



MANAGEMENT DISCUSSION AND ANALYSIS

Three-month period ended March 31, 2011

June 14, 2011

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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 three-month period ended March 31, 2011 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 MD&A dated June 14, 2011 should be read together with the unaudited financial statements and accompanying notes for the three-month period ended March 31, 2011 and with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2010 and 2009. It discusses any significant information available up to the date of this MD&A. The Trust's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"). **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 ended March 31, 2011 and 2010. Additional information about the Trust, including the 2010 Annual Information Form, is 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 interim financial statements. The interim financial statements have not been reviewed by the Trust's auditors.

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-IFRS 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-IFRS performance measures and do not have standardized meanings prescribed by IFRS. They are used by BTB to improve the investing public's understanding of operating results and the Trust's performance. IFRS are International Financial Reporting Standards defined and issued by the IASB, in effect as at the date of this MD&A.

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 regulations require that these measures be clearly defined, that they be readily comparable to the most similar IFRS measures, and that they not be assigned greater weight than IFRS measures.

FIRST QUARTER HIGHLIGHTS

- Increase of 5.25% in the average lease renewal rate in the first quarter.
- Increase of more than 29% in rental income and 25% in operating income as compared to the first quarter of 2010, mainly due to acquisitions during the year.
- Increase of 4% in rental income from the same-property portfolio and 1.1% in net operating income as compared to the first quarter of 2010.
- Accounting loss of \$1 million in the first quarter of 2011, as per the new International Financial Reporting Standards. The impact of these new standards was of approximately \$1.2 million, attributable to a gain in value of financial instruments following the recent important appreciation of BTB units on the financial markets.
- On January 11, 2011, public offering of \$23 million in Series C 8% convertible debentures maturing on January 31, 2016, providing a net capital contribution of \$21.5 million.
- On January 12, 2011, reimbursement of \$12.8 million of the acquisition line of credit.
- On March 29, 2011, public offering of 19,450,000 units at \$0.90 per unit, providing a net capital contribution of more than \$16.5 million.
- On March 30, 2011, final reimbursement of the remaining \$10 million of the acquisition line of credit.
- Surplus cash position of \$12 million allowing future acquisitions providing an estimated annual accretion of 2.5¢ per unit outstanding.

SUBSEQUENT EVENTS

- 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 almost 40% leased and should welcome its first tenants in the fall of 2011. The Trust is investing capital of approximately \$1.5 million in this project and expects a return on its investment of at least 25% once the property's occupancy rate has stabilized.
- On April 14, 2011, exercise of the over-allotment option following the unit issue on March 29, 2011, for 2,848,000 units at \$0.90 per unit, providing a net capital contribution of approximately \$2.3 million.

THE TRUST

BTB is an unincorporated open-ended real estate trust formed and governed under the laws of the Province of Québec 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.

Most of the Trust's properties are managed internally. As at March 31, 2011, 39 of the Trust's 49 properties were entirely managed by the Trust's employees. Management's objective is to resume, when favourable circumstances prevail, internal management of the Trust's properties upon the expiry of agreements between the Trust and its external managers, thereby achieving savings in management and operating fees through centralized and improved property management.

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

	Number of properties	Leasable area (sq. ft)	Assets acquired at cost (thousands \$)
As at March 31, 2011	49⁽¹⁾	2,885,400⁽¹⁾	296,359

⁽¹⁾ A property acquired in May 2010 with a total area of 232,000 square feet was held in partnership. The Trust repurchased its partner's interest in April 2011 and now wholly owns 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 STRATEGIES

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.

ADOPTION OF IFRS

As of January 1, 2011, the Trust is required to present its interim and annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), with comparative IFRS figures. IFRS are based on a conceptual framework similar to Canadian GAAP; however, significant differences exist in the recognition, measurement, presentation and disclosure for certain accounting items. The adoption of IFRS had a material impact on the consolidated statements of financial position (formerly called the balance sheet) and comprehensive income (formerly called the statement of income). The Trust prepared an opening statement of financial position as at January 1, 2010 (changeover date) in accordance with IFRS, converted all 2010 operations based on the new standards and converted the balance sheet as at December 31, 2010 to an IFRS statement of financial position. Details and explanations concerning these conversions are found on pages 35 to 45 of this MD&A and in Note 21 to the interim financial statements. Before the adoption of IFRS, the Trust's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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 following table presents highlights and selected financial information for the three-month periods ended March 31, 2011 et 2010:

Three months ended March 31 (in thousands of dollars, except ratios and per unit data)	Reference	2011	2010
FINANCIAL INFORMATION			
Operating revenues	Page 10	9,746	7,540
Net operating income	Page 12	5,059	4,046
EBITDA	Page 15	4,687	3,621
Distributions	Page 15	1,179	677
Recurring funds from operations (FFO)	Page 17	291	799
Recurring adjusted funds from operations (AFFO)	Page 19	419	812
Investment properties	Page 21	284,615	210,061
Total assets	Page 21	307,125	216,635
Mortgage loans payable	Page 26	181,108	144,454
Convertible debentures	Page 27	48,903	23,781
Debt ratio - excluding convertible debentures	Page 29	58.9%	69.5%
Unitholders' equity	Page 30	70,260	55,992
FINANCIAL INFORMATION PER UNIT			
Weighted average number of units outstanding (000)	Page 30	52,124	33,691
EBITDA	Page 15	9.0¢	10.8¢
Distributions	Page 15	2.0¢	2.0¢
Recurring FFO	Page 17	0.6¢	2.4¢
Recurring AFFO	Page 19	0.8¢	2.4¢
TAXATION OF DISTRIBUTIONS			
Income	Page 33	0%	0%
Tax deferred	Page 33	100%	100%
OPERATIONAL INFORMATION			
Number of properties	Page 21	49	43
Rentable area (in thousands of sq. ft)	Page 21	2,885	2,236
Occupancy rate	Page 23	90.1%	91.4%
DEVELOPMENT			
Property under redevelopment		1	1
Estimated rentable area (in thousands of sq. ft)		143	28

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 March 31, 2011 can be found in the Trust's 2010 Annual Information Form available at www.sedar.com.

PERFORMANCE INDICATORS

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

- Net operating income of the 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;
- 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

The table below summarizes financial results for the three-month periods ended March 31, 2011 and 2010. The table must be read in conjunction with our consolidated financial statements and the notes thereto.

Three months ended March 31 (In thousands of dollars)	Reference	2011	2010
Operating revenues	Page 10	9,746	7,540
Operating expenses	Page 11	4,687	3,494
Net operating income	Page 12	5,059	4,046
Financial income		(15)	(2)
Financial expenses	Page 13	5,328	3,029
Trust administration expenses	Page 14	782	389
Distributions to unitholders	Page 15	---	677
Transaction costs – business combination		---	137
Net loss and comprehensive income (loss)		(1,036)	(184)

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at December 31, 2009, but does not include the financial spin-offs of acquisitions and developments completed in 2010 and 2011.

Operating revenues

During the first quarter of 2011, the Trust saw its revenues increase 29.3%, due to the acquisition of the CAGIM portfolio in May 2010, the acquisition of the residual interests in two properties on November 30, 2010, the reopening of a building previously being renovated and the contribution of the same-property portfolio.

Revenues from the same-property portfolio increased 4.0% during the first quarter ended March 31, 2011. A significant contribution of \$179 came from the building previously being renovated which resumed producing income in 2010. Excluding this contribution, the same-property portfolio would have generated growth of 1.6%.

As mentioned in the fourth quarter of 2010, revenues from acquisitions fell behind expectations due to underperformance in the rental of available space. The portfolio rental level will be back to the expected level by the end of the second quarter of 2011.

Three months ended March 31 (In thousands of dollars)	2011	2010	Δ%
Same-property portfolio	7,839	7,540	4,0
Acquisitions and development	1,907	---	---
	9,746	7,540	29,3

Operating revenues include amortization of straight-line lease adjustment and amortization of lease inducements, as shown in the table below.

Three months ended March 31 (in thousands of dollars)	2011	2010
Rental revenue on the basis of in-place leases	9,763	7,535
Straight-line rental revenue adjustment	155	85
Amortization of lease inducements	(172)	(80)
Rental revenue from investment properties	9,746	7,540

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 compliance with existing leases and the recovery of its properties' operating expenses.

The 34% increase in operating expenses from the first quarter of 2010 to the first quarter of 2011 was mainly due to acquisitions in fiscal 2010. 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 largely accounts for the increase. In-place tenants formerly assumed and directly paid all property operating expenses (taxes, energy, maintenance, repairs, etc.). Under the new "traditional" leases in place, the Trust assumes and pays all property operating expenses before charging them back in full to the existing tenants. In addition to the factors listed above, assessed at \$201 for the first quarter of 2011, the Trust reported an 8.3% increase in operating expenses for the same-property portfolio. Excluding these factors, the increase would only have been 1.6%.

Three months ended March 31 (in thousands of dollars)	2011	2010	Δ%
Same-property portfolio	3,752	3,494	8.3
Acquisitions and development	935	---	---
	4,687	3,494	34.1

The table below shows the breakdown of operating expenses for the three-month periods ended March 31, 2011 and 2010:

Three months ended March 31 (in thousands of dollars)	2011	2010
Operating expenses		
- Operating costs	1,736	1,343
- Property taxes and public utilities	2,951	2,151
	4,687	3,494
% of operating revenues	48.1	46.3

Net operating income

Net operating income increased by 25% in absolute terms for the first quarter of 2011 compared to net operating income for the first quarter of 2010 due to acquisitions in fiscal 2010. The same-property portfolio reported a 1% increase in operating income. Net operating income was 51.9% of the operating revenues for the three-month period ended March 31, 2011 and 53.7% for the three-month period ended March 31, 2010. As mentioned above, the rate of net operating income was negatively impacted by the change in the nature of the lease binding Hydro-Québec and the Trust. Excluding this negative impact, the percentage would have been 53.5% rather than 51.9% and the same-property portfolio would have increased by 1.6%.

Although net operating income is not a financial measure recognized under IFRS, it is used in the real estate industry to measure operational performance. BTB defines it as operating income before financial revenues and financial expenses, Trust administration expenses, distributions to unitholders and transaction costs related to a business combination. This definition may differ from that of other issuers and accordingly, BTB's net operating income may not be comparable to the net operating income of other issuers.

Three months ended March 31 (in thousands of dollars)	2011	2010	Δ%
Same-property portfolio	4,087	4,046	1.1
Acquisitions and development	972	---	
	5,059	4,046	25.0
% of operating revenues	51.9	53.7	

Net operating income as a percentage of operating revenues is historically lower during the first quarter of each fiscal year due to electricity and snow removal costs in winter.

Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans contracted or assumed totalling approximately \$180 million as at March 31, 2011, compared to \$145 million as at March 31, 2010. 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 and C convertible debentures issued in a total amount of \$48.9 million, including the non-derivative liability component.
- Operating and acquisition lines of credit used as needed, which allowed the acquisition of CAGIM's outstanding shares. The operating and acquisition lines of credit were fully repaid as at March 31, 2011.

Three months ended March 31 (in thousands of dollars)	2011	2010
Interest expense on mortgage loans	2,563	2,076
Interest expense on debentures	934	534
Interest expense on operating and acquisition credit	356	10
Interest expense	3,853	2,620
Accretion of effective interest	360	216
Accretion of non-derivative liability component of convertible debentures	175	112
Net adjustment to fair value of derivative financial instruments	940	81
Finance costs	5,328	3,029

Financial expenses increased \$2,229 in the first quarter of 2011 compared to the same quarter of 2010, mainly due to the assumption of mortgages on acquired properties and the use of the acquisition credit facility. In January and March 2011 management totally reimbursed the acquisition line of credit. The

related \$356 expense in the first quarter will not recur in subsequent quarters. Financial expenses can be allocated among interest expenses amounting to \$3,853 (\$2,620 in 2010) and non-monetary items. Non-monetary items include fair value adjustments on derivative financial instruments in the amount of \$940 (\$81 in 2010), which will be volatile from period to period.

As at March 31, 2011, the average weighted contractual rate of interest on mortgage loans payable was 5.59%, 25 basis points lower compared to March 31, 2010. This appreciable decrease is the result of favourable interest rates on mortgage financing for the CAGIM portfolio properties acquired during fiscal 2010 and on refinancings carried out.

Trust administration expenses

Trust administration expenses include administrative costs such as payroll expenses and professional fees associated with executive and administrative staff, the compensation plan for directors implemented in July 2010, legal and accounting services, expenses related to listed fund status, insurance costs, office expenses and bad debts and related legal fees. They also include amortization of the head office building and property, plant and equipment, fair value adjustment on warrants, a non-monetary item that increases the volatility of administration expenses from period to period and unit-based compensation.

Three months ended March 31 (in thousands of dollars)	2011	2010
Administrative expenses	559	364
Amortization	20	15
Adjustment to fair value of warrants	203	---
Unit-based compensation	---	10
Trust administration expenses	782	389

Net loss and comprehensive income (loss)

Three months ended March 31 (in thousands of dollars, except per unit data)	2011	2010
Net loss and comprehensive income (loss)	(1,036)	(184)
Per basic and diluted unit, taking account of dilutions in November 2010 and March 2011	(2.0¢)	(0.5¢)

The increase in administrative expenses is mainly due to the compensation plan for directors, expenses related to the IFRS changeover, including the creation of a professional financial analyst position, and lastly, the creation of a Vice President, Leasing position and related marketing expenses.

DISTRIBUTIONS

Distributions to unitholders totalled 2.0¢ per issued unit for the first quarter of 2011 (2010: 2.0¢). Based on units issued at the end of each month of the applicable periods, total distributions were as follows:

Three months ended March 31 (in thousands of dollars)	2011	2010
Distributions	1,179	677

As mentioned in Note 3(b) (iv) of the interim financial statements, until June 29, 2010, distributions were recognized as an expense in the statement of comprehensive income.

EBITDA AND INTEREST EXPENSE COVERAGE RATIO

The Trust generated earnings before interest, taxes, depreciation and amortization (EBITDA) of \$4.7 million, up \$1.1 million from the same quarter of 2010. EBITDA per unit declined by 1.8¢ to 9.0¢ compared to the first quarter of 2010 because of the dilution resulting from the issuance of 18 million units in November 2010.

Three months ended March 31 (in thousands of dollars, except per unit data)	2011	2010
Net loss	(1,036)	(184)
Amortization of property, plant and equipment	20	9
Unit-based compensation	---	10
Amortization of lease inducements	172	80
Amortization of fair value of warrants	203	---
Distributions to unitholders	---	677
Finance costs	5,328	3,029
EBITDA	4,687	3,621
EBITDA per unit	9.0¢	10.8¢
Interest expense coverage ratio (EBITDA/ interest expense)	1.22	1.38

The interest expense coverage ratio decreased from 1.38 to 1.22 due to the use of the acquisition line of credit, repaid in March 2011, and the issuance of Series C debentures in January 2011.

The acquisition line of credit was fully repaid on March 30, 2011. On a pro forma basis, eliminating interest expense on the line of credit, the ratio for the first quarter of 2011 would have been 1.34.

SEGMENTED INFORMATION

The Trust's operations are derived from four categories of properties, located in Québec and in Ontario. The following tables present each category's contribution to revenues, net operating income and amortization for the three-month periods ended March 31, 2011 and 2010.

Three months ended March 31, 2011 (In thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Investment properties	65,987	23.3	129,136	45.5	27,230	9.6	61,520	21.6	283,873
Investment properties under development	---	---	772	100	---	---	---	---	772
Rental revenue from property	1,855	19.0	4,674	48.0	883	9.1	2,334	23.9	9,746
Net operating income	1,108	21.9	2,217	43.8	618	12.2	1,116	22.1	5,059

Three months ended March 31, 2010 (In thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Investment properties	45,721	22.2	79,818	38.9	23,400	11.4	56,449	27.5	205,388
Investment properties under development	---	---	4,673	100	---	---	---	---	4,673
Rental revenue from property	1,298	17.2	3,236	43.0	816	10.8	2,190	29.0	7,540
Net operating income	893	22.1	1,567	38.7	559	13.8	1,027	25.4	4,046

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 Canadian Real Property Association of Canada ("REALpac") amended its White Paper on FFO in 2010 to reflect the impact of IFRS. Under Canadian GAAP, the largest add-back to net income in calculating FFO was depreciation of investment properties. Having chosen the fair value model under IFRS, BTB no longer records this expense. The following is a list of some of the new adjustments to net income which eliminate some of the non-cash items and reduce volatility of reported amounts:

- Fair value adjustment on investment properties;
- Amortization of lease inducements;
- Amortization of properties that continue to be recognized at acquisition cost (Trust's head office);
- Fair value adjustment on conversion instrument for convertible debentures;
- Fair value adjustment on warrants;
- Transaction costs related to a business combination;
- Distributions recognized in the statement of comprehensive income due to the classification of units as a financial liability.

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.

The following table provides a reconciliation of comprehensive income established according to IFRS and recurring FFO for the three-month periods ended March 31, 2011 and 2010:

Three months ended March 31 (in thousands of dollars, except per unit data)	2011	2010
Comprehensive income (loss) (IFRS)	(1,036)	(184)
+ Amortization of properties	12	9
+ Amortization of lease inducements	172	80
+ Fair value adjustment on conversion instrument	940	80
+ Fair value adjustment on warrants	203	---
+ Transaction costs – business combination	---	137
+ Distributions	---	677
Recurring FFO	291	799
Per unit data taking into account dilution of November 2010 and March 2011		
Recurring FFO per unit (basic and diluted)	0.6¢	2.4¢

The following factors account for the decrease in FFO:

- Increased financial expenses following the implementation of an acquisition line of credit used to purchase the CAGIM portfolio. The line of credit was repaid on March 30, 2011, but remains available for future use;
- Higher financial expenses following the issuance of Series C convertible debentures in January 2011;
- Available surplus cash not yet allocated to accretive acquisitions;
- Higher Trust administration expenses, mainly due to the implementation of a compensation plan for directors.

The decrease in FFO per unit is partially explained by the dilution resulting from the issuance of 18 million units in November 2010 and 19.5 million units in March 2011.

Lastly, due to seasonal expenses, FFO are historically lower in the first quarter of the fiscal year than in subsequent quarters. Management also estimates that for the first quarter of 2011, more than \$400 in additional expenses were assumed due to seasonal effects.

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 is not a financial or accounting measure prescribed by IFRS. 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 AFFO as its FFO, adjusted to take account of other non-cash items that impact comprehensive income and do not enter into the calculation of FFO, including:

- Straight-line rental income adjustment;
- Accretion of effective interest following amortization of financing expenses;
- Accretion of the liability component of convertible debentures;
- Amortization of other property, plant and equipment;
- Unit-based compensation expenses.

The Trust deducts a provision for unrecoverable capital expenses in calculating 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 of brokerage commissions.

The following table provides a reconciliation of recurring FFO and recurring AFFO for the three-month periods ended March 31, 2011 and 2010:

Three months ended March 31 (in thousands of dollars, except per unit data)	2011	2010
Recurring funds from operations	291	799
- Straight-line rental income adjustment	(155)	(85)
+ Accretion of effective interest	371	216
+ Accretion of the liability component of convertible debentures	175	112
+ Amortization of property, plant and equipment	8	6
+ Unit-based compensation expense	---	10
- Provisions for non-recoverable capital expenses	(127)	(96)
- Provision for rental fees	(144)	(150)
Recurring AFFO	419	812
Per unit data taking into account the dilution of November 2010 and March 2011		
AFFO per unit (basic and diluted)	0.8¢	2.4¢

PRO FORMA RATIOS

The Trust has surplus cash that can be used for accretive property acquisitions. The Trust is currently examining acquisition opportunities that could materialize in the coming quarters. There is no assurance, however, that such acquisitions will be completed in the short term. Also, the Trust has fully repaid the acquisition line of credit; accordingly, the related interest expense recognized in the first quarter is non-recurring.

On a pro forma basis, recurring FFO and AFFO would be as follows:

Three months ended March 31 (in thousands of dollars, except per unit data)	Recurring FFO	Recurring AFFO
Balance recognized	291	419
Net funds generated by accretive acquisitions	525	375
Savings net of financial expenses	296	296
Pro forma balance	1,112	1,090
Per unit pro forma balance ⁽¹⁾	1.5¢	1.5¢

(1) Based on the pro forma total number of units outstanding as at March 31, 2011 (73,989,725 units).

FINANCIAL POSITION

The table below presents a summary of the assets, liabilities and unitholders' equity as at March 31, 2011 and 2010. 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)	March 31, 2011	March 31, 2010
ASSETS		
Investment properties (at fair value)	283,873	205,388
Property under development	772	4,673
Other assets	22,480	6,574
TOTAL	307,125	216,635
UNITHOLDERS' EQUITY AND LIABILITIES		
Unitholders' equity	70,260	(30,980)
Mortgage loans payable	180,610	144,454
Convertible debentures	44,847	23,781
Acquisition and operating lines of credits	---	2,315
Net assets attributable to unitholders	---	69,620
Other liabilities	11,408	7,445
TOTAL	307,125	216,635

The main changes to the balance sheet as at March 31, 2011 compared to the balance sheet at March 31, 2010 primarily reflect the acquisition of CAGIM on May 10, 2010, unit issues in November 2010 and March 2011 and the issuance of Series C convertible debentures in January 2011.

REAL ESTATE PORTFOLIO

The following table presents information about the real estate portfolio:

(in thousands of dollars)	March 31, 2011	March 31, 2010
Investment properties (at fair value)	284,615	210,061
Other assets	22,510	6,574
Gross book value of the Trust	307,125	216,635
Number of properties	49	43
Rentable area (in thousands of sq. ft)	2,885	2,269

Summary by operating segment as at March 31, 2011

	Number of properties	Leasable area (sq. ft)	%
Office	18	1,168,300	40.5
Commercial	13	536,000	18.6
Industrial	8	577,200	20.0
General purpose	10	603,900	20.9
Total	49	2,885,400	100

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 Trust has a 25% interest will be erected on a lot adjacent to the existing Complexe Lebourgneuf. Nearly 40% 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 following table summarizes changes in available rentable area during the three-month period ended March 31, 2011:

	In square feet
Available rentable area at the beginning of period	283,273
Acquisition of available rentable and developed areas	42,324
Rentable area of expired leases	61,148
Rentable area of leases terminated before term	2,106
Rentable area of leases expired and renewed	26,491
Rentable area of new leases executed	75,572
Other	(599)
Available rentable area at the end of period	286,189

The Trust's rental operations were active during the first quarter of 2011. More than 102,063 square feet were signed with new tenants or renewed during the quarter.

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 Complexe Le Bourgneuf, a property with a total rentable area of 231,900 square feet. As of now, 68,000 square feet of the 90,000 vacant square feet at the time of the acquisition have been leased or are the subject of a firm offer for future occupancy. The Complexe thus has an occupancy rate of around 91%.

The average rate of expired and renewed leases increased 5.25% during the first quarter.

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	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Office	88.2%	87.2%	88.1%	87.7%	90.7%
Commercial	89.9%	88.3%	88.5%	89.1%	88.9%
Industrial	93.0%	93.4%	93.4%	93.4%	93.3%
General purpose	90.6%	93.4%	93.4%	92.5%	91.4%
Total portfolio	90.1%	90.0%	90.5%	90.2%	91.4%

The occupancy rate remained stable, going from 90.0% as at December 31, 2010 to 90.1% as at March 31, 2011. On a segmented basis, the office segment saw a 1.0% increase, mainly due to rentals in the recently constructed “Complexe Lebourgneuf” property in Québec City. The commercial segment increased 1.6% with the recent signing of a tenant that will occupy more than 12,000 square feet that had been vacant. Lastly, the general purpose segment decreased 2.8%, mainly due to a partial change in use of the “Antonio-Barbeau” property, where major work began in order to convert 22,000 square feet of space that had become vacant to “office lofts.”

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 has begun to bear fruit.

Lease maturity

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

	2012	2013	2014	2015	2016
Office					
Rentable area (sq.ft)	88,844	134,190	135,888	165,767	36,471
Lease rate/square foot (\$)	11.71	10.72	12.90	11.76	12.39
% of office portfolio	7.59	11.47	11.61	14.17	3.21
Commercial					
Rentable area (sq.ft)	4,541	30,491	59,287	34,659	36,526
Lease rate/square foot (\$)	16.14	11.34	9.06	10.76	8.43
% of commercial portfolio	0.85	5.73	11.14	6.51	6.86
Industrial					
Rentable area (sq.ft)	115,873	30,279	123,899	---	189,460
Lease rate/square foot (\$)	4.10	5.70	3.53	---	5.46
% of industrial portfolio	20.07	5.25	21.46	---	32.82
General purpose					
Rentable area (sq.ft)	74,816	21,403	66,229	84,497	113,247
Lease rate/square foot (\$)	12.38	12.62	13.92	8.18	9.61
% of mixed-use portfolio	13.04	3.73	11.54	14.73	19.74
Total portfolio					
Rentable area (sq.ft)	284,074	216,363	385,303	284,923	375,704
Lease rate/square foot (\$)	8.85	10.29	9.47	10.58	5.04
% of portfolio	9.96	7.58	13.50	9.99	13.17

Top 10 tenants

As at March 31, 2011, BTB managed approximately 600 leases, with an average area of 4,500 square feet of space. The three largest tenants are Société immobilière du Québec (SIQ), Hydro-Québec, and Annie Fruit and the "Végétarien" stores, accounting respectively for approximately 5.4%, 3.9% and 3.4% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 35% of the Trust's total revenues is generated by leases entered into with government agencies (federal, provincial and municipal) and public companies, ensuring stable and high-quality cash flows for the Trust's operating activities.

The following table shows the contribution of the Trust's top 10 tenants as a percentage of revenues as at March 31, 2011:

Client	% of revenues	Leased area (square feet)
Société immobilière du Québec (SIQ)	5.4	121,609
Hydro-Québec	3.9	41,175
Annie Fruit Inc. / Le Végétarien	3.4	89,308
Germain Larivière Inc.	2.8	101,194
Cornwall Warehousing Ltd.	2.4	214,719
Commission de la Santé et de la Sécurité du Travail (CSST)	2.3	46,664
Groupe Aro Inc.	2.2	40,000
Canada Post Corporation	2.0	59,987
Gestion Deloitte s.e.c.	1.7	26,900
Canadian Tire	1.6	53,000

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at March 31, 2011, including mortgage loans and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

Year of maturity	Balance of convertible debentures (in \$)	Balance of mortgages payable (in \$)	Weighted average contractual interest rate (%)
2011	12,883	27,727	5.51
2012	---	52,362	6.18
2013	13,020	32,081	6.30
2014	---	40,127	5.85
2015	---	14,818	5.59
2016	23,000	1,610	7.80
2017	---	12,383	5.63
Total	48,903	181,108	6.13

As at March 31, 2011, the weighted average contractual interest rate of the Trust's long-term debt stood at 6.13%, i.e. 5.59% for mortgages payable and 8.13% for convertible debentures.

Mortgage loans payable

As at March 31, 2011, the Trust's mortgage loans amounted to \$181.1 million compared to \$145.0 million as at March 31, 2010, before deferred financing costs and valuation adjustments, an increase of \$36.1 million mostly due to the acquisition of the CAGIM portfolio and other fiscal 2010 acquisitions. As at March 31, 2011, the weighted average interest rate was 5.59%, a decrease of 25 basis points compared to 5.84% for mortgage loans on the books at March 31, 2010. 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 changes in mortgage loans since the beginning of fiscal 2011:

(in thousands of dollars)	\$
Balance as at December 31, 2010	180,958
Contracted or assumed mortgage loans	7,845
Balance reimbursed at expiration	(6,873)
Monthly principal repayments	(822)
Balance as at March 31, 2011	181,108

Note: before unamortized financing costs.

During the first quarter of 2011, the Trust refinanced three matured mortgages for a total of \$6,873 on more favourable terms. The refinancing of these mortgages generated new capital of about \$1 million.

All of the Trust's properties were mortgaged as at March 31, 2011. Unamortized loan financing costs totalled \$641 and are amortized under the effective interest method over the term of the loans.

The following table, as at March 31, 2011, shows future mortgage loan repayments for future fiscal years:

Years ended December 31 (in thousands of dollars)					
Maturity	Principal payment	Balance at maturity	Total	(%) of total	
2011 (9 months)	2,676	26,938 ⁽¹⁾	29,614	16.4	
2012	2,995	51,542	54,537	30.1	
2013	2,409	29,854	32,263	17.8	
2014	1,277	37,806	39,083	21.6	
2015	707	12,857	13,564	7.5	
2016	432	1,341	1,773	1.0	
2017	108	10,166	10,274	5.6	
Total	10 604	170,504	181,108	100	
Plus: valuation adjustments on assumed loans			142		
Less: unamortized financing costs			(641)		
Balance as at March 31, 2011			180,610		

(1) The Trust has begun negotiations to renew or refinance most loans maturing in 2011. Loans amounting to approximately \$18 million are now being negotiated, with the balance consisting of loans maturing next December. The Trust does not foresee any difficulty in renewing or refinancing loans maturing in 2011 on favourable terms.

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 March 31, 2011, the closing market price of BTB units was \$0.89.

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 non-derivative liability component and a \$1,502,000 derivative equity component.

(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 March 31, 2011, the closing market price of BTB units was \$0.89.

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 non-derivative liability component and a \$681,000 derivative equity component.

(c) Series C

In January 2011, the Trust issued Series C subordinated, convertible, unsecured debentures bearing 8% interest payable semi-annually and maturing on January 31, 2016, in the amount of \$23,000,000. The debentures are convertible at the option of the holder at any time no later than January 31, 2016, subject to certain conditions. The conversion price is \$1.00 per unit (the "Series C conversion price"). As at March 31, 2011, the closing market price of BTB units was \$0.89.

As of January 31, 2014, but before January 31, 2015, 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 unit market price is at least 125% of the Series C conversion price and as of January 31, 2015, but before January 31, 2016, to a price equal to their principal amount plus accrued, unpaid interest.

The Trust may, at its option and subject to certain conditions, elect to satisfy its obligation to pay the principal amount of the Series C debentures by issuing freely tradable units to Series C debenture holders.

At the date of issue, the debentures were recorded in a \$21,592,000 non-derivative liability component and a \$1,408,000 derivative equity component.

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 and bears interest at the bank's prime rate, plus 1%. As at March 31, 2011, 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 investment 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 subscription 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. As at March 31, 2011, the credit facility was fully repaid.

Debt ratio

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 carrying amount of the Trust. 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 March 31, 2011 and December 31, 2010.

(in thousands of dollars)	March 31, 2011	December 31, 2010
Mortgage loans payable*	181,108	180,958
Convertible debentures*	48,903	25,903
Bank loans*	---	22,850
Total long-term debt	230,011	229,711
Gross book value of the Trust	307,470	293,083
Loan to value ratio (excluding convertible debentures)	58.9%	69.5%
Total loan to value ratio	74.8%	78.1%

* excluding issuing expenses

According to the table above, the loan to value ratio excluding the convertible debentures as at March 31, 2011 amounted to 58.9% compared to 69.5% as at December 31, 2010. The decrease in the loan to value ratio is due to the repayment of the acquisition and operating lines of credit and use of the proceeds of issue of units and convertible debentures.

The following table presents the interest coverage ratio as at March 31, 2011 versus March 31, 2010.

(in thousand dollars, except for the ratios)	March 31, 2011	March 31, 2010
EBITDA ⁽¹⁾	4,531	3,624
Interest expense	3,853	2,620
Interest coverage ratio	1.22	1.38

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

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	March 31, 2011	December 31, 2010
Trust units	97,157	80,679
Cumulative loss	(24,122)	(23,086)
Cumulative distributions to unitholders	(2,775)	(1,596)
	70,260	55,997

Trust units

On March 29, 2011, the Trust announced the closing of an offering of 19,450,000 units 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 in April 2011 and to repay the acquisition line of credit on March 30, 2011.

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

Three months ended March 31 (in # of units)	2011	2010
Units outstanding, beginning of period	51,691,725	33,691,725
Units issued		
- Public/private placement	19,450,000	---
- Other issuances	---	---
Units outstanding, end of period	71,141,725	33,691,725
Weighted average number of units outstanding (basic)	52,123,947	33,691,725
Weighted average number of units outstanding (diluted)	52,510,380	33,691,725

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 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:

Three months ended March 31	2011		2010	
	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	---	---	---	---
Expired options	20,000	1.00		
Outstanding, end of quarter	2,765,000	2.27	2,785,000	2.26
Options vested since March 31	2,715,000	2.26	2,392,000	2.18
Weighted average remaining term to expiry (years)		1.25		2.25

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 first quarter of 2011, 50,000 unit options were granted at an exercise price of \$0.92, but remain subject to unitholder approval.

Subscription warrants

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.

Three months ended March 31	2011		2010	
	Number	Exercise price	Number	Exercise price
Outstanding at beginning of quarter	2,500,000	0.7644	---	---
Warrants granted	---	---	---	---
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)	March 31, 2011	December 31, 2010
Units outstanding	71,141,725	51,691,725
Unit options	2,785,000	2,785,000
Warrants	2,500,000	2,500,000
Convertible debentures Series A	5,052,157	5,052,157
Convertible debentures Series B	5,660,870	5,660,870
Convertible debentures Series C	23,000,000	----
	110,139,752	67,689,752

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

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 March 31, 2011, 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 the conditions for the REIT Exception on an on-going basis in the future.

TAXATION OF UNITHOLDERS

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

Three months ended March 31	2011	2010
Taxable as other income	---	---
Tax deferred	100%	100%
Total	100%	100%

Impact of adoption of IFRS

As of January 1, 2011, the Trust is required to present its interim and annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), with comparative figures established on that basis. IFRS are based on a conceptual framework similar to Canadian GAAP; however, significant differences exist in the recognition, measurement, presentation and disclosure for certain accounting items. The adoption of IFRS had a material impact on the consolidated statements of financial position (formerly called the balance sheet) and comprehensive income (formerly called the statement of income). The Trust prepared an opening statement of financial position as at January 1, 2010 (changeover date) in accordance with IFRS, restated all 2010 operations based on the new standards and converted the balance sheet as at December 31, 2010 to an IFRS statement of financial position. Details and explanations concerning these conversions are found on following pages and in Note 21 to the interim financial statements. Before the adoption of IFRS, the Trust’s financial statements were prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

The following table shows the reconciliation between the Trust's balance sheet as at December 31, 2009 presented in accordance with GAAP and the opening balance sheet as at January 1, 2010 presented in accordance with IFRS.

Description under previous Canadian GAAP		Previous GAAP	Impact of transition to IFRS	IFRS	Description under IFRS
	Notes	January 1, 2010			
ASSETS					
Income producing properties	1	---	204,950	204,950	Investment properties
Buildings	1(c), 2	163,437	(163,437)	---	
Land	1, 2	39,676	(39,676)	---	
Intangible assets	1(d)	8,252	(8,252)	---	
Properties under development	1(a)	4,224	(424)	3,800	Investment properties under development
Property, plant and equipment	2	29	2,060	2,089	Property, plant and equipment
				210,839	
Capitalized leasing costs, deposits and other assets	1(e)	2,821	(2,821)	-	
Accounts receivable	3	1,570	(918)	652	Trade receivables
Prepaid expenses	4	1,883	730	2,613	Other assets
Cash and cash equivalents		376	---	376	Cash and cash equivalents
TOTAL ASSETS		222,268		214,480	
LIABILITIES AND UNITHOLDERS' EQUITY					
Mortgage loans payable		144,950	---	144,950	Mortgage loans payable
Convertible debentures		23,544	---	23,544	Convertible debentures
Bank loans		720	---	720	Bank loans
	7	---	111	111	Derivative financial instrument
	6	---	13	13	Unit based-compensation and warrants
Accounts payable and accrued liabilities		6,092	---	6,092	Trade and other payables
Distributions payable to unitholders		226	---	226	Distributions payable to unitholders
	5	---	69,620	69,620	Net assets attributable to Unitholders
Unitholders' equity					
Unitholders' contribution	5	69,620	(69,620)	---	
Cumulative loss		(7,696)	(23,100)	(30,796)	Cumulative loss
Cumulative distributions	5	(17,538)	17,538	---	
Contributed surplus	6, 7	2,350	(2,350)	---	
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		222,268		214,480	

The following table shows the reconciliation between the Trust's balance sheet as at March 31, 2010 presented in accordance with GAAP and the Trust's statement of financial position as at March 31, 2010 presented in accordance with IFRS.

Description under previous Canadian GAAP		Previous GAAP	Impact of transition to IFRS	IFRS	Description under IFRS
	Notes	March 31, 2010			
ASSETS					
Income producing properties	1	---	205,388	205,388	Investment properties
Buildings	1(c), 2	162,362	(162,362)	---	
Land	1, 2	39,676	(39,676)	---	
Intangible assets	1(d)	7,503	(7,503)	---	
Property under development	1(a)	5,097	(424)	4,673	Investment properties under development
Property, plant and equipment	2	26	2,048	2,074	Property, plant and equipment
				212,135	
Capitalized leasing costs, deposits and other assets	1(e)	3,718	(3,718)	---	
Accounts receivable	3	2,198	(1,001)	1,197	Trade receivables
Prepaid expenses	4	1,756	1,181	2,937	Other assets
Cash and cash equivalents		366	---	366	Cash and cash equivalents
TOTAL ASSETS		222,702		216,635	
LIABILITIES AND UNITHOLDERS' EQUITY					
Mortgage loans payable		144,454	---	144,454	Mortgage loans payable
Convertible debentures		23,781	---	23,781	Convertible debentures
Bank loans		2,315	---	2,315	Bank loans
	7	---	192	192	Derivative financial instrument
	6	---	23	23	Unit based-compensation and warrants
Accounts payable and accrued liabilities		7,004	---	7,004	Trade and other payables
Distributions payable to unitholders		226	---	226	Distributions payable to unitholders
	5	---	69,620	69,620	Net assets attributable to unitholders
UNITHOLDERS' EQUITY					
Unitholders' contribution	5	69,620	(69,620)	---	
Cumulative loss		(8,839)	(22,141)	(30,980)	Cumulative loss
Cumulative distributions	5	(18,215)	18,215	---	
Contributed surplus	6, 7	2,356	(2,356)	---	
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		222,702		216,635	

The following table shows the reconciliation between the Trust's balance sheet as at December 31, 2010 presented in accordance with GAAP and the Trust's statement of financial position as at December 31, 2010 presented in accordance with IFRS.

Description under previous Canadian GAAP	Notes	Previous GAAP	Impact of transition to IFRS	IFRS	Description under IFRS
		December 31, 2010			
ASSETS					
Income producing properties	1	---	283,095	283,095	Investment properties
Buildings	1(c), 2	212,214	(212,214)	---	
Land	1,2	50,330	(50,330)	---	
Intangible assets	1(d)	8,329	(8,329)	---	
Property under development	1(a)		592	592	
Property, plant and equipment	2	---	2,122	2,122	Property, plant and equipment
				285,809	
Capitalized leasing costs, deposits and other assets	1(e)	6,770	(6,770)	---	
Prepaid expenses	4	2,898	338	3,236	Other assets
Accounts receivable	3	3,200	1,362	1,838	Trade receivables
Cash and cash equivalents		1,875	---	1,875	Cash and cash equivalents
TOTAL ASSETS		285,616		292,758	
LIABILITIES AND UNITHOLDERS' EQUITY					
Mortgage loans payable		180,473	---	180,473	Mortgage loans payable
Convertible debentures		24,514	---	24,514	Convertible debentures
Bank loans		22,195	---	22,195	Bank loans
	7	---	115	115	Derivative financial instrument
	6	---	285	285	Unit based-compensation and warrants
Accounts payable and accrued liabilities		8,833	---	8,833	Trade and other payables
Distributions payable to unitholders		346	---	346	Distributions payable to unitholders
UNITHOLDERS' EQUITY					
Unitholders' contribution	5	80,679	---	80,679	Unitholders' contribution
Cumulative loss		(13,669)	(9,417)	(23,086)	Cumulative loss
Cumulative distributions	5	(20,487)	18,891	(1,596)	Cumulative distributions
Contributed surplus	6,7	2,732	(2,732)	---	
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		285,616		292,758	

The following table shows the reconciliation between the Trust's results for the interim three-month period ended March 31, 2011 presented in accordance with GAAP and IFRS:

Description under previous Canadian GAAP		Previous GAAP	Impact of transition to IFRS	IFRS	Description under IFRS
	Notes	March 31, 2010			
OPERATING REVENUES					
Operating revenue from income producing properties	1(b), 9	7,400	140	7,540	OPERATING REVENUES Rental revenue from property
OPERATING EXPENSES					
Operating costs		1,343	---	1,343	OPERATING EXPENSES Operating costs
Property taxes and public utilities		2,151	---	2,151	Property taxes and public utilities
		3,494		3,494	
OPERATING INCOME BEFORE UNDERNOTED ITEMS		3,906		4,046	NET OPERATING INCOME
Interest on loans	10	2,620	409	3,029	Financial charges
Amortization of financing costs	10	216	(216)	---	
Amortization of building and improvements	1(c), 11	1,083	(1,083)	---	
Amortization of intangible assets and other assets	1(d), 11	534	(534)	---	
Amortization of deferred leases cost	1(e), 11	118	(118)	---	
Recognition of liability component of convertible debentures	10	112	(112)	---	
Interest income	1(c)	(1)	(1)	(2)	Finance income
OPERATING LOSS FROM INCOME PRODUCING PROPERTIES		(776)			
Trust administration expenses		361	28	389	Trust administration expenses
Unit-based compensation	6	6	(6)	---	
	12	---	677	677	Distributions expense
	13	---	---	---	Adjustment to fair value of properties
				(47)	Comprehensive loss before transaction costs – business combination
	8, 14	---	137	137	Transaction costs – business combination
NET INCOME AND COMPREHENSIVE INCOME		(1,143)		(184)	Net comprehensive income (loss)

The following table shows the reconciliation between the Trust's results for the fiscal year ended December 31, 2010 presented in accordance with GAAP and IFRS:

Description under previous Canadian GAAP		Previous GAAP	Impact of transition to IFRS	IFRS	Description under IFRS
	Notes	December 31, 2010			
OPERATING REVENUES					
Rental revenue from income producing properties	1(b), 9	34,153	442	34,595	Rental revenue from property
OPERATING EXPENSES					
Operating costs		5,981	---	5,981	Operating costs
Property taxes and public utilities		9,258	---	9,258	Property taxes and public utilities
		15,239		15,239	
OPERATING INCOME BEFORE UNDERNOTED ITEMS		18,914		19,356	NET OPERATING INCOME
Financial expenses	10	14,680	50	14,730	Finance costs
Interest income			(46)	(46)	Finance income
Amortization of building and improvements	1(c), 11	4,960	(4,960)	---	
Amortization of intangible assets and other assets	1(d), 11	2,397	(2,397)	---	
Amortization of capitalized leasing costs, deposits and other assets	1(e), 11	655	(655)	---	
OPERATING LOSS FROM INCOME PRODUCING PROPERTIES		(3,778)			
Trust administration expenses		1,914	256	2,170	Trust administration expenses
Settlement of a dispute		268	(268)	---	
Unit-based compensation	6 12 1(a), 13	13 --- ---	(13) 1,354 (7,130)	--- 1,354 (7,130)	Distributions expense Net adjustment to fair value of investment properties
		(5,973)		8,278	Income (loss) before transaction costs – business combination
	8, 14	---	---	568	Transaction costs – business combination
NET LOSS AND COMPREHENSIVE INCOME		(5,973)		7,710	Net comprehensive income (loss)

NOTES TO THE RECONCILIATIONS

(1) INVESTMENT PROPERTIES

IFRS defines investment properties as property held by the owner to earn rental income, capital appreciation or both, but not property held for use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business, with the exception of the building which houses its headquarters. Assets which BTB classified as income producing properties under Canadian GAAP qualify for inclusion as investment properties under IFRS.

(a) *Fair value:* BTB elected to use the fair value model for its investment properties as part of the first time adoption of IFRS and as part of its ongoing regular reporting when preparing its consolidated financial statements under IFRS. BTB chose the fair value approach for investment properties as management believes this is the most relevant measure and that it is more readily comparable with its peer group of public reporting real estate entities. In addition, the magnitude of the fair value adjustment on the opening balance of investment properties highlights the diminished meaning of the previously disclosed net carrying values prepared using the historical cost basis.

As part of the first time adoption, 100% of the investment properties were externally appraised as at January 1, 2010 by independent professionals. According to these appraisals, investment properties and investment properties under development were valued at \$208,750 as at January 1, 2010, down \$7,775 from the value reported as at December 31, 2009 in accordance with Canadian GAAP. The external appraisers used capitalization rates on the overall portfolio ranging from a low of 7.75% to a high of 9.75%. The portfolio's weighted average capitalization rate (weighted by property value) was 8.70% as at January 1, 2010.

As part of the ongoing regular reporting, internal valuations are performed each quarter by management, using the direct capitalization method. The valuations are very sensitive to changes in capitalization rates. BTB receives capitalization rate reports on a quarterly basis from independent external valuers to support management's decisions on the capitalization rates used. According to the valuations, investment properties and investment properties under development were valued at \$283,687 as at December 31, 2010, representing a \$7,130 increment over the values reported under Canadian GAAP. Investment property valuations were performed based on capitalization rates for the aggregate portfolio ranging from 7.5% to 10.0%. The weighted average capitalization rate (based on the value of the properties) of the portfolio was 8.22% as at December 31, 2010. At December 31, 2010, the 10 largest properties and a third of the remaining properties in the portfolio were subject to an external valuation.

In management's opinion and based on the advice of independent external valuers, the capitalization rates applied as at March 31, 2011 and March 31, 2010 were substantially the same as those applied at the end of the previous quarter. Accordingly, no fair value adjustment was made.

(b) *Reversal of amortization of the value attributable to leases which are not at market terms:* Under previous Canadian GAAP, operating revenues include amortization of an adjustment recorded at the time of acquisition, for the value of leases which are not at market terms. Under IFRS, the value attributable to leases which are not at market terms is incorporated in the fair value of the investment property. The

impact arising from the change is a net increase in rental revenue of \$217 for the three-month period ended March 31, 2010 and \$839 for the year ended December 31, 2010.

(c) Reversal of amortization of buildings and improvements: Investment properties are measured at fair value in accordance with IAS 40. Therefore investment properties are not depreciated. The impact arising from the change is the write-off of \$9,700 of accumulated depreciation against cumulative loss at January 1, 2010, \$10,773 for the three-month period ended March 31, 2010 and \$14,806 for the year ended December 31, 2010; and a reversal of amortization of buildings and improvements of \$1,073 for the three-month period ended March 31, 2010 and \$4,919 for the year ended December 31, 2010. The balance of the amortization expense applies to the owner-occupied building and was reclassified to Trust administration expenses.

(d) Reversal of amortization of intangible assets: Under previous Canadian GAAP, income producing properties include an intangible asset component representing the acquisition costs of in-place operating leases and client relationships, which are amortized over the terms of the related leases or the expected lengths of the client relationships. Under IFRS, such intangibles are incorporated in the fair value of the investment property. The impact arising from the change is the write-off of \$7,182 of accumulated depreciation against cumulative loss at January 1, 2010, \$7,931 for the three-month period ended March 31, 2010 and \$10,563 for the year ended December 31, 2010; and a reversal of amortization of intangible assets of \$529 for the three-month period ended March 31, 2010 and \$2,397 for the year ended December 31, 2010.

(e) Reversal of capitalized leasing costs: Under previous Canadian GAAP, capitalized rental costs which include rental expenses such as lease incentives and leasing fees are amortized under the straight-line method over the related lease terms.

- (i) Under IFRS, leasing fees are incorporated in the fair value of the investment property and then considered in the fair value adjustment of the investment property at the next reporting period. As a result, upon initial adoption of IFRS, the balance of capitalized rental costs representing leasing fees in the amount of \$689 at January 1, 2010, \$758 at March 31, 2010 and \$2,079 at December 31, 2010 have been written off against cumulative loss, eliminating amortization of the related balances on a going forward basis. The impact arising from the change is a decrease in amortization of capitalized rental costs of \$37 for the three-month period ended March 31, 2010 and \$195 for the year ended December 31, 2010.
- (ii) Under IFRS, lease incentive costs (including tenant improvements) are recognized as a reduction of rental revenues over the lease term. The amount of capitalized rental costs representing lease incentives has been included in the carrying amount of the investment property. The impact arising from the change is a decrease in amortization of capitalized rental costs of \$77 with a corresponding decrease in rental revenues of \$77 for the three-month period ended March 31, 2010 and \$397 for the year ended December 31, 2010.

(2) PROPERTY, PLANT AND EQUIPMENT

Under IAS 16 Property, Plant and Equipment, the Trust must account for its property, plant and equipment using either the cost or revaluation models. The Trust has elected to use the cost model for its owner-occupied building. Upon initial adoption of IFRS, the carrying amount of the owner-occupied building has been reclassified in property, plant and equipment.

The cost model is similar to previous Canadian GAAP except that under IFRS, when property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). Under previous Canadian GAAP, the Trust did not apply component accounting to the degree required by IFRS.

(3) TRADE RECEIVABLES

The Trust includes in the fair value of investment properties revenue from operating leases recognized on a straight-line basis. The impact arising from the change is a decrease in trade receivables of \$918 at January 1, 2010, \$1,001 at March 31, 2010 and \$1,362 at December 31, 2010.

(4) OTHER ASSETS

Deposits which were previously presented with capitalized rental costs and other assets under GAAP, are now presented with prepaid expenses.

(5) TRUST UNITS

As outlined in Note 3(b)(iv) of the interim financial statements, prior to June 29, 2010, BTB's trust units did not meet the conditions of IAS 32 and were therefore classified and accounted for temporarily as liabilities. Therefore distributions prior to June 29, 2010 have been expensed. Upon initial adoption of IFRS, the balance of cumulative distributions in the amount of \$17,538 has been added to the cumulative loss at January 1, 2010. The impact arising from the change is an increase in distributions to unitholders of \$677 for the three-month period ended March 31, 2010 and \$1,354 for the year ended December 31, 2010.

As of June 29, 2010 BTB's trust units met the conditions of IAS 32 for equity presentation and therefore distributions to unitholders were accounted for as equity.

(6) UNIT-BASED COMPENSATION AND WARRANTS

The Trust's unit-based compensation is considered a liability under which compensation expense is measured at the grant date and recognized over the vesting period. At each reporting period, the change in the fair value is recognized as compensation expense. Under previous Canadian GAAP, unit-based compensation was considered an equity award and was recognized over the vesting period of the related grant (during the vesting). Upon initial adoption of IFRS, the related contributed surplus was adjusted against cumulative loss in the amount of \$167 at January 1, 2010, \$167 at March 31, 2010 and \$167 at December 31, 2010. The impact arising from the change is an increase in unit-based compensation of \$5

for the three-month period ended March 31, 2010 and \$7 for the year ended December 31, 2010 and an increase in unit-based compensation on the statement of financial position of \$13 at January 1, 2010, \$23 at March 31, 2010 and \$33 at December 31, 2010.

Under IFRS, warrants are considered liabilities with changes in fair value recognized in earnings. Under previous Canadian GAAP, warrants were treated as unit issue costs and amortized using the effective interest rate method. The impact arising from the change is a decrease in contributed surplus in the amount of \$369 at December 31, 2010 and a gain (loss) from the change in fair value of \$117 for the year ended December 31, 2010.

(7) CONVERTIBLE DEBENTURES

As outlined in Note 3(b), under IFRS, instruments which convert to puttable instruments are considered liabilities. As such, the conversion option of the convertible debt is treated as a derivative instrument with changes in fair value recognized in profit or loss. Under previous Canadian GAAP the conversion option was recognized in unitholder's equity and was not remeasured. This portion was reclassified to liabilities under IFRS for \$2,183 at January 1, 2010, March 31, 2010 and at December 31, 2010; and the impact in profit or (loss) from the changes in fair value was a loss of \$81 for the three-month period ended March 31, 2010 and \$4 for the year ended December 31, 2010.

(8) BUSINESS COMBINATIONS

For business combinations after the date of transition, the Trust has applied IFRS 3 Business Combinations. Under IFRS, acquisition-related costs are expensed as incurred under IFRS while under previous Canadian GAAP these amounts were included in the cost of acquisition.

The impact arising from this change is an increase in transaction costs – business combination of \$137 for the three-month period ended March 31, 2010 and \$568 for the year ended December 31, 2010.

(9) REVENUE RECOGNITION

Due to accounting policy changes under IFRS, certain revenue components have changed. Above- and below-market rents were derecognized so there is no longer an amortization offset against revenue. Amortization of leasehold improvements, which was included in amortization expense under Canadian GAAP, is now applied against rental income. The net effect of the changes in revenue components was a decrease of \$140 for the three months ended March 31, 2010.

Three-month period ended March 31, 2010 (in thousands of dollars)	Minimum rents
Balance reported under Canadian GAAP	7,400
IFRS adjustments:	
Reclassification of amortization of lease inducements	(80)
Elimination of value attributable to leases not at market value	217
Other reclassifications	3
Balance restated under IFRS (unaudited)	7,540

(10) FINANCIAL EXPENSES

Financial expenses replace interest on loans and other financial expenses. Under IFRS, they now include changes in the market value of the conversion option of convertible debentures.

Three-month period ended March 31, 2010 (in thousands of dollars)	Financial expenses
Balance reported under Canadian GAAP	2,620
Aggregation of amortization of financial expenses	216
Aggregation of accretion of the non-derivative liability component of convertible debentures	112
Adjustment of value of conversion option of convertible debentures	81
Balance restated under IFRS (unaudited)	3,029

(11) AMORTIZATION

Under the fair value model, amortization of investment properties and certain leasing costs are no longer recognized. The resulting impact is a \$1,735 increase in net income for the three-month period ended March 31, 2010.

(12) DISTRIBUTIONS

As mentioned above, changes required for BTB's trust units to be accounted for as equity were made to the trust contract on June 29, 2010. Until then, under IFRS, distributions had to be recognized in the statement of comprehensive income instead of being applied against equity.

(13) CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Because BTB chose the fair value model to account for investment properties, periodic changes in fair value are recorded in profit or loss. This could increase the volatility of reported net income but will have no effect on FFO.

(14) TRANSACTION COSTS – BUSINESS COMBINATION

Under IFRS, transaction costs related to a business acquisition must be recognized directly in profit or loss as incurred. During the three-month period ended March 31, 2010, an amount of \$137 was recognized as transaction costs.

IMPACT OF ADOPTING NON-GAAP AND NON-IFRS FINANCIAL MEASURES

BTB regularly reported various measures not defined under Canadian GAAP to provide better comparisons to industry data or other entities in the marketplace. These measures continue to be important for BTB reporting under IFRS, but are not defined under IFRS. The internal definitions of the measures are discussed below.

Funds from operations (“FFO”)

The Canadian Real Property Association of Canada (“REALpac”) amended its White Paper on Funds from Operations in 2010 to reflect the impact of IFRS. Under Canadian GAAP, the largest add-back to net income in calculating FFO was depreciation of investment properties. Having chosen the fair value model under IFRS, BTB no longer records this expense. The following is a list of some of the new adjustments to net income which eliminate some of the non-cash items and reduce volatility of reported amounts:

- fair value adjustment on investment properties;
- fair value adjustment on convertible debentures;
- fair value adjustment on exchangeable units;
- distributions on exchangeable units;
- amortization of leasehold improvements.

EBITDA

BTB previously defined EBITDA as net income increased by financial expenses, depreciation, amortization and income tax expense. Accounting policy changes for IFRS introduce other non-cash measures that were not historically added back to net income when calculating EBITDA. The following is a list of the adjustments to net income which eliminate the non-cash items:

- fair value adjustment on investment properties;
- fair value adjustment on unit-based compensation;
- amortization of leasing costs and straight-line rents included in revenue.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

BTB's significant accounting policies are described in Notes 2 and 3 to the March 31, 2011 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:

ACCOUNTING ESTIMATES

The preparation of the condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management applying the Trust's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

(i) Judgments

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these condensed consolidated interim financial statements are as follows:

Business combinations

The Trust acquires subsidiaries that own real estate. At the time of acquisition, the Trust considers whether the acquisition represents the acquisition of a business, i.e., where an integrated set of activities is acquired in addition to the property. More specifically, the following criteria are considered:

- The number of items of land and buildings owned by the subsidiary;
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary;
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

An acquisition of a business is accounted for as a business combination under IFRS 3 *Business Combinations* (see below).

When the subsidiary being acquired does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and

liabilities acquired based upon their respective fair values, and no goodwill or deferred tax is recognized in such a case.

Operating lease contracts – Trust as lessor

The Trust enters into commercial property leases on its investment properties. The Trust has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the leases as operating leases.

Classification of property

The Trust determines whether a property is classified as investment property or property, plant and equipment.

(ii) Use of estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next nine months are as follows:

Valuation of property

Investment properties and investment properties under development are stated at fair value at each reporting date. Gains or losses arising from changes in the fair values are included in profit or loss in the period in which they arise. Fair value is determined by management using internally generated valuation models or by independent real estate valuation experts using recognized valuation techniques. These techniques comprise both the Discounted Cash Flow Method and the Direct Capitalization method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Trust's investment properties.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as leasing fees, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at the reporting date.

The significant methods and assumptions used by management and the valuers in estimating the fair value of investment properties are set out below.

Techniques used for valuing investment properties

The direct capitalization method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the investment property on this basis is to capitalize net rental income on the basis of an initial yield.

The discounted cash flow method involves the projection of a series of periodic cash flows either to an operating investment property or a development investment property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the investment property. The calculated periodic cash flows are typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the investment property.

FUTURE CHANGES IN ACCOUNTING POLICIES

New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Trust.

(i) *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments, which becomes mandatory for the Trust's 2013 consolidated financial statements is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

(ii) *IAS 12 Income Taxes*

The IASB has published some limited scope amendments to *IAS 12 Income taxes*, which are relevant only when an entity uses the fair value model for measurement in *IAS 40 Investment Property*. Under *IAS 12*, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. To provide a practical approach in such cases, the amendment introduces a presumption that an investment property is recovered entirely through sale. This policy is effective for fiscal years after January 1, 2012. The Trust intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2012. The extent of the impact of adoption of the amendments has not yet been determined.

RISKS AND UNCERTAINTIES

Real property ownership

BTB owns 49 properties and plans to directly or indirectly acquire interests in other real property in the future. All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises, and various other factors.

Tenant risks

The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. BTB's FFO may be adversely affected if tenants become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which BTB has an interest becomes vacant and is not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to BTB than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting BTB's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which BTB has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in BTB's available cash flow. The ability to rent unleased space in the properties in which BTB has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to the property required by a new tenant.

Certain major tenants are permitted to cease operating from their leased premises at any time at their option. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some Commercial Retail Units ("CRU") tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

Fixed costs

Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If BTB is unable to meet mortgage payments or ground rent payments on any property, losses could be sustained if the mortgagee exercises its rights of foreclosure or sale or the landlord exercises remedies.

Asset liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may tend to limit BTB's ability to vary its portfolio promptly in response to changing economic or investment

conditions. If BTB were required to liquidate its real property investments, the proceeds to BTB might be significantly less than the aggregate carrying value of its properties.

Capital expenditures and distributions

Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. BTB may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for recoverable improvements may exceed recovery of amounts from tenants. BTB is subject to provisions in its Declaration of Trust as well as to debt agreements that may impact the quantum of distributions. The sale of income-producing properties with inherent taxable gains could materially change BTB's level of distributions.

Property concentration

BTB's portfolio consists exclusively of retail buildings located in Canada. Consequently, the market value of the properties and the income generated from them could be negatively affected by changes in the domestic retail environment.

Reliance on anchor tenants

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and are therefore subject to the risk of such anchor tenants either moving out of the property or going out of business. A property could be negatively affected by such a loss.

Environmental matters

As an owner of interests in real property in Canada, BTB is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that BTB could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. Failure to remove or remediate such substances or locations, as the case may be, could adversely affect BTB's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the owner by private plaintiffs.

BTB will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, BTB does not believe that costs relating to environmental matters will have a material adverse effect on BTB's business, financial condition or results of operations. However, environmental laws and regulations can change and BTB or its subsidiaries may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on BTB's business, financial position or results of operations and distributions.

Competition

Competition in the real estate industry is keen. Many other retail property developers, managers and owners compete with BTB for tenants. Some of the properties of BTB's competitors are newer or better located or less leveraged than the properties in which BTB has an interest. Some of BTB's competitors are more financially sound and therefore better equipped to respond to an economic slowdown. The existence of competing developers, managers and owners and competition for BTB's tenants could have an adverse effect on BTB's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect BTB's revenues and its ability to meet its debt obligations.

Competition for acquisitions of real properties is intense, and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that BTB is prepared to accept. An increase in the availability of investment funds and an increase in interest in real property investments may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Financing risk

BTB's outstanding debt stood at approximately \$1,350,702 as at December 31, 2010. A portion of the cash flow generated by the existing properties and any future acquired properties will be used to service such debt, and there can be no assurance that BTB will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If BTB is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. BTB is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by BTB's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

BTB has stated that one of its objectives is to grow through acquisitions. While BTB has financial resources on hand to complete some acquisitions, the longer-term ability of BTB to fund acquisitions is dependent on both equity and debt capital markets. There are risks that, from time to time, such capital may not be available or may not be available on favourable terms.

Valuations

Valuations reflect an assessment of value based on the facts and circumstances as of the date the valuations were made. Such valuations may not have incorporated all relevant facts or may have relied on incorrect assumptions which may have been too optimistic or not sufficiently optimistic. Furthermore, valuations conducted at one point in time may not be reflective of value at another point in time, nor may the valuation be reflective of the value that could be obtained on a sale or other transaction. The valuations, which are analyzed in the section "Impact of Adoption of IFRS," were carried out as part of the transition to IFRS and may not be appropriate for other purposes.

Interest rate fluctuations

From time to time, BTB's financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in BTB's cost of borrowing. Changes in interest rates may also affect BTB in many other ways, due to factors including the impact on the economy, the value of real estate, the value of BTB's units, the economics of acquisition activity and the availability of capital.

Reliance on key personnel

BTB's management relies on services rendered by certain key personnel. The loss of the services of any key personnel could have an adverse effect on BTB.

Tax-related risks

Legislation (the "SIFT Rules") relating to the federal income taxation of publicly listed or traded trusts (such as income trusts and Real Estate Investment Trusts) and partnerships changes the manner in which certain flow-through entities and the distributions from such entities are taxed. Under the SIFT Rules, certain publicly listed or traded flow-through trusts and partnerships referred to as "specified investment flow-through" or "SIFT" trusts and partnerships will be taxed in a manner similar to the taxation of corporations, and investors in SIFTs will be taxed in a manner similar to shareholders of a corporation. Amendments to the SIFT Rules were enacted on March 12, 2009.

The new taxation regime introduced by the SIFT Rules is not applicable to funds that qualify for the exemption under the SIFT Rules applicable to certain Real Estate Investment Trusts (the "REIT Exemption"). The stated intention of the Minister of Finance (Canada) in introducing the REIT Exemption is to exempt certain Real Estate Investment Trusts from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". If the Trust fails to qualify for the REIT Exemption, it will be subject to certain tax consequences including taxation in a manner similar to corporations and taxation of certain distributions in a manner similar to taxable dividends from a taxable Canadian corporation.

The SIFT rules generally do not apply to a trust which was publicly traded before November 1, 2006 ("existing trust") until the trust's 2011 taxation year, or earlier in circumstances where the trust's "normal growth" exceeds certain permitted limits (the "undue expansion rules"). There is no assurance that additions to BTB's capital properties or assets will not, alone or in combination with each other, constitute an "undue expansion" under the undue expansion rules. The undue expansion rules would only be relevant to BTB if it has not at all times since October 31, 2006 qualified for the REIT Exemption.

To qualify for the REIT Exemption in a particular taxation year: (i) the REIT must, at no time in that taxation year, hold non-portfolio property other than "qualified REIT properties"; (ii) not less than 95% of the REIT's revenues for that taxation year must be derived from (a) rent from real or immovable properties, (b) interest, (c) capital gains from dispositions of real or immovable properties, (d) dividends and (e) 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 at that time.

As mentioned above, the SIFT rules will apply to an existing trust (other than a real estate investment trust that qualifies for the REIT Exemption) as of taxation years ending in 2011 or thereafter, or earlier if there is "undue expansion" under the undue expansion rules. Accordingly, unless the REIT Exemption is applicable to BTB, the SIFT rules could, commencing in 2011 or earlier if there is "undue expansion" under the undue expansion rules, impact the level of cash distributions that would otherwise be made by BTB and the taxation of such distributions to unitholders.

During 2010, BTB took steps to qualify for the REIT Exemption as of January 1, 2011 and Management believes that BTB will not be subject to the SIFT rules, provided that it continues to qualify for the REIT Exemption at all times after 2010.

Management intends to conduct the REIT's business so that it continues to qualify for the REIT Exemption at all times after 2010. However, as the requirements of the REIT Exemption include complex revenue and asset tests, no assurance can be given that the REIT will in fact qualify for the REIT Exemption at all times.

CONTROLS AND PROCEDURES

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

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

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 March 31, 2011, pursuant to the requirements of Multilateral Instrument 52-109.