Consolidated financial statements of

BTB

BTB Real Estate Investment Trust

Years ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the unitholders of BTB Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of BTB Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BTB Real Estate Investment Trust as at December 31, 2010 and 2009, and its results of operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP*

Chartered Accountants

April 27, 2011

Montréal, Canada

*CA Auditor permit no 10892

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

Years ended December 31, 2010 and 2009

Financial Statements

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Assets		
Income producing properties (notes 2 and 3):		
Buildings	$ 212,214	$ 163,437
Land	50,330	39,676
Intangible assets	8,329	8,252
	270,873	211,365
Properties under development	–	4,224
Capitalized leasing costs, deposits and other assets (note 4)	6,770	2,850
Prepaid expenses	2,898	1,883
Accounts receivable (note 5)	3,200	1,570
Cash and cash equivalents	1,875	376
	$ 285,616	$ 222,268
Liabilities and Unitholders' Equity		
Mortgage loans payable (note 6)	$ 180,473	$ 144,950
Convertible debentures (note 7)	24,514	23,544
Bank loans (note 8)	22,195	720
Accounts payable and accrued liabilities	8,833	6,092
Distributions payable to unitholders	346	226
	236,361	175,532
Unitholders' equity (note 9)	49,255	46,736
Subsequent events (note 18)		
	$ 285,616	$ 222,268

See accompanying notes to consolidated financial statements.

Approved by the Board:

(s) Michel Léonard ____________, Trustee

(s) Jocelyn Proteau ____________, Trustee

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income and Comprehensive Income

Years ended December 31, 2010 and 2009
(in thousands of dollars, except for per unit amounts)

	2010	2009
Operating revenues:		
Rental revenue from income producing properties	$ 34,153	$ 30,325
Operating expenses:		
Operating costs	5,981	5,191
Property taxes and public utilities	9,258	7,625
	15,239	12,816
Operating income from income producing properties before the undernoted items	18,914	17,509
Financial expenses (note 10)	14,680	11,768
Amortization of buildings and improvements	4,960	4,380
Amortization of intangible assets	2,397	2,087
Amortization of capitalized leasing costs, deposits and other assets	655	406
	22,692	18,641
Operating losses from income producing properties	(3,778)	(1,132)
Trust administration expenses	1,914	1,562
Settlement of a dispute (note 18 (c))	268	–
Property management expenses	–	170
Unit-based compensation	13	24
Losses before income taxes	(5,973)	(2,888)
Future income taxes (credits) (note 11)	–	(107)
Net loss and comprehensive income	$ (5,973)	$ (2,781)
Basic and diluted net loss per unit (note 12)	$ (0.167)	$ (0.08)

See accompanying notes to consolidated financial statements.

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity

Years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Unitholders' contributions (note 9):		
Balance, beginning of year	$ 69,620	$ 69,539
Issuance of units	11,059	188
Future income taxes (note 11)	–	(107)
Balance, end of year	$ 80,679	$ 69,620
Cumulative loss:		
Balance, beginning of year	$ (7,696)	$ (4,915)
Net loss	(5,973)	(2,781)
Balance, end of year	$ (13,669)	$ (7,696)
Cumulative distributions:		
Balance, beginning of year	$ (17,538)	$ (14,610)
Distributions to unitholders	(2,949)	(2,928)
Balance, end of year	$ (20,487)	$ (17,538)
Contributed surplus:		
Balance, beginning of year	$ 2,350	$ 2,326
Unit options vested	13	24
Warrants issued (note 9 (c))	369	–
Balance, end of year	$ 2,732	$ 2,350
Unitholders' equity	$ 49,255	$ 46,736

See accompanying notes to consolidated financial statements.

BTB REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Cash flow from operating activities:		
Net loss	$ (5,973)	$ (2,781)
Net change in non-cash items:		
Amortization of income producing properties	4,960	4,380
Amortization of intangible assets	2,397	2,087
Accretion of effective interest	1,210	758
Amortization of leases which are not at market terms and conditions	839	494
Amortization of lease inducement	5	–
Amortization of capitalized leasing costs, deposits and other assets	655	406
Amortization of straight-line lease adjustment	(460)	(284)
Accretion of liability component of convertible debentures	472	424
Property management expenses	–	188
Unit option-based compensation expenses	13	24
Warrants issued (note 9 (c))	369	–
Future income taxes	–	(107)
	4,487	5,589
Net change in non-cash working capital items (note 14)	(1,215)	746
	3,272	6,335
Cash flows from financing activities:		
Mortgage loans, net of financing costs	22,573	18
Repayment of mortgage loans	(21,283)	(2,056)
Bank loans	21,125	320
Net proceeds from issuance of units (note 9)	11,059	–
Distributions to unitholders	(2,829)	(3,147)
	30,645	(4,865)
Cash flows from investment activities:		
Business acquisition (note 3)	(24,507)	–
Additions to income producing properties	(3,439)	(164)
Capitalized leasing costs and other assets	(4,472)	(1,287)
	(32,418)	(1,451)
Net change in cash and cash equivalents	1,499	19
Cash and cash equivalents, beginning of year	376	357
Cash and cash equivalents, end of year (note 14)	$ 1,875	$ 376

See accompanying notes to consolidated financial statements.

BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the *Civil Code* of Québec pursuant to a trust agreement.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of BTB were prepared according to Canadian generally accepted accounting principles (“GAAP”).

(b) Consolidation:

These consolidated financial statements include the accounts of BTB and those of its subsidiaries, which are all wholly owned.

(c) Investment in a co-owned property:

If the Trust has joint control of the economic activity of a joint venture in which it has an interest, it records that interest using the proportionate consolidation method, under which the Trust’s share of assets, liabilities and related revenues and expenses of joint ventures is included in the consolidated financial statements. The Trust determines that there is joint control where it has a contractually agreed sharing, with other parties to the agreement, of the continuing power to determine the joint venture’s strategic operating, investing and financing policies.

(d) Use of estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period, the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management reviews its estimates, including estimates related to the allocation of the purchase price of income producing properties acquired, determining future cash flows when assessing long-lived assets for impairment, determining the useful lives of assets for amortization purposes, determining the fair value of options granted and determining fair values of financial instruments on initial recognition, as well as the Trust’s compliance with conditions of eligibility as a real estate investment trust (“REIT”) under the *Income Tax Act*. Actual results could differ from these estimates.

1. Significant accounting policies (continued):

(e) Revenue recognition:

Rental revenue from income producing properties includes rents from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees and incidental income.

Rental revenue from leases with contractual rent increases is recognized based on the straight-line method in accounts receivable.

(f) Income producing properties:

Income producing properties are recorded at cost; cost includes acquisition costs and improvements to income producing properties. The purchase price of the acquired income producing properties is allocated to land, buildings, leasehold improvements, in-place operating leases and client relationships.

Buildings are amortized under the straight-line method over 40 years.

Intangible costs are made up of acquisition costs related to in-place operating leases on acquisition and client relationships. Acquisition costs related to leases are amortized on a straight-line basis over the term of the related lease, which ranges from 5 to 10 years. Client relationships are amortized over their expected useful lives, on a case-by-case basis.

(g) Properties under development:

Properties under development are reported at cost. The cost includes acquisition costs, other direct costs, property taxes, interest charges on the financing, as well as any operating revenues and expenses incurred during the development phase. Capitalization of costs continues until the property has reached completion date.

(h) Impairment of long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with estimated future net undiscounted cash flows from its use, together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

(i) Capitalized leasing costs, deposits and other assets:

Capitalized leasing costs, deposits and other assets mainly include rental expenses such as leasehold improvements carried out as part of operating activities, lease inducements and brokerage commissions. These costs are capitalized and amortized under the straight-line method over the related lease terms.

1. Significant accounting policies (continued):

(j) Convertible debentures:

The Trust's convertible debentures are separated into Liability and Equity components. The Equity component corresponds to the residual amount after measuring the fair value of the Liability component.

Financing expenses related to the issuance of debentures are allocated on a pro-rata basis between equity and the Liability component.

(k) Unit option plan:

The Trust has a unit option plan for officers, employees, and trustees. The fair value based method is applied to all unit-based compensation. Compensation expense for unit-based compensation awards is recorded over the vesting periods. The fair value of the unit options and subscription warrants granted is estimated on the grant date using the Black-Scholes option pricing model. On the exercise of unit options, consideration received and the accumulated unit options relating thereto are credited to trust units.

(l) Subscription warrants:

Awards of subscription warrants related to private placements or initial public offerings of units are treated as unit issue costs.

(m) Earnings per unit:

Basic net earnings (loss) per unit are calculated based on the weighted average number of units outstanding during the period. The calculation of diluted net earnings (loss) per unit reflects the potential exercise of outstanding unit options and the potential issuance of units under the terms of convertible debentures, if dilutive.

(n) Cash and cash equivalents:

Cash and cash equivalents consist of cash and investments that can be readily converted into a known amount of cash; they are not subject to a significant risk of change in value and have original maturities of three months or less.

(in thousands of dollars, except for per unit amounts)

1. Significant accounting policies (continued):

(o) Financial instruments - recognition and measurement:

Financial instruments are initially recognized and must be classified in various defined categories. This classification determines how the instruments are measured and related gains and losses are recognized.

BTB has implemented the following classifications:

- Cash and cash equivalents are classified as assets held for trading. They are measured at fair value and the resulting gains (losses) from period-end revaluations are recorded in the consolidated statement of income.
- Accounts receivable and deposits are classified as loans and receivables. They are measured at amortized cost using the effective interest rate method.
- Bank loans, accounts payable and accrued liabilities, distributions payable to unitholders, convertible debentures and mortgage loans are classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method.

The costs incurred in connection with mortgage loan or convertible debenture financing are deducted from financial liabilities and amortized over the expected life of the liability concerned using the effective interest rate method. When a convertible debt instrument is converted into trust units, a portion of the associated unamortized financing costs is transferred to unitholders' equity.

2. Income producing properties:

			2010
	Cost	Accumulated amortization	Amortized cost
Buildings	$ 227,137	$ 14,923	$ 212,214
Land	50,330	–	50,330
Intangible assets	18,892	10,563	8,329
	$ 296,359	$ 25,486	$ 270,873

(in thousands of dollars, except for per unit amounts)

2. Income producing properties (continued):

			2009
	Cost	Accumulated amortization	Amortized cost
Buildings	$ 173,213	$ 9,776	$ 163,437
Land	39,676	–	39,676
Intangible assets	15,434	7,182	8,252
	$ 228,323	$ 16,958	$ 211,365

3. Acquisitions:

Business combinations completed in 2010

In May 2010, the Trust acquired 100% of the common shares of Corporation immobilière CAGIM ("CAGIM"), a real estate corporation headquartered in Québec City that owns a real estate portfolio of six properties consisting of three office buildings, two retail buildings, one industrial building and a lot for future development. Three of the properties were co-owned on acquisition.

The acquisition was settled for a cash consideration of $21,492, or $20,350 net of cash acquired of $1,142.

The transaction was accounted for using the purchase method. Operating income from the acquired business is included in the consolidated financial statements as of the acquisition date.

The purchase price allocation of the assets acquired in these acquisitions was finalized on December 31, 2010.

(in thousands of dollars, except for per unit amounts)

3. Acquisitions (continued):

Additions to income producing properties in 2010

In November 2010, the Trust acquired the remaining 50% interest in two commercial buildings located in Québec City. The Trust already owned a 50% interest in each of these buildings.

The acquisition was settled for a purchase price of $10,850, including $6,693 through the assumption of mortgage loans and $4,157 in cash.

The transaction was accounted for using the purchase method. Operating income from the acquired properties is included in the consolidated financial statements as of the acquisition date

The purchase price allocation at fair value of the net assets was not finalized during the period and is subject to change.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed:

	CAGIM	Additions to income producing properties	Total
Income producing properties:			
Buildings	$ 38,930	$ 9,114	$ 48,044
Land	7,172	1,553	8,725
Intangible assets:			
Operating leases	818	225	1,043
Client relationships	2,095	134	2,229
	49,015	11,026	60,041
Prepaid expenses and other assets	362	–	362
Receivables	1,598	–	1,598
Mortgage loans	(27,218)	(6,693)	(33,911)
Accounts payable and accrued liabilities	(3,407)	(176)	(3,583)
Acquisition price, net of cash acquired	$ 20,350	$ 4,157	$ 24,507

(in thousands of dollars, except for per unit amounts)

4. Capitalized leasing costs, deposits and other assets:

	2010	2009
Capitalized leasing costs, deposits and other assets:		
Capitalized leasing costs, at amortized cost	$ 6,327	$ 2,087
Deposits	338	734
Other assets	105	29
	$ 6,770	$ 2,850

5. Accounts receivable:

	2010	2009
Rents receivable	$ 1,822	$ 652
Rents receivable, on a straight-line basis	1,378	918
	$ 3,200	$ 1,570

6. Mortgage loans payable:

Mortgage loans are secured by immovable hypothecs on income producing properties having a net carrying amount of approximately $266,800. They bear interest at annual rates ranging from 3.32% to 8.00%. The weighted average contractual rate was 5.63% as at December 31, 2010. They are payable monthly and mature between March 2011 and March 2017 (see note 16 (c)).

(in thousands of dollars, except for per unit amounts)

6. Mortgage loans (continued):

Mortgage loan repayments are as follows:

	Principal repayment	Balances at maturity	Total
2011	$ 3,098	$ 34,035	$ 37,133
2012	2,761	51,542	54,303
2013	2,286	24,010	26,296
2014	1,221	37,808	39,029
2015	648	12,857	13,505
2016	417	–	417
2017	108	10,167	10,275
	$ 10,539	$ 170,419	180,958
Plus fair value increment on assumed loans			152
Minus unamortized financing costs			637
			$ 180,473

7. Convertible debentures:

As at December 31, 2010, the Trust had two series of convertible debentures outstanding:

	Capital	Interest rate	Unit conversion price	Interest payments	Maturity
Series A	$ 12,883	8.0%	$ 2.55	semi-annual	October 2011
Series B	13,020	8.5%	2.30	semi-annual	March 2013

(in thousands of dollars, except for per unit amounts)

7. Convertible debentures (continued):

The components of the subordinated convertible debentures on the issue date are allocated as follows:

	Series A	Series B	Total
Liability	$ 11,381	$ 12,339	$ 23,720
Equity	1,502	681	2,183
Capital	$ 12,883	$ 13,020	$ 25,903

The liability component of the subordinated convertible debentures, which accretes as of the initial allocation on the issuance date up to the final amount repayable, is recorded under accretion of Liability component of convertible debentures.

	Series A	Series B	2010	2009
Liability component upon issuance	$ 11,381	$ 12,339	$ 23,720	$ 23,720
Accretion	1,223	334	1,557	1,085
	12,604	12,673	25,277	24,805
Minus unamortized financing costs	180	583	763	1,261
Liability component	$ 12,424	$ 12,090	$ 24,514	$ 23,544

Series A

In October 2006, the Trust issued Series A subordinated convertible, redeemable, unsecured debentures bearing 8% interest payable semi-annually and maturing in October 2011, in the amount of $12,883. The debentures are convertible at the holder's option after October 2008, subject to certain terms and conditions, at a conversion price of $2.55 per unit ("Series A Conversion Price").

Since November 2010, the debentures are redeemable at the Trust's option, for at least 125% of the Series A conversion price.

7. Convertible debentures (continued):

Series B

In March 2008, the Trust issued Series B subordinated convertible, redeemable, unsecured debentures, bearing 8.5% interest payable semi-annually and maturing in March 2013, in the amount of $13,020. The debentures are convertible at the holder's option at any time before March 2013, at a conversion price of $2.30 per unit ("Series B Conversion Price").

As of March 31, 2011, but before March 31, 2012, under certain conditions, the debentures may be redeemed by the Trust at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the average weighted price based on the volume of units traded on the TSX Venture Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advance notice of redemption is given (the "current market price") is at least 150% of the conversion price. As of March 31, 2012, but before March 31, 2013, under certain conditions, the debentures may be redeemed by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price on the day prior to the date on which the notice of redemption is given is at least 125% of the conversion price.

At the Trust's option, Series B debentures may be redeemed in Trust units at maturity.

8. Bank loans:

The Trust has access to an acquisition line of credit for an amount of $25,000 maturing in June 2012. The line of credit is guaranteed by mortgages against properties held by the Trust. This facility bears interest at the higher of 10.5% per year or TD Canada Trust's prime rate plus 5% per year.

The lender also received a compensatory payout of warrants to purchase 2,500 Trust units. Each subscription warrant allows the bearer to acquire one Trust unit for $0.7644 until June 1, 2012.

Under certain conditions, the Trust will have the option of renewing the loan for one year. If the loan is renewed, the lender's warrants will be exercisable until March 31, 2013.

As at December 31, 2010, the Trust had used an amount of $22,850 under this credit facility, which was fully repaid on March 29, 2011.

The Trust also has access to an operating credit facility for a maximum amount of $2,000. This facility bears interest at a rate of 1% above the base rate. This credit facility is secured by an immoveable hypothec on two properties having a carrying amount of $4,073. As at December 31, 2010, the Trust had not used any amount under this credit facility.

(in thousands of dollars, except for per unit amounts)

9. Trust units issued and outstanding:

(a) In 2010, the Trust completed a public issue of 18,000,000 units, including an over-allotment option, for total net proceeds of $11,059.

Trust units issued and outstanding are as follows:

		2010		2009
	Number of units	Value	Number of units	Value
Units outstanding, beginning of year	33,691,725	$ 69,620	33,352,391	$ 69,539
Units issued:				
Issue pursuant to a public offering	18,000,000	12,060	–	–
Other issue	–	–	339,334	188
	51,691,725	81,680	33,691,725	69,727
Unit issue costs	–	(1,001)	–	(107)
Units outstanding, end of year	51,691,725	$ 80,679	33,691,725	$ 69,620

(in thousands of dollars, except for per unit amounts)

9. Trust units issued and outstanding (continued):

(b) Unit option plan:

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 is limited to 10% of the total number of issued and outstanding units. The trustees set the exercise price at the time that the units are granted under the plan; the exercise price may not be less than the discounted market price of the units as determined under the policies of the TSX Venture Exchange on the date of grant. The options have a minimum term of five years as of the grant date and vest over a period of up to 18 months.

The following tables present relevant information on options and changes in the balances during the year:

Grant date	Number of units	Maturity date	Exercise price
January 26, 2006	20,000	January 25, 2011	$ 1.00
October 3, 2006	460,000	October 3, 2011	2.15
April 2, 2007	100,000	April 1, 2012	2.65
June 15, 2007	1,560,000	June 15, 2012	2.76
September 8, 2008	595,000	September 8, 2013	1.11
October 1, 2008	50,000	October 1, 2013	0.90
	2,785,000		$ 2.26

(in thousands of dollars, except for per unit amounts)

9. Trust units issued and outstanding (continued):

(b) Unit option plan (continued):

	2010		2009	
	Unit options	Weighted average exercise price	Unit options	Weighted average exercise price
Outstanding, beginning of year	2,785,000	$ 2.26	2,785,000	$ 2.26
Granted	–	–	–	–
Exercised	–	–	–	–
Cancelled	–	–	–	–
Outstanding, end of year	2,785,000	$ 2.26	2,785,000	$ 2.26
Options vested as at December 31	2,735,000	$ 2.25	2,392,000	$ 2.18
Weighted average remaining life (years)		1.50		2.50

(in thousands of dollars, except for per unit amounts)

9. Trust units issued and outstanding (continued):

(c) Warrants:

The Trust has provided to a lender 2,500,000 warrants to acquire trust units as compensatory payout for the line of credit. The warrants mature on June 1, 2012. Under certain conditions, the Trust will have the option of renewing the loan for one year. If the loan is renewed, the lender's warrants will be exercisable until May 31, 2013.

Date of grant	Volatility	Exercise price	Weighted average distribution yield	Risk-free weighted interest rate
May 10, 2010	52.901%	$ 0.7644	10.52 %	2.91%

10. Financial expenses:

	2010	2009
Interest on loans	$ 13,044	$ 10,640
Accretion of liability component of convertible debentures	472	424
Accretion of effective interest	1,210	716
Interest income	(46)	(12)
	$ 14,680	$ 11,768

11. Income taxes:

For income tax purposes, the Trust qualifies as a "Mutual Fund Trust". Under the Trust Agreement, 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 tax purposes.

New tax system

In the interest of tax fairness, the Canadian Department of Finance introduced measures into the tax act on October 31, 2006, providing for the levying of a tax on specified investment flow-through trust ("SIFT") distributions so as to align the taxation of these entities more closely with that of corporations. The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REIT") for a particular taxation year. Overall, a SIFT trust based in Canada is a REIT if its activities consist in acquiring and managing real estate and if it complies with certain rules governing its assets and revenues. 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 comply with provisions governing normal growth for the transitional period ending in 2011. As at December 31, 2010, the Trust met all of these conditions and qualified as a REIT.

On December 20, 2007, the Finance Minister announced draft technical amendments designed to clarify the tax rules applicable to REITs. As at December 31, 2007, the Trust only met the eligibility requirements as a REIT if the technical amendments of December 20, 2007 were considered.

The draft technical amendments introduced on December 20, 2007 received royal assent on March 12, 2009. Provided the Trust continues to meet the eligibility requirements, it will qualify as a REIT. The Trust’s officers intend to ensure that these conditions are met on an ongoing basis in the future.

In accordance with generally accepted accounting principles, the Trust 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 reverse in 2011 or thereafter. On March 31, 2009, following the adoption of the aforesaid technical amendments, the Trust reversed the balance of previously reported provisions. This reversal gave rise to a future income tax credit on earnings of $107 and a corresponding debit recorded in the statement of unitholders’ equity.

(in thousands of dollars, except for per unit amounts)

12. Earnings per unit:

The following table provides a reconciliation of the weighted average number of units outstanding used to calculate basic and diluted net loss per unit:

	2010	2009
Weighted average number of units outstanding - basic and diluted	35,762,958	33,638,296

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

13. Investment in co-owned income producing properties:

The consolidated financial statements include the Trust's share of the assets, liabilities, revenues and expenses of the co-owned property, as follows:

Assets	$ 37,091
Liabilities	13,682
Operating revenues	1,920
Operating expenses	838
Net operating income	1,082
Cash flow from operating activities	–
Cash flow from investing activities	(369)
Cash flow from financing activities	12,500

(in thousands of dollars, except for per unit amounts)

14. Supplemental cash flow information:

Cash and cash equivalents were as follows:

	2010	2009
Term deposits	$ 548	$ –
Cash	1,327	376
Cash and cash equivalents	$ 1,875	$ 376

Changes in non-cash working capital items were as follows:

	2010	2009
Prepaid expenses	$ (761)	$ (423)
Accounts receivable	428	280
Accounts payable and accrued liabilities	(842)	953
Other charges	(40)	(64)
	$ (1,215)	$ 746
Further information:		
Interest paid during the year	$ 12,681	$ 10,678

(in thousands of dollars, except for per unit amounts)

15. Capital management:

The Trust's capital consists of contributions by unitholders, convertible debentures, mortgage loans and bank loans, excluding issue costs. In managing its capital, the Trust's objectives are to ensure that it has adequate resources for its operation and development, while maximizing return for unitholders and maintaining a balance between debt and equity.

The Trust manages its capital structure based on changes in its operations, the economic climate and the availability of capital.

The Trust's capital is as follows:

	2010	2009
Mortgage loans[1]	$ 180,958	$ 145,583
Convertible debentures[1]	25,903	25,903
Bank loans[1]	22,850	720
	229,711	172,206
Unitholders' equity[2]	47,072	44,553
	$ 276,783	$ 216,759

(1) Excluding issue costs

(2) Excluding the equity component of the convertible debentures, in the amount of $2,183. This amount is considered in the total value of the convertible debentures under the Trust's trust agreement.

The trust agreement states that the Trust cannot incur a new debt if such debt would cause the Trust's total debt, excluding convertible debentures, to exceed 75% of the gross carrying amount of its buildings and other assets.

(in thousands of dollars, except for per unit amounts)

15. Capital management (continued):

For purposes of this calculation, gross asset value is established as follows:

	2010	2009
Total assets	$ 285,616	$ 222,268
Plus:		
Accumulated amortization on income producing properties	25,486	16,958
	$ 311,102	$ 239,226
Total debt / gross asset value ratio	73.8%	71.9%
Debt (excluding convertible debentures)/ gross asset value ratio	65.5%	61.1%

16. Financial instruments:

This note provides disclosure relating to the nature and extent of the Trust's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as how the Trust manages its risks.

Risk management strategies are likely to change in response to future conditions and circumstances resulting from an economic downturn. These future conditions could have adverse effects, the more significant of which relate to liquidity risk and credit loss exposure.

(a) Interest rate risk:

Interest rate risk reflects the risk of changes in the fair value or future cash flows of a financial instrument because of fluctuations in market interest rates. The Trust reduces its risk of changes in future cash flows by generally using long-term debt bearing interest at a fixed rate.

Except for a mortgage loan outstanding of $325 as at December 31, 2010, all other mortgage loans and convertible debentures bear interest at a fixed rate.

Since most mortgage loans are at a fixed rate, a 100-basis point increase or decrease in the average interest rate for the fiscal year, assuming that all other variables remain constant, would have had no significant impact on the Trust's net income as at December 31, 2010.

16. Financial instruments (continued):

(b) Credit risk:

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. BTB mitigates this risk by varying its tenant mix and staggering lease terms, avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit assessments for all major new tenants. The Trust analyzes its accounts receivable on a regular basis and records a provision for doubtful accounts when there is a significant risk of non-recovery.

(c) Liquidity risk:

Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting a property acquisition and improvement program that takes account of available liquidity;
- using credit facilities on the market;
- staggering mortgage loan maturities;
- maximizing the value of properties, thus increasing mortgage financing on renewal of loans; and
- issuing debt securities or Fund units on the financial markets.

At the beginning of 2011, the Trust fully repaid its credit facility, which had a balance of $22,850 as at December 31, 2010.

In addition, during 2011, mortgage loans and Series A convertible debentures will become payable for a principal amount of approximately $46,918. The Trust intends to meet these obligations by:

- Renewing, on maturity, all maturing mortgages of a principal amount of $34,035;
- Using cash flows from operations, after capital expenditures and distributions to unitholders; and
- Issuing new debt securities and/or additional units on the market, on conditions deemed reasonable by the Trust.

Management believes that the Trust will be able to obtain the financing required to make the payments coming due in the next year. However, there is a risk that changes affecting market conditions and access to financing may invalidate this assumption.

(in thousands of dollars, except for per unit amounts)

16. Financial instruments (continued):

(c) Liquidity risk (continued):

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios.

As at December 31, 2010, the Trust was in compliance with all the covenants to which it was subject.

The Trust's cash position is regularly monitored by management. A principal repayment schedule for mortgage loans and other debt is shown in note 6.

The following are contractual maturities of financial liabilities, including estimated interest payments:

	Nominal amount	Contractual cash flows	Estimated payment schedule 2011	2012	2013	2014	2015	2016 and thereafter
Mortgage loans	$ 180,473	$ 205,879	$ 46,497	$ 61,595	$ 30,844	$ 41,062	$ 14,463	$ 11,418
Convertible debentures	24,514	29,145	14,769	1,107	13,269	–	–	–
Bank loans	22,195	22,850	22,850	–	–	–	–	–
Accounts payable and accrued liabilities	8,833	8,833	8,833	–	–	–	–	–
Distributions payable to unitholders	346	346	346	–	–	–	–	–
	$ 236,361	$ 267,053	$ 93,295	$ 62,702	$ 44,113	$ 41,062	$ 14,463	$ 11,418

(in thousands of dollars, except for per unit amounts)

16. Financial instruments (continued):

(d) Fair value:

The fair value of BTB's financial assets and liabilities, including accounts receivable, accounts payable and accrued liabilities and distributions payable to unitholders, approximated their carrying value as at December 31, 2010 because of their short-term maturity or because they are based on current market rates.

The fair value of mortgage loans was calculated by discounting cash flows from financial obligations using the year-end market rate for various loans with similar risk and credit profiles. Using these assumptions, the estimated fair value of mortgage loans on December 31, 2010 amounted to $185,153 (2009 - $137,323).

The fair value of debentures was determined by their year-end market value. Using these assumptions, the estimated fair value of debentures on December 31, 2010 amounted to $25,721 (2009 - $25,126).

17. Segmented information:

The Trust's operations fall into four categories of income producing properties, located in Québec and Ontario.

The following tables present financial information on activities corresponding to these property categories:

					2010
Properties	Office buildings	Commercial buildings	Industrial buildings	General purpose buildings	Total
Income from income producing properties	$ 15,474	$ 6,211	$ 3,194	$ 9,274	$ 34,153
Amortization of income producing properties and intangible assets	3,428	1,362	786	1,781	7,357
Net operating income i)	7,521	4,359	2,282	4,752	18,914
Income producing properties (amortized cost)	126,038	62,105	24,818	57,912	270,873

(in thousands of dollars, except for per unit amounts)

17. Segmented information (continued):

					2009
Properties	Office buildings	Commercial buildings	Industrial buildings	General purpose buildings	Total
Income from income producing properties	$ 12,816	$ 5,490	$ 2,984	$ 9,035	$ 30,325
Amortization of income producing properties and intangible assets	2,670	1,255	748	1,794	6,467
Net operating income [(i)]	6,715	4,012	2,081	4,701	17,509
Income producing properties (amortized cost)	83,423	45,565	22,874	59,503	211,365

[(i)] Net operating income corresponds to "operating income before undernoted items" in the income statement.

18. Subsequent events:

(a) On January 11, 2011, the Trust issued Series C unsecured subordinated convertible debentures bearing interest at 8% of a principal amount of $23,000 (the “debentures”), including the underwriters’ over-allotment option in respect of the debentures which was fully exercised. The debentures were sold to an underwriting syndicate for total net proceeds to the Trust of approximately $21,400, net of underwriters’ fees and investment expenses.

(b) On January 12, 2011, the Trust repaid $12,850 on the line of credit with Firm Capital Corporation. On March 29, 2011, the Trust repaid $10,000 on the same line of credit, bringing the amount used to nil.

(c) On February 28, 2011, there was an out-of-court settlement of a dispute related to the acquisition of a real estate portfolio in February 2007. The out-of-court settlement amounted to $268.

18. Subsequent events (continued):

(d) On March 30, 2011, the Fund announced the closing of a public issue of 22,367,300 units including an over-allotment option. The units were sold to an underwriting syndicate managed by National Bank Financial Inc. and Dundee Securities Corporation and including Canaccord Genuity Corporation and HSBC Securities (Canada) Inc., for total net proceeds to the Trust of approximately $18,800, net of underwriters' fees and investment expenses.

(e) On April 4, 2011, the Trust announced the acquisition of the remaining 50% interest in a commercial building located in Québec City for a purchase price of $19,350, including $12,368 through the assumption of a mortgage loan and $6,982 in cash.

19. Comparative figures:

Certain prior year figures have been restated to conform to the current year's presentation.