



# **MANAGEMENT DISCUSSION AND ANALYSIS**

**Quarter ended March 31, 2012**

**MAY 10, 2012**

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## INTRODUCTION

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the quarter ended March 31, 2012, 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 May 10, 2012 should be read together with the non-audited interim consolidated financial statements and accompanying notes for the quarter ended March 31, 2012. 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 Standards 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 periods and the years concerned. Additional information about the Trust, including the 2011 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 quarterly financial statements.

## FORWARD-LOOKING STATEMENTS CAVEAT

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make forward-looking statements in this MD&A, other filings with Canadian regulators, reports to unitholders and other communications. These forward-looking statements include statements regarding our 2012 and medium-term objectives, strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, forecasts, estimates and intentions. The words "may," "could," "should," "outlook," "believe," "plan," "forecast," "estimate," "expect," "propose," and the use of the conditional and similar words and expressions are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general economic conditions in Canada and elsewhere, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate strategic acquisitions successfully, our ability to attract and retain key employees and executives, the financial position of lessees, our ability to refinance our debts upon maturity and to lease vacant space, our ability to complete developments on plan and on schedule and to raise capital to finance our growth, as well as changes in interest rates.

We caution that the foregoing list of important factors likely to affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to BTB, investors and others should carefully consider these factors and other facts and uncertainties. Additional information about these factors can be found in the "Risks and Uncertainties" section of this MD&A.

## **NON-IFRS FINANCIAL MEASURES**

Funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income 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.

These measures cannot 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 in June 2010.

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.

## HIGHLIGHTS OF THE FIRST QUARTER OF 2012

“Sustained growth and improved profitability”

- Increase of:
  - 13% in rental income
  - 13% in net operating income (NOI)
  - 79% in distributable income
  - 300% in funds from operations (FFO)
  - 218% in adjusted funds from operations (AFFO)
  
- Improvement:
  - of 2.4% in the debt ratio
  - of 36 basis points in the average mortgage loan rate
  - of occupancy rate from 90.1% to 91.0%
  
- Decrease of
  - 9% in interest expense on mortgage borrowings in same-property portfolio
  
- On February 16, 2012, an investment of 18,750,750 units closed for gross revenue of \$17.3 million.
  
- On March 28, 2012, 2.5 million warrants were exercised for a capital contribution of \$1.9 million.
  
- Bringing into operation and official inauguration of Phase 2 of Complexe Lebourgneuf on March 28, 2012.

## SUBSEQUENT EVENTS

- On April 19, 2012, three industrial properties were acquired in the Greater Montréal area at a total cost of \$14.7 million, providing over 166,000 square feet of leasable area.
  
- On May 1, 2012, a \$10.5 million mortgage financing agreement was entered into at a rate of 4.2% for a five-year term on property acquired on April 19, 2012.
  
- On May 8, 2012, an office building was acquired in the Greater Ottawa area at a cost of \$14.1 million, which has approximately 54,000 square feet of leasable area. A mortgage financing agreement of \$9.5 million was entered into at a rate of 4.2% for a five-year term upon acquisition of this property.

## 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 58 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 42 of the Trust's 58 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 March 31, 2012<sup>(1)</sup></b>	<b>54</b>	<b>3,382,212</b>	<b>344,899</b>
<b>Subsequent acquisitions</b>	<b>4</b>	<b>220,200</b>	<b>28,800</b>

1) These figures include a 50% interest in a 17,114-square-foot building in a Montreal suburb and a 25% interest in a 141,022-square-foot building in Quebec City.

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 has purchased and seeks to purchase properties with low vacancy rates, good lessee 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), but had no impact on the net cash flows reported by BTB. 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. 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 58 properties generating, on an annualized basis, revenues of more than \$44 million.

The following table presents highlights and selected financial information for the three-month quarters ended March 31, 2012 and 2011:

<b>Quarters ended March 31</b> (in thousands of dollars, except ratios and per unit data)	<b>Reference</b>	<b>2012</b>	<b>2011</b>
<b>FINANCIAL INFORMATION</b>			
Rental income	Page 11	<b>10,999</b>	9,746
Net operating income	Page 12	<b>5,721</b>	5,059
Net income (loss)	Page 16	<b>3,972</b>	(1,036)
Distributable income	Page 16	<b>1,193</b>	668
Distributions	Page 17	<b>1,759</b>	1,179
Funds from operations (FFO)	Page 18	<b>867</b>	291
Adjusted funds from operations (AFFO)	Page 17	<b>899</b>	412
Investment properties	Page 21	<b>349,458</b>	283,873
Total assets	Page 22	<b>380,560</b>	307,125
Mortgage loans	Page 22	<b>214,473</b>	180,610
Convertible debentures	Page 30	<b>53,277</b>	44,847
Debt ratio – excluding convertible debentures	Page 32	<b>56.5%</b>	58.9%
Unitholders' equity	Page 33	<b>97,404</b>	70,260
<b>FINANCIAL INFORMATION PER UNIT</b>			
Weighted average number of units outstanding (in thousands)	Page 33	<b>83,495</b>	52,510
Net income	Page 16	<b>4.8¢</b>	(2.0¢)
Distributable income – before dilutions	Page 16	<b>1.6¢</b>	1.3¢
Distributions	Page 17	<b>2.0¢</b>	2.0¢
FFO before dilutions	Page 19	<b>1.2¢</b>	0.6¢
AFFO before dilutions	Page 19	<b>1.2¢</b>	0.8¢
<b>TAX ON DISTRIBUTIONS</b>			
Revenue	Page 37	<b>0%</b>	0%
Tax deferred	Page 37	<b>100%</b>	100%
<b>OPERATIONAL INFORMATION</b>			
Number of properties	Page 24	<b>54</b>	49
Leasable area (In thousands of sq. ft.)	Page 24	<b>3,382</b>	2,885
Occupancy rate	Page 25	<b>91.0%</b>	90.1%
<b>DEVELOPMENT</b>			
Property under development		---	1
Estimated leasable area (In thousands of sq.ft.)		---	140

## REAL ESTATE PORTFOLIO

BTB owns 58 properties at a total acquisition cost of approximately \$375 million and representing a total leasable area of almost 3.6 million square feet. A concise description of the properties owned can be found in the Trust's 2011 Annual Information Form available at [www.sedar.com](http://www.sedar.com).

## PERFORMANCE INDICATORS

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

- Net operating income of the same-property portfolio, which provides an indication of the profitability of existing portfolio operations and BTB's ability to increase its revenues and reduce its operating costs;
- Funds from operations ("FFO") per unit: which provide an indication of BTB's ability to generate cash flow;
- Adjusted funds from operations ("AFFO") per unit, which takes into account rental fees and capital expenditures and which may vary substantially from one year 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 quarters ended March 31, 2012 and 2011. The table must be read in conjunction with our consolidated financial statements and the notes thereto.

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>Reference</b>	<b>2012</b>	<b>2011</b>
Rental income	Page 11	<b>10,999</b>	9,746
Operating expenses	Page 11	<b>5,278</b>	4,687
Net operating income	Page 12	<b>5,721</b>	5,059
Financial income		<b>(16)</b>	(15)
Financial expenses	Page 13	<b>2,980</b>	5,531
Total administration expenses	Page 15	<b>731</b>	579
Fair value adjustment on investment properties	Page 15	<b>(1,946)</b>	---
<b>Net income (loss) and comprehensive income</b>	Page 16	<b>3,972</b>	(1,036)

### Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at December 31, 2011, but does not include the financial spin-offs of acquisitions and developments completed in 2011 and 2012.

## Rental income

During the first quarter of 2012, the Trust's revenues increased by 12.9% compared to revenues for the first quarter of 2011. The increase mainly resulted from the contribution of acquisitions during 2011.

Revenues from the same-property portfolio rose 0.5% during the first quarter ended March 31, 2012 compared to the same period in 2011.

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>	<b>Δ%</b>
Same-property portfolio – recurring	9,755	9,710	0.5
Acquisitions, disposals and development	1,244	36	N/A
	<b>10,999</b>	9,746	12.9

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

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>
Rental revenue on the basis of in-place leases	11,092	9,763
Straight-line rental revenue adjustment	161	155
Amortization of lease inducements	(254)	(172)
<b>Rental revenue from investment properties</b>	<b>10,999</b>	9,746

## Operating expenses

The increase in operating expenses of 12.6% between the first quarter of 2011 and the first quarter of 2012 was mainly due to fiscal 2011 acquisitions. A 2.9% increase in the operating expenses of the same-property portfolio was recorded. Three-quarters of the increase was attributable to property taxes which, under leases in place, is mostly recovered from lessees.

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>	<b>Δ%</b>
Same-property portfolio	4,781	4,646	2.9
Acquisitions, disposals and development	497	41	N/A
	<b>5,278</b>	4,687	12.6

The table below shows the breakdown of operating expenses for the quarters ended March 31, 2012 and 2011:

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>
Operating expenses		
- Operating costs	<b>1,863</b>	1,736
- Property taxes and public utilities	<b>3,415</b>	2,951
Total operating expenses	<b>5,278</b>	4,687
<b>% of rental income</b>	<b>48.0</b>	48.1

Operating expenses are expenses directly related to real estate operations and are generally charged back to lessees as provided for in the contractual terms of the leases. The amount of operating costs, property taxes and public utilities that BTB can recover from its lessees depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of expenses. BTB pays particular attention to compliance with existing leases and the recovery of its properties' operating expenses.

### Net operating income

Net operating income increased 13.1% for the first quarter of 2012 compared to 2011. The same-property portfolio reported a 1.8% decrease in operating income for the quarter. As mentioned earlier, this decrease is mainly due to property tax increases that will eventually be recovered by lessees in place. Net operating income was 52.0% of operating revenues for the quarter ended March 31, 2012 and 51.9% for the quarter ended March 31, 2011.

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>	<b>Δ%</b>
Same-property portfolio	<b>4,974</b>	5,065	(1.8)
Acquisitions, disposals and development	<b>747</b>	(6)	N/A
Total	<b>5,721</b>	5,059	13.1
<b>% of rental revenue</b>	<b>52.0</b>	51.9	

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 and fair value adjustment of properties. 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.

## Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans contracted or assumed totalling approximately \$215.3 million as at March 31, 2012, compared to \$181.1 million as at March 31, 2011. The increase resulted from the financing or assumption of mortgages on acquisitions completed and the refinancing of certain properties during the last 12 months.
- Series B, C and D convertible debentures issued in a total amount of \$59 million (\$49 million as at March 31, 2011). The Series D debentures in the amount of \$23 million were issued on July 13, 2011 and the Series A debentures in the amount of \$12.9 million were fully repaid on October 3, 2011.
- Operating and acquisition lines of credit used as needed, which allowed the acquisition of CAGIM's outstanding shares. The acquisition line of credit was fully repaid as at March 31, 2011.

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>
Interest expense on mortgage loans	2,716	2,525
Interest expense on debentures	1,154	934
Interest expense on acquisition lines of credit	---	356
Interest expense on operating and acquisition lines of credit and other interest expenses	29	38
<b>Interest expense</b>	<b>3,899</b>	<b>3,853</b>
Accretion of effective interest	364	360
Accretion of non-derivative liability component of convertible debentures	144	175
<b>Financial expenses before following items:</b>	<b>4,407</b>	<b>4,388</b>
Fair value adjustment on warrants	43	203
Fair value adjustment on derivative financial instruments (debenture conversion options)	(1,470)	940
<b>Financial expenses</b>	<b>2,980</b>	<b>5,531</b>

Before recognition of fair value adjustments on debenture conversion options and warrants, financial expenses only increased by \$19 during the first quarter of 2012 compared to the same quarter in 2011, mainly due to the financing and assumption of mortgages on property acquisitions and the issuance of Series C and Series D convertible debentures in January and July 2011, respectively, and the refinancing of matured loans at more advantageous rates

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.

As shown by the following table, interest expense on mortgage loans in the same-property portfolio decreased 9% in the first quarter of 2012 compared with the first quarter of 2011, because of the refinancing of certain loans that matured in the last few quarters at more advantageous rates.

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>	<b>Δ%</b>
Same-property portfolio	<b>2,322</b>	2,512	(9.0)
Acquisitions and development	<b>394</b>	13	N/A
	<b>2,716</b>	2,525	7.6

Financial expenses can be allocated among interest expenses amounting to \$3,899 for the quarter (\$3,853 in 2011) and non-monetary items. Non-monetary items include fair value adjustments on derivative financial instruments and warrants in a net credit position of \$1,427 for the quarter (a debit position of \$1,143 in 2011). Fair values will fluctuate from one period to another. These adjustments result from changes in the value of the Trust's units on stock exchanges during the periods concerned and changes in the value of conversion options and warrants compared with the amounts recorded at the end of previous periods.

As at March 31, 2012, the average weighted contractual rate of interest on mortgage loans was 5.24%, which was down 36 basis points from March 31, 2011 and down 3 basis points from the previous quarter. These decreases resulted from favourable interest rates on mortgage financing for properties acquired during fiscal 2011 and on refinancings carried out. For 14 consecutive quarters, the weighted average interest rate has remained stable or declined.

#### **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, unit-based compensation, and a monetary item that affects the volatility of administrative expenses from period to period.

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>
Administrative expenses	<b>719</b>	559
Amortization	<b>19</b>	20
Unit-based compensation	<b>(7)</b>	---
<b>Trust administration expenses</b>	<b>731</b>	579

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

### Fair value adjustment on investment properties

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

For purposes of determining fair value, management receives quarterly capitalization rate data from external chartered valuers and independent experts. 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.

At the end of the first quarter of 2012, management carried out a summary revaluation of its portfolio and determined that its value should be increased by \$1,946 in order to adequately reflect the fair value of the portfolio held. BTB has estimated that a 0.10% variation in the capitalization rate applied to the entire portfolio would lead to a change of approximately \$4.4 million in the fair value of the investment properties.

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

<b>As at March 31, 2012</b>	<b>Commercial</b>	<b>Office</b>	<b>Industrial</b>	<b>General purpose</b>
Capitalization rate	7.25% – 10.25%	6.75% – 9.75%	7.00% – 10.25%	7.50% – 9.00%
Capitalization rate upon resale	7.75% – 10.50%	6.75% – 9.50%	7.75% – 10.50%	7.75% – 9.25%
Discount rate	7.50% – 10.25%	7.75% – 9.25%	8.00% – 11.25%	8.00% – 9.75%

<b>As at March 31, 2011</b>	<b>Commercial</b>	<b>Office</b>	<b>Industrial</b>	<b>General purpose</b>
Capitalization rate	7.75% – 10.00%	7.50% – 9.00%	7.75% – 9.50%	8.00% – 9.00%
Capitalization rate upon resale	8.00% – 9.50%	7.75% – 9.00%	7.75% – 10.00%	8.00% – 9.25%
Discount rate	8.75% – 10.00%	8.25% – 9.50%	8.75% – 10.50%	8.75% – 10.00%

The weighted average capitalization rate for the entire portfolio as at March 31, 2012 was 7.83% (2011: 8.70%).

### **Net income (loss) and comprehensive income**

BTB generated net income of \$4.0 million for the first quarter of 2012, an increase of \$5.0 million compared with the first quarter of 2011. This increase largely reflects the fair value adjustment on investment properties of \$1.9 million in 2012 (no adjustment was recorded in 2011) and the fair value adjustment on warrants and debenture conversion options, representing credit adjustments of \$1.4 million in 2012 and negative adjustments of \$1.1 million in 2011. The remaining portion of the increase in net income is primarily attributable to the portfolio's higher net operational income.

<b>Quarters ended March 31</b> (in thousands of dollars except per unit data)	<b>2012</b>	<b>2011</b>
<b>Net income (loss) and comprehensive income</b>	<b>3,972</b>	(1,036)
Per unit	<b>4.8¢</b>	(2.0¢)

### **DISTRIBUTABLE INCOME AND DISTRIBUTIONS**

The notion of “distributable income” does not constitute financial information as defined by IFRS. It is, however, a measurement that is frequently used by investors in real estate trusts. In our opinion, distributable income is an effective tool for assessing the Trust's performance.

We define distributable income as net income determined under IFRS, before unrealized fair value adjustments, transaction costs incurred upon business combinations, rental income arising from the recognition of leases on a straight-line basis, the amortization of leasing inducements, the accretion of effective interest and certain other non-cash items.

The following table shows the calculation of distributable income:

<b>Quarters ended March 31</b> (in thousands of dollars, except for per unit data)	<b>2012</b>	<b>2011</b>
Net income (loss) and comprehensive income (IFRS)	<b>3,972</b>	(1,036)
± Fair value adjustment on investment properties	<b>(1,946)</b>	---
+ Amortization of an investment property and other property and equipment	<b>19</b>	20
- Amortization of valuation adjustments on loans assumed	<b>(19)</b>	(11)
± Unit-based compensation	<b>(7)</b>	---
+ Accretion of the liability component of convertible debentures	<b>144</b>	175
± Fair value adjustment on warrants	<b>43</b>	203
± Fair value adjustment on debenture conversion option	<b>(1,470)</b>	940
+ Amortization of rental inducements	<b>254</b>	172
- Straight-line rental income adjustment	<b>(161)</b>	(155)
+ Accretion of effective interest	<b>364</b>	360
<b>Distributable income</b>	<b>1,193</b>	668
<b>Per unit data</b>	<b>1.4¢</b>	1.3¢

Distributable income almost doubled from 2011 to 2012 from \$668 to \$1,193. Per unit, it amounts to 1.4¢, an increase of 0.1¢ compared to the first quarter of 2011. Without taking into account the effect of dilutions in the first quarter of 2012, which the Trust had not yet allocated to the acquisition of accretive properties as at March 31, 2012, the distributable income per unit would have amounted to 1.6¢.

## DISTRIBUTIONS

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

<b>Quarters ended March 31</b> (in thousands of dollars)	<b>2012</b>	<b>2011</b>
<b>Distributions</b>	<b>1,759</b>	1,179
<b>Per unit</b>	<b>2.0¢</b>	2.0¢

The increase in distributions is attributable to public issues made in March 2011 and February 2012, which led to the issue of 38.2 million units.

## FUNDS FROM OPERATIONS (FFO)

The notion of funds from operations ("FFO") does not constitute financial and accounting information as defined by IFRS. 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 Funds from Operations in 2010 to reflect the impact of IFRS. The following is a list of some of the new adjustments to net income, calculated according to IFRS, which are non-cash items that create volatility:

- Fair value adjustment on investment properties;
- Amortization of properties that continue to be recognized at acquisition cost (Trust's head office);
- Amortization of lease inducements;
- Fair value adjustment on conversion instrument for convertible debentures;
- Fair value adjustment on warrants.

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.

In order to fairly measure FFO, the Trust can present in the reconciliation unusual and non-recurring items which could affect results for the quarters and years in question. For the first quarters of 2012 and 2011, no unusual or non-recurring items were recorded.

On February 16, 2012, the Trust issued 18.8 million new units, providing a capital contribution of over \$17 million. Moreover, on March 28, 2012, 2.5 million warrants were exercised, providing a cash contribution of \$1.9 million.

As at March 31, 2012, since these funds had not yet been allocated to the acquisition of accretive properties, management agreed to account for the FFO and AFFO separately per unit, excluding dilutions for the quarter and including dilutions for the quarter.

On April 19 and May 8, 2012, the Trust acquired four accretive buildings.

The following table provides a reconciliation of net income and comprehensive income established according to IFRS and recurring FFO for the quarters ended March 31, 2012 and 2011:

<b>Quarters ended March 31</b> (in thousands of dollars except for per unit data)	<b>2012</b>	<b>2011</b>
<b>Net income (loss) and comprehensive income (IFRS)</b>	<b>3,972</b>	<b>(1,036)</b>
- Fair value adjustment of investment properties	<b>(1,946)</b>	---
+ Amortization of an investment property	<b>14</b>	12
+ Amortization of lease inducements	<b>254</b>	172
+ Fair value adjustment on conversion options of convertible debentures	<b>(1,470)</b>	940
+ Fair value adjustment on warrants	<b>43</b>	203
<b>FFO</b>	<b>867</b>	291
<b>Per unit data</b>		
- Before dilution	<b>1.2¢</b>	0.6¢
- After dilution	<b>1.0¢</b>	0.6¢

For the first quarter of 2012, the FFO increased by close to 300% compared with 2011, mainly as a result of acquisitions of income-producing properties and the decrease in the average mortgage loan rate. FFO per unit amounted to 1.2¢ in 2012 compared to 0.6¢ in 2011 before the dilutive effect during the quarter and amounted to 1.0¢, compared to 0.6¢, taking into account dilution during the quarter.

#### **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 into account 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 quarterly rental fee disbursements vary significantly from one quarter to another, management considers that this provision fairly presents, in the long term, the average disbursements that the Trust will undertake. These disbursements consist of inducements 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 quarters ended March 31, 2012 and 2011:

<b>Quarters ended March 31</b> (in thousands of dollars except per unit data)	<b>2012</b>	<b>2011</b>
<b>Funds from operations</b>	<b>867</b>	291
- Straight-line rental income adjustment	<b>(161)</b>	(155)
+ Accretion of effective interest	<b>364</b>	360
+ Accretion of the liability component of convertible debentures	<b>144</b>	175
+ Amortization of property and equipment	<b>5</b>	8
+ Unit-based compensation expenses	<b>(7)</b>	---
- Reserve for non-recoverable capital expenses	<b>(143)</b>	(127)
- Reserve for rental fees	<b>(170)</b>	(140)
	<b>899</b>	412
<b>AFFO</b>		
<b>Per unit data</b>		
- Before dilution	<b>1.2¢</b>	0.8¢
- After dilution	<b>1.1¢</b>	0.8¢

The 200% increase in AFFO for the first quarter of 2012 compared with the first quarter of 2011 is explained by the acquisitions of income-producing properties and the drop in the average mortgage loan rate. The AFFO per unit, before the dilutive effect during the quarter, amounted to 1.2¢ compared with 0.8¢ in 2011. Taking into account the dilutions during the quarter, the AFFO per unit in 2012 and 2011 amounted to 1.1¢ and 0.8¢, respectively.

## 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 and operating income for the quarters ended March 31, 2012 and 2011.

Quarter ended March 31, 2012 (In thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Investment properties	68,741	19.7	157,674	45.1	55,657	15.9	67,386	19.3	349,458
Investment properties under development	---	---	---	---	---	---	---	---	---
Rental revenue from property	1,945	17.7	5,290	48.1	1,375	12.5	2,389	21.7	10,999
Net operating income	1,180	20.6	2,340	40.1	1,115	19.5	1,086	18.8	5,721

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

## COMPARATIVE SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars except per unit data)	2012 Q-1	2011 Q-4	2011 Q-3	2011 Q-2	2011 Q-1	2010 Q-4	2010 Q-3	2010 Q-2
Rental income	10,999	10,995	10,503	10,215	9,746	9,433	9,154	8,468
Net operating income	5,721	5,432	5,861	5,760	5,099	5,148	5,373	4,789
Net income (loss)	3,972	746	4,503	3,237	(1,036)	2,197	3,346	2,350
Net income (loss) per unit	4.8¢	1.0¢	6.1¢	4.4¢	(2.0¢)	5.2¢	9.9¢	7.0¢
Funds from operations (FFO)	867	938	936	1,000	291	539	864	927
FFO per unit before dilution	1.2¢	1.3¢	1.3¢	1.4¢	0.6¢	1.3¢	2.6¢	2.8¢
Adjusted funds from operations (AFFO)	899	1,136	1,070	1,312	412	604	1,001	952
AFFO per unit before dilution	1.2¢	1.5¢	1.4¢	1.8¢	0.8¢	1.4¢	3.0¢	2.8¢

## FINANCIAL POSITION

The table below presents a summary of the assets, liabilities and unitholders' equity as at March 31, 2012 and March 31, 2011. It should be read in conjunction with the Trust's audited annual financial statements.

(in thousands of dollars)	March 31, 2012	March 31, 2011
<b>ASSETS</b>		
Investment properties (at fair value)	349,458	283,873
Property under development	---	772
Other assets	31,102	22,480
<b>TOTAL ASSETS</b>	<b>380,560</b>	<b>307,125</b>
Mortgage loans	214,473	180,610
Convertible debentures	53,277	44,847
Acquisition and operating credit facility	---	---
Other liabilities	15,406	11,408
<b>TOTAL LIABILITIES</b>	<b>283,156</b>	<b>236,865</b>
<b>EQUITY</b>		
Unitholders' equity	97,404	70,260
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>380,560</b>	<b>307,125</b>

The main changes to the statement of financial position as at March 31, 2012 compared to the statement of financial position as at March 31, 2011 primarily reflect investment property acquisitions during 2011, the issuance of Series C convertible debentures in January 2011 and of Series D in July 2011, the issuance of units in February 2012 and mortgage refinancings over the last 12 months.

## REAL ESTATE PORTFOLIO

Over the years, BTB has fuelled its growth through high-quality property acquisitions based on strict selection criteria, while maintaining an appropriate allocation among four activity segments: office, commercial, industrial and general-purpose properties.

## BRINGING INTO OPERATION

Since its first lessees have arrived, Complexe Lebourgneuf Phase 2 is now considered an investment property. To date, an area of 90,278 square feet of leasable space of the total of 140,202 square feet is either occupied or a firm lease offer has been received, resulting in an occupancy rate of 64.3%. This building, whose construction was completed in December 2011, is 25% held by the Trust. The official inauguration of the building was on March 28, 2012.

## DISPOSAL OF A BUILDING

On March 20, 2012, the Trust sold a building located on Laurentian Boulevard in Montreal because it no longer met the Trust's investment criteria. Its historical cost was \$1.4 million and the sale resulted in proceeds of disposition of \$1.3 million. The decline in value had already been reflected in the financial statements of prior periods.

## PROPERTY ACQUISITIONS – SUBSEQUENT EVENTS

On April 19, 2012, the Trust acquired three industrial buildings for a total purchase price of \$14.7 million:

- 4535 Louis B. Mayer, Laval, Québec – This industrial building, of a leasable area of 41,000 square feet, is located near highways 13, 15 and 440, within about 10 minutes of the Montréal International Airport. The property is fully leased to Société Strongco GP Inc. (TSX: SQP), a company specializing in the sale, leasing and repair of heavy equipment and machinery.
- 7777 Trans-Canada Highway, Saint-Laurent, Québec – Located in one of the largest industrial parks on the Island of Montréal along the Trans-Canada Highway, this property has a leasable area of 73,000 square feet. The building is leased on a long-term basis by Plastifab, a subsidiary of PFP Corporation (TSX: PFP), which specializes in the manufacture of moulded polystyrene products.
- 208-244 Migneron, Saint-Laurent, Québec – This industrial building is located in the heart of the Saint-Laurent borough's industrial park just a few minutes from the Trans-Canada Highway and Côte-de-Liesse Road, and has a total leasable area of 52,100 square feet. The property is leased to several lessees, of which the main ones are ClickTouch Amérique Inc., a manufacturer specializing in the custom design and manufacture of membrane keypads and CPT Canada Power Technology, Canada's largest distributor of air-cooled engines and supplies.

On May 8, 2012, the Trust acquired an office building for \$14.1 million.

- 80 Aberdeen, Ottawa, Ontario: This office building of a leasable area of 54,000 sq.ft. is located near Highway 417. Its main lessee is the City of Ottawa, who occupies 54% of the building.

The following table provides summary information about the real estate portfolio:

(in thousands of dollars)	March 31, 2012	March 31, 2011
Investment properties (at fair value)	349,458	283,883
Property under development	---	772
Others assets at unamortized value	31,487	22,823
Gross book value of the Trust	380,945	307,478
Number of properties	54	49
Leasable area (in thousands of sq. ft.)	3,382	2,885

### Summary by operating segment as at March 31, 2012

	Number of properties	Leasable area (sq.ft.)	%
Office	19	1,310,049	39
Commercial	13	522,370	15
Industrial	12	946,238	28
General purpose	10	603,555	18
<b>Total</b>	<b>54</b>	<b>3,382,212</b>	<b>100</b>

## REAL ESTATE OPERATIONS

### Leasing activities

The following table summarizes changes in available leasable area during the three-month quarter ended March 31, 2012, except for Complexe Lebourgneuf Phase 2:

In square feet	Quarter
<b>Available leasable area at beginning of period</b>	<b>291,688</b>
Available leasable area sold	(16,440)
Leasable area of expired leases	73,410
Leasable area of leases terminated before term	24,735
Leasable area of expired and renewed leases	(67,006)
Leasable area of new leases signed	(23,295)
Other	7,649
<b>Available leasable area at end of period</b>	<b>290,741</b>

The Trust's leasing operations were significant during the first quarter of 2012. More than 90,000 square feet were signed with new lessees or renewed during the quarter.

The average rate of expired and renewed leases rose 4.85% during the first quarter.

The first lessees have arrived at Phase 2 of Complexe Lebourgneuf and the official inauguration was held on March 28, 2012. It has an area of 141,000 square feet, and over 90,000 square feet are occupied to date or have received a firm leasing offer. The Trust holds a 25% interest in this property.

### Occupancy rates

The following table provides occupancy rates by sector based on firm lease agreements signed as at the date of this report and does not include Complexe Lebourgneuf Phase 2.

Sector of activity	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Office	89.0%	89.4%	87.3%	89.6%	88.2%
Commercial	92.3%	89.9%	90.1%	90.4%	89.9%
Industrial	93.2%	93.2%	94.4%	93.0%	93.0%
General purpose	90.4%	92.1%	92.4%	90.2%	90.6%
<b>Total portfolio</b>	<b>91.0%</b>	<b>91.1%</b>	<b>90.3%</b>	<b>90.6%</b>	<b>90.1%</b>

The overall occupancy rate, which has been stable since December 31, 2011, stands at 91.0%.

By including Complexe Lebourgneuf Phase 2, which has an occupancy rate of 64.3%, the overall occupancy rate is 89.9%. However, the Trust only holds a 25% interest in this property. The Trust is confident that the property will have a stable leasing situation in the next few quarters as a result of strong rental activity in the Lebourgneuf area of Quebec City.

## Lease maturity

The following table shows the lease maturity profile for the next three quarters of 2012 and over the next five years:

	2012	2013	2014	2015	2016	2017
<b>Office</b>						
Leasable area (sq. ft.)	75,176	114,011	140,454	207,203	93,235	104,915
Lease rate/square foot (\$)	15.84	11.52	13.25	13.10	13.25	11.26
% of office portfolio	5.74	8.70	10.72	15.82	7.12	8.01
<b>Commercial</b>						
Leasable area (sq. ft.)	3,365	30,299	49,043	35,276	46,190	8,902
Lease rate/square foot (\$)	17.49	11.37	9.75	10.66	8.60	14.95
% of commercial portfolio	0.64	5.80	9.39	6.75	8.84	1.70
<b>Industrial</b>						
Leasable area (sq. ft.)	89,479	30,279	111,629	---	13,147	295,854
Lease rate/square foot (\$)	4.41	6.53	3.49	---	3.50	4.98
% of industrial portfolio	9.46	3.20	11.80	---	1.39	31.27
<b>General purpose</b>						
Leasable area (sq. ft.)	62,289	25,480	65,976	82,837	131,785	12,729
Lease rate/square foot (\$)	13.49	12.14	16.92	8.49	10.22	13.70
% of general purpose portfolio	10.32	4.22	10.93	13.72	21.83	2.11
<b>Total portfolio</b>						
Leasable area (sq. ft.)	230,309	200,069	367,102	325,316	284,357	422,400
Lease rate/square foot (\$)	10.79	10.82	10.47	11.66	10.64	7.01
% of portfolio	6.81	5.92	10.85	9.62	8.41	10.49

## Top 10 lessees

As at March 31, 2012, BTB managed more than 600 leases, with an average area of 5,500 square feet. The three largest lessees are Société immobilière du Québec (SIQ), Annie Fruit and the "Epica" stores and Germain Larivière, accounting respectively for 4.98%, 3.08% and 2.52% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 27% of the Trust's total revenues are 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 lessees as a percentage of revenues as at March 31, 2012:

<b>Client</b>	<b>% of revenues</b>	<b>Leased area (square feet)</b>
Société immobilière du Québec (SIQ)	4.98	121,500
Annie Fruit Inc. / Epica	3.08	89,308
Germain Larivière Inc.	2.52	101,194
Melco Doors & Windows	2.50	214,000
Hydro-Québec	2.07	37,364
Commission de la Santé et de la Sécurité du Travail (CSST)	2.05	46,435
Groupe Aro Inc.	2.05	40,825
Canada Post	1.89	66,824
Cornwall Warehousing Ltd.	1.74	157,879
Canadian Tire	1.63	56,024

## CAPITAL RESOURCES

### Long-term debt

The following table shows the balances of BTB's indebtedness as at March 31, 2012, 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 (%)
2012	---	57,089 <sup>(1)</sup>	5.94
2013	13,020	25,407	6.24
2014	---	42,218	5.74
2015	---	14,395	5.35
2016	23,000	60,174	5.17
2017	---	14,859	5.28
2018	23,000	1,143	7.19
<b>Total</b>	<b>59,020</b>	<b>215,285</b>	<b>5.79</b>

(1) The Trust has begun negotiations to renew or refinance most loans maturing in 2012. 83% of these loans will mature in the last quarter of the year. The Trust does not foresee any difficulty in renewing or refinancing loans maturing in 2012 on favourable terms.

As at March 31, 2012, the weighted average contractual interest rate of the Trust's long-term debt stood at 5.79%, i.e. 5.24% for mortgages payable and 7.82% for convertible debentures.

### Mortgage loans

As at March 31, 2012, the Trust's mortgage loans amounted to \$215.3 million compared to \$181.1 million as at March 31, 2011, before deferred financing costs and valuation adjustments, an increase of \$34.2 million due to acquisitions and refinancings in 2011. As at March 31, 2012, the weighted average interest rate was 5.24%, compared to 5.60% for mortgage loans on the books as at March 31, 2011, a drop of 36 basis points. 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 provides changes in mortgage loans since the beginning of fiscal 2012:

(in thousands of dollars)	Quarter
Balance as at December 31, 2011	212,998
Mortgage loans contracted or assumed	3,553
Balance repaid at maturity	---
Monthly principal repayments	(1,266)
<b>Balance as at March 31, 2012</b>	<b>215,285</b>

N.B.: Before unamortized financing costs.

All of the Trust's properties were mortgaged as at March 31, 2012. Unamortized loan financing costs totalled \$990 and are amortized under the effective interest method over the term of the loans.

The following table, as at March 31, 2012, shows future mortgage loan repayments for the next few years:

<b>Years ended 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>	
2012 (9 mths)	3,818	54,390	58,208	27.0	
2013	4,526	26,512	31,038	14.4	
2014	3,419	39,996	43,415	20.2	
2015	2,871	12,854	15,725	7.3	
2016	2,407	51,010	53,417	24.8	
2017	186	12,452	12,638	5.8	
2018	15	829	844	0.5	
<b>Total</b>	<b>17,242</b>	<b>198,043</b>	<b>215,285</b>	<b>100.0</b>	
Plus: Valuation adjustments on assumed loans			<b>178</b>		
Less: Unamortized financing costs			<b>(990)</b>		
<b>Balance as at March 31, 2012</b>			<b>214,473</b>		

## Convertible debentures

### (a) Series B

In March 2008, the Trust issued Series B subordinated unsecured convertible debentures in the amount of \$13 million. Interest is at the rate of 8.5% and is payable semi-annually. The debentures mature on March 31, 2013. Subject to certain terms and conditions, the debentures are convertible at the option of the holder at any time no later than March 31, 2013. The conversion price per unit is of \$2.30 (the "Series B conversion price"). As at March 31, 2012, the closing market price of BTB units was \$0.90.

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 issuance, the debentures were recorded as a \$12.3 million non-derivative liability component and a \$0.7 million financial derivative instrument component.

### (b) 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 million. Interest is payable semi-annually and the debentures mature on January 31, 2016. The debentures are convertible at the option of the holder at any time no later than January 31, 2016, subject to certain conditions. The conversion price is \$1.00 per unit (the "Series C conversion price"). As at March 31, 2012, the closing market price of BTB units was \$0.90.

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 issuance, the debentures were recorded as a \$21.6 million non-derivative liability component and a \$1.4 million financial derivative instrument component.

(c) 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 million. Interest is payable semi-annually and the debentures mature on July 31, 2018. 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 March 31, 2012, the closing market price of BTB units was \$0.90.

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 issuance, the debentures were recorded as a \$21.3 million non-derivative liability component and a \$1.7 million financial derivative instrument component.

### Bank loans – Operating credit facility

BTB has an operating credit facility of \$2 million with a Canadian chartered bank. This credit facility is guaranteed by a collateral mortgage on two properties and bears interest at the bank's prime rate, plus 1%. As at March 31, 2012, the credit facility had not been used.

### Debt ratio

The following table presents the Trust's debt ratios as at March 31, 2012 and March 31, 2011.

(in thousands of dollars)	March 31, 2012	March 31, 2011
Mortgages loans*	215,285	181,108
Convertible debentures*	59,020	48,903
Bank loans*	---	---
<b>Total long-term debt</b>	<b>274,305</b>	230,011
Gross book value of the Trust	380,945	307,478
Debt ratio (excluding convertible debentures)	56.5%	58.9%
<b>Total debt ratio</b>	<b>72.0%</b>	74.8%

\* excluding issuing expenses

According to the table above, the debt ratio excluding the convertible debentures as at March 31, 2012, amounted to 56.5% compared to 58.9% as at December 31, 2011. After including the convertible debentures, the rate amounted to 72.0% compared to 74.6% one year earlier.

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, also 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.

### INTEREST COVERAGE RATIO

The Trust calculates its interest coverage ratio by dividing net operating income by interest expense net of interest income. The interest coverage ratio is used to assess BTB's ability to pay interest on its debt using its operating revenues. At March 31, 2012, the interest coverage ratio stood at 1.47.

(in thousands of dollars, except for the ratios)	March 31, 2012	March 31, 2011
Net operating income	5,721	5,059
Interest expense, net of interest income	3,883	3,838
Interest coverage ratio	1.47	1.32

### Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	March 31, 2012	March 31, 2011
Trust units	118,054	97,157
Cumulative loss	(11,664)	(24,122)
Cumulative distributions to unitholders	(8,986)	(2,775)
	97,404	70,260

### Trust units

On February 16, 2012, the Trust closed a placement of 18,750,750 units, including the overallotment option, for gross proceeds of \$17.3 million. The proceeds will be allocated to future accretive property acquisitions.

### Distribution reinvestment plan

On October 1, 2011, the Trust implemented a distribution reinvestment plan under which unitholders may elect to receive distributions in units, with a 5% discount on their market value. Under the program, 118,990 units were issued during the first quarter.

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

Quarters ended March 31 (in # of units)	Quarter	
	2012	2011
<b>Units outstanding, beginning of period</b>	74,053,950	51,691,725
Units issued		
– Public placement	18,750,750	19,450,000
– Distribution reinvestment plan	118,980	---
– Exercise of warrants	2,500,000	---
<b>Units outstanding, end of period</b>	95,423,680	71,141,725
<b>Weighted average number of units outstanding</b>	83,494,793	52,710,380

## 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 March 31	2012		2011	
	Unit options	Weighted average exercise price (\$)	Unit options	Weighted average exercise price (\$)
<b>Outstanding, beginning of quarter</b>	<b>2,755,000</b>	<b>2.04</b>	2,785,000	2.26
Expired	---	---	20,000	1.00
<b>Outstanding, end of quarter</b>	<b>2,755,000</b>	<b>2.04</b>	2,765,000	2.27
Options vested since March 31	<b>2,730,000</b>	<b>2.05</b>	2,715,000	2.26
<b>Weighted average remaining term to expiry (years)</b>		<b>1.08</b>		1.25

The purpose of granting unit options is to encourage the holder to acquire an ownership interest that increases over time and provides a financial incentive for the holder to consider the long-term interests 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 entitled 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. These warrants, which were exercised in March 2012, provided cash of \$1.9 million.

Quarters ended March 31	2012		2011	
	Number	Exercise price	Number	Exercise price
Outstanding, beginning of quarter	<b>2,500,000</b>	<b>0.7644</b>	---	---
Warrants granted	---	---	2,500,000	0.7644
Warrants exercised	<b>2,500,000</b>	<b>0.7644</b>		
Outstanding, end of quarter	---	---	2,500,000	0.7644

## **OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS**

BTB does not have any off-balance sheet arrangements that have or are likely to have an impact on its operating results or financial position, specifically its cash position and sources of financing.

The Trust has no contractual commitments other than those arising from long-term debt.

During the quarter ended March 31, 2012, BTB complied with all of its loan commitments and was not in default with any covenant at the balance sheet date.

## 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 satisfy 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 real or immovable properties located in Canada; and (iv) the REIT must, throughout the taxation year, hold real or immovable properties located in Canada, cash and certain government guaranteed debt or other bonds guaranteed by the Canadian government with a total fair market value that is not less than 75% of the REIT's equity value.

As at March 31, 2012, 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 March 31</b>	<b>2012</b>	<b>2011</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 December 31, 2010 and the reconciliation of net income for the year ended December 31, 2010 between Canadian GAAP and IFRS were recorded in the management discussion and analysis of December 31, 2011, dated March 28, 2012. Before the adoption of IFRS, the Trust's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

## SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

BTB's significant accounting policies are described in Notes 2 and 3 to the financial statements as at December 31, 2011 and the reader is invited to refer to these financial statements. Management believes that the accounting methods 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 financial statements in conformity with IFRS requires management to make judgments, 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 financial statements, the significant judgments made by management applying the Trust's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

#### (i) Judgments

The key 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 lots 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 assigned 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 lessee information).

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

When a subsidiary acquired is not a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets acquired and liabilities assumed based upon their relative fair value, and no goodwill or deferred tax is recognized in such a case.

*Operating leases– 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 year 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, lessees' 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 flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/disbursements. 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.

(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 beginning 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 58 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 may be affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other lessors, and various other factors.

### Lessee risks

The value of real property and any improvements thereto depends on the credit and financial stability of the lessees. BTB's FFO may be adversely affected if lessees 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 lessee replaced. The terms of any subsequent lease may be less favourable to BTB than the existing lease. In the event of default by a lessee, 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 lessee 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 lessee'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 lessee.

Certain major lessees are permitted to cease operating from their leased premises at any time at their option. Other major lessees are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some Commercial Retail Unit ("CRU") lessees have a right to cease operating from their premises if certain major lessees cease operating from their premises. The exercise of such rights by a lessee may have a negative effect on the results. 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 a property, losses could be sustained if the mortgagee or the municipality exercises its rights of foreclosure or sale.

### Property 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 lessees. 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.

### **Reliance on anchor lessees**

Retail shopping centres have traditionally relied on there being a number of anchor lessees (department stores, discount department stores and grocery stores) in the centre, and are therefore subject to the risk of such anchor lessees either moving out of the property or going out of business. Results 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 lessees. 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 lessees 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 \$274 million as at March 31, 2012. 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.

### **Investment property 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.

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"; (ii) not less than 95% of the REIT's revenues for that taxation year must be derived from (a) rent from real or immovable properties, (b) interest, (c) capital gains from dispositions of real or immovable properties, (d) dividends 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 and that controls and procedures are developed to ensure that 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.