



Boardwalk Real Estate Investment Trust
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May 13, 2004

NEWS RELEASE FOR IMMEDIATE DISTRIBUTION

BOARDWALK ANNOUNCES RECORD FIRST QUARTER RESULTS

BOARDWALK REIT CONVERSION COMPLETED IN EARLY MAY

Calgary, Alberta – May 13, 2004 - Boardwalk REIT (“BEI.UN” – TSX) today announced that Boardwalk Equities Inc. (“BEI”), its predecessor company, recorded record financial results for the first quarter of 2004. For the three-month period ended March 31, 2004, BEI reported Funds From Operations (“FFO”) from continuing operations, a key performance measurement for real estate companies, of \$16.5 million compared to \$14.4 million in the same period last year. On a per share basis, BEI reported FFO from continuing operations of \$0.32 on a diluted basis in the first quarter of 2003, compared to \$0.29 for the same period last year.

Subsequent to the quarter, on May 3, 2004, Boardwalk Equities Inc. successfully completed its previously announced reorganization of the Company’s business into Boardwalk Real Estate Investment Trust (“Boardwalk REIT”). On May 5, 2004, Boardwalk REIT began to trade on the TSX under the symbol “BEI.UN”.

Funds From Operations (“FFO”) is a generally accepted measure of operating performance of real estate companies, however is a non-GAAP measurement. The Company calculates FFO by taking Net Earnings after discontinued operations and adding non-cash items including Future Income Taxes and Amortization. The determination of this amount may differ from that of other real estate companies.

Highlights of BEI’s first quarter 2004 financial results include:

- Rental revenues of \$69.8 million, an increase of 6.2% compared to \$65.7 million for the three-month period ended March 31, 2003.
- Net operating income of \$43.2 million, representing a 5.9% increase from \$40.8 million in the same period last year.
- Total FFO of \$16.5 million, an increase of 6.5% compared to \$15.5 million for the three-month period ended March 31, 2003. FFO from continuing operations, which excludes gains on property dispositions, of \$16.5 million, an increase of 14.6% compared to \$14.4 million for the three-month period ended March 31, 2003.
- FFO per share from continuing operations, which excludes gains on property sales, was \$0.32 on a diluted basis up 10.3% compared to \$0.29 for the three-month period ended March 31, 2003.
- Net income decreased to \$(1.2 million) or \$(0.02) per share, compared to \$1.5 million or \$0.03 per share in the same period last year. The reported decrease is the result of the mandated change under Canadian Generally Accepted Accounting Principals (GAAP) to the Corporation’s amortization policy on its building assets. The impact on current quarter results is an estimated increase in amortization of \$4.7 million or on an after tax per share basis of \$0.06.

Sam Koliass, President and Chief Executive Officer, said, "We are pleased to report on another record quarter for Boardwalk Equities Inc., Boardwalk REIT’s predecessor company. By producing solid and record growing results over the years through Boardwalk Equities Inc., Boardwalk REIT begins in the strongest financial condition possible, reflecting the best team we have in our history. Our exceptional past performance reflects the multi-family industry’s

sustainable and predictable growth opportunities. Our solid Q1 results were achieved despite the ongoing strength and level of activity in housing markets across the country. We continue to grow internally as a result of our efficiency and affordability of our rental operations. We also continue to grow externally as we have succeeded in acquiring individual and portfolio properties across Canada that have added significant value and complement our existing portfolio.”

Operational Highlights

The average vacancy rate across BEI's portfolio for the first quarter of 2004 was 4.32%, up from 3.67% in the fourth quarter of 2003, and down from 4.88% in the first quarter of last year.

The average monthly rent realized in the first quarter of 2004 was \$741 per unit, up \$16, or 2.2%, from \$725 per unit for the 3-months ended March 31, 2003. Management estimates that market rents for its properties at the end of March 2004 averaged \$796 per unit per month which compares to an average in-place monthly rent per occupied unit of \$774 for the same period. This translates into an estimated "loss-to-lease" of approximately \$8.3 million, maintaining existing occupancy rate levels.

Same-Property Results

The "same-property" results for BEI's stabilized properties (defined as properties owned for a period of over 24 months) for the three-month period ended March 31, 2004 showed rental revenue growth of 1.7%, a decrease in total operating expenses of 2.4% and an increase in NOI of 4.2% compared to the same period last year.

Included in these reported amounts are utility rebates received from the Provincial Government of Alberta. These rebates are part of the current Government's platform that is scheduled to continue until March of 2006. Excluding the recurring gas utility rebate, total operating expenses would have increased by 1.6%, and NOI would have increased by 1.8% compared to the same period last year.

A total of 25,775 units, representing approximately 82% of BEI's total portfolio, were classified as stabilized as at March 31, 2004. None of the BEI's Quebec properties were classified as stabilized.

Same-Property Results - Stabilized Portfolio

Three Months Ended March 31, 2004 vs. Three Months Ended March 31, 2003

| 3 Months | | | | Total | | |
|---------------------------------|-----------------------|------------------|--------------|------------------------|-------------|-----------------|
| 31-Mar-04 | Rental Revenue | Utilities | Other | Operating Costs | NOI | % of NOI |
| Calgary | 0.2% | 2.2% | -1.7% | -0.1% | 0.4% | 23.4% |
| Edmonton | 1.2% | 2.4% | -7.1% | -3.0% | 3.4% | 42.4% |
| Other Alberta | 3.4% | 3.3% | -11.0% | -5.5% | 7.9% | 7.0% |
| Ontario | 4.0% | -14.5% | -1.6% | -7.2% | 16.4% | 13.4% |
| Saskatchewan | 2.2% | 20.0% | -4.8% | 4.0% | 1.0% | 13.7% |
| Total | 1.7% | 1.1% | -4.8% | -2.4% | 4.2% | 100.0% |
| Excluding utility Rebate | 1.7% | 10.6% | -4.8% | 1.6% | 1.8% | |

Acquisition/Disposition Activity

In the quarter BEI closed on the acquisition of a 183-unit property in the Quebec City (Sainte-Foy) area at an acquisition price of \$16.9 million, and with a going in cap-rate of 7.96%. The acquisition price equates to approximately \$92,000 per unit and approximately \$124.8 per rentable square foot. The property acquired was:

- **Complexe Laudance – Quebec City (Sainte-Foy), QC** – a luxury apartment complex consisting of 183 units in two mid-rise concrete buildings, with a unit mix of 18 bachelor, 115 one-bedroom and 50 two-bedroom units. The buildings were constructed and completed in 1989 and 1990. The transaction closed on February 11, 2004.

This acquisition expanded BEI's presence in the Quebec City market to just under 1,200 units, and its portfolio in the province of Quebec to just under 5,600 units.

Subsequent Events

Subsequent to March 31, 2004, Boardwalk REIT has purchased an additional 354 units adding to its Quebec and Ontario portfolio. A total of 323 units are located in the Quebec market place, with 31 units located in Windsor, Ontario. All of these properties are expected to close by the end of May, 2004. The properties are:

- **Domaine du Rocher – Quebec City (Levis), QC** – a 64 unit apartment complex consisting of 12 buildings ranging from 2 to 3 storeys in height. There are 56 two-bedroom and 8 three-bedroom+den units within the property. The average unit size is over 1,000 sq. ft. per unit, with all of the buildings constructed between 1995 and 1996. The property was purchased at an acquisition price of \$3.5 million using cash on hand, which equates to approximately \$54,700 per unit and approximately \$51.3 per rentable square foot. The transaction has a going in cap rate of 7.65% and is expected to close on May 13, 2004.
- **Forest Glade Townhomes – Windsor, ON** – a 2 storey townhouse complex consisting of 31 units, each with 3 bedrooms. Each unit has approximately 1,250 sq. ft with 1 ½ baths, living room, and kitchen with dining room. The townhouses have a purchase price of \$2.5 million, which equates to approximately \$80,600 per unit and approximately \$64.5 per rentable square foot. The purchase, which is expected to close on May 14, 2004, was funded by a combination of cash on hand and the assumption of a 1.99 million first mortgage with a fixed interest rate of 5.5% due on February 2008. The going in cap rate on the acquisition is approximately 9.53%.
- **Résidence le Quatre Cent – Montreal (Laval), QC** – a 16 storey concrete high-rise building with a total of 259 units in this well kept and strategically located property. The average unit size is 593 sq. ft with a unit mix of 15 studio, 212 one-bedroom and 32 two-bedroom units. The property has an acquisition price of \$17.3 million, which equates to approximately \$66,800 per unit and approximately \$112.6 per rentable square foot. The purchase is expected to close on May 19, 2004, and has a going in cap rate of 8.01%. The acquisition was funded by a combination of cash on hand and the assumption of a 8.6 million first mortgage with a fixed interest rate of 6.53% due in February 2011.

Further information on these properties can be found in the Supplemental Information Package located on Boardwalk REIT's website (www.boardwalkREIT.com).

Boardwalk REIT Highlights

At a meeting held on April 28, 2004, the Shareholders and Optionholders of the Boardwalk Equities Inc. overwhelmingly approved the reorganization of BEI into a Real Estate Investment Trust, now known as Boardwalk REIT. Various regulatory and court approvals have since been obtained, and the completion of the reorganization was announced on May 3, 2004.

The objectives of Boardwalk REIT are to provide its Unitholders with 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 addition properties.

Boardwalk REIT will meet these objectives using a strategy which includes the following:

- Providing Unitholders with a stable and growing distribution through participation of the cash flows generated by its geographically diverse multi-family real estate portfolio;
- Maximizing customer satisfaction by providing an above-average level of product and service;

- Acquiring selected multi-family residential properties throughout Canada;
- Enhancing property values through pro-active management and capital improvements;
- Managing capital prudently while maintaining a conservative financial structure; and
- Pursuing opportunities to form selective partnerships or joint ventures.

Boardwalk REIT will commence monthly distributions on June 15, 2004 to holders of REIT Units of record on May 31, 2004. The amount of the distribution on that date is expected to be \$0.103 for each REIT Unit held, or \$1.24 per unit on an annualized basis.

Boardwalk REIT is also finalizing further details on its anticipated Distribution Reinvestment Plan which will offer up to an additional 3% distribution for participants. An announcement with this finalized information will be released once completed.

Continued Financial Strength

BEI maintained its solid financial position in the quarter. Boardwalk's mortgage debt totalled \$1.39 billion as at March 31, 2004, up from \$1.34 billion at December 31, 2003. The increase is largely attributable to the additional debt related to property acquisition that BEI completed during the first quarter. As of March 31, 2004, BEI's debt had a weighted average maturity of 3.97 years with a weighted average interest rate of 5.63%. BEI's debt-to-total-market-capitalization ratio was 59.9% as at March 31, 2004, which compares to 64.7% at the same time last year.

BEI's interest coverage ratio, excluding gains, for the three-month period ended March 31, 2004 was 1.93 times compared to 1.84 times in the same period last year. The comparison is affected by the non-recurring utility rebate in the first quarter of this year.

2004 Earnings Guidance

Commenting on the outlook for Boardwalk REIT, Rob Geremia, Senior Vice-President, Finance and CFO, said "We are maintaining our FFO guidance of between \$1.37 to \$1.44 per unit and recurring distributable income of between \$1.43 and \$1.49 per unit. Our previously announced annualized distribution of \$1.24 per REIT unit is based on an 85% payout ratio."

Supplementary Information

Boardwalk produces Quarterly Supplemental Information that provides detailed information regarding BEI's activities during the quarter. The First Quarter Supplemental Information is available on our website (www.boardwalkREIT.com).

Teleconference on First Quarter, 2004 Financial Results

We invite you to participate in the teleconference that will be held to discuss these results this same morning at 11:00 am EST. Senior management will speak to the fourth quarter financial results and provide a corporate update. Presentation materials will be made available on our website (www.boardwalkREIT.com) prior to the call.

Participation & Registration: Please RSVP to Investor Relations at 403-531-9255 or by email to investor@bwalk.com.

Teleconference: The telephone numbers for the conference are: 416-640-4127 (within Toronto) or toll-free 1-800-814-4861 (outside Toronto).

Webcast: Investors will be able to listen to the call and view our slide presentation over the Internet by visiting <http://www.boardwalkREIT.com> 15 min. prior to the start of the call. An information page will be provided for any software needed and system requirements. The live audiocast will also be available at <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=796840>.

Replay: An audio recording of the teleconference will be available approximately one hour after the call until 11:59pm EST on May 20th, 2004. You can access it by dialing 416-640-1917 and using the passcode 21048184 followed the pound sign. An audio archive will also be available on our web site (<http://www.boardwalkREIT.com>) approximately two hours after the conference call.

Boardwalk REIT Profile

Boardwalk REIT is an open-ended real estate investment trust formed to acquire all of the assets and undertakings of Boardwalk Equities Incorporated. Boardwalk REIT's principal objectives are to provide its unitholders with 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 properties. Boardwalk REIT currently owns and operates in excess of 250 properties with over 31,400 units totaling approximately 26 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. The Company's portfolio is concentrated in the provinces of Alberta, Saskatchewan, Ontario and Quebec.

For further information please contact:

Boardwalk REIT

Sam Kolias, President and CEO, (403) 531-9255;

Roberto Geremia, Senior Vice-President, Finance and Chief Financial Officer, (403) 531-9255;

Paul Moon, Director of Corporate Communications, (403) 531-9255.

| AS AT | March 31, 2004 | December 31, 2003 |
|---|--------------------|----------------------|
| | (Unaudited) | (Audited) |
| Assets | | |
| Revenue producing properties | \$1,718,931 | \$1,713,171 |
| Properties held for resale | 7,601 | 7,493 |
| Mortgages and accounts receivable | 13,687 | 13,126 |
| Other assets | 18,479 | 14,652 |
| Deferred financing costs | 38,650 | 38,044 |
| Segregated tenants' security deposits | 6,771 | 6,771 |
| Cash and cash equivalents | 23,851 | 10,123 |
| | <u>\$1,827,970</u> | <u>\$1,803,380</u> |
| Liabilities | | |
| Mortgages payable | \$1,394,241 | \$1,387,067 |
| Accounts payable and accrued liabilities | 19,864 | 19,801 |
| Refundable tenants' security deposits and other | 9,800 | 9,730 |
| Capital lease obligations | 3,205 | 3,515 |
| Future income taxes (NOTE 7) | 75,046 | 74,765 |
| | <u>\$1,502,156</u> | <u>\$1,494,878</u> |
| Shareholders' Equity | | |
| Share capital (NOTE 5) | 297,986 | 275,509 |
| Retained earnings | 27,828 | 32,993 |
| | <u>\$325,814</u> | <u>\$308,502</u> |
| | <u>\$1,827,970</u> | <u>\$1,803,380</u> |

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS
(CDN\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|---|--|--|
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| Rental income | \$69,825 | \$65,707 |
| Expenses | | |
| Revenue producing properties: | | |
| Operating expenses | 8,394 | 8,239 |
| Utilities | 12,249 | 10,233 |
| Utility rebate (NOTE 8) | (812) | - |
| Property taxes | 6,745 | 6,512 |
| Administration | 5,923 | 5,852 |
| Financing costs | 19,345 | 18,973 |
| Deferred financing costs amortization | 701 | 664 |
| Amortization (NOTE 2) | 17,373 | 12,175 |
| | <u>69,918</u> | <u>62,648</u> |
| (Loss) earnings from continuing operations before income taxes | (93) | 3,059 |
| Large corporations taxes | 792 | 822 |
| Future income taxes (NOTE 7) | 342 | 1,470 |
| (Loss) earnings from continuing operations | (1,227) | \$767 |
| Earnings from discontinued operations, net of tax | - | 751 |
| Net (loss) earnings for the period | <u>\$(1,227)</u> | <u>\$1,518</u> |
| Basic (loss) earnings per share (NOTE 6) | | |
| - from continuing operations | \$(0.02) | \$0.02 |
| - from discontinued operations | - | 0.01 |
| Basic (loss) earnings per share | <u>\$(0.02)</u> | <u>\$0.03</u> |
| Diluted (loss) earnings per share (NOTE 6) | | |
| - from continuing operations | \$(0.02) | \$0.02 |
| - from discontinued operations | - | 0.01 |
| Diluted (loss) earnings per share | <u>\$(0.02)</u> | <u>\$0.03</u> |

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|--|--|--|
| | (Unaudited) | (Unaudited) |
| Retained earnings, beginning of period | \$32,993 | \$35,229 |
| Net (loss) earnings for the period | (1,227) | 1,518 |
| Dividends paid | (3,938) | (1,002) |
| Premium on share repurchases | - | (392) |
| Retained earnings, end of period | <u>\$27,828</u> | <u>\$35,353</u> |

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
(CDN\$ THOUSANDS)

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|---|--|--|
| | (Unaudited) | (Unaudited) |
| Operating activities | | |
| Net (loss) earnings for the period | \$(1,227) | \$1,518 |
| Earnings from discontinued operations, net of tax | - | (751) |
| Future income taxes | 342 | 1,470 |
| Amortization | 17,373 | 12,175 |
| Funds from continuing operations | 16,488 | 14,412 |
| Funds from discontinued operations | - | 33 |
| Net change in operating working capital | (2,414) | (2,504) |
| Net change in properties held for resale | (108) | (111) |
| Total operating cash flows | <u>13,966</u> | <u>11,830</u> |
| Financing activities | | |
| Issue of common shares for cash (net of issue costs) (NOTE 5) | 22,477 | 2,703 |
| Stock repurchase program | - | (628) |
| Dividends paid | (3,938) | (1,002) |
| Financing of revenue producing properties | 35,199 | 42,803 |
| Repayment of debt on revenue producing properties | (36,495) | (23,906) |
| Deferred financing costs incurred (net of amortization) | (1,463) | (273) |
| | <u>15,780</u> | <u>19,697</u> |
| Investing activities | | |
| Purchases of revenue producing properties (NOTE 3) | (9,174) | (42,518) |
| Project improvements to revenue producing properties | (6,087) | (11,487) |
| Net cash proceeds from sale of properties | - | 1,223 |
| Technology for real estate operations | (757) | (290) |
| | <u>(16,018)</u> | <u>(53,072)</u> |
| Net increase (decrease) in cash and cash equivalents balance during year | 13,728 | (21,545) |
| Cash and cash equivalents, beginning of period | 10,123 | 23,631 |
| Cash and cash equivalents, end of period | <u>\$23,851</u> | <u>\$2,086</u> |
| Taxes paid | <u>\$906</u> | <u>\$816</u> |
| Interest paid | <u>\$19,390</u> | <u>\$18,853</u> |

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR AMOUNTS IN CDN\$ THOUSANDS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS UNLESS OTHERWISE STATED)

1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of Boardwalk Equities Inc. (the "Corporation") have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2003, except as described in Note 2 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, 2004 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2004.

2. ACCOUNTING POLICY CHANGES

Amortization of revenue producing buildings

Effective January 1, 2004, the Corporation adopted the straight-line method to compute amortization of its revenue producing buildings. The adoption of the straight-line method from the sinking-fund method has been applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100. Had the change not been made, the effect on the financial statements would have been a decrease to amortization of \$4.7 million and an increase to net earnings of approximately \$3.0 million for the period ended March 31, 2004.

Accounting for operating leases

In accordance with EIC-140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination, an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. Application of EIC-140 has been applied prospectively by the Corporation to real estate acquisitions initiated subsequent to the date of issue of EIC-140.

Impairment of long-lived assets

Effective January 1, 2003, the Corporation adopted the provisions of CICA Handbook Section 3063, Impairment of Long-lived Assets. With the adoption of this section, the Corporation will recognize an impairment loss in the period when the carrying amount of its revenue producing properties exceeds the net recoverable amount represented by the undiscounted estimated future cash flows expected to be received from the ongoing use of the properties plus their residual value. If it is determined that an impairment exists, the carrying value of the revenue producing properties will be reduced to their estimated fair value. The adoption of this section has had no impact on the current and prior period financial statements.

Comparative figures

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

3. REVENUE PRODUCING PROPERTIES

Acquisitions

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|---|--|--|
| Cash paid | \$9,174 | \$42,518 |
| Debt assumed | 7,912 | 12,303 |
| Total purchase price | 17,086 | 54,821 |
| Fair value adjustments to debt | 560 | 869 |
| Book value | <u>\$17,646</u> | <u>\$55,690</u> |
| Allocation of book value to revenue producing properties | 16,910 | 55,690 |
| Allocation of book value to other assets (Note 2 - accounting for operating leases) | <u>736</u> | <u>-</u> |

| | \$17,646 | \$55,690 |
|---------------------|--|--|
| Units acquired | 183 | 1,129 |
| Dispositions | | |
| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
| Cash received | - | \$1,385 |
| Debt assumed | - | 1,655 |
| Total proceeds | - | 3,040 |
| Net book value | - | 1,993 |
| Gain on sales | - | \$1,047 |
| Units sold | - | 40 |

4. DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

During the first quarter of 2003, the Corporation received a \$3.0 million unsolicited offer to purchase a 40-unit property located in Edmonton, Alberta. The sale was completed by the end of the first quarter of 2003. There were no dispositions in the first quarter of 2004. Note 3 discloses the carrying amounts of the major assets and liabilities included in the disposition. The following table sets forth the results of operations associated with the long-lived asset, separately reported as discontinued operations for the current and prior periods.

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|--|--|--|
| Revenue | | |
| Rental income | - | \$86 |
| Expenses | | |
| Revenue producing properties: | | |
| Operating expenses | - | 4 |
| Utilities | - | 17 |
| Property taxes | - | 6 |
| Administration | - | 2 |
| Financing costs | - | 24 |
| | | 53 |
| Operating earnings from discontinued operations before income taxes | - | \$33 |
| Future income taxes | - | 12 |
| Operating earnings from discontinued operations | - | 21 |
| Gain on disposition | - | 1,047 |
| Future income taxes | - | (317) |
| Earnings from discontinued operations | - | \$751 |

5. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares, issuable in series

Issued:

| Common shares | <u>Shares</u> | <u>Amount</u> |
|-------------------|---------------|---------------|
| March 31, 2004 | 52,726,842 | \$297,986 |
| December 31, 2003 | 50,868,119 | \$275,509 |

Details of shares issued are as follow:

| | | |
|--|-------------------|----------------|
| December 31, 2002 | 50,109,314 | 266,516 |
| On exercise of stock options | 802,805 | 9,229 |
| Share buy-back, recorded at book value of shares | (44,000) | (236) |
| December 31, 2003 | 50,868,119 | 275,509 |
| On exercise of stock options | 1,858,723 | 22,477 |
| March 31, 2004 | <u>52,726,842</u> | <u>297,986</u> |

(b) Stock options

Under the stock option plan, the Corporation grants options to directors, executives and employees. The stock option plan provides for the granting of options to purchase up to 10,643,636 (December 31, 2003 - 10,643,636) common shares. The exercise price is equal to the market value of the common shares at the date of grant. Vesting periods range from immediate vesting for certain executives to five year vesting for remaining employees and directors (see below paragraph). Options are granted at management's discretion with Board of Directors' approval being required. No option may be exercisable more than 10 years from the date of grant (except see paragraph below). There was a total of 537,305 options outstanding at March 31, 2004 (December 31, 2003 - 2,398,828) to directors, officers and employees. The exercise prices range from \$9.70 to \$16.73 at March 31, 2004 (December 31, 2003 - \$9.11 to \$16.73).

These options were to expire up to August 28, 2012; however, with the planned conversion by the Corporation into a real estate investment trust, options must be exercised prior to the conversion date of May 3, 2004. The Board of Directors of the Corporation communicated with optionees on January 9, 2004 that all options have vested and that if they were to exercise, they must do so before May 3, 2004.

Changes in options outstanding during period

The following table depicts the changes in options in the periods presented:

| | <u>March 31,</u> <u>2004</u> | | <u>December 31,</u> <u>2003</u> | |
|------------------------------------|---------------------------------|--|------------------------------------|--|
| | Options | Weighted average exercise price | Options | Weighted average exercise price |
| Outstanding at beginning of period | 2,398,828 | \$12.20 | 3,480,072 | \$12.46 |
| Exercised | (1,858,723) | \$12.09 | (802,805) | \$11.50 |
| Forfeited | (2,800) | \$13.52 | (278,439) | \$18.01 |
| Outstanding at end of period | <u>537,305</u> | <u>\$12.55</u> | <u>2,398,828</u> | <u>\$12.20</u> |

Options exercisable at period end

The following table summarized information about the options outstanding and exercisable at March 31, 2004:

| Options outstanding | | | | Options exercisable | | |
|--------------------------|--------------------|---|---------------------------------|---------------------|---|---------------------------------|
| Range of exercise prices | Number outstanding | Weighted average remaining contractual life (years) | Weighted Average exercise price | Number exercisable | Weighted average remaining contractual life (years) | Weighted Average exercise price |
| \$9.01 to \$11.00 | 113,200 | 6.9 | \$10.56 | 113,200 | 6.9 | \$10.56 |
| \$11.01 to \$13.00 | 322,954 | 3.3 | \$12.16 | 322,954 | 3.3 | \$12.16 |
| \$13.01 to \$15.00 | 31,351 | 7.2 | \$14.68 | 31,351 | 7.2 | \$14.68 |
| \$15.01 to \$17.00 | 69,800 | 4.8 | \$16.63 | 69,800 | 4.8 | \$16.63 |
| | 537,305 | 4.5 | \$12.55 | 537,305 | 4.5 | \$12.55 |

The following table summarized information about the options outstanding and exercisable at December 31, 2003:

| Options outstanding | | | | Options exercisable | | |
|--------------------------|--------------------|---|---------------------------------|---------------------|---|---------------------------------|
| Range of exercise prices | Number outstanding | Weighted average remaining contractual life (years) | Weighted Average exercise price | Number exercisable | Weighted average remaining contractual life (years) | Weighted Average exercise price |
| \$9.01 to \$11.00 | 283,300 | 6.4 | \$9.74 | 263,900 | 6.4 | \$9.75 |
| \$11.01 to \$13.00 | 1,694,792 | 5.6 | \$11.94 | 1,013,934 | 6.0 | \$11.85 |
| \$13.01 to \$15.00 | 242,636 | 5.7 | \$13.85 | 178,640 | 5.5 | \$13.66 |
| \$15.01 to \$17.00 | 178,100 | 5.3 | \$16.26 | 140,700 | 5.2 | \$16.46 |
| | 2,398,828 | 5.7 | \$12.20 | 1,597,174 | 5.9 | \$12.11 |

The Corporation did not record compensation expense for stock options granted prior to January 1, 2003 to directors, executives and employees in the financial statements because there was no intrinsic value, as defined by CICA Handbook Section 3870, at the date of grant. As required by Canadian GAAP, the impact on compensation costs of using a fair value based method, as if the compensation costs had been recorded in net earnings, must be disclosed. If a fair value based method had been used for stock options granted on or after January 1, 2002, the Corporation's net earnings and net earnings per share would approximate the following pro forma amounts for the periods ended March 31, 2004 and 2003:

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|--------------------------------------|-------------------------------|-------------------------------|
| Compensation costs | \$(509) | \$(536) |
| Net (loss) earnings | | |
| As reported | \$(1,227) | \$1,518 |
| Pro forma | \$(1,736) | \$982 |
| Net (loss) earnings per common share | | |
| Basic | | |
| As reported | \$(0.02) | \$0.03 |
| Pro forma | \$(0.03) | \$0.02 |
| Diluted | | |
| As reported | \$(0.02) | \$0.03 |
| Pro forma | \$(0.03) | \$0.02 |

The fair value of each option granted in 2002 was estimated to be \$6.74 on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

| | |
|-------------------------|--------------|
| Risk free interest rate | 5.33% |
| Expected lives (years) | 7 – 10 years |
| Expected volatility | 42.56% |
| Dividend per share | \$0.05 |

The Corporation did not grant any stock options subsequent to December 31, 2002.

6. PER SHARE CALCULATIONS

The following table sets forth the computation of basic and diluted earnings per share with respect to earnings from continuing operations and earnings from discontinued operations.

| 3 months ended | 3 months ended |
|----------------|----------------|
|----------------|----------------|

| | March 31, 2004 | March 31, 2003 |
|--|---------------------------|---------------------------|
| Numerator | | |
| (Loss) earnings from continuing operations | \$(1,227) | \$767 |
| Earnings from discontinued operations | - | \$751 |
| Denominator | | |
| Denominator for basic earnings per share – weighted average shares (THOUSANDS) | 51,699 | 50,098 |
| Effect of dilutive securities | | |
| Stock options (THOUSANDS) | 151 | 536 |
| Denominator for diluted earnings per share adjusted for weighted average shares and assumed conversion (THOUSANDS) | 51,850 | 50,634 |
| (Loss) earnings per share from continuing operations | | |
| Basic | \$(0.02) | \$0.02 |
| Diluted | \$(0.02) | \$0.02 |
| Earnings per share from discontinued operations | | |
| Basic | - | \$0.01 |
| Diluted | - | \$0.01 |

7. INCOME TAXES

The Corporation's provision for future income taxes is comprised as follows:

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|---------------------------|--|--|
| Continuing operations | \$342 | \$1,470 |
| Discontinued operations | - | 329 |
| Total future income taxes | <u>\$342</u> | <u>\$1,799</u> |

The future income tax expense is computed as follows:

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|---|--|--|
| Tax (recovery) expense based on expected rate | \$(32) | \$1,530 |
| Non-taxable portion of capital gains | - | (223) |
| Adjustment to future income tax liabilities | 162 | 536 |
| Adjustment for change in effective tax rate | 212 | (44) |
| Future income tax expense | <u>\$342</u> | <u>\$1,799</u> |

The future income tax liability is calculated as follows:

| AS AT | March 31, 2004 | December 31, 2003 |
|--|---------------------------|------------------------------|
| Tax assets related to operating losses | \$73,829 | \$77,354 |
| Tax liabilities related to differences in tax and book basis | (148,875) | (152,119) |
| Future income tax liability | <u>\$(75,046)</u> | <u>\$(74,765)</u> |

8. COMMITMENTS AND CONTINGENCIES

At March 31, 2004, the Corporation has long-term physical supply arrangements with two electrical utility companies to supply the Corporation with its electrical power needs for Alberta for the next nineteen to thirty-three months at a blended rate of approximately \$0.066/kwh. These agreements provide that the Corporation purchase its power for all Alberta properties under contract for the upcoming months.

The Corporation also has two physical settlement fixed-price supply contracts for Alberta natural gas requirements. These contracts fix the price of natural gas for 75% of the Corporation's requirements in Alberta. The two contracts are for physical settlement, and each represents approximately 37.5% of the Corporation's Alberta requirements. The first of these contracts runs from January 1, 2003 to September 30, 2004 and provides the commodity at a price of \$5.44/GJ. The second contract runs from October 1, 2003 to September 30, 2005 and provides the commodity at a price of \$6.16/GJ.

In Saskatchewan, the Corporation has a physical supply agreement to supply 100% of the Corporation's natural gas requirements for that province. The agreement extends until October 31, 2005 at a fixed price of \$5.20/GJ.

In Eastern Canada, the Corporation has procured approximately 75% of its gas usage requirements under two physical fixed-price supply contracts until the fall, priced near \$6.00/GJ.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November thru March. This program will remain in effect for a three-year term ending March 31, 2006. The rebate program becomes active when the natural gas consumer price exceeds \$5.50/GJ for any individual winter usage month. There was no rebate for November and December 2003. For January to March 2004, the Corporation is eligible for an estimated rebate of \$812,000.

9. GUARANTEES

In the normal course of business, the Corporation enters into various agreements 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 the Corporation 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 by the Corporation, a mortgage assumed by the purchaser will have an indirect guarantee provided by Boardwalk to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, Boardwalk would be liable for the outstanding mortgage balance. The Corporation's maximum exposure at March 31, 2004 is approximately \$6.1 million. In the event of default, the Corporation's recourse for recovery includes the sale of the respective building asset. The Corporation expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at March 31, 2004, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

10. SEGMENTED INFORMATION

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

| | 3 months ended March 31, 2004 | 3 months ended March 31, 2003 |
|------------------------------------|--|--|
| Alberta | | |
| Revenue | \$38,084 | \$37,643 |
| Expenses | | |
| Operating | 4,645 | 4,716 |
| Utilities | 5,583 | 5,316 |
| Property taxes | 2,694 | 2,905 |
| | <u>12,922</u> | <u>12,937</u> |
| Net operating income | <u>\$25,162</u> | <u>\$24,706</u> |
| Saskatchewan | | |
| Revenue | \$8,628 | \$8,454 |
| Expenses | | |
| Operating | 1,076 | 1,157 |
| Utilities | 1,516 | 1,232 |
| Property taxes | 1,117 | 1,199 |
| | <u>3,709</u> | <u>3,588</u> |
| Net operating income | <u>\$4,919</u> | <u>\$4,866</u> |
| Ontario | | |
| Revenue | \$8,974 | \$8,537 |
| Expenses | | |
| Operating | 1,101 | 1,276 |
| Utilities | 1,689 | 1,977 |
| Property taxes | 1,502 | 1,351 |
| | <u>4,292</u> | <u>4,604</u> |
| Net operating income | <u>\$4,682</u> | <u>\$3,933</u> |
| Quebec | | |
| Revenue | \$13,839 | \$10,550 |
| Expenses | | |
| Operating | 1,520 | 1,121 |
| Utilities | 2,631 | 1,619 |
| Property taxes | 1,419 | 1,035 |
| | <u>5,570</u> | <u>3,775</u> |
| Net operating income | <u>\$8,269</u> | <u>\$6,775</u> |
| Total | | |
| Net operating income | \$43,032 | \$40,280 |
| Unallocated revenue* | 301 | 3,564 |
| Unallocated expenses** | (44,560) | (42,326) |
| Net (loss) earnings for the period | <u><u>\$(1,227)</u></u> | <u><u>\$1,518</u></u> |

| AS AT | March 31, 2004 | December 31, 2003 |
|-----------------------------------|--------------------|----------------------|
| Alberta | | |
| Identifiable assets | | |
| Revenue producing properties | \$962,170 | \$969,196 |
| Mortgages and accounts receivable | 8,965 | 8,338 |
| Deferred financing costs | 26,160 | 26,621 |
| Tenants' security deposit | 5,641 | 5,674 |
| | <u>\$1,002,936</u> | <u>\$1,009,829</u> |
| Saskatchewan | | |
| Identifiable assets | | |
| Revenue producing properties | \$177,974 | \$178,867 |
| Mortgages and accounts receivable | 49 | 11 |
| Deferred financing costs | 4,510 | 4,585 |
| Tenants' security deposits | 1,130 | 1,096 |
| | <u>\$183,663</u> | <u>\$184,559</u> |
| Ontario | | |
| Identifiable assets | | |
| Revenue producing properties | \$213,939 | \$215,428 |
| Mortgages and accounts receivable | 214 | 250 |
| Deferred financing costs | 2,650 | 2,709 |
| | <u>\$216,803</u> | <u>\$218,387</u> |
| Quebec | | |
| Identifiable assets | | |
| Revenue producing properties | \$358,022 | \$342,364 |
| Mortgages and accounts receivable | 4,405 | 4,425 |
| Deferred financing costs | 5,303 | 4,102 |
| | <u>\$368,466</u> | <u>\$350,891</u> |
| Total assets | | |
| Identifiable assets | \$1,771,132 | \$1,763,666 |
| Unallocated assets*** | 56,838 | 39,714 |
| | <u>\$1,827,970</u> | <u>\$1,803,380</u> |

* 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, administration, financing costs, amortization, income taxes and other provisions.

*** Unallocated assets include properties held for development, cash, short-term investments and other assets.

11. SUBSEQUENT EVENTS

On April 28, 2004, the shareholders of Boardwalk Equities Inc. voted in favor for the reorganization of the Corporation, through a plan of arrangement, to a real estate investment trust. The reorganization was authorized by a Court of Queen's Bench Justice on May 3, 2004. Details of the plan of arrangement are available and were mailed to shareholders on March 29, 2004. In addition, subsequent to March 31, 2004, 486,832 stock options were exercised by directors, executives and employees of the corporation and the balance were cancelled. This exercise of stock options contributed approximately \$5.9 million to share capital.

Subsequent to March 31, 2004, the Corporation contracted to acquire 354 residential units from unrelated third parties for a purchase price of \$23.3 million. The acquisitions will be financed through cash of \$12.7 million and the assumption of existing mortgages.