

MANAGEMENT'S REPORT

To the shareholders of Boardwalk Equities Inc.:

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

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

The consolidated financial statements have been further examined by the board of directors and by its audit committee, which meets regularly with the auditors and management to review the activities of each. The audit committee, which is comprised of three independent directors, reports to the Board of Directors.

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



Sam Koliás

President and Chief Executive Officer
February 12, 2002



Roberto A. Geremia

Senior Vice President, Finance, and Chief Financial Officer

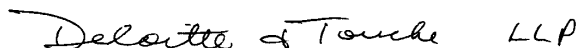
AUDITORS' REPORT

To the shareholders of Boardwalk Equities Inc.:

We have audited the consolidated balance sheets of Boardwalk Equities Inc. as at December 31, 2001, December 31, 2000, and May 31, 2000, and the consolidated statements of (loss) earnings and retained earnings and cash flows for the year ended December 31, 2001, the seven months ended December 31, 2000, and the year ended May 31, 2000. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001, December 31, 2000, and May 31, 2000, and the results of its operations and its cash flows for the year ended December 31, 2001, and the seven months ended December 31, 2000, and the year ended May 31, 2000, in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Calgary, Alberta
February 12, 2002

CONSOLIDATED BALANCE SHEETS

(CDN\$ THOUSANDS)

As at	December 31, 2001	December 31, 2000	May 31, 2000
Assets			
Revenue-producing properties (NOTE 2)	\$ 1,381,541	\$ 1,328,702	\$ 1,321,081
Properties held for resale	6,630	6,692	6,365
Mortgages and accounts receivable (NOTE 3)	22,325	17,230	26,506
Other assets (NOTE 4)	14,423	14,637	7,586
Deferred financing costs	32,957	31,460	30,337
Technology (NOTE 5)	5,743	24,058	5,018
Cash and short-term investments	25,672	21,055	1,135
	\$ 1,489,291	\$ 1,443,834	\$ 1,398,028
Liabilities			
Mortgages payable (NOTE 6)	\$ 1,108,406	\$ 1,034,444	\$ 1,009,526
Accounts payable and accrued liabilities	19,525	24,795	18,522
Refundable security deposits and other	10,418	9,953	8,494
Capital lease obligations (NOTE 5)	7,203	8,404	—
Future income taxes (NOTE 8)	58,755	64,864	75,673
Contingencies (NOTE 11)	—	—	—
	\$ 1,204,307	\$ 1,142,460	\$ 1,112,215
Shareholders' equity			
Share capital (NOTE 7)	258,202	253,586	253,472
Retained earnings	26,782	47,788	32,341
	\$ 284,984	\$ 301,374	\$ 285,813
	\$ 1,489,291	\$ 1,443,834	\$ 1,398,028

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Approved by the Board:



Sam Kolas
Director



David V. Richards
Director

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CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

(CDN\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	12 months ended December 31, 2001	7 months ended December 31, 2000	12 months ended May 31, 2000
Revenue			
Rental income	\$ 205,281	\$ 110,771	\$ 178,147
Sales – properties held for resale	21,988	36,311	39,824
	\$ 227,269	\$ 147,082	\$ 217,971
Expenses			
Revenue-producing properties:			
Operating expenses	22,865	14,121	22,471
Utilities	31,549	14,713	20,140
Utility rebate (NOTE 1 (h) (iii))	(4,967)	–	–
Property taxes	19,743	11,004	18,431
Cost of sales – properties held for resale	13,939	24,258	24,017
Administration	15,586	8,924	16,891
Financing costs	67,367	37,835	59,547
Amortization (NOTE 1)	53,584	27,401	36,842
	\$ 219,666	\$ 138,256	\$ 198,339
Operating earnings before the following:	\$ 7,603	\$ 8,826	\$ 19,632
Provision for loss on technology investments (NOTE 5)	29,837	–	–
Operating (loss) earnings before income taxes	\$ (22,234)	\$ 8,826	\$ 19,632
Large corporations taxes	3,246	1,913	2,881
Income taxes (recovery) (NOTE 8)	(12,678)	(8,652)	6,306
Net (loss) earnings for the period	\$ (12,802)	\$ 15,565	\$ 10,445
Net (loss) earnings per share (NOTE 1)			
Basic	\$ (0.26)	\$ 0.32	\$ 0.21
Diluted	\$ (0.26)	\$ 0.31	\$ 0.21

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(CDN\$ THOUSANDS)

	Year ended December 31, 2001	7 months ended December 31, 2000	Year ended May 31, 2000
Retained earnings, as previously stated	\$ 47,788	\$ 32,341	\$ 26,581
Adjustment for retroactive adoption of future income taxes	-	-	(1,223)
Retained earnings, beginning of period as restated	\$ 47,788	\$ 32,341	\$ 25,358
Net (loss) earnings	(12,802)	15,565	10,445
Dividends paid	(2,496)	-	-
Premium on share repurchases (NOTE 7)	(5,708)	(118)	(3,462)
Retained earnings, end of period	<u>\$ 26,782</u>	<u>\$ 47,788</u>	<u>\$ 32,341</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS

(CDN\$ THOUSANDS)

	12 months ended December 31, 2001	7 months ended December 31, 2000	12 months ended May 31, 2000
Cash obtained from (applied to):			
Operating activities			
Net (loss) earnings	\$ (12,802)	\$ 15,565	\$ 10,445
Income taxes	(12,678)	(8,652)	6,306
Amortization	53,584	27,401	36,842
Provision for loss on technology investments (NOTE 5)	29,837	-	-
Funds from operations	\$ 57,941	\$ 34,314	\$ 53,593
Net change in operating working capital	\$ (9,516)	\$ 6,589	\$ 4,882
Net change in properties held for resale	12,139	22,789	(611)
Total operating cash flows	\$ 60,564	\$ 63,692	\$ 57,864
Financing activities			
Issue of common shares for cash (net of issue costs)	\$ 2,097	\$ 241	\$ 45,295
Stock repurchase program	(10,305)	(244)	(6,885)
Dividends paid	(2,496)	-	-
Financing of revenue-producing properties	169,067	113,771	314,238
Repayment of debt on revenue-producing properties	(128,681)	(92,701)	(219,020)
Deferred financing costs	(2,557)	(2,809)	(8,810)
	\$ 27,125	\$ 18,258	\$ 124,818
Investing activities			
Purchase of revenue-producing properties (NOTE 2)	\$ (15,543)	\$ (11,367)	\$ (84,784)
Project improvement to revenue-producing properties	(52,938)	(40,888)	(89,656)
Technology	\$ (14,591)	\$ (9,775)	\$ (2,719)
	\$ (83,072)	\$ (62,030)	\$ (177,159)
Increase in cash and cash equivalents balance during period	\$ 4,617	\$ 19,920	\$ 5,523
Cash and cash equivalents (indebtedness), beginning of period	\$ 21,055	\$ 1,135	\$ (4,388)
Cash and cash equivalents, end of period	\$ 25,672	\$ 21,055	\$ 1,135
Funds from operations per share			
Basic	\$ 1.16	\$ 0.70	\$ 1.09
Diluted	\$ 1.15	\$ 0.69	\$ 1.09
Taxes paid	\$ 3,477	\$ 2,841	\$ 2,912
Interest paid	\$ 65,342	\$ 37,321	\$ 57,098

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

notes to consolidated financial statements

For the year ended December 31, 2001, the seven months ended December 31, 2000, and the year ended May 31, 2000

(TABULAR AMOUNTS IN CDN.\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Operations

Boardwalk Equities Inc. ("the Corporation") is a real estate corporation that specializes in multi-family residential housing.

(b) Basis of presentation and principles of consolidation

The Corporation's accounting policies and its standards of financial disclosure conform 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 principles differ in certain respects from those generally accepted in the United States of America ("U.S. GAAP"); and to the extent that they affect the Corporation, these differences are described in Note 10, "Differences from United States Accounting Principles".

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

The consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, Suite Systems Inc. ("SSI") and HomeXpress Inc. ("HomeXpress"). The latter is a public company of which the Company owns 63%. The company is no longer in operation as of October 11, 2001 (see Note 5). All material inter-company transactions have been eliminated.

During 2000, the Corporation changed its fiscal year end from May 31 to December 31. The consolidated financial statements presented are for the year ended December 31, 2001, and for the seven months ended December 31, 2000, and the year ended May 31, 2000. Readers should be cautioned that partial periods may not be representative of results expected for full years due to seasonality.

(c) Revenue recognition

- i. Revenue from a rental property is recognized once the Corporation has attained substantially all of the benefits and risks of ownership of the rental property. Rental revenue includes rents, parking and other sundry revenues. All residential leases are for one-year terms or less; consequently, the Corporation accounts for leases with its tenants as operating leases.
- ii. Revenue from the sales of property held for resale is recognized when all conditions of the purchase agreement have been met, a sufficient purchaser deposit (usually 15%) has been received and there is reasonable assurance on the collectibility of any outstanding amount.

(d) Real estate properties

- i. Revenue-producing properties

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

The net recoverable amount represents the undiscounted estimated future net cash flows expected to be received from the ongoing use of the property plus its residual value. To arrive at this amount, the Corporation projects future net cash flows over a maximum of 10 years and includes the proceeds from the estimated residual sale value at the end of that period. The projections take into account Management's best estimate of the most probable set of economic conditions anticipated to prevail in the market area.

- ii. Properties held for resale

The Corporation capitalizes all direct costs, net of related revenue. Direct costs include property taxes, administration costs, finance costs and other costs associated with the cost of property held for resale. Real estate properties held for resale are recorded at the lower of cost or net realizable value.

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(e) Amortization

Revenue-producing real estate properties are amortized at rates designed to amortize the cost of the properties over their estimated useful lives as follows:

Building – low-rise and wood construction	4%	–	Sinking fund, 40 years maximum
Building – high-rise, concrete construction	4%	–	Sinking fund, 50 years maximum
Parking lots	8%	–	Declining-balance
Appliances and cabinets	10%	–	Declining-balance
Project improvements	10%	–	Declining-balance
Suite improvements	20%	–	Declining-balance
Equipment	20%	–	Declining-balance
Technology	30%	–	Declining-balance

Effective October 1, 2001, the Corporation revised its estimated life on concrete low-rise 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.

Amortization of revenue-producing buildings is determined using the sinking fund method, under which an increasing amount consisting of a fixed annual sum, together with interest compounded at a rate of 4%, is charged to income so as to fully amortize the buildings over their estimated life from date of acquisition.

(f) Deferred financing costs

Insurance premiums paid to Canada Mortgage and Housing Corporation to obtain insurance through the National Housing Act are amortized over 25 years on a straight-line basis. Costs of refinancing are amortized on a straight-line basis over the life of the new loan.

(g) Per share calculation

Basic net earnings and funds from operations per share were calculated based on the weighted average number of shares outstanding for the year. The calculation of net earnings and funds from operations per share on a diluted basis considered the potential exercise of outstanding share purchase options to the extent that each option was dilutive using the "treasury stock" method.

The following table sets forth the computation of basic and diluted earnings per share and Funds from Operations ("FFO") per share with respect to (loss) earnings from continuing operations:

	December 31, 2001	December 31, 2000	May 31, 2000
Numerator			
Net (loss) income	\$ (12,802)	\$ 15,565	\$ 10,445
Funds from operations	\$ 57,941	\$ 34,314	\$ 53,593
Denominator			
Denominator for basic earnings per share – weighted average shares	50,015,184	49,253,171	48,947,811
Effect of dilutive securities			
Stock options	287,314	409,673	31,947
Denominator for diluted earnings per share adjusted for weighted average shares and assumed conversion	50,302,498	49,662,844	48,979,758
Basic (loss) earnings per share	\$ (0.26)	\$ 0.32	\$ 0.21
Diluted (loss) earnings per share	\$ (0.26)	\$ 0.31	\$ 0.21
Basic FFO per share	\$ 1.16	\$ 0.70	\$ 1.09
Diluted FFO per share	\$ 1.15	\$ 0.69	\$ 1.09

(h) Risk management and fair value

Risk management. The Corporation is exposed to financial risk that arises from the fluctuation in interest rates, the credit quality of its tenants, and fluctuation in utility rates. These risks are managed as follows:

i. Interest rate risk

Interest rate risk is minimized through Management's periodic review of its operating facility and mortgage portfolio. If market conditions warrant, the Corporation has the ability to convert its existing demand debt to fixed rate debt. At December 31, 2001, the Corporation had demand debt outstanding of \$nil (December 31, 2000 – \$nil; May 31, 2000 – \$5.0 million). In addition, the Corporation structures its financings so as to stagger the maturities of its debt, thereby minimizing the Corporation's exposure to interest rate fluctuations.

ii. Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The Corporation mitigates this risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant. Thorough credit assessments are conducted with respect to all new leasing. In addition, where legislation allows, the Corporation obtains a security deposit to assist in a potential recovery requirement.

iii. Utilities

The Corporation has entered into long-term supply arrangements with two electrical utility companies to supply the Corporation with its electrical power needs for Alberta for the next two to four years at a blended rate of approximately \$0.07/kwh. The aggregate amount contracted for is based on the Corporation's demand load in 2000.

The Corporation has entered into a physical fixed price supply agreement for 80% normalized consumption of natural gas for its Alberta properties. The duration of the agreement is to April 30, 2002, at an average price of \$7.90 per gigajoule, which expires April 30, 2002. As of December 31, 2001, the Corporation's mark to market position for the remaining financial swap period is \$(320,526).

To assist corporations with the increase in energy prices in 2001, the Alberta government introduced two separate rebate programs. The natural gas rebate program expired in April 2001 (resulting in a disproportionate share of this rebate in the first quarter of 2001) and the electrical rebate program expired on December 31, 2001. Due to the current pricing environment, an extension of these programs is not expected in 2002.

Fair value. In accordance with the disclosure requirements of the CICA Handbook, the Corporation is required to disclose certain information concerning its "financial instruments", defined as a contractual right to receive or deliver cash or another financial asset. The fair value of the majority of the Corporation's financial assets and liabilities, representing net working capital, approximates their recorded values at December 31, 2001, due to their short-term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates. The significant financial instruments of the Corporation and their carrying values as of December 31, 2001, are as follows:

	December 31, 2001	December 31, 2000	May 31, 2000
Mortgages and accounts receivable			
Carrying value	\$ 22,325	\$ 17,230	\$ 26,506
Fair market value	\$ 22,325	\$ 15,934	\$ 25,307
Mortgages payable			
Carrying value	\$ 1,108,406	\$ 1,034,444	\$ 1,009,526
Fair market value	\$ 1,245,917	\$ 1,136,086	\$ 1,071,022

The fair value of the Corporation's mortgages payable exceeds the recorded value by approximately \$137.5 million at December 31, 2001, due to changes in interest rates since the dates on which the individual mortgages were assumed. The fair value of the mortgages payable has been estimated based on the current market rates for mortgages with similar terms and conditions.

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(i) Use of estimates

The accounting process requires that Management make a number of estimates including the following material items:

- i. economic useful life of buildings for purposes of calculating amortization, as discussed in Note 1 (e);
- ii. forecast of economic indicators in order to measure fair values of buildings for purposes of determining net recoverable amount under Canadian generally accepted accounting principles, as discussed in Note 1 (d);
- iii. amount of capitalized on-site wages which relate to project improvements, as discussed in Note 2;
- iv. amount of provision for write-down of technology investments.

Actual results may differ from these estimates.

Management periodically reviews the useful lives of its properties to determine the adequacy of its amortization policy. Also, economic indicators are monitored to ensure that current information is used in projections of cash flows.

(j) Cash and cash equivalents

The Corporation considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

(k) Funds from operations

The Corporation has adopted a new Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") requirement. The new standard requires the use of a funds from operations ("FFO") calculation, versus the traditional cash flow from operations calculation. As a result of this change, the Corporation will now calculate funds from operations per share instead of cash flow per share.

(l) Stock-based compensation plans

The Corporation has one stock-based compensation plan, which is described in Note 7. No compensation expense is recognized for these plans when stock or options are issued to Associates or Directors. Any consideration paid by the Associate or Director on exercise of stock options is credited to share capital.

(m) Comparative figures

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

2. REAL ESTATE PROPERTIES

	December 31, 2001	December 31, 2000	May 31, 2000
Land	\$ 95,046	\$ 91,063	\$ 93,252
Building and equipment	1,428,549	1,330,730	1,299,383
Total revenue-producing properties	1,523,595	1,421,793	1,392,635
Less: accumulated amortization	(142,054)	(93,091)	(71,554)
	\$ 1,381,541	\$ 1,328,702	\$ 1,321,081

Dispositions

	12 months December 31, 2001	7 months December 31, 2000	12 months 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	\$ 21,988	\$ 36,311	\$ 39,824
Net book value	\$ 13,939	\$ 24,258	\$ 24,017
Gain on sale	\$ 8,049	\$ 12,053	\$ 15,807
Units sold	307	438	689

Acquisitions

	12 months December 31, 2001	7 months December 31, 2000	12 months 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	\$ 58,298	\$ 15,214	\$ 143,598
Units acquired	1,362	322	3,283

Included in revenue-producing properties is \$4.5 million (seven months ended December 31, 2000 – \$3.5 million; May 31, 2000 – \$7.8 million) of capitalized wages relating to project improvements. Included in the cost of properties held for resale are capitalized financing and property taxes costs of \$442,000 (December 31, 2000 – \$200,000; May 31, 2000 – \$300,000) less net operating revenue of \$nil (December 31, 2000 – \$nil; May 31, 2000 – \$900,000). Real estate assets are pledged as security against mortgages payable.

3. MORTGAGES AND ACCOUNTS RECEIVABLE

The mortgages and accounts receivable comprise an aggregate amount of \$22.3 million (December 31, 2000 – \$17.2 million; May 31, 2000 – \$26.5 million). In this balance, mortgages receivable arising on sales of property represents \$15.5 million (December 31, 2000 – \$12.3 million; May 31, 2000 – \$22.2 million), which come due periodically up to March 2007. The Corporation is currently earning a weighted average interest rate of 2.94% (December 31, 2000 – 3.78%; May 31, 2000 – 5.10%) on these amounts.

4. OTHER ASSETS

	December 31, 2001	December 31, 2000	May 31, 2000
Security deposits held in trust	\$ 8,325	\$ 6,992	\$ –
Head office building (net of amortization)	3,134	3,227	3,278
Deposits on properties	600	600	50
Inventory	1,359	1,704	2,207
Prepaid and other	1,005	2,114	2,051
	\$ 14,423	\$ 14,637	\$ 7,586

5. TECHNOLOGY

	December 31, 2001	December 31, 2000	May 31, 2000
Corporate technology assets	\$ 9,719	\$ 7,741	\$ 5,672
Accumulated amortization	(3,976)	(2,108)	(1,472)
	5,743	5,633	4,200
Terminated technology initiative	-	18,425	818
	\$ 5,743	\$ 24,058	\$ 5,018

During the year ended December 31, 2001, the Corporation provided for a loss on technology investments of \$29.8 million, due to the following investments:

In the third quarter of 2001, the Corporation decided to terminate its telecommunication initiative subsequent to a process review and reported a provision of \$26.7 million based on Management's best estimate at that time. The provision has been increased to \$29 million, the result of revisions to existing estimates based on new information. Management reviews these estimates on a quarterly basis, and estimates that wind-down will be completed by December 31, 2002. The review highlighted low returns on investment capital when compared to core real estate operations, the high cost of capital given current market conditions and the conclusion that the Corporation would be unable to reach partnership agreements for rights of way or access rights in target markets in the near future. On October 18, 2001, the Corporation formally announced the termination of the initiative. A provision of \$29 million before tax has been recorded in the consolidated statement of loss for the year ended December 31, 2001. This provision represents the write-down of capital assets and estimated closure costs. Included in accounts payable at December 31, 2001, is \$3.3 million in outstanding commitments reflecting the amount of cost necessary to terminate the initiative. In addition, the Corporation terminated its investment in HomeXpress, and as a result a loss of \$0.8 million was recorded in the year. The following schedule details the provision by product category:

Technology write-down provision

Cable	\$ 10,763
Telephone	12,203
Internet	2,290
Fiber	3,781
Investment in Homexpress	800
	\$ 29,837

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

During the first nine months of the year ended December 31, 2001, and the seven months ended December 31, 2000, SSI was in the development stage, which involved the construction of the "head end" of its telephone and cable initiative. SSI entered into capital leases totalling \$7.2 million (December 31, 2000 - \$8.4 million; May 31, 2000 - \$nil) with a weighted average interest rate of 9.5% (December 31, 2000 - 10.1%; May 31, 2000 - n/a). At December 31, 2001, the Corporation had further commitments totalling \$nil (December 31, 2000 - \$4-million; May 31, 2000 - \$10 million) with various suppliers for the purchase and installation of certain equipment with a weighted average interest rate of nil% (December 31, 2000 - 10.8%; May 31, 2000 - 10.7%).

Future minimum payments under capital leases together with the balance of the obligation due under capital leases are as follows for the periods ending:

	December 31, 2001	December 31, 2000	May 31, 2000
2001	\$ —	\$ 1,851	\$ —
2002	1,878	1,851	—
2003	1,878	1,851	—
2004	1,878	1,851	—
2005	1,728	1,485	—
2006	1,620	1,118	—
Subsequent	67	—	—
Total	\$ 9,049	\$ 10,007	\$ —
Less amount representing interest	1,846	1,603	—
Total net obligation	\$ 7,203	\$ 8,404	\$ —

The above capital leases relate to equipment that has been provided for in the “provision for loss on technology investments”. The technology balance remaining at December 31, 2001, reflects net book values of technology anticipated in the ongoing operations of the Corporation, including hardware, software and software development, system installations and other related costs.

6. MORTGAGES PAYABLE

	December 31, 2001	December 31, 2000	May 31, 2000
(a) Revenue-producing properties			
Mortgages payable bearing interest at a weighted average of 6.15% (December 31, 2000 – 6.27%; May 31, 2000 – 6.29%) per annum, payable in monthly principal and interest installments totalling \$8.5 million (December 31, 2000 – \$7.5 million; May 31, 2000 – \$7.2 million) mature from 2002 to 2020 and are secured by specific charges against specific properties.	\$ 1,106,546	\$ 1,032,551	\$ 1,008,902
(b) Other assets			
Mortgages payable bearing interest at a weighted average of 7.79% (December 31, 2000 – 7.92%; May 31, 2000 – 8.88%) per annum, payable in monthly principal and interest installments totalling \$15,000 (December 31, 2000 – \$15,000; May 31, 2000 – \$6,000) mature in September 2010 and are secured by specific charges against specific properties.	1,860	1,893	624
	\$ 1,108,406	\$ 1,034,444	\$ 1,009,526

Estimated principal payments required to meet mortgage obligations as at December 31, 2001, are as follows:

	Revenue- producing properties	Other assets	Total
2002	\$ 152,975	\$ 33	\$ 153,008
2003	143,419	36	143,455
2004	113,392	38	113,430
2005	64,602	42	64,644
2006	43,596	45	43,641
Subsequent	588,562	1,666	590,228
	\$ 1,106,546	\$ 1,860	\$ 1,108,406

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(c) Demand facilities

The Corporation has a demand facility in the form of an acquisition and operating line. This demand facility is secured by pledge of specific assets. The maximum varies with the value of pledged assets to a maximum not to exceed \$100 million (December 31, 2000 – \$100 million; May 31, 2000 – \$100 million); an amount of \$nil was outstanding as at December 31, 2001 (December 31, 2000 – \$nil, May 31, 2000 – \$5 million). This facility carries an interest rate of prime plus 0.5% per annum, and has no fixed terms of repayment. The facility is reviewable annually by the Bank.

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares

Unlimited number of preferred shares, issuable in series

Issued:

Preferred shares

The Corporation issued 3,340,199 (December 31, 2000 – nil, May 31, 2000 – 5,604,956) preferred shares, with a face value of \$1 per share and a face rate of 0%, in conjunction with the acquisition of certain properties, for a total outstanding of 8,945,155. These preferred shares are offset by a non-interest-bearing note receivable from the holder of the preferred shares for the equivalent amount. Both the preferred shares and the note receivable are retractable at either party's option and may legally be offset against each other. Accordingly, these have been offset for the consolidated financial statement presentation.

Common shares

	Shares	Amount
December 31, 2001	49,404,281	\$ 258,202
December 31, 2000	49,258,899	\$ 253,586
May 31, 2000	49,240,242	\$ 253,472

Details of shares issued are as follows:

May 31, 1999	46,555,143	\$ 210,628
On exercise of stock options	268,099	1,224
Share buy-back – net of charge to retained earnings	(688,000)	(3,423)
On equity offering	3,105,000	46,264
Less expenses relating to issue of equity, net of income taxes of \$970,000	–	(1,221)
May 31, 2000	49,240,242	\$ 253,472
On exercise of stock options	42,257	241
Share buy-back – net of charge to retained earnings	(23,600)	(127)
December 31, 2000	49,258,899	\$ 253,586
On acquisition of assets	649,125	7,116
On exercise of stock options	375,857	2,097
Share buy-back recorded at book value of shares	(879,600)	(4,597)
December 31, 2001	49,404,281	\$ 258,202

The Corporation commenced a normal course issuer bid on March 1, 2000, allowing it to purchase up to 2,236,400 common shares for cancellation until its termination on February 28, 2002, or such earlier time as the bid is complete. During the year, the Corporation acquired and cancelled 879,600 (December 31, 2000 – 23,600; May 31, 2000 – 688,000) common shares at a cost of \$10.3 million (December 31, 2000 – \$0.25 million; May 31, 2000 – \$6.9 million). The excess of the cost over stated value of the shares acquired of \$5.7 million (December 31, 2000 – \$0.118 million; May 31, 2000 – \$3.5 million) has been charged to retained earnings.

(b) Stock options

Under the stock option plan, the Corporation grants options to non-employee Directors, Executives and Associates. The stock option plan provides for the granting of options to purchase up to 9,136,441 (December 31, 2000 – 7,795,822; May 31, 2000 – 7,795,822) 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 associates and non-employee directors. 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. As at December 31, 2001, there are a total of 3,647,834 (December 31, 2000 – 4,399,288; May 31, 2000 – 4,043,402) options outstanding to directors, officers and associates. The exercise prices range from \$9.11 to \$22.92. These options expire up to March 27, 2011. All options are issued at market price.

Changes in options outstanding during period

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

	12 months December 31, 2001		7 months December 31, 2000		12 months May 31, 2000	
	Options	Weighted average exercise price	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of period	4,399,288	\$ 12.37	4,043,402	\$ 12.71	3,684,277	\$ 13.05
Granted	205,000	10.48	765,575	11.85	1,655,620	11.88
Exercised	(371,157)	5.63	(41,357)	6.08	(268,099)	4.57
Forfeited	(585,297)	14.55	(368,332)	13.41	(1,028,396)	14.66
Outstanding at end of period	3,647,834	\$ 12.60	4,399,288	\$ 12.37	4,043,402	\$ 12.71

Options exercisable at period end

The following table summarized information about the options outstanding at December 31, 2001:

Range of exercise prices	Options outstanding			Options exercisable		
	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	942,200	7.4	\$ 9.53	760,600	7.2	\$ 9.38
\$11.01 to \$13.00	1,601,770	7.0	11.80	1,223,270	6.8	11.67
\$13.01 to \$15.00	407,764	6.8	14.00	238,848	6.6	13.82
\$15.01 to \$17.00	405,400	6.1	16.08	220,040	4.9	16.17
\$17.01 to \$19.00	84,700	1.2	17.93	63,525	1.2	17.93
\$19.01 to \$21.00	128,000	1.1	20.12	121,000	1.1	20.14
\$21.01 to \$23.00	78,000	1.3	22.53	58,500	1.3	22.53
	3,647,834	6.5	\$ 12.60	2,685,783	6.2	\$ 12.35

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8. FUTURE INCOME TAXES

The Corporation has tax losses of approximately \$148 million available to reduce future taxable income, the benefit of which has been accounted for in computing future income taxes. The majority of these losses begin to expire in 2005. The adjustment for changes in the effective tax rate reflects the benefit from the reduction of the current combined Federal and Provincial substantially enacted rates of 42% reducing to 35.78% (December 31, 2000 – rate change is 44% to 38%; May 31, 2000 – rate change is 45% to 44%).

	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
Tax expense based on expected rate of 42% (December 2000 – 44%; May 2000 – 45%)	\$ (9,338)	\$ 3,938	\$ 8,760
Non-taxable portion of capital gain	(1,444)	(2,689)	(748)
Adjustment for change in effective tax rate	(1,896)	(9,901)	(1,706)
Future income tax expense (recovery)	\$ (12,678)	\$ (8,652)	\$ 6,306

The future income tax liability is calculated as follows:

As at	December 31, 2001	December 31, 2000	May 31, 2000
Tax assets related to operating losses	\$ 52,991	\$ 49,992	\$ 41,411
Tax liabilities related to differences in tax and book basis	(111,746)	(114,856)	(117,084)
Future income tax liability	\$ (58,755)	\$ (64,864)	\$ (75,673)

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2001, and the seven months ended December 31, 2000, there were no related party transactions. During the year ended May 31, 2000, the Corporation advanced loans to two of its senior officers. The total amount of the advances was \$1.46 million and was interest-bearing at the prime bank rate plus 1%. Interest in the amount of \$56,000 was received on these balances. At May 31, 2000, all amounts outstanding were repaid to the Corporation.

10. DIFFERENCES FROM UNITED STATES ACCOUNTING PRINCIPLES

Canadian GAAP varies in many respects from the principles that the Corporation would follow if its consolidated financial statements were prepared in accordance with U.S. GAAP. The effects of significant accounting differences on the Corporation's consolidated balance sheets and statements of (loss) earnings, retained earnings and cash flows are quantified and described in the accompanying notes.

Under Canadian GAAP, companies in the real estate industry provide supplementary measures of funds from operations and funds from operations per share in the consolidated financial statements, provided that these measures are not given greater prominence than reported net earnings or earnings per share. For the purpose of reporting under U.S. GAAP, companies would not provide supplementary measures of funds from operations per share and funds from operations in the consolidated financial statements.

Statement of earnings differences

The incorporation of the significant differences in accounting principles in the Corporation's income statements for the period ended December 31, 2001, under U.S. GAAP would result in net (loss) earnings after the extraordinary item of Cdn. \$(23) million (December 31, 2000 – Cdn. \$1.3 million; May 31, 2000 – Cdn. \$2.7 million). The differences between Canadian GAAP and U.S. GAAP are summarized in the following table:

(CDN.\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Period ended	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
Net (loss) earnings under Canadian GAAP	\$ (12,802)	\$ 15,565	\$ 10,445
Adjustments			
Increase in amortization of revenue-producing properties (A)	(16,691)	(10,138)	(16,091)
Decrease in amortization of deferred financing costs (B)	641	391	1,060
Decrease in operating expenses due to property held for development capitalized revenues (C)	(295)	206	600
Increase gain on sales due to increased amortization (D)	473	1,700	1,036
Increase gain on sales due to property held for development capitalized expenses (C)	197	–	–
Decrease in future income taxes as a result of foregoing adjustments (E)	3,831	3,417	7,677
Difference in substantially enacted rates (E)	1,699	(9,901)	(1,706)
Reclass extinguishment of debt (F)	–	136	–
Net (loss) earnings under U.S. GAAP before extinguishment of extraordinary item	\$ (22,947)	\$ 1,376	\$ 3,021
Extraordinary item – extinguishment of debt less applicable taxes of \$nil (\$59 – December 2000; \$247 – May 2000) (F)	–	(76)	(320)
Net (loss) earnings under U.S. GAAP after extraordinary item	\$ (22,947)	\$ 1,300	\$ 2,701
Net (loss) earnings per share before extraordinary item, basic and fully diluted	\$ (0.46)	\$ 0.03	\$ 0.06
Net (loss) earnings per share after extraordinary item, basic and fully diluted	\$ (0.46)	\$ 0.03	\$ 0.06

The significant differences in each category between Canadian GAAP and U.S. GAAP are as follows:

(A) REVENUE-PRODUCING PROPERTIES AMORTIZATION

Under Canadian GAAP, revenue-producing properties have been amortized using the sinking fund method over 40 to 50 years. Under U.S. GAAP, revenue-producing properties have been amortized on a straight-line basis over a 40-year period. In recomputing amortization on a straight-line basis, the additional amortization expense for the year ended December 31, 2001, would be Cdn. \$16.7 million (seven months ended December 31, 2000 – Cdn. \$10.1 million; year ended May 31, 2000 – Cdn. \$16.1 million).

(B) DEFERRED FINANCING

Under U.S. GAAP, the amortization taken under Canadian GAAP for specific costs relating to mortgage prepayment penalties must be added back to earnings. The full amount of the mortgage prepayment penalties is fully charged to income as documented in note 10(f). This results in a decrease in amortization expense for the year ended December 31, 2001, by Cdn. \$0.6 million (seven months ended December 31, 2000 – Cdn. \$0.4 million; year ended May 31, 2000 – Cdn. \$1.1 million).

(C) CAPITALIZATION OF REVENUES FOR PROPERTY HELD FOR RESALE

Under U.S. GAAP, operating revenue, net of expenses, for property held for resale would be recorded as income when incurred. For the year ended December 31, 2001, this would (decrease) increase net income by Cdn. \$0.3 million (seven months ended December 31, 2000 – Cdn. \$0.2 million; year ended May 31, 2000 – Cdn. \$0.6 million). This adjustment also increased gain on sales due to a decrease in cost of sales for the year ended December 31, 2001 by Cdn. \$0.2 million (seven months ended December 31, 2000 – \$nil; year ended May 31, 2000 – \$nil).

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(D) INCREASED GAIN ON SALES

Under U.S. GAAP, amortized properties will have a lower net book value than under Canadian GAAP due to increased annual amortization. The increased gain for the year ended December 31, 2001, is \$0.5 million (seven months ended December 31, 2000 – Cdn. \$1.7 million; year ended May 31, 2000 – Cdn. \$1.0 million).

(E) FUTURE INCOME TAXES

Under Canadian and U.S. GAAP, income taxes are accounted for using the liability method. For the year ended December 31, 2001, a reduction of future income tax expense of Cdn. \$3.8 million (seven months ended December 31, 2000 – Cdn. \$3.4 million; year ended May 31, 2000 – Cdn. \$7.7 million) would be recorded due to the tax effect of the stated differences between Canadian and U.S. GAAP. Under U.S. GAAP, SFAS No. 109 does not allow the use of substantially enacted tax rates to calculate income tax expense. Hence, under U.S. GAAP, the substantially enacted reduction in tax rates will be effective over the course of the next three years, whereas Canadian GAAP recognized the benefits in the current period, resulting in a increase (decrease) of future income tax expense of Cdn. \$1.7 million (seven months ended December 31, 2000 – (\$9.9) million; year ended May 31, 2000 – (\$1.7) million).

(F) EXTINGUISHMENT OF DEBT

Under U.S. GAAP, all costs associated with the extinguishments of existing mortgage debt are charged to the period incurred; these are to be disclosed as extraordinary items and reported net of applicable taxes. For the year ended December 31, 2001, this would decrease net earnings after extraordinary item by \$nil million (seven months ended December 31, 2000 – Cdn. \$0.08 million; year ended May 31, 2000 – Cdn. \$0.3 million). For the Canadian GAAP, these charges were recorded in financing costs. For U.S. GAAP, these need to be reclassified to extraordinary item, net of tax, which will increase earnings before extraordinary item by Cdn. \$nil for the year ended December 31, 2001 (seven months ended December 31, 2000 – \$0.1 million; year ended May 31, 2000 – \$nil). In previous periods, these charges were capitalized in deferred financing costs.

Comprehensive income

The Financial Accounting Standards Board (“FASB”) issued SFAS No. 130, “Reporting Comprehensive Income”. Comprehensive income, which incorporates net income, includes all changes in equity during the year. The Corporation’s comprehensive income was equal to net earnings for all periods presented.

Segmentation

The Corporation operates in the multi-family residential market and exclusively serves this segment. Other segments are not significant at this time.

Stock options expense

Under Canadian GAAP, no compensation expense has been recorded in respect of stock options granted during the year. Under U.S. GAAP, the Corporation has adopted the recommendations of the Statement of Financial Accounting Standards No. 123 (“SFAS 123”), which is entitled “Accounting for Stock-Based Compensation”, which establishes financial accounting and reporting standards for stock-based employee compensation plans. The Corporation has elected to follow Accounting Principles Board No. 25, “Accounting for Stock Issued to Employees” (“APB 25”), and related interpretations in accounting for its employee stock options. Due to the fact that the exercise price of the underlying stock equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

SFAS No. 123 requires the use of a fair value-based method of accounting for stock options. Under this method, compensation cost is measured at the grant date based on the fair value of the options granted and is recognized over the exercise period. However, SFAS No. 123 allows the Corporation to continue to measure compensation costs in accordance with APB 25. The weighted average fair value of options granted during the year was Cdn. \$10.48 (December 31, 2000 – Cdn. \$9.28; May 31, 2000 – Cdn. \$9.5).

The following two pro forma financial information tables present the pro forma net operating results for the year and the pro forma basic and fully diluted earnings (loss) per share, before and after the extraordinary item, had the Corporation adopted the fair value method specified in SFAS No. 123 for all stock options issued to employees and directors:

(CDN.\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
Loss before extraordinary item			
Pro forma loss before extraordinary item under U.S. GAAP	\$ (30,783)	\$ (6,357)	\$ (3,841)
Pro forma basic loss before extraordinary item per share	\$ (0.62)	\$ (0.13)	\$ (0.08)
Pro forma fully diluted loss before extraordinary item per share	\$ (0.62)	\$ (0.13)	\$ (0.08)
Loss earnings after extraordinary item			
Pro forma net loss after extraordinary item under U.S. GAAP	\$ (30,783)	\$ (6,433)	\$ (4,161)
Pro forma basic loss after extraordinary item per share	\$ (0.62)	\$ (0.13)	\$ (0.09)
Pro forma fully diluted loss after extraordinary item per share	\$ (0.62)	\$ (0.13)	\$ (0.09)

Balance sheet differences

The incorporation of the significant differences in accounting principles in the Corporation's consolidated financial statements as at December 31, 2001, December 31, 2000, and May 31, 2000, would result in the following balance sheet presentation under U.S. GAAP:

(CDN. \$ THOUSANDS)

As at	December 31, 2001	December 31, 2000	May 31, 2000
Assets			
Revenue-producing properties	\$ 1,311,138	\$ 1,277,942	\$ 1,277,658
Properties held for resale	6,630	6,692	6,365
Mortgages and accounts receivable	22,325	17,230	26,506
Other assets	14,423	14,637	7,586
Deferred financing costs	30,148	26,944	25,430
Technology initiative	5,743	24,058	5,018
Cash and short-term investments	25,672	21,055	1,135
Total assets under U.S. GAAP	\$ 1,416,079	\$ 1,388,558	\$ 1,349,698
Liabilities and shareholders' equity			
Mortgages payable	\$ 1,108,406	\$ 1,034,444	\$ 1,009,526
Accounts payable and accrued liabilities	19,525	24,795	17,768
Refundable security deposits and other	10,418	9,953	8,494
Capital lease obligations	7,203	8,404	-
Taxes payable	-	-	753
Future income taxes	38,131	49,081	53,223
	\$ 1,183,683	\$ 1,126,677	\$ 1,089,764
Share capital	258,202	253,586	253,473
Retained earnings	(25,806)	8,295	6,461
Total liabilities and equity under U.S. GAAP	\$ 1,416,079	\$ 1,388,558	\$ 1,349,698

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The significant differences in each category between Canadian GAAP and U.S. GAAP are as follows:

Revenue-producing properties

(CDN. \$ THOUSANDS)

As at	12 months December 31, 2001	7 months December 31, 2000	12 months May 31, 2000
Revenue-producing properties under Canadian GAAP	\$ 1,381,541	\$ 1,328,702	\$ 1,321,081
Additional accumulated amortization under U.S. GAAP ^(A)	(74,432)	(54,414)	(45,171)
Additional gains on sold assets ^(B)	4,019	3,546	1,846
Capitalization of net operating revenues reversed under U.S. GAAP ^(C)	10	108	(98)
Revenue-producing properties under U.S. GAAP	\$ 1,311,138	\$ 1,277,942	\$ 1,277,658

(A) ACCUMULATED AMORTIZATION

The difference between Canadian GAAP and U.S. GAAP affecting the carrying value of revenue-producing properties relates to U.S. GAAP requiring straight-line amortization to be applied to depreciable assets rather than the sinking fund method of amortization. At December 31, 2001, this would result in a cumulative adjustment of Cdn. \$74.4 million (December 31, 2000 – Cdn. \$54.4 million; May 31, 2000 – Cdn. \$45.2 million).

(B) ADDITIONAL GAINS ON SOLD ASSETS

As a result of increased amortization on sold assets under U.S. GAAP, at December 31, 2001, an increase to revenue-producing properties to Cdn. \$4.0 million (December 31, 2000 – Cdn. \$3.5 million; May 31, 2000 – Cdn. \$1.8 million) is required to offset the lower cost of sale.

(C) CAPITALIZATION OF NET OPERATING REVENUES REVERSED

Under U.S. GAAP, the Corporation is required to consider net operating income of in-service properties as period revenue rather than capitalizing them. This accumulated adjustment at December 31, 2001, a decrease of Cdn. \$0.01 million (December 31, 2000 – Cdn. \$0.1 million; May 31, 2000 – (\$0.1) million), represents the capitalized costs of properties transferred to revenue producing from property held for resale.

Deferred financing costs

(CDN. \$ THOUSANDS)

As at	December 31, 2001	December 31, 2000	May 31, 2000
Deferred financing costs under Canadian GAAP	\$ 32,957	\$ 31,460	\$ 30,337
Reversal of debt penalty amortization	2,875	2,434	2,043
Write-off of debt penalty fees	(5,684)	(6,950)	(6,950)
Deferred financing costs under U.S. GAAP	\$ 30,148	\$ 26,944	\$ 25,430

The reversal of debt penalty amortization incurred under Canadian GAAP is described above in Note 10(b) under Statement of Earnings Differences. This reversal in amortization increases the deferred financing assets by Cdn. \$2.9 million (December 31, 2000 – Cdn. \$2.4 million; May 31, 2000 – Cdn. \$2.0 million). The second difference requiring the write-off of debt penalty fees for U.S. GAAP, is described above in Note 10(f) under Statement of Earnings Differences. At December 31, 2001, this would result in a cumulative adjustment of Cdn. \$5.7 million (December 31, 2000 – Cdn. \$7.0 million; May 31, 2001 – Cdn. \$7.0 million).

Income taxes

The future income tax liability under U.S. GAAP is calculated as follows:

(CDN. \$ THOUSANDS)

As at	December 31, 2001	December 31, 2000	May 31, 2000
Tax assets related to operating losses	62,625	56,870	41,411
Tax liabilities related to differences in tax and book basis	(100,756)	(105,951)	(94,634)
Future income tax liability under U.S. GAAP	(38,131)	(49,081)	(53,223)

Recent accounting pronouncements

In June 2001, the FASB approved SFAS No. 142, "Goodwill and Other Intangible Assets", which supersedes APB Opinion No. 17, "Intangible Assets". The FASB issued this statement in July 2001. SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill, and instead sets forth methods to periodically evaluate goodwill for impairment. Management does not believe that the adoption of SFAS No. 142 will have a material impact on the Corporation's financial statements.

In June 2001, the FASB approved SFAS No. 141, "Business Combinations", and issued this statement in July 2001. SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations, and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. Management does not believe that SFAS No. 141 will have a material impact on the Corporation's financial statements.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe that SFAS No. 143 will have a material impact on the Corporation's financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets", which resolves significant implementation issues related to FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the results of operations-reporting the effects of disposal of a segment of a business, and extraordinary, unusual and infrequently occurring events and transactions, for the disposal of a business segment. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. Management does not believe that SFAS No. 144 will have a material impact on the Corporation's financial statements.

11. COMMITMENTS AND CONTINGENCIES

The Corporation, in the normal course of operations, will become subject to a variety of legal and other claims against the Corporation. Management and the Corporation's legal counsel evaluate all claims on their apparent merits, and accrue Management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Corporation will not be material to the Corporation.

The Corporation has no retirement plan for its employees and therefore no obligations or potential obligations exist with respect to a retirement plan.

12. SUBSEQUENT EVENTS

Property acquisitions

Subsequent to December 31, 2001, the Corporation has contracted to acquire 60 residential units from a third party for a purchase price of \$2.8 million. The acquisition closed January 7, 2002, and was financed through cash of \$2.8 million.

Stock options

Subsequent to December 31, 2001, the Corporation issued 740,722 stock options at \$11.88 to Officers and Associates of the Corporation. These options have a three-year vesting period with one third vesting on each anniversary date. These options expire up to January 24, 2009.

EXECUTIVE OFFICES

Calgary

First West Professional Building
Suite 200, 1501 – 1 Street SW
Calgary, Alberta T2R OW1
Telephone: 403.531.9255
Facsimile: 403.531.9565
Website: www.bwalk.com

Toronto

141 Adelaide Street West
Suite 220
Toronto, Ontario M5H 3L5
Telephone: 416.364.0849
Facsimile: 416.866.2156

BOARD OF DIRECTORS

Paul J. Hill, Chairman of the Board
Regina, Saskatchewan

Ernest Kapitza
Calgary, Alberta

Sam Kolias
Calgary, Alberta

Van Kolias
Calgary, Alberta

Jon E. Love
Toronto, Ontario

David V. Richards
Calgary, Alberta

Kevin P. Screpnechuk
Calgary, Alberta

Michael D. Young
Dallas, Texas

SOLICITORS

Stikeman Elliott
4300 Bankers Hall West
888 – 3 Street SW
Calgary, Alberta
T2P 5C5

Butlin Oke Roberts & Nobles
100, 1501 – 1 Street SW
Calgary, Alberta
T2R OW1

BANKERS

Toronto Dominion Bank
340 – 5 Avenue SW
Calgary, Alberta
T2P 2P6

AUDITORS

Deloitte & Touche LLP
3000, 700 – 2nd Street SW
Calgary, Alberta
T2P 0S7

REGISTRAR & TRANSFER AGENT

ComputershareTrust
Company of Canada
600, 530 – 8 Avenue SW
Calgary, Alberta T2P 3S8

STOCK EXCHANGES

The Toronto Stock Exchange
The New York Stock Exchange