BTB

BTB Real Estate Investment Trust

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal year ended December 31, 2010

April 28, 2011

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MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The purpose of this management discussion and analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust (“BTB” or the “Trust”) for the fiscal year ended December 31, 2010 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 28, 2011 should be read together with the consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2010, 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 Canadian generally accepted accounting principles ("GAAP"). **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 quarters and fiscal years ended December 31, 2010 and 2009. Additional information about the Trust, including the 2010 Annual Information Form are available on the Canadian Security Administrators (“CSA”) website at: 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, 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 a certain number of 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 and amortization (EBTDA) 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.

2010 FISCAL YEAR HIGHLIGHTS

1st QUARTER

Establishment of an acquisition line of credit of $25 million with Firm Capital Mortgage Fund Inc.

2nd QUARTER

Closing of the transaction to acquire CAGIM for a price of $1.05 per share, adding more than 600,000 square feet of rentable area to the Trust portfolio. The net acquisition cost of the shares (after assumption of the mortgages) amounted to $21.5 million, bringing in high quality real estate assets, for a total value of $47 million. Use of the acquisition line of credit for $22.8 million to make this purchase.

3rd QUARTER

Redevelopment and repositioning of the 3781 Sources Road property, which since July 2010 has accommodated a branch of Pharmaprix/Shoppers and since December 2010, a Bank of Montreal branch.

4th QUARTER

On November 19, 2010, a public offering of 18 million units at $0.67 per unit, obtaining a net capital contribution of $11.1 million.

On November 30, 2010, acquisition of the portion not previously owned of two properties in the Lebourgneuf suburb of Québec City, for a total amount of $10.85 million.

Increase of 1.5% in available cash as at December 31, 2010 compared to previous year and repayment of the operating credit facility.

SUBSEQUENT EVENTS

On January 11, 2011, public offering of $23 million in Series C 8% convertible debentures maturing on January 31, 2016, providing a net contribution of capital of $21.4 million.

On January 12, 2011, reimbursement of $12.8 million of the acquisition line of credit.

On March 29, 2011, public offering of 22,367,300 units at $0.90 per unit, providing a net capital contribution of more than $18.8 million.

On March 30, 2011, reimbursement of the remaining $10 million of the acquisition line of credit.

On April 4, 2011, acquisition of the remaining unowned portion of the "Complexe Lebourgneuf property Phase I" in Québec City for a net cost of $7.0 million after assumption of the mortgage.

On April 6, 2011, the start-up in a partnership of the construction of Phase II of the Complexe Lebourgneuf in Québec City. The Fund owns a 25% interest in this project. Phase II is already 35% leased and should welcome its first tenants in the fall of 2011.

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 trust agreement. BTB began its real estate operations on October 3, 2006 and to date, it has acquired and owns 49 commercial and industrial properties in primary and secondary markets. BTB has now become an important real estate owner in geographical markets east of Ottawa. The units and Series A, B and C convertible debentures are traded on the TSX Venture Exchange under the symbols "BTB.un", "BTB.DB", "BTB.DB.B" and "BTB.DB.C" respectively.

Since the fourth quarter of 2008, management of the Trust's properties is, in the majority of cases, performed internally. As at December 31, 2010, 39 of the Trust's 49 properties are entirely managed by the Trust's employees. Management's objective is to repatriate, when favourable 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 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.)	Acquired assets (thousands of $)
As at December 31, 2010	**49(1)**	**2,857,400(1)**	**296,359**

(1) A property acquired in May 2010 with a total of 232,000 square feet was held in partnership. On April 1, 2011, the Trust purchased from its partner the partnership and is now the sole owner of the property.

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. 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 stable monthly cash distributions that are growing and fiscally beneficial to unitholders.

(ii) To grow the Trust's assets through internal growth and accretive acquisition strategies in order to increase distributable income and therefore fund distributions.

(iii) To 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 purchased and 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.

HIGHLIGHTS AND SELECTED FINANCIAL INFORMATION

Since the beginning of its real estate operations in October 2006, the Trust has acquired 49 properties generating, on an annualized basis, revenues of more than $40 million.

The table below presents highlights and selected financial information for the quarters and fiscal years ended December 31, 2010 and 2009:

Periods ended December 31 (in thousands of dollars, except ratios and per unit data)	**Reference**	**Quarter**		**Fiscal year**	
		2010	**2009**	**2010**	**2009**
FINANCIAL INFORMATION					
Operating income	Page 15	**9,366**	7,498	**34,153**	30,325
Net operating income	Page 17	**5,082**	4,283	**18,914**	17,509
EBITDA	Page 22	**4,254**	3,800	**16,732**	15,777
Recurring distributable income	Page 25	**203**	730	**2,684**	3,813
Distributions	Page 25	**918**	677	**2,949**	2,928
Recurring FFO	Page 27	**407**	838	**2,535**	3,961
Recurring AFFO	Page 28	**704**	977	**3,626**	4,693
Income properties, at cost	Page 32			**296,359**	232,770
Total assets	Page 32			**285,616**	222,268
Mortgage loans	Page 37			**180,473**	144,950
Convertible debentures	Page 37			**24,514**	23,544
Debt ratio - excluding convertible debentures	Page 40			**65.5%**	61.1%
Unitholders' equity	Page 41			**49,255**	46,736
FINANCIAL INFORMATION PER UNIT					
Weighted average number of units outstanding (000)	Page 42	**41,909**	33,692	**35,763**	33,620
EBITDA	Page 22	**10.2¢**	11.3¢	**46.82¢**	46.9¢
Recurring distributable income	Page 25	**0.5¢**	2.2¢	**7.5¢**	11.3¢
Distributions	Page 25	**2.0¢**	2.0¢	**8.0¢**	8.7¢
Recurring FFO	Page 27	**1.0¢**	2.5¢	**7.1¢**	11.8¢
Recurring AFFO	Page 28	**1.7¢**	2.9¢	**10.2¢**	14.1¢
Hedging of distributions with AFFO (payout ratio)				**81%**	60%
TAXATION OF DISTRIBUTIONS					
Income taxes	Page 30	**0%**	0%	**0%**	0%
Deferred income tax	Page 30	**100%**	100%	**100%**	100%
OPERATIONAL INFORMATION					
Number of properties	Page 32			**49**	43
Rentable area (thousands of sq. ft.)	Page 33			**2,857**	2,269
Occupancy rate	Page 34			**90.0%**	91.5%

ANALYSIS OF SOME HIGHLIGHTS

(1) Performance indicators

Some performance indicators, such as the distributable income, the FFO and AFFO, fell significantly in 2010 compared to 2009. The same-property portfolio performed well and generated an increase of 4.8% in revenues and of 2% net operating income during the fourth quarter, despite a fall in the occupancy rate in the "office" sector, which slowed down this increase. Furthermore, the GAGIP portfolio showed a loss of revenue of approximately $250 during the fourth quarter and more than $430 for the entire year, as compared to anticipated results. This loss of revenue is mainly due to delays in the rental of available rental space. Management believes these delays will be caught up during the second quarter of 2011.

(2) Acquisition of Cagim Real Estate Corporation ("CAGIM")

(a) Details of the acquisition

On May 10, 2010, the Trust acquired CAGIM (TSX-V: CIM) by way of a takeover bid and purchased all of the outstanding shares of the corporation. The transaction, for an amount of $21,492 plus transaction fees, is summarized as follows:

(in thousands of dollars)	
Income properties:	
Buildings	38,930
Land	7,172
Intangible assets	2,913
	49,015
Accounts receivable	1,598
Prepaid expenses and other assets	362
Cash	1,142
	52,117
Mortgage loans payable assumed	(27,218)
Accounts payable and accruals	(3,407)
Net purchase price	**21,492**

Subsequent to the acquisition, the Trust refinanced two of the six properties acquired, generating net additional cash of $2,535, net of financing fees.

Previous to the acquisition by BTB of CAGIM, and in order to satisfy BTB's tax requirements, a legal and tax reorganization of CAGIM was performed, after which CAGIM became a subsidiary of BTB.

(b) Properties now part of BTB's portfolio:

Complexe Lebourgneuf

A five-story building, completed at the end of 2009, is located in the Lebourgneuf suburb of Québec City. It is occupied by retailers on the ground floor and office tenants on the other 4 floors. It contains 231,900 square feet of rentable area. The main tenants of this building are Dessau, an engineering firm and the Government of Canada. This building has an occupancy rate of approximately 78%. The Trust owned a 50% interest in this building upon the acquisition of CAGIM and acquired the remaining portion on April 4, 2011.

Place d'affaires Lebourgneuf - Phase II

A three-story building, completed in 2008 is also located in the Lebourgneuf suburb of Québec City. It has retail stores on the ground floor and office space on the two other floors. It contains a total rentable area of 109,600 square feet and its occupancy rate is almost 97%. The main tenant is Canada Post. The Trust owned a 50% interest in this building upon the acquisition of CAGIM and acquired the remaining portion on November 30, 2010.

Promenades St-Noël

This commercial building is located in the city of Thetford Mines. It has 55,000 square feet of rentable area and an occupancy rate of 85%. The main tenant is a Super C store, part of the Métro group.

Édifice Brinks

This industrial building is located in the city of St-Augustin-de-Desmaures in close proximity to Québec City. Its construction was completed in 2009. It has 7,800 square feet of rentable area and is entirely leased for 15 years by Brinks Corporation.

Édifices Lombard

These two adjacent commercial buildings are located in close proximity to Highway 40 in Québec City and to the other properties owned by BTB in that suburb. They total 86,600 square feet of rentable area and collectively have an occupancy rate of 100%. The main tenants of these buildings are Sport L.G.L. and Lessard Bicycles. The Trust owned a 50% interest in this property upon the acquisition of CAGIM and acquired the remaining portion on November 30, 2010.

Centre d'affaires Le Mesnil

This property is a four-story building located in the Lebourgneuf suburb of Québec City. It was completed in 1990 and has retail stores on the ground floor and office space on the other floors. It contains 110,400 square feet of rentable area, of which 7,800 square feet were added to the building in 2009 to accommodate its main tenant, Société immobilière du Québec. Part of the extension is still vacant. This building has an occupancy rate of 87%.

(c) CAGIM's contribution to BTB's financial results:

The subsidiary`s recorded operations since its acquisition on May 10, 2010 up to December 31, 2010 are as follows, **before interim financing**:

Period from May 10, 2010 to December 31, 2010 (in thousands of dollars)	**Recorded**
Net operating income	2,053
Interest income	(16)
Interest on loans and other carrying charges	964
Depreciation of income properties, intangible assets and amortization of capitalized leasing costs	907
Net income before interim financing	**198**
Performance indicators	
Estimated contribution to FFO	1,105
Per unit	3.1¢
Estimated contribution to AFFO	1,039
Per unit	2.9¢

The properties in the CAGIM portfolio generated an NOI of $2,053, a loss of $431 on the anticipated NOI as per the management. Given the firm lease offers in hand at the end of 2010, the Complexe Lebourgneuf will show an occupancy rate of 90% during the second quarter of 2011. Once the occupancy rate is greater than 90% for the Complexe Lebourgneuf and the Centre d'Affaires Le Mesnil, the portfolio should generate a positive contribution.

(d) Occupancy rate as at December 31, 2010:

Occupancy rate						
Complexe Lebourgneuf (50%)	Place d'affaires Lebourgneuf Phase II	Promenades St-Noël	Édifice Brinks	Édifices Lombard	Le Mesnil	**Weighted average**
78%	97%	85%	100%	100%	87%	**89.3%**

Occupancy rate		
CAGIM portfolio	**BTB portfolio without CAGIM**	**Total portfolio**
89.3%	90.2%	90.0%

REAL ESTATE PORTFOLIO

BTB owns 49 properties, at a total acquisition cost of approximately $296 million and representing a total rentable area of over 2.8 million square feet. A description of the properties owned as at December 31, 2010 can be found in BTB's 2010 Annual Information Form available at www.sedar.com. The properties acquired in 2010 are briefly described in this report.

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 integrity 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 quarters and fiscal years ended December 31, 2010 and 2009. The table must be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31 (in thousands of dollars)	**Reference**	**Quarter**		**Fiscal year**	
		2010	**2009**	**2010**	**2009**
Operating income	Page 15	**9,366**	7,498	**34,153**	30,325
Operating expenses	Page 15	**4,284**	3,215	**15,239**	12,816
Net operating income [1]	Page 17	**5,082**	4,283	**18,914**	17,509
Interest income		**(30)**	(6)	**(46)**	(12)
Interest on loans and other carrying charges	Page 17	**4,212**	2,956	**14,726**	11,780
Amortization of income properties, intangible assets and fixed assets	Page 19	**2,096**	1,562	**7,395**	6,491
Amortization of capitalized leasing costs	Page 19	**202**	147	**617**	382
Operating results from real estate assets		**(1,398)**	(376)	**(3,778)**	(1,132)
Trust-related administrative and real estate management expenses	Page 19	**560**	483	**1,914**	1,732
Settlement of a dispute	Page 20	**268**	-	**268**	-
Compensation expense related to option plan	Page 20	**1**	6	**13**	24
Loss before future income taxes		**(2,227)**	(865)	**(5,973)**	(2,888)
Future income taxes (recovery)		**-**	-	**-**	(107)
Net loss	Page 20	**(2,227)**	(865)	**(5,973)**	(2,781)

(1) 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 results before Trust-related administrative expenses, real estate management expenses, compensation expense related to the option plan, settlement of a dispute and future income taxes.

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at December 31, 2008, but do not include the financial spin-offs of the acquisitions and developments completed in 2009 and 2010.

Operating income

During the fourth quarter of 2010, the Trust experienced an increase of 24.9% in its revenues, due to the acquisition of the CAGIM portfolio and the reopening of a building previously being renovated. The increase is 12.5% for the fiscal year ended December 31, 2010.

Revenues from the same-property portfolio increased 4.8% during the fourth quarter and were stable during the fiscal year ended December 31, 2010. A lower occupancy rate of the same-property portfolio and a change in the nature of the lease between the Trust and Hydro-Québec in the "Complexe de Léry" property in Trois-Rivières explain a shortfall of about $250 in the fourth quarter of 2010. The lower occupancy rate was felt mainly in the office building sector, which generates the highest rate of revenue per square foot. The other three sectors of activity have shown stability or improvement in their occupancy rate.

Revenues from acquisitions were lower than expected, because the rental of available space was not as high as anticipated. The occupancy rate of the acquired portfolio will reach the expected level by the end of the second quarter of 2011.

Periods ended December 31 (in thousands of dollars)	**Quarter**			**Fiscal year**		
	2010	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Same-property portfolio	**7,859**	7,498	4.8	**30,369**	30,325	-
Acquisitions and development	**1,507**	-	n/a	**3,784**	-	n/a
	9,366	7,498	24.9	**34,153**	30,325	12.6

Operating revenues include amortization of an adjustment for purposes of recording contractual rent payments on a straight-line basis and of an adjustment in 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 thousands of dollars)	Quarter		Fiscal year	
	2010	2009	2010	2009
Rental revenue on the basis of in-place leases	**9,363**	7,531	**34,537**	30,535
Deferred rental revenue as per straight-line method	**209**	58	**455**	284
Amortization of the value attributable to leases which are not at market terms and conditions	**(206)**	(91)	**(839)**	(494)
Rental revenue from income-producing properties	**9,366**	7,498	**34,153**	30,325

Operating expenses

Operating expenses are expenses directly related to real estate operations and are generally charged back to tenants as provided for in the leases. The amount of operating expenses, property taxes and services that BTB can recover from its tenants depends on the occupancy rate of the properties 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 rise in operating expenses is due to various factors, including the increase in property taxes following the new valuation roll that came into effect in 2010 in numerous municipalities in the province of Québec. The Trust made an analysis of these new valuation rolls and where deemed necessary, filed application for review or contesting the valuations. The change in the nature of the leases linking Hydro-Québec and the Trust in the "Complexe de Léry" and Pharmaprix/Shoppers and BMO in the renovated building "3781 des Sources" in Dollard-des-Ormeaux, which were of the "triple net" kind, obliges the Trust to assume the expenditures of these buildings before being able to charge back the existing tenants. Because of the factors listed above, among others, the Trust shows an increase in operating expenses of the same-property portfolio of 8.6% for the fourth quarter of 2010 and 5.4% for the full fiscal year. Due to the nature of BTB's leases, it will recoup most of such tax increases from its tenants.

Periods ended December 31 (in thousands of dollars)	Quarter			Fiscal year		
	2010	2009	Δ%	2010	2009	Δ%
Same-property portfolio	**3,490**	3,215	8.6	**13,508**	12,816	5.4
Acquisitions and development	**794**	-	n/a	**1,731**	-	n/a
	4,284	3,215	33.2	**15,239**	12,816	18.9

With regard to its portfolio acquired during the fiscal year, the Trust incurred a property tax expense retroactive to the opening of the "Complexe Lebourgneuf" property. An application for review of this amount of $90 has been submitted.

The table below shows the breakdown of operating expenses for the quarters and the fiscal years ended December 31, 2010 and 2009:

Periods ended December 31 (in thousands of dollars)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
Operating expenses				
- Operating costs	**1,774**	1,319	**5,981**	5,191
- Property taxes and utilities	**2,510**	1,896	**9,258**	7,625
	4,284	3,215	**15,239**	12,816
% of operating revenues	**45.7**	42.9	**44.6**	42.3

Net operating income

The net operating income is 54.3% of the operating revenues for the quarter ended December 31, 2010 and 55.4% for the year ended December 31, 2010. The net operating income increased by 18.7% in absolute terms for the fourth quarter of 2010 compared to the net operating income for the fourth quarter of 2009 and by 8.0% for the fiscal year ended December 31, 2010 compared to the 2009 fiscal year.

The net operating income is not a recognized financial measure in GAAP, but it is nonetheless 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, accretion of effective interest, Trust-related administrative expenses, expenses for the settlement of a dispute 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.

Periods ended December 31 (in thousands of dollars)	Quarter			Fiscal year		
	2010	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Same-property portfolio	**4,369**	4,283	2.0	**16,861**	17,509	(3.7)
Acquisitions and development	**713**	-	n/a	**2,053**	-	n/a
	5,082	4,283	18.7	**18,914**	17,509	8.0
% of operating revenues	**54.3**	57.1		**55.4**	57.8	

Interest on loans and other carrying charges

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

- Mortgage loans contracted or assumed totalling approximately $181.0 million, as at December 31, 2010 compared to $145.6 million as at December 31, 2009. This increase results from BTB's assumption of CAGIM's mortgages pursuant to the transaction that occurred during the second quarter and the refinancing of certain properties.
- 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 the liability component of these convertible debentures.
- Operating and acquisition lines of credit used as needed and totalling $22.8 million as at December 31, 2010 compared to $0.7 million as at December 31, 2009. The acquisition line of credit of $22.8 million was used for the acquisition of CAGIM outstanding shares. The operating line of credit was not used as at December 31, 2010.
- Accretion of effective interest related to mortgage loans and convertible debentures, using the effective interest method throughout the term of the related debts.

Periods ended December 31 (in thousands of dollars)	Quarter		Fiscal year	
	2010	**2009**	**2010**	**2009**
Interest on mortgage loans	**2,464**	2,115	**9,183**	8,450
Interest on debentures	**534**	534	**2,136**	2,137
Interest on operating and acquisition lines of credit	**673**	3	**1,725**	11
Accretion of effective interest	**417**	193	**1,210**	758
Accretion of liability component of convertible debentures	**124**	111	**472**	424
	4,212	2,956	**14,726**	11,780
% of operating income (net of interest income)	**44.6**	39.4	**42.5**	38.8

The total interest on loans and other financial charges increased by $1,256 during the fourth quarter of 2010 compared to the corresponding quarter in 2009 due to assumed mortgages on acquired properties totalling $360 and the use of the acquisition line of credit for an amount of $607. Interest on loans and other financial charges represent 44.6% of operating revenues for the fourth quarter of 2010 compared to 39.5% for the same period in 2009 and 42.5% compared to 38.8% for the fiscal 2010 and 2009. In January and March 2011 management totally reimbursed the acquisition line of credit.

As at December 31, 2010, the average weighted contractual rate of interest on mortgage loans payable was 5.63%, 21 basis points lower compared to December 31, 2009. This decrease is the result of favourable interest rates from mortgage refinancing for the properties acquired from CAGIM during the second quarter.

Amortization of income-producing properties and intangibles assets

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

GAAP require that the cost of purchasing a building be allocated between tangible assets, comprising the land and the building, and intangible assets, such as operating leases and client relationships. Intangible assets are amortized over to the term of the affected leases on a straight-line basis. The average lease term of the leases in place as at December 31, 2010 is approximately five years. The resulting amortization is therefore accelerated relative to the depreciation of properties, which as previously mentioned, are amortized over 40 years.

Periods ended December 31 (in thousands of dollars)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
Income-producing properties	**1,385**	1,098	**4,960**	4,380
Intangible assets	**699**	458	**2,397**	2,087
Fixed assets	**12**	6	**38**	24
	2,096	1,562	**7,395**	6,491

Amortization of capitalized leasing costs

Leasing costs consist of commissions payable to third party brokers and of incentives paid or granted to tenants when signing or renewing leases. These costs are capitalized and amortized over the term of the leases.

Trust-related administrative expenses

Trust-related administrative expenses include administrative expenses such as compensation paid to management and administrative staff, legal and accounting services, expenses relating to public nature of the Trust, insurance expenses, office expenses and bad debts. The cost in the fourth quarter of 2010 and the fiscal year ended December 31, 2010 for bad debts and legal fees pertaining thereto was $66 and $151 respectively. The implementation of a compensation plan for directors added $91 to expenses for the fourth quarter and $161 since its initial set-up on July 1, 2010.

As more fully described in the section entitled "New Accounting Policies" 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, caused the Trust to incur important additional administrative expenses. These expenses are incurred by the Trust on a punctual basis; however an important portion of these expenses will be incurred on a recurring basis as a result of the required annual evaluation of the fair value of the Trust's properties. For the reader's benefit, the Trust has accounted distinctly for these expenses within the Trust's administration expenses.

Finally, the Trust incurred legal expenses and expenses related to the maintenance of BTB's taxation status to ensure that its trust agreement is in conformity with IFRS principles.

Periods ended December 31 (in thousands of dollars)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
Trust-related administrative expenses	**480**	388	**1,614**	1,392
Reorganisation expenses related to IFRS transition	**80**	95	**266**	170
Expenses for abandoned projects	**-**	-	**34**	-
Real estate management fees	**-**	-	**-**	170
	560	483	**1,914**	1,732
As a % of operating income	**6.0**	6.4	**5.6**	5.7

Settlement of a dispute

Pursuant the acquisition of a real estate portfolio in February 2007, the Trust decided not to acquire one of the portfolio properties. The purchase agreement envisioned the possibility that the Trust would not acquire one or more of the properties if certain conditions were not met. All damages, if so, created by not acquiring one or all of the properties would be limited to the deposit held in trust by the legal counsel of the Trust. The seller served the Trust with notice of a dispute for damages including interest on July 9, 2010 of $1,959. In February 2011, a settlement was reached out of court for $250 between the parties. The Trust had to record this amount and the legal fees pertaining thereto as of December 31, 2010.

Compensation expense related to option plan

During the fiscal year ended December 31, 2010, BTB recorded unit-based compensation totalling $13 for options granted to employees and trustees. The expense for the quarter ended December 31, 2010 was $1. The fair value of the options was calculated using the Black-Scholes option pricing model according to the assumptions explained in Note 11(c) of the financial statements for the period ended December 31, 2010..

Net loss

The net loss amounted respectively to $2,227 and $5,973 for the quarter and fiscal year ended December 31, 2010 compared to $865 and to $2,781 for the same periods of 2009.

Periods ended December 31 (in thousands of dollars except per unit data)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
Net loss	**2,227**	865	**5,973**	2,781
Basic and diluted loss per unit	**5.3¢**	2.6¢	**16.7¢**	8.3¢

EBTDA AND EBITDA

The Trust generated earnings before interest, tax, depreciation and amortization (EBITDA) of $4.3 million, an increase of $0.5 million compared to the fourth quarter of 2009 and of $16.7 million for the fiscal year, an increase of $0.9 million compared to the same period of 2009. EBIDTA per unit declined by 1.1¢ to 10.2¢ compared to the last quarter of 2009 because of the larger than anticipated loss and the issuance of 18 million units in November 2010.

Periods ended December 31 (in thousands of dollars, except per unit data)	Quarter		Fiscal year	
	2010	**2009**	**2010**	**2009**
Net loss	**(2,227)**	(865)	**(5,973)**	(2,781)
Income tax (credits)	**-**	-	**-**	(107)
Compensation expense related to option plan	**1**	6	**13**	24
Amortization of capitalized leasing costs	**202**	147	**617**	382
Amortization of income-producing properties, intangible assets and other assets	**2,096**	1,562	**7,395**	6,491
EBTDA	**72**	850	**2,052**	4,009
+ Interest on loans and other carrying charges - net of interest income	**4,182**	2,950	**14,680**	11,768
EBITDA	**4,254**	3,800	**16,732**	15,777
Per unit data, taking into account the dilution of November 19, 2010				
EBITDA (basic and diluted)	**10.2¢**	11.3¢	**46.8¢**	46.9¢

SEGMENTED INFORMATION

The Trust's operations are derived from four categories of properties, 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 properties for the quarters and fiscal years ended December 31, 2010 and 2009.

Quarter ended December 31, 2010 (in thousands of dollars)	**Office buildings**		**Commercial buildings**		**Industrial buildings**		**Mixed buildings**		**Total**
	$	%	$	%	$	%	$	%	$
Income from income-producing properties	4,269	45.6	1,849	19.7	756	8.1	2,492	26.6	9,366
Net operating income	1,957	38.5	1,273	25.1	526	10.4	1,326	26.0	5,082
Amortization of income-producing properties and intangible assets	1,035	49.7	400	19.2	207	9.9	442	21.2	2,084
Income-producing properties (at amortized cost)	126,039	46.5	62,105	22.9	24,818	9.2	57,911	21.4	270,873

Quarter ended December 31, 2009 (in thousands of 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

Fiscal year ended December 31, 2010 (in thousands of dollars)	**Office buildings**		**Commercial buildings**		**Industrial buildings**		**Mixed buildings**		**Total**
	$	%	$	%	$	%	$	%	$
Income from income-producing properties	15,474	45.3	6,211	18.2	3,194	9.4	9,274	27.1	34,153
Net operating income	7,521	39.8	4,359	23.1	2,282	12.1	4,752	25.0	18,914
Amortization of income-producing properties and intangible assets	3,428	46.6	1,362	18.5	786	10.7	1,781	24.2	7,357

Fiscal year ended December 31, 2009 (in thousands of 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	2,670	41.2	1,255	19.4	748	11.6	1,794	27.8	6,467

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Distributable income does not constitute financial and accounting information as defined by GAAP. It is, however, information frequently given by income trusts. The definition of distributable income is contained in the trust agreement governing BTB and in the 2010 Annual Information Form.

Distributable income corresponds to net income as defined by GAAP, excluding depreciation of income properties, amortization of adjustments to leases which are not at market value as determined at acquisition, unit-based compensation expenses, amortization of deferred rental revenue subsequent to lease adjustment using the straight-line method, profits or losses on the disposition of properties and provision for future income taxes. The Trust also agreed to remove exceptional and non-recurrent items because they do not allow evaluation of Trust performance on a continuing basis.

Periods ended December 31 (in thousands of dollars, except per unit data)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
Net loss (GAAP)	**(2,227)**	(865)	**(5,973)**	(2,781)
+ Amortization of income-producing properties and intangible assets	**2,084**	1,556	**7,357**	6,467
+Amortization of lease adjustment for leases which are not at market value	**206**	91	**839**	494
+Unit-based compensation expenses	**1**	6	**13**	24
+ Subscription warrants issued	**–**	–	**369**	–
+Future income taxes (recovery)	**-**	-	**-**	(107)
+ Deferred rental income - straight-line basis accounting method	**(209)**	(58)	**(455)**	(284)
+ Settlement of a dispute and other non-recurring expenses	**348**	-	**534**	-
Recurring distributable income	**203**	730	**2,684**	3,813
Distribution to unitholders	**918**	677	**2,949**	2,928
Per unit data, taking into account the dilution of November 19, 2010				
Recurring distributable income (basic and diluted)	**0.5¢**	2.2¢	**7.5¢**	11.3¢
Distributions	**2.0¢**	2.0¢	**8.0¢**	8.7¢
Distribution ratio / recurring distributable income	**452.2%**	92.7%	**109.9%**	76.8%

In the fourth quarter of 2010, the distributions represented 452% of the distributable income and for the year ended December 31, 2010, the distribution ratio was 110%.

Explanations were previously given to justify the increase of the net loss for the 2010 periods in comparison with the corresponding periods for 2009. These elements also had a direct impact on the decrease of the distributable income as well as an impact on the decrease of funds from operations (FFO) and adjusted funds from operations (AFFO).

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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 thousands of dollars)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
Cash flows from operating activities (GAAP)	**(265)**	1,870	**3,272**	6,335
- Accretion of effective interest	**(417)**	(193)	**(1,210)**	(758)
- Amortization of capitalized leasing costs	**(202)**	(147)	**(617)**	(382)
- Amortization of fixed assets	**(12)**	(6)	**(38)**	(24)
- Accretion of liability component of convertible debentures	**(124)**	(111)	**(472)**	(424)
- Unit-based compensation (as per management agreements)	**—**	—	**—**	(188)
- Change in non-cash working capital items	**875**	(683)	**1,215**	(746)
- Non-recurring expenses related to reorganisation and IFRS transition	**348**	—	**534**	—
Recurring distributable income	**203**	730	**2,684**	3,813

__Analysis of distributed cash__

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

Periods ended December 31 (in thousands of dollars)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
A. Cash flows from operating activities	**(265)**	1,870	**3,272**	6,335
B. Net loss	**(2,227)**	(865)	**(5,973)**	(2,781)
C. Distributions to unitholders	**918**	677	**2,949**	2,928
D. Surplus (deficit) of cash flows from operating activities to distributions (A - C)	**(1,183)**	1,193	**323**	3,407

BTB may, as required, temporarily finance 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.

FUNDS FROM OPERATIONS (FFO)

The notion of funds from operations ("FFO") does not constitute financial and accounting information as 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 capitalized 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, such as gains or losses from the disposal of income-producing properties.

The following table shows the reconciliation between the net loss established under GAAP and the recurring FFO for the quarters and fiscal years ended December 31, 2010 and 2009:

Periods ended December 31	**Quarter**		**Fiscal year**	
(in thousands of dollars, except per unit data)	**2010**	**2009**	**2010**	**2009**
Net loss (GAAP)	**(2,227)**	(865)	**(5,973)**	(2,781)
+ Amortization of income-producing properties and intangible assets	**2,084**	1,556	**7,357**	6,467
+ Amortization of capitalized leasing costs	**202**	147	**617**	382
+ Future income taxes (recovery)	**-**	-	**-**	(107)
+ Settlement of a dispute and other non-recurring expenses	**348**	-	**534**	-
Recurring FFO	**407**	838	**2,535**	3,961
Per unit data taking into account the dilution of November 19, 2010				
Recurring FFO per unit (basic and diluted)	**1.0¢**	2.5¢	**7.1¢**	11.8¢

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 lease adjustments in accordance with the straight-line method (deferred rental revenue), accretion of effective interest and other assets, amortization of leases which do not reflect market value, accretion 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 provision 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 on a recurring long-term basis the unrecoverable and continuous investments that are necessary to the proper maintenance and to the improvement of its properties.

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 quarterly disbursements for rental fees vary significantly from one quarter to another, management estimates that this provision faithfully presents, in the long term, the average disbursements that the Trust will undertake. These disbursements consist of incentives paid or granted when leases are signed and brokerage commissions.

The following table provides a reconciliation of recurring FFO and recurring AFFO for the quarters and fiscal years ended December 31, 2010 and 2009:

Periods ended December 31 (in thousands of dollars, except per unit data)	**Quarter**		**Fiscal year**	
	2010	**2009**	**2010**	**2009**
Recurring funds from operations	**407**	838	**2,535**	3,961
- Deferred rental revenue	**(209)**	(58)	**(455)**	(284)
+ Amortization of leases not at market value	**206**	91	**839**	494
+ Accretion of effective interest	**417**	193	**1,210**	758
+ Unit-based compensation expenses	**1**	6	**13**	24
+ Accretion of liability component of convertible debentures	**124**	111	**472**	424
+ Amortization of fixed assets	**12**	6	**38**	24
+ Unit-based remuneration under management agreements	**-**	-	**-**	136
- Provisions for non-recoverable capital expenses	**(120)**	(97)	**(442)**	(394)
- Provision for rental fees	**(134)**	(113)	**(584)**	(450)
Recurring AFFO	**704**	977	**3,626**	4,693
Per unit data taking into account the dilution of November 19, 2010				
AFFO per unit (basic and diluted)	**1.7¢**	2.9¢	**10.2¢**	14.1¢
Hedging of distributions with AFFO (payout ratio)			**81%**	60%

The decrease in the AFFO during the fourth quarter of 2010 compared to 2009 is mostly due to the increase of the net loss for the period explained earlier, a change in the method of remuneration that was previously paid to certain officers mostly in units until March 2009 and the increase of the provision for rental expenses.

INCOME TAXES

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The trustees intend to distribute or allocate all of the taxable income to its unitholders and to deduct these 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.

Real estate investment trusts that satisfied specified conditions (the “REIT Exception”) are excluded from the SIFT definition and will therefore 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 at December 31, 2010, 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 UNITHOLDERS

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

Quarters ended December 31	2010	2009
Taxable as other income	—	—
Tax deferred	**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 thousands of dollars, except per unit data)	**2010 Q-4**	**2010 Q-3**	**2010 Q-2**	**2010 Q-1**	**2009 Q-4**	**2009 Q-3**	**2009 Q-2**	**2009 Q-1**
Rental revenue	9,366	8,990	8,397	7,400	7,498	7,632	7,721	7,474
Net operating income	5,082	5,208	4,718	3,906	4,283	4,610	4,499	4,117
Loss from real estate assets	1,398	874	730	776	376	87	153	516
Net loss	2,227	1,375	1,228	1,143	865	549	532	835
Loss per unit-basic and diluted	5.3¢	4.1¢	3.6¢	3.4¢	2.6¢	1.6¢	1.6¢	2.5¢
Recurring FFO	407	714	828	586	838	1,189	1,209	726
FFO per unit-basic and diluted	1.0¢	2.1¢	2.4¢	1.8¢	2.5¢	3.5¢	3.6¢	2.2¢
Recurring AFFO	704	1,049	1,031	842	977	1,310	1,309	1,099
AFFO per unit (basic and diluted)	1.7¢	3.1¢	3.1¢	2.5¢	2.9¢	3.9¢	3.9¢	3.3¢

Note: The presentation of certain elements of the previous quarters has been changed to reflect the presentation used in 2010.

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 table below presents a summary of the assets, liabilities and unitholders' equity as at December 31, 2010 and December 31, 2009. 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 thousands of dollars)	December 31, 2010	December 31, 2009
ASSETS		
Income-producing properties (at amortized cost)	**270,873**	211,365
Property under development	**-**	4,224
Other assets	**14,743**	6,679
Total	**285,616**	222,268
LIABILITIES		
Mortgage loans payable	**180,473**	144,950
Convertible debentures	**24,514**	23,544
Acquisition and operating lines of credits	**22,195**	720
Other liabilities	**9,179**	6,318
Total	**236,361**	175,532
UNITHOLDERS' EQUITY	**49,255**	46,736
Total	**285,616**	222,268

The main changes to the balance sheet as at December 31, 2010 from the balance sheet as at December 31, 2009 result mostly from the acquisition of CAGIM on May 10, 2010.

REAL ESTATE PORTFOLIO

The following table presents information about the property portfolio:

(in thousands of dollars)	December 31, 2010	December 31, 2009
Income properties (at cost)	**296,359**	232,770
Other assets	**14,743**	6,736
Gross book value of the Trust	**311,102**	239,506
Number of properties	**49**	43
Rentable area (in thousands of sq. ft.)	2,857	2,269

Summary by sector of activity as of December 31, 2010

	Number of properties	Leasable area (sq. ft.)	%
Office	18	1,170,100	40.1
Retail	13	536,000	18.6
Industrial	8	577,200	20.2
Mixed use	10	574,100	20.1
Total	**49**	**2,857,400**	**100.0**

RECENT ACQUISITIONS

On May 10, 2010, the Trust acquired by take-over bid Cagim Real Estate Corporation. The properties forming part of the CAGIM portfolio are described on page 10.

On November 22, 2010, the Trust acquired a 50% residual interest in two commercial buildings located in Quebec City for a cost of $10.8 million. The Trust already owned a 50% interest in each of these buildings as the result of the acquisition of the CAGIM portfolio in May 2010.

Subsequent events

On April 4, 2011, the Trust acquired a 50% residual interest in the "Complexe Lebourgneuf" property in Québec City at a cost of $19.3 million. The Trust already owned a 50% interest in this property.

On April 6, 2011, the Trust announced the start of construction of Phase II of the Complexe Lebourgneuf in Québec City. This approximately 120,000 square foot project in which the Fund has a 25% interest will be erected on a lot adjacent to the existing Complexe Lebourgneuf. More than 35% of the rentable area has been pre-leased and the building should welcome its first tenants in the fall of 2011.

REAL ESTATE OPERATIONS

Leasing activities

The table below summarizes the fluctuation in available rentable area during the quarter and fiscal year ended December 31, 2010:

In square feet	Quarter	Fiscal year
Available rentable area at the beginning of period	**265,100**	**194,200**
Acquisition of available rentable and developed areas	-	128,200
Rentable area of expired leases	93,700	170,700
Rentable area of leases terminated before term	15,400	73,400
Rentable area of leases expired and renewed	(41,800)	(89,800)
Rentable area of new leases executed	(50,600)	(196,700)
Other	1,400	3,200
Available rentable area at the end of period	**283,200**	**283,200**

The Trust's leasing activities were vigorous during the quarter and throughout the fiscal year ended December 31, 2010. More than 92,400 square feet were signed with new tenants or renewed during the quarter. For the entire fiscal year, 286,500 square feet were signed, either as renewals or with new tenants.

The acquisition of the CAGIM portfolio in May 2010 added 100,100 square feet vacant and available for leasing. Most of these spaces (90,000 sq.ft.) are in the Complex Le Bourgneuf. As of now, 63,000 square feet have been leased or are the subject of a firm offer for future occupancy.

The average rate of expired and renewed leases during the fourth quarter fell by 9.8%, essentially due to the Hydro-Québec lease in the "Complexe de Léry" building in Trois-Rivières. If the Hydro-Québec lease is excluded, the average rate of increase in lease renewals is 7.7%.

Upon acquisition of the "Complexe de Léry" in 2007, a lease for some 80,000 square feet had been identified as being significantly above the market value. This situation was reflected in the acquisition value of the building. Management estimates that the new leases signed with Hydro-Québec and Société immobilière du Québec for some 72,000 square feet were at market value.

Finally, negotiations have started with most of the tenants whose leases expire in 2011. Furthermore, new tenants have joined or will join the Trust's portfolio.

Occupancy rate

The following table presents occupancy rates by sector of activity based on firm lease agreements signed on the reference date:

Sector of activity	**December 31, 2010**	**September 30, 2010**	**June 30, 2010**	**March 31, 2010**	**December 31, 2009**
Offices	87.2%	88.1%	87.7%	90.7%	93.3%
Commercial	88.3%	88.5%	89.1%	88.9%	88.9%
Industrial	93.4%	93.4%	93.4%	93.3%	90.3%
Mixed use	93.4%	93.4%	92.5%	91.4%	94.2%
Total portfolio	**90.0%**	**90.5%**	**90.2%**	**91.4%**	**91.5%**

The decrease in the occupancy rate during 2010 is partially due to the acquisition of the Complexe Lebourgneuf, construction of which was recently completed. The Complexe currently has an occupancy rate of 78%. Excluding this property, the occupancy rate of the portfolio as at December 31, 2010 would have been 90.5%, down 1.0% compared to 2009. Except for the office sector, of which the Complexe Lebourgneuf is part, the other three sectors of activity have shown stability or improvement in their occupancy rate.

Management is aware of the vacancy rate of its portfolio and has taken serious measures to improve this performance indicator. Thus, in March 2011, the Trust proceeded to hire a new Vice President, Leasing. Since then, an aggressive visibility campaign for the available spaces has been introduced and begun to bear fruit.

Lease maturity

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

	2011	2012	2013	2014	2015
Offices					
Rentable area (sq.ft)	132,127	83,099	163,179	132,546	157,813
Lease rate/square foot ($)	10.15	10.36	10.72	12.78	11.31
% of office portfolio	11.22	7.05	13.85	11.25	13.40
Commercial					
Rentable area (sq.ft)	37,975	4,541	29,918	58,787	34,659
Lease rate/square foot ($)	8.53	16.14	11.09	9.08	10.76
% of commercial portfolio	7.10	0.85	5.59	10.99	6.48
Industrial					
Rentable area (sq.ft)	5,250	115,873	30,279	123,899	-
Lease rate/square foot ($)	7.73	4.05	5.83	3.53	-
% of industrial portfolio	0.91	20.07	5.25	21.46	-
Mixed use					
Rentable area (sq.ft)	132,663	63,176	36,178	64,335	72,566
Lease rate/square foot ($)	8.40	11.91	11.14	13.56	8.59
% of mixed-use portfolio	23.16	11.03	6.32	11.23	12.67
Total portfolio					
Rentable area (sq.ft)	308,015	266,689	259,554	379,567	265,038
Lease rate/square foot ($)	9.15	8.08	10.25	9.32	10.49
% of the portfolio	10.76	9.31	9.07	13.26	9.26

Top 10 tenants

As at December 31, 2010, BTB managed approximately 600 leases, with an average area of 4,500 square feet of space. The three largest tenants are Hydro-Québec, Société immobilière du Québec (SIQ), Annie Fruit and the "Végétarien" stores, accounting respectively for approximately 6.0%, 4.5% and 4.0% of revenues, from a number of leases whose maturities are spread 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 more than 35% of total revenues, ensuring stability and quality of cash flows for the Trust's operating activities.

The table below presents the contribution of BTB's ten largest tenants as a percentage of revenues as at December 31, 2010:

Client	% of revenues	Leased space (sq. ft.)
Hydro-Québec	6.0	41,175
Société immobilière du Québec (SIQ)	4.5	121,609
Annie Fruit Inc. / Le Végétarien	4.0	89,308
Germain Larivière Inc.	3.3	101,194
Commission de la Santé et de la Sécurité du Travail (CSST)	2.8	46,664
Cornwall Warehousing Ltd.	2.7	214,719
Groupe Aro Inc.	2.5	40,000
Canadian Tire	2.0	53,000
Caisse Desjardins	2.0	29,438
Gestion Deloitte s.e.c.	2.0	26,900

CAPITAL RESOURCES

Long-term debt

The following table presents BTB's debt balances as at December 31, 2010, including mortgage loans and convertible debentures, by year of maturity and weighted average contractual interest rates:

:

Years of maturity	Balance of convertible debentures (in $)	Balance of mortgages payable (in $)	Weighted average contractual interest rate (%)
2011	12,883	34,861	5.64
2012	—	52,480	6.18
2013	13,020	26,024	5.31
2014	—	40,211	5.85
2015	—	14,921	5.59
2016	—	—	—
2017	—	12,461	5.63
Total	**25,903**	**180,958**	**5.96**

As at December 31, 2010, the weighted average contractual interest rate of the Trust's long-term debt stood at 5.96%, being 5.63% for mortgages payable and 8.25% for convertible debentures.

Mortgage loans

As at December 31, 2010, the Trust's mortgage loans amounted to $181.0 million compared to $146.1 million as at December 31, 2009, before deferred financing costs and valuation adjustments, an increase of $34.9 million mostly due to the acquisition of the CAGIM portfolio. As at December 31, 2010, the weighted average interest rate was 5.62%, a decrease of 21 basis points compared to 5.84% for the mortgage loans on the books at December 31, 2009. 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 presents the evolution in mortgage loans since the beginning of fiscal 2010:

(in thousands of dollars)	$
Balance as at December 31, 2009	**145,583**
Contracted or assumed mortgage loans	**56,658**
Balance reimbursed at maturity	**(18,785)**
Monthly principal repayments	**(2,298)**
Balance as at December 31, 2010	**180,958**

Note: Before unamortized financing costs.

During the first quarter of 2011, the Trust refinanced three matured mortgages for a total of $6,972 on more favourable terms. The refinancing of these mortgages generated new capital of about $1 million.

The net book value of the mortgaged properties was approximately $267 million as at December 31, 2010. Unamortized loan financing costs totalled $637 and are amortized under the effective interest method for the term of the loans.

The following table, as at December 31, 2010, shows the future mortgage loan repayments for future fiscal years:

Years ended December 31 (in thousands of dollars)				
Maturity	**Yearly principal repayments**	**Balance at maturity**	**Total**	**(%) of total**
2011	3,098	34,035	37,133	20.5
2012	2,761	51,542	54,303	30.0
2013	2,286	24,010	26,296	14.5
2014	1,221	37,808	39,029	21.6
2015	648	12,857	13,505	7.5
2016	417	---	417	0.2
2017	108	10,167	10,275	5.7
Total	**10,539**	**170,419**	**180,958**	**100**
Plus: Valuation adjustments on assumed loans			**152**	
Less: unamortized financing costs			**(637)**	
Balance as at December 31, 2010			**180,473**	

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, 2010, the closing market price for BTB units was $0.76.

Furthermore, the debentures are redeemable at the discretion of the Trust, subject to certain terms and conditions, after October 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 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, 2010, the closing market price of BTB units was $0.76.

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 tradable units to Series B debenture holders.

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

Subsequent event

On January 11, 2011, the Fund closed a market offering in the form of Series C unsecured subordinated convertible debentures at 8% with a principal of $23 million, providing a net capital contribution of $21.4 million.

Bank loans - Operating credit facility

BTB has an operating credit facility of $2 million with a Canadian chartered bank. This credit facility is guaranteed by a collateral mortgage on two properties with a total net book value of $4 million and bears interest at the bank's prime rate, plus 1%. As at December 31, 2010, the credit facility had not been used.

Acquisition credit facility

On March 23, 2010, the Trust announced that it had concluded a two-year commitment for a $25 million acquisition line of credit with Firm Capital Mortgage Fund Inc. (the "lender"). The loan is secured by mortgages on properties directly or indirectly held by the Trust. The loan allows the Trust to acquire income producing properties.

The annual interest rate on the loan is the higher of 10.5% or the prime rate periodically posted from time to time by TD Canada Trust plus 5% annually.

A compensatory payout of warrants to acquire 2,500,000 Units of the Trust was granted to the lender. Each subscription warrant will allow the bearer to acquire one Trust unit for $0.7644 until June 1, 2012. The Trust has the option to renew the line of credit for a period of one year, if it meets the conditions of the loan. If the Trust renews, the lender will be able to exercise the subscription warrants until May 31, 2013. A $22.8 million disbursement was made on May 7, 2010 to acquire the shares of CAGIM. Management fully reimbursed this credit facility in January and March 2011.

<u>Debt ratio</u>

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted the said loan, the total debt 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. Moreover, likewise under its trust agreement, in case of default with respect to this condition, the Trust has 12 months from the date of recognizing this default to perform the transactions necessary to remedy the situation.

The following table presents the Trust's debt ratios as at December 31, 2010 and December 31, 2009.

(in thousands of dollars)	**December 31, 2010**	**December 31, 2009**
Mortgage loans*	**180,958**	145,583
Convertible debentures*	**25,903**	25,903
Bank loans*	**22,850**	720
Total long-term debt	**229,711**	172,206
Gross book value of the Trust	**311,102**	239,506
Loan to value ratio (excluding convertible debentures)	**65.5%**	61.1%
Total loan to value ratio	**73.8%**	71.9%

*excluding issuing expenses

According to the table above, the loan to value ratio excluding the convertible debentures as at December 31, 2010 amounted to 65.5% compared to 61.1% as at December 31, 2009. This increase in the loan to value ratio is attributable to the temporary financing used for the acquisition of CAGIM, which was completed by using an acquisition line of credit. This line of credit was been entirely repaid in the first quarter of 2011.

On a pro forma basis, and considering the issuance of convertible debentures in January 2011 and the repayment of the acquisition line of credit, the debt ratio would have been 60.1% excluding the convertible debentures and 71.5% for the total ratio.

The following table presents the interest coverage ratio as at December 31, 2010 compared to the December 31, 2009 ratio.

(in thousands of dollars, except for the ratios)	December 31, 2010	December 31, 2009
EBITDA [(1)]	**16,732**	11,975
Interest on loans	**12,998**	7,945
Interest coverage ratio	**1.29**	1.51

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

On a pro forma basis, and considering the issuance of convertible debentures in January 2011 and the repayment of the acquisition line of credit, the interest coverage ratio would have been 1.33, respectively.

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	December 31, 2010	December 31, 2009
Trust units	**80,679**	69,620
Contributed surplus	**2,732**	2,350
Cumulative loss	**(13,669)**	(7,696)
Cumulative distributions to unitholders	**(20,487)**	(17,538)
	49,255	46,736

Trust units

On November 19, 2010, the Trust announced that it had closed its public offering of 18,000,000 units, including the underwriters' over-allotment option for total gross proceeds of $12,060. The net proceeds of about $11,100 were used to finance acquisitions and for general working capital purposes.

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	
	2010	**2009**	**2010**	**2009**
Outstanding units, beginning of period	**33,691,725**	33,691,725	**33,691,725**	33,352,391
Units issued				
- Public/private placement	**18,000,000**	—	**18,000,000**	
- Other issuances	—	—	—	339,334
Units outstanding, end of period	**51,691,725**	33,691,725	**51,691,725**	33,691,725
Weighted average number of units outstanding (basic)	**41,909,116**	33,691,725	**35,762,958**	33,638,296
Weighted average number of units outstanding (diluted)	**41,909,116**	33,691,725	**35,762,958**	33,638,296

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

Subsequent event

On March 29, 2011, the Trust announced the closing of an offering of 19,450,000 units at $0.90 per unit, for gross proceeds of $17.5 million. The net proceeds of approximately $16.4 million were used to finance the acquisition of the residual interest in Complexe Lebourgneuf and to repay the acquisition line of credit.

On April 14, 2011, the Trust announced the exercise by the underwriters of their overallotment option on 2,848,000 units at a price of $0.90 per unit, for total net proceeds of approximately $2.5 million.

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:

Quarter ended December 31	2010		2009	
	Unit options	Weighted average exercise price ($)	Unit options	Weighted average exercise price ($)
Outstanding, beginning of quarter	**2,785,000**	**2.26**	2,785,000	2.26
Granted	**—**	—	—	—
Exercised	**—**	—	—	—
Outstanding, end of quarter	**2,785,000**	**2.26**	2,785,000	2.26
Options vested as of December 31	**2,735,000**	**2.25**	2,392,000	2.18
Weighted average remaining term to maturity (years)		**1.50**		2.50

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.

During the fiscal year, 440,000 unit options were granted at an exercise price of $0.68 but remain subject to unitholder approval.

<u>Subscription warrants</u>

At the time of disbursement of the acquisition line of credit, the Trust granted Firm Capital Mortgage Fund a disbursement fee of 2,500,000 warrants to purchase units of the Trust. Each warrant entitles its owner to purchase one unit of the Trust at a price of $0.7644 per unit until June 1, 2012 and until May 31, 2013 if the loan is renewed.

Quarter ended December 31	2010		2009	
	Number	**Exercise price**	**Number**	**Exercise price**
Outstanding at beginning of quarter	**—**	**—**	—	—
Warrants granted	**2,500,000**	**$0.7644**	—	—
Warrants exercised	**—**	**—**	—	—
Outstanding at end of quarter	**2,500,000**	**$0.7644**	**—**	**—**

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, 2010	December 31, 2009
Units outstanding	**51,691,725**	33,691,725
Unit options	**2,785,000**	2,785,000
Warrants	**2,500,000**	—
Convertible debentures Series A	**5,052,157**	5,052,157
Convertible debentures Series B	**5,660,870**	5,660,870
	67,689,752	47,189,752

The potential issuance of units under convertible debentures will have 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, 2010 audited financial statements and the reader is invited to refer to these 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 capitalized 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

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

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. For BTB, changeover from Canadian GAAP to IFRS takes place on January 1, 2011. BTB has evaluated the potential impact of IFRS on its consolidated financial statements.

IFRS conversion plan

BTB has developed an IFRS changeover plan for the conversion of GAAP consolidated financial statements to IFRS. The financial management has developed accounting positions and implemented the changes necessary for disclosure according to IFRS standards. This work was done in collaboration with the external auditors and recommendations were submitted and adopted by the Audit Committee.

An update of the key elements of the Trust's IFRS conversion plan include, but are not limited to:

Impact assessment	Selected key activities	Progress to date
Financial statement presentation	Identification of differences between IFRS and GAAP	Complete
	Assess and select accounting policy	Assessment and selection of accounting policies completed
	Quantify the effects related to conversion to IFRS	Quantification of effects practically completed
	Prepare financial statements and related note disclosures to comply with IFRS	Preparation of a basic model for the quarterly and annual financial statements under way
	Audit of the IFRS opening balance sheet	Audit of the opening balance sheet is under way

Impact assessment	Selected key activities	Progress to date
Business impacts of IFRS	Identify required resources - valuation and accounting - for technical analysis and implementation during the transition	Complete
	Develop a real estate valuation strategy	Complete
	Complete real estate valuation for the opening balance sheet as at January 1, 2010	Valuation completed
	Determine impact of IFRS on contractual agreements and make changes where necessary	Identification completed and change made to the trustees' agreement to eliminate the obligation to distribute its taxable income
Training and communication	Technical training of accounting staff	Training completed
	Communication of progress of conversion plan to internal and external stakeholders	Ongoing communication to external stakeholders through MD&A disclosure
	Educate Board of Trustees and the Audit Committee on the effects of IFRS	Board of Trustees and Audit Committee are updated on a quarterly basis
Information technology and data systems	Identify and address IFRS differences that require changes to financial communication systems	Significant changes were identified
	Evaluation and selection of methods allowing dual record keeping during 2010	Implementation of parallel record keeping completed.
Internal control over financial reporting and disclosure controls and procedures	Design and implement real estate valuations process	BTB completed valuation of its real estate portfolio
	Revise existing control processes and procedures to address significant changes to existing accounting policies and requirement for dual record keeping during 2010	Differences associated with IFRS with an impact on processes were identified and the implementation of significant changes to processes is under way

Impact of adoption of IFRS

Adoption of IFRS will initially require retrospective application as of the transition date, on the basis that an entity has prepared its financial statements in accordance with IFRS since its formation. Certain adoptive relief mechanisms are available under IFRS to assist with difficulties associated with reformulating historical accounting information. The general relief mechanism is to allow for prospective, rather than retrospective treatment, under certain conditions as prescribed by IFRS 1, First-time Adoption of International Financial Reporting Standards. The standard specifies that adjustments arising on the conversion of IFRS from

Canadian GAAP should be recognized in opening retained earnings. It is currently anticipated that the only IFRS 1 optional exemption will relate to the business combinations. IFRS 1 generally provides for the business combinations standard to be applied either retrospectively or prospectively from the date of transition to IFRS (or to restate all business combinations after a selected date). Retrospective application would require an entity to restate all prior transactions that meet the definition of a business under IFRS.

Although BTB has elected to apply the business combinations standard prospectively to new business combinations consummated from January 1, 2010, the application of this election is expected to be limited because the Trust plans to revalue at their fair value all of its investment property at transition to IFRS.

IFRS Accounting Standards

IFRS is premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective for BTB's first annual reporting period under IFRS for the year ending December 31, 2011. Certain accounting policies currently expected to be adopted under IFRS, and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact may be different than the Trust's current expectations. Further, the IASB is currently in the process of amending a number of accounting standards that will be applicable to the Trust. As these IFRS standards are amended, and as the Trust continues to evaluate the impact of adoption on its processes and accounting policies, BTB will provide updated disclosure where appropriate.

To date, the significant differences between IFRS and GAAP that might impact BTB's financial statements are as follows:

IAS 40, Investment Property

Investment property is immovable property held to earn rental revenue or for capital appreciation, or both. When implementing IFRS, BTB must account for its investment properties using either the cost model or the fair value model in its balance sheet. The cost model is similar to GAAP. Under the fair value model, any gain or loss arising from a change in the fair value of an investment property is recognized in the statement of earnings for the period in which it arises. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. With the fair value model, investment property is not depreciated.

The Board of Trustees has approved the use of the fair value model to measure investment properties when IFRS come into effect. This will lead to significant adjustments to the opening balance sheet, including the opening balances of income properties and unitholders' equity.

Summary of the impact of the adoption of IFRS on investment properties

BTB has used an outside firm of professional appraisers to evaluate its portfolio as at January 1, 2010. These used the direct capitalization method, the discounted cash flow method and the use of comparables to evaluate its investment properties.

The capitalization rates used varied between 7.75% and 9.75%, resulting in a weighted average overall rate of 8.7% for the whole portfolio.

BTB expects the fair value of its investment properties according to IFRS as at January 1, 2010 to be $213 million, a reduction of $2 million compared to the book value according to GAAP.

The BTB debt ratio, excluding convertible debentures, should increase to 66.3% as at January 1, 2010, according to IFRS, compared to 60.8% as previously published under GAAP.

Business combinations

IFRS and GAAP, now present a number of differences with respect to the accounting for business combinations. One of the major differences between the two is that under IFRS, transaction costs must be expensed as incurred, while under GAAP, these amounts are included in the acquisition cost.

As mentioned above, BTB intends to apply an optional exemption that will enable it to apply IFRS provisions only to business combinations that occur after the transition date. BTB therefore does not plan to recognize any adjustment in the IFRS opening balance sheet for this difference in accounting methods.

IAS 32, Financial Instruments - Presentation

According to this standard, trust units may be treated as liabilities rather than as equity. For GAAP and IFRS purposes, a trust unit is a financial instrument and must be disclosed as a liability if there is a contractual obligation to deliver cash or another financial asset to another entity. In the case of BTB, the obligation of the trustees to pay its unitholders all of its taxable income as per the *Income Tax Act* would result in treating the trust units as a liability for IFRS purposes. At the annual and special meeting of unitholders held on June 29, 2010, the Trust's unitholders adopted the desired amendments to the trust agreement and eliminated the requirement that the Trust distribute all of its taxable income. Implementation of this amendment will enable BTB to continue to include its issued and outstanding units and its distributions in unitholders' equity without having to reclassify these units as liabilities and the distributions as an expense for the year in which IFRS are adopted.

Standing Interpretations Committee ("SIC") Interpretation SIC-15, Operating Leases - Incentives

Under GAAP, leasehold improvements and certain other leasing costs are capitalized and expensed to income as amortization over the lease term. Under IFRS, these incentives or a portion thereof may be viewed as incentives provided to the tenant, which must be recognized as a reduction in rental income over the lease term. Application of this interpretation will affect only the presentation of financial data.

IAS 12, Income Taxes

BTB is a real estate investment trust 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. According to the Emerging Issues Committee EIC-107, Application of Section 3465 to mutual fund trusts, real estate investment trusts, royalty trusts and income trusts, 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 investments and the tax basis of the properties. IFRS does not currently include any standard equivalent to EIC-107. Under the current IFRS on income taxes, it appears that REIT will be permitted not to recognize future income taxes if the trust meets the criteria required to qualify for the REIT exemption.

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. Controls and procedures are also developed to ensure 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, 2010, pursuant to the requirements of Multilateral Instrument 52-109.

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 business and 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, however, there can be no assurance that BTB will be able to complete acquisitions on terms and conditions that meet its investment criteria. Furthermore, there can 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 4,500 square feet, and that there are 600 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 trust agreement 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 trust agreement, 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 trust agreement 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, 2010, 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 2010 BTB Annual Information Form available at www.sedar.com.