



# **MANAGEMENT DISCUSSION AND ANALYSIS**

**Three months ended September 30, 2011**

NOVEMBER 14, 2011

## TABLE OF CONTENTS

INTRODUCTION.....	3
FORWARD-LOOKING STATEMENTS CAVEAT .....	3
NON-IFRS FINANCIAL MEASURES.....	4
THIRD QUARTER HIGHLIGHTS .....	5
THE TRUST .....	6
OBJECTIVES AND BUSINESS STRATEGIES .....	7
ADOPTION OF IFRS .....	7
HIGHLIGHTS AND SELECTED FINANCIAL INFORMATION.....	8
REAL ESTATE PORTFOLIO .....	9
PERFORMANCE INDICATORS .....	9
OPERATING RESULTS .....	10
DISTRIBUTIONS .....	16
SEGMENTED INFORMATION .....	17
FUNDS FROM OPERATIONS (FFO).....	18
ADJUSTED FUNDS FROM OPERATIONS (AFFO).....	20
PRO FORMA RATIOS.....	21
FINANCIAL POSITION.....	22
REAL ESTATE PORTFOLIO .....	22
REAL ESTATE OPERATIONS .....	23
CAPITAL RESOURCES.....	27
INCOME TAXES.....	35
TAXATION OF UNITHOLDERS.....	36
IMPACT OF ADOPTION OF IFRS .....	37
SUMMARY OF CRITICAL ACCOUNTING ESTIMATES .....	43
FUTURE CHANGES IN ACCOUNTING POLICIES .....	45
RISKS AND UNCERTAINTIES .....	45
CONTROLS AND PROCEDURES.....	50

## 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 September 30, 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 November 14, 2011 should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the three-month period ended September 30, 2011 and with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2010. 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 September 30, 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](http://www.sedar.com).

The audit committee and the Trust's board of trustees have approved the contents of this Management Discussion and Analysis and the 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.

### THIRD QUARTER HIGHLIGHTS

- On July 13, 2011, the Trust completed a \$23 million public offering of Series D 7.25% convertible debentures maturing on July 31, 2018, providing a net capital contribution of \$21.5 million which was used to repay all Series A 8% Debentures maturing on October 3, 2011.
- On August 16, 2011, acquisition of a 50% interest in a 17,100-square-foot property, for \$2.2 million. The property is fully leased under a 7-year lease with the Pharmaprix/Shoppers chain.
- 12<sup>th</sup> consecutive quarter in which the weighted average rate on mortgage loans payable remained stable or declined, with a decrease from 6.15% in the third quarter of 2007 to 5.42% in the third quarter of 2011.
- Refinancing of Complexe Lebourgneuf Phase 1 in Québec City, for \$28 million, at a rate of 3.6% for five years, providing a net capital contribution of \$3.5 million.
- Rental income was up from \$9.2 million in the third quarter of 2010 to \$10.5 million in the third quarter of 2011 and net operating income (NOI) increased from \$5.4 million to \$5.9 million.
- The mortgage debt ratio decreased from 69.5% as at December 31, 2010 to 56.8% as at September 30, 2011.
- Shareholders' equity increased from \$33.7 million as at December 31, 2010 to \$74 million as at September 30, 2011.

### Subsequent events

- On October 3, 2011, repayment in full of the Series A 8% debentures in the amount of \$12.9 million, with the proceeds of Series D 7.25% debentures.
- On October 28, 2011, acquisition of two industrial properties of 60,000 and 154,000 square feet respectively, at a cost of \$12.2 million, fully leased to a major Canadian doors and windows manufacturer. These properties will generate annual NOI of \$1.1 million. The Trust expects the properties to yield annualized FFO of almost \$800,000, or more than 1¢ per unit.

## 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 52 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 B, C and D convertible debentures are traded on the TSX Venture Exchange under the symbols "BTB.un", "BTB.DB.B", "BTB.DB.C" and "BTB.DB.D", respectively.

Most of the Trust's properties are managed internally, with 44 of the Trust's 52 properties 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:

	<b>Number of properties</b>	<b>Leasable area (sq. ft.)</b>	<b>Assets acquired at cost (thousands of \$)</b>
<b>As at September 30, 2011</b>	<b>50</b>	<b>2,902,500</b>	<b>309,076</b>
<b>Subsequent acquisitions</b>	<b>2</b>	<b>214,000</b>	<b>12,245</b>
<b>Total</b>	<b>52</b>	<b>3,116,500</b>	<b>321,321</b>

BTB's management is entirely internalized and no service agreements or asset management agreements 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. 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 52 properties generating, on an annualized basis, revenues of more than \$41 million.

The following table presents highlights and selected financial information for the three-month periods ended September 30, 2011 and 2010:

Periods ended September 30 (in thousands of dollars, except ratios and per unit data)	Reference	Quarter		Cumulative (9 months)	
		2011	2010	2011	2010
<b>FINANCIAL INFORMATION</b>					
Rental income	Page 10	10,503	9,154	30,464	25,162
Net operating income	Page 10	5,861	5,373	16,680	14,208
EBITDA	Page 14	5,485	4,917	15,499	12,688
Distributions	Page 16	1,487	677	4,143	2,031
Recurring funds from operations (FFO)	Page 18	936	864	2,227	2,591
Recurring adjusted funds from operations (AFFO)	Page 20	1,070	1,001	2,812	2,766
Investment properties	Page 22			311,811	283,095 <sup>(1)</sup>
Total assets	Page 22			350,222	292,758 <sup>(1)</sup>
Mortgage loans payable	Page 27			197,100	180,473 <sup>(1)</sup>
Convertible debentures	Page 29			65,110	24,514 <sup>(1)</sup>
Debt ratio - excluding convertible debentures	Page 31			56.5%	65.5% <sup>(1)</sup>
Unitholders' equity	Page 32			77,329	43,660
<b>FINANCIAL INFORMATION PER UNIT</b>					
Weighted average number of units outstanding (000)	Page 32	73,990	33,692	66,780	33,692
EBITDA	Page 14	7.4¢	14.6¢	23.2¢	37.7¢
Distributions	Page 16	2.0¢	2.0¢	6.0¢	6.0¢
Recurring FFO	Page 18	1.3¢	2.6¢	3.3¢	7.7¢
Recurring AFFO	Page 21	1.4¢	3.0¢	4.2¢	8.2¢
<b>TAXATION OF DISTRIBUTIONS</b>					
Income	Page 36	0%	0%	0%	0%
Tax deferred	Page 36	100%	100%	100%	100%
<b>OPERATIONAL INFORMATION</b>					
Number of properties	Page 22			50	44
Leasable area (in thousands of sq. ft)	Page 22			2 903	2 866
Occupancy rate	Page 24			90.3%	90.5%
<b>DEVELOPMENT</b>					
Property under development				1	1
Estimated leasable area (in thousands of sq. ft)				142	142

(1) As at December 31, 2010.

## REAL ESTATE PORTFOLIO

BTB owns 52 properties, at a total acquisition cost of approximately \$321 million and representing a total leasable area of over 3.1 million square feet. A concise description of the properties owned as at December 31, 2010 can be found in the Trust's 2010 Annual Information Form available at [www.sedar.com](http://www.sedar.com). Properties acquired in 2011 are described in the "Property Portfolio" section on page 22 of this MD&A.

## 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 September 30, 2011 and 2010. The table must be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended September 30 (in thousands of dollars)	Reference	Quarter		Cumulative (9 months)	
		2011	2010	2011	2010
Rental Income	Page 10	10,503	9,154	30,464	25,162
Operating expenses	Page 11	4,642	3,781	13,784	10,954
Net operating income	Page 12	5,861	5,373	16,680	14,208
Financial income		(72)	(7)	(106)	(17)
Financial expenses	Page 13	2,312	4,046	12,154	10,485
Trust administration expenses	Page 14	291	468	1,889	1,331
Distributions to unitholders	Page 16	---	---	---	1,354
Transactions costs – business combinations		---	---	---	437
Fair value adjustment on investment properties	Page 15	(1,173)	(2,480)	(3,961)	(4,895)
<b>Net income and comprehensive income</b>		<b>4,503</b>	<b>3,346</b>	<b>6,704</b>	<b>5,513</b>

### 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.

### Rental Income

During the third quarter of 2011, the Trust's revenues increased about 14.7% compared to revenues for the third quarter of 2010 and 21.1% since the beginning of fiscal 2011 compared to 2010, due to the acquisition of an interest in a property in August 2011 and the acquisition of the residual interests in three properties in November 2010 and April 2011.

Revenues from the same-property portfolio were stable during the third quarter ended September 30, 2011 compared to the same period of 2010, but have generated a 1.6% increase since the beginning of the year.

Periods ended September 30 (in thousands of dollars)	Quarter			Cumulative (9 months)		
	2011	2010	Δ%	2011	2010	Δ%
Same-property portfolio	7,725	7,739	(0.2)	23,262	22,885	1.6
Acquisitions and development	2,778	1,415	---	7,202	2,277	---
	<b>10,503</b>	9,154	14.7	<b>30,464</b>	25,162	21.1

Rental revenue includes amortization of the straight-line rental income adjustment and amortization of lease inducements, as shown in the table below.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
Rental income on the basis of in-place leases	10,546	9,126	30,653	25,197
Straight-line rental income adjustment	166	79	447	246
Amortization of lease inducements	(209)	(51)	(636)	(281)
<b>Rental income from investment properties</b>	<b>10,503</b>	9,154	<b>30,464</b>	25,162

### 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 22.8% increase in operating expenses from the third quarter of 2010 to the third quarter of 2011 and of 25.8% since the beginning of the year was mainly due to fiscal 2010 acquisitions. The change in the nature of the leases binding Hydro-Québec and the Trust in the "Complexe de Léry" largely accounts for the increase in the same-property portfolio of 6.3% for the quarter and 6.0% since the beginning of the year. Hydro-Québec formerly assumed and directly paid all property operating expenses (taxes, energy, maintenance, repairs, etc), but under the new "traditional" leases in place, the Trust assumes and pays all property operating expenses before charging them back in full to the in-place tenants. In addition to the factors listed above, assessed at \$122 for the third quarter of 2011 and \$480 since the beginning of the year, the Trust reported an increase in operating expenses for the same-property portfolio. Excluding these factors, the Trust would have reported an increase in operating expenses for the same-property portfolio of 2.6% for the quarter and 1.2% since the beginning of the year.

Periods ended September 30 (in thousands of dollars)	Quarter			Cumulative (9 months)		
	2011	2010	Δ%	2011	2010	Δ%
Same-property portfolio	3,475	3,268	6.3	10,618	10,017	6.0
Acquisitions and development	1,167	513	---	3,166	937	---
	4,642	3,781	22.8	13,784	10,954	25.8

The table below shows the breakdown of operating expenses for the periods ended September 30, 2011 and 2010:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
Operating expenses				
- Operating costs	1,730	1,458	4,991	4,207
- Property taxes and public utilities	2,912	2,323	8,793	6,747
	4,642	3,781	13,784	10,954
<b>% of operating revenues</b>	<b>44.2</b>	41.3	<b>45.2</b>	43.5

### Net operating income

Net operating income increased 9.1% for the third quarter of 2011 compared to 2010 due to acquisitions in fiscal 2010. The same-property portfolio reported a 4.9% decrease in operating income. Net operating income was 55.8% of operating revenues for the three-month period ended September 30, 2011 and 58.7% for the three-month period ended September 30, 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 57.0% rather than 55.8% and the same-property portfolio would have increased by 2.2% instead of decreasing by 4.9%. The effect of the change in the nature of the Hydro-Québec lease should cease to have a significant impact on the same-property portfolio as of the first quarter of 2012.

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.

Periods ended September 30 (in thousands of dollars)	Quarter			Cumulative (9 months)		
	2011	2010	Δ%	2011	2010	Δ%
Same-property portfolio	4,250	4,471	(4.9)	12,644	12,868	(1.7)
Acquisitions and development	1,611	902	---	4,036	1,340	---
	5,861	5,373	9.1	16,680	14,208	17.4
<b>% of operating revenues</b>	<b>55.8</b>	<b>58.7</b>		<b>54.8</b>	<b>56.5</b>	

### Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans contracted or assumed totalling approximately \$197.8 million as at September 30, 2011, compared to \$175.0 million as at September 30, 2010. This increase results from the assumption of mortgages on acquisitions completed in the last 12 months and the refinancing of certain properties.
- Series A and B and C and D convertible debentures issued in a total amount of \$71.9 million (\$25.9 million as at September 30, 2010). The Series A debentures in the amount of \$12.9 million were repaid on October 3, 2011.
- 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.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
Interest expense on mortgage loans	2,625	2,436	7,806	6,780
Interest expense on debentures	1,354	535	3,282	1,603
Interest expense on operating and acquisition lines of credit	---	629	356	1,021
<b>Interest expense</b>	<b>3,979</b>	<b>3,600</b>	<b>11,444</b>	<b>9,404</b>
Accretion of effective interest	408	336	1,151	763
Accretion of non-derivative liability component of convertible debentures	237	117	599	347
<b>Financial expenses before following item:</b>	<b>4,624</b>	<b>4,053</b>	<b>13,194</b>	<b>10,514</b>
Net adjustment to fair value of derivative financial instruments (debenture conversion options)	(2,312)	(7)	(1,040)	(29)
<b>Financial expenses</b>	<b>2,312</b>	<b>4,046</b>	<b>12,154</b>	<b>10,485</b>

Before recognition of the adjustment to the fair value of debenture conversion options, financial expenses increased \$571 during the third quarter of 2011 and \$2,680 for the cumulative nine-month period compared to the same periods of 2010, mainly due to the assumption of mortgages on property acquisitions and the issuance of Series C and Series D convertible debentures in January and July 2011, respectively.

The Series D convertible debentures were used to repay in full the Series A debentures, in the amount of \$12.9 million, on October 3, 2011. Accordingly, for almost all of the third quarter of 2011, the Trust had a significant cash surplus, along with a related interest expense. If the Trust had been able to repay the Series A debentures as soon as the funds became available, interest expense for the quarter and the current year would have been reduced by approximately \$193.

Financial expenses can be allocated among interest expenses amounting to \$3,979 for the quarter and \$11,444 for the cumulative nine-month period (\$3,600 and \$9,404 respectively in 2010) and non-monetary items. Non-monetary items include fair value adjustments on derivative financial instruments in amounts payable in the amount of \$2,312 for the quarter and \$1,040 for the cumulative period (respectively (\$7) and (\$29) in 2010), which will be volatile from period to period. These payables adjustments result from a decrease in the market value of the Trust's units and, thus, in the value of conversion options compared to amounts recognized at the end of preceding periods.

As at September 30, 2011, the average weighted contractual rate of interest on mortgage loans payable was 5.42%, 22 basis points lower compared to September 30, 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. For 12 consecutive quarters, the weighted average interest rate has been stable or reported a decrease.

The interest expense coverage rose from 1.37 to 1.40 during the third quarter of 2011 compared to the third quarter of 2010 and from 1.35 to 1.37 for the cumulative nine-month periods ended September 30, 2011 and 2010.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
<b>EBITDA</b>	<b>5,485</b>	4,917	<b>15,499</b>	12,688
<b>EBITDA per unit</b>	<b>7.4¢</b>	14.6¢	<b>23.2¢</b>	37.7¢
<b>Interest expense coverage ratio (EBITDA/ interest expense)</b>	<b>1.40</b>	1.37	<b>1.37</b>	1.35

On a pro forma basis, eliminating interest expenses on the Series A convertible debentures on the issuance of Series D debentures, the interest expense coverage ratio for the third quarter of 2011 would have been 1.48.

### 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, 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 and unit-based compensation, and two non-monetary items that increase the volatility of administrative expenses from period to period.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
Administrative expenses	657	501	1,923	1,354
Amortization	22	24	63	57
Fair value adjustment on warrants	(305)	(57)	(152)	(100)
Unit-based compensation	(83)	---	55	20
<b>Trust administration expenses</b>	<b>291</b>	<b>468</b>	<b>1,889</b>	<b>1,331</b>

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

### Fair value adjustment on investment properties

Under IAS 40, the Trust accounts for its investment properties at fair value and recognizes profit or loss arising from a change in fair value in profit or loss for the period in which it arises.

In its determination of fair value, management receives quarterly capitalization rate reports from external knowledgeable property valuers. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization rates within ranges provided by external valuers. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next; or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

The following table highlights the significant assumptions used in the modeling process for both internal and external appraisals:

As at September 30, 2011	Commercial	Office	Industrial	General purpose
Capitalization rate	7.50% - 9.75%	7.50% - 8.75%	7.75% - 9.25%	7.50% - 8.90%

The weighted average capitalization rate for the entire portfolio as at September 30, 2011 hovered around 8.0%.

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
<b>Fair value adjustment on investment properties</b>	<b>1,173</b>	<b>2,480</b>	<b>3,961</b>	<b>4,895</b>

## Net income and comprehensive income

Periods ended September 30 (in thousands of dollars, except per unit data)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
<b>Net income and comprehensive income</b>	<b>4,503</b>	3,346	<b>6,704</b>	5,513
Per basic and diluted unit, taking account of dilutions in November 2010 and March 2011	<b>6.1¢</b>	9.9¢	<b>10.0¢</b>	16.4¢

## DISTRIBUTIONS

Distributions to unitholders totalled 2¢ per issued unit for each quarter presented. Based on units issued at the end of each month of the applicable periods, total distributions were as follows:

Periods ended September 30 (in thousands of dollars)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
<b>Distributions</b>	<b>1,487</b>	677	<b>4,143</b>	2,031

As mentioned in Note 3(b) (iv) of the interim financial statements, until June 30, 2010, distributions were recognized as an expense in the statement of comprehensive income, as required under IFRS.

## 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 September 30, 2011 and 2010.

Quarter ended September 30, 2011 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Investment properties	69,851	22.4	150,435	48.2	28,075	9.0	63,450	20.4	311,811
Investment properties under development	---	---	2,622	100.0	---	---	---	---	2,622
Rental revenue from property	1,953	18.6	5,423	51.6	818	7.8	2,309	22.0	10,503
Net operating income	1,331	22.2	2,715	46.3	638	10.9	1,176	20.1	5,860

Quarter ended September 30, 2010 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Investment properties	61,339	23.0	120,794	45.0	26,839	10.0	58,707	22.0	267,679
Investment properties under development	---	---	---	---	---	---	---	---	---
Rental revenue from property	1,550	16.9	4,640	50.7	862	9.4	2,103	23.0	9,155
Net operating income	1,087	20.2	2,624	48.8	649	12.1	1,012	18.9	5,372

Nine-month period ended September 30, 2011 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Rental revenue from property	5,674	18.6	15,318	50.3	2,513	8.3	6,959	22.8	30,464
Net operating income	3,704	22.2	7,584	45.5	1,860	11.2	3,532	21.1	16,680

Nine-month period ended September 30, 2010 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Rental revenue from property	4,313	17.1	11,675	46.4	2,514	10.0	6,661	26.5	25,163
Net operating income	3,047	21.4	6,004	42.3	1,839	12.9	7,317	23.4	14,207

## 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 net income and comprehensive income established according to IFRS and recurring FFO for the quarters and cumulative nine-month periods ended September 30, 2011 and 2010:

Periods ended September 30 (in thousands of dollars, except per unit data)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
<b>Net income and comprehensive income (IFRS)</b>	<b>4,503</b>	3,346	<b>6,704</b>	5,513
+ Amortization of properties	14	11	40	30
+ Amortization of lease inducements	209	51	636	281
+ Fair value adjustment on conversion options of convertible debentures	(2,312)	(7)	(1,040)	(29)
+ Fair value adjustment on warrants	(305)	(57)	(152)	(100)
+ Transaction costs – business combination	---	---	---	437
+ Distributions	---	---	---	1,354
- Fair value adjustment on investment properties	(1,173)	(2,480)	(3,961)	(4,895)
<b>Recurring FFO</b>	<b>936</b>	864	<b>2,227</b>	2,591
<b>Per unit data taking into account dilution of November 2010 and March 2011</b>				
Recurring FFO per unit (basic and diluted)	1.3¢	2.6¢	3.3¢	7.7¢

The following factors account for the decrease in FFO per unit:

- Dilution resulting from the issuance of 18 million units in November 2010 and 22.3 million units in March and April 2011.
- Higher financial expenses following the issuance of Series C convertible debentures in January 2011 and Series D convertible debentures in July 2011;
- Available surplus cash not yet allocated to accretive acquisitions or the repayment of Series A debentures;
- Higher Trust administration expenses, mainly due to the changeover to IFRS and leasing and marketing expenses.

## 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 periods ended September 30, 2011 and 2010:

Periods ended September 30 (in thousands of dollars, except per unit data)	Quarter		Cumulative (9 months)	
	2011	2010	2011	2010
<b>Recurring funds from operations</b>	<b>936</b>	864	<b>2,227</b>	2,591
- Straight-line rental income adjustment	(166)	(79)	(447)	(246)
+ Accretion of effective interest	418	346	1,182	793
+ Accretion of the liability component of convertible debentures	237	117	599	347
+ Amortization of property, plant and equipment	8	13	23	27
+ Unit-based compensation expenses	(83)	---	55	20
- Provision for non-recoverable capital expenses	(137)	(110)	(396)	(316)
- Provision for rental fees	(143)	(150)	(431)	(450)
<b>Recurring AFFO</b>	<b>1,070</b>	1,001	<b>2,812</b>	2,766
<b>Per unit data taking into account dilution of November 2010 and March 2011</b>				
<b>AFFO per unit (basic and diluted)</b>	<b>1.4¢</b>	3.0¢	<b>4.2¢</b>	8.2¢

## PRO FORMA RATIOS

The Trust has surplus cash for the repayment of Series A debentures and for accretive property acquisitions due to its current cash position following the issuance of Series D debentures and funds from refinancing in progress. The Trust is currently examining acquisition opportunities that could materialize in the coming months. There is no assurance, however, that such acquisitions will be completed in the short term.

On a pro forma basis, if the surplus cash had been allocated to accretive acquisitions and repayment of the Series A debentures as soon as the funds were available, recurring FFO and AFFO would have been as follows:

Periods ended September 30 (in thousands of dollars, except per unit data)	Recurring FFO	Recurring AFFO
<b>Balance recognized</b>	<b>936</b>	1 070
Net funds generated by accretive acquisitions	<b>395</b>	395
Net funds generated by savings on financial expenses	<b>193</b>	193
<b>Pro forma balance</b>	<b>1,524</b>	1,658
<b>Per unit pro forma balance <sup>(1)</sup></b>	<b>2.1¢</b>	2.2¢

(1) Based on the pro forma total number of units outstanding as at September 30, 2011 (73,989,725 units).

## FINANCIAL POSITION

The table below presents a summary of the assets, liabilities and unitholders' equity as at September 30, 2011 and December 31, 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)	September 30, 2011	December 31, 2010
<b>ASSETS</b>		
Investment properties (at fair value)	311,811	283,095
Property under development	2,622	592
Other assets	36,097	9,071
<b>TOTAL</b>	<b>350,530</b>	<b>292,758</b>
<b>UNITHOLDERS' EQUITY AND LIABILITIES</b>		
Unitholders' equity	77,329	55,997
Mortgage loans payable	197,100	180,473
Convertible debentures	65,110	24,514
Acquisition and operating lines of credits	---	22,195
Other liabilities	10,991	9,579
<b>TOTAL</b>	<b>350,530</b>	<b>292,758</b>

The main changes to the statement of financial position as at September 30, 2011 compared to the statement of financial position as at December 31, 2010 primarily reflect the acquisition of the residual portion of a property in April 2011, unit issues in March and April 2011, and the issuance of Series C and Series D convertible debentures in January and July 2011, respectively.

## REAL ESTATE PORTFOLIO

The following table presents information about the real estate portfolio:

(in thousands of dollars)	September 30, 2011	December 31, 2010
Investment properties (at fair value)	311,811	283,095
Property under development	2,622	592
Other assets	36,097	9,396
Gross book value of the Trust	350,530	293,083
Number of properties	50	49
Leasable area (in thousands of sq. ft)	2,903	2,866

## Summary by operating segment as at September 30, 2011

	Number of properties	Leasable area (sq. ft.)	%
Office	18	1,168,300	40.2
Commercial	14	553,100	19.1
Industrial	8	577,200	19.9
General purpose	10	603,900	20.8
<b>Total</b>	<b>50</b>	<b>2,902,500</b>	<b>100</b>

## REAL ESTATE OPERATIONS

### Leasing activities

The following table summarizes changes in available leasable area during the quarter and cumulative nine-month period ended September 30, 2011:

In square feet	Quarter	Cumulative (9 months)
<b>Available leasable area at beginning of period</b>	<b>272,268</b>	<b>283,273</b>
Acquisition of available leasable areas and development	2,171	29,423
Leasable area of expired leases	118,433	226,186
Leasable area of leases terminated before term	279	3,663
Leasable area of leases expired and renewed	(81,975)	(131,457)
Leasable area of new leases executed	(31,265)	(128,978)
Other	1,349	(850)
<b>Available leasable area at end of period</b>	<b>281,260</b>	<b>281,260</b>

The Trust's leasing operations were active during the third quarter of 2011. More than 113,000 square feet were signed with new tenants or renewed during the quarter. Since the beginning of the year, more than 260,000 square feet have been signed with new tenants or renewed.

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, 73,000 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 92.5%.

The average rate of expired and renewed leases increased 6.0% during the third quarter. At the end of nine months, the rate was 6.2%.

## 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	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Office	<b>87.3%</b>	89.6%	88.2%	87.2%	88.1%
Commercial	<b>90.1%</b>	90.4%	89.9%	88.3%	88.5%
Industrial	<b>94.4%</b>	93.0%	93.0%	93.4%	93.4%
General purpose	<b>92.4%</b>	90.2%	90.6%	93.4%	93.4%
<b>Total portfolio</b>	<b>90.3%</b>	<b>90.6%</b>	<b>90.1%</b>	<b>90.0%</b>	<b>90.5%</b>

The occupancy rate declined slightly during the quarter, from 90.6% as at June 30, 2011 to 90.3% as at September 30, 2011. On a segmented basis, the office segment saw a 2.3% decrease after “Chenelière Éducation” vacated the property at 7001 Saint-Laurent Boulevard, Montreal. This tenant had fully occupied the 24,500-square-foot property. Based on the property’s location and attractiveness, management is confident that it can quickly lease the vacant space on favourable terms. If not for this vacancy, the office segment would have posted an 89.4% occupancy rate and the Trust’s overall rate would have been down 0.6% to 91.2%.

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
<b>Office</b>					
Leasable area (sq.ft)	95,274	136,330	136,794	166,767	65,064
Lease rate/square foot (\$)	11.51	10.74	12.81	11.21	11.65
% of office portfolio	7.84	11.22	11.26	13.73	5.36
<b>Commercial</b>					
Leasable area (sq.ft)	4,855	26,202	58,447	38,627	69,783
Lease rate/square foot (\$)	14.15	11.56	9.11	9.66	8.01
% of commercial portfolio	0.91	4.93	11.01	7.27	13.14
<b>Industrial</b>					
Leasable area (sq.ft)	115,873	30,279	149,629	---	189,460
Lease rate/square foot (\$)	4.06	5.83	3.04	---	5.46
% of industrial portfolio	20.11	5.25	25.97	---	32.88
<b>General purpose</b>					
Leasable area (sq.ft)	79,840	21,975	72,532	92,646	127,306
Lease rate/square foot (\$)	12.57	12.91	14.51	8.15	10.30
% of general purpose portfolio	13.96	3.84	12.68	16.20	22.26
<b>Total portfolio</b>					
Leasable area (sq.ft)	295,842	214,786	417,402	298,040	275,300
Lease rate/square foot (\$)	7.93	11.67	8.11	10.06	13.30
% of portfolio	10.22	7.42	14.42	10.30	9.51

## Top 10 tenants

As at September 30, 2011, BTB managed approximately 600 leases, with an average area of approximately 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 September 30, 2011:

<b>Client</b>	<b>% of revenues</b>	<b>Leased area (square feet)</b>
Société immobilière du Québec (SIQ)	5.3	121,609
Annie Fruit Inc. / Le Végétarien	3.3	89,308
Hydro-Québec	2.8	37,336
Germain Larivière Inc.	2.7	101,194
Cornwall Warehousing Ltd.	2.3	172,879
Commission de la Santé et de la Sécurité du Travail (CSST)	2.2	46,664
Groupe Aro Inc.	2.2	40,000
Canada Post Corporation	2.1	59,987
Gestion Deloitte s.e.c.	1.7	26,900
Canadian Tire	1.5	53,000

## CAPITAL RESOURCES

### Long-term debt

The following table shows the balances of BTB's indebtedness as at September 30, 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 (\$)	Balance of mortgages payable (\$)	Weighted average contractual interest rate (%)
2011	12,883	15,476	6.32
2012	---	51,086	5.76
2013	13,020	34,013	6.07
2014	---	40,093	5.83
2015	---	14,602	5.59
2016	23,000	31,356	5.90
2017	---	10,334	6.66
2018	23,000	844	7.27
<b>Total</b>	<b>71,903</b>	<b>197,804</b>	<b>6.07</b>

As at September 30, 2011, the weighted average contractual interest rate of the Trust's long-term debt stood at 6.07%, i.e. 5.42% for mortgages payable and 8.13% for convertible debentures.

### Mortgage loans payable

As at September 30, 2011, the Trust's mortgage loans amounted to \$197.8 million compared to \$175.0 million as at September 30, 2010, before deferred financing costs and valuation adjustments, an increase of \$22.8 million mostly due to the acquisitions of November 2010 and April 2011. As at September 30, 2011, the weighted average interest rate was 5.42%, a decrease of 22 basis points compared to 5.64% for mortgage loans on the books at September 30, 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
Mortgage loans contracted or assumed	55,367
Balance repaid at maturity	(35,792)
Monthly principal repayments	(2,729)
<b>Balance as at September 30, 2011</b>	<b>197,804</b>

Note: before unamortized financing costs.

During the nine-month period ended September 30, 2011, the Trust refinanced five matured mortgages for a total of \$35.8 million on more favourable terms. The refinancing of these mortgages generated new capital of about \$5.6 million.

All of the Trust's properties were mortgaged as at September 30, 2011. Unamortized loan financing costs totalled \$826 and are amortized under the effective interest method over the term of the loans.

The following table, as at September 30, 2011, shows future mortgage loan repayments for future fiscal years:

<b>Years ending December 31</b> (in thousands of dollars)					
<b>Maturity</b>	<b>Principal payment</b>	<b>Balance at maturity</b>	<b>Total</b>	<b>(%) of total</b>	
2011 (3 months)	953	14,523	15,476	7.8	
2012	3,805	47,281	51,086	25.8	
2013	3,368	30,645	34,013	17.2	
2014	2,275	37,818	40,093	20.3	
2015	1,745	12,857	14,602	7.4	
2016	1,235	30,121	31,356	15.9	
2017	167	10,167	10,334	5.2	
2018	15	829	844	0.4	
<b>Total</b>	<b>13,563</b>	<b>184,241</b>	<b>197,804</b>	<b>100.0</b>	
			<b>122</b>		
			<b>(826)</b>		
<b>Balance as at September 30, 2011</b>			<b>197,100</b>		

- (1) The Trust has begun negotiations to renew or refinance most loans maturing in 2011. Loans amounting to approximately \$14 million are now being negotiated. 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 September 30, 2011, the closing market price of BTB units was \$0.79.

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.

These debentures were repaid in full at maturity on October 3, 2011.

### (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 September 30, 2011, the closing market price of BTB units was \$0.79.

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 September 30, 2011, the closing market price of BTB units was \$0.79.

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.

On 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.

(d) Series D

In July 2011, the Trust issued Series D subordinated, convertible, unsecured debentures, bearing 7.25% interest payable semi-annually and maturing on July 31, 2018, in the amount of \$23,000,000. The debentures are convertible at the option of the holder at any time no later than July 31, 2018, subject to certain conditions. The conversion price is \$1.22 per unit (the "Series D conversion price"). As at September 30, 2011, the closing market price of BTB units was \$0.79.

As of July 31, 2014, but before July 31, 2016, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their initial principal amount plus accrued, unpaid interest, provided that the unit market price is at least 125% of the Series D conversion price and, as of July 31, 2016, but before July 31, 2018, 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 D debentures by issuing freely tradable units to Series D debenture holders.

On the date of issue, the debentures were recorded in a \$20,942 non-derivative liability component and a \$2,058 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 September 30, 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. As at September 30, 2011, the acquisition credit facility had not been used.

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 September 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. The credit facility has been 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 September 30, 2011 and December 31, 2010.

(in thousands of dollars)	September 30, 2011	December 31, 2010
Mortgage loans payable*	197,804	180,958
Convertible debentures*	71,903	25,903
Bank loans*	---	22,850
<b>Total long-term debt</b>	<b>269,707</b>	<b>229,711</b>
Gross book value of the Trust	350,222	293,083
Debt ratio (excluding convertible debentures)	56.5%	69.5%
Total debt ratio	77.0%	78.4%

\* excluding issuing expenses

According to the table above, the debt ratio, excluding the convertible debentures as at September 30, 2011, amounted to 56.5% compared to 69.5% as at December 31, 2010. The decrease in the debt ratio is due to the repayment of the acquisition and operating lines of credit through the use of the proceeds of issue of units and convertible debentures in January and March 2011.

On October 3, 2011, the Trust repaid in full the Series A debentures, in the amount of \$12.9 million, from available cash. On a pro forma basis, reflecting this repayment on September 30, 2011, the total debt ratio would have been 76.1%.

The following table presents the interest coverage ratio as at September 30, 2011 versus September 30, 2010.

(in thousands of dollars, except for the ratios)	September 30, 2011	September 30, 2010
EBIDTA <sup>(1)</sup>	5,485	4,917
Interest expense , net of interest income	3,906	3,593
<b>Interest coverage ratio</b>	<b>1.40</b>	1.37

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

### Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	September 30, 2011	December 31, 2010
Trust units	99,450	80,679
Cumulative loss	(16,382)	(23,086)
Cumulative distributions to unitholders	(5,739)	(1,596)
	<b>77,329</b>	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:

Quarters ended September 30 (in # of units)	2011	2010
<b>Units outstanding, beginning of period</b>	<b>73,989,725</b>	<b>33,691,725</b>
Units issued		
- Public/private placement	---	---
- Other issuances	---	---
<b>Units outstanding, end of period</b>	<b>73,989,725</b>	<b>33,691,725</b>
<b>Weighted average number of units outstanding (basic)</b>	<b>73,989,725</b>	<b>33,691,725</b>
<b>Weighted average number of units outstanding (diluted)</b>	<b>73,989,725</b>	<b>33,691,725</b>

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.

### 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:

Quarters ended September 30	2011		2010	
	Unit options	Weighted average exercise price (\$)	Unit options	Weighted average exercise price (\$)
<b>Outstanding, beginning of quarter</b>	<b>3,215,000</b>	<b>2.06</b>	<b>2,785,000</b>	<b>2.26</b>
Options granted	50,000	0.95	---	---
Options exercised	---		---	---
Options expired	---			
<b>Outstanding, end of quarter</b>	<b>3,265,000</b>	<b>2.03</b>	<b>2,785,000</b>	<b>2.26</b>
Options vested since September 30	3,240,000	2.03	2,735,000	2.28
<b>Weighted average remaining term to expiry (years)</b>		<b>2.26</b>		<b>1.74</b>

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.

### 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 September 1, 2012 and until May 31, 2013 if the loan is renewed.

Quarters ended September 30	2011		2010	
	Number	Exercise price	Number	Exercise price
Outstanding at beginning of quarter	2,500,000	0.7644	---	---
Warrants granted	---	---	2,500,000	0.7644
Warrants exercised	---	---	---	---
Outstanding at end of quarter	2,500,000	0.7644	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)	September 30, 2011	December 31, 2010
Units outstanding	73,989,725	51,691,725
Unit options	3,215,000	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	----
Convertible debentures Series D	18,852,459	----
	132,270,211	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 September 12, 2007, no provision for income taxes was recorded in the consolidated financial statements.

On September 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 September 30, 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:

<b>Quarters ended September 30</b>	<b>2011</b>	<b>2010</b>
Taxable as other income	---	---
Tax deferred	<b>100%</b>	100%
<b>Total</b>	<b>100%</b>	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 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, 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 were presented in the first quarter 2011 MD&A dated June 14, 2011. The reconciliation between Canadian GAAP and IFRS for unitholders' equity as at September 30, 2010 and income for the three-month and nine-month periods ended September 30, 2010 is found on the 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").

<b>Reconciliation of unitholders' equity</b>		
	<b>Explanatory notes</b>	<b>September 30, 2010</b>
<b>Total unitholders' equity under Canadian GAAP</b>		<b>41,340</b>
Differences increasing (decreasing) unitholders' equity		
Fair value adjustment on investment property	<b>1 (a)</b>	(2,879)
Reversal of amortization of below-market leases	<b>1 (b)</b>	633
Reversal of amortization of investment properties	<b>1 (c) (d)</b>	5,274
Reversal of amortization of leasing costs	<b>1 (e)</b>	158
Adjustment of amortization of owner-occupied building	<b>2</b>	(41)
Adjustment of unit-based compensation	<b>4</b>	(202)
Fair value adjustment on warrants	<b>4</b>	(100)
Fair value adjustment on embedded derivatives included in convertible debentures	<b>5</b>	(82)
Expensing of transaction costs – business combination	<b>6</b>	(441)
<b>Total unitholders' equity under IFRS</b>		<b>43,660</b>

<b>Reconciliation of net income (loss) corresponding to total comprehensive income for the period</b>			
	<b>Explanatory notes</b>	<b>Three-month period ended</b>	<b>Nine-month period ended</b>
		<b>September 30, 2010</b>	<b>September 30, 2010</b>
<b>Net loss under Canadian GAAP</b>		<b>(1,375)</b>	<b>(3,746)</b>
Differences increasing (decreasing) unitholders' equity			
Fair value adjustment on investment property	<b>1 (a)</b>	2,480	4,895
Reversal of amortization of below-market leases	<b>1 (b)</b>	205	633
Reversal of amortization of investment properties	<b>1 (c) (d)</b>	1,949	5,274
Reversal of amortization of leasing costs	<b>1 (e)</b>	35	158
Adjustment of amortization of owner-occupied building	<b>2</b>	(12)	(31)
Expensing of distributions to unitholders	<b>3</b>	---	(1,354)
Ajustement of unit-based compensation	<b>4</b>	---	(8)
Fair value adjustment on warrants	<b>4</b>	57	100
Fair value adjustment on embedded derivatives included in convertible debentures	<b>5</b>	7	29
Expensing of transaction costs – business combination	<b>6</b>	---	(437)
<b>Net income corresponding to comprehensive income for the period under IFRS</b>		<b>3,346</b>	<b>5,513</b>

## NOTES TO THE RECONCILIATIONS

### (1) INVESTMENT PROPERTIES

The Trust's income properties and properties under development recognized under previous Canadian GAAP meet the definition of investment properties under IFRS, with the exception of the building partially owner-occupied which is accounted as a property, plant and equipment.

Under IAS 40, the Trust must account for its investment properties using either the cost model or the fair value model. The Trust has elected to recognize investment properties at the fair value at the transition date under which any gain or loss arising from a change in the fair value of an investment property is recognized in profit or loss for the period in which it arises. Under previous Canadian GAAP investment property was measured on a depreciated cost basis and classified as Buildings and Land or properties under development.

As a result of the adoption of the fair value method, the consolidated financial statements have been impacted as follows:

- (a) Net increase (decrease) in fair value of investment properties of \$(7,350) at January 1, 2010, and \$2,480 and \$4,895 for the three-month and nine-month periods ended September 30, 2010 and in properties under development of \$(424) and nil respectively.
- (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 \$205 and \$633 for the three-month and nine-month periods ended September 30, 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 was a reversal of amortization of buildings and improvements of \$1,332 and \$3,575 for the three-month and nine-month periods ended September 30, 2010.
- (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 was a reversal of amortization on intangible assets of \$617 and \$1,699 for the three-month and nine-month periods ended September 30, 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. The impact arising from the change is a decrease in amortization of capitalized rental costs of \$35 and \$158 for the three-month and nine-month periods ended September 30, 2010.
- (ii) Under IFRS, lease incentives 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 \$51 and \$281 with a corresponding decrease in rental revenues for the three-month and nine-month periods ended September 30, 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) TRUST UNITS**

As outlined in note 3 (b), prior to June 29, 2010, BTB's trust units did not meet the conditions of IAS 32 and were therefore classified and accounted for 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 nil and \$1,354 for the three-month and nine-month periods ended September 30, 2010.

On and after 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.

## **(4) UNIT-BASED COMPENSATION AND WARRANTS**

The Trust's unit-based compensation are considered liabilities under which compensation expense is measured at grant date and recognized over the vesting period and 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. The impact

arising from the change is an increase in unit-based compensation of \$13 at January 1, 2010 and nil and \$8 for the three-month and nine-month periods ended September 30, 2010.

Under IFRS, the 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 September 30, 2010 and a gain (loss) from the change in fair value of \$57 and \$100 for the three-month and nine-month periods ended September 30, 2010.

#### **(5) 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 and the impact in profit or (loss) of the changes in fair value was a gain of \$2,072 at January 1, 2010 and \$7 and \$29 for the three-month and nine-month periods ended September 30, 2010.

#### **(6) 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 \$4 at January 1, 2010 and nil and \$437 for the three-month and nine-month periods ended September 30, 2011.

## SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

BTB's significant accounting policies are described in Notes 2 and 3 to the September 30, 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 IFRS 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) Judgements

The key judgements 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 either (a) real or immovable properties, (b) interest, (c) capital gains from dispositions of real or immovable properties, (d) dividends or (e) royalties; (iii) not less than 75% of the REIT's revenues for that taxation year must be derived from (a) rent from real or immovable properties, (b) interest from mortgages or hypothecs on real or immovable properties, and (c) capital gains from the disposition of real or immovable properties; and (iv) the REIT must, throughout the year, hold real or immovable properties, debt from a Canadian company represented by a banker's acceptance, cash, a deposit with a credit union, or generally a Canadian government debt instrument or one from another government agency 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 also 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 September 30, 2011, pursuant to the requirements of Multilateral Instrument 52-109.