



BTB

BTB Real Estate Investment Trust

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 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 year ended December 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 March 21, 2013 should be read together with the audited annual consolidated financial statements and accompanying notes for the years ended December 31, 2012 and 2011. It discusses any significant information available up to the date of this MD&A. The Trust's annual 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 fiscal years ended December 31, 2012 and 2011. **They have been restated to take into account the unit consolidation that took place on June 7, 2012 at a ratio of five pre-consolidation units for one post-consolidation unit.** Additional information about the Trust, including the 2012 Annual Information Form, is available on the Canadian Security Administrators («CSA») website at www.sedar.com and on our website at www.btbreit.com.

The Audit Committee and the Trust's Board of Trustees have approved the contents of this Annual Management Discussion and Analysis and the annual 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 future 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, potential dilution, 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 Annual MD&A.

BTB cannot assure investors that actual results will be consistent with any forward-looking statements and BTB assumes no obligation to update or revise such forward-looking statements to reflect new events or circumstances.

NON-IFRS FINANCIAL MEASURES

Net operating income, distributable income, funds from operations («FFO») and adjusted funds from operations («AFFO») 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, as revised in November 2012.

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 FISCAL 2012

Increase:

- 141% in net income
- 105% in recurring FFO
- 55% in distributable recurring income
- 65% in recurring AFFO
- 22.1% in net operating income

Improvement:

- from 5.27% to 4.69% (58 basis points) average contractual interest rate on mortgage loans.
- of payout ratio from 112.1% to 98.1% for the year and from 105.2% to 91% for the quarter.

Listing on the Toronto Stock Exchange in June 2012 and a unit consolidation at a ratio of five pre-consolidation for one post-consolidation unit.

Property acquisitions

During the year, the Trust acquired ten properties, including five industrial buildings, three office buildings and two commercial buildings, as well as an additional 50% interest in a Quebec City office complex. For a total cost of \$126.8 million, these acquisitions added 958,000 square feet to the Trust's leasable area, including 418,000 square feet in Ontario and 540,000 in Quebec.

Financing activities

In addition to arranging and fully using a \$15 million acquisition line of credit, the Trust carried out the following financing transactions:

- Seven new first- and second-ranking mortgage financings, totalling \$51 million, at rates ranging from 3.18% to 5.50%, on certain acquisitions during the year.
- Assumption of four mortgages totalling \$28 million, at rates ranging from 4.75% to 6.80%, on certain acquisitions during the year.
- Refinancing of two mortgage loans in the amount of \$41 million by a new \$43 million financing at 4.11%, generating annual savings of more than \$800.
- Two unit issues for a total of 8,848,150 units and gross proceeds of \$37.7 million, which were allocated to the acquisition and investment program and BTB's general requirements.

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 66 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, D and E convertible debentures are traded on the Toronto Stock Exchange under the symbols «BTB.UN,» «BTB.DB.B,» «BTB.DB.C,» «BTB.DB.D» and «BTB.DB.E», respectively.

Most of the Trust's properties are managed internally, with 46 of the Trust's 66 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:

	Number of properties	Leasable area (sq. ft.)	Assets acquired at cost (thousands of \$)
As at December 31, 2012⁽¹⁾	65	4,341,197	476,549
Subsequent acquisition⁽²⁾	1	15,186	2,500
Total to date	66	4,356,383	479,049

(1) These figures include a 50% interest in a 17,114 square foot building in a Montréal suburb, a 75% interest in a 140,907 square foot building in Québec City and a 50% interest in two buildings totalling 74,941 square feet in Gatineau, Québec.

(2) These figures include a 50% interest in this building.

BTB's management is entirely internalized since April 1, 2009 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

BTB's primary objective is to maximize returns to unitholders. Returns include cash distributions and long-term appreciation in the value of units. More specifically, the objectives are as follows:

- (i) Generate stable monthly cash distributions that are reliable and fiscally beneficial to unitholders.
- (ii) Grow the Trust's assets through internal growth and accretive acquisition strategies in order to increase distributable income and therefore fund distributions.
- (iii) 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 and properties that are well maintained and require a minimum of future capital expenditures.

ADOPTION OF IFRS

Since 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. 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 66 properties generating, on an annualized basis, revenues of more than \$60 million.

The following table presents highlights and selected financial information for the quarters and the years ended December 31, 2012 and 2011:

Periods ended December 31 (in thousands of dollars, except ratios and per unit data)	Reference	Quarter		Year	
		2012	2011	2012	2011
FINANCIAL INFORMATION					
Rental income	Page 9	13,316	10,995	48,118	41,459
Net operating income	Page 10	7,551	5,432	26,996	22,112
Net income	Page 10	5,603	746	17,967	7,450
Recurring distributable income	Page 14	2,273	1,414	7,805	5,026
Distributions	Page 15	2,068	1,488	7,656	5,631
Recurring funds from operations (FFO)	Page 15	1,975	938	6,493	3,165
Recurring adjusted funds from operations (AFFO)	Page 16	1,905	1,127	6,449	3,911
Investment properties	Page 17			488,521	343,383
Total assets	Page 19			504,927	358,938
Mortgage loans payable	Page 19			296,523	212,145
Convertible debentures	Page 27			54,272	52,938
Debt ratio – excluding convertible debentures	Page 28			61.6%	59.3%
Unitholders' equity	Page 29			124,778	76,640
FINANCIAL INFORMATION PER UNIT					
Weighted average number of units outstanding (in thousands)	Page 29	19,723	14,802	18,669	13,699
Net income	Page 10	28.4¢	5.0¢	96.2¢	54.4¢
Distributable income – recurring	Page 14	11.5¢	10.1¢	41.8¢	36.7¢
Distributions	Page 15	10.0¢	10.0¢	40.0¢	40.0¢
Payout ratio	Page 15	91.0%	105.2%	98.1%	112.1%
Recurring FFO	Page 16	10.0¢	6.3¢	34.8¢	23.1¢
Recurring AFFO	Page 17	9.7¢	7.6¢	34.5¢	28.6¢
TAX ON DISTRIBUTIONS					
Revenue	Page 32			0%	0%
Tax deferral	Page 32			100%	100%
OPERATIONAL INFORMATION					
Number of properties	Page 21			65	54
Leasable area (in thousands of sq. ft.)	Page 21			4,341	3,272
Occupancy rate	Page 22			91.7%	91.1%
DEVELOPMENT					
Property under development				–	1
Estimated leasable area (in thousands of sq.ft.)				–	141

REAL ESTATE PORTFOLIO

BTB owns 66 properties at a total acquisition cost of approximately \$479 million and representing a total leasable area of more than 4.3 million square feet. A concise description of the properties owned can be found in the Trust's 2012 Annual Information Form available at www.sedar.com. A concise description of the properties acquired in 2012 and to date can be found on pages 28 and following 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;
- Distributable income per unit, which enables investors to determine the stability of distributions;
- Funds from operations («FFO») per unit, which provide an indication of BTB's ability to generate cash flow;
- Adjusted funds from operations («AFFO») per unit, which takes into account rental fees and capital expenditures and which may vary substantially from one year to the next;
- The debt-equity ratio, which is used to assess BTB's financial integrity and its capacity for additional acquisitions;
- The interest coverage ratio, which is used to measure BTB's ability to use operating results to pay interest on its debt;
- The occupancy rate, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio.

More detailed definitions and analyses of each of these indicators are provided in the appropriate sections.

OPERATING RESULTS

The table below summarizes financial results for the quarters and years ended December 31, 2012 and 2011. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31 (in thousands of dollars)	Reference	Quarter		Year	
		2012	2011	2012	2011
Rental income	Page 11	13,316	10,995	48,118	41,459
Operating expenses	Page 12	5,765	5,563	21,122	19,347
Net operating income	Page 13	7,551	5,432	26,996	22,112
Financial income		(36)	(14)	(141)	(120)
Financial expenses	Page 14	3,824	8,662	13,362	20,664
Trust administration expenses	Page 16	924	725	3,519	2,766
Fair value adjustment on investment properties	Page 17	(2,764)	(4,687)	(7,711)	(8,648)
Net income and comprehensive income	Page 18	5,603	746	17,967	7,450

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2011, but does not include the financial spin-offs of disposals, acquisitions and developments completed in 2011 and 2012.

Rental income

BTB actively acquired properties in 2011 and 2012. Due to this acquisition activity as well as internal growth from the same-property portfolio, recurring rental income for the fourth quarter and fiscal 2012 increased by \$2,566 or 23.9% and \$6,904 or 16.8%, respectively.

Rental income includes all amounts earned from tenants related to lease agreements, including basic rent and other service charges for parking and storage, operating expenses and realty tax recoveries, and straight-line rent adjustments.

BTB accounts for rent step-ups incrementally over the term of the non-cancellable lease. In the fourth quarter and for fiscal 2012, straight-line rent adjustments of \$281 (2011: \$51) and \$661 (2011: \$498), respectively, were recorded.

In the fourth quarter and for fiscal 2012, BTB recorded amortization of \$355 (2011: \$228) and \$1,240 (2011: \$864), respectively, as a reduction in rental income, which represents amortization of lease incentives afforded to lessees.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2012	2011	2012	2011
Rental income on the basis of in-place leases	13,390	11,172	48,697	41,825
Straight-line rental income adjustment	281	51	661	498
Amortization of lease incentives	(355)	(228)	(1,240)	(864)
Rental income from investment properties	13,316	10,995	48,118	41,459

Recurring income from the same-property portfolio increased 2.7% in the fourth quarter ended December 31, 2012 and 1.5% in fiscal 2012.

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2012	2011	Δ%	2012	2011	Δ%
Same-property portfolio	10,690	10,653	0.3	41,309	40,936	0.9
Non-recurring items ⁽¹⁾	—	(245)	N/A	—	(245)	N/A
Recurring same-property portfolio	10,690	10,408	2.7	41,309	40,691	1.5
Acquisitions, disposals and development	2,626	342	N/A	6,809	523	N/A
Recurring rental income	13,316	10,750	23.9	48,118	41,214	16.8

(1) Non-recurring partial recovery of retroactive Québec Sales Tax (QST) charges on energy expenses.

Operating expenses

The increase in recurring operating expenses of 16.1% between the fourth quarter of 2011 and the fourth quarter of 2012, and 12.7% for fiscal 2012 compared to last year, was mainly due to fiscal 2011 and 2012 acquisitions. Operating expenses of the same-property portfolio increased 1.0% during the quarter and 3.4% over the year.

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2012	2011	Δ%	2012	2011	Δ%
Same-property portfolio	4,952	5,499	(9.9)	19,217	19,190	0.1
Non-recurring items	—	(598)	N/A	—	(598)	N/A
Recurring same-property portfolio ⁽¹⁾	4,952	4,901	1.0	19,217	18,592	3.4
Acquisitions, disposals and development	813	64	N/A	1,905	157	N/A
Recurring operating expenses	5,765	4,965	16.1	21,122	18,749	12.7

(1) Retroactive Québec Sales Tax (QST) charges on energy expenses

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

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2012	2011	2012	2011
Operating expenses				
- Operating costs	2,225	1,964	7,710	6,955
- Property taxes and public utilities	3,540	3,599	13,412	12,392
Total operating expenses	5,765	5,563	21,122	19,347
% of rental income	43.3	50.6	43.9	46.7

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. Operating expenses include property taxes and public utilities, costs related to indoor and outdoor maintenance, heating, ventilation and air conditioning, elevators, insurance, janitorial services and management and operating fees. The amount of operating expenses 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

Recurring net operating income increased 30.5% for the fourth quarter of 2012 compared to 2011 and 20.2% for fiscal 2012 compared to 2011. Recurring operating income of the same-property portfolio was up 4.2% for the quarter compared to the fourth quarter of 2011 and stable for fiscal 2012 compared to 2011. Recurring net operating income was 56.7% of recurring rental income for the quarter ended December 31, 2012 (2011: 53.8%) and 56.1% for fiscal 2012 (2011: 54.5%), an increase over the same periods of the previous year. These increases were mainly due to the nature of acquisitions completed by the Trust in the last four quarters, which primarily consist of single-tenant industrial properties with "triple net" leases under which operating expenses are paid directly by the tenants rather than being charged back to them by the Trust.

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2012	2011	Δ%	2012	2011	Δ%
Same-property portfolio	5,738	5,154	11.3	22,092	21,746	1.6
Non-recurring items ⁽¹⁾	—	353	N/A	—	353	N/A
Recurring net operating income	5,738	5,507	4.2	22,092	22,099	0.0
Acquisitions, disposals and development	1,813	278	N/A	4,904	367	N/A
Recurring net operating income	7,551	5,785	30.5	26,996	22,466	20.2
% of recurring rental income	56.7	53.8		56.1	54.5	

(1) Non-recurring Québec Sales Tax (GST) charges on energy expenses, less partial recoveries.

Recurring net operating income is reduced by non-cash rental income adjustments. Before adjustments, recurring net operating income was as follows:

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2012	2011	Δ%	2012	2011	Δ%
Recurring net operating income	7,551	5,785	30.5	26,996	22,466	20.2
Straight-line rental income adjustments	(281)	(51)	451.0	(661)	(498)	32.7
Adjustment related to amortization of lease incentives	355	228	55.7	1,240	844	46.9
Recurring net operating income, net of rental income adjustments	7,625	5,962	27.9	27,575	22,812	20.9
	56.9%	53.4%		56.6%	54.5%	

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 payable contracted or assumed totalling approximately \$296 million as at December 31, 2012, compared to \$213 million as at December 31, 2011. The increase resulted from the financing or assumption of mortgage loans payable 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 (\$59 million as at December 31, 2011).
- Operating and acquisition lines of credit used as needed, which allowed primarily for the acquisition of accretive properties during the fourth quarter.
- Financing costs on mortgages, convertible debentures and other loans netted against the related debt and amortized on an effective interest basis over the expected life of the debt.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2012	2011	2012	2011
	Interest expense on mortgage loans payable	3,195	2,709	11,822
Interest expense on debentures	1,154	1,155	4,622	4,437
Interest expense on acquisition lines of credit	88	—	88	356
Interest expense on operating lines of credit and other interest expenses	25	5	106	5
Interest expense	4,462	3,869	16,638	15,313
Accretion of effective interest	440	377	1,412	1,528
Accretion of non-derivative liability component of convertible debentures	155	132	598	731
Financial expenses before following items:	5,057	4,378	18,648	17,572
Fair value adjustment on warrants	—	165	43	13
Fair value adjustment on derivative financial instruments (debenture conversion options)	(1,233)	4,119	(5,329)	3,079
Financial expenses	3,824	8,662	13,362	20,664

Before recognition of fair value adjustments on debenture conversion options and warrants, financial expenses increased by \$679 during the fourth quarter of 2012 compared to the same quarter in 2011 and \$1,076 for fiscal 2012, due to the financing and assumption of mortgages on property acquisitions and the issuance of Series D convertible debentures in July 2011. However, these increases were limited by the refinancing of matured loans at more advantageous rates than outstanding loans and the repayment of Series A debentures in October 2011.

As shown by the following table, interest expense on mortgage loans payable in the same-property portfolio decreased by 7.6% in the fourth quarter and 2.8% for fiscal 2012 compared to the same period of 2011, due to the refinancing of loans that matured in the last few quarters at more advantageous rates. However, the decrease was limited by increased financing on certain properties.

Periods ended December 31 (in thousands of dollars)	Quarter			Year		
	2012	2011	Δ%	2012	2011	Δ%
Same-property portfolio	2,426	2,626	(7.6)	10,054	10,342	(2.8)
Acquisitions and development	769	83	N/A	1,768	173	N/A
	3,195	2,709	17.9	11,822	10,515	12.4

Financial expenses can be allocated among interest expenses amounting to \$4,462 for the quarter and \$16,638 for the year (\$3,869 and \$15,313 in 2011, respectively) and non-monetary items. Non-monetary items include fair value adjustments on derivative financial instruments and warrants in net credit positions of \$1,233 for the quarter and \$5,286 for the year (debit positions of \$4,284 and \$3,092, respectively, in 2011). Fair values 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 December 31, 2012, the average weighted contractual rate of interest on mortgage loans payable was 4.69%, down 58 basis points from December 31, 2011 and 44 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 17 consecutive quarters, the weighted average interest rate has remained stable or declined. Interest rates on first-ranking mortgage financings range from 3.18% to 6.80%. A single second-ranking mortgage financing in the amount of \$2.2 million bears interest at 8.5%.

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 trustees, legal and auditing 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.

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2012	2011	2012	2011
Recurring administrative expenses	929	694	3,280	2,617
Toronto Stock Exchange listing fees	—	—	225	—
Amortization	25	21	90	84
Unit-based compensation	(30)	10	(76)	65
Trust administration expenses	924	725	3,519	2,766

Since June 7, 2012, the Trust's units and debentures have been listed on the Toronto Stock Exchange. Listing fees and other expenses related to the graduation are assessed at \$225 and considered non-recurring.

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.

The fair value of investment properties is determined using the discounted cash flow method or the capitalized net operating income method, which are generally accepted valuation methods.

Management receives quarterly capitalization rate and discount 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 and discount 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.

Yearly independent external valuations are done on a rotating three-year cycle. In addition, the portfolio's ten largest properties are independently appraised each year. Management determined that an increase in value of \$2,764 for the quarter (\$4,687 in 2011) and \$7,711 for the year (\$8,648 in 2011) was required 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 overall portfolio would change the fair value of the investment properties by approximately \$6.5 million.

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

As at December 31, 2012	Commercial	Office	Industrial	General purpose
Capitalization rate	7.00% - 12.00%	6.50% - 10.50%	7.00% - 9.75%	7.25% - 8.75%
Terminal capitalization rate	7.25% - 8.75%	6.50% - 9.50%	7.00% - 11.50%	7.50% - 9.25%
Discount rate	7.25% - 9.75%	7.50% - 9.25%	7.00% - 10.75%	8.25% - 9.00%

As at December 31, 2011	Commercial	Office	Industrial	General purpose
Capitalization rate	7.25% - 10.25%	6.75% - 9.75%	7.50% - 10.25%	7.50% - 9.00%
Terminal capitalization rate	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%

The weighted average capitalization rate for the entire portfolio as at December 31, 2012 was 7.55% (2011: 7.82%), down 16 basis points since September 30, 2012, and 27 basis points from a year earlier.

Net income and comprehensive income

BTB generated net income of \$5.6 million for the fourth quarter of 2012, up \$4.9 million from the fourth quarter of 2011 and \$18.0 million for fiscal 2012 compared to \$7.5 million in 2011.

Periods ended December 31 (in thousands of dollars, except per unit data)	Quarter		Year	
	2012	2011	2012	2011
Net income and comprehensive income	5,603	746	17,967	7,450
Per unit	28.4¢	5.0¢	96.2¢	54.4¢

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 revenue arising from the recognition of leases on a straight-line basis, the amortization of lease incentives, the accretion of effective interest and certain other non-cash items.

The following table shows the calculation of distributable income:

Periods ended December 31 (in thousands of dollars)	Quarter		Year	
	2012	2011	2012	2011
Net income and comprehensive income (IFRS)	5,603	746	17,967	7,450
- Fair value adjustment on investment properties	(2,764)	(4,687)	(7,711)	(8,648)
+ Amortization of an investment property and other property and equipment	28	21	97	89
± Unit-based compensation expense	(30)	10	(76)	65
+ Accretion of the liability component of convertible debentures	155	132	598	731
± Fair value adjustment on warrants	—	165	43	13
± Fair value adjustments on conversion options of convertible debentures	(1,233)	4,119	(5,329)	3,079
+ Amortization of lease incentive	355	228	1,240	864
- Straight-line rental income adjustment	(281)	(51)	(661)	(498)
+ Accretion of effective interest	440	378	1,412	1,528
Distributable income	2,273	1,061	7,580	4,673
Non-recurring items				
- Toronto Stock Exchange listing fees	—	—	225	—
- Net retroactive sales tax charges on energy expenses	—	353	—	353
Recurring distributable income	2,273	1,414	7,805	5,026

The Canadian Securities Administrators (CSA) requires the Trust to reconcile distributable income (non-IFRS measure) and cash flows from operating activities presented in the financial statements. The following table shows the reconciliation:

Periods ended December 31 (in thousands of dollars)	Quarter	
	2012	2011
Cash flows from operating activities (IFRS)	8,491	17,934
+ Toronto Stock Exchange listing fees	225	—
+ Net retroactive sales tax charges on energy expenses	—	353
+ Financial revenues	141	120
+ Net change in working capital items	15,586	1,932
- Interest expense on mortgage loans payable	(11,822)	(10,461)
- Interest expense on convertible debentures	(4,622)	(4,437)
- Interest expense on acquisition line of credit	(87)	(356)
- Other interest expenses	(107)	(59)
Recurring distributable income	7,805	5,026

Distributions and per unit data

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2012	2011	2012	2011
Distributions				
Distributions to unitholders	1,895	1,435	7,074	5,578
Distributions reinvested under the distribution reinvestment plan	173	53	582	53
Total distributions to unitholders	2,068	1,488	7,656	5,631
Per unit data				
Recurring distributable income	11.5¢	10.1¢	41.8¢	36.7¢
Distribution per unit	10.0¢	10.0¢	40.0¢	40.0¢
Distribution ratio ⁽¹⁾	91.0%	105.2%	98.1%	112.1%

(1) The distribution ratio corresponds to distributions divided by recurring distributable income.

Recurring distributable income for the fourth quarter increased by \$859, from \$1,414 to \$2,273, between 2011 and 2012. Recurring distributable income for fiscal 2012 was \$7,805, up \$2,779 from fiscal 2011. Recurring distributable income per unit for the fourth quarter of fiscal 2012 stood at 11.5¢ per unit compared to 10.1¢ in 2011 and 41.8¢ compared to 36.7¢ for fiscal 2011.

Distributions to unitholders totalled 10¢ per issued unit for each quarter presented.

The distribution ratio was 91.0% in the fourth quarter of 2012 compared to 105.2% in the fourth quarter of 2011, and 98.1% compared to 112.1% for the year, reflecting a surplus of distributable income over distributions for the quarter of 2012 and for the year.

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 incentives;
- 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 second quarter of 2012, the Trust incurred non-recurring expenses of \$225 related to the Toronto Stock Exchange listing. In the fourth quarter of 2011, the Trust incurred retroactive net sales tax expenses on energy expenses amounting to \$353.

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

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2012	2011	2012	2011
Net income and comprehensive income (IFRS)	5,603	746	17,967	7,450
- Fair value adjustment on investment properties	(2,764)	(4,687)	(7,711)	(8,648)
+ Amortization of an investment property	14	14	58	54
+ Amortization of lease incentives	355	228	1,240	864
+ Fair value adjustments on conversion options of convertible debentures	(1,233)	4,119	(5,329)	3,079
+ Fair value adjustment on warrants	—	165	43	13
FFO	1,975	585	6,268	2,812
+ Toronto Stock Exchange listing fees	—	—	225	—
+ Net retroactive sales tax charges on energy expenses	—	353	—	353
Recurring FFO	1,975	938	6,493	3,165
Per unit data				
- FFO	10.0¢	4.0¢	33.6¢	20.5¢
- Recurring FFO	10.0¢	6.3¢	34.8¢	23.1¢

Recurring FFO increased by close to 110.5% for the fourth quarter of 2012 and 105.2% for the year compared with 2011, mainly as a result of acquisitions of income-producing properties and a decrease in the average mortgage loan interest rate. Recurring FFO per unit for the fourth quarter amounted to 10.0¢ in 2012 compared to 6.3¢ in 2011 and 34.8¢ per unit for fiscal 2012 compared to 23.1¢ in 2011, representing respective increases of 58.7% for the fourth quarter and 50.6% for the year.

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 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 and years ended December 31, 2012 and 2011:

Periods ended December 31 (in thousands of dollars, except for per unit data)	Quarter		Year	
	2012	2011	2012	2011
Recurring FFO	1,975	938	6,493	3,165
- Straight-line rental income adjustment	(281)	(51)	(661)	(498)
+ Accretion of effective interest	440	377	1,412	1,528
+ Accretion of the liability component of convertible debentures	155	132	598	731
+ Amortization of property and equipment	14	7	39	30
+ Unit-based compensation expenses	(30)	10	(76)	65
- Reserve for non-recoverable capital expenses	(173)	(142)	(626)	(538)
- Reserve for rental fees	(195)	(144)	(730)	(572)
Recurring AFFO	1,905	1,127	6,449	3,911
Per unit data				
Recurring AFFO	9.7¢	7.6¢	34.5¢	28.6¢

The increase of 69% in AFFO for the fourth quarter of 2012 compared with the fourth quarter of 2011 and 65% for fiscal 2012 compared with fiscal 2011 is due to acquisitions of income-producing properties and a drop in the average mortgage loan interest rate. AFFO per unit amounted to 9.7¢ compared with 7.6¢ in 2011 for the fourth quarter and 34.5¢ compared with 28.6¢ for the year. The increase in recurring AFFO per unit takes into account the dilution resulting from capital contributions in February and December 2012, but does not yet reflect the full use of funds from accretive acquisitions completed during the periods.

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 net operating income for the periods ended December 31, 2012 and 2011.

Three-month period ended December 31, 2012 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Investment properties	98,608	20.2	200,092	41.0	79,236	16.2	110,585	22.6	488,521
Rental income from properties	2,093	15.7	6,606	49.6	1,928	14.5	2,689	20.2	13,316
Net operating income	1,496	19.8	3,214	42.6	1,528	20.2	1,313	17.4	7,551

Year ended December 31, 2012 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Rental income from properties	7,898	16.4	23,584	49.0	6,841	14.2	9,795	20.4	48,118
Net operating income	5,360	19.9	11,418	42.3	5,517	20.4	4,701	17.4	26,996

Three-month period ended December 31, 2011 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Investment properties	70,175	20.4	152,600	44.4	53,269	15.5	67,339	19.6	343,383
Investment properties under development	—	—	3,933	100.0	—	—	—	—	3,933
Rental income from properties	1,956	17.8	5,539	50.4	980	8.9	2,520	22.9	10,995
Net operating income	1,284	23.6	2,403	44.3	705	13.0	1,040	19.1	5,432

Year ended December 31, 2011 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
Rental income from properties	7,630	18.4	20,857	50.3	3,493	8.4	9,479	22.9	41,459
Net operating income	4,988	22.6	9,987	45.1	2,565	11.6	4,572	20.7	22,112

COMPARATIVE SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars, except for per unit data)	2012	2012	2012	2012	2011	2011	2011	2011
	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1
Rental income	13,316	12,080	11,723	10,999	10,995	10,503	10,215	9,746
Net operating income	7,551	7,016	6,708	5,721	5,432	5,861	5,760	5,099
Net income (loss)	5,603	3,429	4,963	3,972	746	4,503	3,237	(1,036)
Net income (loss) per unit	28.4¢	18.0¢	26.0¢	23.9¢	5.0¢	30.5¢	22.0¢	(9.9)¢
Recurring funds from operations (FFO)	1,975	1,941	1,710	867	938	936	1,000	291
Recurring FFO per unit	10.0¢	10.1¢	9.0¢	5.2¢	6.5¢	6.5¢	6.8¢	2.8¢
Recurring adjusted funds from operations (AFFO)	1,905	1,903	1,739	899	1,136	1,070	1,312	412
Recurring AFFO per unit	9.7¢	10.0¢	9.1¢	5.4¢	7.5¢	7.0¢	8.9¢	3.9¢

FINANCIAL POSITION

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

(in thousands of dollars)	December 31, 2012	December 31, 2011
ASSETS		
Investment properties	488,521	343,383
Property under development	—	3,933
Other assets	16,406	11,622
TOTAL ASSETS	504,927	358,938
LIABILITIES		
Mortgage loans payable	296,523	212,145
Convertible debentures	54,272	52,938
Acquisition line of credit	14,825	—
Other liabilities	14,529	17,215
TOTAL LIABILITIES	380,149	282,298
EQUITY		
Unitholders' equity	124,778	76,640
TOTAL LIABILITIES AND EQUITY	504,927	358,938

The main changes to the statement of financial position as at December 31, 2012 compared to the statement of financial position as at December 31, 2011 primarily reflect investment property acquisitions during 2012, the issuance of units in February 2012 and December 2012 and mortgage financings and refinancings concluded in 2012.

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.

Entry into operation

Since its first lessees have arrived, Complexe Lebourgneuf Phase 2 is now considered an investment property. To date, 118,221 square feet of leasable space of a total of 140,907 square feet is either occupied or has received a firm lease offer, resulting in an occupancy rate of 83.9%. The Trust has a 75% interest in this building, whose construction was completed in December 2011. The building was officially inaugurated on March 28, 2012.

Disposal of a building

On March 20, 2012, the Trust sold a building located on Laurentian Boulevard in Montréal 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 during the second quarter

In April 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.
- In May 2012, the Trust acquired an office building for \$14.1 million located at 80 Aberdeen, Ottawa, Ontario near Highway 417. This office building of a leasable area of 53,933 square feet is fully leased. Its main lessee is the City of Ottawa, which occupies 54% of the building.

Property acquisitions during the third quarter

On September 24, 2012, the Trust acquired an additional 50% interest in Complexe Lebourgneuf Phase 2 for a purchase price of \$12.1 million.

Property acquisitions during the fourth quarter

On October 15, 2012, the Trust acquired an office building located at 245 Stafford West in Ottawa, Ontario for a purchase price of \$6.6 million. The 31,757-square-foot building is fully leased. The main tenants are TD Bank and the LCBO.

On November 1, 2012, the Trust acquired a 50% interest in two commercial retail and office buildings located at 7-9 Montclair in Gatineau, Québec, for \$6.1 million. The properties cover a total of 74,941 square feet and are fully leased. The tenants are a "Houston" chain restaurant, a "L'Aubainerie" store and federal government offices.

On November 5, 2012, the Trust acquired an industrial building located at 311 Ingersoll in Ingersoll, Ontario for a purchase price of \$10.5 million. The 200,615-square-foot property is fully leased to a single tenant, a subsidiary of an American multinational.

On December 21, 2012, the Trust acquired the following properties:

- 1 to 9 and 10 Brewer Hunt Way in Ottawa (Kanata), Ontario – Acquired for a price of \$18.9 million, this campus-style office complex of five interlinked buildings has approximately 132,067 square feet of leasable area. The buildings are fully leased to several tenants including Flextronics (36.9%) (NASDAQ: FLEX) and Optelian (29.5%).
- 11600 to 11800 De Salaberry Blvd., Dollard-des-Ormeaux, Québec – This mall known as "Marché de l'Ouest" was purchased for \$27 million. With approximately 128,737 square feet of leasable area, the mall is a prominent food centre in Montréal's West Island. The occupancy rate is 99.7% and the main tenants include IGA (Sobeys), Dollarama (TSX: DOL.TO), Bulk Barn and a Madisons restaurant.
- 315-325 MacDonald, Saint-Jean-sur-Richelieu, Québec – This \$16.9 million property is mainly rented to retail and office tenants on the ground floor, and office tenants on the second and third floors. The property has a leasable area of approximately 170,074 square feet and a 97.8% occupancy rate. Its largest tenants include Saint-Jean-sur-Richelieu City Hall, the city's police station, and the Government of Québec. These tenants generate 60% of the property's gross revenue.

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

(in thousands of dollars)	December 31, 2012	December 31, 2011
Investment properties (at fair value)	488,521	343,383
Property under development	–	3,933
Others assets at unamortized value	16,868	11,987
Gross book value of the Trust	505,389	359,303
Number of properties	65	54
Leasable area (in thousands of sq. ft.)	4,341	3,272

Summary by operating segment as at December 31, 2012

	Number of proper- ties	Leasable area (sq.ft.)	%
Office	21	1,400,181	32.3
Commercial	14	650,613	15.0
Industrial	16	1,312,953	30.2
General purpose	14	977,451	27.5
Total	65	4,341,197	100

Subsequent acquisitions

On February 19, 2013, the Trust acquired a 50% interest in a retail complex property located in Saint-Lazare, Québec, with 15,186 square feet of leasable area, for a purchase price of \$2.5 million. Tenants include a Tim Hortons, an A&W and a Sobey's convenience store.

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the periods ended December 31, 2012, except for Complexe Lebourgneuf Phase 2:

In square feet	Quarter	Year
Available leasable area at beginning of period	312,669	291,688
Available leasable area purchased (sold)	3,603	(12,837)
Leasable area of expired leases	92,511	350,426
Leasable area of leases terminated before term	1,876	54,213
Leasable area of expired and renewed leases	(49,698)	(262,774)
Leasable area of new leases signed	(20,798)	(89,251)
Other	(2,900)	5,798
Available leasable area at end of period	337,263	337,263

The Trust's leasing operations were significant during the fourth quarter of 2012. More than 70,000 square feet were signed with new lessees or renewed during the quarter. During 2012, more than 250,000 square feet were signed with new lessees or renewed.

The average rate of expired and renewed leases rose 7.76% during the fourth quarter and 6.91% for the year.

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 140,907 square feet, and 118,221 square feet are now occupied or have received a firm leasing offer. The Trust holds a 75% 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.

Sector of activity	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Office	86.4%	86.7%	88.1%	89.0%	89.4%
Commercial	93.8%	92.8%	92.4%	92.3%	89.9%
Industrial	93.8%	94.5%	94.2%	93.2%	93.2%
General purpose	94.9%	89.5%	90.6%	90.4%	92.1%
Total portfolio	91.7%	90.5%	91.0%	91.0%	91.1%

The overall occupancy rate is up by 0.6% since December 31, 2011 and 1.2% since September 30, 2012. It stands at 91.7%.

The increase in the occupancy rate is due to strong leasing activity in recent months and recent acquisitions with an occupancy rate higher than the overall rate of the portfolio then in place.

Only the office sector has an occupancy rate lower than the portfolio's overall rate. The bankruptcy of a major tenant in Complexe Lebourgneuf Phase 1 and the status of Complexe Lebourgneuf Phase 2, which is still being developed, partially explain the low occupancy rate in this sector. Management is aware of the situation and has taken steps to improve this performance indicator. In addition, as a result of strong rental activity in the Lebourgneuf area and a buoyant real estate market in the Québec City area, the Trust is confident that Complexe Lebourgneuf will achieve a stable short-term leasing situation, which will improve the occupancy rate in this activity sector.

Lease maturity

The following table shows the lease maturity profile for the coming years:

	2013	2014	2015	2016	2017	2018
Office						
Leasable area (sq. ft.)	115,284	143,376	216,514	166,096	162,225	100,738
Average lease rate/square foot (\$)	11.58	13.54	13.63	14.85	12.59	12.12
% of office portfolio	8.23%	10.24%	15.46%	11.86%	11.59%	7.19%
Commercial						
Leasable area (sq. ft.)	37,351	54,815	47,419	45,515	20,778	101,261
Average lease rate/square foot (\$)	12.57	10.84	14.02	10.34	19.28	11.70
% of commercial portfolio	5.74%	8.43%	7.29%	7.00%	3.19%	15.56%
Industrial						
Leasable area (sq. ft.)	34,115	130,933	4,325	60,013	554,539	—
Average lease rate/square foot (\$)	6.48	3.76	5.45	11.27	4.64	—
% of industrial portfolio	2.60%	9.97%	0.33%	4.57%	42.24%	0.00%
General purpose						
Leasable area (sq. ft.)	46,874	66,387	75,101	145,975	49,503	83,071
Average lease rate/square foot (\$)	10.46	15.68	8.65	9.20	13.28	11.83
% of general purpose portfolio	4.80%	6.79%	7.68%	14.93%	5.06%	8.50%
Total portfolio						
Leasable area (sq. ft.)	233,624	395,511	343,359	417,599	787,045	285,070
Average lease rate/square foot (\$)	10.77	10.29	12.49	11.87	7.21	11.89
% of portfolio	5.38%	9.11%	7.91%	9.62%	18.13%	6.57%

Top 10 lessees

As at December 31, 2012, BTB managed more than 700 leases, with an average area of 6,000 square feet. The three largest lessees are Société immobilière du Québec (SIQ), the «Epicia» group and Melco Doors and Windows Corp., accounting respectively for 4.6%, 2.8% and 2.3% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 29% 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 December 31, 2012:

Client	% of revenue	Leased area (square feet)
Société immobilière du Québec (SIQ)	4.6	123,239
Epicia group	2.8	87,190
Melco Doors & Windows Corp.	2.3	214,000
Germain Larivière Inc.	2.3	101,194
Groupe Aro Inc.	1.9	40,825
Commission de la Santé et de la Sécurité du Travail (CSST)	1.9	46,435
Hydro-Québec	1.8	37,364
Canada Post Corporation	1.7	61,623
Canadian Tire	1.5	56,025
Cornwall Warehousing Ltd.	1.4	157,879

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2012, including mortgage loans payable 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 (%)
2013	13,020 ⁽¹⁾	40,455	5.89
2014	—	68,396	5.32
2015	—	15,514	5.60
2016	23,000	66,064	5.12
2017	—	65,969	4.25
2018	23,000	12,508	6.04
2019 and thereafter	—	27,308	4.95
Total	59,020	296,214	5.21

[1] Will be redeemed on March 31, 2013, from the proceeds of the issuance of convertible debentures series E issued in February 2013 in the amount of \$23,000.

As at December 31, 2012, the weighted average contractual interest rate of the Trust's long-term debt stood at 5.21%, i.e. 4.69% for mortgages payable and 7.82% for convertible debentures. The average maturity of mortgage loans is 4.51 years.

Mortgage loans payable

As at December 31, 2012, the Trust's mortgage loans payable amounted to \$296.2 million compared to \$213.0 million as at December 31, 2011, before deferred financing costs and valuation adjustments, an increase of \$83.2 million due to acquisitions and refinancings in the last four quarters.

As at December 31, 2012, the weighted average interest rate was 4.69%, compared to 5.27% for mortgage loans on the books as at December 31, 2011, a drop of 58 basis points. Of the balance of \$296.2 million in loans as at December 31, 2012, \$280.3 million bear interest at fixed rates, with the remaining \$15.9 million bearing interest at floating rates. The latter consist of a \$2.4 million loan that is in the process of being renewed and the \$13.5 million construction loan for Complexe Lebourgneuf Phase 2.

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 summarizes changes in mortgage loan payable during fiscal 2012:

(in thousands of dollars)	Quarter	Year to date
Balance at beginning of period	239,581	212,998
Mortgage loans contracted or assumed	99,973	130,351
Balance repaid at maturity	(41,051)	(41,051)
Monthly principal repayments	(2,289)	(6,084)
Balance as at December 31, 2012	296,214	296,214

N.B.: Before unamortized financing costs.

All of the Trust's properties were mortgaged as at December 31, 2012. Unamortized loan financing costs totalled \$1,802 and are amortized under the effective interest method over the term of the loans.

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

Years ended December 31 (in thousands of dollars)				
Maturity	Principal repayment	Balance at maturity	Total	(%) of total
2013	7,659	39,741	47,400	16.0
2014	6,526	65,935	72,461	24.5
2015	5,539	14,121	19,660	6.6
2016	5,048	57,412	62,460	21.1
2017	2,662	57,527	60,189	20.3
2018	974	10,687	11,661	3.9
2019 and thereafter	19,226	3,157	22,383	7.6
Total	47,634	248,580	296,214	100.0
Plus: Valuation adjustments on assumed loans			2,111	
Less: Unamortized financing costs			(1,802)	
Balance as at December 31, 2012			296,523	

Financings completed

The Trust renegotiated the renewal of an acquisitions line of credit totalling \$15 million on more favourable terms. This credit line had been fully used on December 31, 2012.

As a result of acquisitions completed at the end of the quarter, the Trust assumed or contracted the following mortgage loans:

- On October 15, 2012, new \$4.3 million loan, 3.25%, maturing in 2017, on the property located in Ottawa, Ontario.
- On October 31, 2012, refinancing of two loans totalling \$41 million and bearing interest at 6.17% by a new \$43 million loan, 4.11%, maturing in 2017, on seven properties already owned by the Trust. The loan will generate annual savings of more than \$0.8 million.
- On November 1, 2012, new \$4.2 million loan, 3.18%, maturing in 2017, on the property located in Gatineau, Québec.
- On November 5, 2012, assumption of a \$6.6 million loan, 6.14%, maturing in 2014, on the property located in Ingersoll, Ontario.
- On December 21, 2012, new \$11.4 million loan, 3.63%, maturing in 2018, on the property located on Brewer Hunt Way in Ottawa, Ontario.
- On December 21, 2012, assumption of a \$7.4 million loan, 6.80%, maturing in April 2024, on the property located on De Salaberry Blvd. in Dollard-des-Ormeaux, Québec.
- On December 21, 2012, new second-ranking \$8.6 million loan in the form of balance of sale, 4.5%, maturing on February 28, 2013, on the property located on De Salaberry Blvd. in Dollard-des-Ormeaux. This loan was fully refinanced with the first-ranking lender on February 28, 2013 with a second-ranking loan, \$8.6 million, 4.91%, maturing in April 2024.
- On December 21, 2012, assumption of a \$7.3 million loan, 5.63%, maturing in June 2016, on the property located on MacDonald Blvd., St-Jean-sur-Richelieu.
- On December 21, 2012, new \$2.75 million second-ranking loan in the form of balance of sale price, 4.5%, maturing on February 28, 2013, on the property located on MacDonald Blvd., St-Jean-sur-Richelieu. This loan was fully refinanced in February 2013 with a \$2.75 million second-ranking mortgage loan, 5.5%, maturing in June 2016.

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 \$11.50 (the «Series B conversion price»). As at December 31, 2012, the closing market price of BTB units was \$4.26.

The debentures are also redeemable at the discretion of the Trust, subject to certain terms and conditions, as of 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 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, 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 \$5.00 per unit (the «Series C conversion price»). As at December 31, 2012, the closing market price of BTB units was \$4.26.

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, 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 \$6.10 per unit (the «Series D conversion price»). As at December 31, 2012, the closing market price of BTB units was \$4.26.

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.

As at December 31, 2012, none of the three series met the conditions necessary for an authorized redemption.

	Series B	Series C	Series D	Total
Contractual interest rate	8.5%	8%	7.25%	
Effective interest rate	11.15%	9.78%	8.47%	
Date of issuance	March 2008	January 2011	July 2011	
Unit conversion price	\$11.50	\$5.00	\$6.10	
Date of interest payment	March 31 and September 30	January 31 and July 31	January 31 and July 31	
Maturity date	March 2013	January 2016	July 2018	
Balance as at December 31, 2012	12,913	20,990	20,369	54,272

Subsequent issuance – Series E debentures

On February 20, 2013 and February 28, 2013, to exercise the over-allotment option, BTB issued Series E 6.90% convertible unsecured subordinated debentures in the amount of \$23,000,000. The interest will be payable semi-annually and the debentures mature on March 31, 2020. The debentures are convertible at the option of the holder at any time, no later than March 31, 2020, subject to certain conditions. The conversion price will be \$6.15 per unit.

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 December 31, 2012, the credit facility had not been used.

Bank loans – Acquisition credit facility

BTB has an acquisition credit facility of \$15 million with a capital corporation. The credit facility is secured by a first- and second-ranking mortgage on certain properties. As at December 31, 2012, the credit facility had been fully used.

Debt ratio

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

(in thousands of dollars)	December 31, 2012	December 31, 2011
Mortgage loans payable ⁽¹⁾	296,214	212,998
Acquisition credit facility ⁽¹⁾	15,000	–
Convertible debentures ⁽¹⁾	59,020	59,020
Total long-term debt	370,234	272,018
Gross book value of the Trust	505,389	359,303
Debt ratio (excluding convertible debentures)	61.6%	59.3%
Total debt ratio	73.3%	75.7%

(1) Gross amounts

According to the table above, the debt ratio excluding the convertible debentures as at December 31, 2012, amounted to 61.6% compared to 59.3% as at December 31, 2011. The increase reflects recent acquisitions with debt ratios higher than the portfolio average and use of the acquisition line of credit in the amount of \$15,000. The Trust seeks to finance its acquisitions with debt ratios of 60% to 70% because the cost of mortgage financings is lower than the Trust's capital cost. After including the convertible debentures, the ratio stood at 73.3% compared to 75.7% 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. For the quarter ended December 31, 2012, the interest coverage ratio stood at 1.71, up 30 points from the fourth quarter of 2011, and at 1.64 for fiscal 2012, up 18 points from 2011, showing the Trust's financial strength and ability to cover the cost of its debt.

Periods ended December 31, 2012 (in thousands of dollars, except for the ratios)	Quarter		Year	
	2012	2011	2012	2011
Net operating income	7,551	5,432	26,996	22,112
Interest expense, net of interest income	4,426	3,855	16,497	15,193
Interest coverage ratio	1.71	1.41	1.64	1.46

Unitholders' equity

Unitholders' equity consists of the following:

(in thousands of dollars)	December 31, 2012	December 31, 2011
Trust units	137,330	99,503
Cumulative profit (loss)	2,331	(15,636)
Cumulative distributions to unitholders	(14,883)	(7,227)
	124,778	76,640

Consolidation

On June 7, 2012, the Trust consolidated its outstanding units at a ratio of five pre-consolidation units for one post-consolidation unit. Prior period comparative figures were adjusted accordingly.

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, 40,206 units were issued during the last quarter and 132,857 during fiscal 2012.

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

Periods ended December 31 (in # of units)	Quarter		Cumulative	
	2012	2011	2012	2011
Units outstanding, beginning of period	19,153,591	14,797,945	14,810,790	10,338,345
Units issued				
Public placement and warrants exercised	4,598,000	—	8,848,150	4,459,600
Distribution reinvestment plan	40,206	12,845	132,857	12,845
Units outstanding, end of period	23,791,797	14,810,790	23,791,797	14,810,790
Weighted average number of units outstanding	19,723,581	14,801,635	18,668,871	13,698,715

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 periods are as follows:

Quarters ended December 31	2012		2011	
	Unit options	Weighted average exercise price (\$)	Unit options	Weighted average exercise price (\$)
Outstanding, beginning of quarter	551,000	10.20	557,000	11.30
Granted	—	—	108,000	4.55
Expired	(324,000)	13.77	(114,000)	10.20
Outstanding, end of quarter	227,000	5.07	551,000	10.20
Options vested since December 31	227,000	5.07	546,000	10.25
Weighted average remaining term to expiry (years)		1.59		1.33

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.

Deferred unit compensation plan

The Trust has implemented a deferred unit compensation plan for trustees and certain officers. Under the program, beneficiaries may elect to receive their compensation in cash, deferred units or a combination of both.

The following table summarizes deferred units issued during the year:

Years ended December 31 (in # of units)	2012	2011
Deferred units outstanding, beginning of period	—	—
Deferred units issued	15,264	—
Distributions converted to deferred units	717	—
Deferred units outstanding, end of period	15,981	—

Subscription warrants

At the time of disbursement of the acquisition line of credit, the Trust granted Firm Capital Mortgage Fund a disbursement fee of 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 \$3.822 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.

Years ended December 31	2012		2011	
	Number	Exercise price	Number	Exercise price
Outstanding, beginning of year	500,000	3,822	—	—
Warrants granted	—	—	500,000	3.822
Warrants exercised	(500,000)	3,822	—	—
Outstanding, end of year	—	—	500,000	3.822

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 year ended December 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 December 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:

Years ended December 31	2012	2011
Taxable as other income	—	—
Tax deferred	100%	100%
Total	100%	100%

IMPACT OF ADOPTING IFRS

Since 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 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

BTB's significant accounting policies are described in Notes 2 and 3 to the financial statements as at December 31, 2012 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:

a) Basis of preparation

BTB's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards («IFRS») applicable to the preparation of financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the years presented in these consolidated financial statements.

b) Basis of presentation

Consolidation

These consolidated financial statements include the accounts of BTB and its wholly-owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of the property it co-owns.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results that could differ materially from those estimates are described below:

- *Investment property*

Investment property is recorded at fair value at the balance sheet date. Fair value is determined using both management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques. The techniques used include the capitalized net operating income method and the discounted cash flow method, including estimates of capitalization rates and future net operating income as well as estimates of discount rates and future cash flows applicable to investment property, respectively.

Management's internal fair value measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

- *Financial instruments*

Financial instruments must be initially measured at fair value. BTB must also estimate and disclose the fair value of certain financial instruments for information purposes in the financial statements presented for subsequent periods. When fair value cannot be derived from active markets, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data related to these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the reported fair value of financial instruments.

- *Convertible debentures*

BTB's management must estimate, if applicable, the fair value of the conversion option included in convertible debentures presented as liability. Should this estimate be inappropriate, it will have an impact on the interest expense recognized in the financial statements for the periods subsequent to their issuance.

- *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of a business combination is the value, at the acquisition date, of the assets transferred, liabilities incurred and Unitholders' equity instruments issued in exchange for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

BTB accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the acquisition does not correspond to this definition, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination under IFRS 3 or as an asset acquisition.

Generally, when BTB acquires a property or property portfolio (and not a legal entity) without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an asset acquisition.

- *Unit options*

The compensation expense related to unit options is measured at fair value and is amortized based on the graded vesting method using the Black-Scholes model. This model requires management to make many estimates on various data, such as expected life, volatility, the weighted average dividend yield of distributions, the weighted average risk-free interest rate and the expected forfeiture rate. Any changes to certain assumptions could have an impact on the compensation expense related to unit options recognized in the financial statements.

- *Investment property*

Investment property is immovable property held by the Trust to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment properties include income properties, properties under development and land held for future development if necessary.

BTB presents its investment property based on the fair value model. Fair value is the amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in income for the period in which it arises. The fair value of investment property shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment property is based on measurements derived from management's estimates or from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews appraisals of its investment property between the appraisal dates in order to determine whether the related assumptions, such as net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, BTB adjusts the carrying amount of its investment property.

Capitalization of costs

BTB capitalizes into investment property the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. The Trust also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. When BTB determines that the acquisition of an investment property is an asset acquisition, the Trust capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

Concerning properties under development and re-development and land held for future development, the Trust capitalizes all direct costs incurred for their acquisition, layout and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. BTB begins capitalizing borrowing costs when it incurs expenditures for the properties in question and it undertakes activities that are necessary to prepare these properties for their intended use. BTB ceases capitalizing borrowing costs when the asset is ready for management's intended use.

Restricted cash

Restricted cash mainly includes amounts which are held in interest-bearing reserve accounts and are expected to be utilized over the coming years to fund certain expenses related to investments, as well as supplementary amounts drawn by financial institutions to cover the payment of realty taxes for certain investment properties.

Revenue recognition

Management has determined that all leases concluded between BTB and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on BTB's Consolidated Balance Sheet under investment property. Leases generally provide for the tenants' payment of maintenance expenses of common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Percentage leases are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Finally, incidental income is recognized when services are rendered.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be a financing activity.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgage loans, convertible debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Leasing costs

Leasehold improvements, incurred directly by BTB or through an allowance to tenants, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are not amortized.

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are recognized in profit or loss and are subsequently amortized on a straight-line basis over the related lease term.

All these costs are added to the carrying amount of investment property as they are incurred.

Income taxes

BTB is considered a mutual fund trust for income tax purposes. In exercising their discretionary power regarding distributions under the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by BTB to unitholders and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required for the Trust.

Incentive plan based on equity securities

BTB has an incentive plan based on equity securities in order to attract, retain and motivate those who act as service providers. This plan does not provide for any cash settlements.

Unit purchase options

The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

Deferred units

The Trust recognizes compensation expense on deferred unit options granted, based on their fair value on the date of the grant. The fair value of restricted units represents the market value of BTB units on the date of the grant. The compensation expense is amortized using the graded vesting method.

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit options and the potential issuance of units under convertible debentures, if dilutive.

Segment information

Segment information is presented in accordance with IFRS 8, which recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

NEW ACCOUNTING POLICIES

The following paragraphs present accounting standards that apply to BTB but that have not yet been adopted:

IFRS 9 – “Financial Instruments”

In November 2009, the IASB issued IFRS 9, “Financial Instruments: Classification and Measurement,” a new standard on the classification and measurement of financial instruments, which will replace IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 presents two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. Debt instruments are measured at amortized cost only if they are held in order to collect contractual cash flows and if the cash flows are solely payments of principal and interest. Otherwise, they are held at fair value through profit or loss.

Requirements for financial liabilities were added in October 2010 and most of them were carried forward unchanged from IAS 39, except for the fair value changes attributable to the credit risk of financial liabilities designated at fair value through profit or loss, which should usually be included in comprehensive income.

This new standard is effective for annual periods beginning on or after January 1, 2015, and early adoption is permitted. BTB is currently evaluating the impact that this new standard will have on its financial statements.

In May 2011, the IASB issued the following standards: IFRS 10, "Consolidated Financial Statements," IFRS 11, "Joint Arrangements," IFRS 12, "Disclosure of Interests in Other Entities," IAS 27, "Separate Financial Statements," IFRS 13, "Fair Value Measurement," and the amended IAS 28, "Investments in Associates and Joint Ventures." Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

IFRS 10 – "Consolidated Financial Statements"

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation—Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements." BTB does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 11 – "Joint Arrangements"

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities may elect to account for interests in joint ventures using proportionate consolidation or the equity method. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures," and SIC-13, "Jointly Controlled Entities—Non-monetary Contributions by Venturers." BTB does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 12 – "Disclosure of Interests in Other Entities"

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose entities and off-balance sheet instruments. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. BTB does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 13 – "Fair Value Measurement"

IFRS 13 is a comprehensive standard on fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. BTB will add the required information as of the first quarter of 2013.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27, "Consolidated and Separate Financial Statements," and IAS 28, "Investments in Associates and Joint Ventures." IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10, IFRS 11, IFRS 12 and IFRS 13. BTB does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

RISKS AND UNCERTAINTIES

Like all real estate entities, the BTB REIT is exposed, in the normal course of business, to various risk factors that may have an impact on its capacity to attain its strategic objectives. Accordingly, unitholders should consider the following risks and uncertainties when assessing the Trust's outlook in terms of investment potential.

BTB has not identified any significant changes to the risks and uncertainties to which it is exposed in its business.

Access to capital and debt financing, and current global financial conditions

The real estate industry is capital-intensive. BTB will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that BTB will have access to sufficient capital (including debt financing) on terms favorable to BTB for future property acquisitions and developments, including for the financing or refinancing of properties, for funding operating expenses or for other purposes. In addition, BTB may not be able to borrow funds under its credit facilities due to limitations on BTB's ability to incur debt set forth in the Contract of Trust. Failure by BTB to access required capital could adversely impact BTB's financial position and results of operations and reduce the amount of cash available for distributions.

Recent market events and conditions, including disruptions in international and regional credit markets and in other financial systems and deteriorating global economic conditions, could impede BTB's access to capital (including debt financing) or increase the cost of such capital. Failure to raise capital in a timely manner or under favourable terms could have a material adverse effect on BTB's financial position and results of operations, including on its acquisition and development program.

Debt financing

BTB has and will continue to have substantial outstanding consolidated borrowings comprised primarily of mortgages, property mortgages, debentures, and borrowings under its acquisition and operating credit facilities. BTB intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and liquidity resources, including cash flows from operations, additional borrowings and public or private sales of equity or debt securities. BTB may not be able to refinance its existing debt or renegotiate the terms of repayment at favourable rates. In addition, the terms of BTB's indebtedness in general contain customary provisions that, upon an event of default, result in accelerated repayment of the amounts owed and that restrict the distributions that may be made by BTB. Therefore, upon an event of default under such borrowings or an inability to renew same at maturity, BTB's ability to make distributions will be adversely affected.

A portion of BTB's cash flows is dedicated to servicing its debt, and there can be no assurance that BTB will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing.

BTB is exposed to debt financing risks, including the risk that the existing hypothecary borrowings secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of the existing loans. In order to minimize this risk, BTB tries to appropriately structure the timing of the renewal of significant tenant leases on its respective properties in relation to the times at which the hypothecary borrowings on such properties become due for refinancing.

Ownership of immovable property

All immovable property investments are subject to risk exposures. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises, municipal valuations and assessments, and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of tenants and the economic environment in which they operate. BTB's income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in the properties in which BTB has an interest cannot be leased on economically favorable lease terms. In the event of default by a tenant, delays or limitations may be experienced in enforcing BTB's rights as a lessor and substantial costs may be incurred to protect BTB's investment. The ability to rent unleased space in the properties in which BTB has an interest will be affected by many factors, including the level of general economic activity and competition for tenants by other properties. Costs may need to be incurred to make improvements or repairs to property as required by a new tenant. The failure to rent unleased space on a timely basis or at all or at rents that are equivalent to or higher than current rents would likely have an adverse effect on BTB's financial position and the value of its properties.

Certain significant expenditures, including property taxes, maintenance costs, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of immovable property regardless of whether the property is producing any income. If BTB is unable to meet mortgage payments on a property, a loss could be sustained as a result of the mortgage creditor's exercise of its hypothecary remedies.

Immovable property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with the demand for and the perceived desirability of such investments. Such illiquidity may tend to limit BTB's ability to make changes to its portfolio promptly in response to changing economic or investment conditions. If BTB were to be required to liquidate its immovable property investments, the proceeds to BTB might be significantly less than the aggregate carrying value of its properties.

Leases for BTB's properties, including those of significant tenants, will mature from time to time over the short and long term. There can be no assurance that BTB will be able to renew any or all of the leases upon maturity or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact BTB's financial position and results of operations and decrease the amount of cash available for distribution.

Competition

BTB competes for suitable immovable property investments with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future immovable property investments similar to those desired by BTB. Many of those investors have greater financial resources than BTB, or operate without the investment or operating restrictions of BTB or under more flexible conditions.

An increase in the availability of investment funds and heightened interest in immovable property investments could increase competition for immovable property investments, thereby increasing the purchase prices of such investments and reducing their yield.

In addition, numerous property developers, managers and owners compete with BTB in seeking tenants. The existence of competing developers, managers and owners and competition for the BTB's tenants could have an adverse effect on the BTB's ability to lease space in its properties and on the rents charged, and could adversely affect the BTB's revenues and, consequently, its ability to meet its debt obligations.

Acquisitions

BTB's business plan focuses on growth by identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. If BTB is unable to manage its growth effectively, this could adversely impact BTB's financial position and results of operations, and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that BTB will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to unitholders will increase in the future.

Development program

Information regarding our re-development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items including, but not limited to, tenant rents, building sizes, leasable areas, and project completion timelines and costs are updated periodically based on revised plans, our cost tendering process, continuing tenant negotiations, demand for leasable space in our markets, our ability to obtain the required building permits, ongoing discussions with municipalities and successful property re-zonings. There can be no assurance that any assumptions in this regard will materialize as expected and changes could have a material adverse effect on our development program, asset values and financial performance.

Recruitment and retention of employees and executives

Competition for qualified employees and executives is intense. If BTB is unable to attract and retain qualified and capable employees and executives, the conduct of its activities may be adversely affected.

Government regulation

BTB and its properties are subject to various government statutes and regulations. Any change in such statutes or regulations that is adverse to BTB and its properties could affect BTB's operating results and financial performance.

In addition, environmental and ecological legislation and policies have become increasingly important in recent decades. Under various laws, BTB could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations, or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work, if any, may adversely affect an owner'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 or governmental agencies. Notwithstanding the above, BTB is not aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is BTB aware of any environmental condition with respect to any of its properties that it believes would involve material expenditure by BTB.

Limit on activities

In order to maintain its status as a «mutual fund trust» under the Income Tax Act, BTB cannot carry on most active business activities and is limited in the types of investments it may make. The Contract of Trust contains restrictions to this effect.

Tax-related risks

Legislation (the «SIFT Rules») relating to the 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 are taxed in a manner similar to the taxation of corporations, and investors in SIFTs are taxed in a manner similar to shareholders of a corporation.

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.

In order to qualify for the REIT Exemption 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 90% of the REIT's gross 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" or "eligible resale properties," (d) dividends or (e) royalties; (iii) not less than 75% of the REIT's gross 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, 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 at December 31, 2012, based on a review of BTB's assets and revenues from its regular business activities, management believes the Trust currently meets all the conditions to qualify for the REIT Exemption, both under the REIT Exemption as currently enacted and under proposed amendments to the SIFT rules. Accordingly, management does not expect the SIFT tax rules to apply to BTB.

Management intends to conduct the REIT's business so that it continues to qualify for the REIT Exemption at all times after 2012. 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of BTB are responsible for establishing and maintaining disclosure controls and procedures («DC&P») and internal control over financial reporting («ICFR»), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of BTB concluded that the DC&P were effective as at the end of the year ended December 31, 2012, and, more specifically, that the current controls and procedures provide reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Trust concluded that ICFR was effective as at the end of the period ended December 31, 2012, and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During fiscal 2012, no changes were made in internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.