



# Q1

## BOARDWALK EQUITIES INC. REPORT TO SHAREHOLDERS FOR THE PERIOD ENDED MARCH 31, 2004

### LETTER TO SHAREHOLDERS

We are pleased to report on another record quarter for Boardwalk Equities Inc. (the "Company" or "BEI"), Boardwalk REIT's predecessor company. By producing solid and record growing results over the years through Boardwalk Equities Inc., Boardwalk REIT begins in the strongest financial condition possible, reflecting the best team we have in our history. Our exceptional past performance reflects the multi-family industry's sustainable and predictable growth opportunities.

### Q1 2004 FINANCIAL AND OPERATING HIGHLIGHTS

Highlights of the Company's results for the three months ended March 31, 2004 include:

- Rental revenues increased 6.1% to \$69.8 million compared to the same period last year.
- Net operating income (NOI) increased 6.1% to \$43.2 million.
- FFO from continuing operations, which excludes all property sales, increased 14.6% to \$16.5 million.
- FFO from continuing operations per share increased by 10.3% to \$0.32 on a diluted basis.

Some portfolio highlights for the first quarter include:

- The average vacancy rate across BEI's portfolio for the first quarter of 2004 was 4.32%, up from 3.67% in the fourth quarter of 2003, and down from 4.88% in the first quarter of last year.
- The average monthly rent realized in the first quarter of 2004 was \$741 per unit, up \$16, or 2.2%, from \$725 per unit for the same period last year.
- The average market rent for BEI's properties at the end of March 2004 was an estimated \$796 per unit per month which compares to the average in-place monthly rent per occupied unit of \$774 for the first quarter of 2004. This translates into an estimated "loss-to-lease" of approximately \$8.3 million, maintaining existing occupancy rate levels.
- The "same-property" results for BEI's stabilized properties (defined as properties owned for a period of over 24 months) for the three-month period ended March 31, 2004 showed rental revenue growth of 1.7%, a decrease in total operating expenses of 2.4% and an increase in NOI of 4.2% compared to the same period last year. Included in these reported amounts are utility rebates received from the Provincial Government of Alberta. These rebates are part of the current government's platform that is scheduled to continue until March of 2006. Excluding the gas utility rebates, total operating expenses would have increased by 1.6%, and NOI would have increased by 1.8% compared to the same period last year.

The Company's portfolio continued to deliver solid operating results, notwithstanding the ongoing strength and level of activity in housing markets across the country. This performance was driven in large part by our continued focus in operations and on holding on to most of the occupancy level gains made last summer. Overall, we are experiencing a 2% portfolio-wide decrease in move-outs, in particular a decrease in the number of customers moving out to purchase homes.

We continue to grow internally as a result of our efficiency and affordability of our rental operations. We also continue to grow externally as we have succeeded in acquiring individual and portfolio properties across Canada that have added significant value and complemented our existing portfolio.

### CONTINUED PORTFOLIO EXPANSION

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

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

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

### SUBSEQUENT EVENTS

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

**Domaine du Rocher** - Quebec City (Levis), QC - a 64-unit apartment complex consisting of 12 buildings ranging from 2 to 3 storeys in height. There are 56 two-bedroom and 8 three bedroom+den units within the property. The average unit size is over 1,000 sq. ft. with all of the buildings constructed between 1995 and 1996. The property will be purchased at an acquisition price of \$3.5 million using cash on hand, which equates to approximately \$54,700 per unit and approximately \$51.3 per rentable square foot. The transaction has a going-in cap rate of 7.65% and is expected to close on May 13, 2004.

**Forest Glade Townhomes** - Windsor, ON - a 2-storey townhouse complex consisting of 31 units, each with 3 bedrooms. Each unit has approximately 1,250 sq. ft and has 1 ½ baths, living room, and kitchen with dining room. The townhouses have a purchase price of \$2.5 million, which equates to approximately \$80,600 per unit and approximately \$64.5 per rentable square foot. The purchase, which is expected to close on May 14, 2004, will be funded by a combination of cash on hand and the assumption of a 1.99 million first mortgage with a fixed interest rate of 5.5% due on February 2008. The going-in cap rate on the acquisition is approximately 9.53%.

**Résidence le Quatre Cent** - Montreal (Laval), QC - a 16-storey concrete high-rise building with a total of 259 units that is well kept and strategically located. The average unit size is 593 sq. ft and the property has a mix of 15 studio, 212 one-bedroom and 32 two-bedroom units. The property has an acquisition price of \$17.3 million, which equates to approximately \$66,800 per unit and approximately \$112.6 per rentable square foot. The purchase is expected to close on May 19, 2004, and has a going in cap rate of 8.01%. The acquisition will be funded by a combination of cash on hand and the assumption of a 8.6 million first mortgage with a fixed interest rate of 6.53% due in February 2011.

#### **BOARDWALK REIT HIGHLIGHTS**

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

The objectives of Boardwalk REIT are to provide its Unitholders with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional properties.

Boardwalk REIT will meet these objectives by:

- Providing Unitholders with a stable and growing distribution through participation of the cash flows generated by its geographically diverse multi-family real estate portfolio;
- Maximizing customer satisfaction by providing an above-average level of product and service;
- Acquiring selected multi-family residential properties throughout Canada;
- Enhancing property values through pro-active management and capital improvements;
- Managing capital prudently while maintaining a conservative financial structure; and
- Pursuing opportunities to form selective partnerships or joint ventures.

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

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

#### **MAINTAINING FINANCIAL STRENGTH**

As of March 31, 2004, the Company's \$1.39 billion of mortgage debt had an average maturity of 3.97 years, and the weighted average interest rate was 5.63%, down slightly from 5.68% at year-end. The Company's debt-to-total-market-capitalization ratio was 59.9% as at March 31, 2004, which compares to 64.7% at the same time last year.

The Company's interest coverage ratio, excluding gains, for the three-month period ended March 31, 2004 was 1.93 times compared to 1.84 times in the same period last year.



#### SUMMARY AND OUTLOOK

We would like to thank everyone for their support of our conversion into a REIT. We now rank among the largest, most geographically diversified REITs in Canada, with an equity market capitalization of approximately \$850 million. We are excited about this new chapter in our Company's history, and remain positive and optimistic about our continued successes going forward.

The Company's overall outlook for the balance of the year remains healthy as we continue to experience good demand in some of our larger markets, such as Edmonton and Calgary, as a result of a growing economy where both new jobs and in migration continue to be at the higher nationwide level on a per capita basis. We also continue to benefit from the positive contribution of our acquisitions, mostly into the new Quebec region, that have been completed over the last two years.

With our solid balance sheet, management expertise, improved access to capital markets and continued focus on our core competencies and strategy, we believe Boardwalk is well positioned to capitalize on future growth opportunities as they arise.

We remain committed to working hard in order to deliver consistent, sustainable and long-term growth in value to our unitholders.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Koliass", is positioned above the printed name.

Sam Koliass  
President and C.E.O.



## MANAGEMENT'S DISCUSSION AND ANALYSIS



Complexe Laudance,  
Quebec City (Saint-Foy),  
Quebec

*Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of Boardwalk Equities Inc. ("Boardwalk", the "Company" or the "Corporation") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.*

*The following should also be read in conjunction with the Management's Discussion and Analysis included in the Company's December 31, 2003 Financial Statements and the Notes thereto along with all other publicly posted information on the Company.*

### **CORPORATE OVERVIEW**

On May 3, 2004, Boardwalk Equities Inc. sold all of its assets and undertakings to a newly formed open-ended real estate investment trust under the name Boardwalk REIT. Boardwalk REIT's principal objectives are to provide its unitholders with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional properties. Boardwalk REIT currently owns and operates in excess of 250 properties with over 31,400 units totaling approximately 26 million net rentable square feet, and is Canada's largest owner/operator of multi-family rental communities. The portfolio is concentrated in the provinces of Alberta, Saskatchewan, Ontario and Quebec. The following financial statements for the first quarter of fiscal 2004 were prepared based on the financial information generated prior to the sale of assets to the REIT and, as such, the majority of the information that follows will focus on a financial review of the Corporation and not the REIT. However, it is our belief that there is certain financial information that would be useful to the reader had the conversion to a REIT occurred prior to the beginning of the fiscal year. As such, certain additional information has been provided to assist the reader in this analysis.

### **PERFORMANCE REVIEW**

Boardwalk generates revenues, cash flows and earnings from two separate sources - from rental operations and from the sale of real estate properties.

Boardwalk's most consistent, and largest, source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to customers who have varying lease terms ranging from month-to-month to twelve-month leases.

The Company also generates additional income from the periodic sale of selective real estate properties. The sale of these properties is part of Boardwalk's overall operating strategy whereby the equity generated through the sale is then utilized by the Corporation for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of the Corporation's common stock in public markets.

The Company (or REIT, as the case may be) assesses and measures segmented operating results based on a performance measure referred to as "Funds From Operations" ("FFO") and Recurring Distributable Income ("RDI"). Both RDI and FFO are widely accepted supplemental measures of a Canadian real estate investment trust's performance; however, it is a non-GAAP measurement. The GAAP measurement most directly comparable to RDI and FFO is net earnings (to which a reconciliation is provided below). RDI and FFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as an indicator of Boardwalk's performance. The Corporation's calculation methodology for FFO and RDI may differ from that of other real estate companies and REITs.

Effective January 1, 2003, the Corporation adopted the new Canadian accounting recommendations with respect to the disposal of long-lived assets on or after that date. As a result, the Corporation now presents FFO per share from continuing operations and FFO per share from discontinued operations, as well as total FFO per share. Previously, the Corporation distinguished between FFO per share from rental operations, FFO per share from property sales and total FFO per share. With the new recommendations, the results of operations and cash flows associated with the disposal of long-lived assets on or after January 1, 2003 is now a component of discontinued operations rather than a component of continuing rental operations.

	3 Months Mar-04	3 Months Mar-03	Variance %
Net earnings from continuing operations	\$ (1,227)	\$ 767	
Add			
Earnings from discontinued operations	\$ -	\$ 751	
Deferred income taxes	\$ 342	\$ 1,470	
Deferred income taxes on discontinued operations	\$ -	\$ 329	
Amortization	\$ 17,373	\$ 12,175	
<b>Total funds from operations</b>	<b>\$ 16,488</b>	<b>\$ 15,492</b>	<b>6%</b>
Deferred financing costs	\$ 701	\$ 664	
Premium on debt	\$ (254)	\$ -	
<b>Distributable income</b>	<b>\$ 16,935</b>	<b>\$ 16,156</b>	<b>5%</b>
<b>Total funds from continuing operations (excluding all property sales)</b>	<b>\$ 16,488</b>	<b>\$ 14,412</b>	<b>14%</b>
Total funds from operations - per share	\$ 0.32	\$ 0.31	3%
Distributable income - per share	\$ 0.33	\$ 0.32	3%
Funds from continuing operations (excluding all property sales) - per share	\$ 0.32	\$ 0.29	10%

Overall on a per share basis, the Company earned in the first quarter of fiscal 2004 a total of \$16.5 million in funds from operations as compared to \$15.5 million for the same period last year (\$14.4 million, excluding discontinued operations) representing an increase of 6% (14%, excluding discontinued operations). RDI for the first quarter was \$0.33 per share as compared to the recomputed first quarter of 2003 results of \$0.32 (\$0.29, excluding discontinued operations) per share, an increase of 3% (10%, excluding discontinued operations).

#### ACCOUNTING POLICIES

Note 2 of Boardwalk's consolidated audited financial statements defined the Company's significant accounting policies. As an update to these policies, Note 2 of the March 31, 2004 financial statements provides any significant changes to these policies. These include the following:

#### BUILDING AMORTIZATION

We are required to assess the useful lives of our income properties for purposes of determining the amount of building amortization to record on a quarterly and annual basis. The Canadian Institute of Chartered Accountants ("CICA") adopted recommendations that effectively disallow the use of the sinking-fund method of amortization, which was used by us prior to January 1, 2004 in amortizing the cost of our buildings. This standard is prospective in application, and commencing January 1, 2004 we amortized the cost of our buildings using the straight-line method over their estimated useful lives between 40 and 50 years. The adoption of this new depreciation method increased our building amortization over what it otherwise would have been on the sinking-fund method during the three month period ended March 31, 2004 by approximately \$4.7 million with a corresponding decrease to the net carrying amount of revenue producing properties. The impact on net earnings was an estimated decrease of \$3.0 million with a corresponding decrease to shareholders' equity. Our determination of the estimated useful lives of our buildings could vary under differing circumstances and result in a significantly different calculation of building amortization. The amount of building amortization has a direct impact on our net earnings. The change in policy has been applied prospectively.



Domaine du Rocher,  
Quebec City (Levis),  
Quebec



Forest Glade Townhomes,  
Windsor, Quebec

### IMPAIRMENT OF REAL ESTATE INVESTMENTS

We continually evaluate the recoverability of the net carrying amount of our rental properties and properties under development. The CICA's accounting standard for impairment of long-lived assets is prospective in application and requires us to record an impairment loss when the carrying amount of these real estate investments exceeds the sum of the undiscounted future cash flows expected from their use and disposal.

We have determined that the impact of this new impairment standard did not have a material impact on our financial position or results of our operations. In making this determination, our estimates of future cash flow and the effects of other factors could vary and result in a significantly different assessment of impairment.

### ACCOUNTING FOR OPERATING LEASES

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

REVIEW OF RENTAL OPERATIONS (in \$000s)	3 Months March 2004	3 Months March 2003	Change
	(Unaudited)	( Unaudited)	
Rental revenue	\$ 69,825	\$ 65,707	6%
Expenses:			
Operating expenses	\$ 8,394	\$ 8,239	
Utilities	12,249	10,233	
Utilities rebate	(812)	-	
Property taxes	6,745	6,512	
	<b>\$ 26,576</b>	<b>\$ 24,984</b>	<b>6%</b>
Net operating income from continuing operations	<b>\$ 43,249</b>	<b>\$ 40,723</b>	<b>6%</b>

### RENTAL REVENUES

Included in rental revenues are amounts pertaining to revenue generated directly from the leasing of residential units as well as interest generated from invested cash. The amount reported as interest income represents less than 1% of total rental revenue and, as such, has not been reported separately. All amounts reported on a per unit basis exclude interest in their determination. In accordance with the adoption of the new Canadian accounting recommendations, rental revenue and expenses now exclude for the current and prior periods the results of operations associated with properties sold on or after January 1, 2003.

Overall, Boardwalk's rental revenues have increased by 6% for the first quarter of 2004 compared to the same period in the prior year. The increase is mainly the result of increased revenue generated by new property acquisitions that occurred during fiscal 2003.

Boardwalk's estimated loss-to-lease, representing the difference between estimated market rents and actual occupied rents as of March 31, 2004 adjusted for current occupancy levels, totalled \$8.3 million on an annualized basis. The reader is cautioned that market rents can be very seasonal and, as such, will vary from quarter to quarter. The significance of this change could materially affect the Corporation's "estimated loss-to-lease" amount. The importance of this estimate, however, is that it can be an indicator of future rental performance assuming consistent economic conditions and trends.

## PORTFOLIO OCCUPANCY PERFORMANCE

In the first quarter of fiscal 2004, the Company's overall vacancy rate was 4.32%. This rate is up from the fourth quarter of 2003, and down from the vacancy rate for the comparative period in the prior year. This improvement over the comparative period in the prior year is the result of vacancy decreases in most of Boardwalk's rental markets along with the fact that new acquisitions in Quebec are experiencing low vacancy rates.

## BOARDWALK'S PORTFOLIO VACANCY

	Q1 2004	Q1 2003	Q4 2003	Q3 2003	Q2 2003	Q1 2003
Calgary	4.94%	7.27%	5.19%	5.56%	7.21%	7.27%
Edmonton	5.15%	5.60%	4.03%	3.66%	4.99%	5.60%
Gatineau	6.04%	1.14%	3.02%	2.40%	3.12%	1.14%
Kitchener	3.70%	2.63%	3.85%	3.65%	3.04%	2.63%
London	3.32%	3.62%	3.04%	2.99%	4.08%	3.62%
Montreal	2.47%	1.67%	2.47%	2.27%	1.68%	1.67%
Other AB	2.87%	7.61%	3.99%	6.48%	9.32%	7.61%
Quebec City	3.20%	0.29%	2.15%	1.24%	0.78%	0.29%
Regina	2.58%	2.69%	2.36%	2.76%	4.32%	2.69%
Saskatoon	5.61%	4.97%	3.45%	2.85%	6.73%	4.97%
Windsor	4.92%	5.03%	3.75%	3.42%	4.06%	5.03%
<b>Grand Total</b>	<b>4.32%</b>	<b>4.88%</b>	<b>3.67%</b>	<b>3.66%</b>	<b>4.99%</b>	<b>4.88%</b>



Residence le Quatre Cent,  
Montreal (Laval), Quebec

## EXPENSES

**Operating expenses** are made up of costs directly associated with the operations of the rental portfolio. Overall, operating expenses for the first quarter of 2004 increased 6% compared to those reported in the prior comparative three-month period. The increase was due to the combined effect of recent property acquisitions, along with upward pressure in utilities and property taxes, with a notable decrease in other operating expenses. Other operating expenses decrease mainly as a result of lower turnover costs.

**Utility Costs** increased in comparison to the comparable prior period mainly the result of increased natural gas pricing. A significant reason for this increase relates to the expiry in 2003 of an accretive natural gas contract in our Nuns' Island portfolio located in Montreal. When the property was acquired in fiscal 2002, Boardwalk inherited a gas contract at \$4.25 per gigajoule. This contract has since expired and the price of gas under the new contract is significantly higher.

**Alberta Natural Gas Rebate Program** unlike prior reported natural gas rebates, is scheduled to stay in place for at least a 3 year period. The following quote was extracted from the Government Of Alberta Web Site:

*"The rebate program will remain in effect for a three-year term ending March 31, 2006. At a rate of \$1.50 per GJ, it is estimated a rebate program would cost about \$50 million for each winter month a rebate is paid"*

As a result of this rebate, the Company is entitled to receive approximately \$800 thousand dollars for its consumption in the first quarter of 2004. Based on this continued commitment of the Alberta Provincial Government, it is reasonable to assume that this will be an ongoing benefit to Boardwalk and should be treated as a normal volume based supplier rebate versus a special one-time rebate.

## SAME PROPERTY RESULTS

With the significant acquisitions in Quebec over the last several quarters, Boardwalk's overall percentage of stabilized properties as at March 31, 2004 was 82% of its total rental unit portfolio. As at March 31, 2004, a total of 25,775 units were classified as stabilized. The following compares the "same-property" results for the three months ended March 31, 2004 with the same period in the prior year.

#### SAME PROPERTY RESULTS

	# of Units	Rental Revenue	Utilities	Other	Total Operating Costs	NOI	% of NOI
Calgary	4,881	0.2%	2.2%	-1.7%	-0.1%	0.4%	23.4%
Edmonton	10,552	1.2%	2.4%	-7.1%	-3.0%	3.4%	42.4%
Other AB.	1,604	3.4%	3.3%	-11.0%	-5.5%	7.9%	7.0%
Ontario	4,132	4.0%	-14.5%	-1.6%	-7.2%	16.4%	13.4%
Saskatchewan	4,606	2.2%	20.0%	-4.8%	4.0%	1.0%	13.7%
<b>Total</b>	<b>25,775</b>	<b>1.7%</b>	<b>1.1%</b>	<b>-4.8%</b>	<b>-2.4%</b>	<b>4.2%</b>	<b>100.0%</b>
<b>No Rebate</b>		<b>1.7%</b>	<b>10.6%</b>	<b>-4.8%</b>	<b>1.6%</b>	<b>1.8%</b>	



Place Charlesbourg,  
Quebec City  
(Charlesbourg), Quebec

For the first three months of fiscal 2004, same-property revenue increased by 2%. Operating expenses reported a slight decrease resulting in a net operating income ("NOI") increase of 4%. As was discussed above, the Company was in receipt of an Alberta Provincial Natural Gas Rebate in the amount of approximately \$800 thousand. If we were to exclude this rebate, NOI would have increased by 2% .

#### FINANCING COSTS

Financing costs have increased by 2% compared to the first three months of last year. The increase is the combined result of increasing the leverage on the Corporation's existing portfolio and assuming mortgages on new property acquisitions, partially offset by lower market financing rates. At March 31, 2004, the Company's weighted average interest rate was 5.63%. This compares with the rate of 5.84% reported at March 31, 2003 and 5.68% at December 31, 2003. The average maturity is approximately 4 years.

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

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

The **first** benefit is that the use of this insurance allows Boardwalk to increase the lending limit on its properties from the conventional 75% threshold to an 85% level.

The **second** benefit of using CMHC insurance is that the Company can normally obtain lower interest rate spreads on its property financing. Although the amount of the interest rate spreads will vary, they are currently between 40 and 80 basis points above the respective Government of Canada Bonds. This compares favorably to the spreads on conventional financing, which currently range from 120 to 175 basis points.

The **third** benefit of the CMHC insurance relates to the lowering of Boardwalk's overall renewal risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, typically between 25 and 40 years depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of the Corporation not being able to refinance the asset on maturity.

At March 31, 2004, approximately \$1.3 billion of the Company's debt is backed by NHA insurance, with a weighted average amortization period of approximately 23 years.



## MANAGEMENT DISCUSSION AND ANALYSIS

### DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization of CMHC premiums, which are paid as part of first mortgage financing. Under current reporting requirements, if the Corporation replaces an existing mortgage with a new mortgage all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. As a result of this, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary.

### AMORTIZATION

As was discussed above, the increase in the reported amortization is the result of a change in accounting policy of the Company's building asset from the sinking-fund depreciation method to the straight-line depreciation method. The change in policy was applied prospectively based on balances reported on January 1, 2004 and is consistent with the recommendation of the CICA handbook.

### REAL ESTATE ASSETS

During the first quarter of 2004, the Company acquired a total of 183 rental units for a total acquisition cost of \$17.6 million or \$96 thousand per unit, inclusive of fair value adjustment to assumed debt. The property is located in Quebec City and involved the assumption of approximately \$7.9 million of existing debt.

### CAPITAL IMPROVEMENTS

For the first quarter of 2004, Boardwalk invested approximately \$6 million in its properties in the form of project enhancements. The chart to the side details where these funds were allocated.

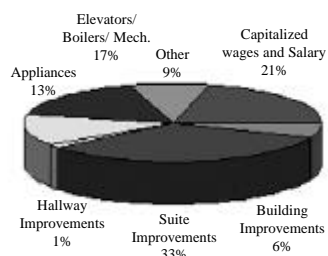
This is down dramatically from the \$11 million invested in the first quarter of 2003. The decrease was expected as the Company begins to leverage off the approximately \$300 million spent on upgrading its assets over the past five fiscal years.

Included in these amounts is approximately \$1.3 million of capitalized on-site wages and salaries, representing approximately 21% of total capital expenditures for the current three-month period. This amount is an estimate of site personnel cost associated with the completion of these capital projects and is consistent with internal expectations as a significant portion of the improvements are now performed "in-house".

### LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position continues to be strong, with the overall mortgage level reported at 81% of depreciated book value and with the portfolio at over 95% CMHC insured at March 31, 2004. Currently, Boardwalk has an operating facility with a major financial institution with excess available of approximately \$45 million. In addition, at the date of writing, the Company has an additional \$49 million of cash available for investment. For the quarter of 2004, Boardwalk's interest coverage ratio of adjusted EBITDA (i.e. earnings before interest, taxes, depreciation and amortization) to interest expense after excluding gains was 1.94, up from 1.84 posted for same period last year. The increase in the ratio is partially due to Boardwalk's lower weighted average interest rate on its debt.

CAPITAL IMPROVEMENTS



MORTGAGE SCHEDULE  
(CDN\$ THOUSANDS)

Fiscal Year	Mortgage Balance as at 3/31/200	Average by Year
2004	\$ 135,646	5.21%
2005	153,599	4.91%
2006	172,224	4.98%
2007	253,291	5.46%
2008	254,094	6.09%
2009	157,136	6.09%
2010	90,787	6.23%
2011	77,388	6.15%
2012	30,732	6.19%
2013	37,066	5.46%
2014	4,736	5.91%
Subsequent	27,542	6.59%
<b>Grand Total</b>	<b>1,394,241</b>	<b>5.63%</b>



Place Samuel De Champlain,  
Quebec City, Quebec

**SUBSEQUENT EVENTS**

On April 28, 2004, the shareholders of Boardwalk Equities Inc. voted in favor for the reorganization of Boardwalk through a plan of arrangement to a REIT. The reorganization was authorized by a Court of Queen's Bench Justice on May 3, 2004. Details of the plan of arrangements are available, and were mailed to shareholders on March 29, 2004.

Subsequent to March 31, 2004, the Corporation contracted to acquire 354 residential units from unrelated third parties for a purchase price of \$23.3 million. The acquisitions will be financed through cash of \$13.0 million and the assumption of existing mortgages.

**FINANCIAL OUTLOOK AND MARKET GUIDANCE**

In its 2003 annual report, specific targets were set by the Corporation with respect to its fiscal 2004 overall financial performance. These targets, and any revisions, are outlined in the following table:

	2004 Objectives
FFO Forecast	\$1.37 to \$1.44
RDI Forecast	\$1.43 to \$1.49
New Unit Acquisitions	1,000 to 2,000
Stabilized Buildings NOI Growth	1.0% to 2.0%
2004 Annualized Distribution - Per Unit	\$1.24

**SUBSEQUENT EVENTS**

The Company does not provide specific FFO guidance on a quarterly basis, but will revise its annual guidance range on a quarterly basis if warranted. Current results are in line to meet the above objectives.

**FORWARD-LOOKING STATEMENTS**

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements are statements that involve risks and uncertainties, including, but not limited to, changes in the demand for apartment and townhome rentals, the effects of economic conditions, the impact of competition and competitive pricing, the effects of the Company's accounting policies and other matters detailed in the Company's filings with Canadian and United States securities regulators available on SEDAR in Canada and by request through the Securities and Exchange Commission in the United States, including matters set forth in the Company's Annual Report to Shareholders under the heading "Management's Discussion and Analysis". Because of these risks and uncertainties, the results, expectations, achievements, or performance described in this release may be different from those currently anticipated by the Company.

Respectfully,



Roberto A. Geremia  
Senior Vice President, Finance and Chief Financial Officer



## CONSOLIDATED BALANCE SHEETS

(CDN\$ THOUSANDS)

As at

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

(CDN\$ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(CDN\$ THOUSANDS)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(CDN\$ THOUSANDS)

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

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE THREE MONTHS ENDED MARCH 31, 2004

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

#### NOTE 1 - BASIS OF PRESENTATION

These unaudited interim consolidated financial statements of Boardwalk Equities Inc. (the "Corporation") have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook") and with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") and are consistent with those used in the audited consolidated financial statements as at and for the year ended December 31, 2003, except as described in Note 2 below. These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("Canadian GAAP") applicable to annual financial statements and, therefore, they should be read in conjunction with the audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Due to seasonality, the operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2004.

#### NOTE 2 - ACCOUNTING POLICY CHANGES

##### AMORTIZATION OF REVENUE PRODUCING BUILDINGS

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

##### ACCOUNTING FOR OPERATING LEASES

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

##### IMPAIRMENT OF LONG-LIVED ASSETS

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

##### COMPARATIVE FIGURES

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

**NOTE 3 - REVENUE PRODUCING PROPERTIES**

	<b>3 months ended March 31, 2004</b>	<b>3 months ended March 31, 2003</b>
<b>Acquisitions</b>		
Cash paid	\$9,174	\$42,518
Debt assumed	7,912	12,303
Total purchase price	17,086	54,821
Fair value adjustment to debt	560	869
Book value	<b>\$17,646</b>	\$55,690
Allocation of book value to revenue producing properties	16,910	55,690
Allocation of book value to other assets (NOTE 2 - accounting for operating leases)	736	-
	<b>17,646</b>	\$55,690
Units acquired	183	1,129
<b>Dispositions</b>		
Cash received	-	\$1,385
Debt assumed	-	1,655
Total proceeds	-	3,040
Net book value	-	1,993
Gain on sales	-	\$1,047
Units sold	-	40

**NOTE 4 - DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS**

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

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

**NOTE 5 - SHARE CAPITAL**

**(a) Authorized:**

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

<b>Issued:</b>	<b>Shares</b>	<b>Amount</b>
Common shares		
March 31, 2004	52,726,842	\$297,986
December 31, 2003	50,868,119	\$275,509
Details of shares issued are as follow:		
December 31, 2002	50,109,314	266,516
On exercise of stock options	802,805	9,229
Share buy-back, recorded at book value of shares	(44,000)	(236)
December 31, 2003	50,868,119	275,509
On exercise of stock options	1,858,723	22,477
March 31, 2004	<b>52,726,842</b>	<b>297,986</b>

**(b) Stock Options**

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

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

**Changes in options outstanding during period**

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

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

### Options exercisable at period end

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

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

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

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

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

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



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

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

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

#### NOTE 6 - PER SHARE CALCULATIONS

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

	3 months ended March 31, 2004	3 months ended March 31, 2003
<b>Numerator</b>		
(Loss) earnings from continuing operations	\$(1,227)	\$767
Earnings from discontinued operations	-	\$751
<b>Denominator</b>		
Denominator for basic earnings per share - weighted average shares (THOUSANDS)	<b>51,699</b>	<b>50,098</b>
Effect of dilutive securities Stock options (THOUSANDS)	151	536
Denominator for diluted earnings per share adjusted for weighted average shares and assumed conversion (THOUSANDS)	<b>51,850</b>	<b>50,634</b>
<b>(Loss) earnings per share from continuing operations</b>		
Basic	\$(0.02)	\$0.02
Diluted	\$(0.02)	\$0.02
<b>Earnings per share from discontinued operations</b>		
Basic	-	\$0.01
Diluted	-	\$0.01

#### NOTE 7 - FUTURE INCOME TAXES

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

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

The future income tax expense is computed as follows:

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

The future income tax liability is calculated as follows:

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

#### NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

#### NOTE 9 - GUARANTEES

In the normal course of business, the Corporation enters into various agreements that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires the Corporation to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

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

#### NOTE 10 - SEGMENTED INFORMATION

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

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

	3 months ended March 31, 2004	3 months ended March 31, 2003
<b>AS AT</b>		
<b>Alberta</b>		
Identifiable assets		
Revenue producing properties	\$962,170	\$969,196
Mortgages and accounts receivable	8,965	8,338
Deferred financing costs	26,160	26,621
Tenants' security deposit	5,641	5,674
	<b>\$1,002,936</b>	<b>\$1,009,829</b>
<b>Saskatchewan</b>		
Identifiable assets		
Revenue producing properties	\$177,974	\$178,867
Mortgages and accounts receivable	49	11
Deferred financing costs	4,510	4,585
Tenants' security deposits	1,130	1,096
	<b>\$183,663</b>	<b>\$184,559</b>
<b>Ontario</b>		
Identifiable assets		
Revenue producing properties	\$213,939	\$215,428
Mortgages and accounts receivable	214	250
Deferred financing costs	2,650	2,709
	<b>\$216,803</b>	<b>\$218,387</b>
<b>Quebec</b>		
Identifiable assets		
Revenue producing properties	\$358,022	\$342,364
Mortgages and accounts receivable	4,405	4,425
Deferred financing costs	5,303	4,102
	<b>\$367,730</b>	<b>\$350,891</b>
<b>Total assets</b>		
Identifiable assets	\$1,771,132	\$1,763,666
Unallocated assets***	56,838	39,714
	<b>\$1,827,970</b>	<b>\$1,803,380</b>

\* Unallocated revenue includes property sales, interest income, revenue from discontinued operations and other non-rental income.

\*\* Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, administration, financing costs, amortization, income taxes and other provisions.

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

#### NOTE 11 - SUBSEQUENT EVENTS

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

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



## CORPORATE INFORMATION

### OFFICERS AND MANAGEMENT

**R. Douglas Biggs**

Vice President, Legal Affairs

**William Chidley**

Senior Vice President, Corporate Development

**Jean Denis**

Vice President, Quebec Acquisitions

**Manjeet Dhillon**

Vice President and Controller

**Roberto A. Geremia**

Senior Vice President, Finance and  
Chief Financial Officer

**Michael Guyette**

Vice President, Technology

**Sam Kolas**

President and Chief Executive Officer

**Van Kolas**

Senior Vice President, Quality Control

**Helen Mix**

Vice President, Human Resources

**Shaun Renneberg**

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**Lisa Russell**

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**Kelly Sadiura**

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### EXCHANGE LISTINGS

**The Toronto Stock Exchange**

Symbol: **BEI.UN**