

## Letter to Unitholders

We are pleased to report on a strong first quarter of 2008 for the Trust. Our Western Canadian markets continued to generate solid revenue growth again this quarter, garnering strength from impressive market fundamentals in Saskatchewan, and still strong, though less robust than in 2006 and 2007, fundamentals in Alberta. Funds from Operations (FFO) and FFO per Unit increased approximately 21.7% and 25.0%, respectively, year-over-year. In Edmonton, same store revenue and NOI increased an impressive 16.3% and 15.8%, respectively, in the first quarter of 2008, compared to the same period of the prior year.

Over the first quarter, market fundamentals in Saskatchewan continued to break regional records, driven by a vibrant economy and rising commodity prices for Saskatchewan-produced products. The strength of the province yielded strong revenue growth for the Trust, particularly in Saskatoon, Saskatchewan's largest centre. Monthly occupied rent in our property portfolio increased approximately \$21 in Saskatchewan in March 2008 over December 2007 and increased approximately \$125 year-over-year. Average market rents in Saskatchewan increased \$14 at the end of March 2008 compared to the end of December 2007, and increased \$234 year-over-year.

Our Alberta portfolio, which makes up approximately 54% of our portfolio overall, continued to perform over the first quarter. Despite a tempering of growth in some market fundamentals, Alberta continues to exhibit great economic strength, fueled by the province's thriving energy sector and strong employment opportunities. Especially strong fundamentals in Edmonton, our largest

market, contributed to strong revenue growth for the Trust in the first quarter.

In the last month of Q4 2007 and the first month of Q1 2008, there was a weaker seasonal rental demand in Alberta, and we believed that it was partially a result of reported market rental rates that were too high. We quickly adjusted our market rents downward and, with the support of our strong operations team, realized an increase in occupancy, supporting our assumption that high price was the primary contributor of the lower demand. In April, we were pleased to note a continued increase in Alberta's occupancy. As a result of the adjustments outlined above, average market rents were down approximately \$17 in Edmonton and up approximately \$11 in Calgary at the end of March 2008, compared to the end of December 2007. In Edmonton and Calgary, occupied rents increased approximately \$78 and \$52, respectively, in March 2008, compared to December 2007.

In both Calgary and Edmonton, the resale housing market recorded an increase in inventory over the first quarter of 2008, tempering the growth rate of housing prices. Though the expense gap between buying a house and renting remains significant, consumers now have increased housing options. We currently believe that in the short term, a more incremental approach to market rents and a focus on increasing occupancy is the most effective way to maximize revenue and retain Customer loyalty. By focusing on occupancy, we believe that we will increase revenue, promote Customer satisfaction and support sustainability for the Trust. While we work to increase occupancy, we believe that a certain level of vacancy is a necessary aspect of revenue maximization.

We continue to implement our three-pronged revenue maximization strategy, in which we actively monitor occupancy, adjust price and apply suite-specific incentives when necessary. In order to maximize revenues, we seek to achieve the optimal balance of price and occupancy.

As expected, our mark-to-market lease differential – the difference between the in-place rental revenue (based on actual rental rates obtained) and potential rental revenue (based on market rental rates) – decreased in the first quarter of 2008 as compared to the amount reported at December 31, 2007. The decrease is mainly attributed to the reported increase in occupied rent levels, with only a small amount relating to seasonal market rent adjustments in our Alberta portfolio. Across our portfolio, our mark-to-market was \$57 per suite per month in March 2008, down from the \$95 per suite per month in December 2007. The annualized total mark-to-market gap decreased from \$39.4 million in December 2007 to \$23.7 million in March 2008, adjusted for current vacancy. Though the mark-to-market gap has decreased over the first quarter, it still remains significant.

Our primary gains were achieved in our western markets this quarter; however, we continue to realize revenue growth in many of our eastern markets, despite tough economies. Our geographically diverse portfolio is a key aspect of the Trust's sustainability and one of our greatest assets for providing long-term value for all of our stakeholders.

#### AMENDMENT TO DECLARATION OF TRUST

At its special meeting of Unitholders on May 13, 2008, Boardwalk REIT Unitholders voted to adopt the previously announced amendment to its Declaration of Trust to change the definition of "Gross Book Value" by increasing the asset bump by \$410 million, from \$231 million to \$641 million. It is the Trust's intention to now approach its bondholders for approval of this change in the bondholders' trust deed. Boardwalk REIT is of the opinion that the proposed amendment to the definition of Gross Book Value will give the Trust increased flexibility to implement its strategic plan, which includes the purchase of accretive multi-family assets in the current competitive acquisition environment and, at the same time, execute its Trust Unit buy-back program.

#### SEQUENTIAL REVENUE ANALYSIS

Stabilized Revenue Growth	# Units	Q1 2008 vs. Q4 2007	Q4 2007 vs. Q3 2007	Q3 2007 vs. Q2 2007	Q2 2007 vs. Q1 2007
Calgary	4,973	3.3%	0.4%	0.8%	4.2%
Edmonton	10,369	5.3%	1.8%	3.9%	4.5%
Other Alberta	1,680	3.2%	1.9%	0.8%	(0.4)%
British Columbia	871	4.1%	(1.9)%	2.6%	1.8%
Ontario	4,265	(0.4)%	2.1%	(1.4)%	0.4%
Quebec	6,756	0.0%	0.2%	2.3%	0.6%
Saskatchewan	4,660	2.7%	4.6%	5.5%	2.3%
	33,574	2.9%	1.5%	2.4%	2.6%

On a sequential basis, stabilized revenues grew 2.9% from Q4 2007 to Q1 2008, 1.5% from Q3 2007 to Q4 2007, 2.4% from Q2 2007 to Q3 2007 and 2.6% from Q1 2007 to Q2 2007.

#### HIGHLIGHTS OF THE TRUST'S FIRST QUARTER 2008 FINANCIAL RESULTS INCLUDE:

- ▲ Rental revenues of \$102.2 million, an increase of 16.7%, compared to \$87.6 million for the three-month period ended March 31, 2007.
- ▲ Net operating income of \$60.5 million, representing a 18.6% increase, from \$51.0 million in the same period last year.
- ▲ FFO of \$27.7 million, an increase of 21.7%, compared to \$22.8 million for the three-month period ended March 31, 2007.
- ▲ FFO per Unit was \$0.50 on a diluted basis, up 25.0%, compared to \$0.40 for the three-month period ended March 31, 2007.
- ▲ DI per Unit was \$0.51, up 21.4%, from the \$0.42 per Unit for the three months ended March 31, 2007.

#### PORTFOLIO HIGHLIGHTS FOR THE FIRST QUARTER INCLUDE:

- ▲ The average vacancy rate across the Trust's portfolio for the first quarter of 2008 was 5.65%, up from 4.69% in the fourth quarter of 2007, and up from 4.39% for the first quarter of 2007.
- ▲ The average monthly rent realized in the first quarter of 2008 was \$931 per rental unit, up \$89 from \$842 per rental unit for the same period last year.
- ▲ The average market rent for the Trust's properties at the end of March 2008 was an estimated \$1,051 per rental unit per month, which compares to an average in-place monthly rent per occupied unit of \$994. This translates to an estimated 'loss-to-lease' of approximately \$23.7 million on an annualized basis, or \$0.43 per outstanding Trust Unit, given existing occupancy levels.
- ▲ For the first quarter, 'same-property' (or properties owned for a period of 24 months or longer) rental revenue grew by 9.6% compared to the same period last year, overall operating costs increased by 10.3%, resulting in same-property NOI increase of 9.1%. A total of 33,574 units, representing approximately 92% of Boardwalk REIT's total portfolio, were classified as stabilized as of March 31, 2008.

#### MARKET FUNDAMENTALS FROM ACROSS CANADA:

**Alberta:** After the stellar growth in Alberta in 2006 and much of 2007, a tempering in the growth rate of several indicators was noted over the fourth quarter of 2007 and the first quarter of 2008. The majority of fundamentals, however, remain at strong levels and continue to show growth at a sustainable and balanced pace. The Conference Board of Canada predicts that the Alberta economy will grow at a very respectable pace of 3.3% this year. Despite some moderation in Alberta, our three pronged revenue maximization strategy continues to produce results. By making adjustments to our market rents in the first quarter of 2008, we were able to increase occupancy and revenues.

At the end of the first quarter, Alberta posted a nation-leading employment participation rate of 74.7% and Canada's lowest unemployment rate at 3.4%. According to Statistics Canada, Alberta added 10,000 workers to its labor force in March, resulting in Alberta's employment level surpassing the two million mark for the first time. Statistics Canada reported that over the final quarter of 2007, Alberta's population continued to grow, fueled

by the highest international net migration in the nation and a strong natural increase. To accommodate the huge population influx in Alberta over the past few years, large infrastructure projects continue to create employment and add strength to the economy. Over the winter months, a decrease in interprovincial migration was reported in the province; however, we continue to track out-of-province rentals and are pleased to note a continued high number of new Customers from out of province.

As previously discussed, a large inventory of houses and condominiums for sale in Calgary and Edmonton has led to a moderation in the growth of housing prices. Despite moderating prices, many potential buyers are choosing to rent, reluctant to enter the housing market before prices stabilize. In Calgary, the average single family residential house price for March decreased a slight 1.13% year-over-year; however, year-to-date prices increased 2.42% in Q1 2008 year-over-year. In Edmonton, the average single family house price increased for the second month in a row, despite a slight year-over-year decrease at the end of March of 2.72%. The average residential sales price in Edmonton, which includes other types of residential property, increased 5.66% in March year-over-year. Despite tempered growth in the Alberta housing market this quarter, we believe that there is still room for growth, but at a sustainable and balanced pace.

Investment in Alberta's Oil Sands continues to promote economic growth for the province. Statistics Canada reported that in 2008, producers intend to invest \$19.7 billion in Alberta's Oil Sands, which represents a 23% yearly increase, following a 31% increase in 2007. Investment in the Oil Sands represents the largest five-year increase in investment in any sector, increasing from \$5.2 billion in 2003 to \$19.7 billion projected for 2008. Despite the new Alberta Oil Royalty Program, investment in the Alberta Oil Sands is robust and bodes well for the Alberta economy.

We are encouraged to note improved natural gas prices, which should promote increased oil and gas exploration and development in Alberta, especially in our Grand Prairie market, which has felt the negative effect of low natural gas prices in past quarters.

We continue to work with the provincial and municipal governments, as well as the Housing Authorities in each city to develop effective, long-term solutions to the affordable housing concern in Alberta. We are commit-

ted to our Customer-focused programs, which support Customer loyalty and long-term sustainability for the Trust. Our internally-mandated rent protection and subsidy programs represent our corporate values and our commitment to our Customers. Our Rent Protection Program, which has been in place since 1999, limits the rental increases current Customers can receive in a given year. This policy allows Customers to adjust to rising rental rates more slowly. Though this policy limits the rate at which we can achieve our mark-to-market, we believe that it increases our attractiveness to existing and potential Customers, resulting in greater revenues over the long term. Our internal subsidy program provides rental increase forgiveness to anyone who can prove financial hardship.

**Saskatchewan:** Market fundamentals in Saskatchewan continue to be extremely strong, showing economic strength in housing, migration, consumer spending and employment. A recently released report from the Conference Board of Canada predicts that in 2008, Saskatchewan's economy will grow at a rate of 3.6%, surpassing the predicted growth rate of Alberta.

Saskatchewan's high rate of growth is being propelled by strong commodity prices for products produced in Saskatchewan, such as uranium, potash, oil and wheat. Large capital projects related to these industries are also forecasted to add additional strength to the economy in 2008. The high price of oil and the flourishing oil industry in Alberta has also caught the attention of oil producers who see potential in Saskatchewan, resulting in increased oil exploration in the province.

Statistics Canada reported an increase of 5,400 jobs in Saskatchewan in March alone, the highest employment numbers for the month of March in the province's history. With an unemployment rate of 4.10% in March, Saskatchewan had the second-lowest unemployment rate in the nation. Interprovincial migration and wage growth are forecasted to remain strong as employment opportunities continue to expand.

In Saskatoon, the residential average home sales price increased 39% at the end of February, moving from \$187,594 in February of 2007 to \$261,857 in February of 2008. In Regina, the average residential home sale price increased 59% at the end of February, moving from \$126,328 in February of 2007 to \$201,987 in February of 2008. Though still low in relation to other major CMAs, the cost delta between owning a home and

renting a home continued to increase at a very rapid pace in Saskatchewan.

We remain committed to our rent protection and subsidy programs in even the tightest rental markets, and always remember that our Customers are the cornerstone of our business.

**British Columbia:** The scenic and economically vibrant Lower Mainland and Island regions of British Columbia continue to steadily support solid market fundamentals.

Home affordability in our British Columbia markets continued to erode over the first quarter. In March, the average price of a single family home in the Fraser Valley region of the Lower Mainland increased a healthy 8.1% year-over-year. In Greater Vancouver, the benchmark price of a single family home in March reached an extremely high \$764,616, increasing 12% year-over-year. In Victoria, the average sale price of a single family home in March increased 14.3% year-over-year.

British Columbia led employment gains for the nation in March. British Columbia also boasts a March unemployment rate of 4.3%, one of the lowest in Canada.

With strong fundamentals and high housing costs, our British Columbia markets continued to produce positive results this quarter. Market rents in British Columbia increased approximately \$29 at the end of March 2008 compared to December 2007. Occupied rents increased approximately \$39 in March 2008 compared to December 2007.

**Ontario:** Our Ontario markets continue to be hampered by the slowing US economy and high Canadian dollar. Though export and manufacturing has been dampened, the province continues to show some resiliency.

The Ontario unemployment rate was 6.4% in March 2008, up slightly from 6.1% in February but down from 6.6% in March of 2007. The housing market in Ontario remains relatively strong, with average residential house prices in London increasing approximately 7.1% in March year-over-year. In Windsor, average residential prices increased 2.6% in March year-over-year.

Despite difficult conditions, revenues were up slightly in London and expenses decreased slightly in Windsor. Our Ontario Associates continue to work to increase occupancy in this difficult market.

**Quebec:** The Quebec economy has also felt negative ramifications from the high Canadian dollar and slow US economy. Despite tough fundamentals, our dedicated team of Associates in Quebec continue to use innovation to support positive results. In Quebec, expenses decreased and revenue, NOI and occupancy all increased this quarter.

Of particular impact to our Quebec portfolio is last year's announcement from Bell Canada Enterprises (BCE), Canada's largest phone company, that they will be moving their national headquarter to Nun's Island, where we own 3,100 apartment units. The new \$250 million BCE headquarter will provide office space for approximately 5,000 BCE employees. Phase one of construction is scheduled to be completed in the fall of 2008 and phase two is scheduled to be completed in the spring of 2009. We anticipate that having the new BCE headquarter in such close proximity to our Nun's Island portfolio will create increased demand for apartment units, as BCE employees seek housing close to their workplace. Quebec's 400th birthday celebrations, taking place this summer, are also expected to provide an economic boost to Quebec's larger centres.

#### NEW PROPERTY DEVELOPMENT

We continue to explore the possibility of developing new multi-family rental product in select markets in Western Canada, focusing on several of our existing buildings in Calgary, Edmonton and Fort McMurray that feature excess density. The planning consultants estimate that in Calgary, an additional density of 6,200 to 12,700 apartment units could be achieved with re-zoning. In the Edmonton area, the consultants estimate 11,900 to 14,400 additional units could be achieved, along with 450 additional units in Fort McMurray.

It is important to note that we are in the early stages of this process, with the earliest completion of any new development between 2011 and 2012. As part of this investigation, we are considering a number of ways to surface this densification value, including direct development, joint venture and the sale of excess density. Though we are excited by this potential, it is important to note that in order to obtain the estimated maximum density, it will be necessary to demolish existing rental units. It is our belief that the key to this development is to find the optimal trade-off between maximizing density and retaining as much of the existing rental stock as possible. Boardwalk REIT believes that being prepared for all future opportunities is a key to our on-going success.

#### MAINTAINING FINANCIAL STRENGTH AND FLEXIBILITY

The Trust built upon its solid financial position throughout the first quarter of 2008. Boardwalk REIT's total principal mortgage and debt outstanding was \$2.1 billion as of March 31, 2008, as compared to \$1.7 billion as of March 31, 2007. As of March 31, 2008, the Trust's total debt had an average maturity of 3 years with a weighted average interest rate of 5.02% and debt-to-total enterprise value ratio was 49.0%.

We currently estimate that by the end of this fiscal year, upon bondholder approval, the Trust could have access to approximately \$450 million of available capital in the form of cash-on-hand; a secured, undrawn acquisition and operating facility; and estimated additional mortgage proceeds for the remainder of the year. The Trust's interest coverage ratio, excluding gains, for the three-month period ended March 31, 2008 was 2.14 times, compared to 2.11 times in the same period last year.

#### THE CURRENT CREDIT CRUNCH

Despite the tight credit market, the Trust has not experienced problems attracting bids on its maturing mortgages. Our credit security can be attributed to our high-quality debt, which is backed by the Government of Canada. While we continue to see further widening in credit spreads, we are still able to finance our mortgages well below maturing rates.

#### NORMAL COURSE ISSUER BID

We continue to believe that one of the best investments we can make is purchasing our Trust Units at current price levels. For the first quarter ended March 31, 2008, the Trust purchased 620,800 Trust Units in the public market for a total of \$23.0 million, or an average purchase price of \$37.06 per Trust Unit. As of May 01, 2008, Boardwalk REIT had purchased a cumulative total of \$65.68 million in Trust Units in the public market, representing 1,584,347 Trust Units with an average price of \$41.46 per Trust Unit.

#### SUBSEQUENT EVENT

Subsequent to March 31, 2008, Boardwalk REIT acquired a property in Calgary, Alberta, totaling 297 apartment units from an unrelated third party for an aggregate purchase price of \$48.8 million. The transaction is scheduled to close June 13, 2008 and will be funded using cash-on-hand.

## 2008 FINANCIAL GUIDANCE

Each quarter, we review our key assumptions in providing our financial guidance. Based on this review, we are maintaining our 2008 full year guidance for FFO per Unit of \$2.35 - \$2.50 and DI per Unit of \$2.37 - \$2.52; however, we are lowering our stabilized buildings NOI growth from the initial guidance of 8.0% - 14.0% to 8.0% - 12.0%. The reduction in our NOI has not resulted in a revision of FFO per Unit or DI per Unit full-year expectations, as we anticipate that this decrease will be compensated by lower overall expected financing charges and increased return on acquisitions. We are currently taking a more conservative approach to acquisitions, as we feel our normal course issuer bid will provide us with better value in the current year. We are reducing our new acquisition targets from the previously stated 1,000 - 2,000 units to 500 - 1,000 units.

## SUMMARY AND OUTLOOK

Our geographically diverse portfolio continued to be a key strength this quarter. With buildings in 19 markets and five provinces, we are well-equipped to deliver value now and into the future.

We are cautiously optimistic as we look forward to the remainder of the 2008 year. As we enter the traditionally strong spring and summer seasons, we feel that we are well-positioned for success. We believe that our quality assets, geographically diverse portfolio and experienced team of management and Associates will continue to provide long-term value for all of our stakeholders.

## IN CONCLUSION

I would like to thank our team of 1,200 Associates for their contribution to our success this quarter. This successful quarter would not be possible without their dedication, creativity and work ethic. I am proud to call myself a member of this talented and dynamic team.

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

Finally, I would like to thank our Customers for their support and for choosing to call a Boardwalk building home.

Sincerely,

(signed)  
Sam Koliaş,  
Chairman and CEO

# Management's Discussion and Analysis

For the Three Months Ended March 31, 2008

## FORWARD-LOOKING STATEMENTS

### **Caution regarding forward-looking statements**

*The terms "Boardwalk", "Boardwalk REIT", "the Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the three months ended March 31, 2008 and 2007. Our MD&A should be read in conjunction with our interim financial statements along with MD&A and audited consolidated financial statements for the two years ended December 31, 2007 and 2006 and all other publicly posted information on the Trust, including the most recently filed Annual Information Form. All these documents are located on SEDAR ([www.sedar.com](http://www.sedar.com)). Historical results and 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 2008 and future periods, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.*

*These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described in the MD&A of Boardwalk REIT's 2007 Annual Report under the heading Risks and Risk Management, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with real property ownership, competition for real estate investments, financing and interest rates, governmental regulations, environmental matters as well as unitholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that the general economy remains stable, interest rates are relatively stable; acquisition capitalization rates are stable; competition for acquisitions of residential apartments remains intense; and equity and debt markets continue to provide access to capital. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.*

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

## **Business Overview**

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

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT trust units trade on the Toronto Stock Exchange under the symbol "BEI.UN". Boardwalk REIT's principal 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. As at the end of the first quarter of 2008, Boardwalk REIT currently owned and operated in excess of 260 properties, comprised of 36,487 units (excluding a 90-unit property converted to condominiums, of which 74 units have been sold and closed as of March 31, 2008),

totaling approximately 40 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT's portfolio is concentrated in the provinces of Alberta, British Columbia, Saskatchewan, Ontario, and Quebec.

## Performance Review

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 strategic sale of selective real estate properties or the condominium conversion and sale of these suites. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT in higher value-added activities, including the acquisition of new rental properties, targeted property value enhancement or the purchase of Boardwalk REIT's trust units ("Trust Units") in the public securities market.

## Non-GAAP Financial Measures

Boardwalk REIT assesses and measures operating results based on performance measures referred to as "Funds From Operations" ("FFO") and "Distributable Income" ("DI"). Both DI and FFO are widely accepted supplemental measures on the performance of a Canadian real estate investment trust; however, they are not measures defined by generally accepted accounting principles ("GAAP"). The GAAP measurements most comparable to DI and FFO are total cash flow from operating activities and net earnings, respectively. DI and FFO, 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 and DI may differ from that of other real estate companies and trusts.

## Performance Measures

DI is computed as outlined in the Trust's Declaration of Trust ("DOT"). The DOT requires the Trust to pay out all taxable income to Unitholders in the form of monthly distributions. Currently, the Trust is distributing \$1.80 per Trust Unit on an annualized basis (or \$0.15 per Trust Unit on a monthly basis).

For the first quarter of 2008, the Trust declared distributions of \$25.0 million, representing approximately 88% of the reported DI for the quarter. It is the Trust's current policy to be paying out approximately 80% of reported DI on an annualized basis. The Trust previously had in place a Distribution Reinvestment Plan ("DRIP"). The essence of this plan is 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. Notification to that effect was mailed to DRIP participants on February 15, 2008. The suspension of the DRIP does not affect regular distributions and Unitholders will continue to receive the regular distribution as declared.

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

<b>FFO Reconciliation</b> In \$000's, except per unit amounts	<b>3 months Mar-08</b>	3 months Mar-07	% Change
Net earnings from continuing operations	\$ 3,365	\$ 3,683	
Adjustments			
Earnings from discontinued operations	\$ 2,267	\$ (52)	
Deduct gain on dispositions	\$ (2,267)	–	
Future income taxes (recovery)	\$ 2,381	\$ (232)	
Amortization of assets	\$ 21,938	\$ 19,358	
Funds from operations	\$ 27,684	\$ 22,757	21.7%
Funds from operations – per unit	\$ 0.50	\$ 0.40	25.0%

<b>Distributable Income Reconciliation</b> In \$000's, except per unit amounts	<b>3 Months Mar-08</b>	3 Months Mar-07	% Change
Total Operating Cash Flows	\$ 23,879	\$ 23,881	
Net change in operating working capital	\$ 5,273	\$ 155	
Deduct deferred financing costs amortization post May 2, 2004	\$ (731)	\$ (326)	
Mark-to-market debt adjustment post May 2004	\$ (124)	\$ (89)	
Distributable income	\$ 28,297	\$ 23,621	19.8%
Distributable income – per unit	\$ 0.51	\$ 0.42	21.4%

Overall, Boardwalk REIT earned \$27.7 million in total FFO for the three months ended March 31, 2008, compared to \$22.8 million for the same period last year, representing an increase of approximately 22%. FFO on a per Unit basis for the current quarter ended March 31, 2008 increased approximately 25% compared to the same period in the prior year, from \$0.40 to \$0.50. Reported DI for the three months ended March 31, 2008 was \$0.51 per Trust Unit, compared to \$0.42 for the same period last year, representing an increase of approximately 21%.

## 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 34 of the Annual Information Form dated February 19, 2008. Some of the main investment guidelines and operating policies as set out in the DOT are as follows:

### INVESTMENT GUIDELINES

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

### OPERATING POLICIES

1. Maximum debt capacity not to exceed 70% of Gross Book Value;
2. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria;
3. Both structural and environmental third party surveys are required prior to the acquisition of 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 ("CMHC") on site maintenance compensation to associates, repairs and maintenance, as well as capital upgrades.

## COMPLIANCE WITH DOT

At March 31, 2008, the Trust was in material compliance with all investment guidelines and operating policies stipulated in the DOT. More details will be provided later with respect to certain detailed calculations.

## FFO RECONCILIATION – Q1 2007 WITH Q1 2008

FFO Reconciliation	3 Months
FFO Opening – March 31, 2007	\$0.40
NOI from Stabilized	\$0.08
NOI from Unstabilized	\$0.09
Financing costs	\$(0.07)
Administration and other	\$(0.01)
Unit Buyback	0.01
<b>FFO Closing – March 31, 2008</b>	<b>\$0.50</b>

## Critical Accounting Policies

Boardwalk REIT's accounting policies are described in Note 2 (on page 43 of Boardwalk REIT's 2007 annual report) to the consolidated financial statements for the year ended December 31, 2007. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Real Property Association of Canada ("REALpac"). In applying these policies, in certain cases, it is necessary to use estimates. In determining estimates, Management uses the information available to the Trust at the time. 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. A more detailed discussion of Boardwalk REIT's critical accounting policies can be found on page 32 of Boardwalk REIT's 2007 annual report.

Note 3 of Boardwalk REIT's unaudited interim consolidated financial statements for the quarter ended March 31, 2008 provides an update to Boardwalk REIT's critical accounting policies. Four new accounting standards have come into effect for Boardwalk REIT as of January 1, 2008, while one new accounting standard is effective for the Trust's fiscal year commencing January 1, 2009. These five sections are CICA Handbook: Section 1535 – Capital Disclosure; Section 3031 – Inventories; Section 3064 – Goodwill and Intangible Assets; Section 3862 – Financial Instruments-Disclosure and Section 3863 – Financial Instruments-Presentation.

## IMPACT OF ADOPTION OF SECTIONS 1535, 3031, 3064, 3862 AND 3863

Our consolidated financial statements include consolidated statements of earnings and comprehensive income while the cumulative amount of other comprehensive income has been included as a separate section of unitholders' equity.

Section 1535 – Capital Disclosures requires the disclosure of both qualitative and quantitative information, which allows the users of financial statements to evaluate the entity's objective, policies and processes for managing capital.

Section 3031 – Inventories, which replaces Section 3030 – Inventories, provides guidelines on the measurement and costing of inventories, as well as allows for the reversal of inventory values previously written down. This new section also enhances disclosure requirements for inventory to include accounting policies and carrying amounts used to value inventory, inventory amounts recognized as an expense and disclosure of any write-downs or the reversal of any inventory write-downs previously recorded.

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 of intangible assets by profit-oriented enterprises. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

Section 3862 – Financial Instruments-Disclosure and Section 3863 – Financial Instruments-Presentation, which replaced Section 3861 – Financial Instruments Presentation and Disclosure, revise and enhance the disclosure requirements for

financial instruments and carry forward unchanged the presentation requirements for financial instruments. Section 3862 requires entities to provide disclosures in their financial statements that will allow the users to evaluate both the significance of financial instruments for the entity's financial position and performance, as well as the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The purpose of Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

Our unaudited consolidated financial statements for the three months ended March 31, 2008 include additional disclosures on capital management (NOTE 12) and financial instruments (NOTE 13).

There was no material impact to the unaudited consolidated financial statements on adoption of Section 3031 by the Trust.

Boardwalk REIT has also 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. The effective interest rate method calculates the effective interest rate over the expected life of the financial liability by adjusting the stated interest rate of the financial liability for any fees, transaction costs, and premiums or discounts paid or received. Any adjustment to the Trust's financial statements, as a result of adopting Section 3855 in 2007, was recognized by restating the balance of opening unitholders' equity. Comparative periods were 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 table below outlines the effect of adopting the new accounting standards on financial instruments:

(\$000's)	March 31, 2008	Dec. 31, 2007
<b>Mortgages Payable</b>		
Principal outstanding	\$ 1,955,773	\$ 1,827,793
Unamortized deferred financing costs	(64,451)	(58,821)
Unamortized mark-to-market adjustment	917	1,043
	<b>\$ 1,892,239</b>	<b>\$ 1,770,015</b>
<b>Debentures</b>		
Principal outstanding	\$ 120,000	\$ 120,000
Unamortized deferred financing costs	(1,156)	(1,232)
	<b>\$ 118,844</b>	<b>\$ 118,768</b>

#### BILL C-52

On June 22, 2007, Bill C-52 received Royal Assent in Canada. Under Generally Accepted Accounting Principles in Canada, once a bill is enacted, it is a requirement to record its income tax implications effective on that date. In accordance with Bill C-52, the assumption being made is that, effective January 1, 2011, Boardwalk REIT will no longer qualify as a real estate investment trust ("REIT") in accordance with the definition contained in that legislation, and will remain within certain "normal growth" limits such that it will be subject to income tax pursuant to this new legislation.

#### IMPACT OF BILL C-52 AND RELATED TECHNICAL AMENDMENTS

The impact of Bill C-52 on Boardwalk REIT may, at this time, mean that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules. Accordingly, the Trust has recorded an estimate of its future income tax liability at June 30, 2007 based on being subject to the tax prescribed by the SIFT rules on January 1, 2011. If Boardwalk REIT, or any other trust, does not qualify under these new rules, as of January 1, 2011, it no longer will be able to deduct its taxable distributions and, as such, will be required to pay tax on this amount at the prevailing federal corporate income tax rate, plus an additional 13% in lieu of provincial tax. The portion of the distribution that will be determined to be return of capital would continue not be subject to tax. The SIFT rules generally will not apply to a trust that qualified as a SIFT trust on October 31, 2006, until January 1, 2011.

Under Canadian accounting rules, Boardwalk REIT is required to make an adjustment assuming these new rules were in effect on the substantively enacted date of June 22, 2007. The result is that the Trust recorded a future income tax

liability at June 30, 2007 of \$111.1 million. This amount was adjusted quarterly, resulting in a future income tax liability of \$99.9 million as at December 31, 2007. This amount was increased by \$2.8 million to \$102.7 million at March 31, 2008. At a future time, if it has been deemed that the Trust would be in compliance with the definition of a REIT as defined under the SIFT rules, the amount of this future income tax liability will be reversed. The reported adjustment of \$2.8 million for the first quarter of 2008 had no impact on reported Funds From Operations or Distributable Income, although it does impact reported earnings and cumulative earnings. Although the adjustments to earnings and cumulative earnings at March 31, 2008 are significant, they are not large enough to affect any existing debt covenants currently in place, including those related to Boardwalk REIT's unsecured debentures.

On December 20, 2007, the Federal Government announced its intention to make technical amendments to Bill C-52, in particular, amendments clarifying the definition of a REIT, which is exempted from the SIFT rules. In particular, it is proposed that revenue of a subsidiary trust will be treated as revenue from real property. Although the details of these amendments have not been released, it is the current belief of management that if these amendments are enacted by Parliament and based on the current information provided, the Trust would qualify as a REIT under the SIFT rules and, accordingly, will reverse the future income tax liability shown on its balance sheet.

If these amendments are not passed, it is still the belief of management that we will be able to adjust existing policies and/or restructure to qualify as a REIT under these new SIFT rules. Management continues to work with industry organizations as well as the Department of Finance on these and other outstanding issues.

## Hedging Activities

This year, 2008, marks the first year the Trust has 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. To date, we have found that, due to existing credit conditions in the market, this appears to be the strategy that results in lower overall interest rates.

### BOND FORWARD TRANSACTION

In the first quarter 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 in 2008, was for a total 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 amount of \$100,000 related to these changes. Boardwalk REIT assessed this one particular bond forward contract as no longer being an effective hedge and payment of this \$100,000 settlement fee has been included as part of the financing costs. The remaining bond forward contracts in the Transaction have been assessed by Boardwalk REIT to be effective hedges as at March 31, 2008.

### INTEREST RATE SWAP

In 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 is May 1, 2008 and will continue to be designated as such until the date of maturity, May 1, 2015. Hedge accounting will be applied to these agreements in accordance with CICA Handbook section 3865.

Boardwalk REIT has determined that there is no ineffectiveness in the hedging of its interest rate exposure, other than the one single bond forward contract noted above. The effectiveness of the hedging relationship will be reviewed on a quarterly basis and measured at fair value. Any gains or losses which arise as a result of the "effectiveness" of the hedge will be recognized in Other Comprehensive Income ("OCI"). The ineffective portion of the 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, while the total amount of mortgage debt subject to the interest rate swaps is \$91.5 million.

## Review of Rental Operations

In 000's, except per apartment unit amounts	3 Months Mar-08	3 Months Mar-07	Change
Rental revenue	\$ 102,209	\$ 87,570	16.7%
Expenses			
Operating expenses	\$ 18,559	\$ 15,541	19.4%
Utilities	\$ 16,724	\$ 13,862	20.6%
Utility rebate	\$ (1,258)	\$ (925)	36.0%
Property taxes	\$ 7,679	\$ 8,068	-4.8%
	\$ 41,704	\$ 36,546	14.1%
Net operating income	\$ 60,505	\$ 51,024	18.6%
Average rental revenue per unit per month	\$ 931	\$ 842	10.6%
Operating costs per unit per month	\$ 381	\$ 355	7.3%
Operating margins	59%	58%	

Overall, Boardwalk REIT's rental operations from continuing operations reported strong results. Of the reported increase in rental revenue of 16.7% for the three months ended March 31, 2008, approximately 92% is mainly the effect of revenue generated from our same-store properties, or properties referred to as stabilized. More specifically, the increase in rental revenue is mainly attributable to the performance of our properties in the provinces of Alberta and Saskatchewan. Total rental expenses increased by 14.1% for the three months ended March 31, 2008, the combined effect of an increase in the overall number of units owned by the Trust, increased operating costs in the province of Alberta and higher costs for natural gas. Higher operating costs in Alberta are mainly due to additional units acquired in 2007, higher utility costs and higher advertising expense. Property taxes decreased 4.8% for the three months ended March 31, 2008, compared to the same period last year. The decrease in property taxes is primarily due to a refund received during the quarter on the Trust's Nun's Island properties in Montreal, Quebec. The refund was the result of a reassessment of the property tax mill rates charged for the 2007 year and the first quarter of 2008. 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 refunds; however, due to the uncertainty of the amount and timing of the related refunds, these amounts are only reported when they are received.

Overall, operating margins for the current quarter increased to 59% from 58% for the comparative period, mainly due to revenues increasing at a faster rate than reported costs.

For the current and prior comparative periods, 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 was \$4.7 million for the three months ended March 31, 2008 compared to \$4.4 million for the three months ended March 31, 2007. The increase was due to additional apartment units added in 2007.

## Estimated Loss-to-Lease Calculation

Boardwalk REIT's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents on March 31, 2008, adjusted for current occupancy levels, totaled \$23.7 million on an annualized basis, representing \$0.43 per outstanding Trust Unit. Approximately one-half of the estimated loss-to-lease can be attributed to the Trust's more than nineteen thousand apartment units located in the province of Alberta, where the mark-to-market on existing rents is approximately \$58 per apartment unit per month, or \$12.9 million. 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 Boardwalk REIT Customer decides to remain in his/her apartment unit at the end of the lease agreement, it is the Trust's self-imposed internal policy that the rent will not increase more than \$150 in any twelve-month period. Until April 24, 2007, the Trust divided this increase into two parts and only increased existing rental levels by \$75 every six months for a total maximum of \$150 in any twelve-month period. This change in policy was a result of new legislation introduced by the Alberta Provincial Government in 2007. 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.

	Mar 2008 Occupied Rent	Mar 2008 Market Rent	Mark-to- Market Per Month	Annualized Mark-to-Market Adjusted for Vacancies (\$000's)	Weighted Average Units	% of Portfolio
Calgary	\$ 1,218	\$ 1,271	\$ 53	\$ 3,087	5,169	14%
Edmonton	\$ 1,086	\$ 1,145	\$ 59	\$ 8,290	12,583	34%
Other Alberta	\$ 1,116	\$ 1,186	\$ 69	\$ 1,533	1,967	5%
Alberta Portfolio	\$ 1,124	\$ 1,182	\$ 58	\$ 12,910	19,719	53%
Saskatchewan	\$ 803	\$ 953	\$ 150	\$ 8,071	4,660	13%
Ontario	\$ 782	\$ 782	\$ -	\$ -	4,265	12%
Quebec	\$ 896	\$ 918	\$ 22	\$ 1,709	6,756	19%
British Columbia	\$ 903	\$ 983	\$ 79	\$ 988	1,087	3%
<b>Total Portfolio</b>	<b>\$ 994</b>	<b>\$ 1,051</b>	<b>\$ 57</b>	<b>\$ 23,678</b>	<b>36,487</b>	<b>100%</b>

Below is a table that reconciles the decrease in estimated loss-to-lease at December 2007 compared to the amount at March 2008 for our Alberta portfolio.

	Total	Per Trust Unit
Dec 2007 - Alberta	\$ 29,216,000	\$ 0.53
Occupied Rent Achieved	\$ (15,800,000)	\$ (0.29)
Vacancy Adjustment	\$ 923,000	\$ 0.02
Market Rent Adjustment	\$ (1,429,000)	\$ (0.03)
<b>Mar 2008 - Alberta</b>	<b>\$ 12,910,000</b>	<b>\$ 0.23</b>

The decrease in the loss-to-lease for our Alberta portfolio, from \$29.2 million at December 2007 to \$12.9 million at March 2008, was due primarily to achieving growth in "Occupied Rent" totaling \$15.8 million, with a marginal decrease in market rents.

## BOARDWALK REIT'S PORTFOLIO VACANCY

City	Q1 2008	Q1 2007
Calgary	6.32%	4.03%
Edmonton	7.02%	3.54%
Gatineau	1.67%	10.00%
Kitchener	2.03%	3.75%
London	4.16%	4.47%
Montreal	5.72%	4.92%
Other Alberta	6.04%	4.50%
Quebec City	3.82%	5.68%
Regina	5.42%	3.29%
Saskatoon	1.64%	1.21%
Windsor	7.95%	7.95%
Vancouver	4.34%	5.18%
Verdun	3.55%	6.55%
Victoria	2.98%	5.84%
<b>Total</b>	<b>5.65%</b>	<b>4.39%</b>

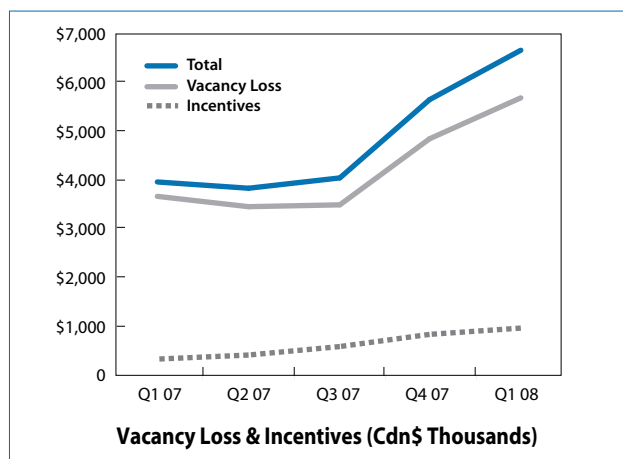
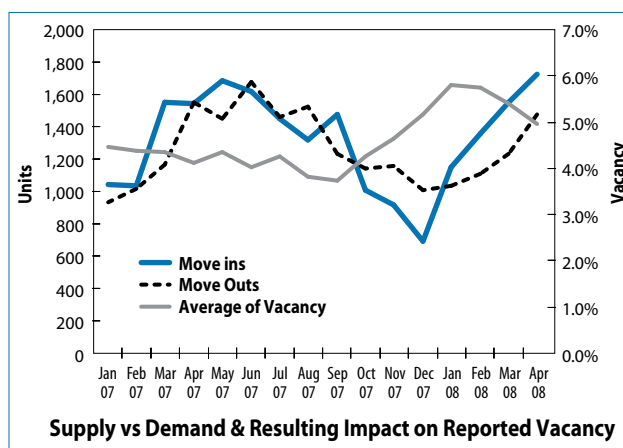
The first quarter of fiscal 2008 saw the portfolio's overall vacancy rate increase to 5.65% from 4.39% for the same period in the prior year. The reported increase is mainly the result of an increase in the reported vacancy rates in Calgary, Edmonton, Grand Prairie, Regina and Montreal. The 6.04% vacancy rate for "Other Alberta" includes Grande Prairie, which is experienced higher vacancies as a result of record low rig utilization and a past trend of low natural gas prices.

Although overall vacancy rates increased in the current quarter, the Trust was still able to report a significant growth in overall reported rental revenue. Boardwalk's strategy of longer-term revenue maximization continues, with reported vacancy being only one variable in this process.

The issue of demand and supply, as with other industries, 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 vacancy. The cumulative impact of demand being greater than supply, or vice versa, is the primary driver in the reported vacancy rate. The upward trend in vacancy levels experienced in the fourth quarter of 2007 and the beginning of 2008 reversed in February of 2008 due to Boardwalk REIT's effort to reduce vacancy and increase occupancy levels given changes in current market rent conditions. This decrease is quite remarkable given that the first quarter tends to be the weakest demand period.

### VACANCY LOSS AND INCENTIVES

Vacancy loss and rental incentives given 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 above chart details, on a quarterly basis, rental incentives given versus vacancy loss and the impact of the two on overall rental revenue. The reported increase in vacancy loss was mainly the result of a significant increase in overall market rental rates, particularly in Alberta, combined with an increase in vacancy rates from previous quarters.

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

#### BRITISH COLUMBIA RENTAL OPERATIONS

In \$000's	3 Months Mar-08	3 Months Mar-07	Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 2,966	\$ 2,771	7.0%
Rental expenses:			
Operating expenses	\$ 620	\$ 621	-0.2%
Utilities	\$ 497	\$ 401	23.9%
Property taxes	\$ 150	\$ 148	1.4%
	\$ 1,267	\$ 1,170	8.3%
Net operating income	\$ 1,699	\$ 1,601	6.1%
Operating margins	57.3%	57.8%	

Boardwalk REIT entered British Columbia during the first quarter of 2005 and continued to increase its position in 2006 and 2007. The increase in rental revenue and related expenses are mainly due to this increase in the number of apartment units. Operating margins for the first quarter of 2008 were in-line compared to the same period in the prior year; however, utility cost increase of 24% is mainly the result of increased natural gas prices.

#### ALBERTA RENTAL OPERATIONS

In \$000's	3 Months Mar-08	3 Months Mar-07	Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 61,119	\$ 49,166	24.3%
Rental Expenses:			
Operating expenses	\$ 10,483	\$ 7,536	39.1%
Utilities	\$ 8,865	\$ 6,648	33.3%
Utilities rebate	\$ (1,255)	\$ (922)	
Property taxes	\$ 3,491	\$ 3,196	9.2%
	\$ 21,584	\$ 16,458	31.1%
Net operating income	\$ 39,535	\$ 32,708	20.9%
Operating margins	64.7%	66.5%	

Boardwalk REIT's Alberta operations for the three months ended March 31, 2008 have posted strong growth when compared to the amounts reported for the same period during fiscal 2007. The reported increase in rental revenues is mainly due to the combined effect of the addition of new apartment units in the remainder of fiscal 2007 and an increase in the reported in-place occupied rents for this province.

Overall, operating costs increased by 31.1% for the three months ended March 31, 2008. The reported increase in costs for the three-month period compared to the prior year was mainly due to the addition of new apartment units in the current period, higher wages and salaries and higher natural gas costs.

### SASKATCHEWAN RENTAL OPERATIONS

In \$000's	3 Months Mar-08	3 Months Mar-07	Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 10,682	\$ 9,212	16.0%
Rental Expenses:			
Operating expenses	\$ 1,664	\$ 1,594	4.4%
Utilities	\$ 2,363	\$ 1,725	37.0%
Property taxes	\$ 1,132	\$ 1,171	-3.3%
	\$ 5,159	\$ 4,490	14.9%
Net operating income	\$ 5,523	\$ 4,722	17.0%
Operating margins	51.7%	51.3%	

Boardwalk REIT's Saskatchewan operations reported strong results for the three months ended March 31, 2008 compared to the same period in fiscal 2007. Overall, for the current quarter, rental revenue increased by 16.0%. The increase is mainly the result of strong rental market fundamentals in both Regina and Saskatoon. Operating costs increased by 14.9% for the three months ended March 31, 2008, compared to the same period in the prior year, mainly as a result of higher utility costs, in particular natural gas costs.

### ONTARIO RENTAL OPERATIONS

In \$000's	3 Months Mar-08	3 Months Mar-07	Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 9,435	\$ 9,376	0.6%
Rental Expenses:			
Operating expenses	\$ 1,593	\$ 1,515	5.1%
Utilities	\$ 2,012	\$ 2,028	-0.8%
Property taxes	\$ 1,573	\$ 1,756	-10.4%
	\$ 5,178	\$ 5,299	-2.3%
Net operating income	\$ 4,257	\$ 4,077	4.4%
Operating margins	45.1%	43.5%	

Boardwalk REIT's Ontario operations reported relatively stable rental revenue for the three months ended March 31, 2008 compared to the same period last year. Operating expenses decreased by 2.3% for the three months ended March 31, 2008, compared to the same period in the prior year. Property taxes were lower by 10.4% for the three months ended March 31, 2008 due to the successful appeal of property tax assessments on our Ontario properties. Utilities showed a decrease compared to the same period in the prior year due to a natural gas supply contract for Ontario that expired on June 1, 2007 and set the price of natural gas near \$8.00/GJ.

### QUEBEC RENTAL OPERATIONS

In \$000's	3 Months Mar-08	3 Months Mar-07	Change
	(Unaudited)	(Unaudited)	
Rental revenue	\$ 17,470	\$ 17,014	2.7%
Rental Expenses:			
Operating expenses	\$ 3,563	\$ 2,965	20.2%
Utilities	\$ 2,892	\$ 2,994	-3.4%
Property taxes	\$ 1,303	\$ 1,889	-31.0%
	\$ 7,758	\$ 7,848	-1.1%
Net operating income	\$ 9,712	\$ 9,166	6.0%
Operating margins	55.6%	53.9%	

Boardwalk REIT's Quebec operations reported small gains in rental revenue. Reported revenue increased by 2.7% for the three months ended March 31, 2008, compared to the same period in the prior year, due to marginally improving results on existing properties. Reported rental expenses are down from the same periods in the prior year, mainly due to reduced property taxes as the result of a reassessment of property tax mill rates on our Nun's Island Portfolio in Montreal. Utilities showed a decrease compared to the same period in the prior year due to a natural gas supply contract for Quebec that expired on June 1, 2007 and set the price of natural gas near \$8.00/GJ.

#### STABILIZED PROPERTY RESULTS

Boardwalk REIT defines a stabilized property as one that the Trust has owned for a period of at least two years. The definition is simply one of term of ownership, and the Trust believes to be the most useful on a comparative basis to the prior year. It is not the intent for the definition to indicate market maturity. Boardwalk REIT's overall percentage of stabilized properties was 92% of its total rental unit portfolio as at March 31, 2008, or a total of 33,574 units. The following compares the "same-store" results for the three months ended March 31, 2008 with the same period in the prior year.

Mar 31 2008 - 3 M	# Units	% Revenue Growth	% Operating Expense Growth	% Net Operating Income Growth	% of NOI
Calgary	4,973	9.1%	19.9%	4.8%	20.7%
Edmonton	10,369	16.3%	17.1%	15.8%	35.8%
Other Alberta	1,680	5.6%	18.2%	-0.4%	6.1%
British Columbia	871	6.2%	11.1%	2.9%	2.5%
Ontario	4,265	0.6%	-2.3%	4.3%	7.7%
Quebec	6,756	2.7%	-1.0%	5.8%	17.5%
Saskatchewan	4,660	16.0%	17.8%	14.2%	9.7%
	33,574	9.6%	10.3%	9.1%	100.0%

Mar 31 2008 - 3 M	# Units	Revenue Growth	Operating Expense Growth	NOI Growth	% of NOI
Calgary	4,973	\$ 1,402,508	\$ 878,244	\$ 524,264	20.7%
Edmonton	10,369	\$ 4,356,293	\$ 1,647,417	\$ 2,708,876	35.8%
Other Alberta	1,680	\$ 281,712	\$ 294,620	\$ (12,908)	6.1%
British Columbia	871	\$ 143,516	\$ 103,864	\$ 39,653	2.5%
Ontario	4,265	\$ 56,202	\$ (120,972)	\$ 177,174	7.7%
Quebec	6,756	\$ 461,628	\$ (74,441)	\$ 536,069	17.5%
Saskatchewan	4,660	\$ 1,470,218	\$ 799,221	\$ 670,998	9.7%
	33,574	\$ 8,172,078	\$ 3,527,952	\$ 4,644,125	100.0%

For the first quarter 2008, same-store revenue increased by 9.6% compared to the same period in the prior year. Despite rental expenses increasing by 10.3%, net operating income growth improved overall by 9.1%. The increase in reported stabilized revenue was driven mainly by the Trust's Alberta operations, which account for approximately 63% of the Trust's reported stabilized net operating income. The majority of the reported increase in rental operating expenses for the three months ended March 31, 2008 was due to higher utility costs, particularly the cost of natural gas. This increase was partially offset by an increase in the reported Alberta Provincial Natural Gas Rebate in the first quarter of 2008, as compared to the first quarter of 2007. For further information on the Alberta Provincial Natural Gas Rebate program, please visit the following website: [www.energy.gov.ab.ca](http://www.energy.gov.ab.ca). If we were to exclude this rebate from our analysis, stabilized property Net Operating Income for the three months ended March 31, 2008 would have decreased to 8.64% as compared to the reported 9.1%.

On a sequential basis, stabilized revenues reported at March 31, 2008 were up 2.9% over Q4 2007, 4.4% over Q3 2007, 6.8% over Q2 2007 and 9.6% over Q1 2007. As we expected, the tempered growth which we saw in Q1 2007 (mainly as the result of the implications of the Alberta provincial rental increase restrictions in 2007, which allow only one increase per year), has been pushed into Q1 2008 and we expect that we will see the implications of this pushed into Q2 2008 as

well. Boardwalk REIT continues to experience growth in its reported stabilized revenue as occupied rent and occupancy levels continue to show an upward trend.

### **Financing costs**

Financing costs for the first quarter of 2008 have increased from the same period in the prior year, due primarily to the increased leverage resulting from Boardwalk REIT's mortgage refinancing and renewals in the first quarter of 2008. The increased interest expense on the additional financing was partially offset by the lower overall interest rate on its mortgage portfolio. As at March 31, 2008, the reported weighted average interest rate on its mortgage and debt portfolio was 5.02%, down from 5.11% reported at December 31, 2007, and down from 5.28% reported at March 31, 2007. The average maturity of the mortgage and debt portfolio is approximately 3 years.

Boardwalk REIT's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value. Once acquired, these properties undergo various value enhancing upgrades as part of Boardwalk REIT's stabilization program.

Boardwalk REIT concentrates on multi-family residential real estate; thus, it is eligible to obtain government-backed insurance through the National Housing Act ("NHA"), which is administered by the Canadian Mortgage and Housing Corporation ("CMHC"). The benefits of purchasing this insurance are twofold.

The first benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing compared to spreads on conventional mortgage financing.

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.

At March 31, 2008, approximately 99% of Boardwalk REIT's mortgage secured debt was backed by this NHA insurance with a weighted average amortization period of approximately 29 years.

### **Administration**

Administration reported was \$5.8 million for the three months ended March 31, 2008 compared to \$5.3 million for the same period in the prior year. This represents an increase of 8.8% and is mainly due to higher wages and salaries and higher professional fees incurred.

### **Deferred financing costs amortization**

The amounts reported here relate primarily to the amortization and / or write-off of CMHC premiums, which are paid as part of its 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. For the three months ended March 31, 2008, deferred financing costs of approximately \$295,000 were written off due to mortgage refinancing, compared to \$500,000 for the same period in the prior year. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. In the current quarter, Boardwalk REIT continued to take advantage of CMHC's new product to increase its leverage rather than refinance the entire mortgage.

### **Amortization**

The amounts reported as amortization of capital and intangible assets from continuing operations for the three months ended March 31, 2008 of \$21.9 million has increased by \$2.6 million from the \$19.3 million reported in the comparable period in 2007. The reported increase for the current three-month period compared to the same period in the prior year was due to new property units acquired in 2007.

## Real Estate Assets

### ACQUISITIONS

During the three months ended March 31, 2008, Boardwalk REIT did not add any additional apartment units to its portfolio.

	3 months ended March 31, 2008	3 months ended March 31, 2007
Cash paid	\$ -	\$ 160,191
Debt assumed	-	31,209
Total purchase price	-	191,400
Fair value adjustments to debt	-	376
Book value	\$ -	\$ 191,776
Allocation of book value to revenue producing properties	\$ -	\$ 185,949
Allocation of book value to other assets	-	5,827
	\$ -	\$ 191,776
Multi-family units acquired	-	1,543

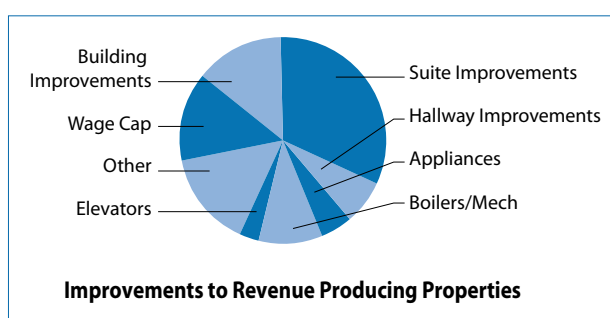
### DISPOSITIONS

	3 months ended March 31, 2008	3 months ended March 31, 2007
Cash received	\$ 8,381	\$ -
Cost of dispositions	-	-
Total proceeds	8,381	-
Net book value	6,114	-
Gain on dispositions	\$ 2,267	\$ -
Multi-family units sold	24	-

Dispositions in the first quarter of 2008 consist of the sales and closings of 24 units in a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale (in total, 74 units of the 90-unit property have been sold and closed in 2007 and the first quarter of 2008). Under the percentage of completion method, sales of \$8.4 million for the three months ended March 31, 2008 were recorded against cost of sales of \$6.1 million, resulting in reported gain on disposition of \$2.3 million for the current quarter.

### Capital Improvements

For the first three months of fiscal 2008, Boardwalk REIT invested approximately \$16.3 million in its properties in the form of project enhancements, an increase of \$1.9 million from the \$14.4 million invest in the same period in 2007. The increase in the current period compared to the same period in the prior year is due primarily to new apartment units acquired in 2007 that are undergoing value-enhancing upgrades. The following chart details in which areas these funds were expended for the three months ended March 31, 2008.



Included in these amounts is approximately \$2.0 million of capitalized on-site wages and salaries, compared to \$1.6 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".

## Maintenance of Productive Capacity

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

Maintenance capital expenditures are funded from operating cash flows. These expenditures are deducted from FFO in order to estimate a sustainable amount of Adjusted Funds From Operations ("AFFO") that can be distributed to Unitholders. Maintenance capital includes those expenditures of a capital nature that are not considered 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 more focused on increasing the productivity of the property, with the goal of increasing the FFO generated at that property.

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

in 000's of \$ except for per suite amounts	3 Months Mar-2008	Per Suite
Maintenance Capital Expenditures	\$ 4,105	\$ 450
Stabilizing and Value Enhancing Capital Expenditures	\$ 12,220	\$ 1,340
	\$ 16,325	\$ 1,790

If we compare the funds generated by the Trust after adjusting for the required maintenance capital, we note that the Trust is currently paying out an estimated 90% of reported FFO and 106% of AFFO for the three-month period ended March 31, 2008.

(\$000's)	3 Months Mar-08
Funds From Operations (FFO)	\$ 27,684
Maintenance Capital Expenditures	\$ 4,105
Adjusted Funds From Operations (AFFO)	\$ 23,579
Unitholder Distributions	\$ 24,958
Distribution as a % of FFO	90%
Distribution as a % of AFFO	106%

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. It should be noted that the first quarter tends to be the trusts weakest reported quarter of the fiscal year mainly the result of seasonal costs related to utility costs. On an annual basis, the Trust is targeting a payout ratio of approximately 80% of FFO.

## Unitholders' Equity

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

Summary of Unitholders' Capital Contributions	Units	Amount
December 31, 2006	56,351,783	\$ 365,744
Units issued under distribution reinvestment plan	205,185	8,917
Issue Costs	-	-
Deferred unit plan	-	1,750
Units purchased and cancelled	(856,447)	(38,576)
December 31, 2007	55,708,934	\$ 338,084
Units issued under distribution reinvestment plan	56,718	2,121
Issue costs	-	-
Deferred unit plan	-	461
Units issued for vested deferred units	-	-
Units purchased and cancelled	(620,800)	(23,009)
<b>March 31, 2008</b>	<b>55,144,852</b>	<b>\$ 317,657</b>

In the third quarter of fiscal 2007, Boardwalk REIT filed an application for a Normal Course Issuer Bid (the "Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allows Boardwalk REIT to purchase and cancel up to 4,267,048 Trust Units, representing 10% of the public float of its Trust Units at the time of the TSX approval. The Bid will terminate on the earlier of one year from the date of commencement of the Bid on August 17, 2007, or at such time as purchases under the Bid are complete.

Under the Bid, the Trust purchased and cancelled 620,800 REIT Trust Units in the first quarter of 2008, representing a total market value of approximately \$23.0 million, or an average of \$37.06 per Trust Unit.

As is reported on the face of the balance sheet, the Trust has Unitholders' Equity of \$102.6 million. To better allow the reader to review the details of this account, the Trust now includes a separate Consolidated Statement of Unitholders' Equity. As 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, it is estimated that about 70% of Boardwalk REIT's distribution will be in the form of a return of capital with the remainder 30% 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. 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.

For the quarter ended March 31, 2008, Unitholders' Equity was also affected by a non-cash adjustment for future income taxes in the amount of \$2.8 million, due to the possibility that the Trust may not qualify as a REIT as defined under the new SIFT rules and, as such, will be subject to income tax beginning January 1, 2011.

Boardwalk REIT has one class of voting securities known as "REIT Units". As at March 31, 2008, there were 50,669,852 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 55,144,852.

## Liquidity and Capital Resources

As at March 31, 2008, Boardwalk REIT had approximately \$91.7 million of cash and cash equivalents compared to approximately \$1 million as at the end of 2007 fiscal year. The increase was due to increasing our mortgage amounts as mortgages matured during the first quarter of 2008. The funds were in the form of cash-on-hand or short-term money market instruments.

Boardwalk REIT's financial position continues to be strong, with the overall debt level reported at 66% of Gross Book Value ("GBV"). GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately \$231 million. The following chart sets out the Trust's recomputed GBV:

<b>Gross Book Value Calculation (\$000's)</b>	<b>Mar-08</b>	<b>Dec-07</b>
Total reported assets	\$ 2,277,925	\$ 2,195,888
Reported amortization	533,123	513,514
Conversion adjustment (May 2004)	231,460	231,460
	<b>\$ 3,042,508</b>	<b>\$ 2,940,785</b>
Mortgages payable	\$ 1,892,239	\$ 1,770,015
Debentures	\$ 118,844	\$ 118,768
Market adjustment on mortgages (May 2004)	\$ 8,005	\$ 10,560
	<b>\$ 2,019,088</b>	<b>\$ 1,899,343</b>
Debt to GBV	<b>66%</b>	65%
DOT Limit	<b>70%</b>	70%

With a DOT stipulation not to exceed 70% on Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio to facilitate with future investment in the acquisition and or development of apartment assets.

Subsequent to March 31, 2008, the Trust requested its Unitholders to vote and approve the amendment to the definition of Gross Book Value ("GBV") to increase the asset bump by an additional \$410 million, from \$231 million to \$641 million.

Currently, Boardwalk REIT has a credit facility with a major financial institution with the maximum available of approximately \$200 million. As at March 31, 2008, no amount of the credit facility was drawn on. For the first quarter of 2008, 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 2.14 as compared to 2.11 for the same period last year.

#### **MORTGAGE AND DEBT SCHEDULE**

Year	Principal Outstanding as at Mar. 31, 2008	Weighted Average Interest Rate By Maturity	% of Total
2008	198,230,998	5.91%	9.55%
2009	269,130,882	5.37%	12.97%
2010	300,820,837	4.77%	14.49%
2011	125,985,630	5.67%	6.07%
2012	821,145,259	4.78%	39.56%
2013	225,919,748	4.62%	10.88%
2014	4,180,673	5.91%	0.20%
2015	83,781,093	4.66%	4.04%
2016	25,319,943	5.34%	1.22%
2018	6,705,031	6.18%	0.32%
2019	10,985,550	5.99%	0.53%
2020	3,567,629	7.24%	0.17%
Total Principal Outstanding	2,075,773,271	5.02%	100.00%

#### **SUBSEQUENT EVENT**

Subsequent to March 31, 2008, Boardwalk REIT acquired a property in Calgary, Alberta, totaling 297 apartment units from an unrelated third party for an aggregate purchase price of \$48.8 million. The transaction is scheduled to close June 13, 2008 and will be funded using cash-on-hand.

## Financial Outlook and Market Guidance

In its 2007 Annual Report, Boardwalk REIT outlined specific targets for its fiscal 2008 overall financial performance. The Trust, on a quarterly basis, reviews the key assumptions used in determining this guidance and if warranted, makes adjustments. Based on this review, we are maintaining our 2008 full year guidance for both FFO and DI per Unit; however, we are lowering our stabilized buildings NOI growth from the initial guidance 8.0% - 14.0% to 8.0% - 12.0%. The reduction in our NOI has not resulted in a revision in either FFO per Unit or DI per Unit full year expectations, as we anticipate that this decrease will be compensated by lower overall expected financing charges and increased return on acquisitions. We are currently taking a more conservative approach to acquisitions, as we feel our normal course issuer bid will provide us with better value in the current year. We are reducing our new acquisition targets from the previously stated 1,000 - 2,000 units to 500 - 1,000 units.

	2008 Original Objectives	2008 Revised Guidance
FFO Rental Operations	\$2.35 to \$2.50	\$2.35 to \$2.50
Distributable Income	\$2.37 to \$2.52	\$2.37 to \$2.52
New Unit Acquisitions	1,000 to 2,000	500 to 1,000
Stabilized Buildings NOI growth	8% to 14%	8% to 12%

In addition to the above financial guidance for 2008, the Trust has assumed the following capital will be invested back into its existing portfolio for the upcoming year.

Capital Budget	2008 Budget	Per Unit	Q1 2008	Per Unit
Maintenance Capital	\$ 16,430	\$ 450	\$ 4,105	\$ 450
Stabilizing & Value Added Capital	\$ 57,484	\$ 1,575	\$ 12,220	\$ 1,340
	\$ 73,914	\$ 2,025	\$ 16,325	\$ 1,790

In total, Boardwalk REIT estimates it will invest a total of \$73.9 million (or \$2,025 per apartment unit) in 2008 for capital improvements. For the first quarter of 2008, Boardwalk REIT has incurred \$16.3 million (or \$1,790 per apartment unit) of capital improvements.

## Additional Information

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

Respectfully,

(signed)  
Roberto A. Geremia  
President

(signed)  
William Wong  
Chief Financial Officer

## CONSOLIDATED BALANCE SHEETS

(Cdn\$ Thousands)

As at	March 31, 2008	December 31, 2007
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Revenue producing properties (NOTE 4)	\$ 2,138,794	\$ 2,149,853
Other assets (NOTE 5)	16,503	15,776
Mortgages and accounts receivable	10,067	10,071
Segregated tenants' security deposits	13,309	12,935
Cash and cash equivalents	91,675	960
Discontinued operations (NOTE 6)	7,577	6,293
	<b>\$ 2,277,925</b>	<b>\$ 2,195,888</b>
<b>LIABILITIES</b>		
Mortgages payable	\$ 1,892,239	\$ 1,770,015
Debentures (NOTE 7)	118,844	118,768
Accounts payable and accrued liabilities	44,983	48,279
Refundable tenants' security deposits and other	16,591	16,186
	<b>2,072,657</b>	<b>1,953,248</b>
Future income taxes (NOTES 3 and 11)	102,668	100,287
	<b>2,175,325</b>	<b>2,053,535</b>
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' equity	102,600	142,353
	<b>\$ 2,277,925</b>	<b>\$ 2,195,888</b>

Commitments and contingencies (NOTE 14)

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(Cdn\$ Thousands, except per UNIT amounts)

	3 months ended March 31, 2008	3 months ended March 31, 2007
	(Unaudited)	(Unaudited)
<b>REVENUE</b>		
Rental income	\$ 102,209	\$ 87,570
<b>EXPENSES</b>		
Revenue producing properties:		
Operating expenses	18,559	15,541
Utilities	16,724	13,862
Utility rebate (NOTE 14)	(1,258)	(925)
Property taxes	7,679	8,068
Administration	5,754	5,291
Financing costs	25,595	21,669
Deferred financing costs amortization	1,468	1,279
Amortization of capital assets	19,999	18,136
Amortization of intangibles	1,939	1,198
	96,459	84,119
<b>Earnings from continuing operations before income taxes</b>	5,750	3,451
Current income taxes	4	-
Future income taxes (recovery) (NOTE 11)	2,381	(232)
<b>Earnings from continuing operations</b>	3,365	3,683
Earnings (loss) from discontinued operations, net of tax (NOTE 6)	2,267	(52)
<b>Net earnings</b>	5,632	3,631
<b>Other comprehensive income</b>	-	-
<b>Comprehensive income</b>	\$ 5,632	\$ 3,631
<b>Basic earnings per unit (NOTE 10)</b>		
– from continuing operations	\$ 0.06	\$ 0.06
– from discontinued operations	0.04	-
<b>Basic earnings per unit</b>	\$ 0.10	\$ 0.06
<b>Diluted earnings per unit (NOTE 10)</b>		
– from continuing operations	\$ 0.06	\$ 0.06
– from discontinued operations	0.04	-
<b>Diluted earnings per unit</b>	\$ 0.10	\$ 0.06

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Cdn\$ Thousands, except number of units)

	3 months ended March 31, 2008	3 months ended March 31, 2007
	(Unaudited)	(Unaudited)
<b>Trust units (NOTE 9)</b>		
Balance, beginning of period	\$ 338,084	\$ 365,744
Units issued under equity financing, net of issue costs	-	(136)
Units issued under distribution reinvestment plan	2,121	2,450
Deferred unit plan (NOTE 8)	461	630
Unit purchased and cancelled (NOTE 9)	(23,009)	-
Balance, end of period	\$ 317,657	\$ 368,688
<b>Cumulative earnings</b>		
Balance, beginning of period	\$ 95,591	\$ 154,917
Net earnings for the period	5,632	3,631
Balance, end of period	\$ 101,223	\$ 158,548
<b>Accumulated other comprehensive income</b>		
Balance, beginning of period	\$ -	\$ -
Other comprehensive income for the period	-	-
Balance, end of period	\$ -	\$ -
<b>Cumulative distributions to unitholders</b>		
Balance, beginning of period	\$ (291,322)	\$ (201,794)
Distributions declared to unitholders (NOTE 10)	(24,958)	(20,861)
Balance, end of period	\$ (316,280)	\$ (222,655)
<b>Total unitholders' equity</b>	<b>\$ 102,600</b>	<b>\$ 304,581</b>
<b>Units issued and outstanding</b>	<b>55,144,852</b>	<b>56,411,163</b>

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Cdn\$ Thousands)

	3 months ended March 31, 2008	3 months ended March 31, 2007
	(Unaudited)	(Unaudited)
<b>Operating activities</b>		
Net earnings	\$ 5,632	\$ 3,631
Loss (earnings) from discontinued operations, net of tax	(2,267)	52
Future income taxes (recovery)	2,381	(232)
Amortization of capital assets	19,999	18,136
Amortization of intangibles	1,939	1,198
Amortization of deferred financing costs	1,468	1,279
	<b>29,152</b>	<b>24,064</b>
Cash from discontinued operations	-	(28)
Net change in operating working capital	(5,273)	(155)
Total operating cash flows	<b>23,879</b>	<b>23,881</b>
<b>Financing activities</b>		
Issue of trust units (net of issue costs) (NOTE 9)	2,121	2,313
Distributions paid	(25,012)	(20,854)
Unit repurchase program (NOTE 9)	(23,009)	-
Financing of revenue producing properties	209,387	246,140
Repayment and maturity of debt on revenue producing properties	(81,362)	(109,701)
Deferred financing costs incurred	(7,022)	(5,175)
	<b>75,103</b>	<b>112,723</b>
<b>Investing activities</b>		
Purchases of revenue producing properties (NOTE 4)	-	(160,191)
Improvements to properties	(16,325)	(14,370)
Net cash proceeds from sale of properties (NOTE 4)	8,381	-
Additions to corporate technology assets	(323)	(335)
	<b>(8,267)</b>	<b>(174,896)</b>
<b>Net increase (decrease) in cash and cash equivalents balance</b>	<b>90,715</b>	<b>(38,292)</b>
<b>Cash and cash equivalents (bank indebtedness), beginning of period</b>	<b>960</b>	<b>(4,042)</b>
<b>Cash and cash equivalents (bank indebtedness), end of period</b>	<b>\$ 91,675</b>	<b>\$ (42,334)</b>
<b>Supplementary cash flow information:</b>		
Taxes paid	\$ 4	\$ -
Interest paid	\$ 26,542	\$ 21,064
<b>Net change in operating working capital:</b>		
Net change in mortgages and accounts receivable	\$ 4	\$ (666)
Net change in other assets	(2,012)	(829)
Net change in tenants' security deposits	31	189
Net change in accounts payable and accrued liabilities	(3,296)	1,151
	<b>\$ (5,273)</b>	<b>\$ (155)</b>

See accompanying notes to the consolidated financial statements

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2008

(Tabular amounts in Cdn\$ thousands, except number of units and per unit amounts unless otherwise stated)

(UNAUDITED)

## 1. ORGANIZATION OF TRUST

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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 and May 10, 2007, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

## 2. BASIS OF PRESENTATION

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These unaudited interim consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2007, except as disclosed in Note 3 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make 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.

Due to seasonality, the operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2008 due to seasonal variations in utility costs and other factors. Historically, Boardwalk REIT has experienced higher utility expenses in the first quarter as a result of the winter months, resulting in variations in the quarterly results.

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

## 3. ACCOUNTING CHANGES

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On January 1, 2008, the Trust adopted four new accounting standards issued by the CICA as outlined below:

- a) Section 1535 – Capital Disclosures
- b) Section 3031 – Inventories
- c) Section 3862 – Financial Instruments – Disclosure
- d) Section 3863 – Financial Instruments – Presentation

Section 1535 – Capital Disclosures requires the disclosure of both qualitative and quantitative information, which allows the users of financial statements to evaluate the entity's objective, policies and processes for managing capital.

Section 3031 – Inventories, which replaced Section 3030 – Inventories, provides guidelines on the measurement and costing of inventories, as well as allows for the reversal of inventory values previously written-down. This new section also enhances disclosure requirements for inventory to include

accounting policies and carrying amounts used to value inventory, inventory amounts recognized as an expense and disclosure of any write-downs or the reversal of any inventory write-downs previously recorded.

Section 3862 – Financial Instruments-Disclosure and Section 3863 – Financial Instruments-Presentation, which replaced Section 3861 – Financial Instruments Presentation and Disclosure, revises and enhances the disclosure requirements for financial instruments and carry forward unchanged the presentation requirements for financial instruments. Section 3862 requires entities to provide disclosures in their financial statements which allow the users to evaluate both the significance of financial instruments for the entity's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The purpose of Section 3863 is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

#### **Impact of Adoption of Sections 1535, 3031, 3862 and 3863**

Our consolidated financial statements include additional disclosures on capital management (NOTE 12) and financial instruments (NOTE 13).

There was no material impact to the consolidated financial statements on adoption of Section 3031 by the Trust.

#### **Bill C-52**

On June 22, 2007, Bill C-52 received Royal Assent in Canada. As a result of this, under Canadian GAAP, once a bill is enacted, it is a requirement to record the income tax implications effective on that date. In accordance with Bill C-52, the assumption being made is that, effective January 1, 2011, Boardwalk REIT will no longer qualify as a Real Estate Investment Trust ("REIT") in accordance with the definition contained in that legislation, and will remain within certain "normal growth" limits such that it will be subject to income tax pursuant to this new legislation.

#### **Impact of Bill C-52**

The impact of our interpretation of Bill C-52 on Boardwalk REIT was that, based on a detailed review of the legislation, at this time it may be interpreted that the Trust does not qualify as a REIT, which would be exempt from the specified investment flow-through ("SIFT") rules, and as such has recorded an estimate of its the future income tax liability at December 31, 2007 based on it being subject to the tax prescribed by the SIFT rules on January 1, 2011. The result is that the Trust recorded a future income tax liability at December 31, 2007 of \$99.9 million, which was revised upward by \$2.8 million to \$102.7 million at March 31, 2008. At a future time, once it has been deemed that the Trust would be in compliance with the SIFT rules, the amount of the adjustment will be reversed. Although the adjustment to earnings and cumulative earnings at March 31, 2008 is significant, it is not large enough to affect any existing debt covenants currently in place, including those stipulated for Boardwalk REIT's unsecured debentures. At this time, it is the belief of the Trust that it will be in compliance with the existing and or amended legislation prior to the effective date of January 1, 2011.

At March 31, 2008, the technical amendments announced in late December 2007 had not received Royal Assent. However, if these amendments receive Royal Assent, as was the case with Bill C-52, it is believed that Boardwalk REIT would qualify as a REIT and will reverse the future income tax liability reported in these financial statements.

#### **Hedging Relationships**

During the three months ended March 31, 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 in 2008, was for \$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 amount of \$100,000 related to the changes. This contract was assessed to be ineffective and the settlement amount of \$100,000 has been included in financing

costs. All other remaining bond forward contracts in the Transaction have been assessed as effective as at March 31, 2008.

During the three months ended March 31, 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 is May 1, 2008 and 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, while the total amount of the mortgage debt subject to the interest rate swap is \$91.5 million. Hedge accounting will be applied to these agreements in accordance with CICA Handbook section 3865.

The Trust has assumed that there is no ineffectiveness in the hedge of its interest rate exposure. 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 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.

#### Future Changes in Significant Accounting Policies

Boardwalk REIT monitored the recently issued CICA accounting pronouncements to assess the applicability and impact, if any, of these new pronouncements on our consolidated financial statements and note disclosures. The CICA issued one new accounting standard that is effective for the Trust's fiscal year commencing January 1, 2009:

##### a) 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. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

The new accounting pronouncement is not expected to have any material impact to the consolidated financial statements on adoption.

## 4. REVENUE PRODUCING PROPERTIES

### Acquisitions

	3 months ended March 31, 2008	3 months ended March 31, 2007
Cash paid	\$ –	\$ 160,191
Debt assumed	–	31,209
Total purchase price	–	191,400
Fair value adjustments to debt	–	376
Book value	\$ –	\$ 191,776
Allocation of book value to revenue producing properties	\$ –	\$ 185,949
Allocation of book value to other assets	–	5,827
	\$ –	\$ 191,776
Multi-family units acquired	–	1,543

## Dispositions

	3 months ended March 31, 2008	3 months ended March 31, 2007
Cash received	\$ 8,381	\$ -
Cost of dispositions	-	-
Total proceeds	8,381	-
Net book value	6,114	-
Gain on dispositions	\$ 2,267	\$ -
Multi-family units sold	24	-

Included in dispositions are the sales and closings of 24 units in a 90-unit property located in Calgary, Alberta that is being developed into condominium units for sale (see NOTE 6). Under the percentage of completion method, sales of \$8.4 million for the three months ended March 31, 2008 were recorded against cost of sales of \$6.1 million.

## 5. OTHER ASSETS

As at	March 31, 2008	December 31, 2007
Corporate technology assets (net of accumulated amortization)	\$ 3,138	\$ 3,100
Head office building (net of accumulated amortization)	2,421	2,307
Deposits on potential property acquisitions	250	-
Prepaid parts and supplies	2,701	2,791
In-place lease and customer relationship intangibles (net of accumulated amortization)	1,747	3,686
Prepaid property taxes	3,143	1,312
Prepaid and other	3,103	2,580
	\$ 16,503	\$ 15,776

Accumulated amortization for corporate technology assets and head office building at March 31, 2008 were \$13.8 million and \$1.1 million, respectively (December 31, 2007 – \$13.5 million and \$1.1 million, respectively). Accumulated amortization for in-place lease and customer relationship intangibles at March 31, 2008 was \$17.1 million (December 31, 2007 – \$15.2 million)

## 6. DISCONTINUED OPERATIONS

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 is being developed into condominium units for sale at a price that is reasonable in relation to its current fair value (See NOTE 4). This Calgary property formed part of our Alberta segment in our segmented information disclosure.

During the first quarter of 2007, the Trust acquired a property in Edmonton, Alberta, consisting of two buildings totalling 51 apartments. Prior to the closing of the acquisition, the Trust received an unsolicited offer to sell this property to an unrelated third party, which the Trust accepted. This property was, therefore, classified as discontinued operations upon acquisition.

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

	3 months ended March 31, 2008	3 months ended March 31, 2007
<b>Revenue</b>		
Rental income	\$ –	\$ 188
<b>Expenses</b>		
Revenue producing properties:		
Operating expenses	–	87
Utilities	–	45
Utility rebate	–	(5)
Property taxes	–	23
Administration	–	53
Financing costs	–	13
Amortization of capital assets	–	24
	–	240
	–	(52)
Gain on dispositions	2,267	–
<b>Earnings (loss) from discontinued operations</b>	<b>\$ 2,267</b>	<b>\$ (52)</b>
	<b>March 31, 2008</b>	December 31, 2007
<b>Discontinued Assets</b>		
Properties held for redevelopment and sale	<b>\$ 7,577</b>	\$ 6,293

## 7. DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of \$120 million. The debentures are rated “BBB” with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% 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 amortized over the term of the unsecured debentures. At March 31, 2008 the Trust was in compliance with all the covenants reported in the debenture, the covenants are discussed in NOTE 13(c).

## 8. DEFERRED UNIT PLAN

During 2006, the Trust implemented a deferred unit plan. The plan entitles trustees and officers, at the participant’s option, to receive deferred units in consideration for trustee fees or executive 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, at their option, to receive an equivalent number of Trust Units or the equivalent value in cash of the vested deferred units and the corresponding additional deferred units. The deferred unit plan was approved by unitholders on May 10, 2006. The deferred units had a weighted average fair value of \$38.87 per unit at the grant dates in 2008 (2007 – \$45.87; 2006 – \$25.48). For the quarter ended March 31, 2008, total compensation costs of \$0.5 million (2007 – \$0.6 million) were recognized in income related to employee awards under the deferred unit plan.

The status of the outstanding deferred units is as follows:

<b>Summary of Deferred Unit Plan</b>	<b>Outstanding</b>	<b>Vested</b>
<b>December 31, 2006</b>	73,746	–
Deferred units granted	51,722	–
Additional deferred units earned on unvested units	3,487	–
Deferred units cancelled	(10,478)	–
<b>December 31, 2007</b>	118,477	–
Deferred units granted	24,781	–
Additional deferred units earned on unvested units	1,548	–
<b>March 31, 2008</b>	<b>144,806</b>	–

9.

**UNITHOLDERS' CAPITAL**

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. 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 will entitle the holder to receive notice of, attend and vote at all meetings of unitholders. There is no value assigned to the Special Voting units. The LP Class B units issued are included in the unitholders' capital contributions on the balance sheet. The changes in unitholders' capital contribution are as follows:

<b>Summary of Unitholders' Capital Contributions</b>	<b>Units</b>	<b>Amount</b>
<b>December 31, 2006</b>	56,351,783	\$ 365,744
Units issued under distribution reinvestment plan	205,185	8,917
Issue costs	–	(151)
Deferred unit plan	–	1,750
Units issued for vested deferred units (NOTE 8)	8,413	400
Units purchased and cancelled (NOTE 8)	(856,447)	(38,576)
<b>December 31, 2007</b>	55,708,934	\$ 338,084
Units issued under distribution reinvestment plan	56,718	2,121
Deferred unit plan (NOTE 8)	–	461
Units purchased and cancelled	(620,800)	(23,009)
<b>March 31, 2008</b>	<b>55,144,852</b>	<b>\$ 317,657</b>

In August of 2007 Boardwalk REIT filed an application for a normal course issuer bid (the "Bid"), which received regulatory approval from the Toronto Stock Exchange on August 10, 2007. The Bid allows Boardwalk REIT to purchase and cancel up to 4,267,048 trust units, representing 10% of the public float of its trust units at the time of the TSX approval. The Bid will terminate on the earlier of one year from the date of commencement of the Bid on August 17, 2007 or at such time as purchases under the Bid are complete.

Under the Bid, the Trust has purchased and cancelled 620,800 REIT units in the first quarter of 2008, representing a total market value of approximately \$23.0 million, or an average of \$37.06 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	50,669,852	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	55,144,852	\$ 317,657

**10.**

**DISTRIBUTABLE INCOME AND PER UNIT INFORMATION**

**Distributable income per unit**

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under the DOT, as amended and restated, the Trust is required to distribute, at a minimum, its reported taxable income. 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 as 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 they are, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	<b>3 months ended March 31, 2008</b>	3 months ended March 31, 2007
Total operating cash flows	\$ 23,879	\$ 23,881
Net change in operating working capital	5,273	155
Deduct:		
Deferred financing costs amortization post May 2, 2004	(731)	(326)
Amortization of net premium on long-term debt assumed after May 2, 2004	(124)	(89)
Distributable income	\$ 28,297	\$ 23,621
Distributions declared to unitholders	\$ 24,958	\$ 20,861
Distributable income withheld	\$ 3,339	\$ 2,760
	\$ 28,297	\$ 23,621
Weighted average units outstanding – basic and diluted	55,424,413	56,387,144
Distributable income earned per unit	\$ 0.511	\$ 0.419
Actual distributions declared per unit	\$ 0.450	\$ 0.370

#### Earnings per unit

	<b>3 months ended March 31, 2008</b>	3 months ended March 31, 2007
<b>Numerator</b>		
Earnings from continuing operations	\$ 3,365	\$ 3,683
Earnings (loss) from discontinued operations	\$ 2,267	\$ (52)
<b>Denominator</b>		
Denominator for basic earnings per unit – weighted average units	55,424,413	56,387,144
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion	55,424,413	56,387,144
<b>Earnings per unit from continuing operations</b>		
Basic	\$ 0.06	\$ 0.06
Diluted	\$ 0.06	\$ 0.06
<b>Earnings per unit from discontinued operations</b>		
Basic	\$ 0.04	–
Diluted	\$ 0.04	–

## 11.

### 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 income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. On June 22, 2007, Bill C-52 received royal assent (see Note 3 for further details). As such, the Trust, to be in compliance with Canadian GAAP, was required to estimate what the impact of the reported tax amount would be on January 1, 2011. This estimate is reviewed quarterly and adjusted, if necessary.

	<b>3 months ended March 31, 2008</b>	3 months ended March 31, 2007
Continuing operations	\$ 2,381	\$ (232)
Total future income taxes (recovery)	\$ 2,381	\$ (232)

Future income taxes (recovery) consist of the following:

	<b>3 months ended March 31, 2008</b>	3 months ended March 31, 2007
Tax expense based on expected rate	\$ 60	\$ 109
Adjustment to future income tax liabilities	2,321	(341)
Future income taxes (recovery)	<b>\$ 2,381</b>	<b>\$ (232)</b>

The future income tax liability is calculated as follows:

As at	<b>March 31, 2008</b>	December 31, 2007
Tax asset (liability) related to operating losses	\$ 334	\$ (90)
Tax liability related to differences in tax and book basis	(103,002)	(100,197)
Future income tax liability	<b>\$ (102,668)</b>	<b>\$ (100,287)</b>

## 12.

### CAPITAL MANAGEMENT

The Trust defines capital resources as the aggregate of unitholders' equity, debt (both secured and unsecured), internally generated funds 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's DOT as well as existing debt covenants while continuing to build long-term Unitholder value. 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 ("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 maximum total debt levels up to 70% of Gross Book Value ("GBV") as defined in the DOT as total assets plus accumulated amortization of income properties as recorded by the Trust (and calculated in accordance with GAAP) and to this amount an additional amount of \$231 million ("Bump") is added as was 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, however, subsequent to the current quarter ended the Trust has requested its Unitholders to vote and approve an additional bump to its existing GBV (see NOTE 17). The following table highlights Boardwalk REIT's existing leverage ratio:

As at	<b>March 31, 2008</b>	December 31, 2007
Total assets	<b>\$ 2,277,925</b>	\$ 2,195,888
Amortization	533,123	513,514
Exchange value bump	231,460	231,460
	<b>\$ 3,042,508</b>	\$ 2,940,862
Mortgages payable	<b>\$ 1,892,239</b>	\$ 1,770,015
Unsecured debentures	118,844	118,768
Adjustment to debt	8,005	10,560
	<b>\$ 2,019,088</b>	\$ 1,899,343
Adjusted Debt-to-GBV	<b>66%</b>	65%

With a DOT limit not to exceed 70% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on 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 13(d), both the debenture agreement and the credit facility agreement contain financial covenants.

Boardwalk REIT's available capital is comprised of long-term fixed rate debt (both secured and unsecured), unitholders' capital and drawings under lines of credit and totalled \$2.3 billion as at March 31, 2008 (December 31, 2007 – \$2.3 billion). As at March 31, 2008, the Trust was in compliance with all covenants in both its DOT and all existing debt facilities.

**Fair Value of Financial Instruments**

The Trust's financial instruments consist of mortgages and accounts receivable, tenants' security deposits, cash or bank indebtedness, mortgages payable, debentures and accounts payable and accrued liabilities. All of the Trust's financial instruments were classified as either held for trading (cash), 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 or bank indebtedness 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 March 31, 2008 are as follow:

As at	March 31, 2008
Mortgages and accounts receivable	
Carrying value	\$ 10,067
Fair market value	\$ 10,067
Mortgages payable and debentures	
Carrying value	\$ 2,011,083
Fair market value	\$ 2,060,062

At January 1, 2008 and for the three months ended March 31, 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 below.

**Risk Management**

**a) Interest rate risk**

The Trust is exposed to interest rate risk as a result of its mortgages payable, debentures and credit facilities, however this risk is minimized through the Trust's current strategy of having the majority of its mortgage payable and debentures in fixed terms arrangements. As such, the Trust's cashflows 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 CMHC under the NHA mortgage program. This added level of insurance offered to lenders allows the Trust to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely. In addition, management is constantly reviewing its 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 March 31, 2008, the Trust had zero credit facility debt outstanding and as such of the Trust's total debt at March 31, 2008, 100% is fixed-rate debt and 0% is floating-rate debt. For the three months ended March 31, 2008, all else being equal, the increase or decrease in net earnings for each 1% change in interest rates amounts to \$0.

#### **b) Credit risk**

The Trust is exposed to credit risk as a result of its mortgages and accounts receivable. This balance is comprised of mortgage holdbacks and refundable mortgage fees, accounts receivable from significant customers and tenant receivables. As at March 31, 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. An amount was owing pursuant to the unit sales (see NOTE 4) all of which was collected subsequent to March 31, 2008. 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. The remainder of the balance relates to a property tax adjustment which was collected subsequent to March 31, 2008.

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.

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.

#### **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 a conservatively leveraged balance sheet and can finance any future growth through one or a combination of internally generated cash flows, borrowing under existing 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 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.

Per 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 debenture agreement contains three financial covenants as follows:

- i) the Trust will maintain a Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") to Consolidated Interest Expense of not less than 1.50 to 1. As at March 31, 2008, this ratio was 2.1 to 1 and as such the Trust is 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 12, as at March 31, 2008, this amount was 66% and as such the Trust is in compliance.
- iii) the Trust will maintain at all times, an Adjusted Unitholders' Equity of at least \$300 million. Adjusted Unitholders' Equity was \$859 million as at March 31, 2008.

The Trust has a credit facility in the form of an acquisition and operating line with a major financial institution. This credit facility was secured by a first or second mortgage charge of specific real estate assets (carrying value of \$292 million). The maximum amount varies with the value of the pledged assets to a maximum not to exceed \$200 million.

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, 2007, this ratio was 1.68 and as such the Trust is in compliance.
- ii) the Trust will maintain a Debt Service Coverage Ratio, specific to the Security Portfolio of at least 1.15. As at December 31, 2007, this ratio was 1.29 and as such the Trust is in compliance.
- iii) Total indebtedness of the Trust will not exceed 70% of the GBV of all assets as defined in the DOT. As outlined in NOTE 12, as at March 31, 2008, this amount was 66% and as such the Trust is in compliance.

As at March 31, 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 14, the Trust has committed to utility contracts to reduce the risk of exposure to adverse changes in commodity prices.

At March 31, 2008, the Trust had a long-term supply arrangement with one electrical utility company to supply the Trust with its electrical power needs for its southern Alberta properties for the next nine months at a blended rate of approximately \$0.068/kwh. The agreement provides that the Trust purchase its power for all southern Alberta properties under contract for the upcoming months.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. In October 2005, the natural gas rebate program was extended to cover the month of October. In January of 2006, the Alberta government announced a three-year extension to the program covering the winter months of October through March. The extension of the natural gas rebate program will end March 31, 2009. The rebate program becomes active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeds \$5.50/GJ for any individual winter usage month. For January through March 2007, Boardwalk REIT was eligible for estimated rebates totalling approximately \$0.9 million. For January to March 2008, Boardwalk REIT was eligible for rebates totalling approximately \$1.3 million.

The Trust also entered into one natural gas supply contract, which provides a degree of price certainty for natural gas usage in the province of Saskatchewan. The contract covers between 75 - 100% of the Trust's natural gas requirements for this province. The physical supply agreement for Saskatchewan covered the period from November 1, 2006 to October 31, 2007, and has been extended to October 21, 2008. The supply contract provides the commodity at a price of \$8.95/GJ.

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust. 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. Management believes that the outcome of legal and other claims filed against the Trust or its predecessor will not be material to Boardwalk REIT.

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 will 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 March 31, 2008 is approximately \$4.9 million (March 31, 2007 - \$5.4 million). In the event of default, 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 will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at March 31, 2008, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

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

	3 months ended March 31, 2008	3 months ended March 31, 2007
<b>Alberta</b>		
Revenue	\$ 61,119	\$ 49,166
Expenses		
Operating	10,483	7,536
Utilities	8,865	6,648
Utility rebates	(1,255)	(922)
Property taxes	3,491	3,196
	21,584	16,458
Net operating income	\$ 39,535	\$ 32,708
<b>Saskatchewan</b>		
Revenue	\$ 10,682	\$ 9,212
Expenses		
Operating	1,664	1,594
Utilities	2,363	1,725
Property taxes	1,132	1,171
	5,159	4,490
Net operating income	\$ 5,523	\$ 4,722
<b>Ontario</b>		
Revenue	\$ 9,435	\$ 9,376
Expenses		
Operating	1,593	1,515
Utilities	2,012	2,028
Property taxes	1,573	1,756
	5,178	5,299
Net operating income	\$ 4,257	\$ 4,077
<b>British Columbia</b>		
Revenue	\$ 2,966	\$ 2,771
Expenses		
Operating	620	621
Utilities	497	401
Property taxes	150	148
	1,267	1,170
Net operating income	\$ 1,699	\$ 1,601
<b>Quebec</b>		
Revenue	\$ 17,470	\$ 17,014
Expenses		
Operating	3,563	2,965
Utilities	2,892	2,994
Property taxes	1,303	1,889
	7,758	7,848
Net operating income	\$ 9,712	\$ 9,166
<b>Total</b>		
Net operating income	\$ 60,726	\$ 52,274
Unallocated revenue*	537	31
Unallocated expenses**	(55,631)	(48,674)
Net earnings for the period	\$ 5,632	\$ 3,631

As at	March 31, 2008	December 31, 2007
<b>Alberta</b>		
Identifiable assets		
Revenue producing properties	\$ 1,242,355	\$ 1,244,328
Mortgages and accounts receivable	5,378	5,863
Tenants' security deposits	10,579	10,385
	\$ 1,258,312	\$ 1,260,576
<b>Saskatchewan</b>		
Identifiable assets		
Revenue producing properties	\$ 167,885	\$ 168,581
Mortgages and accounts receivable	189	202
Tenants' security deposits	2,264	2,096
	\$ 170,338	\$ 170,879
<b>Ontario</b>		
Identifiable assets		
Revenue producing properties	\$ 205,203	\$ 206,366
Mortgages and accounts receivable	205	237
	\$ 205,408	\$ 206,603
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$ 419,958	\$ 421,473
Mortgages and accounts receivable	1,444	800
	\$ 421,402	\$ 422,273
<b>British Columbia</b>		
Identifiable assets		
Revenue producing properties	\$ 104,817	\$ 104,491
Mortgages and accounts receivable	1,064	1,049
Tenants' security deposits	456	444
	\$ 106,337	\$ 105,984
<b>Total assets</b>		
Identifiable assets	\$ 2,161,797	\$ 2,166,315
Unallocated assets***	116,128	29,573
	\$ 2,277,925	\$ 2,195,888

\* 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 and cash equivalents and other assets.

## 17.

### SUBSEQUENT EVENT

Subsequent to March 31, 2008, Boardwalk REIT acquired a property in Calgary, Alberta, totaling 297 apartment units from an unrelated third party for an aggregate purchase price of \$48.8 million. The transaction is scheduled to close June 13, 2008 and will be funded using cash-on-hand.



## BOARDWALK REAL ESTATE INVESTMENT TRUST

### CORPORATE INFORMATION

#### EXECUTIVE OFFICE

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#### BOARD OF TRUSTEES

##### Sam Kolias

Chairman of the Board  
Calgary, Alberta

##### James Dewald <sup>(1)</sup> <sup>(3)</sup>

Calgary, Alberta

##### Art Havener <sup>(2)</sup> <sup>(3)</sup>

St. Louis, MO

##### Ernest Kapitza <sup>(3)</sup>

Calgary, Alberta

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

Thornhill, Ontario

##### David Richards <sup>(2)</sup>

Calgary, Alberta

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

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

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

#### SENIOR MANAGEMENT

##### Jonathan Brimmell

Vice President, Operations  
Ontario and Quebec

##### Dean Burns

Vice President, Legal Affairs

##### 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

Vice President, Technology

##### Sam Kolias

Chief Executive Officer and  
Chairman of the Board

##### 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

##### Kevin Screpnechuk

Senior Vice President,  
Rental Operations

##### Lizaine Wheeler

Vice President, Operations  
Southern Alberta,  
British Columbia and  
Saskatchewan

##### William Wong

Chief Financial Officer