

The Management's Discussion and Analysis focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the real estate industry. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other elements may or may not occur which could affect the Corporation in the future. To obtain the best overall perspective, however, this discussion should be read in conjunction with material contained in other parts of this annual report and with the Corporation's audited financial statements for the 12 months ended December 31, 2001, and the seven months ended December 31, 2000, and the 12 months ended May 31, 2000.

Effective December 31, 2000, the Corporation changed its fiscal period end to December 31 from May 31. As such, the discussion that follows focuses on the audited 12 months ended December 31, 2001, compared to the audited results for the seven months ended December 31, 2000, and the audited results for the 12-month period ended May 31, 2000. In order to facilitate a more informative comparison, we will, where possible, compare the information on a per-unit basis. The reader is cautioned that the real estate industry is subject to seasonal fluctuation that will affect straight comparisons of these amounts.

Special note regarding forward-looking statements

Certain statements in this discussion constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by our use of the words "believe", "expect", "anticipate", "intend", "estimate", "assume", "project" and other similar expressions that predict or indicate future events and trends or that do not relate to historical matters.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements made in this discussion and in the materials incorporated herein by reference are based on assumptions and judgments of management regarding future events and results. These assumptions and judgments may prove to be inaccurate as a result of a number of factors, many of which are beyond our control, and our actual results may differ materially from the results contemplated in such forward-looking statements. Such factors include, but are not limited to, the following:

- Changes in national, international or regional economic conditions may affect the real estate market, which is cyclical in nature and highly sensitive to such changes, including, among other factors, levels of employment, discretionary disposable income, consumer confidence, available financing and interest rates;
- We may be unsuccessful in managing our current growth in the number of properties and the related growth of our business operations;
- Our previous and possible future expansion into new geographic market areas may not produce financial results that are consistent with our historical performance;
- We may not be able to locate suitable property acquisitions;
- We may have additional compliance costs due to changes in any environmental or other laws and regulations that govern the acquisition on sale of real estate and various aspects of our financing operation or our failure to comply with any law or regulation;
- Renovation costs may exceed our original estimates;
- We may not lease-up properties under renovation on schedule, resulting in a lower than expected return on asset and return on equity;
- Market forces may change and the anticipated loss-to-lease amounts may not materialize as anticipated;
- Loss of key management may result in a significant increase in administrative expenses due to the current compensation plan for senior executives being modelled on a pure option basis;
- Occupancy rates and market rents may be adversely affected by local economic and market conditions, which are beyond our control;
- We may be unable to locate external sources of liquidity on favorable terms to support our operations and acquisition and renovation strategies, or satisfy our debt and other obligations;
- Our cash flow may be insufficient to meet required payments of principal and interest and we may be unable to refinance existing indebtedness or the terms of such refinancing may not be as favorable as the terms of existing indebtedness;
- Our sales and marketing techniques may not be successful, may not be accepted by consumers, may impose limitations on our operations or may be adversely impacted by legal or other requirements.

We disclaim any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

Boardwalk Equities Inc. (hereafter "Boardwalk", "the Company", or "the Corporation") is a fully integrated, customer-oriented, multi-family residential real estate ownership and management company. It is Canada's largest publicly traded multi-family residential corporation and specializes in the acquisition, operation, value enhancement and selling of multi-family residential properties within Canada. Boardwalk's portfolio is located in Alberta, Saskatchewan and Ontario. The head office is situated in the City of Calgary, although the Company is progressively expanding across Canada. At year-end, December 31, 2001, Boardwalk recorded assets of approximately \$1.5 billion, and owns a 100% interest in well over 200 properties comprising approximately 25 million gross rentable square feet.

A COMMITMENT TO VALUE CREATION

Boardwalk's mission statement, "to efficiently provide the best value in carefree living at competitive prices and utmost customer satisfaction", defines its operational strategy. The Company believes that by following this strategy, it will continue to focus on enhancing value by generating substantial growth in its overall operating cash flows and create realizable appreciation in real estate values. Achieving this goal requires the application of fully integrated core strategies of focused investing, superior property management and the implementation and efficient use of technologies and strategic asset management to the following:

- The strategic acquisition of existing multi-family residential properties throughout Canada;
- The review, and where required upgrade, of existing services and facilities to enhance property value to the customers' satisfaction;
- The continued enhancement of cash flow from existing properties;
- The stabilization of new projects to increase cash flows;
- The maintenance of a focused sales discipline;
- The reinvestment of all released equity back into the portfolio to assist in additional value-added opportunities.

With the implementation of these multi-dimensional strategies, Boardwalk will continue to enhance overall growth in the short, medium and long term. To support the Corporation's overall operating strategy, it is necessary to:

- Ensure ample capital is available at all times for acquisitions and value added enhancements;
- Utilize suitable levels of leverage where appropriate;
- Optimize the use of National Housing Act (NHA) insurance through Canada Mortgage and Housing Corporation (CMHC) to enhance leverage and access to lower financing rates;
- Allocate capital to existing project enhancement and continuing new acquisition;
- Actively manage the Corporation's exposure to interest rate risk.

In the following discussion, we will attempt to provide the reader with an understanding of how these strategies affect the operating results and shareholder value of the Corporation. We will also review the related risks, opportunities and trends, as well as possible impacts of these strategies on Boardwalk's future performance.

Review of consolidated statement of earnings

Boardwalk generates revenues, cash flows and earnings from two separate sources, these being rental operations and sales of properties held for resale. Boardwalk's most consistent source of income is its rental operations. Income from this source is derived from leasing individual units to customers based on lease terms varying from month-to-month terms to 12-month lease terms. Additional income is derived from the sale of selected properties. Sales of these properties are part of Boardwalk's overall strategy and the equity released is then targeted for reinvestment back into the Corporation for acquisition of new rental product, to assist in the value enhancement program or the acquisition of the Corporation's common stock in public markets.

RENTAL OPERATIONS

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
	(AUDITED)	(AUDITED)	(AUDITED)
Rental revenue	\$ 205,281	\$ 110,771	\$ 178,147
Expenses			
Operating expenses	\$ 22,865	\$ 14,121	\$ 22,471
Utilities	31,549	14,713	20,140
Utilities rebate	(4,967)	-	-
Property taxes	19,743	11,004	18,431
	\$ 69,190	\$ 39,838	\$ 61,042
Average rent per month	\$ 664	\$ 637	\$ 620
Operating costs per unit per month	\$ 226	\$ 229	\$ 212
Occupied rental levels per month	\$ 698		
Estimated market rent levels per month	\$ 744		

Rental revenue

Fiscal 2001 continued to report strong rental operating results. Average rental rates increased to \$664, as compared to \$637 (an increase of 4%) and \$620 (an increase of 7%), for the seven months ended December 31, 2000, and 12 months ended May 31, 2000, respectively.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' reported data. In addition, revenue increases are also related to a continued increase in overall average monthly rent complimented by a lower overall average vacancy rate.

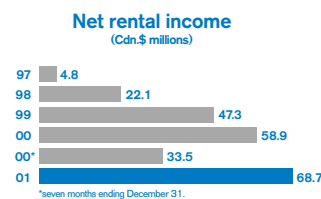
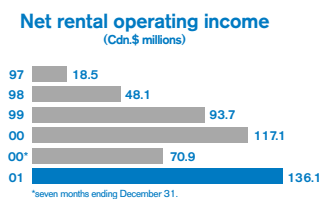
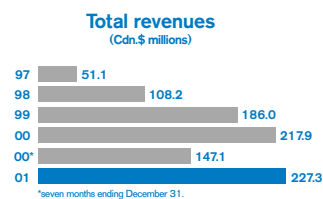
December 2001 compared to May 2000. The reported increase of \$27.1 million, or 15%, is the combined result of an increase in the overall average rental rate per month, as noted above; this translates to a 7% increase and the continued external addition of rental properties. On average, the period ended December 31, 2001, had a weighted average month unit count of 25,474, a 6% increase from the 23,944 average during the fiscal period ended May 31, 2000.

Expenses

Boardwalk's operating expenses have decreased slightly on a per unit basis. The slight decrease is mainly the result of the Government of Alberta rebate program, which will be discussed in detail later in this section.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' data.

December 2001 compared to May 2000. The increase of \$8.2 million, or 13%, is mainly the result of increased utility charges, in particular natural gas prices in the Alberta market. An additional reason for this increase, as discussed above, related to the approximately 6% increase in the number of rental units the corporation controlled during the December 2001 fiscal period as compared to the May 2000 12-month fiscal period.



ALBERTA RENTAL OPERATIONS

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Rental revenue	\$ 142,795	\$ 78,220	\$ 132,528
Expenses			
Operating expenses	\$ 15,478	\$ 9,105	\$ 16,605
Utilities	21,430	11,538	14,655
Utilities rebate	(4,921)	-	-
Property taxes	10,281	5,771	11,568
	\$ 42,268	\$ 26,414	\$ 42,828
Average rent per month	\$ 694	\$ 664	\$ 643
Operating costs per unit per month	\$ 206	\$ 224	\$ 208
Occupied rental levels per month	\$ 726		
Estimated market rent levels per month	\$ 781		

Rental revenue

Rental revenue has increased in Boardwalk's Alberta portfolio. Average per month rates reached \$694, representing a 5% increase over the average for the seven-month period ended December 31, 2000, and representing an 8% increase from \$643 for the 12-month period ended May 31, 2000.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' reported data. In addition, revenue increases are also related to the continued increase in overall market rents combined with a lower average vacancy rate.

December 2001 compared to May 2000. The reported increase of \$10.2 million, or 8%, is the result of an increase in the overall average rental rate. Rental rates in Calgary have increased significantly, the result of increased demand and the lack of new supply, which is not economically justifiable given the current level of market rents. In addition, the weighted average number of units available for rent in Boardwalk's Alberta portfolio actually dropped 10%, to 16,989, versus 17,165 for the fiscal period ended May 2000. The decrease is the result of Boardwalk's strategy of selling selected properties.

Expenses

Boardwalk's operating expenses on a per-unit basis have decreased from those reported in the comparative periods. The main reason for the decrease is the utility rebates the Corporation received in 2001. During the 12 months ended December 31, 2001, the Corporation was the beneficiary of approximately \$5 million in the form of rebates received under two separate programs implemented by the Government of Alberta. The first was provided to assist with the increasing cost of natural gas. Natural gas prices increased more than 300% from previous periods as a result of increased demand in North America. The natural gas rebate program consisted of a rebate of \$6.00 per gigajoule used by residential users. This program ran from January 1, 2001, to March 31, 2001, and accounted for the majority of the reported rebate. The remaining rebate relates to an electrical rebate program that ran for the duration of the 2001 fiscal year. Effective January 1, 2001, Alberta deregulated its electrical industry; this, combined with a significant increase in demand, resulted in electrical rates increasing during 2001 to rates three times previous years. To assist residential customers with the sudden increase, the Alberta Government began an electrical rebate program based on usage; residential customers were rebated \$0.03 per KWH of usage. Boardwalk received a total electrical rebate of \$1.7 million during the year.

Acknowledging these external pressures on resources prices, Boardwalk implemented a fixed gas and electrical contract strategy. The gas contract was fixed until March 31, 2002, at a rate of \$8.00 per gigajoule. Electrical prices were also fixed at a weighted average rate of \$0.074 per KWH for terms of two to four years. The expiration of the electrical contracts was timed to coincide with the point at which the market is expected to receive a significant amount of new supply. Management acknowledges that the fixed pricing of the gas contract is at rates in excess of current market rates; however, at the time Management felt it was in the best interest of the Company to mitigate the risk of constantly increasing natural gas prices.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' reported data. In addition, operating costs experienced significant upward pressure from increasing utility charges, mainly the result of deregulation in the electrical and natural gas markets. Offsetting this were rebates received from the Alberta Provincial Government.

December 2001 compared to May 2000. Operating expenses decreased from those posted for the fiscal period ended May 31, 2000. The main reason for the decrease was the rebates received by the Corporation during the 2001 fiscal year. In addition, as was previously stated, there were fewer weighted average Boardwalk units in Alberta during the fiscal period ended May 2000 compared to the current period.

SASKATCHEWAN RENTAL OPERATIONS

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Rental revenue	\$ 31,858	\$ 16,900	\$ 28,437
Expenses			
Operating expenses	\$ 3,326	\$ 1,861	\$ 3,302
Utilities	4,223	1,386	2,863
Utilities rebate	—	—	—
Property taxes	4,808	2,589	3,874
	\$ 12,357	\$ 5,836	\$ 10,039
Average rent per month	\$ 573	\$ 575	\$ 565
Operating costs per unit per month	\$ 222	\$ 199	\$ 200
Occupied rental levels per month	\$ 610		
Estimated market rent levels per month	\$ 621		

Rental revenue

Boardwalk's Saskatchewan portfolio had a stable performance in fiscal 2001, with average rental rates consistent with those reported in the comparable periods. The main reason for this flat performance was the occupancy of the portfolio. Fiscal 2001 witnessed an increased level of vacancy due to seasonal factors.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' reported data. Average rents remained flat compared to the fiscal period ended December 31, 2000.

December 2001 compared to May 2000. The reported increase of \$3.4 million, or 12%, is mainly the result of an increased number of overall weighted average units in the December 2001 figure, as compared to the fiscal period ended May 31, 2000. During the current period there were an average of 4,637 units per month; this is 11% higher than the 4,197 weighted average units per month in the comparative period.

Expenses

Boardwalk's Saskatchewan portfolio has experienced an increase in overall operating expenses. The increases are mainly focused in the utility and property tax areas.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' reported data. In addition, there was an increase in overall utility charges resulting from upward pressure on market natural gas pricing.

December 2001 compared to May 2000. The reported increase of \$2.3 million, or 23%, is the combined result of having 12% more weighted average units, an increase in overall utility charges and an increase in reported property taxes.

ONTARIO RENTAL OPERATIONS

(CDN\$ THOUSANDS, EXCEPT PER UNIT AMOUNTS)

	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Rental revenue	\$ 29,844	\$ 15,151	\$ 17,058
Expenses			
Operating expenses	\$ 3,257	\$ 2,304	\$ 2,548
Utilities	5,800	2,643	2,605
Utilities rebate	-	-	-
Property taxes	4,662	2,643	2,978
	\$ 13,719	\$ 7,590	\$ 8,131
Average rent per month	\$ 642	\$ 571	\$ 553
Operating costs per unit	\$ 297	\$ 258	\$ 264
Occupied rental levels	\$ 679		
Estimated market rent levels	\$ 728		

Rental revenue

Boardwalk's Ontario portfolio has continued to show improvement with average rents increasing to \$642, representing a 12% increase from the average rents reported for the seven months ended December 2000 and a 16% increase over the average rents reported for the 12-month period ended May 31, 2000.

Average operating costs also increased from the comparable period, mainly as a result of increased utility charges.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' reported data. On average, rental rates increased 12% from the comparable periods. The increase is the result of a reported decrease in vacancy combined with an increase in overall market rents.

December 2001 compared to May 2000. The reported increase of \$12.8 million, or 73%, is mainly the result of an increased number of overall weighted average units in the December 2001 figure, as compared to the fiscal period ended May 31, 2000. During the current period there were an average of 3,849 units per month; this is 50% higher than the 2,571 weighted average units per month in the comparable period. The increase may also be attributed to an overall decrease in Boardwalk's Ontario vacancy, mainly the result of an increased stabilization of the portfolio combined with an overall increase in market rental levels.

Expenses

Boardwalk's Ontario portfolio has experienced an increase in operating expenses, mainly due to the fact that the portfolio has increased dramatically over the comparable periods.

December 2001 compared to December 2000. The increase in the amounts reported is mainly the result of the fact that the December 2000 figure represents only seven months' operations, as compared to December 2001, which represents 12 months' reported data. In addition, there was a noted increase in the overall utility charges, resulting from upward pressure on market natural gas pricing.

December 2001 compared to May 2000. The reported increase of \$5.6 million, or 69%, is the combined result of having 50% more weighted average units along with a notable increase in overall utility charges and an increase in reported property taxes.

MARKET RENT ANALYSIS

One of the meaningful analytical indicators of future performance is what is known as a mark to market rental adjustment. The mark to market adjustment is determined by comparing the current market rents to the weighted average rent for the current period. The following chart compares current rental levels to those of the posted market. The reader is cautioned that, even though the Company does have lease terms in excess of 12 months, there are numerous external and internal economic pressures which may impede the Corporation's ability to obtain these rents in the foreseeable future.

	Per unit per month			Units December 31, 2001	Annualized impact*
	Estimated market rent December 31, 2001	Occupied rent 12 months ended December 31, 2000	Mark to market		
Alberta	\$ 781	\$ 726	\$ 55	17,169	\$ 10,992,000
Ontario	\$ 728	\$ 679	\$ 49	4,076	2,325,000
Saskatchewan	\$ 621	\$ 610	\$ 11	4,644	\$ 595,000
	\$ 744	\$ 698	\$ 46	25,889	\$ 13,912,000

*The annualized impact has imputed in it a stabilized estimated 3% vacancy factor.

PORTFOLIO VACANCIES

Boardwalk's overall operations are significantly impacted by the level of property vacancy. Property vacancy represents the number of suites vacant for the given time period from which no rental cash flow is collected. The following chart depicts overall vacancy levels for the reporting periods. The sensitivity to vacancy of the portfolio can be shown by the fact that, given Boardwalk's current rental portfolio of 25,889 units at current market rents of \$744 per month, a 1% change in the average annual vacancy would impact operational cash flows by approximately \$2.3 million, or \$.05 per diluted share.

	December 2001	December 2000	May 2000
Alberta	4.45%	3.96%	5.10%
Ontario	5.53%	9.35%	13.20%
Saskatchewan	6.16%	5.14%	4.24%
	4.93%	4.98%	5.95%

OPERATIONAL SENSITIVITIES

Given the nature of Boardwalk's rental operations, certain sensitivities exist that may have a material impact on the overall operational outcome, although there are numerous external factors. The three most material factors include overall portfolio vacancy and the impact of changes in natural gas pricing.

Vacancy sensitivity

As with all real estate, Boardwalk has a sensitivity to vacancy. Based on the current reported market rent, a 1% annualized change in reported vacancy would impact overall rental operations by approximately \$2.4 million, or \$.05 per share on a diluted basis.

Natural gas pricing

With the recent instability in natural gas pricing, management feels it is imperative to disclose Boardwalk's sensitivity to overall changes in the natural gas commodity pricing. Based on existing natural gas consumption of approximately 1.35 million gigajoules, Boardwalk's sensitivity to a \$1.00 change in annual natural gas pricing is approximately \$1.35 million, or approximately \$.03 per share. As was noted above, Boardwalk's current natural gas pricing of \$8.00 per gigajoule expires at the end of March 2002. Based on current natural gas pricing of approximately \$3.34, the annualized cost savings would be \$6.3 million, or \$0.13 per diluted share. The reader is cautioned that the pricing of natural gas fluctuates daily and, as such, the annual impact of the change may vary materially from that reported above.

STABILIZED BUILDING ANALYSIS

Boardwalk defines a stabilized building as one that it has owned for a 24-month period or greater. Although at the end of this period not all value enhancements have been completed, it is believed that during this time the majority of the internal upgrades have been completed, along with a portion of required external enhancements. The following chart compares Boardwalk's stabilized properties on a year-over-year basis.

	Rental revenues	Rental expenses	NOI	% of stabilized NOI
Edmonton	4.5%	3.2%	12.7%	42.4
Calgary	7.6%	0.0%	10.5%	25.7
Other Alberta	11.8%	6.7%	13.8%	8.0
Ontario	12.7%	8.3%	17.1%	9.9
Saskatoon	0.5%	10.2%	(5.0%)	5.6
Regina	3.3%	9.2%	(0.2%)	8.4
Total stabilized	8.4%	4.9%	10.3%	100

Over 23,717 units, or 91% of Boardwalk's portfolio, have been classified as stabilized at December 31, 2001. This is up from 19,916, or 80% of the portfolio, at December 31, 2000. Overall, Boardwalk's stabilized portfolio reported an increase in rental revenue of \$14.8 million, or 8%. As with Boardwalk's overall portfolio, the increase in revenues is the result of stronger market rents and lower vacancies. Operating expenses increased mainly as a result of increased utility and property taxes.

FINANCING COSTS

Boardwalk's overall strategy continues to be the acquisition of properties at levels well below that of present replacement values. These properties are then subjected to the Company's stabilization program, focusing on value-enhancing upgrades. Boardwalk's strategy is to leverage these properties to 85% of the purchase price and, where appropriate, add additional financing for all upgrades performed on the properties.

Because Boardwalk concentrates on multi-family residential real estate, it is eligible to obtain government-backed insurance through the National Housing Act, administered by Canada Mortgage and Housing Corporation. The benefits of purchasing this insurance are twofold. The first is that this insurance allows for the increase in the lending limit from the conventional 75% threshold to 85%. The second benefit is that financing obtained is priced at a lower spread to the related Government of Canada Bonds. Although spreads will vary, they are currently priced between 50 and 80 basis points from the related Canadian Government Bonds. This compares to more conventional financing, which may range from 125 to 175 basis points from the respective bonds. The third benefit relates to the lowering of Boardwalk's overall financing risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, usually 25 years. As such, the insurance is transferable between lenders and thus lowers the overall risk of the Corporation being able to refinance the asset on maturity.

Financing costs for fiscal 2001 were \$67.5 million, up \$29.6 million from the amounts reported for the seven months ended December 2000 and up \$9.3 million from the amount posted for the 12 months ended May 2000. The reported increase, when compared to the December 2000 amounts, is mainly the result of the fact that the fiscal period ended December 2000 represented only a seven-month period as compared to the 12 months for fiscal 2001. This increase, in comparison to the 12-month fiscal period ended May 2000, was the combined result of increased leverage in the Corporation's overall portfolio and the financing of new acquisitions; offsetting this was the fact that the Corporation's overall weighted average interest rate decreased to 6.15%, compared to the 6.27% reported at December 31, 2000, and the 6.29% at May 2000. As a percentage of overall rental revenue, financing charges represent 33%, as compared to 34% for the December 2000 fiscal period, along with 33% in the 12-month fiscal period ended May 31, 2000.

FINANCING SENSITIVITY

Although Boardwalk does manage its finance risk in a variety of ways, which will be discussed later, it is important for the reader to understand the potential impact to the Corporation as a whole with respect to significant interest rate changes. An annualized 1% change in the market interest rate would have an estimated impact of \$11.1 million, or \$0.22 per diluted share.

PROPERTY HELD FOR RESALE

A major source of Boardwalk's overall operating income is the sale of units classified as properties held for development and resale. For the most part, the units in this category are classified as mature properties, which implies limited capital appreciation remaining on a pure rental basis for these locations in comparison to other more accretive investment opportunities. Once a property has reached this stage, it is sold in a single bulk sale transaction. The proceeds are then reinvested in the Corporation and used either to acquire other accretive multi-family properties, or to assist in value-added capital improvements. The following chart details the reported sales.

	December 31, 2001	December 31, 2000	May 31, 2000
Cash received	\$ 14,787	\$ 16,783	\$ 12,922
Vendor take back mortgage	4,700	–	15,133
Debt assumed	2,501	19,528	11,769
Total proceeds	<u>\$ 21,988</u>	<u>\$ 36,311</u>	<u>\$ 39,824</u>
Net book value	\$ 13,939	\$ 24,258	\$ 24,017
Gain on sale	\$ 8,049	\$ 12,053	\$ 15,807
Units sold	<u>307</u>	<u>438</u>	<u>689</u>

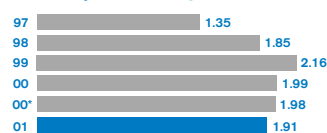
Sales recorded during the 12 months ended December 31, 2001, were \$22 million; this compares to the \$36.3 million reported for the seven months ended December 2000 and \$39.8 million reported for the 12 months ended May 31, 2000. The decrease in the reported amounts is the direct result of a decreased number of units sold. As noted previously, the sale of properties is a normal part of the Corporation's operations. Increasing demand for multi-family product increased prices for new acquisitions dramatically in the 2001 fiscal year. The Corporation's ability to reinvest equity from sold buildings in new accretive acquisitions has slowed as a result. The Corporation has decreased its sales program accordingly. On a per-unit sold basis the average sale price was \$72,000, as compared to \$83,000 and \$58,000 for the periods ended December 31, 2000, and May 31, 2000, respectively. Net margins on a per-unit sold basis of \$26,000 were a slight decrease from \$28,000 per-unit recognized for the fiscal period ended December 31, 2000, and a 13% increase from the \$23,000 reported during the May 2000 fiscal year. The reader is cautioned that each property's sales price and resulting margin is unique, and significant variations in average sale prices will occur.

ADMINISTRATION

Included in these costs is property administration, costs associated with Boardwalk's technological initiative, regional distribution center administration, the expansion of Boardwalk's associate base to assist in the acquisition and operation of these facilities, related communication charges and head office salaries. It is the Company's belief that allocating funds to these areas will further enhance value and performance. The amount reported for the 12 months ended December 31, 2001, was \$15.6 million; this represents an increase of \$6.7 million from the \$8.9 million reported for the seven months ended December 31, 2000, and a decrease of \$1.3 million from the \$16.9 million reported for the 12 months ended May 31, 2000.

If we look at these costs on a per weighted average unit basis we note that for the fiscal period ended December 31, 2001, the average was \$51 per unit per month. This amount is consistent with the reported amount for the seven months ended December 31, 2000, and a decrease from \$59 per unit per month for the fiscal period ended May 31, 2000. The overall decrease is mainly the result of the roll out of Boardwalk's Real Time Property Management Software, which transfers all property administration from head office to the site level, combined with the Corporation's continued focus on efficiency.

Rental interest coverage before corporate charges (Ratio)



*seven months ending December 31.

Debt to equity (Ratio)



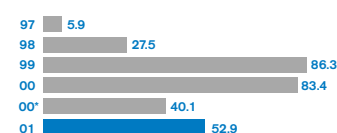
*seven months ending December 31.

Average acquisition cost per unit (Cdn.\$ thousands)



*seven months ending December 31.

Capital upgrades (Cdn.\$ millions)



*seven months ending December 31.

AMORTIZATION

Amortization expense relates to the charge to earnings that is estimated to occur on the wear and tear of specific assets. Although multi-family assets historically have actually appreciated in value, under existing accounting reporting requirements an estimate is required to be made and charged to related earnings. To address the uniqueness of the amortization of these long-lived assets, many corporations amortize the majority of their building assets using the sinking method of amortization.

Management reviews its key amortization estimates on an ongoing basis and, if warranted, will adjust these estimates on a prospective basis. Effective October 1, 2001, the Corporation revised its estimated life on concrete low-rise and wood-frame construction buildings, including town homes, to have a maximum life not exceeding 40 years for amortization. High-rise concrete buildings will continue to have a maximum life of 50 years. In addition, each project is reviewed on an individual basis, and a shorter life is given to projects where warranted (factors reviewed include: construction materials, location of property and capital maintenance). This change in estimate resulted in a \$700,000 increase in amortization for the fourth quarter of 2001.

December 2001 compared to December 2000. Amortization reported for the current period of \$53.6 million represents an increase of \$26.2 million as compared to the amount reported for fiscal 2000. The increase is mainly the result of the fact that the December 2000 fiscal period represents only a seven-month period, as compared to the 12 months reported in current results.

December 2001 compared to May 31, 2000. The increase in amortization when comparing the 12-month fiscal periods ended December 2001 and May 2000 represents \$16.7 million, or 45%. The increase is the result of the use of the sinking fund method, which incorporates an appreciating amortization amount as the asset ages, as well as the amortization of Boardwalk's capitalized value enhancement program.

PROVISION FOR LOSS ON TECHNOLOGY

During the third quarter of fiscal 2001, the Corporation took a one-time estimated write-down of \$27.5 million associated with the technology initiative referred to as Suite Systems Inc. (SSI) and the Corporation's investment in Homexpress Limited. The provision estimate was increased in the fourth quarter of 2001 by an additional \$2.3 million, bringing the total provision to \$29.8 million, based on new information that resulted in a revision to the previous estimates. SSI was to provide customers a complete bundled communication solution including digital cable, internet and telephone all over one common fiber connection. After numerous assessments of alternative business models, it became clear that the current economic and capital market environment, combined with delays in obtaining access rights in our target markets and the high cost of capital, placed the current value of this reported asset in question. The following schedule details the provision by product category:

Technology write-down provision

(CDN. \$ THOUSANDS)

Cable	\$ 10,763
Telephone	12,166
Internet	2,290
Fiber	3,781
Investment in Homexpress	800
	<u>\$ 29,800</u>

No such provision was made in any of the comparable periods.

FUTURE INCOME TAXES

During fiscal 2001 the Company reported an income tax recovery of \$12.7 million. The recovery is due to a combination of the future income tax liability being adjusted to reflect the reduced income tax rates substantially enacted as a result of the Provincial and Federal budget proposals and release of draft legislation, as well as the impact of the reported asset write-down as noted above.

NET EARNINGS

Boardwalk's reported earnings loss of \$12.4 million (\$0.25) per fully diluted share, represents a decrease of \$27.9 million from the reported earnings of \$15.6 million for the seven months ended December 31, 2000 (\$0.31 per fully diluted share), and \$22.8 million below the net earnings of \$10.4 million (\$0.21 per fully diluted share). The decrease in reporting earnings from the comparative period is the combined result of the current year's provision for loss on technology combined with an increased charge for amortization.

Consolidated statement of cash flows

OPERATING ACTIVITIES

Cash flow from operations

Boardwalk prepares its financial statements in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") and the Canadian Institute of Chartered Accountants ("CICA"). CIPPREC has adopted a measurement of funds from operations ("FFO") to supplement net income as a measure of operating performance. This is considered to be a meaningful and useful measure of real estate operating performance. Boardwalk's presentation of funds from operations is consistent with the definition provided by CIPPREC. This measure is not necessarily indicative of cash that is available to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity. FFO does not represent cash flow from operations as defined by Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Corporation's and CIPPREC's presentation of funds from operations does not reflect cash flows from operations as defined by the CICA handbook, and this measure is not necessarily indicative of cash available to fund cash needs of the Corporation and should not be considered as an alternative to cash flow as a measure of liquidity.

Management considers FFO to be an appropriate measure of the performance of a publicly listed multi-family residential corporation. In order to facilitate a clear understanding of the combined historical operating results of the Company, management feels FFO should be considered in conjunction with net earnings as presented in the consolidated financial statements as referenced in this document.

For the fiscal period ended December 31, 2001, Boardwalk reported cash flow from operations of \$57.9 million (\$1.15 per fully diluted share); this was up 69% from the cash flow from operations reported for the seven months ended December 31, 2000, and up 6% from that reported for the 12 months ended May 31, 2000.

December 31, 2001, compared to December 31, 2000. Reported funds from operations of \$57.9 million from the current period was up \$23.6 million from the amounts reported for the fiscal period ended December 31, 2000. The increase is mainly the result of the fact that the December 2000 fiscal period represents only a seven-month period, as compared to the 12 months reported in current results. Further review of these reported numbers reveals that rental operations contributed \$49.9 million (\$0.99 per fully diluted share), as compared to \$22.3 million (\$0.45 per fully diluted share) for the seven-month period ended December 31, 2000. This represents an increase of 124%, far more than the adjustment for the variance in the reporting period. The remainder of cash flow from operations was generated from the sale of selected properties. From this we conclude that Boardwalk's rental operations continue to provide an increasing portion of the corporation's overall cash flow.

December 31, 2001, compared to May 31, 2000. The reported funds from operations for the current period of \$57.9 million is up \$4.3 million from the \$53.6 million reported for the 12 months ended May 31, 2000. Further analysis indicates that for the current year cash flow from operations generated from rental operations of \$49.9 million represents an increase of \$12.1 million from the \$37.8 million reported for rental operations ended May 2000. The remainder of cash flow from operations was generated from the sale of properties. As noted above, Boardwalk continues to generate an increasing amount of overall cash flow from operations of its rental operations.

FINANCING ACTIVITIES

Repurchase of capital stock

Boardwalk has continued its normal course issuer bid during fiscal 2001. During the current year a total of \$10.3 million (879,600 shares – average purchase price \$11.72 per share) was allocated to the purchase of its own capital stock in the market. This compared to \$245,000 (23,600 shares – average purchase price \$10.38 per share) for the seven-month period ended December 31, 2000, and \$6.8 million (688,000 shares – average purchase price \$9.88 per share) for the fiscal period ended May 31, 2000.

The normal course issuer bid allows the Company to purchase up to 2,236,400 common shares, representing 10% of its public float, through the facilities of the Toronto Stock Exchange. Boardwalk believes that the current and recent market prices of its common shares do not reflect their underlying value. Boardwalk's management is initiating this program as it feels that, at current market prices, an investment in Boardwalk's own high quality portfolio will deliver strong returns for shareholders and represents an effective use of its capital and steadily increasing cash flows.

Financing of revenue producing properties

Part of Boardwalk's overall strategy is to finance the existing real estate properties. During the year ended December 31, 2001, new and rental financings totalled \$169 million; this compares to \$113 million during the period ended December 31, 2000, and \$314 million for the period ended May 31, 2000. The increase over the amounts reported for December 2000 is \$55 million.

management's discussion & analysis

The increase is mainly the result of the fact that the December 2000 fiscal period represents only seven months, compared to the 12 months reported in current results. The decrease over the amounts reported for the fiscal period ended May 31, 2000, is mainly the result of few refinancing and new acquisitions occurring in the current period.

INVESTING ACTIVITIES

Purchase of revenue-producing properties

During 2001 the Corporation acquired 1,362 units for a total purchase price of \$58.3 million, or \$42,800 per unit. This represents an increase of 1,040 units over those units acquired during the seven-month period ended December 31, 2000, and a decrease of 1,921 from the 3,283 units acquired during the May 2000 fiscal period. The purchase of rental apartments depends heavily on the economic and interest rate environment. During the fiscal 2001 year the Corporation was able to identify new properties that met its acquisition criteria, something that has become more difficult in recent years. A consequence of continued increases in the overall pricing of this asset class has been a decrease in the number of units acquired; the opportunity represented by this same environment is that real estate already owned is appreciating in value.

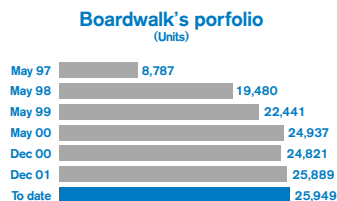
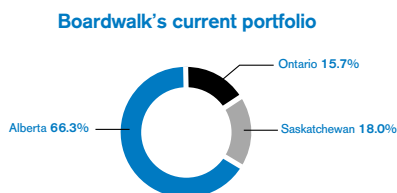
	December 31, 2001	December 31, 2000	May 31, 2000
Cash paid	\$ 15,543	\$ 11,367	\$ 84,784
Vendor take back mortgage	1,452	–	8,067
Shares issued	7,116	–	–
Debt assumed	34,187	3,847	50,747
Total purchase price	<u>\$ 58,298</u>	<u>\$ 15,214</u>	<u>\$ 143,598</u>
Units acquired	<u>1,362</u>	<u>322</u>	<u>3,283</u>

Project improvements to revenue-producing properties

Boardwalk's value enhancement program results in long-term benefits for the selected properties. As a result, the Corporation capitalizes selective value enhancements under the category of project improvements and amortizes them accordingly. See Note 2 of the attached consolidated financial statements for amortization categories. Part of the capitalization includes Management's estimate with respect to the capitalization of onsite associate wages and salaries that assist in this enhancement program. The amount reported as of December 31, 2001, includes \$4.5 million of capitalized wages and salaries. This compares to \$3.5 million reported for the seven months ended December 31, 2000, and \$7.5 million reported for the fiscal period ended May 31, 2000. The increase over the amounts reported as of December 2000 is \$1.0 million. The increase is mainly the result of the fact that the December 2000 fiscal period represents only a seven-month period, as compared to the 12 months reported in current results. The decrease in the amount reported in the current period versus the fiscal period ended May 31, 2000, is the result of the continued stabilization of the Company's overall portfolio. As the portfolio continues to stabilize, the need for the same level of capital improvements diminishes accordingly.

Revenue producing properties

Boardwalk continues to have a diversified portfolio located in 12 different cities, and as such does not rely heavily on one specific municipal location. The majority of Boardwalk's units are located in Alberta, a province whose economy continues to lead the nation in most economic categories. In 2001, the Corporation acquired 1,362 units and divested itself of 307 selected units.



Balance sheet

ACCOUNTS RECEIVABLE AND MORTGAGE RECEIVABLE

This account for the most part is made up of vendor mortgages obtained as part of the normal course of the building sale process. All mortgages are to unrelated third parties. The increase in the amount at December 31, 2001, is the direct result of a vendor mortgage on a sale, as was noted in the sales of property held for development and resale. The decrease in current amounts as compared to those reported at May 31, 2000, relates to the maturity and subsequent payout of selective vendor mortgages. Many of the rates on these mortgages contain lower interest rate terms; as a result, the Corporation has adjusted downward the reported gain for these non-market rate terms.

MORTGAGES PAYABLE

Boardwalk's long-term debt consists mainly of low rate, fixed-term mortgage financing. All amounts are secured by individual mortgages or debentures registered against real estate properties, with the maturity dates of this debt staggered to lower the Corporation's overall interest rate risk. The Corporation's current mortgage payable of approximately \$1.1 billion at December 31, 2001, has increased from the \$1.03 billion reported at December 31, 2000, and the \$1 billion reported at May 31, 2000. This increase in the reported amounts is the combined result of the continued growth of the company, including the assumption of existing debt on new acquisitions, along with placing selective new financing on these acquisitions. In addition, the Corporation has refinanced existing maturing mortgages to higher levels, not only demonstrating the value creation that is occurring in the portfolio but also allowing the Corporation to assist in the financing of existing capital improvements. Boardwalk's strategy of stabilizing the project while completing value-added upgrades assists in this process. During the stabilization period, Boardwalk continues to add value to its properties, which enables new mortgage proceeds to be obtained on this increased property value.

Although there has been an increase in debt per unit, Boardwalk's overall weighted average interest cost has decreased dramatically over prior years. Amounts recorded on revenue-producing properties have decreased to 6.15% from the 6.27% reported at December 31, 2000, and the 6.29% recorded at May 31, 2000. To better maintain cost effectiveness and flexibility of capital, Boardwalk continuously monitors short- and long-term interest rates. If the environment warrants, the Corporation will take its limited short-term floating rate and lock it into a longer-term fixed rate. Active management of the mortgage portfolio shows dramatic results, as evidenced in the 2001 debt maturity review.

Mortgage schedule

Fiscal year	Maturing amount	% Maturity
2001	\$ 153,067	14
2002	127,055	11
2003	99,515	9
2004	49,263	4
2005	56,349	5
2006	36,397	3
2007	238,758	22
2008	164,110	15
2009	63,014	6
2010	76,404	7
2011	44,474	4
Total	\$ 1,108,406	100

FUTURE INCOME TAXES

During fiscal 2000, the Corporation adopted the new CICA Handbook section 3465, Income Taxes. Under this method, the future income tax asset and liability method of accounting for income taxes is used, and future income tax liabilities and future income tax assets are recorded based on temporary differences between the carrying amount in the balance sheet item and the corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to valuation allowances. To the extent that it is more likely than not that such a loss will be ultimately utilized, these standards also require that future income assets and liabilities be measured using enacted tax rates and laws that are expected to apply when the tax liabilities or assets are to be either settled or realized. The current year's results have decreased from those amounts reported at both December 31, 2000, and May 31, 2000. The decreases are the combined result of an enacted decrease in Federal and Provincial corporate income tax rate and the incorporation of the anticipated impact of the technology asset write-down which was previously discussed.

LIQUIDITY

The Company's principal liquidity demands are expected to be the repayment of maturing mortgage debt, operating costs, capital improvements and the acquisition of rental units. The Company has in the past, and may also in the future, engaged in acquiring stock back in the public market as part of its previously announced normal course issuer bid or other available vehicles. The Company intends to meet its short term liquidity requirements through net cash flows provided by operating activities, the financing or refinancing of real estate properties and the use of existing cash reserves.

At December 31, 2001, the Corporation holds an untapped operating and demand facility. This facility is secured by a pledge of specific assets. The amount varies with the value of pledged assets to a maximum not to exceed \$100 million (December 31, 2000 – \$100 million). This facility carries an interest rate varying from prime plus 0.5% to prime plus 1.5% per annum depending on the facility drawn, and has no fixed repayment terms. The facility is reviewable annually by the bank. There is approximately \$15 million currently available through this facility, which, when combined with existing cash of \$42 million, totals \$57 million of available liquidity. In addition, the Corporation anticipates that by refinancing existing maturing loans an additional \$54 million will be available by the end of fiscal 2002. The reader is cautioned that certain assumptions were made with respect to capitalization rates when computing additional funding, and due to factors out of the control of the Company the actual amount received will vary from the estimate noted.

Boardwalk's objective is to ensure, in advance, that there are ample cash resources to allow the execution of its business plan. Capital resources are defined as the combination of mortgage debt, share capital equity and internally generated equity and cash on hand. Significant liquidity provides greater certainty as to execution, which in turn gives the Corporation a competitive advantage in its negotiation and acquisition of enhancement investments. The conversion of lower yielding mature properties into cash for deployment into higher yielding investments supports this objective.

Risks

The following discussion reviews the risks and opportunities of the Company over the upcoming period. It is not intended to be an all-inclusive list, but rather to review management's view of specific areas and their potential impact on the Corporation.

SUPPLY RISK

The performance of Boardwalk's rental operations is affected directly by the supply of, and demand for, multi-family residential units. In macro-economic conditions such as those currently prevailing and with the expected slowdown in the economy, business and consumer confidence and employment levels constitute the key drivers of demand. Any significant amount of new construction will result in an imbalance in supply and cause downward price pressure on rents. No signs of new rental construction are currently evident in areas where Boardwalk holds properties. It has been shown that to justify new construction in these areas an increase in existing rental rates of hundreds of dollars will be necessary.

ONTARIO RENT CONTROLS

With Boardwalk's continued expansion into the eastern Canadian market, particularly in Ontario, one additional risk that must be addressed is Ontario's existing rent-control legislation. Under the existing Provincial government, the new legislation is actually referred to as rent de-control. The controls limit the landlord's ability to increase existing tenants' rent by setting a pre-determined ceiling that increases on an annual incremental basis, even if the rent adjustment is not actually passed on to the tenant. There are additional allowances for upward rent adjustments which are the direct result of a focused capital improvement program, or an adjustment designed to catch up to existing rental ceilings. This type of legislation is not existent in either Alberta or Saskatchewan.

To respond to these issues, Boardwalk applies its unique approach of complementing the Corporation's proven knowledge and technology with local expertise as to geography, markets and regional legislation. Boardwalk will continue to experience a further rationalization of administration expenditures as a result of continued focus on efficiency improvements through the increased use of technology.

RISK MANAGEMENT

Boardwalk's performance continues to be affected by supply and demand for multi-family residential real estate in Canada. Macro-economic conditions, as previously discussed, will dictate or drive the demand for continued broad-based improvement. Net absorption and lower costs have also assisted the Corporation in improving performance. The potential for reduced rental revenue exists in the event that Boardwalk is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy which would result in lower rents. Boardwalk has minimized these risks by:

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

INTEREST RATE RISK

Financing terms for real estate continued to improve during fiscal 2001 and Boardwalk has realized benefits from the improvement in real estate markets. Under the current low interest rate, environment management has been able to renew maturing real estate mortgages at rates significantly lower than those originally charged; the short term result of this is continued downward pressure on the Corporation's overall weighted average interest rate.

Boardwalk has continued its strong working relationship with CMHC, resulting in the majority of the Corporation's mortgages being insured under the NHA mortgage program. This added level of assurance offered to lenders allows the Corporation to obtain the best possible financing and interest rates. These mortgages are also insured for their full amortization, virtually eliminating the potential for the lender to call the loan prematurely. The NHA insurance is further protection against any possible failure of the lending institution. The Corporation is also able to obtain additional financing on existing buildings in excess of conventional amounts, and therefore increase return on equity to shareholders.

UTILITIES AND PROPERTY TAX RISK

Over the past few years Boardwalk has experienced significant increases in these less controllable operating expenses.

Property taxes

Overall, property taxes have increased as a result of revaluations of municipal properties and their adherent tax rates. These revaluations have documented significant increases in property values based on enhancements which are not represented on Boardwalk's balance sheet, as such representations are contrary to existing reporting standards. To address this risk, Boardwalk has compiled a specialized team of property reviewers who, with the assistance of outside authorities, constantly review property tax assessments and, where warranted, appeal them.

Utility expenses

Consisting mainly of natural gas and electricity service fees, utility expenses have been subjected to enormous price fluctuations in the past 12 months. Of particular note is natural gas pricing. Natural gas, traditionally costing \$2.50 per gigajoule, hit highs in excess of \$12.00 per gigajoule. This increase is the direct result of an imbalance in demand versus supply. To address these fluctuations the Company has locked in its gas pricing at approximately \$8.00 per gigajoule. Although these rates are well below the reported highs of natural gas, they are also well above existing market rates for this resource, which range from \$3.00 to \$4.00. Boardwalk's existing contracts expire at the end of March 2002.

Boardwalk is vulnerable to fluctuations in utilities charges and limited to recouping these losses through rental rate adjustments. To address this problem, Boardwalk has developed an affirmative utilities cost reduction and value enhancement plan:

- Where available, economical electrical sub-metering devices designed to pass this risk on to the customer will be installed;
- Rents will be adjusted upward to cover these increased costs;
- A longer-term balanced maturing strategy for the consumption of natural gas will be developed;
- Boardwalk will seek to more actively administer electrical supply. Through existing providers, Boardwalk participated in the Alberta electrical power auction, purchasing contracts designed to lock in the price of power for Boardwalk in Alberta for the next three to five years.

Through these measures Boardwalk believes it can minimize upward pressure on these operating expenses.

CRITICAL ACCOUNTING POLICIES

Boardwalk's accounting policies are described in Note 1 of the attached consolidated financial statements. 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 Canadian Institute of Public and Private Real Estate Companies ("CIPPREC"). These recommendations differ in certain areas with those generally accepted in the United States. The Company has provided a detailed explanation and reconciliation of these differences in Note 10 of the consolidated financial statements. In applying these policies, in certain cases it is necessary to use estimates. In determining estimates, Management uses the information available to them 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. The Corporation considers the following policies to be critical in determining the judgments that are involved in the preparation of the Consolidated Financial Statements and the uncertainties that could impact the reported results.

Amortization of building asset

Boardwalk's policy with respect to the amortization of its building assets is the use of the "sinking fund method". Under this method, which is not allowed under U.S. GAAP, the amortization charge increases as the asset continues to age. In the determination of this amount, it is necessary to estimate the useful life of the asset, the discount rate and the salvage value. A significant change to any of these estimates would have a material impact charged to earnings during the current period. During the fourth quarter of fiscal 2001, Management revised the estimate with respect to the useful life of the building asset. The change in the estimate as noted in Note 1 of the financial statements increased the reported charge to current periods earnings by \$700,000.

Net recoverable amount

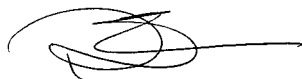
On a quarterly basis, Boardwalk reviews the valuation of its real estate assets. It compares the reported book value to the calculated net recoverable values as noted in Note 1 of the financial statements. In determining the net recoverable amount, it is necessary on a non-discounted basis to pro forma the results of each individual real estate building for a period of 10 years, at which time an estimated residual value is determined. The sum of these amounts is compared to the outstanding debt and the equity in each asset. If it is determined that the combined 10-year cash flow and estimated residual is less than the amount reported as outstanding debt and equity, the asset would be written down to this amount with an offsetting charge to current period earnings. To determine these results, it is necessary to estimate the residual value, which involves the need to determine the appropriate capitalization rate to be applied to estimated cash flows at the time of calculation. Due to the value cycle of real estate, market capitalization rates may change over time. Boardwalk performs this analysis with a range of capitalization rates designed to provide sensitivity for these market changes. The actual capitalization rate and estimated pro forma results may be materially different from actual which may result in a charge to earnings. To date, Boardwalk has never reported a charge against its earnings based on this calculation.

PROPERTY VALUATION

It is Boardwalk's policy to continually review the value of its assets in order to ensure the amounts recorded are in accordance with generally accepted accounting principles. Those assets held for investment purposes are reported via the lower of cost and net recoverable value. Cost includes all amounts relating to the acquisition and improvement of these properties. Net recoverable amounts represent the undiscounted estimated future cash flow expected from ongoing use of the property and its residual value. To arrive at this amount, the Corporation projects the cash flow over a maximum of 10 years and includes the proceeds of the residual sale at the end of this period. The projections take into account a specific business plan for each property and management's best estimate for the probable set of economic conditions anticipated in the prevailing market. It is Boardwalk's belief that the overall replacement value of its assets is in excess of \$2.5 billion.

A LOOK AHEAD

Although it is not possible to predict the future with pinpoint accuracy, Boardwalk feels it is well-positioned for continued growth. With average rents well below new construction rates and vacancy rates continuing to stay low, there appears to be continued upward pressure on existing rents. With the write-down of selected technology assets, management is now focusing more on overall operations with the intention of continuing to increase efficiency. In a market where the largest publicly-listed owner controls less than 2% of the entire multi-family stock, there is ample opportunity for external growth in the long term. In the meantime, our focus will be on internal growth. Boardwalk commenced operations as a public company in April 1994, and has since witnessed substantial growth and diversification. As a result of Boardwalk's strategy of acquiring under-performing properties, a period of stabilization is required following such acquisitions. During this period, both service and product enhancements are initiated, resulting in a more desirable product that is then positioned for positive adjustment. Boardwalk's overall strategy will continue to focus on both product and service enhancement for existing tenants, with the goal of achieving the utmost customer satisfaction while attempting to limit the upward pressure on short-term spikes in operating expenses such as property taxes and utilities. Although Boardwalk does not anticipate real estate growth rates similar to those experienced in prior years, there remains a significant opportunity for expansion and diversification.



Roberto A. Geremia

Senior Vice President, Finance, and
Chief Financial Officer