

**BTB**

**REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Fiscal Year ended December 31, 2009**

**April 26, 2010**

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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 fiscal year ended December 31, 2009, as well as its financial position on that date. The report also presents the Trust’s business strategies and the risk exposure it faces. This management discussion, dated April 26, 2010, the date of the press release announcing the financial results of the Trust, should be read together with the consolidated financial statements and accompanying notes for the period ended December 31, 2009 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.** Per unit amounts are calculated using the weighted average number of Trust units outstanding for the periods and fiscal years ended December 31, 2009 and 2008. Additional information about the Trust, including the 2009 Annual Information Form dated April 2010, are available on the Canadian Security Administrators (“CSA”) website at [www.sedar.com](http://www.sedar.com).

The audit committee and the Trust’s board of trustees have approved the contents of this Management Discussion and Analysis and the annual financial statements.

### **FORWARD-LOOKING STATEMENTS CAVEAT**

Certain statements in this MD&A are “forward-looking statements” that reflect management’s expectations regarding BTB’s future growth, results of operations, performance and business prospects and opportunities. More specifically, certain statements in this MD&A, that contain words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may” and similar expressions and statements relating to matters that are not historical facts, constitute “forward-looking statements”. These forward-looking statements are presented for the purpose of assisting BTB’s Unitholders and financial analysts in understanding BTB’s operating environment, and may not be appropriate for other purposes. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. However, such forward-looking statements involve significant risks and uncertainties, including those discussed under the heading “Risks and Uncertainties” and elsewhere in this MD&A. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based on what management believes to be reasonable assumptions, BTB cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as at the date of this MD&A, and BTB assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by applicable securities legislation.

Prior-period results have been reclassified to conform to the presentation adopted in the current period.

### **NON-GAAP FINANCIAL MEASURES**

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”), net operating income, property operating income from real estate assets, distributable income, earnings before tax and depreciation (EBTD)

and earnings before interest, tax, depreciation and amortization (EBITDA) 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, as revised 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.

## 2009 FISCAL YEAR HIGHLIGHTS

### 2009 A YEAR OF CONSOLIDATION

- STABILIZATION OF THE FINANCIAL POSITION: FIRST YEAR SINCE INCEPTION IN WHICH FUNDS FROM OPERATIONS (FFO) COVER DISTRIBUTIONS
- INCREASE OF :
  - 8.7% OF THE OPERATING INCOME<sup>(1)</sup>
  - 9,6% OF THE NET OPERATING INCOME (NOI)
  - 48% OF THE EBTD
  - 18% OF THE EBITDA
  - 24% OF THE FFO
- 12% REDUCTION OF REAL ESTATE MANAGEMENT FEES AND ADMINISTRATIVE COSTS: \$1.732M (2009) vs \$1.963M (2008)
- RENEWAL OF IMPORTANT LEASES:
  - HYDRO-QUÉBEC (FOR 10 YEARS – COMPLEXE DE LÉRY)
  - CSST (FOR 10 YEARS – SAINT-JEAN-SUR-RICHELIEU)
  - SIQ (FOR 5 YEARS - MONTRÉAL)
- REDEVELOPMENT OF AN IMPORTANT SPACE: LEASE OF 18,000 SQUARE-FEET TO PHARMAPRIX – SHOPPERS DRUG MART (DOLLARD-DES-ORMEAUX)

*(1) 8.7% increase in rental income from income-producing buildings (\$30.325M vs \$27.906M)*

### BTB READY FOR THE ECONOMIC REVIVAL

- EXECUTION OF A \$25M ACQUISITION CREDIT LINE
- TAKE-OVER BID ON THE SHARES OF CAGIM REAL ESTATE CORPORATION, OWNER OF \$48M REAL ESTATE PORTFOLIO AND SUBSTANTIAL LIQUIDITY

## THE TRUST

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. BTB began its real estate operations on October 3, 2006 and to date, it 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. According to an article published in the “*Les Affaires*” newspaper in the fall of 2009, BTB is considered as one of the 35 most important real estate property owners in the province of Québec. BTB’s units, Series A and Series B convertible debentures are traded on the TSX Venture Exchange under the symbols “BTB.un”, “BTB.DB” and “BTB.DB.B” respectively.

Since the fourth quarter of 2008, management of the Trust’s properties is, in the majority of the cases, performed internally. As at December 31, 2009, 30 of the Trust’s 43 properties are entirely managed by the Trust’s employees. Management’s objective is to repatriate, when favourable financial circumstances prevail, the management of the Trust’s properties internally, under the terms of agreements between the Trust and its external managers, and thus achieve substantial savings in management and operating fees with a centralized and improved management of the properties.

The following table provides the total acquisitions of the Trust since its inception:

	Number of properties	Leasable Area (sq. ft)	Net Assets Acquired (Thousand of \$)
As at December 31, 2009	43	2,269,409	232,845

Since April 2009, BTB’s management is entirely internalized and no service agreement and no asset management agreement are in force between BTB and its officers, therefore eliminating any obvious or potential conflict of interest. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the Unitholders.

## OBJECTIVES AND BUSINESS STRATEGY

The objectives of BTB are as follows:

- (i) Generate monthly cash distributions that are fiscally beneficial to unitholders;
- (ii) Grow the Trust’s assets to increase distributable income and therefore fund distributions;
- (iii) Optimize 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 future capital expenditures.

The recent financial crisis has led to restrictions in the availability of credit as well as in access to capital. Consequently, the Trust does not anticipate being able to maintain in 2009 the growth rate it has experienced since its inception.

## HIGHLIGHTS AND 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 more than \$30 million.

The table below presents highlights and selected financial information for the quarter and fiscal year ended on December 31, 2009 and 2008.

Periods ended December 31 (in thousand dollars, except the ratios and per unit)	Reference	Quarter		Fiscal year	
		2009	2008	2009	2008
<b>FINANCIAL INFORMATION</b>					
Operating income	Page 10	7,498	7,733	30,325	27,906
Net operating income	Page 11	4,283	4,364	17,509	15,971
EBTD	Page 14	850	275	4,009	2,703
EBITDA	Page 14	3,800	3,250	15,777	13,413
Net loss	Page 15	865	1,507	2,781	2,737
Distributable income	Page 16	730	825	3,813	3,888
Funds from operations (FFO)	Page 18	838	803	3,961	3,198
Adjusted funds from operations (AFFO)	Page 19	977	1,262	4,693	5,322
Distributions		677	1,331	2,928	6,256
Real estate assets	Page 23			215,589	222,386
Total assets	Page 23			222,268	227,716
Mortgage loans	Page 27			144,950	146,771
Convertible debentures	Page 28			23,544	22,621
Debt ratio – excluding convertible debentures	Page 29			60.6 %	61.8 %
Additional borrowing capacity	Page 30			34,600	31,300
Equity	Page 30			46,736	52,340
<b>FINANCIAL INFORMATION PER UNIT</b>					
Distributable income	Page 17	2.2¢	2.5¢	11.3¢	11.8¢
Distributions	Page 17	2.0¢	4.0¢	8.7¢	19.0¢
FFO	Page 19	2.5¢	2.4¢	11.8¢	9.7¢
Adjusted FFO	Page 20	2.9¢	3.8¢	14.1¢	16.1¢
<b>TAXATION OF DISTRIBUTIONS</b>					
Income	Page 22			0%	0%
Deferred income	Page 22			100%	100%
<b>OPERATIONAL INFORMATION</b>					
Number of properties	Page 23			42	43
Leasable area (thousand sq. ft)	Page 23			2,236	2,269
Occupancy rate	Page 25			91.5%	92.2%
Renewal rate of the leases which expired in 2009	Page 24			71.4%	76.6%
Average rate of increase of renewed leases	Page 25			7.3%	n/a
<b>DEVELOPMENT</b>					
Property under redevelopment				1	-
Estimated leasable area				30	-

Note: Some numbers of 2008 have been changed to reflect the presentation used in 2009.

## **REAL ESTATE PORTFOLIO**

BTB owns 43 properties, at a total acquisition cost of approximately \$233 million and representing a total leasable area of over 2.2 million square feet. A description of the properties can be found in BTB's 2009 Annual Information Form dated April 2010 available at [www.sedar.com](http://www.sedar.com).

No property was acquired during the fiscal year of 2009. During fiscal years 2007 and 2008, the Trust's real estate portfolio increased substantially, as a result of favourable market conditions that the Trust was able to identify. Similarly, revenues and profits proportionally increased in relation to the increase in the number of the Trust's properties.

The recent financial crisis has led to restrictions in the availability of credit and increased credit standards as well as to restrictions in access to capital. Consequently, the Trust does not anticipate being able to maintain a similar growth rate in 2009.

Although management is constantly looking for opportunities to raise capital at a reasonable cost, it focused on the internal development of its current portfolio by improving the quality of its tenants, the improvement of leases already in place and monitoring of operating expenses.

The Trust announced in March 2010 the conclusion of an acquisition line of credit in the amount of \$25M and the filing of a take-over bid to purchase all of the issued and outstanding shares of Cagim Real Estate Corporation (TSX-V: CIM). The closing of this transaction, expected to take place during the second quarter of 2010, will add a value of approximately \$50M to BTB's portfolio.

## **PERFORMANCE INDICATORS**

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

- Net operating income of a same-property portfolio: which provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues and reduce its operating costs;
- 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

The table below summarizes financial results for the financial year ended December 31, 2009 and 2008. The table must be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31 (in thousand dollars)	Reference	Quarter		Fiscal year	
		2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>
Operating Revenues	Page 10	7,498	7,733	30,325	27,906
Operating Expenses	Page 10	3,215	3,369	12,816	11,935
Net operating income <sup>(2)</sup>	Page 11	4,283	4,364	17,509	15,971
Interest income		(6)	(7)	(12)	(60)
Interest on loans and other financial charges	Page 12	2,956	2,982	11,780	10,770
Amortization of revenue producing properties, intangible assets and fixed assets	Page 13	1,562	1,669	6,491	5,960
Amortization of capitalized leasing costs	Page 13	147	100	382	176
Operating results from real estate assets		(376)	(380)	(1,132)	(875)
Trust-related administrative and real estate management expenses	Page 13	483	572	1,732	1,963
Write-off of pre-acquisition fees		-	542	-	595
Compensation expense related to option plan	Page 14	6	8	24	84
Loss before future income taxes		(865)	(1,502)	(2,888)	(3,517)
Future income taxes (credit)		-	5	(107)	(780)
<b>Net loss</b>	Page 15	<b>(865)</b>	<b>(1,507)</b>	<b>(2,781)</b>	<b>(2,737)</b>

<sup>(1)</sup> Some numbers of 2008 have been changed to reflect the presentation used in 2009.

<sup>(2)</sup> Net operating income and operating results 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 results 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 financial costs, amortization costs, Trust-related administrative expenses, charges related to the option plan and future income taxes.

We define “operating result from real estate assets” as operating result before Trust-related administrative expenses, real estate management expenses, compensation expense related to option plan and future income taxes.

### Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at December 31, 2007, but does not include the financial spin-offs of the acquisitions completed in 2008 and 2009.

### Operating Income

BTB continued the growth of its revenues in 2009 with an increase of 8.7%, mainly as a result of the acquisitions completed in 2008. However, the fourth quarter shows a decrease of 3.0% in revenues, mainly due to a punctual increase in the vacancy rate, a result of the recent financial crisis, the re-development of an important building in order to receive a prestigious tenant in June 2010 and the improvement of the business processes permitting a better distribution of the rent adjustments during the year so that no major re-billing are required at the end of the year as was the case in 2008. Finally, the control of operating expenses limits the ability to increase the re-billing of these expenses to the tenants with leases allowing such re-billing.

Revenues from same-property portfolio increased by 1.0% compared to the fiscal year ended on December 31, 2008. This internal growth is a result of rent increases provided for in the leases, increases obtained when leases were renewed and at the signature of new leases.

Periods ended December 31 (in thousand dollars)	Quarter			Fiscal year		
	2009	2008	Δ%	2009	2008	Δ%
Same-property portfolio	5,859	5,967	(1.8)	23,885	23,646	1.0
Acquisitions	1,639	1,766	N/A	6,440	4,260	N/A
	7,498	7,733	(3.0)	30,325	27,906	8.7

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.

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
Rental revenue on the basis of in-place leases	7,531	7,847	30,535	28,688
Deferred rental revenue as per straight-line method	58	122	284	418
Amortization of the value attributable to leases which are not at market terms and conditions	(91)	(236)	(494)	(1,200)
<b>Rental revenue from income-producing properties</b>	<b>7,498</b>	<b>7,733</b>	<b>30,325</b>	<b>27,906</b>

### 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. In October 2008, the Trust began the internalization of its property management, permitting a reduction in 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 operating expenses is mostly attributable to the acquisitions concluded in the first three quarters of 2008; the operating expenses of the same-property portfolio decreased by 3.3% during the fourth quarter of 2009 compared to the fourth quarter of 2008 and by 0.2% for the twelve-month period of 2009 compared to 2008, an indication of the tight control the Trust maintains on its operating expenses and the internal management of its properties.

Periods ended December 31 (in thousand dollars)	Quarter			Fiscal year		
	2009	2008	Δ%	2009	2008	Δ%
Same-property portfolio	2,548	2,635	(3.3)	10,028	10,047	(0.2)
Acquisitions	667	734	N/A	2,788	1,888	N/A
	3,215	3,369	(4.6)	12,816	11,935	7.4

The following table details the operating expenses for the periods ended December 31, 2009 and 2008:

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
Operating Expenses				
- Operating costs	1,319	1,416	5,191	4,890
- Property taxes and utilities	1,896	1,953	7,625	7,045
	3,215	3,369	12,816	11,935
% of operating revenues	42.9	43.6	42.3	42.8

### Net operating income

BTB's net operating income is 57.1% of operating revenues for the fourth quarter of 2009 compared to 57.7% for the fiscal year ended December 31, 2009. The net profit decreased by 1.9% for the fourth quarter of 2009 and increased by 9.6% for the fiscal year ended December 31, 2009 in comparison to the same period of fiscal 2008.

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 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 tenants and generating rent increases that exceed cost increases. BTB generated an increase of 1.9% for the same-property portfolio in its net operating income for the fiscal year ended December 31, 2009 compared to the same period of 2008, resulting from an increase of 1.0% in its revenues and a decrease of 0.2% of its operating expenses of the same-property portfolio.

Periods ended December 31 (in thousand dollars)	Quarter			Fiscal year		
	2009	2008	Δ%	2009	2008	Δ%
Same-property portfolio	3,311	3,332	(0.6)	13,857	13,599	1.9
Acquisitions	972	1,032	N/A	3,652	2,372	N/A
	4,283	4,364	(1.9)	17,509	15,971	9.6
% of operating income	57.1	56.4		57.7	57.2	

### **Interest on loans and other financial charges**

Interests on loans and other financial charges are generated by the following loans and financings:

- Mortgage loans contracted or assumed totalling approximately \$145.6 million, as at December 31, 2009 compared to \$147.6 million as at December 31, 2008.
- Series A and B convertible debentures issued in the total amount of \$25.9 million, including the additional interest charges accrued to account for the accretion of liability component of convertible debentures.
- Operating credit facility used as needed, for a total of \$0.7 million as at December 31, 2009 compared to \$0.4 million as at December 31, 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.

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
Interest on mortgage loans	2,115	2,148	8,450	7,736
Interest on debentures	534	535	2,137	1,896
Interest on operating credit line and other financial expenses.	3	5	11	57
Amortization of deferred financing costs	193	194	758	724
Accretion of liability component of convertible debentures	111	100	424	357
	2,956	2,982	11,780	10,770
<b>% of operating income (net of interest income)</b>	<b>39.4</b>	<b>38.6</b>	<b>38.8</b>	<b>38.6</b>

The total interest payable on loans and other financial charges did not change significantly during the fourth quarter ended December 31, 2009 compared to the corresponding fourth quarter in 2008. However, it increased by 9.4% during the fiscal year of 2009 as a result of various financing arrangements concluded or assumed in order to permit the financing of the acquisitions realized in 2008. Interest on loans and other financial charges represent 39.4% of operating revenues for the fourth quarter of 2009 compared to 38.6% for the same period in 2008, and 38.8% compared to 38.6% for fiscal years 2009 and 2008.

The average weighted contractual rate of interest on mortgage loans was 5.84% as at December 31, 2009, 4 basis points lower in comparison to December 31, 2008.

**Amortization of income-producing properties and intangibles**

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, comprised of the land and the building, and intangible assets, namely lease-operation contracts and the value of client relationships. Intangible assets are amortized according to the term of the affected leases on a straight-line basis. The average term of the leases in place as at December 31, 2009 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.

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
Income-producing properties	1,098	1,144	4,380	3,991
Intangibles	458	519	2,087	1,953
Fixed assets	6	6	24	16
	1,562	1,669	6,491	5,960

**Amortization of deferred rental costs**

Rental costs consist of sales commissions payable and of incentives paid or granted when signing or renewing the leases. These costs are capitalized and amortized over the duration of the leases.

**Trust-related administrative expenses**

Trust-related administrative expenses include administrative expenses such as compensation and fees paid to management and administrative staff and legal and accounting services, expenses relating to public trading of the Trust, insurance and office expenses and bad debts. The charge in the fourth quarter of 2009 and in the fiscal year ended on December 31, 2009 related to bad debts and legal fees pertaining thereto were respectively \$141 and \$267. These charges for the quarter and fiscal year ended December 31, 2008 were \$217 and \$447 respectively.

As more fully described in the section entitled “New Accounting Policies” on page 33 of the present document, the Trust will be obliged to adopt, beginning on January 1, 2011 and retroactively, the International Financial Reporting Standards (IFRS). The implementation of these new standards, which the Trust has already begun, has caused the Trust to incur substantial administrative fees. These fees are incurred by the Trust on a punctual basis, however an important portion are incurred on a recurring basis in particular as a result of the annual evaluation of the fair value of the Trust’s portfolio. For the reader’s benefit, the Trust has distinguished these fees within the Trust’s administration fees.

Trust-related administrative expenses include real estate management fees which are comprised of professional fees paid to a management company controlled by officers of the Trust under an exclusivity agreement. This agreement was terminated as of March 31, 2009. Since then M. Peter Polatos resigned as officer of the Trust and Mr. Michel Léonard is now employed by BTB.

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
Trust-related administrative expenses	388	384	1 392	1,321
Expenses related to IFRS transition	95	-	170	-
Real estate management fees	-	188	170	642
	483	572	1,732	1,963
<b>In % of operating income</b>	<b>6.4</b>	<b>6.7</b>	<b>5.7</b>	<b>7.0</b>

### ***Compensation expense related to option plan***

During the quarter and fiscal year ended December 31, 2009, BTB recorded unit-based compensation totalling \$6 and \$24 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 10c to the financial statements for fiscal year ended December 31, 2009.

### ***Net Loss***

The net loss amounted respectively to \$865 and \$2,781 for the quarter and fiscal year ended December 31, 2009 compared to \$1,507 and \$2,737 for the same periods of 2008.

Periods ended December 31 (in thousand dollars except per unit)	Quarter		Fiscal year	
	2009	2008	2009	2008
<b>Net loss</b>	<b>865</b>	1,507	<b>2,781</b>	2,737
Basic and diluted loss per unit	<b>2.6¢</b>	4.5¢	<b>8.3¢</b>	8.3¢

### ***EBTD and EBITDA***

The Trust generated earnings before tax and depreciation (EBTD) of \$0.9 million for the fourth quarter of 2009, an increase of \$0.6 million compared to the corresponding quarter of 2008, and of \$4.0 million for the fiscal year ended on December 31, 2009, an increase of \$1.3 million compared to the same period of 2008. The Trust generated earnings before interest, tax, depreciation and amortization (EBITDA) of \$3.8 million, an increase of almost \$0.6 million compared to the fourth quarter of the 2008 financial year, and of close to \$15.8 million for the fiscal year ended December 31, 2009, an increase of almost \$2.4 million compared to the same period in 2008.

Periods ended December 31 (in thousand dollars except per unit)	Quarter		Fiscal year	
	2009	2008	2009	2008
<b>Net Loss</b>	<b>(865)</b>	(1,507)	<b>(2,781)</b>	(2,737)
Future income tax credits	-	5	<b>(107)</b>	(780)
Compensation expense related to option plan	<b>6</b>	8	<b>24</b>	84
Amortization of deferred rental costs	<b>147</b>	100	<b>382</b>	176
Amortization of income-producing properties and intangible assets	<b>1,562</b>	1,669	<b>6,491</b>	5,960
<b>EBTD</b>	<b>850</b>	275	<b>4,009</b>	2,703
Interest on loans and other carrying charges – net of earned interest	<b>2,950</b>	2,975	<b>11,768</b>	10,710
<b>EBITDA</b>	<b>3,800</b>	3,250	<b>15,777</b>	13,413
<b>Per unit data</b>				
EBTB (basic and diluted)	<b>2.5¢</b>	0.8¢	<b>11.9¢</b>	8.2¢
EBITDA (basic and diluted)	<b>11.3¢</b>	9.7¢	<b>46.8¢</b>	40.7¢

### 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 quarter and fiscal year ended December 31, 2009 and 2008.

Quarter ended December 31, 2009 (in thousand dollars)	Office buildings		Commercial buildings		Industrial buildings		Mixed buildings		Total
	\$	%	\$	%	\$	%	\$	%	
Income from income-producing properties	3,268	43.6	1,367	18.2	662	8.8	2,201	29.4	7,498
Net operating income	1,722	40.2	1,003	23.4	448	10.5	1,110	25.9	4,283
Amortization of income-producing properties and intangible assets	627	40.1	306	19.6	189	12.1	440	28.2	1,562
Income-producing properties (at amortized cost)	83,423	39.4	45,565	21.6	22,874	10.8	59,503	28.2	211,365

Quarter ended December 31, 2008 (in thousand dollars)	Office buildings		Commercial buildings		Industrial buildings		Mixed buildings		Total
	\$	%	\$	%	\$	%	\$	%	
Income from income-producing properties	3,354	43.4	1,378	17.8	735	9.5	2,266	29.3	7,733
Net operating income	1,681	38.5	1,065	24.4	427	9.8	1,191	27.3	4,364
Amortization of income-producing properties and intangible assets	678	40.7	334	20.0	191	11.4	466	27.9	1,669
Income-producing properties (at amortized cost)	86,420	38.9	51,013	22.9	23,761	10.7	61,192	27.9	222,386

Fiscal year ended December 31, 2009 (in thousand dollars)	Office buildings		Commercial buildings		Industrial buildings		Mixed buildings		Total
	\$	%	\$	%	\$	%	\$	%	
Income from income-producing properties	12,816	42.3	5,490	18.1	2,984	9.8	9,035	29.8	30,325
Net operating income	6,715	38.4	4,012	22.9	2,081	11.9	4,701	26.8	17,509
Amortization of income-producing properties and intangible assets	2,679	41.2	1,260	19.4	750	11.6	1,802	27.8	6,491

Fiscal year ended December 31, 2008 (in thousand dollars)	Office buildings		Commercial buildings		Industrial buildings		Mixed buildings		Total
	\$	%	\$	%	\$	%	\$	%	
Income from income-producing properties	11,333	40.5	4,537	16.3	3,140	11.3	8,896	31.9	27,906
Net operating income	5,652	35.4	3,453	21.6	2,144	13.4	4,722	29.6	15,971
Amortization of income-producing properties and intangible assets	2,383	40.0	1,024	17.2	733	12.3	1,820	30.5	5,960

### ***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 in the 2009 Annual Information Form.

Distributable income 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, the profits or losses on the disposition of properties and the provision for future income taxes.



Periods ended December 31 (in thousand dollars, except per unit)	Quarter		Fiscal year	
	2009	2008	2009	2008
<b>Net loss (GAAP)</b>	<b>(865)</b>	<b>(1,507)</b>	<b>(2,781)</b>	<b>(2,737)</b>
+ Amortization of income-producing properties and intangible assets	1,556	1,663	6,467	5,944
+ Amortization of adjustment of the leases which are not at market terms and conditions	91	236	494	1,200
+ Unit-based compensation expenses	6	8	24	84
+ Write-off of pre-acquisition fees	-	542	-	595
+ Future income taxes credits	-	5	(107)	(780)
- Deferred rental income – straight-line basis accounting method	(58)	(122)	(284)	(418)
<b>Distributable income</b>	<b>730</b>	<b>825</b>	<b>3,813</b>	<b>3,888</b>
Distributions to unitholders	677	1,331	2,928	6,256
<b>Per unit data:</b>				
Distributable income (basic and diluted)	2.2¢	2.5¢	11.3¢	11.8¢
Distributions	2.0¢	4.0¢	8.7¢	19.0¢
Distribution ratio / distributable income	92.7%	161.3%	76.8%	160.9%

In February 2009, the Board of Trustees announced the reduction of the amount of distributions, from 16¢ per unit per year to 8¢ per unit per year. By doing so, the Trustees wanted to ensure that the distributions are covered by distributable income and that liquidity remains available for improvements to its real estate portfolio and the preservation thereof.

In the fourth quarter of 2009, the distributions represented 92.7% of the distributable income. For the fiscal year ended on December 31, the distribution ratio was 76.8%.

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:

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
<b>Cash flows from operating activities (GAAP)</b>	<b>1,870</b>	<b>3,325</b>	<b>6,335</b>	<b>5,840</b>
- Amortization of deferred financing costs	(193)	(194)	(758)	(724)
- Amortization of capitalized rental costs	(147)	(100)	(382)	(176)
- Amortization of fixed assets	(6)	(6)	(24)	(16)
- Accretion of liability component of convertible debentures	(111)	(100)	(424)	(357)
- Unit-based compensation (as per management agreements)	-	(150)	(188)	(489)
- Change in non-cash working capital items	(683)	(1,950)	(746)	(190)
<b>Distributable income</b>	<b>730</b>	<b>825</b>	<b>3,813</b>	<b>3,888</b>

### *Analysis of distributed cash*

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

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
A. Cash flows from operating activities	<b>1,870</b>	3,325	<b>6,335</b>	5,840
B. Net loss	<b>(865)</b>	(1,507)	<b>(2,781)</b>	(2,737)
C. Distributions to unitholders	<b>677</b>	1,331	<b>2,928</b>	6,256
D. Surplus (deficit) of cash flows from operating activities to distributions (A – C)	<b>1,193</b>	1,994	<b>3,407</b>	(416)

When required, and temporarily, BTB finances its distributions with its available credit facilities.

Due to the significance of non-cash items, as demonstrated in the table showing the reconciliation of net loss 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.

In addition, since March 2009, distributions have been reduced by 50%, to 8¢ per unit on an annualized basis. This reduction ensured that cash flows from operating activities in 2009 were greater than the distributions. Furthermore, the surplus for the fourth quarter of 2009 was \$1.2 million and \$3.4 million for the year ended on December 31, 2009.

### ***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 constitutes 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 December 31, 2009 and 2008:

Periods ended December 31 (in thousands of dollars, except per unit amounts)	Quarter		Fiscal year	
	2009	2008	2009	2008
<b>Net loss (GAAP)</b>	<b>(865)</b>	(1,507)	<b>(2,781)</b>	(2,737)
+ Amortization of income-producing properties and intangible assets	<b>1,556</b>	1,663	<b>6,467</b>	5,944
+ Amortization of capitalized rental costs	<b>147</b>	100	<b>382</b>	176
+ Write-off of pre-acquisition fees	-	542	-	595
+ Future income taxes (credit)	-	5	<b>(107)</b>	(780)
<b>Funds from operations</b>	<b>838</b>	803	<b>3,961</b>	3,198
<b>Per unit data:</b>				
Funds from operations per unit (basic and diluted)	<b>2.5¢</b>	2.4¢	<b>11.8¢</b>	9.7¢

For the fourth quarter ended December 31, 2009, the Trust posted FFO of \$0.8 million covering the Trust's distributions, which totalled \$0.7 million for the same period. For the corresponding fiscal year, the Trust posted FFO of \$4.0 million, also covering distributions of \$2.9 million for the same period. The distributions were 16¢ per unit on an annualized basis for the months of January and February 2009, and 8¢ per unit on an annualized basis since the month of March 2009.

### **ADJUSTED FUNDS FROM OPERATIONS (AFFO)**

The notion of adjusted funds from operations ("AFFO") is widely 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 basis method (deferred rental revenue), the amortization of deferred financing costs and other assets, the amortization of leases which are not at market terms and conditions, accretions with regards to the liability component of convertible debentures, compensation expenses associated with purchase options, and property management expenses paid in units.

The Trust deducts 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 the basis of 1.3% of rental revenues. 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. The real non recoverable capital expenses disbursements amounted however to \$73 for the fourth quarter of 2009 and to \$164 for fiscal 2009, amounts lower than the provisions of \$97 and \$394 respectively.

The Trust also deducts a provision for rental fees in the amount of approximately 20¢ per square foot on an annualized basis. Even though the monthly disbursements for rental fees vary significantly from one quarter to another, management estimates that a linear provision of 20¢ per square foot per year adequately represents, in the long term, the average disbursements that the Trust will undertake. These disbursements are comprised of incentives paid out or offered upon leasing of the spaces and of real estate commissions. The real disbursements in the fourth quarter of 2009 amounted to \$591, for a total of \$1,275 for fiscal 2009, amounts greater than the recorded provision.

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 December 31, 2009 and 2008:

Period ended December 31 (in thousand dollars except per unit)	Quarter		Fiscal year	
	2009	2008	2009	2008
<b>Funds from operations</b>	<b>838</b>	803	<b>3,961</b>	3,198
- Deferred rental revenue	(58)	(122)	(284)	(418)
+ Amortization of leases not at market terms and conditions	91	236	494	1 200
+ Amortization of deferred financing costs	193	194	758	724
+ Unit-based compensation expenses	6	8	24	84
+ Accretion of liability component of convertible debentures	111	100	424	357
+ Amortization of fixed assets	6	6	24	16
+ Unit-based remuneration under management agreements	-	150	136	514
- Provisions for non-recoverable capital expenses	(97)	(113)	(394)	(353)
- Provision for rental fees	(113)	-	(450)	-
<b>Adjusted funds from operations</b>	<b>977</b>	1,262	<b>4,693</b>	5,322
<b>Per unit data:</b>				
Adjusted funds from operations per unit (basic and diluted)	2.9¢	3.8¢	14.1¢	16.1¢

Compared to 2008, the decreases in the AFFO during the fourth quarter of 2009 and during the fiscal year are mostly due to the provisions for non recoverable capital expenditures and for rental fees, which amounted to \$210 in the fourth quarter of 2009 compared to \$113 for the fourth quarter of 2008 and to \$844 for fiscal 2009 in comparison to \$353 for fiscal 2008 and to a change in the method of remuneration that was previously paid to certain officers mostly in units until March 2009.

## RELATED PARTY TRANSACTIONS

### Service and Asset Management Agreements

Until March 31, 2009, an agreement between the Trust and a management company (the "Management Company") existed. Messrs. Michel Léonard and Peter Polatos were the two shareholders of the Management Company, a company which provided the services of Messrs. Léonard and Polatos as officers of the Trust. Both officers were trustees of the Trust and directors of the Management Company. As compensation for its services, the Management Company received an annual fee, payable monthly, based on the adjusted cost base ("ACB") of BTB's assets and, up to March 31, 2008, a fee on the ACB for each new acquisition of the Trust. These fees were paid almost entirely by means of Trust units. In February 2009, the Trust and the Management Company decided to terminate this agreement. Since then Mr. Peter Polatos resigned as officer of the Trust and Mr. Michel Léonard is now employed by BTB.

The following table provides the fees for the periods ended December 31, 2009 and 2008:

Periods ended December 31 (in thousand dollars)	Quarter		Fiscal year	
	2009	2008	2009	2008
Management fees	---	188	170	642
Acquisition fees	---	-	---	178
	---	188	170	820

## INCOME TAXES

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust is required by its contract of trust to distribute all of its taxable income to its Unitholders, which currently enables the Trust to deduct such distributions for income tax purposes. Accordingly, prior to June 12, 2007, no provision for income taxes was recorded in the consolidated financial statements.

On June 12, 2007, amendments to the Income Tax Act (Canada) were proposed, which modified the tax treatment of certain income trusts and limited partnerships that are specified investment flow-through trusts or partnerships ("SIFTs"). On February 6, 2009, the Minister of Finance of Canada introduced legislation including certain measures previously announced and modifying the tax treatment applicable to SIFTs, which came into force on March 12, 2009. Pursuant to these measures, beginning on January 1, 2011, certain distributions from a SIFT that are related to the earnings arising from a business carried on in Canada by such SIFT will no longer be deductible from its income and will therefore be taxable in the hands of such SIFT at a rate generally similar to the combined provincial and federal tax rates applicable to the earnings of a corporate entity. The allocations or distributions of income and of capital gains subject to the SIFT rules will be similar to the tax treatment of a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT.

Certain real estate investment trusts that satisfy certain specified conditions (the "REIT Exception") are excluded from the SIFT definition and, therefore, will not be subject to the SIFT rules. In order to qualify for the REIT Exception in respect of a taxation year: (i) the REIT must, at no time in that taxation year, hold non-portfolio property other than "qualified REIT properties" (as defined in the Income Tax Act (Canada)); (ii) not less than 95% of the REIT's revenues for that taxation year must be derived from rent from real or immovable properties, interest, capital gains from dispositions of real or immovable properties, dividends and

royalties; (iii) not less than 75% of the REIT's revenues for that taxation year must be derived from rent from, interest from mortgages or hypothecs on, and capital gains from the disposition of real or immovable properties located in Canada; and (iv) the REIT must, throughout the taxation year, hold real or immovable properties located in Canada, cash and certain government guaranteed debt or other bonds guaranteed by the Canadian government with a total fair market value that is not less than 75% of the REIT's equity value.

As of December 31, 2009, BTB met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to BTB. BTB's management intends to take the necessary steps to meet these conditions on an on-going basis in the future.

### **TAXATION OF DISTRIBUTIONS**

For Canadian Unitholders, distributions for taxation purposes are qualified as follows:

Fiscal year ended December 31	2009	2008
Taxable as other income	0%	0%
Deferred income	100%	100%
Total	100%	100%

### **COMPARATIVE SUMMARY OF QUARTERLY RESULTS**

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)	2009 Q-4	2009 Q-3	2009 Q-2	2009 Q-1	2008 Q-4	2008 Q-3	2008 Q-2	2008 Q-1
Rental revenue	7,498	7,632	7,721	7,474	7,733	7,199	7,156	5,818
Net operating income	4,283	4,610	4,499	4,117	4,364	4,268	4,119	3,220
Loss from real estate assets	376	87	153	516	380	230	86	175
Loss before income taxes	865	549	532	942	1,502	783	723	509
Net loss	865	549	532	835	1,507	783	238	209
Loss per unit - basic and diluted	2.6¢	1.6¢	1.6¢	2.5¢	4.5¢	2.4¢	0.7¢	0.6¢
Funds from operations (FFO)	838	1,189	1,208	726	803	798	723	821
FFO per unit – basic and diluted	2.5¢	3.5¢	3.6¢	2.2¢	2.4¢	2.4¢	2.2¢	2.5¢
Adjusted Funds From Operations (AFFO)	977	1,310	1,308	1,099	1,262	1,395	1,311	1,321
FFO per unit – basic and diluted	2.9¢	3.9¢	3.9¢	3.3¢	3.8¢	4.2¢	4.0¢	4.0¢

Note: The presentation of certain elements of the previous quarters has been changed to reflect the presentation used in 2009.

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.

## **FINANCIAL SITUATION**

The following table presents a summary of the assets, liabilities and unitholders' equity as at December 31, 2009 and December 31, 2008. It must be read together with the Trust's interim financial statements released with this management report and with the audited annual financial statements.

(in thousand dollars)	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
Income-producing properties (at amortized cost)	211,365	222,386
Property under development	4,224	-
Other assets	6,679	5,330
<b>Total</b>	<b>222,268</b>	<b>227,716</b>
<b>LIABILITIES</b>		
Mortgage loans	144,950	146,771
Convertibles debentures	23,544	22,621
Other liabilities	7,038	5,984
<b>Total</b>	<b>175,532</b>	<b>175,376</b>
<b>UNITHOLDERS' EQUITY</b>		
<b>Total</b>	<b>46,736</b>	<b>52,340</b>
<b>Total</b>	<b>222,268</b>	<b>227,716</b>

The changes to the balance sheet as at December 31, 2009 from the balance sheet as at December 31, 2008 are not significant, as no acquisition or financing occurred during the period.

## **PROPERTY PORTFOLIO**

The following table presents information about our property portfolio:

(in thousand dollars)	December 31, 2009	December 31, 2008
Income properties (at cost)	228,323	232,673
Property under development	4,521	-
Other assets	6,679	5,330
<b>Trust's gross book value</b>	<b>239,523</b>	<b>238,003</b>
Number of properties	42	43
Leasable area (in thousands of sq. ft.)	2,236	2,269

***Summary by sector of activity as at December 31, 2009***

	<b>Number of properties</b>	<b>Leasable area (sq.ft.)</b>	<b>%</b>
Office	15	728,214	32.1
Retail	10	365,588	16.1
Industrial	7	573,116	25.3
Mixed use	10	569,491	25.0
<b>Sub-total</b>	<b>42</b>	<b>2,236,409</b>	<b>98.5</b>
Property under development (commercial)	<b>1</b>	<b>33,000</b>	<b>1.5</b>
<b>Total</b>	<b>43</b>	<b>2,269,409</b>	<b>100%</b>

***UNDER DEVELOPMENT***

In December 2009, following the departure of the only tenant, BTB started the renovation of the building located at 3781 des Sources in Dollard-des-Ormeaux on the island of Montreal, in order to receive a new tenant, a store of the Pharmaprix chain, member of the Shoppers Drug Mart group. It is expected that Pharmaprix will begin its operations in June 2010. This building, containing originally 33,000 square feet, will be renovated and will comprise, when completed, approximately 30,000 square feet of leasable area. Pharmaprix signed a long-term lease for approximately 18,000 square feet and the Trust is in negotiation with a potential tenant for an additional area.

***REAL ESTATE OPERATIONS***

***Leasing Activities***

The table below summarizes the fluctuation in available leasable area in 2009:

	<b>Square feet</b>
<b>Available leasable area at the beginning of the year</b>	<b>177,000</b>
Leasable area of leases coming to term during the year	226,000
Leasable area of leases terminated before term	104,000
Leasable area of leases renewed during the year	(150,000)
Leasable area of new leases executed in 2009	(167,000)
<b>Available leasable area at the end of the year</b>	<b>190,000</b>

The leasing activities of the Trust have been productive in 2009. In spite of a period of economic uncertainties caused by the recent financial crisis, 150,000 square feet, being the better part of the leasable area coming to term in 2009, have been renewed at an average increase in rent of 7.3%.

Other leases have been terminated before term in 2009, either pursuant to provisions allowing such termination, or by mutual agreement with tenants or following involuntary interruption of business. New leases for 167,000 square feet have been executed, largely compensating for these newly available areas. Furthermore, the square foot value of the leases executed with the new tenants increased by 15% compared to that of leases expiring in 2009.



Finally, negotiations have started with most of the tenants whose leases come to term in 2010. Furthermore, new tenants have joined or will join the Trust's portfolio.

BTB would like to single out the following recent rental transactions:

*3781 Des Sources, Dollard-des-Ormeaux*

Following the departure of Fruiterie 440, BTB has concluded a long-term lease with Pharmaprix (Shoppers Drug Mart) for a leasable area of about 18,000 square feet.

*145 Saint-Joseph, Saint-Jean-sur-Richelieu*

BTB has renewed the lease with the CSST (Government of Québec) for 10 years with an increase in rent.

*Complexe de Léry, Trois-Rivières*

BTB has renewed the lease with Hydro-Québec for 10 years for a leasable area of about 40,000 square feet. Furthermore, Deloitte has increase its leased area in this building by 10,000 square feet for a total leased area of about 30,000 square feet. We should also mention the renewal of the leases of Astral, the Canada Development Bank and Heenan Blaikie.

*2122 Dollard Street, Lasalle*

BTB has renewed the lease of the Government of Québec for a leasable area of about 12,000 square feet for 5 years.

*2340 Lapinière, Brossard*

Following the eviction of a tenant occupying 6,000 square feet in 2008, the Trust has rented that space to a radiology clinic, affiliated with Laboratoires Biron, a well-know group in Québec. This 10-year lease was concluded at higher net rent rates than those paid by the previous tenant, who was evicted.

*1400 Antonio Barbeau, Montreal*

The Trust is considering the conversion of this industrial building into office lofts. On a preliminary basis, BTB anticipates a substantial increase in value of this building following such conversion.

**Occupancy Rate**

The following table presents occupancy rates by sector of activity:

Sector of activity	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Office	90.3%	92.4%	92.3 %	93.3 %	93.1%
Retail	90.3%	95.1 %	94.4 %	88.5 %	88.5%
Industrial	96.4%	93.3 %	93.3 %	93.3 %	93.1%
Mixed use	88.9%	87.5 %	88.5 %	88.7 %	92.5 %
<b>Total portfolio</b>	<b>91.5%</b>	<b>92.0 %</b>	<b>92.0 %</b>	<b>91.0 %</b>	<b>92.2%</b>

### Lease Maturity

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

	2010	2011	2012	2013	2014
<b>Office</b>					
Leasable area (sq.ft.)	174,344	110,320	60,933	135,708	47,567
Lease rate/square foot (\$)	13.84	10.54	10.02	10.37	12.25
% of office portfolio	24.03	15.21	8.40	18.71	6.56
<b>Retail</b>					
Leasable area (sq.ft.)	24,594	5,143	4,041	19,798	39,436
Lease rate/square foot (\$)	9.10	19.10	17.27	12.28	14.66
% of retail portfolio	6.17	1.29	1.01	4.97	9.89
<b>Industrial</b>					
Leasable area (sq.ft.)	25,820	2,730	115,873	30,279	123,899
Lease rate/square foot (\$)	4.26	6.00	4.05	5.83	3.53
% of industrial portfolio	4.53	0.48	20.35	5.32	21.76
<b>Mixed-use</b>					
Leasable area (sq.ft.)	28,794	140,385	63,204	34,094	63,641
Lease rate/square foot (\$)	9.69	8.49	11.47	12.09	13.58
% of mixed-use portfolio	5.01	24.44	11.00	5.94	11.08
<b>Portfolio total</b>					
Leasable area (sq.ft.)	253,552	258,578	244,051	219,879	274,543
Lease rate/square foot (\$)	11.93	9.55	7.68	10.19	8.97
% of portfolio	11.18	11.40	10.76	9.69	12.11

### Top 10 Tenants

As at December 31, 2009, BTB managed about 480 different leases representing an average of approximately 4,700 square feet of space. The three most important tenants are Hydro-Québec, Annie Fruit and the "Végétarien" stores and Germain Larivière, accounting respectively for approximately 5.9%, 4.4% and 3.6% 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 (federal, provincial and municipal) and public companies, representing 35.0% of total revenues, 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:

Tenant	% of revenues	Leased space (sq.ft.)
Hydro-Québec	5.9	81,175
Annie Fruit and « Le Végétarien » stores	4.4	89,308
Germain Larivière	3.6	101,194
Cornwall Warehousing	3.6	214,179
Société immobilière du Québec	3.6	75,583
C.S.S.T. (Government of Québec)	3.0	46,664
Groupe Aro	2.9	48,000
C.L.S.C. (Government of Québec)	2.6	42,359
Canadian Tire	2.2	53,000
Mouvement Desjardins	2.1	33,369

## CAPITAL RESSOURCES

### Long-term debt

The following table presents BTB's debt balances as at December 31, 2009, including mortgages payable and convertible debentures, by year of maturity and weighted average contractual interest rates:

Years of maturity	Balance of convertible debentures (in thousands of \$)	Balance of mortgage payable (in thousands of \$)	Weighted average contractual interest rate (%)
2010	---	9,144	5.16
2011	12,883	13,640	6.81
2012	---	48,253	6.16
2013	13,020	17,667	6.84
2014	---	38,838	5.86
2015	---	5,281	5.56
2016	---	---	---
2017	---	12,760	5.63
<b>Total</b>	<b>25,903</b>	<b>145,583</b>	<b>6.21</b>

As at December 31, 2009, the weighted average contractual interest rate of the long-term debt stood at 6.21%, being 5.84% for mortgages payable and 8.25% for convertible debentures.

### Mortgage loans

As at December 31, 2009, the Trust's mortgage loans amounted to \$145.6 million compared to \$147.5 million as at December 31, 2008, before deferred financing costs and valuation adjustments, a decrease of \$1.9 million. As at December 31, 2009, the weighted average interest rate of the mortgages was 5.84% compared to 5.88% for the mortgage loans as at December 31, 2008, a decrease of 4 basis points. Almost all mortgage loans bear interest at fixed rates.

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 present the evolution in mortgage loans since the beginning of fiscal 2009:

(in thousand dollars)	\$
Balance as at December 31, 2008	147,539
Contracted mortgage loans or assumed	100
Balance reimbursed at expiration	-
Monthly principal repayments	2,056
<b>Balance as at December 31, 2009</b>	<b>145,583</b>

Note: Before unamortized financing costs.

The net book value of the mortgaged properties was approximately \$216 million as at December 31, 2009. Unamortized loan financing costs totalled \$825 and are amortized under the effective interest method for the term of the loans.

The following table, as of December 31, 2009, shows the future mortgage loan repayments for upcoming years:

<b>Years ended December 31</b> (in thousands of dollars)				
<b>Expiry</b>	<b>Yearly Principal repayments</b>	<b>Balance at maturity</b>	<b>Total</b>	<b>(%) of Total</b>
2010	2,158	8,845	11,003	7.6
2011	1,836	12,895	14,731	10.1
2012	2,030	47,281	49,311	33.9
2013	1,717	15,805	17,522	12.0
2014	806	36,530	37,336	25.6
2015	472	4,517	4,989	3.4
2016	416	---	416	0.3
2017	108	10,167	10,275	7.1
<b>Total</b>	<b>9,543</b>	<b>136,040</b>	<b>145,583</b>	<b>100.0</b>
Plus: Valuation adjustments on assumed loans			<b>192</b>	
Minus: unamortized financing costs			<b>825</b>	
<b>Balance as of December 31, 2009</b>			<b>144,950</b>	

### ***Convertible Debentures***

#### (a) Series A

In October 2006, the Trust issued Series A subordinated unsecured convertible debentures in the amount of \$12,883,000. 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 December 31, 2009, the closing market price for BTB's units was \$0.72.

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 conversion price.

On the date of issue, the debentures were recorded in a \$11,381,000 liability component and a \$1,502,000 equity component of BTB.

(b) Series B

In March 2008, the Trust issued Series B subordinated unsecured convertible debentures in the amount of \$13,020,000. 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 is of \$2.30 (the “Series B Conversion Price”). As at December 31, 2009, the closing market price for BTB’s units was \$0.72.

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 conversion price.

The Trust may, at its option and subject to certain conditions, elect to satisfy its obligation to pay the principal amount of the Series B debentures by issuing freely tradeable units to Series B debentureholders.

On the date of issue, the debentures were recorded in a \$12,339,000 liability component and a \$681,000 equity component of BTB.

**Bank loans**

BTB has an operation and acquisition credit facility of \$1.25 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, plus 0.75%. As at December 31, 2009, an amount of \$720 was used.

**Debt ratio**

Under the terms of its contract of trust, the Trust cannot contract a mortgage loan if the mortgage loan to value ratio exceeds 75% of the gross book value of its properties and other assets. When establishing this calculation, the convertible debentures are not considered in the calculation of total indebtedness.

The following table presents the Trust’s debt ratios as at December 31, 2009 and December 31, 2008.

(in thousands of dollars)	December 31, 2009	December 31, 2008
Mortgage loans	144,950	146,771
Convertible Debentures	23,544	22,621
Bank loans	720	400
<b>Total long-term debt</b>	<b>169,214</b>	<b>169,792</b>
<b>Gross book value of the Trust</b>	<b>239,523</b>	<b>238,003</b>
<b>Total Loan to value ratio</b>	<b>70.6 %</b>	<b>71.3%</b>
<b>Loan to value ratio (excluding convertible debentures)</b>	<b>60.8 %</b>	<b>61.8%</b>
<b>Additional permitted borrowing capacity</b>	<b>34,600</b>	<b>31,300</b>

According to the table above, the total loan to value ratio as at December 31, 2009 was 70.6%, compared to 71.3% as at December 31, 2008.

The following table presents the Trust's interest coverage ratios as at December 31, 2009 and December 31, 2008.

(in thousand dollars, except for the ratios)	December 31, 2009	December 31, 2008
EBITDA <sup>(1)</sup>	15,777	13,413
Interest on loans	10,598	9,689
Interest coverage ratio	1.49	1.38

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

### ***Unitholders' Equity***

Unitholders' equity consists of the following:

(in thousand dollars)	December 31, 2009	December 31, 2008
Trust units	69,620	69,539
Unit options	167	143
Equity component of convertible debentures	2,183	2,183
Cumulative loss	(7,696)	(4,915)
Cumulative distributions to unitholders	(17,538)	(14,610)
	46,736	52,340

### ***Trust Units***

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

Periods ended December 31 (in # of units)	Quarter		Fiscal year	
	2009	2008	2009	2008
<b>Outstanding units, beginning of period</b>	33,691,725	33,107,462	33,352,391	32,691,941
Units issued				
- Public/private placement	---	---	---	---
- Other issuances	---	244,929	339,334	642,950
Units issued upon exercise of options	---	---	---	17,500
<b>Units outstanding, end of period</b>	33,691,725	33,352,391	33,691,725	33,352,391
<b>Weighted average number of units outstanding (basic)</b>	33,691,725	33,256,924	33,628,296	32,974,808
<b>Weighted average number of units outstanding (diluted)</b>	33,691,725	33,256,924	33,628,296	32,974,808

The potential issuance of units under convertible debentures has an anti-dilutive effect on the calculation of the net earnings per unit. The dilution resulting from the conversion of convertible debentures 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:

Periods ended December 31	2009		2008	
	Unit Options	Weighted Average Exercise Price (\$)	Unit Options	Weighted Average Exercise Price (\$)
<b>Outstanding, beginning of period</b>	<b>2,785,000</b>	<b>2.26</b>	2,157,500	2.59
Granted	---	---	645,000	1.09
Exercised	---	---	(17,500)	1.00
<b>Outstanding, end of period</b>	<b>2,785,000</b>	<b>2.26</b>	2,785,000	2.26
Options vested as at December 31	<b>2,392,000</b>	<b>2.18</b>	2,049,000	2.08
<b>Weighted average remaining term to expiry (years)</b>		<b>2.50</b>		3.50

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:

(in # of units)	December 31, 2009	December 31, 2008
Units outstanding	<b>33,691,725</b>	33,352,391
Unit options	<b>2,785,000</b>	2,785,000
Convertible debentures Series A	<b>5,052,157</b>	5,052,157
Convertible debentures Series B	<b>5,660,870</b>	5,660,870
	<b>47,189,752</b>	46,850,418

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

### **SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

BTB's significant accounting policies are described in Notes 1 and 2 to the December 31, 2009 audited 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 buildings 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, which cannot 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 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.

## **NEW ACCOUNTING POLICIES**

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that it will require publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for interim and annual financial statements relating to fiscal years beginning on January 1, 2011, with comparative figures presented on the same basis. The transition from Canadian GAAP to IFRS will be applicable for BTB starting January 1, 2011.

The Trust expects the transition to IFRS to have a significant impact on financial reporting, information systems, financial disclosure controls and procedures and internal controls over financial reporting. Based upon management's preliminary assessment, there are significant IFRS differences that will have an impact on the Trust's financial statements and on its financial reporting. The Trust's work plan includes the selection of IFRS accounting policies and transition elections that may be applicable, quantification of the impact of IFRS on the Trust's financial statements and the implementation of the team in charge of the transition, including its training and resource requirements. In addition, there are a number of proposed or continuing projects of the IASB that may eventually impact the Trust. Management is monitoring any changes that arise to determine if they will have any impact on the Trust.

The significant differences identified to this day between IFRS and GAAP Standards that will potentially have an impact on BTB's financial statements include the following:

#### 1. Investment Properties (IAS 40)

Under Canadian GAAP, the Trust measures its income properties using the historical cost model and recognizes its various tangible and intangible components. Under IFRS, the Trust will have a choice to use the historical cost model, as under GAAP, or the fair value model. If the fair value model is selected, income properties will be carried on the consolidated balance sheet at their fair values, and changes in fair value each period will be recorded in the consolidated statement of income. If the historical cost model

is selected, the Trust will be required to disclose the fair value of income properties in the notes to the financial statements.

## 2. Financial instruments – Presentation (IAS 32)

Under Canadian GAAP, the Trust's units are presented in the balance sheet as unitholders' equity. Under IFRS, the Trust's units, in its current form, would likely be presented as a liability and distributions would be classified as interest expense. This presentation is necessary due to the obligation of the Trust to repurchase the unit, with treasury at the holder's choice and because of the obligation to pay the unitholder annual distributions equivalent at the minimum to taxable income. In order to prevent this presentation, it may be necessary to amend some of the dispositions of BTB's contract of trust.

## 3. Operating leases – Incentives (SIC-15)

Under Canadian GAAP, leasehold improvements and certain other leasing costs are capitalized and amortized through amortization expense. Under IFRS, such costs are likely considered to be leasing incentives and will be amortized as a reduction of rental revenues.

## 4. Acquisition fees

Under Canadian GAAP, acquisition related costs are capitalized and accounted for in addition to the acquired assets. Under IFRS, these acquisition fees are immediately accounted for as expenses.

## 5. Income taxes

BTB is a REIT that meets certain criteria set forth in the *Income Tax Act* (Canada) and enjoys special tax treatment whereby it can deduct the amounts it distributes to unitholders in order to avoid tax. Under CICA EIC-107, a REIT whose distributions exceed its taxable income is not required to report taxable income for the period and, if it meets certain criteria set forth in the standard, is not required to report future income taxes relating to temporary differences, primarily differences between the carrying amount of the trust's real estate properties and their tax basis. As IFRS does not currently include any standard equivalent to EIC-107, BTB may have to recognize an income tax expense on its taxable income in the statement of income along with a corresponding credit directly under unitholders' equity. Furthermore, BTB may have to recognize future income taxes on temporary differences.

BTB continues to evaluate the impact of the transition to IFRS on its activities and it remains possible to bring some modifications to the action plan as new information becomes available on the transition to IFRS in Canada.

## **CONTROLS AND PROCEDURES**

Our disclosure controls and procedures (DC&P) 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 (ICFR) 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, 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 DC&P and the Trust's ICFR as at December 31, 2009, pursuant to the requirements of Multilateral Instrument 52-109. At the beginning of the fiscal year ended December 31, 2008, management implemented an integrated information system and continued during the year to implement controls and procedures 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 as follows:

### ***General Economic Conditions***

Financial markets, interest rates, consumer spending, business investment, government spending, the level of capital market activity and volatility, and inflation impact the business and economic environments in which BTB operates and, ultimately, the level of business activity it conducts, the revenues it generates, and the cost and availability of its equity and debt.

### ***Execution of BTB's Strategy***

BTB's ability to achieve its objectives and implement its strategy impacts its financial performance. If the Trust does not meet or elect to change its strategic objectives, BTB's financial results could be adversely affected.

### ***Acquisitions***

Although BTB regularly explores opportunities for strategic acquisitions of real estate properties, there can be no assurance that BTB will be able to complete acquisitions on terms and conditions that meet its investment criteria. There can also be no assurance that BTB will achieve its financial or strategic objectives or that it will realize anticipated cost savings following acquisitions. The performance is contingent on the ability to retain tenants and key employees of acquired properties, and there can be no assurance that BTB will always succeed in doing so.

### ***Operation risks***

All immovable property investments are subject to risk exposures. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of the tenants and the economic environment in which they operate. The Trust's operating revenues and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in our properties could not be leased under economically favourable lease terms.

However, this risk is controlled by the diversification of BTB's portfolio, which allows the Trust to maintain foreseeable cash flows. This risk is also mitigated by the fact that tenants occupy an average leasable area of about 4,700 square feet, and that there are 480 different leases.

As a more and more fully integrated real estate investment trust, BTB can exercise tighter preventive control over its operations while developing a relationship of trust with its tenants and improving its operational and financial performance.

### **Debt and Refinancing**

The Trust is exposed to debt financing risks, including the risk that existing mortgages payable secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages. The Trust's profitability may be impacted by tight and unfavourable credit markets and interest rate changes, as interest on borrowings represents a significant cost in real estate property ownership. BTB seeks to reduce interest rate risks by spreading out the maturities of its mortgage loans and limiting the use of floating rate debt as much as possible.

### **Unitholder Liability**

The Contract of Trust states that any written document identifying an immovable hypothec or, in the opinion of the trustees, a material obligation, must contain terms limiting liability to BTB's assets exclusively, and specify that no recourse may be taken against unitholders.

### **Competition**

The Trust competes for suitable immovable property investments with third parties seeking immovable property investments similar to those of interest to the Trust. An increase in the availability of investment funds and heightened interest in immovable property investments could increase competition for immovable property investments, thereby increasing purchase prices and reducing their yield. In addition, numerous property developers, managers and owners compete with the Trust in seeking tenants. The existence of competing developers, managers and owners and competition for the Trust's tenants could have an adverse effect on the Trust's ability to lease space in its properties and on the rents charged, and could adversely affect the Trust's revenues.

### **Government Regulation**

BTB and its properties are subject to various government statutes and regulations. Any change in such statutes or regulations adverse to the Trust and its properties could affect the Trust's financial results. By their very nature, BTB's assets and business are not exposed to high environmental risk. In accordance with the operating principles stipulated in its Contract of Trust, BTB conducts an environmental audit before acquiring any new properties. In its leases, BTB requires that tenants conduct their business in compliance

with environmental legislation, and that they be held liable for any damages resulting from their use of the leased premises.

### **Income Taxes**

BTB currently qualifies as a mutual fund trust for income tax purposes. BTB is required by its Contract of Trust to annually distribute all of its taxable income to unitholders and thus is generally not subject to tax on such income. In order to maintain its current mutual fund status, BTB is required to comply with specific restrictions regarding its activities and its investments. If BTB were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

### **New Tax System**

In connection with its Tax Fairness Plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through ("SIFT") trusts to bring taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received Royal Assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more non-portfolio properties.

### **REIT Exception**

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REIT") for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: [i] the only "non-portfolio properties" it owns during the year are "qualified REIT properties", [ii] at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties"; interest; capital gains from the disposition of real or immovable properties; dividends and royalties, [iii] at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties located in Canada; interest from mortgages on real or immovable properties located in Canada and capital gains from dispositions of real or immovable properties located in Canada; and [iv] no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property located in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain other public agencies, less than 75% of the equity value of the trust at that time.

On December 20, 2007, the Minister of Finance announced proposed technical amendments to further clarify the tax rules that apply to SIFTs. As at December 31, 2009, BTB met all of these conditions. As a result, the new SIFT trust tax rules would not apply to BTB. BTB's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

### **Recruitment of Employees and Executives**

Competition for qualified employees and executives is intense. If BTB is unable to attract and retain qualified employees and executives, its results of operations and financial condition, including the competitive position, may be materially adversely affected.

### ***Capital Requirements***

BTB accesses the capital markets from time to time through the issuance of debt, equity or equity-related securities. If BTB were unable to raise additional funds, then acquisition or development activities may be curtailed and property-specific financing renegotiated.

### ***Other Risk Factors***

For a more detailed list of the risk factors, please refer to the 2009 Annual Information Form of the Trust dated April 2010 available on [www.sedar.com](http://www.sedar.com).