

**BTB**

**REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Quarter ended September 30, 2008**

**November 6, 2008**

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## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

The purpose of this management discussion and analysis is to allow the reader to assess the operating results of BTB Real Estate Investment Trust (“BTB” or the “Trust”) for the nine-month period ended September 30, 2008, as well as its financial position on that date. This management discussion, dated November 6, 2008, should be read together with the unaudited consolidated financial statements and accompanying notes for the period ended September 30, 2008 and with the audited consolidated financial and accompanying notes for the fiscal year ended December 31, 2007, since they contain all the important information available at the time of this report. The Trust’s consolidated financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada. **Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts.** The Trust’s fiscal year ends on December 31. Per unit amounts are calculated using the weighted average number of Trust units outstanding for the periods ended September 30, 2008 and 2007. All financial information presented in this discussion is derived from the Trust’s unaudited quarterly financial statements. These financial statements are available at [www.sedar.com](http://www.sedar.com).

### FORWARD-LOOKING STATEMENTS – CAVEAT

Certain statements contained in this discussion constitute forward-looking statements within the meaning of securities laws. Forward-looking statements may relate to the Trust’s future outlook and anticipated events, the Trust’s business and operations, its financial performance, its financial condition and its results. In some cases, they can be identified by terminology such as “consider”, “expect”, “will” (or other verbs in the future tense), “intend to”, “forecast”, “anticipate”, “estimate”, “continue”, or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Trust’s future operating results and financial performance and the Trust’s objectives and strategies to achieve those objectives are forward-looking statements. These statements are based on certain factors and assumptions including expected growth, results of operations, performance forecasts, and business prospects and opportunities. While management considers these assumptions to be reasonable based on currently available information, they may ultimately prove incorrect. Words like “may”, “could”, “should”, “prospects”, “believe”, “forecast”, “anticipate”, “estimate”, “expect”, as well as the use of conditional formulations or other similar expressions denote forward-looking statements. Forward-looking information is also subject to certain influences, risks, and uncertainties that could cause actual results to differ materially from what management currently expects. These factors, many of which are beyond the Trust’s control, include developments in markets and competition, changes to the political or regulatory environment, including tax law, general business conditions, fluctuations in interest rates, our capacity to successfully bring to term the announced acquisitions (and to finance them adequately), the financial situation of our tenants, and our ability to fill vacant space. Therefore, future events and results may deviate significantly from what management currently anticipates. For more exhaustive information on these risks and uncertainties, we refer you to the section entitled “Risks and Uncertainties” found in the prospectus dated March 13, 2008 and in the 2007 Annual Information Form dated April 28, 2008. Forward-looking statements contained in this MD&A are based on management’s current estimates, expectations, and projections, which management believes are reasonable as of the current date. You should not place undue importance on forward-looking information or rely on information past the current

date. Except when compelled to by securities law, the Trust does not undertake to update or alter this information at any particular time.

### **NON-GAAP MEASURES**

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”), net operating income, property operating income, and distributable income are non-GAAP performance measures and do not have standardized meanings prescribed by GAAP. They are used by BTB to improve the investing public’s understanding of operating results and the Trust’s performance. “GAAP” denote the generally accepted accounting principles defined and issued by the Canadian Institute of Chartered Accountants, as in effect at the time a GAAP-compliant calculation is to be made.

Also, these measures may not be compared to similar measures used by other issuers. However, BTB presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions on February 1, 2007.

Securities regulation require that these measures be clearly defined, that they be readily comparable to similar measures that comply with GAAP, and that they not be assigned greater weight than measures that are compatible with GAAP.

## 2008 THIRD QUARTER HIGHLIGHTS

- **Growth of Adjusted Funds from Operations (“AFFO”):** An AFFO of \$1.5 million for the third quarter 2008, or 4.5¢ per unit. On an annualized and recurring basis, the estimated AFFO, from the existing portfolio as at September 30, 2008, is close to 20¢ per unit.
- **Increased Cash generated from Portfolio Growth:** BTB’s portfolio generated cash of \$1.6 million and distributable income of approximately \$1.2 million for the third quarter of 2008 compared to \$1.3 million and \$1.2 million respectively for the third quarter of 2007.
- **Revenue Growth:** Rental income has more than doubled compared to the 3<sup>rd</sup> quarter of 2007 and totaling close to \$7.2 million of rental income for the 3<sup>rd</sup> quarter 2008. In accordance with the current portfolio, the revenues are estimated at \$30.5 million on an annualized basis.
- **Excellent rental activities:** More than 74% of the space where leases were expiring in 2008, has been renewed as at September 30, 2008 at an average growth rate of 11%. Management is already negotiating the renewal of leases with respect to most of the remaining space expiring this year at equally advantageous conditions.
- **Internalization of the management of real estate assets** The Trust has commenced procedures for the internalization of the management of its real estate assets, which will eventually result in the reduction of its operating expenses.
- **Refinancing:** In July 2008, the Trust entered into financing agreements pertaining to the financing and refinancing of certain properties it owns for an aggregate amount of \$16.9 million at a weighted average interest rate of 5.90%. \$8.1 million of the proceeds has been used to reimburse existing financings.
- **Acquisition:** During the third quarter, the Trust closed on the acquisition of five commercial properties located in the province of Québec, for an approximate leasable area of 153,000 square feet, at an estimated capitalisation rate of 9.0% and a total purchase price of \$22.6 million. BTB management estimates that, on an annualized basis, these transactions will generate an accretive cash flow of \$0.02 per outstanding unit and, on an annualized basis, generate total cash flow of \$0.20 per unit.

## HIGHLIGHTS

- **Real Estate Assets** \$234 million.
- **Indebtedness Rate (mortgages)** 61.6%.
- **Equity** \$55 million.
- **Occupancy Rate** 94.4%.
- **Total Leasable Area** 2.3 million square feet.
- **Quarterly Revenue** \$7.2 million.
- **Adjusted Funds From Operations (“AFFO”):** \$1.5 million.
  - **Per Unit** 4.5¢.
  - **Per Year** 20¢.

## **THE TRUST**

BTB was established under a contract of trust for purposes of facilitating a qualifying transaction proposed by its predecessor company, Capital ABTB Inc. ("ABTB"). The qualifying transaction was effected by way of a plan of arrangement under section 192 of the *Canada Business Corporations Act* (CBCA) involving ABTB, BTB and TB Subsidiary Trust and the shareholders of ABTB, resulting in, among other things, all issued and outstanding shares being exchanged for units on the basis of the agreed exchange ratio. BTB began its real estate operations on October 3, 2006. BTB's units are traded on the TSX Venture Exchange under the symbol "BTB.un".

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Quebec pursuant to a contract of trust. To date, BTB has acquired and owns 43 commercial and industrial properties in primary and secondary markets. BTB has now become an important real estate owner in geographical markets east of Ottawa.

## **OBJECTIVES AND BUSINESS STRATEGY**

The objectives of BTB are as follows:

- (i) Generate cash distributions that are stable, increasing and fiscally beneficial to unitholders;
- (ii) To grow the Trust's assets to increase distributable income and therefore fund distributions;
- (iii) To increase the value of its assets through dynamic management of its properties in order to maximize the long-term value of its units.

Strategically, BTB seeks to purchase properties with low vacancy rates, good tenant quality, superior locations, low lease turnover potential, or properties that are well maintained and require a minimum of capital expenditures.

The following table provides a current summary of quarterly acquisitions since the inception of the Trust:

<b>Acquisition period</b>	<b>Number of properties</b>	<b>Leasable Area (sq. ft)</b>	<b>Net Assets Acquired (Thousand of \$)</b>
Q-4 2006	2	116,503	14,345
Q-1 2007	8	228,874	26,806
Q-2 2007	12	620,485	73,604
Q-3 2007	3	99,162	12,819
Q-4 2007 <sup>(1)</sup>	7	798,178	55,967
Q-1 2008	6	247,804	27,355
Q-2 2008	-	---	---
Q-3 2008	5	154,320	22,624
<b>Total as at September 30, 2008</b>	<b>43</b>	<b>2,265,326</b>	<b>233,520</b>

(1) Net of the disposition of a property of 14,004 square feet.

## SELECTED FINANCIAL INFORMATION

The Trust began its real estate operations on October 3, 2006 with its initial public offering and the conclusion of its qualifying transaction. Since then, the Trust has acquired 43 properties generating, on an annualized basis, revenues of approximately \$30 million. Therefore, any analysis comparing the financial position of the Trust as at September 30, 2008 and its operating results for the quarter ending on such date, with those of the quarter ended on September 30, 2007 will prove to be relatively insignificant due to the numerous acquisitions during the last seven quarters, evidencing the considerable growth of its operations.

Period ended September 30 (in thousand dollars, except the ratios and per unit)	Quarter		Cumulative (9 months)	
	2008	2007 <sup>(1)</sup>	2008	2007
Operating income	7,199	3,453	20,174	6,236
Net operating income	4,082	2,095	11,086	3,919
Profit (loss) before future income taxes and discontinued operations	(783)	142	(2,015)	(182)
Net profit (Net loss)	(783)	36	(1,230)	(483)
Distributable income	1,202	1,155	3,367	1,523
Funds from operations	834	831	2,387	1,013
Adjusted funds from operations	1,481	1,306	4,154	1,871
Distributions	1,321	2,270	4,926	5,112
Loan to value ratio			71.0%	47.0%
Loan to value ratio (excluding convertible debentures)			61.6%	38.9%
Real estate assets			224,954	120,395
Total assets			230,216	130,038
Mortgage loans			141,160	40,635
Convertible debentures			22,397	10,664
Equity			55,003	63,181
<b>Per unit data:</b>				
Distributable income	3.6¢	3.6¢	10.2¢	6.5¢
FFO	2.5¢	2.6¢	7.3¢	4.3¢
Adjusted FFO	4.5¢	4.0¢	12.5¢	8.0¢
Distributions	4.0¢	7.0¢	15.0¢	21.0¢

(1) The presentation of certain elements of 2007 has been changed to reflect the presentation used in 2008.



## REAL ESTATE PORTFOLIO

Since its initial public offering on October 3, 2006, BTB has acquired 43 properties, at a total cost of approximately \$233 million and representing a total leasable area of over 2.2 million square feet. A description of the properties purchased prior to January 1, 2008 can be found in BTB's Annual Information Form dated April 28, 2008 which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

From January 1, 2008 to September 30, 2008, BTB acquired the following properties:

Property	City	Date acquired	Type	Leasable area (sq. ft)	Acquisition cost <sup>(1)</sup> (thousand \$)	Capitalization rate (at time of purchase)
2155 Crescent	Montréal, QC	January 18, 2008	Mixed	8,200	1,815	n/a
1645 King West	Sherbrooke, QC	February 29, 2008	Office	60,631	6,300	9,1%
560 Henri-Bourassa West	Montréal, QC	March 26, 2008	Office	39,407	3,900	9,0%
3036-3094 Ch. Chambly	Longueuil, QC	March 26, 2008	Mixed	41,724	4,675	8,5%
204 De Montarville	Boucherville, QC	March 26, 2008	Office	29,882	4,250	8,4%
3885 Harvey	Chicoutimi, QC	March 26, 2008	Office	67,960	4,700	8,6%
1100 & 1108-1136 St-Joseph	Drummondville, QC	August 13, 2008	Commercial	25,176	3,183	9.0% <sup>(2)</sup>
747-805 King East	Sherbrooke, QC	August 13, 2008	Commercial	34,000	4,967	9.0% <sup>(2)</sup>
33-66 Jacques-Cartier North	Sherbrooke, QC	August 13, 2008	Commercial	31,260	5,671	9.0% <sup>(2)</sup>
665-669 Thibeau	Trois-Rivières, QC	August 13, 2008	Commercial	13,471	1,737	9.0% <sup>(2)</sup>
1400 Marie-Victorin	St-Bruno, QC	Sept. 5, 2008	Office	50,413	5,650	8.7%
<b>TOTAL</b>				<b>402,124</b>	<b>46,848</b>	

(1) Excluding soft costs of acquisition

(2) These four properties were acquired as part of one same transaction

## DESCRIPTION OF PROPERTIES ACQUIRED IN 2008

### 2155 Crescent St., Montreal, Québec

This renovated four-storey building sits in close proximity to the financial core of downtown Montreal, on a highly coveted commercial street. Also in close proximity to the Concordia University and to the Montreal Museum of Fine Arts. This building houses BTB's head office.

### **Place Jacques-Cartier – 1645 King St. West, Sherbrooke, Québec**

These two office buildings are facing each other. These buildings comprise 60,631 square feet of leasable area, are currently leased at 95%. The buildings are occupied by tenants including the Québec Government, professional firms such as notaries, attorneys and financial consultants.

### **560 Henri-Bourassa Blvd. West, Montreal, Québec**

This building has 39,407 square feet of office space. It is occupied by a Crown Corporation on the main floor and by various office users on the other floors.

### **3036-3094 Chemin de Chambly, Longueuil, Québec**

This commercial building has 41,724 square feet of rental space. It houses a pharmacy, a financial institution and a franchise restaurant.

### **204 de Montarville, Boucherville, Québec**

This 29,882 square feet office building is fully-leased. Located on Boucherville's main boulevard, this property is occupied among others by an insurance company and offices of municipal economic development.

### **3885 Harvey Blvd., Ville de Saguenay, Québec**

This building of 67,960 square feet of office space is occupied by tenants such as municipal and federal government offices and insurance companies.

### **1100 & 1108-1136 St-Joseph Boulevard, Drummondville, Québec**

This commercial strip mall of 25,176 square feet was built in 2003 and is a prominent fixture of this community. The property is occupied by a well-known financial institution, a prominent food store, a health and fitness center, a frozen food retailer, a bistro and a restaurant.

### **747-805 King Street East, Sherbrooke, Québec**

This commercial building of 34,000 square feet is located on Sherbrooke's main artery and is occupied by among others two major financial institutions, a frozen food retailer, a restaurant, a major food chain and a wireless phone retailer.

### **33-66 Jacques-Cartier Boulevard North, Sherbrooke, Québec**

Located in Sherbrooke's main shopping district, this strip mall of 31,260 square feet is close to amenities. It is occupied by a major fast-food chain, a travel agency, a cleaner, a liquor store, a prominent food store, a major video rental and sales store and a sushi restaurant.

### **665-669 Thibeau Boulevard, Trois-Rivières, Québec**

Well-located on one of Trois-Rivières main arteries, this strip mall of 13,471 square feet is fully-leased and occupied by one of Canada's leading coffee/doughnut chains, as well as a prominent food store.

### **1400 Marie-Victorin St., St-Bruno, Québec**

This 50,413 square foot office building is fully-leased and boasts a large parking lot. Strategically located at the intersection of Route 116 and Highway 30 on the South Shore of Montreal, the building sits in close proximity to the Promenades St-Bruno and St-Hubert Airport. The property currently generates a steady flow of income and is leased by a governmental public works agency, an office supply retailer, a well-known laboratory and a cosmetic company.

### **Potential Agreements to Acquire Properties**

BTB has entered into various conditional agreements to purchase additional commercial properties, all located in the province of Quebec. These conditional offers are for 16 buildings, representing the potential addition of 0.8 million square feet and an approximate total transaction value of \$80 million before acquisition costs.

If BTB were to conclude these transactions, BTB would bring the total value of its properties to approximately \$312 million since its initial public offering on October 3, 2006. However, there is no guarantee that BTB will complete any or all of these potential acquisitions.

## **PERFORMANCE INDICATORS**

The following indicators are used to measure the financial performance of BTB:

- Net operating income: which provides an indication of the profitability of portfolio operations;
- Net operating profit margin: which provides an indication of the profitability of the Trust's operations;
- Distributable income per unit which provides an indication of how the Trust will be able to fund its distributions;
- Funds from operations ("FFO") per unit: which provide an indication of BTB's ability to generate cash flow;
- Adjusted funds from operations ("AFFO") per unit, which takes into account rental fees and capital expenditures and which may vary substantially from one entity to the next;
- The debt-equity ratio: which is used to assess the financial balance of the Trust and its capacity for additional acquisitions.

More detailed definitions of each of these indicators are provided in the appropriate sections.

## OPERATING RESULTS

### Statement of Earnings

Summarized financial results for the period ended September 30, 2008 and 2007 are as follows:

Period ended September 30 (in thousands dollars)	Quarter		Cumulative (9 months)	
	2008	2007 <sup>(2)</sup>	2008 <sup>(2)</sup>	2007 <sup>(2)</sup>
Operating Revenues	7,199	3,453	20,174	6,236
Operating Expenses	3,117	1,358	9,088	2,317
Net operating income <sup>(1)</sup>	4,082	2,095	11,086	3,919
Interest income	(28)	(20)	(52)	(436)
Interest on loans and other carrying charges	2,941	1,103	7,788	2,599
Amortization of revenue producing properties and intangible assets	1,578	640	4,332	1,080
Operating benefit (loss) from real estate assets	(409)	372	(982)	676
Trust-related administrative expenses	332	212	956	831
Unit-based compensation	42	18	77	27
Profit (loss) from continuing operations	(783)	142	(2,015)	(182)
Future income taxes credit		150	(785)	406
Net income from discontinued operations	---	44	---	105
<b>Net profit (Net loss)</b>	<b>(783)</b>	<b>36</b>	<b>(1,230)</b>	<b>(483)</b>

(1) Net operating income and operating income from real estate assets consist of non-GAAP information and may not be comparable to similar measures used by other issuers. Net operating income and operating income from real estate assets should not be construed as alternatives to net income or cash flows from operating activities, which are calculated in accordance with GAAP.

They are, however, frequently used in the real estate industry to measure operational performance. We define "net operating income" as operating income before interest on loans, amortization of properties, deferred leasing costs, financing costs and other assets, other income, professional fees and Trust-related administrative expenses, unit-based compensation and future income taxes.

We define "operating income from real estate assets" as operating income before Trust-related administrative expenses, unit-based compensation and future income taxes.

(2) The presentation of certain items of the period have been adapted in order to correspond to that of the current quarter.

### Same-property portfolio

The Trust is yet unable to analyze the performance of its operating results on a same-property portfolio basis because during the last seven quarters, BTB acquired 41 properties, showing the strong growth of its operations. Consequently, any comparison between the operating results for fiscal 2008 and the results of the corresponding period for fiscal 2007 is insignificant.

## Operating Revenues

During the third quarter of 2008, BTB pursued its growth in operating revenues. This growth is the result of BTB's dynamic acquisition program and good performance of its existing portfolio.

Operating revenues include amortization of an adjustment for purposes of recording contractual rent payments on a straight-line basis and for purposes of adjusting the value of the leases which are not at market terms and conditions, as more fully described in the table below.

## Operating Revenues

Period ended September 30 (in thousand dollars)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
Rental revenue on the basis of in-place leases	7,468	3,811	20,891	6,833
Deferred rental revenue as per straight-line method	41	78	247	117
Amortization of the value attributable to leases which are not at market terms and conditions	(310)	(328)	(964)	(429)
Less: products related to discontinued activities	---	108	---	285
<b>Rental revenue from income- producing properties</b>	<b>7,199</b>	<b>3,453</b>	<b>20,174</b>	<b>6,236</b>

On annualized basis and in accordance with the existing portfolio as at September 30, 2008, rental revenue from income-producing properties is estimated at \$30.5 million.

## Operating Expenses

Operating expenses are expenses directly related to real estate operations and are generally charged back to tenants as provided for by the leases. On October 1, 2008, the Trust began the internalization of its property management that will eventually reduce substantially its operating costs. The amount of operating expenses, property taxes and services that BTB can recover from its tenants depends on the occupancy rate and the nature of the existing leases containing clauses regarding the recovery of fixed expenses. BTB pays particular attention to the respect of the existing leases and to the recovery of operating expenses of its properties. The increase in the level of expenses relative to rental revenue in the first three quarters of 2008 compared to the same period in 2007 is also attributable to the decline in the relative amount of revenue generated by the property "2900 Jacques-Bureau" where a lease is in place whereby no operating expenses are assumed by the Trust. During the third quarter of 2007, revenues generated from this property represented 7.6% of total revenues, compared to 3.7% of total revenues for the same period in 2008.

The decrease of the operating expenses percentage compared to that of the operating revenues during the third quarter in comparison to the previous 2008 quarters can be explained by higher winter-related expenses in the early part of the year as well the implementation of stricter management policies with respect to the operating expenses.

The following table details the operating expenses for the quarters and fiscal years ended on September 30, 2008 and 2007:

Period ended September 30 (in thousand dollars)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
Operating Expenses				
- Operating costs	1,180	584	3,543	1,057
- Property taxes and utilities	1,758	749	5,091	1,264
- Property management expenses	179	68	454	124
Less: operating expenses for discontinued activities	---	(43)	---	(128)
	<b>3,117</b>	1,358	<b>9,088</b>	2,317
% of operating revenues	<b>43.3%</b>	39.3%	<b>45.0%</b>	37.2%

### Net operating income

BTB's net operating income is 56.7% of operating revenues for the third quarter and 55.0% for the nine-month period ended September 30, 2008. The reader should read the previous paragraph on the analysis of operating expenses for more information regarding the results of the current quarter. The net operating income is not a recognized financial measure in GAAP, but it is nonetheless frequently used in the field of real estate to assess operational performance. BTB defines it as operating income before interest on loans and other financial expenses, amortization of income-producing properties, intangible assets and other assets, amortization of deferred financing costs, Trust-related administrative expenses, unusual items, and future income taxes. This definition may differ from those used by other issuers, and therefore BTB's net operating income may not necessarily be comparable with theirs.

This performance indicator is particularly useful when compared to the indicator for the same-property portfolio of previous years, since it provides for transferring operating costs to clients and generating rent increases that exceed cost increases. Since more than two-thirds of BTB's acquisitions were concluded during 2007, it will not be possible to use this ratio in the context of a same-property portfolio before the first quarter 2009.

On an annualized basis and in accordance with the existing portfolio as at September 30, 2008, net operating income is estimated at \$17 million.

### Interest on loans

Interests on loans are generated by the following loans:

- Mortgage loans contracted or assumed totalling approximately \$141.2 million, as at September 30, 2008.
- Series A convertible debentures issued in the amount of \$12.8 million in October 2006, including the additional interest charges accrued to account for the increase in liability attributable to the convertible debentures.
- Series B convertible debentures issued in the amount of \$13.0 million in March 2008, including the additional interest charges accrued to account for the increase in liability attributable to the convertible debentures.

- Operating and acquisition credit facilities used as needed, for a total of \$6.8 million as at September 30, 2008.
- Amortization of deferred financing costs related to mortgage loans and convertible debentures, using the effective interest method throughout the term of the related debts.

<b>Period ended September 30</b> (in thousand dollars)	<b>Quarter</b>		<b>Cumulative (9 months)</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Interest on mortgage loans	<b>1,968</b>	677	<b>5,318</b>	1,403
Interest on debentures	<b>569</b>	258	<b>1,361</b>	773
Interest on bank loans	<b>105</b>	30	<b>323</b>	30
Amortization of deferred financing costs	<b>203</b>	77	<b>530</b>	212
Additional interest expense to account for the increase in liability attributable to the convertible debentures	<b>96</b>	61	<b>256</b>	181
	<b>2,941</b>	1,103	<b>7,788</b>	2,599
<b>% of operating revenues (net of interest income)</b>	<b>40.5%</b>	31.4%	<b>38.3%</b>	34.7%

Interest on loans, as a percentage of operating revenues, increased by 9% during the third quarter of 2008 compared to the third quarter of 2007 and by 3.6% for the 2008 cumulative nine-month period compared to that of 2007. This increase is a result of the lag between the acquisition and the financing of several properties during the second and third quarters of 2007. The Trust had used the proceeds of the issuance of units in May 2007 to subsequently acquire the properties but had only refinanced them in November 2007.

### Amortization

All acquired properties are amortized on a straight-line basis over a period of 40 years.

GAAP requires that the cost of purchasing a building be divided into tangible assets, to wit the land and the building, and intangible assets, namely lease origination costs, the value of current leases and the value of client relationships. Intangible assets are amortized according to the term of the affected leases. The average term of the leases in place as at September 30, 2008 is approximately five years. The resulting amortization is thus accelerated relative to that of the buildings which, as previously mentioned, are amortized over 40 years.

<b>Period ended September 30</b> (in thousand dollars)	<b>Quarter</b>		<b>Cumulative (9 months)</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Income-producing properties	<b>1,502</b>	564	<b>2,889</b>	964
Intangibles	<b>522</b>	95	<b>1,434</b>	166
Fixed assets	<b>4</b>	1	<b>9</b>	2
Minus: amortization related to discontinued operations	---	(20)	---	(52)
	<b>1,578</b>	640	<b>4,332</b>	1,080



### Trust-related administrative expenses

Trust-related administrative expenses include compensation and fees paid to management and administrative staff, legal and accounting services, expenses relating to public trading of the Trust, insurance and office expenses, bad debts and charges related to abandoned projects.

Period ended September 30 (in thousand dollars)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
Trust-related administrative expenses	332	212	956	831
In % of operating revenues	4.6%	6.1%	4.7%	13.3%

### Unit-based compensation

During the quarters ended September 30, 2008 and 2007, BTB recorded unit-based compensation totalling \$42 and \$18 respectively, for options granted to employees and trustees. The fair value of the options was calculated using the Black-Scholes option pricing model with the assumptions that are explained in Note 8c to the financial statements for the fiscal year ended December 31, 2007.

### Future income taxes

For purposes of income taxes, the Trust qualifies as a "Mutual Fund Trust." In keeping with the terms of the contract of trust, trustees intend to distribute or allocate all taxable income earned directly by the Trust to the unitholders and to deduct these distributions and allocations for income taxes.

#### (a) New tax system

In the interest of tax fairness, the Canadian Department of Finance introduced measures into the tax act to provide for levying a tax on specified investment flow-through ("SIFT") distributions in order to align the taxation of these entities more closely with that of companies. Bill C-52, which enacted these provisions, received royal assent on June 22, 2007. The new rules apply as of the 2007 taxation year, except in the case of SIFT Trusts that existed on October 31, 2006 and that comply with provisions governing normal growth for the transitional period ending in 2011. As at September 30, 2008, the Trust was in line with the provisions regarding normal growth.

#### (b) REIT Exemption

The new tax system does not apply to SIFT Trusts that qualify as Real Estate Investment Trusts ("REIT") for any given taxation year. Generally, a Trust based in Canada is a REIT if its activities consist of acquiring and managing real estate and if it complies with certain rules governing its assets and revenues.

On December 20, 2007, the Finance Minister proposed a draft of technical amendments designed to clarify the tax rules applicable to REITs. As at September 30, 2008, the Trust qualifies as a REIT, if the technical amendments of December 20, 2007 are considered.

In keeping with generally accepted accounting principles, the Trust has recognized future tax assets and liabilities with regard to temporary differences between the financial statement carrying amounts and the respective tax bases of its assets and liabilities. These differences are expected to be reversed in 2011 or thereafter. As at September 30, 2008, under these rules, the Trust recorded a future income tax asset of \$5 in the consolidated balance sheet. No charge and no future income tax benefits are required in the quarterly consolidated statement of earnings.

This amount will be reversed when the draft of technical amendments of December 20, 2007 obtains royal assent in the House of Commons, provided that the Trust continues to meet the REIT eligibility conditions at that time. In the future the Fund's trustees intend to ensure that these conditions are met on an ongoing basis.

### **Net Loss**

The net loss amounted to \$783 for the quarter ended September 30, 2008 compared to a net profit of \$36 for the quarter ended September 30, 2007. These losses are primarily attributable to the significant increase in the amortization of income-producing properties, in particular the proportion of intangible assets increased greater than in proportion to rental income.

The valuation of the amortization expense is based on the assumption that the value of buildings declines over the years. Reality tends to show, however, that their value trends upward over the years.

Furthermore, during the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2007, the Trust acquired properties with the proceeds of the issuance of units in May 2007 without having to immediately obtain mortgage financing. The interest expense for the 3<sup>rd</sup> quarter was therefore reduced accordingly.

Period ended September 30 (in thousand dollars except per unit)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
<b>Net profit (Net loss)</b>	<b>(783)</b>	36	<b>(1,230)</b>	(483)
Basis loss per unit and diluted	<b>2.4¢</b>	0.1¢	<b>3.8¢</b>	2.1¢

### **Segmented information**

The Trust's operations pertain to four categories of real estate, located in Quebec and in Ontario. The following tables present the contribution to revenues, to net operating income, and to amortization of each of these categories of real estate for the periods ended September 30, 2008 and 2007.

Quarter ended September 30, 2008 (in thousand dollars)	Office buildings	Commercial buildings	Industrial buildings	Mixed buildings	Total
Income from income-producing properties	3,013	1,211	716	2,259	7,199
Net operating income	1,448	926	498	1,210	4,082
Amortization of income-producing properties and intangible assets	657	276	161	480	1,574
Income-producing properties (amortized cost)	91,795	51,605	19,970	61,584	224,954

Quarter ended September 30, 2007 (in thousand dollars)	Office buildings	Commercial buildings	Industrial buildings	Mixed buildings	Total
Income from income-producing properties	1,259	816	140	1,238	3,453
Net operating income	714	664	99	618	2,095
Amortization of income-producing properties and intangible assets	245	170	26	199	640

<b>Nine-month period ended September 30, 2008</b> (in thousand dollars)	<b>Office buildings</b>	<b>Commercial buildings</b>	<b>Industrial buildings</b>	<b>Mixed buildings</b>	<b>Total</b>
Income from income-producing properties	8,305	3,159	2,173	6,537	20,174
Net operating income	3,884	2,286	1,433	3,483	11,086
Amortization of income-producing properties and intangible assets	1,786	703	481	1,353	4,323
Income-producing properties (amortized cost)	91,795	51,605	19,970	61,584	224,954

<b>Nine-month period ended September 30, 2007</b> (in thousand dollars)	<b>Office buildings</b>	<b>Commercial buildings</b>	<b>Industrial buildings</b>	<b>Mixed buildings</b>	<b>Total</b>
Income from income-producing properties	1,643	1,965	317	2,311	6,236
Net operating income	895	1,592	213	1,219	3,919
Amortization of income-producing properties and intangible assets	281	406	53	340	1,080

### **Distributable income and distributions**

Distributable income does not constitute financial and accounting information as defined by GAAP. It is, however, an information frequently used by income trusts. The definition of distributable income is contained in the contract of trust governing BTB and provides that at least 85% of annual distributable income must be distributed to unitholders.

Distributable income generally corresponds to net income as prescribed by GAAP, excluding amortization of real estate properties, amortization of adjustments to leases which are not at market terms and conditions, unit-based compensation expenses, amortization of deferred rental revenue subsequent to adjusting the leases using the straight-line method, and the provision for future income taxes.

Period ended September 30 (in dollars, except the ratios and per unit)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
Net profit (net loss) (GAAP)	(783)	36	(1,230)	(483)
+ Amortization of income-producing properties and intangible assets	1,574	640	4,323	1,080
+ Amortization of adjustment of the leases which are not at market terms and conditions	310	328	964	429
+ Increase in the liabilities component of debentures	96	61	256	181
+ Unit-based compensation expenses	42	18	77	27
+ Future income taxes credits	-	150	(785)	406
- Deferred rental income accounted for	(41)	(78)	(247)	(117)
<b>Distributable income</b>	<b>1,198</b>	<b>1,155</b>	<b>3,358</b>	<b>1,523</b>
Distributions to unitholders	1,321	2,270	4,926	5,112
<b>Per unit data:</b>				
- Distributable income	3.6¢	3.6¢	10.2¢	6.5¢
- Diluted distributable income	3.6¢	3.5¢	10.2¢	6.4¢
- Distributions	4.0¢	7.0¢	15.0¢	21.0¢
Coverage of distributions to distributable income ratio	91%	51%	68%	30%

Distributable income increases each quarter with the addition of quality acquisitions and the tight management of operating expenses. Thus, in the third quarter of 2008, 91% of distributions were covered by distributable income.

On April 28, 2008, the Board of Trustees announced reduction of the amount of distributions, from 28¢ per unit per year to 16¢ per unit per year. By doing so, the Trustees ensured that the AFFO will match the distributions. Furthermore, BTB's capital and funds from financing will then be used to fulfill BTB's mission: the acquisition of good quality properties.

In accordance with "Amended National Policy 41-201", promulgated by Canadian Securities Administrators ("CSA"), the Trust is required to reconcile distributable income (a non-GAAP measure) with cash flows from operating activities as shown in the financial statements.

The following table shows this reconciliation:

Period ended September 30 (in thousand dollars)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
<b>Cash flows from operating activities (GAAP)</b>	<b>2,215</b>	<b>1,526</b>	<b>2,636</b>	<b>2,315</b>
- Non cash items related to abandoned projects	---	20	---	50
- Amortization of deferred financing costs	203	77	530	212
- Amortization of fixed assets	4	1	9	2
- Unit-based compensation (as per management agreements)	143	68	384	124
Change in non-cash working capital items	(667)	(206)	1,645	(406)
<b>Distributable income</b>	<b>1,198</b>	<b>1,154</b>	<b>3,358</b>	<b>1,521</b>

### Analysis of distributed cash

In accordance with instructions received from the CSA, the Trust also presents the following table:

Period ended September 30 (in thousand dollars)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
A. Cash flows from operating activities	<b>2,215</b>	1,526	<b>2,636</b>	2,315
B. Net profit (Net loss)	<b>(783)</b>	36	<b>(1,230)</b>	(483)
C. Distributions to unitholders	<b>1,321</b>	2,270	<b>4,926</b>	5,112
D. Surplus (deficit) of cash flows from operating activities to distributions (A – C)	<b>894</b>	(744)	<b>(2,290)</b>	2,797

BTB is temporarily financing its distributions with its available credit facilities. BTB also plans to continue acquiring accretive properties which will provide additional liquidity for its operations.

For the year ending December 31, 2008, BTB expects that cash flow generated from its operations and, if necessary, its credit facilities will be sufficient to finance its distributions to unitholders.

Due to the significance of non-cash items, as demonstrated in the table showing the reconciliation of net income and distributable income, BTB believes that the comparison of the distributions to the net loss is not indicative of its capacity to pay its distributions.

### Funds from operations (FFO)

The notion of funds from operations (“FFO”) does not constitute financial and accounting information defined by GAAP. It is, however, a measurement that is frequently used by real estate companies and real estate investment trusts. The Real Property Association of Canada (REALpac) defines FFO as net income calculated in accordance with GAAP, excluding the amortization of income-producing property, and of deferred rental costs, gains or losses from the disposition of income-producing properties, and future income taxes. Our calculation method is consistent with the method recommended by REALpac, but may differ from measures used by other real estate investment trusts. Consequently, this method may not be comparable to methods used by other issuers.

FFO constitute a supplementary measurement of operational performance since it disregards the usual assumption that the value of real estate properties decreases over time in a foreseeable manner. Furthermore, it accounts for some elements included in net earnings, as determined by GAAP, which may not be best suited to evaluate a return, as an example, gains or losses from the disposal of income-producing properties.

The following table is a reconciliation between the net loss established under GAAP and the FFO for the periods ended September 30, 2008 and 2007:

Period ended September 30 (in thousand dollars except per unit)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
Net profit (Net loss) (GAAP)	(783)	36	(1,230)	(483)
+ Amortization of income-producing properties and intangible assets	1,574	640	4,323	1,080
+ Amortization of deferred rental costs	39	5	70	10
+ Future income taxes (creditors)	---	150	(785)	406
<b>Funds from operations</b>	<b>830</b>	<b>831</b>	<b>2,378</b>	<b>1,013</b>
<b>Per unit data:</b>				
- Funds from operations per unit	2.5¢	2.6¢	7.3¢	4.3¢
- Funds from operations per unit (diluted)	2.5¢	2.5¢	7.3¢	4.3¢

For the period ended September 30, 2008, the Trust posted positive FFO of \$830, partially covering the Trust's distributions, which totalled \$1,321 for the same period. The reader will note, as previously mentioned, that the Board of Trustees has reduced the distributions. As of the second quarter of 2008, the annual distribution is \$0.16 per unit.

### **Adjusted Funds From Operations (AFFO)**

The notion of adjusted funds from operations ("AFFO") is increasingly used by real estate companies and Real Estate Investment Trusts. It is an additional measure to assess the Trust's performance and its ability to maintain and increase distributions in the long term. However, AFFO do not have the meaning of a financial or accounting measure prescribed by GAAP. The method of computing may differ from those used by other companies or real estate investment trusts and may not be used for comparison purposes.

BTB defines its AFFO as FFO adjusted to account for adjustments to leases in accordance with the straight-line method (deferred rental revenue), unrecoverable capital expenditures, the amortization of deferred financing costs and other assets, the amortization of leases which are not at market terms and conditions, adjustments with regards to the liability component of convertible debentures, compensation expenses associated with purchase options, and unit-based property management expenses.

As of the first quarter of 2008, the Trust decided to deduct a reserve for unrecoverable capital expenses in order to calculate the AFFO. The Trust allocates significant amounts to the regular maintenance of its properties in an attempt to reduce capital expenses as much as possible. The allocation for unrecoverable capital expenses is calculated on an annualized basis of 20¢ per square foot. The management of BTB believes that this reserve adequately represents the unrecoverable and continuous investments that are necessary to the proper maintenance and to the improvement of its properties.

Management also decided to add to its funds from operations the portion of the remuneration paid to two officers of the Trust in order to calculate the AFFO. The remuneration, in accordance with the agreements presented in the following section, was partly paid to these officers in units in order to preserve the Trust's liquidity.

The AFFO for the previous periods were recalculated accordingly.

The following table provides a reconciliation of FFO and AFFO for the periods ended September 30, 2008 and 2007:

<b>Period ended September 30</b> (in thousand dollars except per unit)	<b>Quarter</b>		<b>Cumulative (9 months)</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Funds from operations	<b>830</b>	831	<b>2,378</b>	1,013
- Deferred rental revenue	<b>(41)</b>	(78)	<b>(247)</b>	(117)
+ Amortization of leases not at market terms and conditions	<b>310</b>	328	<b>964</b>	429
+ Amortization of deferred financing costs	<b>203</b>	77	<b>530</b>	212
+ Unit-based compensation expenses	<b>42</b>	18	<b>77</b>	27
+ Increase in the liabilities component of convertible debentures	<b>96</b>	61	<b>256</b>	181
+ Amortization of fixed assets	<b>4</b>	1	<b>9</b>	2
+ Unit-based remuneration under management agreements	<b>143</b>	68	<b>384</b>	124
- Provisions for non-recoverable capital expenses	<b>(110)</b>	---	<b>(240)</b>	---
<b>Adjusted funds from operations</b>	<b>1,477</b>	1,306	<b>4,111</b>	1,871
<b>Per unit data:</b>				
- Adjusted funds from operations per unit (basic)	<b>4.5¢</b>	4.0¢	<b>12.5¢</b>	8.0¢
- Adjusted funds from operations per unit (diluted)	<b>4.5¢</b>	4.0¢	<b>12.5¢</b>	7.9¢

The AFFO was established at 4.5¢ per unit for the third quarter. Management of the trust believes that, considering the acquisitions concluded during the third quarter, on a recurring basis, the Trust will be in a position to improve its AFFO by 2¢ per unit by the end of the 2008 financial year.

## RELATED PARTY TRANSACTIONS

### Services and Asset Management Agreements

In October 2006, the Trust entered into an exclusive agreement with AMTB Management Inc. (“AMTB”). Messrs. Michel Léonard and Peter Polatos are the two shareholders of AMTB, a corporation which provides the services of Messrs. Léonard and Polatos as officers of the Trust. Both officers are trustees of the Trust and directors of AMTB. Up to March 31, 2008, as compensation for its services, AMTB received an annual fee, payable monthly, equal to 0.225% of the adjusted cost base (“ACB”) of BTB’s assets and a fee equal to 0.375% of the ACB for each acquisition of the Trust, once BTB’s portfolio reached a value of \$50 million. These fees were paid entirely by means of Trust units. When BTB’s portfolio reached a value of \$200 million, the acquisition fees would have been paid 50% in Trust units and 50% cash. However, in May 2008, the Trust and AMTB amended this agreement. Therefore, since April 1, 2008, no acquisition fee is payable for acquisitions approved by the Investment Committee after March 31, 2008. In compensation, the annual management fees have been increased to 0.325% on an annualized basis for the remaining of the 2008 financial year to 0.30% for the 2009 financial year and to 0.28% for the 2010 and following financial years. These fees are now payable 80% in Trust units and 20% in cash for 2008 and 2009 and 75% in Trust units and 25% in cash for the following years.

The following table provides the fees for the periods ended September 30, 2008 and 2007:

Period ended September 30 (in thousand dollars)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
Annual fees	179	68	454	124
Acquisition fees	173	56	178	288
	352	124	632	412

AMTB is also the asset manager of TB Subsidiary Trust pursuant to an asset management agreement (the “Asset Management Agreement”) between TB Subsidiary Trust and AMTB. Under this agreement, AMTB’s responsibilities include, among other things, identifying and evaluating properties for potential acquisition by TB Subsidiary Trust and its subsidiaries. No fees are payable under this agreement.



## COMPARATIVE SUMMARY OF QUARTERLY RESULTS

BTB was created from a predecessor entity, ABTB. Following an initial public offering, BTB began its operations on October 3, 2006. BTB's comparative quarterly information reflects this situation, as follows:

(in thousand dollars except per unit)	2008 Q-3	2008 Q-2	2008 Q-1	2007 Q-4	2007 Q-3	2007 Q-2	2007 Q-1	2006 Q-4
Rental revenue	7,199	7,156	5,818	4,434	3,453	1,942	842	303
Net operating income	4,082	3,950	3,080	2,663	2,095	1,251	580	208
Operating income (loss) from real estate assets	(409)	(255)	(291)	(152)	372	292	21	34
Income (loss) before future income taxes and continuing operations	(783)	(723)	(509)	(920)	142	25	(345)	(179)
Net income (loss) from discontinued operations	---	---	---	166	44	54	2	---
Net earnings (net loss)	(783)	(238)	(209)	(1,234)	36	(176)	(342)	(179)
Basic earnings (loss) per unit	(2.4)¢	(0.7)¢	(0.6)¢	(3.8)¢	0.1¢	(0.07)¢	(2.4)¢	(1.0)¢
Diluted income (loss) per unit	(2.4)¢	(0.7)¢	(0.6)¢	(3.3)¢	0.1¢	(0.07)¢	(2.4)¢	(1.0)¢
Funds from operations (FFO)	830	734	822	688	831	388	(179)	(125)
FFO per unit – basic	2.5¢	2.2¢	2.5¢	2.1¢	2.6¢	1.7¢	(1.3)¢	(0.1)¢
FFO per unit – diluted	2.5¢	2.2¢	2.5¢	2.1¢	2.5¢	1.6¢	(1.2)¢	(0.1)¢
Adjusted Funds From Operations (AFFO)	1,477	1,355	1,390	1,482	1,306	631	(40)	N/A
FFO per unit – basic	4.5¢	4.1¢	4.2¢	4.5¢	4.0¢	2.7¢	(0.3)¢	N/A
FFO per unit – diluted	4.5¢	4.1¢	4.2¢	4.5¢	4.0¢	2.7¢	(0.3)¢	N/A

Note: The presentation of certain elements of the previous quarters has been changed to reflect the presentation used in the 3<sup>rd</sup> quarter 2008.

BTB's operations, and its quarterly results, are not significantly subject to seasonal influences, but they are affected by economic events and cycles of a local, national or international nature which may influence the demand for space and the level of interest rates. BTB's leases generally have provisions allowing rent increases to offset the effects of inflation on operating expenses.

## CAPITAL RESOURCES

Selected balance sheet information follows:

(in thousand dollars)	September 30, 2008	December 31, 2007
Real estate assets	224,954	180,263
Mortgage loans	141,160	103,943
Convertible debentures	22,397	10,789
Bank loans	6,812	9,245
Cash and cash equivalents	---	6,171
Unitholders' equity	55,003	60,086

The changes to the balance sheet as at September 30, 2008 from the balance sheet as at December 31, 2007 stem from the acquisition of 11 properties, from obtaining mortgage financing and bank loans related to these acquisitions, and the closing of a public placement, in March 2008, in the form of convertible debentures of over \$13 million.

### Long-term debt

The following table presents BTB's debt balances as at September 30, 2008, including mortgages payable and convertible debentures, by year of maturity and weighted average contractual interest rates:

Years of maturity	Balance of convertible debentures (in thousand \$)	Balance of mortgage payable (in thousand \$)	Weighted average contractual interest rate (%)
2008	---	4,027	4.93
2009	---	2,375	7.79
2010	---	---	---
2011	12,883	15,662	7.35
2012	---	76,611	6.20
2013	13,020	18,212	7.07
2014	---	2,375	5.89
2015	---	7,594	5.74
2016	---	1,935	6.07
2017	---	13,020	5.60
<b>Total</b>	<b>25,903</b>	<b>141,901</b>	<b>6.47</b>

As at September 30, 2008, the weighted average contractual interest rate of the long-term debt stood at 6.47 %, being 6.15 % for mortgages payable and 8.25 % for convertible debentures.

### Mortgage loans

As at September 30, 2008, the Trust's mortgage loans amounted to \$141.9 million compared to \$104.7 million as at December 31, 2007, before differed financing costs. This increase is attributable to the financing and mortgage loans assumed with the acquisitions throughout the period and to the refinancing of a property already acquired. As at September 30, 2008, the weighted average interest rate of the mortgages was 6.15% compared to 6.13% for the mortgage loans as at December 31, 2007. All mortgage loans bear interest at fixed rates and for a fixed term.

BTB attempts to spread the terms of its mortgages over many years in order to mitigate the risk associated with renewing them.

The following table presents the changes in mortgages payable since the beginning of 2008:

<b>(in thousand dollars)</b>	<b>\$</b>
Balance as at December 31, 2007	<b>104,736</b>
Contracted mortgage loans or assumed	<b>40,463</b>
Balance reimbursed at expiration	<b>(2,243)</b>
Monthly principal repayments	<b>(1,055)</b>
<b>Balance as at September 30, 2008</b>	<b>141,901</b>

(1) Before unamortized financing costs.

The net book value of the mortgaged properties was approximately \$223 million as at September 30, 2008. Unamortized loan financing costs totalled \$741 and are amortized under the effective interest method for the term of the loans.

The following table, as of September 30, 2008, shows the mortgage loan repayments for upcoming years:

<b>Years ended December 31</b> (in thousand dollars)				
	<b>Yearly Principal repayments</b>	<b>Balance at maturity</b>	<b>Total</b>	<b>Weighted average interest rate on repayments (%)</b>
2008 <sup>(1)</sup>	366	4,022	4,388	3.1
2009	1,552	2,375	3,927	2.8
2010	1,684	---	1,684	1.2
2011	1,497	14,744	16,241	11.4
2012	1,415	75,310	76,725	54.0
2013	992	16,269	17,261	12.2
2014	752	2,094	2,846	2.0
2015	570	6,176	6,746	4.8
2016	448	1,360	1,808	1.3
2017	72	10,203	10,275	7.2
<b>Total</b>	<b>9,348</b>	<b>132,553</b>	<b>141,901</b>	<b>100.0</b>
Minus: unamortized financing costs			741	
<b>Balance as at September 30, 2008</b>			<b>141,160</b>	

(1) For the three-month period ending December 31, 2008

### **Convertible Debentures**

#### **(a) Series A**

In October 2006, the Trust issued Series A subordinated unsecured convertible debentures in the amount of \$12,883. Interest is at the rate of 8% and is payable semi-annually. The debentures mature in October 2011. Subject to certain terms and conditions, the debentures are convertible at the request of the holder after October 2008 at a conversion price per unit of \$2.55 (the "Series A Conversion Price"). As at September 30, 2008, the closing market price for BTB's units was \$0.90.

The debentures are redeemable at the discretion of the Trust, subject to certain terms and conditions, after October 2008 and prior to November 2010, at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the current market price of the units is at least 150% of the Series A Conversion Price and after October 2010, at least 125% of the Series A convertible price.

On the date of issue, the debentures were recorded in a \$11,381 liability component and a \$1,502 equity component of BTB.

(b) Series B

In March 2008, the Trust issued Series B subordinated unsecured convertible debentures in the amount of \$13,020. Interest is at the rate of 8.5% and is payable semi-annually. The debentures mature on March 31, 2013. Subject to certain terms and conditions, the debentures are convertible at the option of the holder at any time no later than March 31, 2013. The conversion price per unit of \$2.30 (the "Series B Conversion Price"). As at September 30, 2008, the closing market price for BTB's units was \$0.90.

The debentures are also redeemable at the discretion of the Trust, subject to certain terms and conditions, on or after March 31, 2011 and prior to March 31, 2012, at a price equal to the principal amount thereof plus accrued and unpaid interest provided that the current market price of the units is at least 150% of the Series B Conversion Price and after March 31, 2012 and prior to March 31, 2013 at least 125% of the Series B convertible price.

On the date of issue, the debentures were recorded in a \$12,339 liability component and a \$681 equity component of BTB.

**Bank loans**

During fiscal year 2007, BTB secured an acquisition facility of \$50 million from a large finance company. This facility is renewable annually and bears interest at the Royal Bank of Canada's prime rate plus 0.5%. The Trust may use this facility to fund its acquisitions while permanent mortgage funding is negotiated. As at September 30, 2008, \$5.9 million of this facility was used to purchase real estate properties with a net book value of \$9.8 million. After reviewing the conditions of use and current market conditions, the Trust does not intend, for the moment, to increase its use of this facility.

BTB has an operation and acquisition credit facility of \$1.3 million with a Canadian chartered bank. This credit facility is guaranteed by a collateral mortgage on a property with a net book value of \$2 million and bears interest at the bank's prime rate. As at September 30, 2008, an amount of \$0.7 million was used.

**Debt ratio**

Under the terms of its contract of trust, the Trust mortgage loan to value ratio cannot exceed 75% of the gross book value of its properties and other assets. When establishing this calculation, the convertible debentures are not considered as debt.

The following table presents the Trust's debt ratios as at September 30, 2008 and December 31, 2007.

(in thousand dollars, except the ratios)	September 30, 2008	December 31, 2007
Mortgage loans	141,160	103,943
Convertible Debentures	22,397	10,789
Bank loans – acquisition costs	5,925	5,925
<b>Total long-term debt</b>	<b>169,482</b>	<b>120,657</b>
<b>Gross book value of the Trust</b>	<b>238,695</b>	<b>194,408</b>
<b>Loan to value ratio</b>	<b>71.0%</b>	<b>62.1%</b>
<b>Loan to value ratio (excluding convertible debentures)</b>	<b>61.6%</b>	<b>56.5%</b>

According to the table above, the loan to value ratio as at September 30, 2008 was 71.0%, compared to 62.1% as of December 31, 2007. This increase is attributable to mortgage loans concluded following property acquisitions, mortgage assumptions on acquired properties and the issue of Series B convertible debentures during the period.

The following table presents the Trust's interest ratios as at September 30, 2008 and December 31, 2007.

(in thousand dollars, except for the ratios)	September 30, 2008	December 31, 2007
EBITDA <sup>(1)</sup>	10,130	5,393
Interest on loans	7,002	3,642
Interest cover ratio	1.45	1.48

(1) EBITDA is the earnings before depreciation, interest and taxes.

### **Unitholders' Equity**

Unitholders' equity consists of the following:

(in thousand dollars)	September 30, 2008	December 31, 2007
Trust units	69,373	69,050
Unit options	135	67
Equity component of convertible debentures	2,183	1,501
Cumulative loss	(3,408)	(2,178)
Cumulative distributions to unitholders	(13,280)	(8,354)
	<b>55,003</b>	<b>60,086</b>

## Trust Units

The following table summarizes units issued and the weighted number of units for the specified periods:

Period ended September 30 (in # of units)	Quarter		Cumulative (9 months)	
	2008	2007	2008	2007
<b>Outstanding units, beginning of period</b>	<b>32,944,470</b>	32,453,514	<b>32,691,941</b>	14,269,907
Units issued				
Public/private placement	---	---	---	18,055,000
Other issuances	<b>162,992</b>	49,751	<b>398,021</b>	158,358
Units issued upon exercise of options	---	---	<b>17,500</b>	20,000
<b>Units outstanding, end of period</b>	<b>33,107,462</b>	32,503,265	<b>33,107,462</b>	32,503,265
<b>Weighted average number of units outstanding (basic)</b>	<b>33,024,787</b>	32,469,896	<b>32,880,083</b>	23,467,653
<b>Weighted average number of units outstanding (diluted)</b>	<b>33,042,425</b>	32,637,772	<b>32,891,079</b>	23,646,972

The potential issuance of units under convertible debentures has an anti-dilutive effect on the calculation of the diluted net earnings per unit. The dilution resulting from the conversion of convertible debenture has not been considered.

## Unit Options

The Trust may grant options to its trustees, senior officers, investor relations consultants and technical consultants. The maximum number of units reserved for issuance under the unit option plan may not exceed 10% of the total number of issued and outstanding units. The trustees have and will set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the quoted market price of the units, as determined under a related agreement. The options have a maximum term of five years from the date of grant.

Details of unit options granted during the reporting period are as follows:

Period ended September 30	2008		2007	
	Unit Options	Weighted Average Exercise Price (\$)	Unit Options	Weighted Average Exercise Price (\$)
<b>Outstanding, beginning of period</b>	<b>2,157,500</b>	<b>2.58</b>	878,000	1.94
Granted	<b>595,000</b>	<b>1.11</b>	1,660,000	2.75
Exercised	<b>(17,500)</b>	<b>1.00</b>	(20,000)	1.00
Cancelled	---	---	(200,000)	2.15
<b>Outstanding, end of period</b>	<b>2,735,000</b>	<b>2.27</b>	2,318,000	2.51
Options vested as at September 30, 2008	<b>1,749,000</b>	<b>2.02</b>	658,000	1,90
<b>Weighted average remaining term to expiry (years)</b>		<b>3.50</b>		4.36

The purpose of granting unit options is to encourage the holder to acquire an ownership interest that increases over time and provides a financial incentive for the holder to consider the long-term interest of BTB and its unitholders. Options also serve as non-cash compensation, thus preserving the cash resources of BTB during its early years.

### Diluted Capital Structure

The maximum number of units that would be outstanding if all convertible debentures were to be converted and all options were to be exercised is as follows:

<b>(in # of units)</b>	<b>September 30, 2008</b>	December 31, 2007
Units outstanding	<b>33,107,462</b>	32,691,941
Unit options	<b>2,735,000</b>	2,157,500
Convertible debentures Series A	<b>5,052,157</b>	5,052,157
Convertible debentures Series B	<b>5,660,870</b>	---
	<b>46,555,489</b>	39,901,598

The potential issuance of units under convertible debentures has an anti-dilutive effect on the calculation of the diluted net earnings per unit.

## PROPERTY PORTFOLIO

The following table presents information about our property portfolio:

<b>(in thousand dollars)</b>	<b>September 30, 2008</b>
Income properties (at cost)	233,423
Other assets	5,272
Portfolio gross book value	238,695
Number of properties	43
Leasable area (in thousands of sq. ft.)	2,265

### Summary by sector of activity

	<b>Number of properties</b>	<b>Leasable area (sq.ft.)</b>
Office	15	734,067
Retail	11	399,008
Industrial	7	559,512
Mixed use	10	572,739
<b>Total</b>	<b>43</b>	<b>2,265,326</b>

## REAL ESTATE OPERATIONS

The following table presents our operational performance indicators as at September 30, 2008:

	<b>September 30, 2008</b>
Occupancy rate	94.4 %
Tenant retention rate <sup>(1)</sup>	74.7 %
Tenant non-renewal rate <sup>(2)</sup>	18.3 %
New leases concluded	42,842 sq. ft

<sup>(1)</sup> Percentage of leases expiring in 2008 (in sq. ft) renewed to date

<sup>(2)</sup> Percentage of leases expiring in 2008 (in sq. ft) and not renewed by tenants

### Occupancy Rate

BTB continuously strives to maximize occupancy rates throughout its portfolio and has successfully maintained with its acquisitions an average occupancy between 94% and 97% since its inception. As at September 30, 2008, the occupancy rate was 94.4%. This rate is an important indicator of the tenants' satisfaction.



The following table presents occupancy rates by sector of activity as at September 30, 2008:

Sector of activity	September 30, 2008
Office	94.9%
Retail	91.6%
Industrial	97.7%
Mixed use	92.6%
<b>Total portfolio</b>	<b>94.4%</b>

### Leasing Activity

The following table contains a summary of the Trust's leasing activity as at September 30, 2008:

	Office	Retail	Industrial	Mixed-use	Total
<b>Expiring leases/2008</b>					
Number of tenants	41	6	3	21	71
Leasable area (sq.ft.)	95,362	23,393	49,616	84,838	254,973
Average net rent/sq.ft. (\$)	\$8.09	\$10.67	\$4.60	\$7.60	\$7.43
<b>Renewed leases</b>					
Number of tenants	28	3	2	15	48
Leasable area (sq.ft.)	79,156	16,162	26,616	68,567	190,501
Average net rent/sq.ft. (\$)	\$8.73	\$15.26	\$5.00	\$7.24	\$8.23
<b>% renewal</b>	83.0%	69.1%	53.6%	80.8%	74.7%
<b>Lease still in negotiation</b>					
Number of tenants	7	2	0	3	12
Leasable area (sq.ft.)	8,575	3,924	---	5,097	17,596
<b>New leases</b>					
Number of tenants	8	---	---	12	20
Leasable area (sq.ft.)	9,053	---	---	33,789	42,842
Average net rent/sq.ft. (\$)	\$11.26	---	---	\$11.93	\$11.08

Of the 71 leases expiring in 2008, 48, representing approximately 75% of the leasable area, were renewed at an average rate of increase of 10.8%. Only the sector of mixed-use buildings had a global reduction in the average rent. However, the leases that were renewed were done so at an average rate of increase of 5%. Only 10 tenants, representing 46,700 square feet, decided against renewing their leases and left the premises at the expiry of their lease. The Trust is currently negotiating with 12 of its tenants whose leases will expire by the end of the fourth quarter and management is confident that it will be in a position to renew most of these lease at advantageous conditions. Finally, during the same nine-month period, 20 new leases were signed, representing more than 43,000 square feet of leasable area at an average rate of \$11.08 per square foot.

## Lease Maturity

The following table details our lease maturity profile for the next five years:

	2009	2010	2011	2012	2013
<b>Office</b>					
Leasable area (sq.ft.)	92,810	161,815	111,542	41,491	102,612
Lease rate/square foot (\$)	\$9.36	\$10.68	\$9.04	\$9.38	\$9.73
% of office portfolio	12.6%	22.0%	15.2%	5.7%	14.0%
<b>Retail</b>					
Leasable area (sq.ft.)	51,343	20,361	11,679	4,041	20,965
Lease rate/square foot (\$)	\$11.94	\$13.45	\$18.50	\$18.84	\$14.55
% of retail portfolio	12.9%	5.1%	2.9%	1.0%	5.3%
<b>Industrial</b>					
Leasable area (sq.ft.)	---	23,300	---	110,233	30,279
Lease rate/square foot (\$)	---	\$6.38	---	\$8.79	\$6.73
% of industrial portfolio	---	4.2%	---	19.7%	5.4%
<b>Mixed-use</b>					
Leasable area (sq.ft.)	81,421	53,019	97,432	74,062	20,035
Lease rate/square foot (\$)	\$14.88	\$10.00	\$9.05	\$11.06	\$10.40
% of mixed-use portfolio	14.2%	9.3%	17.0%	12.9%	3.5%
<b>Portfolio total</b>					
Leasable area (sq.ft.)	225,574	258,495	220,653	119,594	173,891
Lease rate/square foot (\$)	\$11.32	\$10.67	\$12.20	\$12.02	\$10.35
% of portfolio	10.0%	11.4%	9.7%	5.3%	7.7%

## Top 10 Tenants

As at September 30, 2008, BTB manages 475 leases of an average of approximately 4,800 square feet of space. The three most important tenants are the Government of Québec and its agencies, Hydro-Québec and a major food chain, accounting respectively for approximately 10.7%, 5.7% and 4.2% of BTB's revenue, which is generated by several leases with maturity dates that are staggered over time. An important portion of the Trust's revenue is generated by leases entered into with government agencies, therefore ensuring stability and quality of cash flows for operating activities of the Trust.

The table below presents the percentage contribution to revenue of the ten largest tenants:

<b>Tenant</b>	<b>% of revenues</b>	<b>Leased space (sq.ft.)</b>
Government of Québec and its governmental agencies	10.7	375,754
Hydro-Québec	5.7	80,100
Quebec based food chain	4.2	79,329
Warehouse leasing company	4.0	222,379
Important furniture retailer	3.9	101,194
Mouvement Desjardins	2.2	32,219
Canadian Tire	2.2	53,000
Grocery store	1.5	30,012
School books publishing house	1.5	24,530
Environmental industrial company	1.2	44,480
<b>Total</b>	<b>37.1</b>	<b>1,122,326</b>

## **SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

BTB's significant accounting policies are described in Note 2 to the September 30, 2008 unaudited financial statements. Management believes that the accounting policies most affected by estimates and by management's discretionary decisions during the preparation of financial statements are outlined below:

### **Income property acquisitions**

Management is required to allocate the purchase price of income property acquisitions to land, the value of building and leasehold improvements, tenant inducements and intangible assets, such as lease origination costs and the value of client relationships. Management uses estimates and judgment to determine the following:

- The fair value of land as at the acquisition date;
- The value of the replacement cost of buildings and leasehold improvements as of the acquisition date based on prevailing construction costs for buildings of a similar class and age;
- The value of deferred rental costs, including improvements made by in-place lessees according to estimates of prevailing tenant inducements, while accounting for the condition of tenants' premises and the remaining lease term;
- The value of lease origination costs, including leasing commissions, foregone rent and operating expenses recovered during an estimated lease-up period, based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions;
- The value ascribed to above and below-market rents based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents;
- The value of client relationships, based on the net costs averted if the tenants renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew; and
- The fair value of debt assumed on acquisition by reference to market interest rates.

Such estimates of fair values and market interest rates could vary and affect reported financial results.

### **Amortization of income properties**

Buildings and leasehold improvements are amortized on a straight-line basis over their estimated useful lives, not to exceed 40 years. A significant portion of the acquisition cost of each property is allocated to the building. The allocation of the acquisition cost to the building and the determination of the useful life are based on management's estimates. If the allocation to the building is inappropriate or the estimated useful life of the building proves incorrect, the calculated amortization will not be appropriately reflected over future periods.

### **Impairment of income properties**

Under Canadian GAAP, management is required to write down to fair value long-lived assets that are determined to have been impaired. If events or circumstances indicate that the carrying value of an income property may be impaired, a recoverability analysis is performed based on the estimated undiscounted cash flows to be generated from the income property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income property is written down to its estimated fair value and an impairment loss is recognized.

### **Fair value of debentures payable**

Management determines the fair value of BTB's debentures, interest on which is payable on a semi-annual basis. To do this, management uses internally developed models that are based on current market conditions. The process involves discounting future contractual payments associated with mortgage loans or debentures using current market rates. Market rates are determined by adding a credit spread to the published rates of Canadian government bonds with similar maturity dates to BTB's mortgages and debentures. The credit spread is estimated based upon experience in obtaining similar financing, and is also affected by current market conditions.

### **Unit option plan**

The Trust has a unit option plan for senior officers, employees, and trustees. The fair market value method is applied to all compensation based on units. Compensation costs associated with remuneration based on granted units are recorded during the vesting period. The fair market value of the unit options granted is estimated at the grant date by applying the Black-Scholes option pricing model. When unit options are exercised, the consideration received and the charges incurred on unit options are credited to the Trust units. Option grants carried out under private placements or initial public offerings of units, are recorded as unit issuance costs.

## **CHANGES IN ACCOUNTING POLICIES**

On January 1st, 2008, BTB adopted the recommendations contained in certain sections of the Canadian Institute of Chartered Accountants handbook (the "CICA Handbook"), namely Section 1535 – *Capital Disclosures*, Section 3862 – *Financial Instruments – Disclosures* and Section 3863 – *Financial Instruments – Presentation*. These new sections of the CICA Handbook apply to fiscal years beginning on or after October 1, 2007. These sections only deal with the information to be furnished and the presentation thereof and will not have any impact on the financial results of the Trust (see Notes 13 and 14 of the financial statements for the third quarter of 2008).

## **CONTROLS AND PROCEDURES**

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports is recorded, processed, summarized, and reported within the time periods specified under Canadian securities laws. The information is gathered and communicated to management to allow timely decisions regarding required disclosure.

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

A control system, no matter how well designed and operated, has inherent limitations and can only provide reasonable, not absolute, assurance that its objectives are met. Owing to inherent limitations in all control systems, and more specifically because of the size of BTB and its management team, it is impossible to provide absolute assurance that all situations needing to be subject to a control have been detected. These inherent limitations include (i) management assumptions and judgments that may later prove incorrect under other conditions or circumstances or (ii) the impact of isolated errors.

Management evaluated the effectiveness of the disclosure controls and procedures and the Trust's internal control over financial reporting as at September 30, 2008, pursuant to the requirements of Multilateral Instrument 52-109. During the quarter ended September 30, 2008, management continued to

implement controls and procedures to remedy material weaknesses, inherent to its size, and will continue to improve the quality and reliability of its financial reporting.

### **RISKS AND UNCERTAINTIES**

BTB and its properties are subject to the normal risks inherent in owning and managing real estate. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises, and various other factors. The main types of risks to which BTB is subjected in the course of its activities as well as the measures implemented in order to minimise their impact are presented in detail in the management's discussion and analysis for the year ended on December 31, 2007 and in the 2007 Annual Information Form dated April 28, 2008.