

Interim Consolidated Financial Statements of  
(Unaudited)

## **BTB REAL ESTATE INVESTMENT TRUST**

Three-month and nine-month periods ended September 30, 2010

# BTB REAL ESTATE INVESTMENT TRUST

Interim Consolidated Financial Statements  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010

## Financial Statements

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# BTB REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheet  
(Unaudited)

September 30, 2010, with comparative figures as of December 31, 2009  
(in thousands of dollars)

	2010	2009
<b>Assets</b>		
Income-producing properties (note 4):		
Buildings	\$ 204,536	\$ 163,437
Land	48,737	39,676
Intangible assets	8,235	8,252
	<u>261,508</u>	<u>211,365</u>
Property under development	–	4,224
Fixed assets	114	29
Capitalized charges and other assets (note 5)	4,926	2,821
Prepaid expenses	2,777	1,883
Accounts receivable (note 6)	2,916	1,570
Cash and cash equivalents	1,508	376
	<u>\$ 273,749</u>	<u>\$ 222,268</u>
<b>Liabilities and Unitholders' Equity</b>		
Mortgage loans (note 7)	\$ 174,361	\$ 144,950
Convertible debentures (note 8)	24,267	23,544
Bank loans and line of credit (note 9)	24,224	720
Accounts payable and accrued liabilities	9,331	6,092
Distributions payable to unitholders	226	226
	<u>232,409</u>	<u>175,532</u>
Unitholders' equity (note 10)	41,340	46,736
Litigation (note 17)		
Subsequent events (note 18)		
	<u>\$ 273,749</u>	<u>\$ 222,268</u>

See accompanying notes to unaudited interim consolidated financial statements.

Approved by the Board

Michel Léonard \_\_\_\_\_, Trustee

Jocelyn Proteau \_\_\_\_\_, Trustee

# BTB REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statement of Earnings  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010, with comparative figures for the three-month and nine-month periods ended September 30, 2009  
(in thousands of dollars, except per unit amount)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
Operating revenues:				
Rental revenue from income-producing properties	\$ 8,990	\$ 7,632	\$ 24,787	\$ 22,828
Operating expenses:				
Operating costs	1,458	1,231	4,207	3,873
Property taxes and utilities	2,324	1,791	6,748	5,729
	3,782	3,022	10,955	9,602
Operating income before the undernoted items	5,208	4,610	13,832	13,226
Interest on loans	3,589	2,655	9,373	7,945
Amortization of deferred financing costs	346	192	793	566
Amortization of buildings and improvements	1,332	1,098	3,575	3,282
Amortization of intangible and other assets	629	561	1,724	1,647
Amortization of deferred leases cost	75	86	415	234
Interest accretion expenses on convertible debentures	118	106	348	313
Interest income	(7)	(1)	(16)	(7)
	6,082	4,697	16,212	13,980
Loss from real estate assets	874	87	2,380	754
Trust-related administrative expenses	501	456	1,354	1,081
Property management expenses	–	–	–	170
Unit-based compensation	–	6	12	18
Operating loss before income taxes	1,375	549	3,746	2,023
Future income taxes credit (note 11)	–	–	–	107
Net loss and comprehensive income	\$ 1,375	\$ 549	\$ 3,746	\$ 1,916
Loss per unit basic and diluted (note 12)	\$ 0.041	\$ 0.016	\$ 0.111	\$ 0.051

See accompanying notes to unaudited interim consolidated financial statements.

# BTB REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statement of Unitholders' Equity  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010, with comparative figures for the three-month and nine-month periods ended September 30, 2009  
(in thousands of dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
<b>Unitholders' contributions:</b>				
Balance, beginning of period	\$ 69,620	\$ 69,620	\$ 69,620	\$ 69,539
Issuance of units	—	—	—	188
Future income taxes	—	—	—	(107)
<b>Balance, end of period (note 10)</b>	<b>\$ 69,620</b>	<b>\$ 69,620</b>	<b>\$ 69,620</b>	<b>\$ 69,620</b>
<b>Cumulative loss:</b>				
Balance, beginning of period	\$ (10,067)	\$ (6,282)	\$ (7,696)	\$ (4,915)
Net loss	(1,375)	(549)	(3,746)	(1,916)
<b>Balance, end of period</b>	<b>\$ (11,442)</b>	<b>\$ (6,831)</b>	<b>\$ (11,442)</b>	<b>\$ (6,831)</b>
<b>Cumulative distributions:</b>				
Balance, beginning of period	\$ (18,892)	\$ (16,183)	\$ (17,538)	\$ (14,610)
Distributions to unitholders	(677)	(677)	(2,031)	(2,250)
<b>Balance, end of period</b>	<b>\$ (19,569)</b>	<b>\$ (16,860)</b>	<b>\$ (19,569)</b>	<b>\$ (16,860)</b>
<b>Contributed surplus:</b>				
Balance, beginning of period	\$ 548	\$ 155	\$ 167	\$ 143
Unit options vested	—	6	381	18
<b>Balance, end of period</b>	<b>\$ 548</b>	<b>\$ 161</b>	<b>\$ 548</b>	<b>\$ 161</b>
<b>Equity component of convertible debentures (note 8):</b>				
Balance, beginning of period	\$ 2,183	\$ 2,183	\$ 2,183	\$ 2,183
<b>Balance, end of period</b>	<b>\$ 2,183</b>	<b>\$ 2,183</b>	<b>\$ 2,183</b>	<b>\$ 2,183</b>
<b>Unitholders' equity</b>	<b>\$ 41,340</b>	<b>\$ 48,273</b>	<b>\$ 41,340</b>	<b>\$ 48,273</b>

See accompanying notes to unaudited interim consolidated financial statements.

# BTB REAL ESTATE INVESTMENT TRUST

Interim Consolidated Statement of Cash Flows  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010, with comparative figures for the three-month and nine-month periods ended September 30, 2009  
(in thousands of dollars)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
<b>Cash flows from operating activities:</b>				
Net loss	\$ (1,375)	\$ (549)	\$ (3,746)	\$ (1,916)
Net change in non-cash items:				
Amortization of income-producing properties and intangible assets	1,949	1,652	5,274	4,911
Accretion expense on convertible debentures	118	106	348	313
Amortization of deferred financing costs	346	192	793	566
Amortization of straight-line lease adjustment	(79)	(70)	(246)	(226)
Amortization of off-market value attributable to leases	205	91	633	403
Amortization of capitalized leases cost	75	86	415	235
Unit option-based compensation expenses	—	6	12	18
Property management expenses	—	—	—	188
Future income taxes	—	—	—	(107)
Amortization of fixed assets	12	7	25	18
	1,251	1,521	3,508	4,403
Net change in non-cash operating working capital items	(198)	(106)	1,532	(622)
	1,053	1,415	5,040	3,781
<b>Cash flows from financing activities:</b>				
Mortgage loans, net of financing costs	325	(40)	22,695	24
Reimbursement of mortgage loans	(680)	(529)	(21,092)	(1,518)
Bank loans	(135)	40	23,380	280
Deferred financing costs	(20)	—	349	—
Distributions to unitholders	(677)	(677)	(2,031)	(2,469)
	(1,187)	(1,206)	23,301	(3,683)
<b>Cash flows from investing activities:</b>				
Business acquisition (note 3)	—	—	(20,350)	—
Additions to income-producing properties	(1,231)	—	(3,055)	(91)
Deferred leasing cost	(833)	—	(3,799)	—
Other assets	—	—	(5)	(12)
	(2,064)	—	(27,209)	(103)
Net change in cash and cash equivalents	(2,198)	209	1,132	(5)
Cash and cash equivalents, beginning of period	3,706	143	376	357
Cash and cash equivalents, end of period	\$ 1,508	\$ 352	\$ 1,508	\$ 352

See accompanying notes to unaudited interim consolidated financial statements.

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

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BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil Code of Québec pursuant to a trust agreement dated July 12, 2006, as amended and updated on August 1, 2006. Pursuant to a plan of arrangement, BTB acquired all of the assets of Capital ABTB Inc. ("ABTB") on October 3, 2006, in exchange for BTB's units. This arrangement is accounted for under the continuity of interests method.

## 1. Presentation:

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), using the same accounting policies as outlined in note 1 to the audited consolidated financial statements for the year ended December 31, 2009. BTB Real Estate Investment Trust's unaudited interim consolidated financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. These interim consolidated financial statements have not been reviewed by the Trust's auditors.

## 2. Future accounting policies:

The Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB") has announced its decision to require that all publicly accountable enterprises be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. On that date, IFRS will replace the current Canadian GAAP, which will have a significant impact on the financial reporting of publicly accountable enterprises. Management is currently evaluating the impact that the future adoption of IFRS will have on the Trust's financial statements.

## 3. Acquisitions:

Business combinations carried in 2010:

In May 2010, the Trust acquired 100% of the common shares of Corporation immobilière CAGIM ("CAGIM"). CAGIM is a real estate corporation headquartered in Québec, and owns a real estate portfolio of six high quality properties, consisting of three office buildings, two retail buildings, one industrial building and a land for future development.

Three of the buildings are owned in Partnership.

A cash consideration of \$21,492 or \$20,350, net of cash acquired of \$1,142, was paid for this acquisition.





# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

### 3. Acquisitions (continued):

The transaction was accounted for using the purchase method. The results of operations of the business acquired are included in the interim consolidated financial statements from their acquisition date.

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

Income properties:		
Buildings		\$ 38,361
Land		7,172
Intangible assets:		
In-place operating leases		618
Client relationships		1,659
		47,810
Prepaid expenses and other		781
Accounts receivable		1,633
Mortgages payable		(27,564)
Accounts payable and accrued liabilities		(2,310)
Purchase price, less cash acquired		\$ 20,350

The purchase price allocation at fair market value has not been finalized during the period and is subject to change.

### 4. Income-producing properties:

	September 30, 2010		
	Cost	Accumulated amortization	Amortized cost
Buildings	\$ 218,072	\$ 13,536	\$ 204,536
Land	48,737	—	48,737
Intangible assets	17,897	9,662	8,235
	\$ 284,706	\$ 23,198	\$ 261,508

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 4. Income-producing properties (continued):

	December 31, 2009		
	Cost	Accumulated amortization	Amortized cost
Buildings	\$ 173,213	\$ 9,776	\$ 163,437
Land	39,676	—	39,676
Intangible assets	15,434	7,182	8,252
	<u>\$ 228,323</u>	<u>\$ 16,958</u>	<u>\$ 211,365</u>

Profits from the acquired buildings are accounted for in the consolidated statement of income as of their date of acquisition.

On a regular basis, the Trust incurs capital expenditures to continue to enhance its buildings. These capital expenditures, which relate to renovation, modernization and upgrade work, were incurred in order to maintain and expand the capacity and performance of the real estate portfolio. In the first three quarters of 2010, these investments totalled \$3,055 (2009 - \$91) and are generally non-recoverable from tenants.

## 5. Capitalized charges and other assets:

	September 30, 2010	December 31, 2009
Capitalized charges and other assets, at amortized cost:		
Leasing expenses	\$ 4,312	\$ 2,087
Deposits and other assets	614	734
	<u>\$ 4,926</u>	<u>\$ 2,821</u>

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 6. Accounts receivable:

	September 30, 2010	December 31, 2009
Accounts receivable	\$ 1,679	\$ 652
Rents receivable, on a straight-line basis	1,237	918
	<b>\$ 2,916</b>	<b>\$ 1,570</b>

## 7. Mortgage loans:

Certain mortgages on income-producing properties assumed in connection with acquisitions carried out during the year were adjusted to reflect their fair value using the market interest rate at the acquisition date. These fair value adjustments are amortized over the remaining term of the loans using the effective interest rate method and recorded under interest on loans.

Mortgage loan issuance costs are deducted from the loan amounts, amortized over the term of the loans using the effective interest rate method and recorded under amortization of financing costs.

Mortgage loans are secured by immovable hypothecs on income-producing properties having a net carrying amount of approximately \$254,000. They bear interest at annual rates ranging from 3.32% to 8.00%. The weighted average contractual rate was 5.64% as at September 30, 2010. They are payable monthly, and mature between December 2010 and April 2017.

Mortgage loan repayments of future financial years are as follows:

	Principal repayment	Balances at expiry	Total
2010 (3 months)	\$ 701	\$ 1,028	\$ 1,729
2011	2,896	33,007	35,903
2012	2,588	49,412	52,000
2013	2,205	19,908	22,113
2014	1,222	37,808	39,030
2015	648	12,857	13,505
2016	416	-	416
2017	108	10,167	10,275
	<b>\$ 10,784</b>	<b>\$ 164,187</b>	<b>174,971</b>
Plus fair value increment on assumed loans			163
Less unamortized financing costs			(773)
			<b>\$ 174,361</b>

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 8. Convertible debentures:

As at September 30, 2010, the Trust had a series of outstanding convertible debentures:

	Principal	Interest rate	Conversion price per unit	Interest payment	Maturity
Series A	\$ 12,883	8.0%	\$ 2.55	Semi-annual	October 2011
Series B	13,020	8.5%	2.30	Semi-annual	March 2013

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

	Series A	Series B	Total
Liabilities	\$ 11,381	\$ 12,339	\$ 23,720
Unitholders' equity	1,502	681	2,183
Capital	\$ 12,883	\$ 13,020	\$ 25,903

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

	Series A	Series B	September 30, 2010	December 31, 2009
Liability component upon issuance	\$ 11,381	\$ 12,339	\$ 23,720	\$ 23,720
Accretion of liability component	1,134	300	1,434	1,085
	12,515	12,639	25,154	24,805
Less unamortized financing costs	(239)	(648)	(887)	(1,261)
Liability component	\$ 12,276	\$ 11,991	\$ 24,267	\$ 23,544

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

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## 8. Convertible debentures (continued):

### Series A:

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

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

### Series B:

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

Debentures are not redeemable before March 31, 2011, except in the case of a change in control. As of March 31, 2011, but before March 31, 2012, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the TSX Venture Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 150% of the conversion price. As of March 31, 2012, but before March 31, 2013, under certain conditions, the debentures will be redeemable, in whole or in part at any time for a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the current market price on the day prior to the date on which the notice of redemption is given is at least 125% of the conversion price.

## 9. Bank loans:

The Trust has available an acquisition line of credit facility for an amount of \$25,000 for a period of two years. The line of credit is guaranteed by loans against properties held by the Trust. This facility bears interest at the higher of 10.5% per year and the preferred interest rate of TD Canada Trust plus 5% per year.

The lender also has the right to 2,500,000 warrants to acquire units of the Trust. Each warrant permits the holder to acquire one unit at a price of \$0.7684 up to June 1, 2012.

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 9. Bank loans (continued):

Under certain conditions, the Fund has the right to renew this loan for one year. If the loan is renewed the lenders warrants will be exercisable until the 31<sup>st</sup> of March 2013. At September 30, 2010, the Trust used \$22,850 of this credit facility.

The Trust has also available an operating credit facility for a maximum amount of \$2,400. This facility bears interest at a rate of 1% above the base rate. This credit facility is secured by an immoveable hypothec on two properties having a carrying amount of \$4,025,000. As at September 30, 2010, the Trust used an amount of \$2,211 under this credit facility.

(a) The trust units issued and outstanding are as follows:

	Number of units		Value		Nine-month period ended September 30, 2010		2009	
Units outstanding, beginning of period	33,691,725		\$	69,620	33,352,391		\$	69,539
Units issued:								
Other issuances	–		–		339,334			188
Issued under exercise of options	–		–		–			–
	33,691,725			69,620	33,691,725			69,727
Future income tax	–		–		–			(107)
Units outstanding, end of period	33,691,725		\$	69,620	33,691,725		\$	69,620

(b) Unit option plan:

The Trust may grant options to its trustees, senior officers, investor relations consultants and technical consultants. The maximum number of units reserved for issuance under the unit option plan may not exceed 10% of the total number of units issued and outstanding. The trustees set the units' exercise price at the grant date under the plan; the exercise price may not be less than the units' quoted market price at the grant date, as set out in the TSX Venture Exchange's guidelines. The options have a minimum term of five years as of the grant date and vest over a period of up to 18 months.

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 10. Trust units issued and outstanding (continued):

### (b) Unit option plan (continued):

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

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

	September 30, 2010		September 30, 2009	
	Unit options	Weighted average exercise price	Unit options	Weighted average exercise price
Outstanding, beginning of period	2,785,000	\$ 2.26	2,785,000	\$ 2.26
Granted	—	—	—	—
Exercised	—	—	—	—
Outstanding, end of period	2,785,000	\$ 2.26	2,785,000	\$ 2.26
Options vested, as at September 30	2,735,000	\$ 2.25	2,392,000	\$ 2.18
Weighted average term to expiry (years)		1.74		2.75

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 10. Trust units issued and outstanding (continued):

### (c) Unit-based compensation:

The compensation costs associated with the options granted were calculated using the Black-Scholes option pricing model based on the following assumptions:

Grant date	Volatility	Exercise price	Weighted average return on distributions	Weighted risk-free interest rate
January 26, 2006	75.0%	\$ 1.00	– %	4.03%
October 3, 2006	15.3%	2.15	14.35%	3.90%
April 2, 2007	15.3%	2.65	10.60%	4.01%
June 15, 2007	15.3%	2.76	18.10%	4.71%
September 8, 2008	32.0%	1.11	14.41%	3.01%
October 1, 2008	32.0%	0.90	17.77%	3.11%

Compensation expense is amortized using the graded vesting method.

The Black-Scholes option pricing model was developed to estimate the fair value of unrestricted exchange-traded options. In addition, option pricing models are based on highly subjective assumptions, including expected stock price volatility. Because the unit options of BTB's trustees, officers and employees are significantly different from exchange-traded options, and because changes in the subjective assumptions used can materially affect fair value estimates, in BTB management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the unit options of BTB's trustees, officers and employees.

### (d) Warrants:

The Trust has provided to a lender 2,500,000 warrants to acquire units of the Trust as remuneration for the line of credit.

Date of grant	Acquisition	Expiry date <sup>(i)</sup>	Exercise price
May 10, 2010	100%	June 1, 2012	\$ 0.7644

<sup>(i)</sup> Under certain conditions, the Trust will have the option to renew the loan for one year, at which time the warrants life will then be extended to May 31, 2013.



# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

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## 11. Income taxes:

For income tax purposes, the Trust qualifies as a "Mutual Fund Trust." In keeping with the terms of the Trust Agreement, trustees intend to distribute or allocate all taxable income earned directly by the Trust to the unitholders and to deduct these distributions and allocations for income tax purposes. Therefore, no income tax provision is required.

New tax system:

In the interest of tax fairness, the Canadian Department of Finance introduced measures into the Tax Act to provide for levying a tax on specified investment flow-through ("SIFT") distributions so as to align the taxation of these entities more closely with that of companies. The new tax system does not apply to SIFT Trusts that qualify as Real Estate Investment Trusts ("REIT") for any given taxation year. Globally, a Trust based in Canada is a REIT if its activities consist of acquiring and managing real estate and if it complies with certain rules governing its assets and revenues.

If the Trust continues to meet the qualifying conditions, the Trust will qualify as a REIT. The officers of the Trust have all the intentions to meet the conditions going forward.

## 12. Earnings per unit:

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

	September 30, 2010	September 30, 2009
Weighted average number of units outstanding - basic	33,691,725	33,620,290
Dilutive effect of options and warrants	—	—
Weighted average number of units outstanding - diluted	33,691,725	33,620,290

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

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 13. Related party transactions:

During the year, BTB entered into transactions with companies controlled by unitholders who are also members of the Trust's management. These transactions, which were carried out in the normal course of business, were measured at the exchange amount and recorded in the financial statements as follows:

	Nine-month period ended	
	September 30, 2010	September 30, 2009
Property management expenses	\$ —	\$ 170

In February 2009, the Trust and this related party agreed to terminate the agreement.

## 14. Capital management:

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

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

The capital of the Trust is as follows:

	September 30, 2010	December 31, 2009
Mortgage loans	\$ 174,361	\$ 144,950
Convertible debentures	24,267	23,544
Bank loans	24,224	720
	222,852	169,214
Unitholders' equity	41,340	46,736
	\$ 264,192	\$ 215,950
Overall debt/total gross asset ratio	75.0%	70.6%
Debt/ total gross asset ratio (excluding convertible debentures)	66.9%	60.8%

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

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## 14. Capital management (continued):

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

## 15. Financial instruments:

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

Risk management strategies are likely to evolve in response to future conditions and circumstances, including the effects and consequences resulting from the current economic downturn. These future strategies may not fully insulate the Trust in the near term from adverse effects, the more significant of which relate to liquidity and capital resources as well as exposure to credit losses.

### (a) Interest rate risk:

Interest rate risk reflects the risk of changes in the fair value or future cash flows of a financial instrument because of fluctuations in market interest rates. The Trust reduces its interest rate risk by spreading the maturities of its loans over a number of years and generally recovering its long-term debt bearing interest at a fixed rate. Accounts receivable and accounts payable and accrued liabilities do not bear interest.

All other mortgage loans and convertible debentures bear interest at fixed rates.

A 100-basis point increase or decrease in the average interest rate for the fiscal year, assuming that all the other variables stay the same, would have had no significant impact on the Trust's net income as at September 30, 2010.

### (b) Credit risk:

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. BTB mitigates this risk by varying its tenant mix and spreading lease terms. Also, it is careful to avoid dependence on a single tenant which would represent a large portion of the Trust's operating revenue by analyzing the credit rating of any new major tenants. The Trust analyzes its accounts receivable on a regular basis and apply an allowance for doubtful accounts against the receivables for which there is a significant risk of non-recovery.

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
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## 15. Financial instruments (continued):

### (c) Risk of liquidity:

Management of the liquidity risk requires the maintenance of sufficient cash resources, access to financing by means of committed credit facilities and the ability to lease vacant units. Because of the changing nature of underlying activities, the objective of the Trust is to ensure that it has flexibility and financing possibilities by maintaining its approved line of credit, by obtaining additional mortgage loans as the value of rental properties increases and by issuing convertible debentures or units in the market. Despite difficult conditions in capital markets during the year ended December 31, 2009, the Trust was able to renew its operating line of credit, in addition to obtaining additional term mortgage loans.

Term mortgage loan payments will mature in 2010, totalling \$1,028. The main assumptions used by the Trust to estimate future cash flows in order to assess credit risk are as follows: the renewal or replacement of revolving credit facilities in 2010 under reasonable conditions in the normal course of business; no bankruptcy of a large tenant and the renewal of term mortgage loans of \$1,028, maturing in 2010 under reasonable conditions, in the normal course of business. Management believes that it has taken into consideration all the facts and reasonable circumstances at the present time in order to make appropriate assumptions. However, there is always a risk that significant changes affecting market conditions may call the assumptions used into question.

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

As at September 30, 2010, the Trust was in compliance with all the covenants to which it was subject.

The Trust's cash position is regularly monitored by management. A schedule for the repayment of the principal of mortgage loans and other debt is shown in note 7.

### (d) Fair value:

The fair value of BTB's financial assets and liabilities, including accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities and distributions payable to unitholders, approximated their carrying value as at September 30, 2010 due to their short-term nature or based on current market rates.

As at September 30, 2010, the fair value of mortgage loans and convertible debentures approximated their carrying value. The fair value of mortgage loans and convertible debentures was estimated based on the current market rate for liabilities of similar terms and maturities.

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 16. Segmented information:

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

The following tables present financial information on each of these property categories:

	Three-month period ended September 30, 2010				
Properties	Office buildings	Commercial buildings	Industrial buildings	Mixed buildings	Total
Income from income-producing properties	\$ 4,264	\$ 1,636	\$ 813	\$ 2,277	\$ 8,990
Amortization of income- producing properties and intangible assets	941	356	206	446	1,949
Net operating income <sup>(i)</sup>	2,238	1,181	613	1,176	5,208
Income-producing properties (at amortized cost)	119,856	58,342	25,012	58,298	261,508

	Three-month period ended September 30, 2009				
Properties	Office buildings	Commercial buildings	Industrial buildings	Mixed buildings	Total
Income from income-producing properties	\$ 3,014	\$ 1,545	\$ 765	\$ 2,308	\$ 7,632
Amortization of income- producing properties and intangible assets	698	315	188	451	1,652
Net operating income <sup>(i)</sup>	1,728	1,035	592	1,255	4,610
Income-producing properties (at amortized cost)	84,105	50,030	23,097	59,931	217,163

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

## 16. Segmented information (continued):

	Nine-month period ended September 30, 2010				
Properties	Office buildings	Commercial buildings	Industrial buildings	Mixed buildings	Total
Income from income-producing properties	\$ 11,205	\$ 4,362	\$ 2,438	\$ 6,782	\$ 24,787
Amortization of income- producing properties and intangible assets	2,393	962	579	1,340	5,274
Net operating income <sup>(i)</sup>	5,565	3,085	1,756	3,426	13,832

	Nine-month period ended September 30, 2009				
Properties	Office buildings	Commercial buildings	Industrial buildings	Mixed buildings	Total
Income from income-producing properties	\$ 9,071	\$ 4,601	\$ 2,322	\$ 6,834	\$ 22,828
Amortization of income- producing properties and intangible assets	2,043	951	560	1,356	4,910
Net operating income <sup>(i)</sup>	4,993	3,007	1,634	3,592	13,226

<sup>(i)</sup> Net operating income corresponds to "Operating income before undernoted items" in the Interim Consolidated Statement of Earnings.

# BTB REAL ESTATE INVESTMENT TRUST

Notes to Interim Consolidated Financial Statements, Continued  
(Unaudited)

Three-month and nine-month periods ended September 30, 2010  
(in thousands of dollars, except per unit amount)

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## 17. Litigation:

Pursuant to the acquisition of a real estate portfolio in February 2007, the Fund decided not to acquire one of the portfolio properties. The purchase agreement envisioned the possibility that the Fund would not acquire one or more of the properties and that all damages, if any, 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 Fund. The total amount of the deposit held in trust is \$250, whereby \$50 is related to the property in question. The Seller has indicated on July 9, 2010 that they will be pursuing legally damages including interest for an amount of \$1,959. Legal counsel of the Fund has indicated that the litigation is unfounded. The ultimate resolution in this matter and estimated damages, if any, cannot be determined and, accordingly, the Fund has not recorded any provision in its financial statements for this matter.

## 18. Subsequent events:

As at November 11, 2010, the Trust has signed conditional agreements to purchase 50% residual interest in three commercial buildings located in Quebec City. The Trust has already a 50% interest in each property.

As at November 19, 2010, the Trust announced that is has closed his public offering of 18,000,000 units, including the underwriters' over-allotment for a total consideration of \$12,060. The total net proceeds of approximately \$11,100 will be used to finance acquisitions and added to the working capital.