19, 2009.

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

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.

As of December 31, 2009, no Trust Units were purchased and cancelled under the Third Bid.

To date since August 2007, on a cumulative basis, the Trust purchased and cancelled 3,958,447 REIT Trust, representing a total purchase cost of approximately $146.7 million, or an average of $37.07 per Trust Unit.

As is reported on the face of the balance sheet, the Trust had Unitholders' Equity (Deficit) of $(45.0) 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 reported on this schedule, there is a continued drawdown of reported cumulative income, which is the direct result of the Trust's distributions declared to its Unitholders. As the reported schedule shows, 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. On an annualized basis, for Canadian taxation purposes, it is estimated that about 60% of Boardwalk REIT's distribution will be in the form of a return of capital with the remainder 40% constituting regular income. 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 as a result of the SIFT Legislation. The future tax liability as a result of the SIFT Legislation was adjusted downward to $99.9 million as at December 31, 2007, and adjusted upward to $100.2 million as at December 31, 2008.

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. While Bill C-10 clarified the definition of a real estate investment trust, which is exempted from the SIFT Legislation, by allowing rent revenue to retain its characteristics as it flows from one trust entity to another, it remained unclear on whether gains from the disposition of real or immovable properties retain their characteristics as it flow from one trust entity to another. As a result, the previously recorded future income tax liability of $100.2 million as at December 31, 2008, was decreased by $5.0 million for the year ended December 31, 2009 to $95.2 million due to a decrease in enacted future tax rates. Additional discussion on this issue can be found on page 40 of this document in the section titled, "Certain Tax Risks – Mutual Fund Trust Status".

Boardwalk REIT, as was previously noted, calculates its distributions not on net earnings but rather on distributable income. 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.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at December 31, 2009, there were 48,269,467 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 52,744,467.

EQUITY

Boardwalk has an equity market capitalization of approximately $2.0 billion based on a unit closing price of $37.05 on the Toronto Stock Exchange on December 31, 2009.

ENTERPRISE VALUE

With a total enterprise value of approximately $4.2 billion (consisting of total debt of $2.3 billion and market capitalization of $1.9 billion) as at December 31, 2009, Boardwalk's total debt is approximately 54% of total enterprise value at the end of the year.

RISKS AND RISK MANAGEMENT

Boardwalk REIT, like most real estate rental entities, is exposed to a variety of risk areas. These areas are categorized between general and specific risks. General risks are the risks associated with general conditions in the real estate sector, and consist mainly of commonly exposed risks that affect the real estate industry. Specific risks focus more on risks uniquely identified with the Trust, such as credit, market, liquidity and operational risks. The following will address each of these risks. In addition, this section should be read in conjunction with the Trust's AIF dated February 17, 2010, with reference to page 52 where additional risks and their related management are also noted.

General Risks

Real Estate Industry Risk: Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. Currently, we operate in Canada, in the provinces of Alberta, British Columbia, Saskatchewan, Ontario and Quebec. Neither of Alberta and Saskatchewan is subject to rent control legislation; however, under Alberta legislation a landlord is only entitled to increase rents once every twelve months. A more detailed discussion on rent controls will follow in a later section.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Boardwalk REIT's properties are subject to mortgages, which require significant debt service payments. If the Trust were unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Trust operates.

Multi-Family Residential Sector Risk: Income producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to us than the existing lease. To mitigate this risk, the Trust does not have any one or small group of significant tenants. Each operating lease signed is for a period of twelve months or less. The Trust is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. While it is not expected that markets will significantly change in the near future, a disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by our properties as a result of downward pressure on rents.

Environmental Risks: As an owner and manager of real property, Boardwalk REIT is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could encumber us with liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Boardwalk's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against Boardwalk REIT. Boardwalk REIT is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. Boardwalk REIT has formal policies and procedures to review and monitor environmental exposure. The Trust has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation.

Ground Lease Risk: Five of our properties, located in Calgary, Edmonton, and three in Montreal, are subject to long-term ground leases and similar arrangements in which the underlying land is owned by a third party and leased to the Trust. Under the terms of a typical ground lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. These leases are set to expire between 2028 and 2096. The ground lease for the largest Montreal property, known as the Nuns' Island portfolio is also subjected to a rent revision clause, which commenced on December 1, 2008 (based on a valuation date of March 16, 2008). It is phased in on a property-by-property basis through to 2015, and is based on 75% of the land value in its current use. After that revision, the land rent will remain constant thereafter through to 2064. An event of default by us under the terms of a ground lease could also result in a loss of the property subject to such ground lease should the default not be rectified in a reasonable period of time. The Trust is not aware of any default under the terms of the ground leases.

Competition Risk: Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners, compete in seeking tenants. Although it is our strategy to own multi-family properties in premier locations in each market in which it operates, some of the apartments of our competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on our ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Boardwalk REIT's revenues and its ability to meet its obligations.

General Uninsured Losses: Boardwalk REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Boardwalk REIT currently has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Boardwalk REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Fluctuations of Cash Distributions: Although Boardwalk REIT intends to distribute amounts in line with its distributable income ("DI"), the actual amount of DI distributed in respect of the REIT Units will depend upon numerous factors, including, but not limited to, the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and REIT Unit redemptions and other factors that may be beyond the control of Boardwalk REIT. The distribution policy of Boardwalk REIT is established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees. DI may exceed actual cash available to Boardwalk REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures, and redemption of REIT Units, if any. Boardwalk REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Boardwalk REIT may temporarily fund such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

WORKFORCE AVAILABILITY

Boardwalk's ability to provide services to its existing Customers is somewhat dependant on the availability of well-trained Associates and contractors to service our Customers as well as complete required maintenance and capital upgrades on our buildings. The Trust must also balance requirements to maintaining adequate staffing levels while balancing the overall cost to the Trust.

Within Boardwalk, our most experienced Associates are employed full-time while supplementing these with additional part-time Associates and as well as contracting out specific service needs of the Trust. We are constantly reviewing existing overall market factors to ensure that our existing compensation program is in-line with existing levels of responsibilities and if warranted adjusting the program accordingly. We also encourage associate feedback in these areas to ensure the existing programs are meeting their personal needs.

Specific Risks

***Credit Risk** is the risk of loss due to failure of a contracted Customer to fulfill the obligation of required payments.*

For us, one of the key credit risks involves the possibility that our Customers will be unable or unwilling to fulfill their lease term commitments. Due to the very nature of the multi–family business, credit risk is not deemed to be very high. The Trust currently has 36,419 rental apartment units each of which has a separate legal lease. The result of this is that we are not unduly reliant on any one Customer or lease. To further mitigate this risk, Boardwalk REIT continues to diversify its portfolio to various major centers across Canada. Further, each of our rental units has its own individual lease agreement, thus Boardwalk REIT has no material financial exposure to any particular Customer or group of Customers. The Trust continues to utilize extensive screening processes for all potential Customers including, but not limited to, detailed credit checks.

***Market Risk** is the risk that the Trust could be adversely affected due to market changes in product supply, interest rates and regional rent controls.*

Our principal exposures to market risk are in the areas of new multi-family housing supply, changes to rent controls, utility price increases, property tax increases, higher interest rates and mortgage renewal risk.

***Supply Risk** is the risk that the Trust would be negatively affected by the new supply of, and demand for, multi-family residential units in its major market areas.*

Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents. No signs of significant new rental construction are currently evident in any of our existing markets. Studies have shown that in order to economically justify new rental construction in Boardwalk REIT's major markets, an increase in existing rental rates of hundreds of dollars will be necessary. However, in certain market areas such as Calgary, Alberta there has been a significant increase in the number of new condominiums constructed over the past few years. Although these normally are earmarked as owner-occupied properties, a significant number of these condominium units have been, or may be, converted to rental stock.

RISK MANAGEMENT FOR SUPPLY

Our performance will always be affected by the supply and demand for multi-family rental real estate in Canada. The potential for reduced rental revenue exists in the event that Boardwalk REIT is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Boardwalk REIT has minimized these risks by:

- Increasing Customer satisfaction;
- Diversifying its portfolio across Canada, particularly with the recent expansion into the eastern market, thus lowering its exposure to regional economic swings;
- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- Holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walkups, each with its own market niche;
- Maintaining a wide variety of suite mix, including bachelor suites, one, two, three and four-bedroom units;
- Building a broad and varied Customer base, thereby avoiding economic dependence on larger-scale tenants;
- Focusing on affordable multi-family housing, which is considered a stable commodity;
- Developing a specific rental program characterized by rental adjustments that are the result of enhanced service and superior product; and
- Developing regional management teams with significant experience in the local marketplace, and combining this experience with our existing operations and management expertise.

Interest Risk *is the combined risk that the Trust would experience a loss as a result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the term end of a mortgage the Trust would be unable to renew the maturing debt either with the existing or an additional lender (Renewal Risk).*

Interest risk is the one area where over the 2009 fiscal year we have seen the highest increase in exposure. With the current world economic and financial crisis there is a heightened risk that not only will existing maturing mortgages be subject to increased interest rate charges but also the distinct possibility that maturing mortgages will themselves not be able to be renewed or if they are at significantly lower loan to value ratios. The Trust continues to manage this risk by maintaining a balanced maturing portfolio with no significant amount coming due in any one particular period. In addition, the majority of Boardwalk REIT's debt is insured with NHA insurance. This insurance allows us to increase the overall credit quality of the mortgage and, as such, enable the Trust to obtain preferential interest rates.

The use of NHA insurance also assists Boardwalk REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the Trust being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced.

To date, the Trust has had no problem obtaining mortgage renewals on terming loans and, in addition, where requested additional funds continue to be available to us on these properties. Although we have seen a significant increase in the quoted interest spread over the corresponding bench mark bonds, the all in quoted rates, due to the significant decrease in the benchmark bonds, continue to be at levels well below the terming interest rate and, as such, are accretive to the trust as a whole.

We continue to monitor this situation on a daily basis and may adjust our strategy given the market conditions.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The credit ratings accorded to the Trust's unsecured debentures are not a recommendation to purchase, hold or sell the debentures inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that these ratings will remain in effect for any given period of time or that these ratings will not be revised or withdrawn entirely by DBRS in the future if in its judgment circumstances are so warranted. Real or anticipated changes in credit ratings on the debentures may affect the market value of the debentures. In addition, real or anticipated changes in credit ratings can affect the cost at which Boardwalk can access the debenture market.

STRUCTURAL SUBORDINATION OF DEBENTURES

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Trust, holders of indebtedness of the Trust (including holders of unsecured debentures) may become subordinate to lenders to the subsidiaries of the Trust.

Certain of the subsidiaries of the Trust will provide a form of guarantee pursuant to which the Indenture Trustee will, subject to the Trust Indenture, be entitled to seek redress from such subsidiaries for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination, which arises as a consequence of the Trust's assets being held in various subsidiaries. Although all subsidiaries, which own material assets, will provide a guarantee, not all subsidiaries of the Trust will provide such a guarantee. In addition, there can be no assurance that the Indenture Trustee will, or will be able to, effectively enforce the guarantee.

Rent Control Risk *is the risk of the implementation or amendment of new or existing legislative rent controls in the markets Boardwalk REIT operates, which may have an adverse impact on the Trust's operations.*

Under Ontario's rent control legislation, commonly known as "rent de-control", a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulation. For the calendar years 2008 and 2009, the guideline amounts have been established at 1.4% and 1.8%, respectively. Further details on Ontario's Annual Rental Increase Guidelines can be found at http://www.ontariotenants.ca/research/rent-increase.html. This adjustment is meant to take into account the income of the building and the municipal and school taxes, the insurance bills, the energy costs, maintenance and service costs. Landlords may apply to the Ontario Rental Housing Tribunal for an increase above the guideline amounts if annual costs for heat, hydro, water or municipal taxes have increased significantly or if building security costs have increased. When a unit is vacated, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

British Columbia has a similar rent control regime to Ontario's, with the guideline amounts there being two percent (2%) over annual inflation. For 2008 and 2009, this guideline amount has been set at 3.7% for both years. Further details on British Columbia's Annual Rental Increase Guidelines can be found at http://www.rto.gov.bc.ca/content/news/default.aspx.

Under Quebec's rent control legislation, a landlord is entitled to increase the rent for existing tenants once a year for the rent period starting after April 1st of the current year but before April 1st of the following year. While there is no fixed rate increase specified by regulation, rent increases normally. Rent increases also take into account a return on capital expenditures (for 2009 this return is 4.0% compared to 4.3% for 2008), if such expenditures were incurred, and an indexing of the net income of the building. Average rent increase estimates for the period starting after April 1st, 2008 and before April 2nd, 2009, before any consideration for increases to municipal and school taxes and capital expenditures, are: 0.8% for electricity heated dwellings, 1.8% for gas heated dwellings, 5.1% for oil heated dwellings and 0.6% for non-heated dwellings.

Presently, rent control legislation does not exist in, and is not planned for, Alberta or Saskatchewan although in April of 2007 the Province of Alberta amended its existing rental legislation the details of which will be discussed in more detail later in this document.

To manage this risk prior to entering a market where rent controls are in place, an extensive amount of time is spent researching the existing rules and, where possible, the Trust will ensure it employs Associates who are experienced in working in these controlled environments. In addition, the Trust adjusts forecast assumption on new acquisitions to ensure they are reasonable given the rent control environment.

Utility and Property Tax Risk *relates to the potential loss the Trust may experience as a result of higher resource prices and well as its exposure to significant increases in property taxes.*

Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For us, these re-valuations have resulted in significant increases in some property assessments due to enhancements, which are not represented on our balance sheet (as such representations are contrary to existing GAAP reporting standards). To address this risk, Boardwalk REIT has compiled a specialized team of property reviewers who, with the assistance of outside authorities, constantly review property tax assessments and, where warranted, appeal them.

Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that Boardwalk REIT cannot to pass on to the Customer may have a negative material impact on the Trust. To mitigate this risk, the Trust (and its predecessor) has begun to play a more active role in controlling the fluctuation and predictability of this risk. Through the combined use of financial instruments and resource contracts with varying maturity dates, exposure to these fluctuations has been reduced. In addition to this, the following steps have been implemented:

- Where possible, economical electrical sub-metering devices are being installed, passing on the responsibility for electricity charges to the end Customer.
- In other cases, rents have been, or will be, adjusted upward to cover these increased costs.

Operational Risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

The Trust endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and improvements are implemented, if deemed necessary.

Additional Risks and Uncertainties

ALBERTA RENTAL LEGISLATION

On April 24, 2007, the Alberta Provincial Government announced its intention to alter the existing legislation with respect to rental accommodation in Alberta. Bill 34 was tabled to the Alberta Legislature on May 2, 2007. The most significant changes to the legislation focused on two key areas, the first being the number of rental increases that an owner could issue to a renter on an annual basis and the second being the notice period required if an owner is contemplating a significant renovation or condominium conversion.

Rental increases limited to once per year: the legislation stipulates that an owner may increase existing renters' rents no more than one time per year; previously, owners were able to increase rents once every six months, or twice per year. It should be noted that in this legislation, there is no limitation placed on how much rents can increase to these renters.

Notice for extensive renovations or condominium conversion: the legislation introduced limitations on an owner that wishes to convert an existing rental property to a condominium. Under the legislation, an owner is required to give the existing tenants a notice of one year and, during the one year, the owner will not be able to increase the said rents at any time during the notice period. Previous legislation required only a notice period of six months and there was no limitation as to rental increases other than existing rental increase laws.

It should be emphasized that there have been no changes or limitations as to the market rents charged in Alberta. Thus, this implies that there are no new limitations placed on the amounts charged to new renters renting from Boardwalk REIT.

These legislative changes came into effect on April 24, 2007.

Impact on Boardwalk REIT

Boardwalk REIT currently has over 50% of its rental portfolio in Alberta and, as such, any change to existing legislation needs to be reviewed and any impact considered. It is currently Boardwalk REIT's internal policy to increase the rents of existing Customers by no more than $150 over a one-year period; again, the same limitation does not apply to new Customers. The Trust's previous policy was to implement the $150 maximum over two equal installments of $75 every six months. The legislation now limits Boardwalk REIT to one increase per year and, as such, the Trust would therefore increase the in-place rents a maximum of $150 once per year. The Trust also now offers the renter a fixed twelve-month lease with this rent in-place.

NEW ALBERTA ROYALTY FRAMEWORK

On October 25, 2007, the Alberta Government released a new policy with respect to the Royalty Policy relating to the oil and gas production in the Province of Alberta. The new policy proposes to increase the royalties charged on oil and gas on a sliding scale basis based on the price of the related commodity. The new scale will now increase to approximately 50%, from 35%, on natural gas and conventional oil with additional royalties charged on the Alberta Oil Sands. For more details on this policy, we refer you to the following link: http://www.energy.gov.ab.ca/Org/Publications/royalty_Oct25.pdf.

Impact on Boardwalk REIT

Although Boardwalk is not a direct investor in the Oil and Gas market, it has been a delayed and indirect beneficiary of the continued investment in the Oil and Gas Industry in Alberta. Investment in this area has spearheaded continued economic growth for the province and is a major contributor to the increased net migration the province has experienced over the past few years. The increased migration has helped Boardwalk, as it has resulted in increased demand for rental apartments. Although it is still too early to predict the longer term impact of this new policy and potential decrease in the amount of direct investment in the province, the Trust will be monitoring the situation on an ongoing basis and alter existing policies to minimize the financial impact.

Certain Tax Risks

MUTUAL FUND TRUST STATUS

Boardwalk currently qualifies as a mutual fund trust for Canadian income tax purposes. It is the current policy of Boardwalk to annually distribute all of its taxable income to Unitholders and, thus, is generally not subject to tax on such amount. In order to maintain its current mutual fund trust status, Boardwalk is required to comply with specific restrictions regarding its activities and the investments held by it. If Boardwalk was to cease to qualify as a mutual fund trust, the consequences could be adverse.

In accordance with the Income Tax Act (Canada) (the "Tax Act") and based on a detailed review of the legislation affecting the tax treatment of publicly traded trusts (the "SIFT Legislation"), at this time it may be interpreted that the Trust does not qualify as a 'real estate investment trust', which would be exempt from the specified investment flow-through ("SIFT") rules and would become subject to tax on its income pursuant to the new legislation, which becomes effective January 1, 2011.

The Trust recorded a future tax liability on June 30, 2007 based on it being subject to the tax prescribed by the SIFT rules on the effective date of June 22, 2007. This future tax liability has been adjusted each quarter up to and including December 31, 2009.

The definition of a "SIFT trust" specifically excludes a trust that is a "real estate investment trust" for the taxation year, which is defined under the SIFT rules as a trust that is resident in Canada and that satisfies all of the following criteria:

(a) the trust at no time in the taxation year holds any non-portfolio property other than real or immovable properties situated in Canada;

(b) the total of the trust's revenue for the taxation year from rent, interest, dividends and its taxable capital gains from dispositions of real or immovable properties in the taxation year is not less than 95% of its income for the taxation year;

(c) the total of the trust's revenues for the taxation year that are directly or indirectly attributable to real or immovable properties situated in Canada or to mortgages, or hypothecs, on real or immovable properties situated in Canada, and its taxable capital gains from dispositions of real or immovable properties situated in Canada, is not less than 75% of its income for the taxation year; and

(d) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, cash, or a property described in clause 212(1)(b)(ii)(C) of the Tax Act, less than 75% of the equity value of the trust at that time.

For this purpose, "real or immovable property" includes a security of any trust, corporation or partnership that itself satisfies the above criteria, but does not include any depreciable property of a prescribed class for which the rate of capital cost allowance exceeds 5%.

If Boardwalk REIT, or any other trust, does not qualify under these new rules as a real estate investment trust, commencing January 1, 2011, it will no longer be able to deduct for tax purposes its taxable distributions and, as such, will be required to pay tax on this amount prior to distribution. Any amount distributed that is determined to be a return of capital would not be subject to this tax.

On December 20, 2007, the Government of Canada announced its intention to make technical amendments to the Tax Act, in particular, amendments clarifying the definition of a 'real estate investment trust', which is exempt from the specified investment flow-through ("SIFT") rules. In particular, it is proposed that revenue of a subsidiary trust will be treated as revenue from real property.

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' within the meaning of the Tax Act, including the definition of what is considered 'rent from real or immoveable properties'. However, the Trust has still did not obtain clear interpretation from the Government of Canada of the treatment of gains generated from the sale of real or immovable properties once it flows through from one trust entity to another trust. In other words, do such gains lose their characteristics as they flow from trust to trust and no longer qualify as part of the allowable 95% income as noted in point b) above? If such gains do lose its characteristics and are significant enough, the Trust would not qualify as a 'real estate investment trust' for Canadian Income tax purposes. As a result, the Trust continues to report a future income tax liability until further clarity to qualify as a 'real estate investment trust' for Canadian income tax purposes becomes available. The reader should note that the election to sell a building and generate gains on disposition is at the sole discretion of the Trust. At this time, the Trust is not willing to elect not to sell properties, but rather have decided to seek further clarity on this issue to be able to make a more informed decision.

Management continues to work with industry organizations as well as the Department of Finance on these and other outstanding issues. At this time, management is intent on qualifying as a 'real estate Investment trust' on January 1, 2011 in order to be exempted from the SIFT Rules.

EXISTING TAX FILING POSITIONS

Although Boardwalk REIT is of the view that all expenses to be claimed by Boardwalk REIT, the Operating Trust and the Partnership will be reasonable and deductible, that the cost amount and capital cost allowance claims of entities indirectly owned by Boardwalk REIT will have been correctly determined and that the allocation of the Partnership's income for purposes of the Tax Act among its partners is reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the Canada Revenue Agency ("CRA") will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, the Partnership's allocation of income to the Operating Trust, and indirectly the taxable income of Boardwalk REIT and the Unitholders, may be adversely affected. The extent to which distributions will be tax-deferred in the future will depend in part on the extent to which entities indirectly owned by Boardwalk REIT are able to deduct capital cost allowance relating to the Contributed Assets held by them.

Since the Partnership acquired the relevant properties on a tax-deferred basis, its tax cost in certain properties may be less than their fair market value. Accordingly, if one or more properties are disposed of, the gain recognized by the Partnership may be in excess of that which it would have realized if it had acquired the properties at their fair market values. Immediately prior to the Plan of Arrangement becoming effective, the Corporation transferred the Contributed Assets to the Partnership and received, as consideration therefore, (i) an assumption of all of the indebtedness of the Corporation associated with the Contributed Assets (other than the Retained Debt), (ii) the LP Note, and (iii) a credit to the capital accounts in respect of each of the LP Class B Units and the LP Class C Units, all of which were owned at that time by the Corporation. See "Overview of the Acquisition and the Arrangement Replacing the Corporation as a Public Entity with Boardwalk REIT – Pre-Arrangement Reorganization" in the AIF dated February 13, 2009. The transfer and contribution were effected as a "rollover" under subsection 97(2) of the Tax Act, and the Corporation, based on the advice of legal counsel, is of the view that there is no income tax payable in connection therewith. There can be no assurance that the CRA will not take a contrary view; however, the Corporation has been advised by counsel that, in such event the CRA would not be successful. If, contrary to this, the CRA successfully challenges the rollover, income tax may be payable by the Corporation in connection with the transfer and contribution of the Contributed Assets at the applicable tax rate on the value of the capital contribution in respect of the LP Class C Units. The Partnership has agreed to indemnify the Corporation for all liabilities incurred by it in connection with the Acquisition and the Arrangement, including the transfer and contribution of the Contributed Assets to the Partnership and any associated tax that might be payable by the Corporation in respect thereof. See "Overview of the Acquisition and the Arrangement replacing the Corporation as a Public Entity with Boardwalk REIT – Ancillary Agreements in Connection with the Arrangement" in the AIF dated February 13, 2009. The amount of such indemnification would be significant and have a material adverse effect on the amount of distributable cash of the Partnership and, consequently, on the Distributable Income of Boardwalk REIT.

Risks Associated with Disclosure Controls and Procedures & Internal Control over Financial Reporting

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continues to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we cannot assure you that our disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our trust unit price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

ACCOUNTING AND CONTROL MATTERS

Critical Accounting Policies

Our critical accounting policies are those having the most impact on the reporting of our financial condition and results and those requiring significant judgments and estimates. Boardwalk REIT's accounting policies are described in Note 2 to the audited consolidated financial statements for the years ended December 31, 2009 and 2008. Any changes, or new additions, to these policies can be found in Note 3 to the audited consolidated financial statements for the years ended December 31, 2009 and 2008. 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 and judgments. In determining estimates, management uses the information available to the Trust at the time. Management reviews key estimates on a quarterly basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance with Canadian generally accepted accounting principles. We believe that the application of judgments and assessments is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented. Boardwalk REIT considers the following policies to be critical in determining the judgments that are involved in the preparation of the consolidated financial statements and the uncertainties that could affect the reported results.

On January 1, 2009, the Trust adopted one new accounting standard issued by the CICA.

SECTION 3064 – GOODWILL AND INTANGIBLE ASSETS

Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs, establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. Section 1000 – Financial Statement Concepts, was also amended to provide consistency with this new standard.

IMPACT OF ADOPTION OF SECTION 3064

There was no material impact on the consolidated financial statements upon adoption of Section 3064 by the Trust.

EIC – 173

The Trust also adopted EIC 173 titled, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" issued by the CICA on January 20, 2009. EIC – 173 states that an entity's own credit risk and the credit risk of the counter party should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. EIC – 173 had no impact on the financial statements of the Trust.

SECTION 3862 – FINANCIAL INSTRUMENTS – DISCLOSURES

In June 2009, the CICA amended Section 3862, titled "Financial Instruments – Disclosures" to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. These disclosures are effective for the Trust's December 31, 2009 annual consolidated financial statements. These amendments did not have a significant impact on the Trust's results of operations or financial position.

In 2007, Boardwalk REIT adopted the effective interest rate method for calculating the amortized cost of its financial liabilities and of allocating the financing charges, including transaction costs, over the relevant reporting periods. Any adjustment to the Trust's financial statements, as a result of adopting Section 3855 in 2007, is recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. For the current and prior periods, all unamortized transaction costs (previously designated as deferred financing costs and mark-to-market adjustment of debt) are now netted against the respective financial liability. The following table outlines the transitional effect of adopting the new accounting standards on financial instruments:

Cdn$ Thousands	**Dec. 31, 2009**	Dec. 31, 2008
Mortgages Payable		
Principal outstanding	**$ 2,234,213**	$ 2,128,583
Unamortized deferred financing costs	**(88,940)**	(71,850)
Unamortized mark-to-market adjustment	**365**	581
	$ 2,145,638	$ 2,057,314
Debentures		
Principal outstanding	**$ 112,405**	$ 120,000
Unamortized deferred financing costs	**(571)**	(927)
	$ 111,834	$ 119,073

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, the Trust 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 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.

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 immoveable 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.

AMORTIZATION OF BUILDING ASSET

We are required to assess the useful economic lives of our income-producing properties for purposes of determining the amount of building amortization to record on a quarterly and annual basis.

IMPAIRMENT OF LONG-LIVED ASSETS

We continually evaluate the recoverability of the net carrying amount of our income-producing properties and properties under development. The CICA accounting standard for impairment of long-lived assets is prospective in application and requires us to record an impairment loss when the carrying amount of these real estate investments exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. Our cash flow estimates are based upon historical results adjusted to reflect our best estimate of future market and operating conditions and our estimated holding periods. The net book value of impaired assets is reduced to fair market value. Our estimates of fair market value represent our best estimate based upon industry trends and reference to market rates and transactions. Commencing January 1, 2004, any impairment that is recognized should be measured as the amount by which the carrying amount of the asset exceeds its fair value. Prior to January 1, 2004, we measured any impairment of our real estate investments as the amount by which the asset's carrying value exceeded the undiscounted future cash flow from the use and eventual disposal of the asset. We have determined that the impact of this new impairment standard did not have a material impact on our financial position or results of operations. In making this determination, our estimates of future cash flow and the effects of other factors could vary and result in a significantly different assessment of impairment.

ACCOUNTING FOR OPERATING LEASES

In accordance with CICA Handbook EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination", an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. For the year ended December 31, 2009, there was no allocation to in-place leases (December 31, 2008 – $1.5 million). The costs of the in-place operating leases are amortized over a period of twelve-months.

CAPITALIZED EXPENDITURES

In conformity with accounting principles generally accepted in Canada, we capitalize those expenditures related to acquiring new assets, materially enhancing the value of an existing asset, or substantially extending the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

STANDARDIZED WAGE COSTS

On a quarterly basis, Boardwalk REIT estimates the amount of time its on-site maintenance Associates spend working on capital projects. The assumptions used in making the estimates and any changes made are treated prospectively.

ALLOCATION OF PURCHASE PRICE OF REVENUE PRODUCING PROPERTIES

With all new property acquisitions, the Trust is required to make estimates as to the allocation of the recorded purchase price to both tangible and intangible assets, as was noted above in accounting for operating leases. Such allocation requires management to make estimates and assumptions regarding the depreciated replacement cost of the building and existing improvements, market values for new land, market rental rates, the length of time it would take to achieve the occupancy level of the acquired property, had it been acquired vacant and leased up by the Trust, the cost of executing comparable leases to those acquired with the property, and the probability of renewing existing tenancies at their expiry, as well as the cost of doing so as compared to installing a new tenant.

EXCHANGEABLE SECURITIES ISSUED BY SUBSIDIARIES OF INCOME TRUSTS (EIC-151)

In accordance with CICA Handbook EIC-151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", issued in January of 2005 effective for all financial statements filed subsequent to issuance, an income trust that has subsidiaries that issue exchangeable securities must evaluate the appropriate disclosure and measurement of these exchangeable securities. EIC-151 outlines three possible solutions. The first is that exchangeable securities have all the characteristics of debt and should be reported accordingly, the second is that the securities should be considered as minority interest and treated as a separate category neither of which is equity or debt, and the final solution is that the securities should be classified as equity. We have reviewed in detail the available information on EIC-151 and have determined that, in the case of Boardwalk, the exchangeable "B Units" meet all the characteristics of being classified as equity and have been reported as such.

Future Changes in Critical 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 will be 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 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 in accordance with IFRS. The impact of the adoption of IFRS on the consolidated financial statements of the Trust will likely be significant and, as such, the Trust has begun to develop its 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.

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed a change over date of January 1, 2011 as the date in which all publicly accountable enterprises ("PAEs") will have to continue to prepare their financial statement disclosure in accordance with Canadian GAAP; however, Canadian GAAP will conform with International Financial Reporting Standards ("IFRS") effective January 1, 2011.

The impact of the adoption of IFRS on the consolidated financial statements of Boardwalk REIT will likely be significant and, as such, the Trust has developed a convergence plan in order to transition its financial statement reporting, presentation and disclosure under IFRS to meet the January 1, 2011 deadline.

Boardwalk has implemented a top down approach to its convergence plan which includes the support of key executives within the organization who will oversee the transition to IFRS, its developments and implementation. A timeline outlining Boardwalk's transition to IFRS has been developed and presented to the Board of Trustees (the "Board") to keep them informed of the progress and the significance of the convergence project. To date, Boardwalk has been able to adhere to the deadlines included in its plan and as such does not foresee any issues in terms of meeting all financial reporting requirements in 2011 (including 2010 comparative information).

Currently, an analysis of the impact of all standards has been assessed and recommendations on policy choices, where applicable, have been presented to the Board. Preliminary decisions regarding policy choices have been made, however are still under review due to some areas of uncertainty. As such, action plans have been created to implement these policy choices. These plans detail what is required to implement each standard and the information and related systems requirements to gather and track data for the extensive accounting and disclosure requirements under the transition to IFRS and on a continual basis once the adoption of these new standards has been completed.

Where significant impacts of the transition have already been identified, work has commenced on solutions which require a significant amount of time to resolve. These issues include, but may not be limited to, the identification of Information Technology ("IT") initiatives, the possibility of amendments to the trust Indentures of Boardwalk REIT and components of debt covenants, which need to be addressed early in order to ensure these are completed by the required time frame.

All IFRS standards will be applied at the transactional level and, as a result, the Trust will be required to maintain two sets of accounting records for the year 2010 (one applying current Canadian GAAP and the second applying IFRS). Maintaining these two sets of records during 2010 will allow the organization to have the appropriate accounting information for the required disclosure in 2010 and ensure the appropriate comparative information is available for 2011. As a result, a new in-house general ledger has been developed and has been dual run with the current general ledger in fiscal 2009.

Boardwalk continues to assess the effects of the transition to IFRS on the Trust's financial reporting and disclosure requirements. 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 provides issuers with the option to early adopt IFRS effective January 1, 2009. The Trust has determined that it will not early adopt IFRS due to its complexity and the lack of market required information.

ACCOUNTING POLICIES AND IMPLEMENTATION DECISIONS

Based on the progress of the transitional plan to date, the Trust has identified the following standards as those which may have the most significant impact on the Trust.

INVESTMENT PROPERTY-IAS 40

In accordance with IAS 40-Investment Property, all property held to earn rent or for capital appreciation is considered Investment Properties under this Standard. An entity has a choice of recording these Investment Properties on the balance sheet using either a fair value or the cost model approach. Each of these options will have various implications on the financial statements of the Trust.

Under the fair value model, Investment Properties (identified on the Trust's financial statements as Revenue Producing Properties ("RPPs")) would be presented at fair value as determined by a valuation of each of the revenue producing properties held by Boardwalk REIT. Each property must be reassessed at each financial reporting period, with gains or losses in the fair value being recognized in the statement of profit or loss.

Under the fair value model, deferred costs, intangible assets and liabilities related to Investment Properties are not presented separately as their values are incorporated within the values of the property's fair value.

Under the cost model, these same properties would be recorded at their cost (as defined in the standard) less accumulated amortization. The second approach more closely resembles current Canadian GAAP; however, some differences still exist. For example under IFRS when the cost model is chosen to value Investment Properties on the financial statements, the fair value of these properties must still be disclosed in the notes to the financial statements.

While an entity has the ability to choose either of the two approaches above, the Standard outlines that an entity may convert from the cost model to the fair value model at a later date, however rarely, if ever, could an entity convert from the fair value model to the cost model as the cost model would not provide more relevant information than the fair value model.

Under IFRS 1-First time adoption of IFRS, the Trust may choose to adopt either valuation model for its Investment Properties prospectively. In addition, the Trust may also elect (under IFRS 1) to use the fair value as the deemed cost of these assets upon initial implementation of IFRS regardless of whether it chooses the fair value or cost method in accordance with IAS 40. At conversion, the resulting adjustments of this election are recorded directly to retained earnings.

Though this Standard has been analyzed in detail by both Boardwalk and the Board, a decision has not been finalized regarding what policy choice Boardwalk will apply. Current discussions are considering applying the IFRS 1 election listed above whereby fair value will be the deemed cost on January 1, 2010 and then the cost model shall be applied going forward, however the reader is cautioned that this decision has not yet been finalized.

PROPERTY, PLANT AND EQUIPMENT-IAS 16

Under IAS 16, Property, Plant and Equipment ("PP&E") is defined as a tangible asset held for use in the production or supply of goods and services or for administrative purposes and is expected to be used in more than one period. For Boardwalk REIT, the most significant impact of this section appears to be two fold. First, it will change the classification of properties in our portfolio which do not meet the definition of an Investment Property under IAS 40, and therefore will be recorded as PP&E on the balance sheet. This includes properties such as our head office building and warehouse facilities. The second significant impact of this IFRS section on Boardwalk is that it may change exclude what is currently considered PP&E and include it as part of Investment

Property under IAS 40. The difference resulting from both these impacts could significantly impact the amount of PP&E the Trust carries on its Balance Sheet in comparison to what the Trust currently classifies as PP&E under Canadian GAAP.

Under IAS 16, PP&E is measured at its cost upon initial recognition, which is consistent with current Canadian GAAP. However, under IFRS, the Trust has the ability to choose one of two alternatives for the measurement of each class of PP&E after initial recognition.

The first alternative under this Standard is measurement using the cost model. This measures and carries each item or class of PP&E on the balance sheet at cost less accumulated depreciation and any impairment losses recognized.

If the cost method is chosen to value Investment Property under IAS 40, the cost method must also be applied to PP&E under this standard as well.

The second measurement alternative available is the revaluation model. In accordance with this alternative an item of PP&E whose fair value can be measured reliably may be carried on the balance sheet at a revalued amount. This revalued amount represents the fair value of a class of PP&E less any subsequent accumulated depreciation and subsequent impairment loss. Under this alternative revaluations need to be made for each class of PP&E with sufficient regularity to ensure the carrying amount does not differ materially from its fair value at the end of each reporting period.

If an asset's carrying amount is increased as a result of revaluation, the increase shall be recognized in Other Comprehensive Income and accumulated in equity under the heading of Revaluation Surplus. However, the increase shall be recognized in profit or loss to the extent it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in Other Comprehensive Income to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset. The decrease recognized in Other Comprehensive Income reduces the amount accumulated in equity under the heading of Revaluation Surplus.

If the fair value method has been chosen under IAS 40, the Trust has the ability to apply a different measurement alternative to each asset or class of PP&E that it has identified.

Consistent with current Canadian GAAP, under IAS 16, the depreciation of an asset shall be allocated on a systematic basis over the useful life of an asset and shall be reviewed at least annually.

IFRS 1-First Time Adoption of International Reporting Standards allows the option to prospectively apply this Standard upon initial recognition of IFRS and allows the Trust to elect to use fair values as the "deemed cost" of PP&E upon initial implementation of IFRS. Any adjustments which result from this election (under IFRS 1) are recorded directly to retained earnings.

Based on the relatively small amount of assets which will be accounted for under IAS 16, it is expected that the cost model will be applied to these assets.

IFRS 3-BUSINESS COMBINATIONS

In this section, the definition of a business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. The Standard goes on to define a "business" as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividend, lower costs or other economic benefit.

In accordance with the above definitions, the Trust may be required to account for building acquisitions as a "Business Combination" under IFRS 3, which differs from the current practice of recording building purchases as an asset acquisition under Canadian GAAP.

Under IFRS 3, business combinations identified shall be accounted for using the acquisition method, which requires that an acquirer be identified, and a specific acquisition date determined. In addition, all identifiable assets and liabilities assumed as well as any non-controlling interest in the acquiree are recognized and measured and any goodwill or gains from a bargain purchase are also recognized and measured at fair value including contingent liabilities when these contingent considerations are part of the consideration being transferred.

Acquisition related costs incurred to effect a business combination shall be expensed in the period the costs are incurred under IFRS 3, which differs from the Trust's current treatment of acquisition related costs which is to capitalized and amortize these with the cost of the building.

Under IFRS 1-First Time Adoption of IFRS, an entity has the option to either retroactively apply IAS 3-Business Combinations to all business combinations or may elect to apply the standard prospectively only to those acquisitions which meet the expanded definition of a business combination after the date of transition.

In conjunction with IFRS 3-Business Combinations, Canadian Accounting Standards Board has developed Handbook section 1582-New Accounting for Business Combinations and Handbook Section 1602- Non-controlling Interest. The effective date of this handbook section is fiscal years beginning on or after January 1, 2011 and early adoption is permitted. While this new standard has not yet been finalized it outlines significant changes to accounting for business combinations and non-controlling interest and brings accounting for Business Combinations under Canadian GAAP in line with the policies outlined in IFRS 3-Business Combinations.

IAS 36-IMPAIRMENT OF ASSETS

As outlined in IAS 36-Impairment of Assets, an entity shall assess at the end of each reporting period whether there is any indication that an asset carried on the balance sheet may be impaired. If such an indication exists, the entity shall estimate the recoverable amount of the asset in accordance with this standard.

The recoverable amount of an asset is defined as the higher of its a) fair value less cost to sell and b) its value in use. Value in use is further defined as the present value of future cash flows (i.e. discounted) expected to be derived from an asset.

This differs from current Canadian GAAP which uses undiscounted cash flows and fair value to test for the impairment of assets. As a result of this difference, impairment write downs may be more likely under IFRS than are currently identified and recorded under Canadian GAAP.

If the recoverable amount of an asset is less than its carrying value, the entity shall record an impairment loss so that the asset's value on the balance sheet shall reflect its recoverable amount.

Impairment losses identified shall be recognized immediately in the profit and loss statement unless the asset is carried at a revalued amount in accordance with another standard. However, in allocating an impairment loss an entity shall not reduce the carrying amount of an asset below the highest of its a) fair value less cost to sell b) its value in use or c) zero

After the recognition of an impairment loss the depreciation charge for the asset shall be adjusted in future periods to allocate the assets revised carrying amount less its residual value on a systematic basis over the remaining useful life of the asset.

Once an impairment loss has been recognized an entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased. If such an indication exists an entity shall estimate the recoverable amount of that asset. If the recoverable amount determined is higher that the carrying value of the asset on the balance sheet after the previous recognition of an impairment loss, the entity may reverse the impairment loss previously recognized in prior periods.

The reversal of the impairment loss shall be immediately recognized in the profit and loss statement, however, any reversal of the impairment loss shall not exceed the carrying amount (net of amortization) that would have been determined had no impairment loss been recognized for the asset in prior years.

An impairment loss recognized for goodwill shall not be reversed in subsequent periods.

The Trust shall adopt this standard on a retroactive basis as there is no specific exemption under IFRS 1 to allow the standard to be adopted prospectively.

IAS 36, however, applies to the accounting for the impairment of all assets other than the exceptions outlined in the standard. These exceptions include assets which fall under IAS 40- Investment Property if the cost model is applied.

IAS 32-FINANCIAL INSTRUMENTS: PRESENTATION, IAS 39 – FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT AND IFRS 7 – FINANCIAL INSTRUMENTS: DISCLOSURES

The objective of these Standards is to establish principles for recognizing, measuring and presenting financial instruments as assets, liabilities or equity and for offsetting financial assets and financial liabilities.

In accordance with these Standards, the issuer of a financial instrument shall classify the instrument or its component parts upon initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument within this section. A financial instrument is defined in IAS 32 as any contract that gives rise to a financial asset of an entity and a financial liability or equity instrument of another entity.

In light of the definitions outlined in this section, Boardwalk must assess all contractual obligations which exist for the Trust and evaluate the terms of these contracts. This evaluation is necessary to assess whether or not any of the existing contracts give rise to a financial instrument as defined by this section.

The Trust's review will include the contracts related to both the Boardwalk REIT Units and the Special Voting Units issued to holders of LP Class B units. Currently under Canadian GAAP these units are considered equity; however, the Trust will need to evaluate if the classification of these units may be changed in light of the policies set out in IAS 32. In order to ensure compliance with the IFRS definitions, Boardwalk amended its Declaration of Trust as approved by the Unitholders at the Annual General Meeting in May of 2009. Based on the amendments made Boardwalk expects that its REIT Units and LP Class B Units will be treated as equity under IFRS.

These Standards also address the criteria for initial recognition of a financial asset or financial liability plus subsequent measurement of these financial instruments. During fiscal 2007, the CICA revised Canadian GAAP Section 3855 – Financial Instruments: Recognition and Measurement, which more or less mirrors IAS 39 and as such significant changes to recognition and measurement are not expected.

Finally, these Standards define the criteria necessary to apply hedge accounting. As the criteria differs slightly from current Canadian GAAP, Boardwalk will need to evaluate all hedging activities to ensure that hedge accounting can still be applied.

In the fall of 2009, the IASB issued IFRS 9 - Financial Instruments which changes the recognition and measurement of financial assets from the discussion above. Basically all financial assets are either accounted for at their fair value through profit or loss or at amortized cost. As all of Boardwalk's financial assets are either carried at fair value or amortized this change is not expected to impact Boardwalk.

IAS 12-INCOME TAXES

The objective of this standard is to prescribe the accounting treatment for income taxes and how to account for the current and future tax consequences of the future recovery or settlement of the carrying amount of assets or liabilities that (a) are recognized in an entity's balance sheet and (b) transactions and other events of the current period which are recognized in an entity's financial statements.

The Standard prescribes that an entity should account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore where transactions and other events are recognized in the profit or loss, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in the profit or loss. For transactions which are recognized outside of the profit or loss statement (either in other comprehensive income or directly in equity), any related tax effects should be recognized outside of the profit or loss statement.

Upon initial assessment of IFRS standards and their impact on the Trust, the most significant impact of this section will be derived directly from the accounting policy decisions made under IAS 40-Investment Property and IAS 16-Property, Plant and Equipment.

Significant deferred tax assets and liabilities could arise based on whether the fair value or the cost method is used to value the Investment Properties of the Trust and whether the cost or the revaluation method is applied to Property, Plant and Equipment carried on the balance sheet.

In 2009, the IASB issued an exposure draft outlining proposed changes to Income Taxes. Included in these changes was the utilization of a probability weighted average for measuring potential tax liabilities. This proposal received significant objection from the general public and as such is not expected to be finalized in its current form.

IAS 1- PRESENTATION OF FINANCIAL STATEMENTS

This Standard specifies that an entity shall present current and non-current assets and liabilities as separate classifications on the balance sheet, except where presentation based on liquidity provides information that is reliable and is more relevant.

Boardwalk currently presents its balance sheet based using the liquidity method as outlined under Canadian GAAP with no distinction between current and non-current assets and liabilities, however, the Trust needs to evaluate under IAS 1 if a classified balance sheet presentation may be required upon convergence with IFRS.

While the presentation method of the Trust's balance sheet under IFRS has not yet been determined, adopting a classified balance sheet approach would significantly affect the presentation of the organization's balance sheet.

IFRS 1-FIRST TIME ADOPTION OF IFRS

IFRS 1 provides the framework for the first time adoption of IFRS and outlines that, in general, an entity shall apply the principals under IFRS retrospectively. The standard specifies that the adjustments which arise on the convergence of IFRS standards from Canadian GAAP should be directly recognized in retained earnings.

Certain optional and mandatory exemptions and exceptions for the application of IFRS standards exist and are outlined within this Standard.

For those IFRS Standards which the Trust has initially assessed to have a significant impact, a discussion of the applicable IFRS 1 exemptions and options available have been discussed in the appropriate section above.

Boardwalk continues to assess the implications of IFRS 1 and the convergence of IFRS on its financial statements.

INFORMATION TECHNOLOGY ("IT") AND DATA SYSTEMS

With the conversion to IFRS, a significant focus will be on IT and data systems. All changes resulting from the conversion to IFRS shall occur on a transactional level, meaning systems may need to be redesigned to ensure the transaction is being accounted for correctly under IFRS. In addition, IFRS results in significant changes to accounting policies and disclosure requirements and therefore new data may need to be captured which was not previously required under current Canadian GAAP (for example the fair value of revenue producing properties).

Currently, the majority of Boardwalk's operating systems are designed and developed in house, meaning any identified changes can be completed by Boardwalk's IT department. However, as day-to-day operations must be maintained during the conversion, sufficient time and resources must be provided to the IT department to accommodate the changes required for IFRS while also ensuring that those individuals impacted by the system changes are given adequate training on the revised system.

Two significant IT initiatives are under way in anticipation of the implementation of IFRS standards on January 1, 2011. The first initiative is a fixed asset module being developed to track all assets within the organization. This system will allow the Trust to track all assets as required under current Canadian GAAP (requirement from now until January 1, 2011), under IFRS (required as at January 1, 2011) and for the compilation of a comparative year of financial information beginning January 1, 2010. In addition to tracking the cost basis of all of Boardwalk REIT's assets, it will track the fair value of each Boardwalk REIT property as required under IAS 40. To date, this initiative is almost complete and will be finalized in the first quarter of 2010.

The second initiative involves developing a new general ledger system. The significance of this development is that, beginning January 1, 2010, Boardwalk will effectively need to maintain two sets of financial information for the organization. The first set relates to financial accounting/reporting under current Canadian GAAP. As a public entity, the Trust will be required to report its public financial information under current Canadian GAAP until December 31, 2010. The second set relates to financial accounting/reporting information under IFRS. While the requirement to adopt IFRS does not occur until January 1, 2011, a year of comparative information will also be required. As a result, Boardwalk will be required to maintain and eventually provide financial information under IFRS beginning January 1, 2010. The accounting system will have the capability to allow accounting information entered into the system to be recorded twice, once under current Canadian GAAP requirements and once under IFRS requirements. Having a system with this capability, rather than having accounting staff record each transaction twice, creates efficiencies and reduces the possibility of error. As at December 31, 2009, the new general ledger has been designed and tested and will be utilized in fiscal 2010. The ability to have more than one set of books has been completed and will allow for two sets of financials in 2010.

As the assessment and impact of IFRS standards are completed, other modifications to the current Boardwalk systems may be required, however, the above two systems are the largest IT requirements identified and the development of both systems is currently underway. As with any other system development or conversion, any systems developed or modified will be tested extensively prior to implementation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE

In accordance with Boardwalk REIT's approach to the certification of internal controls required under National Instrument 52-109, all entity level, information technology, disclosure and business process controls will need to be updated and tested to reflect changes which arise as a result of Boardwalk's convergence to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material deficiencies exist as a result of the Trust's transition to these new accounting standards.

FINANCIAL REPORTING EXPERTISE

As previously discussed, in order to complete the conversion to IFRS, Boardwalk has assembled an IFRS project team who will be involved in the conversion from inception until completion. The IFRS team is comprised largely of senior accounting staff, all of whom have experience in public reporting, and representatives from Boardwalk's IT department. A project manager has been identified to oversee the project and to monitor milestones identified. Boardwalk's Executive Committee has been kept informed of the expected changes, as a result of the conversion to IFRS, in order to ensure that operational factors are considered throughout the IFRS conversion. At this point in time, Boardwalk believes it has adequate "people resources" to complete the transition to IFRS efficiently.

All financial members of the IFRS team have completed IFRS training hosted by both the Canadian Institute of Chartered Accountants and REALpac. The training session provided by REALpac was specific to the real estate industry and focused on outlining the key differences between current Canadian GAAP and IFRS for real estate entities. It is important to note that the transition to IFRS is a moving target, meaning both current Canadian GAAP and IFRS will change between now and the transition date. As such, the IFRS team must continuously adapt to ensure that the most current standard is being reviewed and considered as part of our IFRS conversion. Throughout the conversion process, the project team shall rely upon publications and updates from the AcSB, the CICA, the IASB, public accounting firms and any other resources deemed necessary, in order to ensure that sufficient knowledge is obtained to make informed decisions.

Throughout Boardwalk's transition to IFRS, the Board, primarily through the Audit and Risk Management Committee, will be involved, ensuring that the financial expertise of the Board members is utilized to its fullest. Members of the Board have vast experience and knowledge and as such their opinions could significantly influence reporting decisions. As previously discussed, there are many choices to be made within IFRS and the Board of Trustees shall approve all of these choices, along with monitoring status against Boardwalk's convergence plan.

Prior to the implementation of IFRS, all accounting staff will be trained to ensure they are aware of the changes being implemented and understand how these standards will impact their work areas. In addition, as IFRS will be implemented on the transactional level, operational departments will be trained based on those standards which impact their day to day operations.

BUSINESS ACTIVITIES

As the adoption of IFRS will result in changes to Boardwalk's financial results, it will impact many business activities including, but not limited to, hedging, performance measures, debt covenants, distribution policies and compensation arrangements.

HEDGING ACTIVITIES

Under IFRS, it is more difficult to obtain hedge accounting as the "matching of critical terms" is not an acceptable criterion to apply hedging accounting. As it will become more difficult to obtain hedge accounting hedging activities may decrease. However, as hedging may be vital to business success, Boardwalk will need to assess and understand what is required to obtain hedge accounting to ensure that hedge accounting can be applied. Alternatively, if hedge accounting will not be utilized, Boardwalk shall educate its stakeholders and investors on the potential balance sheet and income statement impacts of not applying hedge accounting.

Currently, hedge accounting is applied to Boardwalk's interest rate swaps based on the matching of critical terms. In order to ensure that hedge accounting could be applied under IFRS all required documentation (including an effectiveness test to ensure the interest rate swaps were highly effective) was completed as at December 31, 2009 with no issues noted. As such hedge accounting will be applied under IFRS.

PERFORMANCE MEASURES

Currently, Boardwalk assesses and measures operating results based on FFO, DI and AFFO. These performance measures may require some adjustments in order to provide meaningful information on performance for investors and stakeholders. Standard choices, such as fair value fluctuations in investment properties, which will flow through the income statement, will need to be included as an adjustment in calculating DI and FFO to avoid changes from period to period. Net Operating Income is a key performance measure of Boardwalk's operational results and is not expected to be significantly impacted as a result of the adoption of IFRS. Finally, as we progress towards IFRS, new performance measures may be introduced which are more relevant for Boardwalk's investors.

DEBT COVENANTS

As outlined in NOTE 16 of the consolidated financial statements, Boardwalk is required to meet its financial covenants included in the Declaration of Trust, the debenture agreement and the credit facility. Within each of the previously mentioned documents, Boardwalk's debt cannot exceed 70% of Gross Book Value ("GBV"). As discussed above, an accounting policy choice exists which would allow Boardwalk to record its Revenue Producing Properties at fair value resulting in Boardwalk's debt being significantly less than 70% of GBV, which provides less protection to Boardwalk's stakeholders. As a result of this expected change, the debenture agreement has already been revised to state that the Indebtedness Percentage will decrease to 60% from the current 70% when Boardwalk is required or elects to report the fair value of its and its subsidiaries' assets in accordance with IFRS. This change ensures that the financial covenant is still addressing the concerns of the stakeholders and similar revisions are expected in the other documents. In the future, Boardwalk may determine that this covenant is not providing the Unitholders with the protection they desire, and a different covenant may be more appropriate.

The debenture agreement stipulates that Boardwalk must maintain an Earnings Before Income Taxes, Depreciation and Amortization ("EBITDA") to Consolidated Interest Expense of not less than 1.75 to 1. Given the expected change to fair value accounting, Boardwalk expects increased net income volatility as depreciation of its Revenue Producing Properties will be replaced by increases or decreases in net income due to fluctuations in fair values. At this point, it is expected that these fluctuations will not be included in EBITDA and should, therefore, not impact the covenant. Though the potential change to fair value will likely result in the most volatility to net income, other accounting policies may also impact net income and, therefore, need to be considered in the context of this covenant.

The final covenant in the debenture agreement states that Boardwalk will maintain an adjusted unitholders' equity balance of at least $300 million. Currently, Boardwalk has significant room on this covenant and given expected changes to retained earnings (in 2010 for accounting adjustments to the opening balance sheet) and equity components for hedging activities, this covenant will need to be monitored.

In addition to the covenants mentioned above, the credit facility includes a covenant whereby Boardwalk will maintain a Debt Service Coverage Ratio of at least 1.20. Similar to the EBITDA ratio previously discussed, the income statement adjustments due to changes in fair value shall not be included and therefore this covenant should not be materially impacted by the change to IFRS. Again, other standards may impact earnings and as such this covenant will be considered when selecting amongst accounting choices.

DISTRIBUTIONS POLICIES

In addition, to performance measures and debt covenants, Boardwalk will also need to assess if the implementation of IFRS will affect the Trust's distribution requirements as set out in its Declaration of Trust.

COMPENSATION ARRANGEMENTS

Currently, Boardwalk's incentive compensation is largely based on obtaining (and exceeding) targeted DI and FFO. As these figures may vary, or become less emphasized in favor of Net Asset Value ("NAV") and Earnings Before Income Taxes ("EBIT") or EBITDA, with the adoption of IFRS, Boardwalk will need to assure that targets are based on the new accounting standards. Additionally, as employees have little control/influence on market fluctuations related to property values, the current calculation of incentive compensation may need to be redesigned. Boardwalk will continue to monitor REALpac for additional guidance relating to IFRS for real estate entities. Additionally, Boardwalk will need to assess whether new "non-IFRS" measures should exist for compensation plans.

EXTERNAL COMMUNICATIONS

Boardwalk continues to update its Management Discussion and Analysis in accordance with CSA Notice 52-320 throughout the IFRS transition project. Upon transition to IFRS, all public disclosure documentation will need to be updated to ensure disclosure is accurate and complete for the effects of the implementation of IFRS standards on the Trust.

This will be achieved as the IFRS transition team and senior management are closely involved in the development of other public disclosure documentation.

In addition, avenues which currently in existence, to allow external parties to communicate queries related to financial reporting information will continue to exist upon the transition to IFRS.

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 COSO control framework adopted by the Trust and the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators, Certification of Disclosure in Issuers' Annual and Interim Filings. The Trust's management can therefore provide reasonable assurance that material information relating to the Trust is reported to it in a timely manner so that it can provide investors with complete and reliable information. The presented information was reviewed by the Disclosure Committee, the Audit and Risk Management Committee and the Board of Trustees, which approved it prior to its publication.

COSO is the Committee of Sponsoring Organizations of the Treadway Commission, whose major objective is to identify the factors that cause fraudulent financial reporting and to make recommendations to reduce its incidence. COSO has established a common definition of internal controls, standards, and criteria against which companies and organizations can assess their control systems.

As at the financial year ended December 31, 2009, the CEO, President and CFO have evaluated the design and effectiveness of the Trust's disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR). Based on that evaluation, the CEO, President and the CFO have concluded that the disclosure controls and procedures and internal controls over financial reporting were well-designed and operating effectively as at December 31, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The design of DC&P and ICFR will exclude controls, policies and procedures of: (i) a proportionately consolidated entity in which Boardwalk REIT has an interest; (ii) a variable interest entity in which the Trust has an interest; or (iii) a business that Boardwalk REIT acquired not more than 365 days before the Trust's financial year-end.

We continue to review and document our disclosure controls and procedures, including our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

FINANCIAL OUTLOOK FOR 2010

In fiscal 2009, the Trust increased its current liquidity position mainly through strategically increasing its existing leverage on properties at recent historically lower interest rate levels. This increased liquidity increases the Trust's flexibility in the implementation of its strategic options.

At the end of the third quarter of 2009, the Trust announced its financial outlook for the upcoming 2010 year. The following table highlights the key financial objectives for the 2010 fiscal year as well as our performance for the 2009 year.

	2010 Objectives	2009 Actual
FFO Rental Operations Per Trust Unit	**$2.45 to $2.60**	$2.51
Distributable Income Per Trust Unit	**$2.47 to $2.62**	$2.55
New Unit Acquisitions	**None**	1
Stabilized Building NOI Growth	**-2.0% to 0%**	4.9%

The reader is cautioned that this information is forward-looking information and actual results may vary materially from those reported. One of the key estimates is the performance of the Trust's stabilized properties. Any significant change in assumptions deriving 'Stabilized Building NOI Growth' would have a material effect on the final reported amount.

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

Capital Budget	Twelve Months			
Cdn$ Thousands, except for per suite amounts	**2010 Budget**	**Per Suite**	2009	Per Suite
Total Approved	**$ 79,000**	**$ 2,155**	$ 70,447	$ 1,920
Annual Maintenance Capital Expenditures	**$ 16,493**	**$ 450**	$ 16,507	$ 450
Stabilizing & Value Enhancing Capital	**$ 62,507**	**$ 1,705**	$ 53,940	$ 1,470
	$ 79,000	**$ 2,155**	$ 70,447	$ 1,920

In total, we believe we will invest $79.0 million (or $2,155 per apartment unit) in 2010 as compared to $70.4 million ($1,920 per apartment unit) actually spent in 2009. The budgeted amount for 2010 is consistent with the amount budgeted for in 2009; however, our actual expenditures in 2009 were below the budgeted amount as a result of rationalizing our capital expenditures given the downturn in the economy.

Selected Consolidated Financial Information

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis", the audited consolidated financial statements and accompanying notes for the years ended December 31, 2009 and 2008, and the unaudited interim consolidated financial statements of Boardwalk REIT and accompanying notes both incorporated herein by reference.

The statement of net income information and balance sheet information set forth in the following tables has been derived from the audited consolidated financial statements referred to above and the unaudited consolidated financial statements of the Trust for various quarterly interim periods.

ANNUAL COMPARATIVE

	Twelve Months Ended				
Cdn$ Thousands, except per unit amount	**Dec 31, 2009**	Dec 31, 2008	Dec 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Total revenue[1]	**427,686**	419,799	375,012	319,440	296,516
Net earnings (loss)	**62,067**	45,685	(59,326)	25,389	5,030
Funds from operations	**133,094**	129,918	116,461	91,356	74,795
Net earnings (loss) per unit					
– Basic	**1.17**	0.84	(1.05)	0.46	0.09
– Diluted	**1.17**	0.84	(1.05)	0.46	0.09
Funds from operations per unit					
– Basic	**2.51**	2.39	2.07	1.64	1.41
– Diluted	**2.51**	2.39	2.07	1.64	1.41
Mortgages and debentures	**2,287,967**	2,165,066	1,888,783	1,499,026	1,501,665
Total assets	**2,378,278**	2,358,924	2,195,888	1,870,460	1,840,089
Number of apartment units	**36,419**	36,785	36,487	34,207	33,298
Rentable square feet (000's)	**30,757**	31,094	30,852	28,756	27,912

1 For the 2007 year-end and prior, total revenue was not restated for 2009 discontinued operations. For the 2005 year-end, total revenue was not restated for 2007 discontinued operations.

QUARTERLY COMPARATIVE

	Three Months Ended							
Cdn$ Thousands, except per unit amounts	**Dec 31, 2009**	Sept 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sept 30, 2008	Jun 30, 2008	Mar 31, 2008
Total revenue	**107,095**	106,574	106,758	107,259	107,051	107,108	104,298	101,342
Net earnings (loss) before Other comprehensive Income	**14,879**	14,484	15,035	17,669	10,869	17,454	11,730	5,632
Funds from operations	**30,829**	34,960	36,849	30,456	32,483	36,849	32,902	27,684
Net earnings (loss) per unit								
– Basic	**0.28**	0.27	0.28	0.33	0.20	0.32	0.21	0.10
– Diluted	**0.28**	0.27	0.28	0.33	0.20	0.32	0.21	0.10
Funds from operations per unit								
– Basic	**0.58**	0.66	0.70	0.57	0.61	0.68	0.60	0.50
– Diluted	**0.58**	0.66	0.70	0.57	0.61	0.68	0.60	0.50

ADDITIONAL INFORMATION

Additional information relating to Boardwalk Equities Inc. and Boardwalk REIT, including the Annual Information Form of Boardwalk REIT, is available on SEDAR at www.sedar.com.

Respectfully,

Roberto A. Geremia
President

William Wong
Chief Financial Officer

February 17, 2010

Management's Report

To the Unitholders of Boardwalk Real Estate Investment Trust

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Trustees and by its Audit and Risk Management Committee which meets regularly with the auditors and management to review the activities of each. The Audit and Risk Management Committee, which comprises of three independent trustees, reports to the Board of Trustees.

Deloitte & Touche LLP, an independent firm of chartered accountants, has been engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.

Sam Kolias	Roberto A. Geremia	William Wong
Chief Executive Officer	President	Chief Financial Officer

February 17, 2010

Auditors' Report

To the Unitholders of Boardwalk Real Estate Investment Trust

We have audited the consolidated balance sheets of Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") as at December 31, 2009 and 2008, and the consolidated statements of earnings and comprehensive income, unitholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
Calgary, Alberta

February 5, 2010

Consolidated Balance Sheets

(Cdn$ Thousands)

As at	**December 31, 2009**	December 31, 2008
ASSETS		
Revenue producing properties (NOTE 4)	**$ 2,158,079**	$ 2,173,583
Other assets (NOTE 7)	**13,908**	13,806
Mortgages and accounts receivable (NOTE 6)	**3,049**	6,722
Segregated tenants' security deposits	**12,917**	14,301
Cash and cash equivalents (NOTE 2(k))	**190,325**	123,234
Discontinued operations (NOTES 4 and 5)	**–**	27,278
	$ 2,378,278	$ 2,358,924
LIABILITIES		
Mortgages payable (NOTE 8)	**$ 2,145,638**	$ 2,035,192
Debentures (NOTE 9)	**111,834**	119,073
Accounts payable and accrued liabilities	**54,627**	55,946
Refundable tenants' security deposits and other	**16,263**	17,496
Discontinued operations (NOTE 5)	**–**	22,122
	2,328,362	2,249,829
Future income taxes (NOTES 3 and 14)	**94,956**	100,602
	2,423,318	2,350,431
UNITHOLDERS' EQUITY (DEFICIT)		
Unitholders' equity (deficit)	**(45,040)**	8,493
	$ 2,378,278	$ 2,358,924

Commitments and contingencies (NOTE 19)

Guarantees (NOTE 20)

See accompanying notes to the consolidated financial statements

On behalf of the Trust:

Sam Kolias
Trustee

Al Mawani
Trustee

Consolidated Statements of Earnings and Comprehensive Income

(Cdn$ Thousands, except NUMBER OF UNITS AND PER UNIT amounts)	**Year ended December 31, 2009**	Year ended December 31, 2008
REVENUE		
Rental revenue	**$ 427,686**	$ 419,799
EXPENSES		
Revenue producing properties:		
Operating expenses	**71,737**	73,539
Utilities	**43,934**	50,823
Utility rebate and rebate adjustments (NOTE 19)	**(377)**	(1,917)
Property taxes	**36,325**	33,616
Administration	**26,710**	24,180
Financing	**111,183**	105,849
Amortization of deferred financing costs (NOTE 2)	**6,116**	4,971
Amortization of capital assets (NOTE 2)	**87,328**	83,341
Amortization of intangibles (NOTE 2)	**671**	4,528
	383,627	378,930
Earnings from continuing operations before the following	**44,059**	40,869
Other income (NOTE 13)	**408**	–
Earnings from continuing operations before income taxes	**44,467**	40,869
Current income taxes	**3**	4
Future income taxes (recovery) (NOTE 14)	**(5,646)**	315
Earnings from continuing operations	**50,110**	40,550
Earnings from discontinued operations, net of tax (NOTE 5)	**11,957**	5,135
Net earnings	**62,067**	45,685
Other comprehensive income (loss) (NOTE 17)	**38**	(262)
Comprehensive income	**$ 62,105**	$ 45,423
Basic earnings per unit (NOTE 12)		
– from continuing operations	**$ 0.94**	$ 0.75
– from discontinued operations	**0.23**	0.09
Basic earnings per unit	**$ 1.17**	$ 0.84
Diluted earnings per unit (NOTE 12)		
– from continuing operations	**$ 0.94**	$ 0.75
– from discontinued operations	**0.23**	0.09
Diluted earnings per unit	**$ 1.17**	$ 0.84
Weighted average number of units – fully diluted (NOTE 12)	**52,961,329**	54,442,382

See accompanying notes to the consolidated financial statements

Consolidated Statements Of Unitholders' Equity

(Cdn$ Thousands, EXCEPT NUMBER OF UNITS)	**Year ended December 31, 2009**	Year ended December 31, 2008
Trust units (NOTE 11)		
Balance, beginning of year	**$ 256,773**	$ 338,084
Units issued under distribution reinvestment plan	**–**	2,121
Deferred unit plan (NOTE 10)	**389**	1,162
Units issued for vested deferred units (NOTE 10)	**1,979**	819
Units purchased and cancelled (NOTE 11)	**(22,756)**	(85,413)
Balance, end of year	**$ 236,385**	$ 256,773
Cumulative earnings		
Balance, beginning of year	**$ 141,276**	$ 95,591
Net earnings	**62,067**	45,685
Balance, end of year	**$ 203,343**	$ 141,276
Cumulative distributions to unitholders		
Balance, beginning of year	**$ (389,294)**	$ (291,322)
Distributions declared to unitholders (NOTE 12)	**(95,250)**	(97,972)
Balance, end of year	**$ (484,544)**	$ (389,294)
Deficit	**$ (281,201)**	$ (248,018)
Accumulated other comprehensive income (loss)		
Balance, beginning of year	**$ (262)**	$ –
Other comprehensive income (loss) (NOTE 17)	**38**	(262)
Balance, end of year	**$ (224)**	$ (262)
Total unitholders' equity (deficit)	**$ (45,040)**	$ 8,493
Units issued and outstanding (NOTE 11)	**52,744,467**	53,477,042

See accompanying notes to the consolidated financial statements

Consolidated Statements Of Cash Flows

(Cdn$ Thousands)	**Year ended December 31, 2009**	Year ended December 31, 2008
Operating activities		
Net earnings	**$ 62,067**	$ 45,685
(Earnings) from discontinued operations, net of tax	**(11,957)**	(5,135)
Future income taxes (recovery)	**(5,646)**	315
Amortization of deferred financing costs	**6,116**	4,971
Amortization of capital assets	**87,328**	83,341
Amortization of intangibles	**671**	4,528
Other income (NOTE 13)	**(408)**	–
	138,171	133,705
Cash used in discontinued operations	**1,083**	1,245
Net change in operating working capital (see below)	**2,605**	11,488
	141,859	146,438
Financing activities		
Issuance of trust units (net of issue costs) (NOTE 11)	**–**	2,121
Distributions paid to unitholders	**(95,362)**	(98,280)
Unit repurchase program (NOTE 11)	**(22,756)**	(85,413)
Financing of revenue producing properties	**307,791**	484,864
Repayment and maturity of debt on revenue producing properties	**(202,434)**	(183,749)
Repurchase of debentures (NOTE 9)	**(7,187)**	–
Deferred financing costs incurred	**(22,894)**	(17,756)
Bond forward settlement, net of amortization (NOTE 17)	**38**	(262)
	(42,804)	101,525
Investing activities		
Purchases of revenue producing properties (NOTE 4)	**(217)**	(48,925)
Improvements to revenue producing properties	**(70,447)**	(88,347)
Net cash proceeds from sale of properties (NOTE 4)	**40,035**	12,978
Additions to corporate technology assets	**(1,335)**	(1,395)
	(31,964)	(125,689)
Net increase in cash and cash equivalents	**67,091**	122,274
Cash and cash equivalents, beginning of year	**123,234**	960
Cash and cash equivalents, end of year (NOTE 2(k))	**$ 190,325**	$ 123,234
Supplementary cash flow information:		
Taxes paid	**$ 3**	$ 4
Interest paid	**$ 108,363**	$ 95,788
Net change in operating working capital		
Net change in mortgages and accounts receivable	**$ 3,673**	$ 3,349
Net change in other assets	**100**	528
Net change in tenants' security deposits	**151**	(56)
Net change in accounts payable and accrued liabilities	**(1,319)**	7,667
	$ 2,605	$ 11,488

See accompanying notes to the consolidated financial statements

Notes To Consolidated Financial Statements

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

NOTE 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, dated January 9, 2004 and as amended and restated on May 3, 2004, May 10, 2006, May 10, 2007, May 13, 2008 and May 13, 2009, 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 was acquired on May 3, 2004.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook").

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("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.

(b) Principles of consolidation

The consolidated financial statements include the accounts of Boardwalk REIT and its wholly-owned subsidiaries, as well as entities over which it exercises control on a basis other than ownership of voting interests in accordance with CICA Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities. All inter-company transactions have been eliminated.

(c) Revenue recognition

i) Revenue from a rental property is recognized once the Trust has obtained substantially all of the benefits and risks of ownership of the rental property, including the transfer of title. Rental revenue includes rents from tenants, parking and other sundry revenues. The majority of the residential leases are for one-year terms or less; consequently, the Trust accounts for leases with its tenants as operating leases.

ii) Revenue from the disposition of property held for sale, or redevelopment and sale, is recognized when all conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit (usually 15%) has been received and there is reasonable assurance on the collectibility of any outstanding amount.

(d) Revenue producing properties

Revenue producing real estate properties, which are held for investment, are stated at the lower of cost less accumulated amortization or "net recoverable amount". Cost includes all amounts relating to the acquisition and improvement of the properties. All costs associated with upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance, are capitalized and amortized as project improvements.

Revenue producing properties and related intangible assets are reviewed periodically for impairment. An impairment loss will be recognized in the period when the carrying amount of the revenue producing properties exceeds the net recoverable amount represented by the undiscounted estimated future cash flows expected to be received from the ongoing use of the properties plus their residual value. If it is determined that an impairment exists, the carrying value of the revenue producing properties and related intangible assets will be reduced to their estimated fair value.

In accordance with the requirements of the CICA Handbook, when acquiring revenue producing properties, Boardwalk REIT allocates a portion of the purchase price to in-place operating leases that are acquired in connection with the real estate property and to a separate customer relationship intangible asset, if any, relating to the possibility or probability that existing tenants will renew their leases.

(e) Amortization of capital assets

Revenue producing properties, except land, are amortized over the estimated useful lives of the assets. Building assets, the largest component of revenue producing properties, are amortized using the straight-line method over periods ranging from 40 to 50 years. Non-building and other depreciable assets are amortized using the declining-balance method at rates ranging from 8% to 35% per annum.

Estimated useful lives of building and non-building assets are periodically evaluated by management and any changes in these estimates are accounted for on a prospective basis.

(f) Amortization of intangibles

The value allocated to in-place operating leases when revenue producing properties are purchased by the Trust, is amortized over a twelve-month period.

(g) Deferred financing costs

Deferred financing costs are costs related to Boardwalk REIT's debt financing activities, and include fees for legal, mortgage brokerage, underwriting, commitment and standby, appraisals, land title registration, and insurance premiums paid to Canada Mortgage and Housing Corporation ("CMHC"). Insurance premiums paid to CMHC to obtain insurance through the National Housing Act ("NHA") are amortized over the insured term of the mortgage loans, usually 25 to 40 years, using the effective interest rate method. Transaction costs, other than CMHC insurance premiums, are amortized over the financing term of the mortgage loans, using the effective interest rate method as well. The effective interest rate method calculates the effective interest rate of the mortgage loans by adjusting the stated interest rate to reflect the CMHC premiums and transaction costs paid. Upon the refinancing of a mortgage, any unamortized insurance premium and transaction costs associated with the previous mortgage are written off to income. Upon renewing existing mortgages at term maturity, all remaining transaction costs are written off with the exception of the costs associated with the CMHC insurance premium paid since this insurance continues for the full amortization period of the mortgage.

A revenue producing property may be leveraged up at term maturity of the existing mortgage by adding a *pari passu* mortgage. A *pari passu* mortgage ranks in the same priority as the first mortgage against the collateralized revenue producing property. The CMHC insurance premium of the existing mortgage will continue to be amortized for the remaining amortization (insured) period of the mortgage in conjunction with the amortization of new CMHC insurance premiums associated with the *pari passu* mortgage.

All unamortized deferred financing costs are netted against the financial liabilities on the balance sheet.

(h) Deferred unit plan

The deferred unit plan is described in NOTE 10. Deferred units granted to trustees and executives in respect of their trustee fees or a portion of executive cash bonuses, respectively, are considered to be in respect of past services and are recognized in compensation expense upon grant. Deferred units granted relating to amounts matched by the Trust are considered to be in respect of future services and are recognized in compensation expense on a straight-line basis over the vesting period. Compensation cost is measured based on the market price of the Trust's units on the date of grant of the deferred units. The unvested deferred units (and vested deferred units that have not been exchanged for Trust Units) earn additional deferred units for the distributions that would otherwise have been paid on the deferred units had they instead been issued as Trust Units on the date of grant (or the date they were exchangeable for Trust Units). Deferred units that have vested, but for which the corresponding Trust Units have not been issued and where the ultimate issuance of such Trust Units is simply a matter of the passage of time, are considered to be outstanding units from the date of vesting for diluted earnings per unit calculations.

(i) Risk management and fair value

Risk management

Material financial risks that the Trust is exposed to include: the fluctuation in interest rates, the credit quality of its tenants, liquidity of its assets to pay obligations and the fluctuation in utility rates. A detailed discussion of these risks and how they are managed by the Trust is included in NOTE 16.

Fair Value

In accordance with the disclosure requirements of the CICA Handbook, Boardwalk REIT is required to disclose certain information concerning its "financial instruments", defined as a contractual right to receive or deliver cash or another financial asset, and this is included in NOTE 16.

(j) Use of estimates

The accounting process requires that management make, and periodically review, a number of estimates including the following material items:

i) economic useful life of buildings for purposes of calculating amortization, as disclosed in NOTE 2 (e);

ii) forecast of economic indicators in order to measure fair values of buildings for purposes of determining net recoverable amount under Canadian generally accepted accounting principles, as discussed in NOTE 2 (d);

iii) amount of capitalized on-site wages which relate to project improvements, as discussed in NOTE 4;

iv) amount of utility accrual for charges related to the current or prior year;

v) amount of the temporary differences between the carrying value of the Trust's assets versus the tax basis of those assets and the rates at which the differences will be realized, as discussed in NOTE 14; and

vi) the compensation costs relating to the deferred unit plan, as discussed in NOTE 10.

Actual results may differ from these estimates.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in money market instruments with an original maturity of three months or less.

(l) Disposal of long-lived assets

A long-lived asset is classified as an asset held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. For unsolicited interest in a long-lived asset, the asset is classified as held for sale only if all the conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit has been received and the sale is probable and expected to be completed shortly after the end of the current period.

A long-lived asset classified as held for sale is measured at the lower of its carrying value and fair value less cost to sell. No amortization is recorded while it is classified as held for sale. Interest and other expenses attributable to the long-lived asset held for sale continue to be accrued.

The carrying value of long-lived assets classified as held for sale are segregated on the balance sheet as "Discontinued operations" and the earnings and cash flows associated with these assets are presented separately on the statement of earnings and comprehensive income (loss) as line item "Earnings from discontinued operations, net of tax". For comparative purposes, the prior year's financial information is restated to reflect the reclassification of these assets.

The Trust may redevelop a long-lived asset, for example as condominium units for sale; the Trust will reclassify the long-lived asset as an asset held for sale and follow the accounting policy outlined above.

(m) Financial Instruments – Recognition and Measurement

All financial instruments (i.e. financial assets, financial liabilities and non-financial derivatives) are required to be measured at fair value on initial recognition, except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value with gains and losses recognized in net earnings. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization. All transaction costs relating to the financial liability are netted against the liability. Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income ("OCI") (see NOTE 2(o)). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost. Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are required to be recognized in net earnings, except for derivatives that are designated as a cash flow hedge, in which case the fair value change for the effective portion of such hedge relationship is required to be recognized in OCI. CICA Handbook section 3855 – Financial Instruments – Recognition and Measurement permits us to designate any financial instrument whose fair value can be reliably measured as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. The standard specifically excludes Section 3065 – Leases, from the definition of financial instruments, except for derivatives that are embedded in a lease contract. Other significant accounting implications of the standard included the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Please see NOTE 16 for details on Boardwalk REIT's financial instruments.

(n) Hedging relationships

CICA Handbook Section 3865 – Hedges specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in net earnings. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective as defined by the standard ("effective"), will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion as defined by the standard ("ineffective") will be recognized in net earnings. The amounts recognized in OCI will be reclassified to net earnings in those periods in which net earnings is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments will be recognized in OCI and the ineffective portion will be recognized in net earnings. Deferred gains or losses on the hedging instrument with respect to hedging relationships that were discontinued prior to January 1, 2008 but qualify for hedge accounting under CICA Handbook Section 3865 will be recognized in the carrying amount of the hedged item and amortized to net earnings over the remaining term of the hedged item for fair value hedges, and for cash flow hedges will be recognized in OCI and reclassified to net earnings in the same period during which the hedged item affects net earnings. However, for discontinued hedging relationships that do not qualify for hedge accounting under CICA Handbook Section 3865, the deferred gains and losses was recognized in the opening balance of retained earnings at January 1, 2008.

Boardwalk REIT appropriately documents and monitors to ensure that there is reasonable assurance, both at inception and throughout the term of the hedge, that the hedging relationship will be effective. Relationships that do not qualify for hedge accounting will be carried at fair value on the consolidated balance sheets, and changes in fair value will be recorded in the consolidated statements of earnings and comprehensive income. Hedge accounting was applied to a bond forward contract (see NOTE 9), which was completed on January 21, 2005 by the Trust, to mitigate future cash interest payments associated with the unsecured debentures. Hedge accounting was also applied to the transactions described in NOTE 17.

(o) Comprehensive Income

Comprehensive Income is comprised of net earnings and OCI, which represents changes in unitholders' equity during a period arising from transactions and other events with non-owner sources. OCI generally would include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments arising from self-sustaining foreign operations and changes in the fair value of the effective portion of cash flow hedging instruments.

(p) Disclosure of guarantees

In accordance with the disclosure requirements of the CICA Handbook, Boardwalk REIT is required to disclose significant details of guarantees that have been given, regardless of whether it will have to make payments under the guarantees (see NOTE 20).

(q) Comparative figures

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

NOTE 3. ACCOUNTING CHANGES

On January 1, 2009, the Trust adopted one new accounting standard issued by the CICA.

Section 3064 – Goodwill and Intangible Assets

Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs, establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. Section 1000 – Financial Statement Concepts, was also amended to provide consistency with this new standard.

Impact of Adoption of Section 3064

There was no material impact on the consolidated financial statements upon adoption of Section 3064 by the Trust.

EIC – 173

The Trust also adopted EIC 173 titled, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" issued by the CICA on January 20, 2009. EIC – 173 states that an entity's own credit risk and the credit risk of the counter party should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. EIC – 173 had no impact on the financial statements of the Trust.

Section 3862 – Financial Instruments – Disclosures

In June 2009, the CICA amended Section 3862, titled "Financial Instruments – Disclosures" to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. These disclosures are effective for the Trust's December 31, 2009 annual consolidated financial statements. These amendments did not have a significant impact on the Trust's results of operations or financial position.

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.

NOTE 4. REVENUE PRODUCING PROPERTIES

As at	**December 31, 2009**	December 31, 2008
Land	**$ 220,292**	$ 224,396
Building and non-building assets	**2,615,400**	2,572,572
Total revenue producing properties	**2,835,692**	2,796,968
Less: accumulated amortization	**(677,613)**	(596,107)
	$ 2,158,079	$ 2,200,861
Continuing operations	**$ 2,158,079**	$ 2,173,583
Discontinued operations (NOTE 5)	**–**	27,278
	$ 2,158,079	$ 2,200,861

On November 28, 2009, one of the buildings of Boardwalk REIT consisting of 31 units and located in Grande Prairie, Alberta was destroyed by a fire. This building was insured up to its replacement value and also had business interruption insurance coverage for one year from the date of loss.

Acquisitions		Year ended December 31, 2009		Year ended December 31, 2008
Cash paid	$	217	$	48,925
Debt assumed		–		–
Total purchase price		217		48,925
Fair value adjustments to debt		–		–
Book value	$	217	$	48,925
Allocation of book value to revenue producing properties	$	217	$	47,413
Allocation of book value to other assets (NOTE 2 (d))		–		1,512
	$	217	$	48,925
Multi-family units acquired		1		298

Included in revenue producing properties are capitalized wages of $14.5 million for the year ended December 31, 2009 (December 31, 2008 – $9.2 million) relating to capital upgrades.

Dispositions		Year ended December 31, 2009		Year ended December 31, 2008
Cash received	$	40,072	$	12,978
Cost of dispositions		(37)		–
Net cash proceeds		40,035		12,978
Net book value		(28,421)		(8,070)
Gain on dispositions	$	11,614	$	4,908
Multi-family units sold		368		39

Included in dispositions for the year ended December 31, 2009 was the sale and closing of one unit (December 31, 2008 – 39 units) in a 90-unit property located in Calgary, Alberta that was developed into condominium units for sale (see NOTE 5). Under the percentage of completion method, sales of $0.5 million for the year ended December 31, 2009 (December 31, 2008 – $13.0 million) were recorded against cost of sales of $0.6 million (December 31, 2008 – $8.1 million). Dispositions for 2009 also included: (i) a 133-unit rental property located in Surrey, British Columbia, (ii) a 65-unit rental property located in Calgary, Alberta, (iii) a 64-unit rental property located in Levis, Quebec, and (iv) a 105-unit rental property located in Quebec City, Quebec.

NOTE 5. DISCONTINUED OPERATIONS

During the fourth quarter of 2009, the Trust completed: (i) the sale of a 65-unit property in Calgary, Alberta, which formed part of our Alberta segment in our segmented information disclosure; (ii) the sale of a 64-unit property located in Levis, Quebec, which formed part of our Quebec segment in our segmented information disclosure; and (iii) the sale of a 105-unit revenue producing property located in Quebec City, Quebec, which formed part of our Quebec segment in our segmented information disclosure.

During the second quarter of 2009, the Trust completed the sale of a 133-unit rental property located in Surrey, British Columbia. This property formed part of our British Columbia segment in our segmented information disclosure.

During the end of the third quarter of 2006, a revenue producing property consisting of 90 units in Calgary was classified as discontinued operations as a result of the Trust initiating an active program to dispose of this property. This property was developed into condominium units for sale at an aggregate price that is reasonable in relation to its current fair value. In 2009, the last remaining condominium unit was sold and closed (2008 – 39 units). This Calgary property formed part of our Alberta 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.

	Year ended December 31, 2009	Year ended December 31, 2008
Revenue		
Rental revenue	$ 3,364	$ 4,161
Expenses		
Revenue producing properties:		
Operating expenses	810	1,004
Utilities	347	528
Utilities rebate	(1)	(3)
Property taxes	303	324
Administration	25	(2)
Financing costs	797	1,065
Amortization of deferred financing costs	44	61
Amortization of capital assets	696	957
	3,021	3,934
	343	227
Gain on dispositions	11,614	4,908
Earnings from discontinued operations	$ 11,957	$ 5,135

As at	December 31, 2009	December 31, 2008
Discontinued Assets		
Properties held for redevelopment and sale	$ –	$ 27,278
Discontinued Liabilities		
Mortgages payable	$ –	$ 22,122

NOTE 6. MORTGAGES AND ACCOUNTS RECEIVABLE

The mortgages and accounts receivable comprise an aggregate amount of $3.0 million at December 31, 2009 (December 31, 2008 – $6.7 million) consisting mainly of mortgage holdbacks, refundable mortgage fees and amounts owed to Boardwalk REIT by customers and revenue-sharing business partners.

As at	December 31, 2009	December 31, 2008
Accounts receivable	$ 2,056	$ 2,713
Mortgage holdbacks and refundable mortgage fees	993	4,009
	$ 3,049	$ 6,722

NOTE 7. OTHER ASSETS

As at	**December 31, 2009**	December 31, 2008
Corporate technology assets	**$ 19,302**	$ 17,996
Less: accumulated amortization	**(16,147)**	(14,830)
Head office building	**4,406**	4,306
Less: accumulated amortization	**(1,482)**	(1,270)
In-place lease and customer relationship intangibles	**1,512**	1,512
Less: accumulated amortization	**(1,512)**	(841)
Prepaid parts and supplies	**2,899**	2,632
Prepaid property taxes	**739**	999
Prepaid and other	**4,191**	3,302
	$ 13,908	$ 13,806

NOTE 8. MORTGAGES PAYABLE

As at	**December 31, 2009**	December 31, 2008
(a) Secured by revenue producing properties		
Mortgages payable, net of unamortized deferred financing costs, bearing interest at rates ranging between 1.08% and 8.85% per annum with a weighted average rate of 4.47% per annum at December 31, 2009 (December 31, 2008 – 4.78%), payable in monthly principal and interest instalments totalling $11.3 million for the year ended December 31, 2009 (December 31, 2008 – $11.4 million), maturing from 2010 to 2020 and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage.	**$ 2,144,110**	$ 2,055,736
(b) Secured by other assets		
Mortgage payable, net of unamortized deferred financing costs, bearing interest at the rate of 7.92% per annum at December 31, 2009 and 2008, payable in monthly principal and interest instalments totalling $15 thousand for each of the years ended December 31, 2009 and 2008, maturing in September 2010 and is secured by a specific charge against the head office building. The interest rate is fixed for the term of the mortgage.	**1,528**	1,578
	$ 2,145,638	$ 2,057,314

Estimated future principal payments required to meet mortgage obligations as at December 31, 2009 are as follows:

	Secured By Revenue Producing Properties	Secured By Other Assets	Total
2010	**$ 472,912**	**$ 1,537**	**$ 474,449**
2011	**228,701**	**–**	**228,701**
2012	**476,379**	**–**	**476,379**
2013	**270,523**	**–**	**270,523**
2014	**417,048**	**–**	**417,048**
Subsequent	**367,113**	**–**	**367,113**
	$ 2,232,676	**$ 1,537**	**$ 2,234,213**
Unamortized deferred financing costs	**(88,931)**	**(9)**	**(88,940)**
Unamortized mark-to-market adjustment	**365**	**–**	**365**
	$ 2,144,110	**$ 1,528**	**$ 2,145,638**

Estimated future principal payments required to meet mortgage obligations as at December 31, 2008 were as follows:

	Secured By Revenue Producing Properties	Secured By Other Assets	Total
2009	$ 323,675	$ 53	$ 323,728
2010	419,954	1,537	421,491
2011	222,064	–	222,064
2012	675,057	–	675,057
2013	260,872	–	260,872
Subsequent	225,371	–	225,371
	$ 2,126,993	$ 1,590	$ 2,128,583
Unamortized deferred financing costs	(71,838)	(12)	(71,850)
Unamortized mark-to-market adjustment	581	–	581
	$ 2,055,736	$ 1,578	$ 2,057,314
Discontinued operations (NOTE 5)	(22,122)	–	(22,122)
	$ 2,033,614	$ 1,578	$ 2,035,192

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 CMHC and be subject to certain restrictive covenants, including limitation on additional debt, payment of distributions in respect of 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.

(c) Revolving credit facilities

During the years ended December 31, 2009 and 2008, the Trust had a committed revolving credit facility with a major financial institution. This credit facility was secured by a first or second mortgage charge on specific real estate assets. The maximum amount available varies with the value of pledged assets to a maximum not to exceed $200.0 million and an available limit of $200.0 million as at December 31, 2009 (December 31, 2008 – $200.0 million). The credit facility requires monthly interest payments and is renewable annually subject to the mutual consent of the lender and the Trust. To the extent the credit facility is not extended, the drawn-down principal would be due 364 days later. Approximately $198.2 million was available from this facility on December 31, 2009 (December 31, 2008 – $199.4 million). There was no amount outstanding at December 31, 2009 (December 31, 2008 – $nil) under this facility, except for three Letters of Credit ("LC") issued and outstanding. One LC was issued in favour of CMHC as noted above. The second LC in the amount of $356 thousand was issued in favour of the City of London, Ontario. The third LC was issued to the City of Windsor, Ontario in the amount of $1.2 million. The credit facility carried interest rates ranging from prime to prime plus 1.0% per annum and had no fixed terms of repayment.

NOTE 9. 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.

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 13).

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 15) 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 16(d).

NOTE 10. 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 (i.e., 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 and May 13, 2009. The deferred units had a weighted average fair value of $31.98 per unit at the grant date in 2009 (2008 – $33.45). Total compensation costs of $2.4 million were recognized (2008 – $2.0 million) in income related to executive bonuses and trustee fees under the deferred unit plan.

The status of the outstanding deferred units is as follows:

Summary of Deferred Unit Plan	# of Units Outstanding	# of Units Vested
December 31, 2007	**118,477**	–
Deferred units granted	**81,620**	20,156
Additional deferred units earned on units	**8,164**	3,240
Deferred units converted to Trust Units or cash	**(23,396)**	(23,396)
December 31, 2008	**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)
December 31, 2009	**201,882**	–

NOTE 11. 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:

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2007	**55,708,934**	$ 338,084
Units issued under distribution reinvestment plan	**56,718**	2,121
Deferred unit plan (NOTE 10)	–	1,162
Units issued for vested deferred units (NOTE 10)	**23,390**	819
Units purchased and cancelled	**(2,312,000)**	(85,413)
December 31, 2008	**53,477,042**	$ 256,773
Deferred unit plan (NOTE 10)	–	389
Units issued for vested deferred units (NOTE 10)	**57,425**	1,979
Units purchased and cancelled (see below)	**(790,000)**	(22,756)
December 31, 2009	**52,744,467**	**$ 236,385**

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.

Under the First Bid, the Trust purchased and cancelled, on a cumulative basis, 2,522,447 REIT Units (1,666,000 in fiscal 2008), representing a total purchase cost of approximately $103.9 million (fiscal 2008 – $65.3 million), or an average of $41.18 per Trust Unit (fiscal 2008 – $39.19 per Trust Unit).

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 has 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.

As of December 31, 2009, no Trust Units were purchased and cancelled under the Third Bid.

To date since August 2007, on a cumulative basis, the Trust has purchased and cancelled 3,958,447 REIT Units, representing a total purchase cost of approximately $146.7 million, or an average of $37.07 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:

(a) 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 pre-emptive 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.

(b) 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	48,269,467	
Special Voting Units issued to holders of LP Class B Units	4,475,000	
Total Trust Units	52,744,467	$ 236,385

NOTE 12. 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.

	Year ended December 31, 2009	Year ended December 31, 2008
Total operating cash flows	**$ 141,859**	$ 146,438
Net change in operating working capital	**(2,605)**	(11,488)
Deduct:		
Deferred financing costs amortization post May 2, 2004	**(3,837)**	(3,078)
Amortization of net premium on long-term debt assumed after May 2, 2004	**(109)**	(429)
Distributable income	**$ 135,308**	$ 131,443
Distribution declared to unitholders	**$ 95,250**	$ 97,972
Distributable income withheld	**$ 40,058**	$ 33,471
	$ 135,308	$ 131,443
Weighted average units outstanding – basic and diluted	**52,961,329**	54,442,382
Distributable income earned per unit – basic and diluted	**$ 2.555**	$ 2.414
Actual distributions declared per unit – basic and diluted	**$ 1.80**	$ 1.800
Distributions declared as a % of distributable income	**70.4%**	74.5%

Earnings per unit	**Year ended December 31, 2009**	Year ended December 31, 2008
Numerator		
Earnings from continuing operations	**$ 50,110**	$ 40,550
Earnings from discontinued operations	**11,957**	5,135
Denominator		
Denominator for basic and diluted earnings per unit – weighted average units	**52,961,329**	54,442,382
Earnings per unit from continuing operations		
Basic and diluted	**$ 0.94**	$ 0.75
Earnings per unit from discontinued operations		
Basic and diluted	**$ 0.23**	$ 0.09

NOTE 13. OTHER INCOME

During the first quarter of 2009, the Trust purchased and cancelled $7.6 million of unsecured debentures (see NOTE 9) 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.

NOTE 14. 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 the future income tax liability at June 30, 2007, which 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.

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 $100.2 million as at December 31, 2008, and decreased the amount by $5.0 million for the year ended December 31, 2009 to $95.2 million due to a decrease in enacted future tax rates.

	Year ended December 31, 2009	Year ended December 31, 2008
Continuing operations	**$ (5,646)**	$ 315
Total future income taxes (recovery)	**$ (5,646)**	$ 315

Future income taxes consist of the following:

	Year ended December 31, 2009	Year ended December 31, 2008
Tax expense (recovery) based on expected rate of 31% (2008 – 31%)	**$ (244)**	$ 308
Adjustment to future income tax liability	**(5,402)**	7
Future income taxes (recovery)	**$ (5,646)**	$ 315

The future income tax liability is calculated as follows:

As at	**December 31, 2009**	December 31, 2008
Tax asset related to operating losses	**$ 594**	$ 40
Tax liability related to differences in tax and book basis	**(95,550)**	(100,642)
Future income tax liability	**$ (94,956)**	$ (100,602)

NOTE 15. 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	**December 31, 2009**	December 31, 2008
Total assets	**$ 2,378,278**	$ 2,358,924
Amortization on building and non-building assets	**677,613**	596,107
Exchange value bump	**641,460**	641,460
	$ 3,697,351	$ 3,596,491
Mortgages payable	**$ 2,145,638**	$ 2,057,314
Unsecured debentures	**111,834**	119,073
Adjustment to debt	**–**	341
	$ 2,257,472	$ 2,176,728
Adjusted Debt-to-GBV	**61%**	61%

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 $330.7 million (December 31, 2008 – $340.8 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 16(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 December 31, 2009 (December 31, 2008 – $2.5 billion). Available liquidity as at December 31, 2009 included cash on hand of $190.3 million (December 31, 2008 – $123.2 million) as well as an unused committed revolving credit facility of $198.2 million (December 31, 2008 – $199.4 million). As at December 31, 2009 and 2008, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

NOTE 16. 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 December 31, 2009 and 2008 are as follow:

As at	**December 31, 2009**	December 31, 2008
Mortgages and accounts receivable		
Carrying value	**$ 3,049**	$ 6,722
Fair market value	**$ 3,049**	$ 6,722
Mortgages payable and debentures		
Carrying value	**$ 2,257,472**	$ 2,176,387
Fair market value	**$ 2,309,217**	$ 2,253,307

The fair value of the Trust's mortgages payable and debentures exceeded the recorded value by approximately $51.7 million at December 31, 2009 (December 31, 2008 – $76.9 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 December 31, 2009 and 2008, 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 December 31,	**2009**			2008		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Assets:						
Cash and cash equivalents	**$190,325**	**$ –**	**$ –**	$123,234	$ –	$ –

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

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.

At December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008, 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 as follows:

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 December 31, 2009 and 2008, the Trust had no amount outstanding on its committed revolving credit facility and, as such, of the Trust's total debt at December 31, 2009 and 2008, 100% was fixed-rate debt and 0% was floating-rate debt. For the years ended December 31, 2009 and 2008, all else being equal, the increase or decrease in net earnings for each 1% change in market interest rates would be $0.

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, accounts receivable from significant customers and tenant receivables. As at December 31, 2009 and 2008, no balance relating to mortgage holdbacks, refundable mortgage fees or accounts receivable from significant customers was past due.

In relation to mortgage holdbacks and refundable mortgage fees, 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) or when financing is completed (in the case of refundable mortgage fees), both 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. The majority of the balance relates to money owing from an energy provider as a result of the Alberta government natural gas rebate program and the Trust's revenue sharing initiatives. 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 December 31, 2009, this ratio was 2.28 to 1 (December 31, 2008 – 2.29 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 15, as at December 31, 2009, this amount was 61% (December 31, 2008 – 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 December 31, 2009 (December 31, 2008 – $1.2 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 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 December 31, 2009. 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 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 December 31, 2009, this ratio was 1.73 (December 31, 2008 – 1.70).

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 December 31, 2009, this ratio was 1.51 (December 31, 2008 – 1.56).

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 15, as at December 31, 2009, this ratio was 61% (December 31, 2008 – 61%).

As at December 31, 2009 and 2008, 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 19, the Trust has commitments to certain utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

NOTE 17. 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 December 31, 2009, the unamortized balances is $224 thousand (December 31, 2008 unamortized balance – $262 thousand) as $38 thousand was recognized in income under financing charges for the year ended December 31, 2009 (December 31, 2008 – $22 thousand).

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 December 31, 2009, 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.

NOTE 18. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, there were no related party transactions.

NOTE 19. COMMITMENTS AND CONTINGENCIES

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.

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.

NOTE 20. 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 December 31, 2009 is approximately $3.1 million (December 31, 2008 – $3.2 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 December 31, 2009 and 2008, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

NOTE 21. 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.

	Year ended December 31, 2009	Year ended December 31, 2008
Alberta		
Revenue	$ 254,425	$ 252,881
Expenses		
Operating	39,812	39,911
Utilities	22,379	28,624
Utility rebate	(375)	(1,920)
Property taxes	19,289	15,955
	81,105	82,570
Net operating income	$ 173,320	$ 170,311
Saskatchewan		
Revenue	$ 52,365	$ 46,473
Expenses		
Operating	7,329	7,650
Utilities	5,351	5,628
Property taxes	3,781	4,442
	16,461	17,720
Net operating income	$ 35,904	$ 28,753
Ontario		
Revenue	$ 37,950	$ 37,776
Expenses		
Operating	6,548	6,636
Utilities	6,604	6,584
Property taxes	5,536	6,530
	18,688	19,750
Net operating income	$ 19,262	$ 18,026
Quebec		
Revenue	$ 70,345	$ 69,025
Expenses		
Operating	11,418	12,994
Utilities	8,097	8,266
Property taxes	6,961	5,971
	26,476	27,231
Net operating income	$ 43,869	$ 41,794
British Columbia		
Revenue	$ 11,262	$ 11,026
Expenses		
Operating	1,429	1,878
Utilities	1,240	1,340
Property taxes	648	593
	3,317	3,811
Net operating income	$ 7,945	$ 7,215
Total		
Net operating income	$ 280,300	$ 266,099
Unallocated revenue*	1,339	2,618
Unallocated expenses**	(219,572)	(223,032)
Net earnings	$ 62,067	$ 45,685

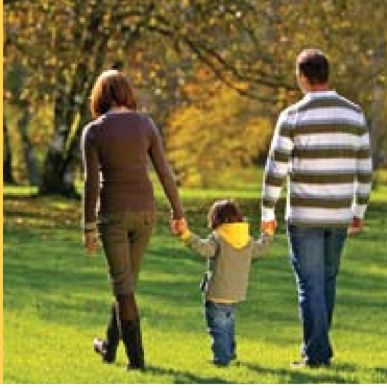
As at	December 31, 2009	December 31, 2008
Alberta		
Identifiable assets		
Revenue producing properties	$ 1,287,577	$ 1,297,066
Mortgages and accounts receivable	1,176	3,945
Tenants' security deposit	9,579	11,156
	$ 1,298,332	$ 1,312,167
Saskatchewan		
Identifiable assets		
Revenue producing properties	$ 164,063	$ 167,079
Mortgages and accounts receivable	556	651
Tenants' security deposits	2,824	2,610
	$ 167,443	$ 170,340
Ontario		
Identifiable assets		
Revenue producing properties	$ 202,320	$ 203,806
Mortgages and accounts receivable	191	44
	$ 202,511	$ 203,850
Québec		
Identifiable assets		
Revenue producing properties	$ 401,994	$ 405,659
Mortgages and accounts receivable	355	949
	$ 402,349	$ 406,608
British Columbia		
Identifiable assets		
Revenue producing properties	$ 95,343	$ 95,341
Mortgages and accounts receivable	30	33
Tenants' security deposits	483	435
	$ 95,856	$ 95,809
Total assets		
Identifiable assets	$ 2,166,491	$ 2,188,774
Unallocated assets***	211,787	170,150
	$ 2,378,278	$ 2,358,924

* 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.


Boardwalk Centre, Edmonton AB



CORPORATE INFORMATION

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Chairman of the Board
Calgary, Alberta

James Dewald (1) (2)
Calgary, Alberta

Gary Goodman (2) (3)
Toronto, Ontario

Art Havener (3)
St. Louis, MO

Ernest Kapitza (3)
Calgary, Alberta

Al Mawani (2)
Thornhill, Ontario

(1) Lead Trustee

(2) Member of the Audit and Risk Management Committee

(3) 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