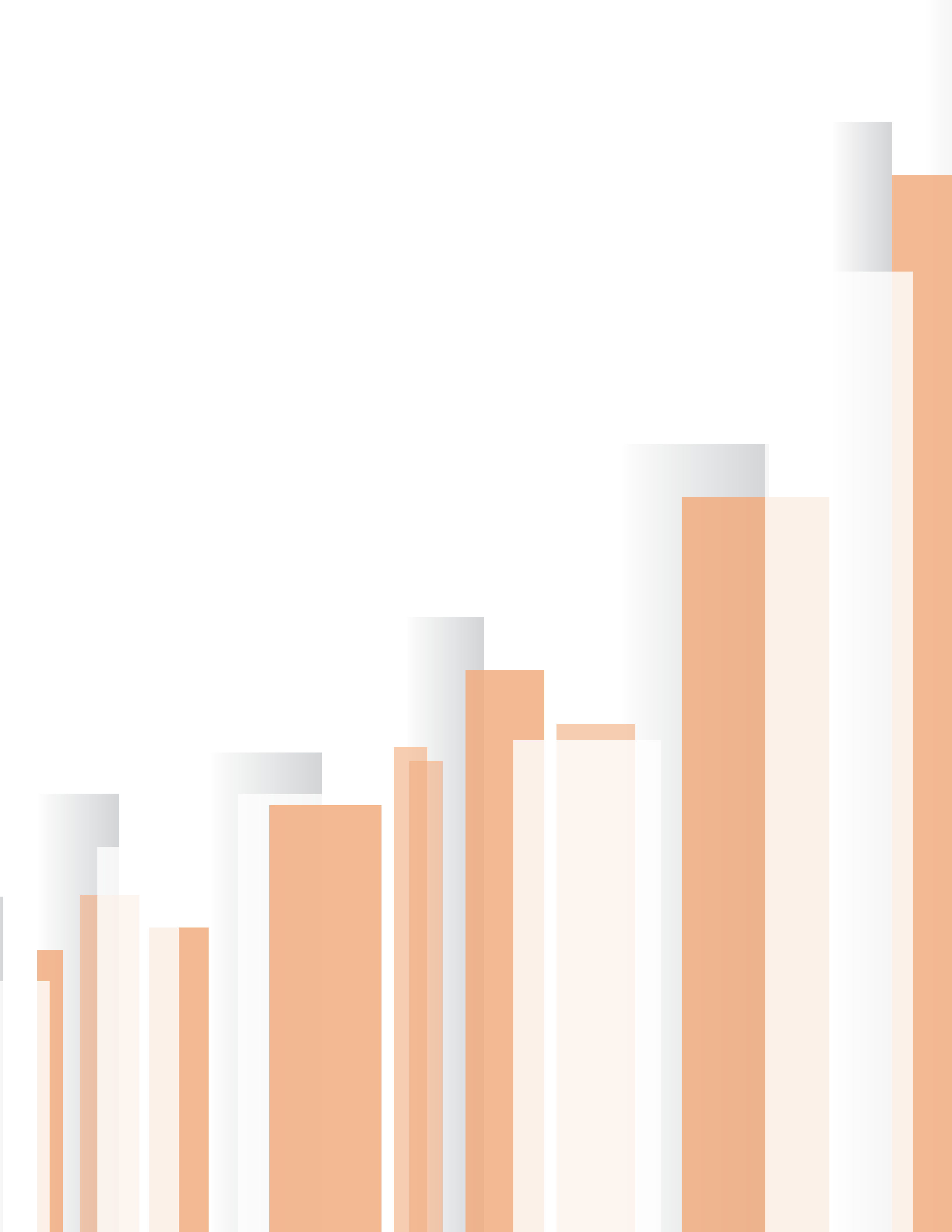
BTB

BTB Real Estate Investment Trust

MANAGEMENT DISCUSSION AND ANALYSIS

Quarter ended June 30, 2013



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INTRODUCTION

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the quarter ended June 30, 2013, 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 August 8, 2013 should be read together with the unaudited condensed consolidated interim financial statements and accompanying notes for the quarter ended June 30, 2013. It discusses any significant information available up to the date of this MD&A. The Trust's condensed consolidated interim 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 quarters ended June 30, 2013 and 2012. **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 Boaritsd of Trustees have approved the contents of this Management Discussion and Analysis and the quarterly financial statements.

FORWARD-LOOKING STATEMENTS CAVEAT

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make forward-looking statements in this MD&A, other filings with Canadian regulators, reports to unitholders and other communications. These forward-looking statements include statements regarding our 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 quarterly 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, except as required under applicable securities regulations.

NON-IFRS FINANCIAL MEASURES

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. These measures and net operating income 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 SECOND QUARTER OF 2013

- 66 properties
- Over 600 tenants
- 4.5 million square feet in leasable area, an growth of 24%

Improvements in:

- Payout ratio: to 76.7% (92.5% in 2012)
- Average contractual interest rate on mortgage loans payable, from 5.15% to 4.67%

Increase of:

- 27.5% in market capitalization
- 34.9% in rental income
- 33.8% in net operating income
- 50.2% in recurring distributable income
- 67.1% in recurring FFO
- 47.7% in recurring AFFO
- 30.4% in total assets since June 30, 2012

Subsequent events:

On July 29, 2013, the Trust completed an issue of 4,328,600 units at an issue price of $4.65 per unit, for net proceeds of more than $19.0 million. From this amount, $15 million was used to reimburse the acquisition line of credit, thereby reducing the Trust's debt.

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 C, D and E convertible debentures are traded on the Toronto Stock Exchange under the symbols "BTB.UN", "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 June 30, 2013[(1)]	**66**	**4,472,369**	**489,343**

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb, a 50% interest in a 15,186 square-foot retail complex in St-Lazare, Québec, 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.

BTB's management is entirely internalized and no service agreements or asset management agreements are in force between BTB and its officers. The Trust therefore ensures that the interests of management and of its employees are aligned with those of the unitholders.

OBJECTIVES AND BUSINESS STRATEGIES

BTB's primary objective is to maximize total 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.

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 $64 million.

The following table presents highlights and selected financial information for the periods ended June 30, 2013 and 2012:

Periods ended June 30 (in thousands of dollars, except for ratios and per unit data)	**Reference**	**Quarter**		**Cumulative** (6 months)	
		2013	**2012**	**2013**	**2012**
Financial information					
Rental income	Page 10	**15,820**	11,723	**31,635**	22,722
Net operating income	Page 14	**8,975**	6,708	**17,515**	12,429
Net income & comprehensive income	Page 15	**1,616**	4,963	**4,958**	8,935
Recurring distributable income	Page 16	**3,110**	2,071	**5,828**	3,283
Distributions	Page 17	**2,384**	1,916	**4,764**	3,675
Recurring funds from operations (FFO)	Page 17	**2,857**	1,710	**5,307**	2,577
Recurring adjusted funds from operations (AFFO)	Page 18	**2,569**	1,739	**4,745**	2,638
Investment properties	Page 22			**503,363**	381,721
Total assets	Page 21			**521,902**	400,184
Mortgage loans payable	Page 25			**301,183**	233,645
Convertible debentures	Page 26			**63,337**	53,603
Debt ratio – excluding convertible debentures	Page 28			**60.5%**	58.5%
Weighted average interest rate on long-term debt	Page 25			**5.19%**	5.69%
Unitholders' equity				**125,363**	100 481
Market capitalization				**113,681**	89,181
Financial information per unit					
Weighted average number of units outstanding (000)	Page 30	**23,859**	19,101	**23,837**	17,900
Net income & comprehensive income	Page 15	**6.8¢**	26.0¢	**20.8¢**	49.9¢
Recurring distributable income	Page 17	**13.0¢**	10.8¢	**24.4¢**	18.3¢
Distribution ratio (Payout ratio)	Page 17	**76.7%**	92.5%	**81.7%**	111.9%
Recurring FFO	Page 18	**12.0¢**	9.0¢	**22.3¢**	14.4¢
Recurring AFFO	Page 19	**10.8¢**	9.1¢	**19.9¢**	14.7¢
Tax on distributions					
Revenue	Page 32			**0,0%**	0,0%
Tax deferral	Page 32			**100,0%**	100,0%
Operational information					
Number of properties	Page 22			**66**	58
Leasable area (thousands of sq. ft.)	Page 22			**4 472**	3 602
Occupancy rate	Page 23			**91,6%**	91,2%

REAL ESTATE PORTFOLIO

BTB owns 66 properties at a total acquisition cost of approximately $489 million representing a total leasable area of approximately 4.5 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.

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 periods ended June 30, 2013 and 2012. The table should be read in conjunction with our consolidated condensed interim financial statements and the notes thereto.

Periods ended June 30 (in thousands of dollars)	**Reference**	**Quarter**		**Cumulative** (6 months)	
		2013	**2012**	**2013**	**2012**
Rental income	Page 10	**15,820**	11,723	**31,635**	22,722
Operating expenses	Page 11	**6,845**	5,015	**14,120**	10,293
Net operating income	Page 12	**8,975**	6,708	**17,515**	12,429
Financial income		**(46)**	(52)	**(68)**	(68)
Financial expenses	Page 12	**6,578**	2,247	**11,864**	5,227
Trust administration expenses	Page 14	**975**	1,007	**1,882**	1,738
Expenses for abandoned projects	Page 14	**82**	6	**82**	6
Fair value adjustment on investment properties	Page 14	**(230)**	(1,463)	**(1,203)**	(3,409)
Net income and comprehensive income	Page 15	**1,616**	4,963	**4,958**	8,935

Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2012, but does not include the financial spin-offs of disposals, acquisitions and developments completed in 2012 and 2013.

Rental income

BTB actively acquired properties in 2012 and 2013. Due to this acquisition activity as well as internal growth from the same-property portfolio, rental income for the second quarter of 2013 increased by $4,097 or 35.0% and $8,913 or 39.2% for the 2013 cumulative period compared to the same period in 2012.

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

Rental income also includes an amount of $200 from a lease termination during the second quarter ($335 for the cumulative period).

BTB accounts for rent step-ups incrementally over the term of the non-cancellable lease. In the second quarter of 2013, straight-line rent adjustments of $161 (2012: $112) were recorded.

In the second quarter of 2013, BTB recorded amortization of $361 (2012: $318) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees.

Periods ended June 30 (in thousands of dollars)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Rental income on the basis of in-place leases	**16,020**	11,929	**31,835**	23,021
Straight-line rental income adjustment	**161**	112	**505**	273
Amortization of lease incentives	**(361)**	(318)	**(705)**	(572)
Rental income from investment properties	**15,820**	11,723	**31,635**	22,722

Income from the same-property portfolio increased 2.9% in the second quarter ended June 30, 2013 and 4.6% for the six-month period ended on the same date.

Periods ended June 30 (in thousands of dollars)	**Quarter**			**Cumulative** (6 months)		
	2013	**2012**	**Δ %**	**2013**	**2012**	**Δ %**
Same-property portfolio	**11,438**	11,119	2,9%	**23,094**	22,085	4.6%
Acquisitions, disposals and development	**4,382**	604	n/a	**8,541**	637	n/a
Rental income	**15,820**	11,723	35.0%	**31,635**	22,722	39.2%

Operating expenses

The increase in operating expenses of 36.5% between the second quarter of 2012 and the second quarter of 2013, and 37.2% for the cumulative period, was mainly due to 2012 and 2013 acquisitions. Operating expenses of the same-property portfolio increased 6.5% during the quarter and 4.8% for the cumulative period.

Periods ended June 30 (in thousands of dollars)	**Quarter**			**Cumulative** (6 months)		
	2013	**2012**	**Δ %**	**2013**	**2012**	**Δ %**
Same-property portfolio	**5,120**	4,808	6.5%	**10,538**	10,056	4.8%
Acquisitions, disposals and development	**1,725**	207	n/a	**3,582**	237	n/a
Operating expenses	**6,845**	5,015	36.5%	**14,120**	10,293	37,2%

The table below shows the breakdown of operating expenses for the periods ended June 30, 2013 and 2012:

Periods ended June 30 (in thousands of dollars)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Operating expenses				
- Operating costs	**2,579**	1,800	**5,128**	3,663
- Property taxes and public utilities	**4,266**	3,215	**8,992**	6,630
Total operating expenses	**6,845**	5,015	**14,120**	10,293
% of rental income	**43.3%**	42.8%	**44.6%**	45.3%

The increase in the same-property portfolio (6.5%) is higher in percentage than the increase in income from the same-property portfolio, leaving 0.1% growth in net income, as presented below. This is a non-recurring situation attributable to the timing of maintenance work that differs from year to year. For the cumulative period, the increase in expenses for the same-property portfolio (4.8%) is similar to the increase in income (4.6%).

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.

The nature of acquisitions completed by the Trust from one quarter to another, as well as the timing of certain maintenance increases, may contribute to non-recurring changes in the rate of operating expenses as a percentage of revenue. The percentage of expenses compared to revenues was up 0.5% for the second quarter of 2013, but down 0.7 % for the cumulative period.

Net operating income

Net operating income increased 33.8% for the second quarter of 2013 compared to 2012 and 40.9% since the beginning of the year. Operating income of the same-property portfolio was up 0.1% for the second quarter of 2013 compared to the second quarter of 2012 and 4.4% for the cumulative period. Net operating income was 56.7% of rental income for the quarter ended June 30, 2013 (2012: 57.2%), and 55.4% for the 2013 cumulative period (2012: 54.7%).

Periods ended June 30 (in thousands of dollars)	**Quarter**			**Cumulative** (6 months)		
	2013	**2012**	**Δ %**	**2013**	**2012**	**Δ %**
Same-property portfolio	**6,318**	6,311	0.1%	**12,556**	12,029	4.4%
Acquisitions, disposals and development	**2,657**	397	n/a	**4,959**	400	n/a
Net operating income	**8,975**	6,708	33,8%	**17,515**	12,429	40.9%
% of rental income	**56.7%**	57.2%		**55.4%**	54.7%	

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

Periods ended June 30 (in thousands of dollars)	**Quarter**			**Cumulative** (6 months)		
	2013	**2012**	**Δ %**	**2013**	**2012**	**Δ %**
Net operating income	**8,975**	6,708	33.8%	**17,515**	12,429	40.9%
Straight-line rental income adjustments	**(161)**	(112)	43.8%	**(505)**	(273)	85.0%
Adjustment related to amortization of lease incentives	**361**	318	13,5%	**705**	572	23.3%
Net operating income plus or less rental income adjustments	**9,175**	6,914	32.7%	**17,715**	12,728	39.2%
% of rental income on the basis of in-place leases	**57.3%**	58.0%		**55.6%**	55.3%	

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 net income before financial revenues and financial expenses, Trust administration expenses and fair value adjustment of investment 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 $301 million as at June 30, 2013, compared to $234 million as at June 30, 2012. 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, D and E convertible debentures issued in a total amount of $82 million ($59 million as at June 30, 2012). Series E debentures in the amount of $23 million were issued on February 20, 2013. Series B debentures in the amount of $13 million were repaid on March 31, 2013.
- Operating and acquisition lines of credit used as needed, which allowed primarily for the acquisition of accretive properties during the fourth quarter of 2012 and first quarter of 2013. The $15 million acquisition line of credit was fully used as at June 30, 2013.

- 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 June 30 (in thousands of dollars)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Interest expense on mortgage loans payable	**3,496**	2,927	**6,878**	5,643
Interest expense on debentures	**1,273**	1,154	**2,598**	2,308
Interest expense on acquisition lines of credit	**319**	-	**593**	-
Interest expense on operating lines of credit and other interest expenses	**16**	26	**24**	55
Interest expense	**5,104**	4,107	**10,093**	8,006
Accretion of effective interest	**252**	340	**664**	704
Accretion of non-derivative liability component of convertible debentures	**127**	148	**289**	292
Financial expenses before following items:	**5,483**	4,595	**11,046**	9,002
Fair value adjustment on warrants	**-**	-	**-**	43
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swaps)	**1,095**	(2,348)	**818**	(3,818)
Financial expenses	**6,578**	2,247	**11,864**	5,227

Before recognition of fair value adjustments on debenture conversion options, warrants and interest rate swaps, financial expenses increased by $888 during the second quarter of 2013 compared to the same quarter in 2012, and by $2,044 during the cumulative period, due to the financing and assumption of mortgages on acquired properties and the issuance of Series E convertible debentures in February 2013. The issuance of Series E debentures on February 20, 2013 was used to repay Series B debentures in the amount of $13 million on March 31, 2013. During the first quarter of 2013, the Trust incurred 40 days of double interest expenses on convertible debentures between the time of the Series E issuance and Series B repayment. This expense, net of interest income, is estimated at $107.

As shown by the following table, interest expense on mortgage loans payable in the same-property portfolio decreased by 10.8% in the second quarter of 2013 and 10.9% for the cumulative six-month period compared to the same period of 2012, 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 June 30 (in thousands of dollars)	**Quarter**			**Cumulative** (6 months)		
	2013	**2012**	**Δ %**	**2013**	**2012**	**Δ %**
Same-property portfolio	**2,483**	2,796	(10.8%)	**4,902**	5,503	(10.9%)
Acquisitions and development	**1,013**	131	n/a	**1,976**	140	
	3,496	2,927	19.4%	**6,878**	5,643	21.9%

Financial expenses can be allocated among interest expenses amounting to $5,104 for the quarter ($4,107 in 2012) and $10,093 for the six-month period ($8,006 in 2012) and non-monetary items. Non-monetary items include fair value adjustments on derivative financial instruments and warrants in net debit positions of $1,095 for the quarter (credit position of $2,348 in 2012) and $818 for the cumulative six-month period (credit position of $3,775 in 2012). 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 June 30, 2013, the average weighted contractual rate of interest on mortgage loans payable was 4.67%, down 48 basis points from June 30, 2012 and 2 basis points from December 31, 2012. These decreases resulted from favourable interest rates on mortgage financing for properties acquired during fiscal 2012 and 2013 and on refinancings carried out. For 19 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. These administrative expenses were down 7.8% for the second quarter of 2013 compared to the same period in 2012 and up 3.5% for the cumulative period. Lastly, they include amortization of the head office building and property, plant and equipment, unit-based compensation, and a non-monetary item that affects the volatility of administrative expenses from period to period.

Periods ended June 30 (in thousands of dollars)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Administrative expenses	**928**	1,007	**1,786**	1,726
Amortization	**27**	24	**53**	43
Unit-based compensation	**20**	(24)	**43**	(31)
Trust administration expenses	**975**	1,007	**1,882**	1,738

Expenses for abandoned projects

The Trust incurred analysis and due diligence expenses for property acquisition projects. Based on the results of these analyses, the Trust decided not to go through with the acquisitions. Therefore, expenses of $82 (2012: $6) were incurred and written off during the quarter.

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 valuators 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 valuators. 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 $230 for the quarter ($1,203 in 2012) 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 $6.6 million.

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

As at June 30, 2013	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 June 30, 2012	Commercial	Office	Industrial	General purpose
Capitalization rate	7.25% - 10.25%	6.75% - 9.75%	7.00% - 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%	7.75% - 11.25%	8.00% - 9.75%

The weighted average capitalization rate for the entire portfolio as at June 30, 2013 was 7.57% (2012: 7.74%), up 2 basis points since December 31, 2012, and down 17 basis points from a year earlier.

Net income and comprehensive income

BTB generated net income of $1.6 million for the second quarter of 2013 and $5.0 million for the cumulative period, down $3.3 million from the second quarter of 2012 and $4.0 million for the cumulative period. These decreases were mainly due to fair market value adjustments on financial instruments and properties, non-cash items that are volatile from one period to another.

For financial instruments, the combined effect of volatility and changes in Trust unit prices generated a $1.1 million expense in the second quarter of 2013 compared to revenue of $2.3 million in the second quarter of 2012, which accounts for the $3.4 million difference in net income.

An 11 basis point decrease in the weighted average capitalization rate in the second quarter of 2012 explains the $1.5 million increase in the value of investment properties, while in the same period of 2013, the rates remained relatively stable and the total portfolio appreciated by only $0.2 million, explaining the negative difference of $1.3 million between 2012 and 2013.

Excluding the combined impact of these two items, net income would have more than doubled from $1.2 million in 2012 to $2.5 million in 2013.

Periods ended June 30 (in thousands of dollars, except for per unit data)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Net income and comprehensive income	**1,616**	4,963	**4,958**	8,935
Per unit	**6.8¢**	26.0¢	**20.8¢**	49.9¢

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 June 30 (in thousands of dollars)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Net income and comprehensive income (IFRS)	**1,616**	4,963	**4,958**	8,935
- Fair value adjustment on investment properties	**(230)**	(1,463)	**(1,203)**	(3,409)
+ Amortization of an investment property and other property and equipment	**30**	24	**59**	43
± Unit-based compensation expense	**20**	(24)	**43**	(31)
+ Accretion of the liability component of convertible debentures	**127**	148	**289**	292
± Fair value adjustment on warrants	**-**	-	**-**	43
± Fair value adjustment on derivative financial instruments	**1,095**	(2,348)	**818**	(3,818)
+ Amortization of lease incentives	**361**	318	**705**	572
- Straight-line rental income adjustment	**(161)**	(112)	**(505)**	(273)
+ Accretion of effective interest	**252**	340	**664**	704
Distributable income	**3,110**	**1,846**	**5,828**	**3,058**
Non-recurring item				
Toronto Stock Exchange listing fees	**-**	225	**-**	225
Recurring distributable income	**3,110**	**2,071**	**5,828**	**3,283**

The following table shows the reconciliation of distributable income (non-IFRS measure) and cash flows from operating activities presented in the financial statements:

Periods ended June 30 (in thousands of dollars)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Cash flows from operating activities (IFRS)	**9,659**	4,478	**13,376**	7,467
+ Financial revenues	**46**	52	**68**	68
+ Net change in working capital items	**(1,491)**	1,423	**2,477**	3,529
- Interest expense on mortgage loans payable	**(3,496)**	(2,927)	**(6,878)**	(5,643)
- Interest expense on convertible debentures	**(1,273)**	(1,154)	**(2,598)**	(2,308)
- Interest expense on acquisition line of credit	**(319)**	-	**(593)**	-
- Other interest expenses	**(16)**	(26)	**(24)**	(55)
Distributable income	**3,110**	**1,846**	**5,828**	**3,058**

Distributions and per unit data

Periods ended June 30 (in thousands of dollars, except for per unit data)	Quarter		Cumulative (6 months)	
	2013	2012	2013	2012
Distributions				
Distributions paid to unitholders	**2,179**	1,769	**4,357**	3,414
Distributions reinvested under the distribution reinvestment plan	**205**	147	**407**	261
Total distributions to unitholders	**2,384**	1,916	**4,764**	3,675
Per unit data				
Recurring distributable income	**13.0 ¢**	10.8¢	**24.4¢**	18.3¢
Distribution per unit	**10.0 ¢**	10.0¢	**20.0¢**	20.0¢
Distribution ratio [1]	**76.7 %**	92.5 %	**81.7%**	111.9 %

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

Recurring distributable income for the second quarter increased by $1,039, from $2,071 to $3,110, between 2012 and 2013. Recurring distributable income per unit for the second quarter of 2013 stood at 13.0¢ per unit compared to 10.8¢ in 2012.

For the cumulative six-month period, recurring distributable income stood at $5,828, up by $2,545 from 2012. It stood at 24.4¢ per unit in 2013 compared to 18.3¢ in 2012.

Distributions to unitholders totalled 10.0¢ per issued unit for each quarter presented or 20.0¢ for the cumulative period.

The distribution ratio was 76.7% in the second quarter of 2013 compared to 92.5% in the second quarter of 2012 and 81.7% for the 2013 cumulative period, compared to 111.9% in 2012, reflecting a surplus of distributable income over distributions.

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.

The following table provides a reconciliation of net income and comprehensive income established according to IFRS and FFO for the periods ended June 30, 2013 and 2012:

Periods ended June 30 (in thousands of dollars, except for per unit data)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Net income and comprehensive income (IFRS)	**1,616**	4,963	**4,958**	8,935
- Fair value adjustment on investment properties	**(230)**	(1,463)	**(1,203)**	(3,409)
+ Amortization of a property recognized at cost	**15**	15	**29**	29
+ Amortization of lease incentives	**361**	318	**705**	572
+ Fair value adjustment on derivative financial instruments	**1,095**	(2,348)	**818**	(3,818)
+ Fair value adjustment on warrants	**-**	-	**-**	43
FFO	**2,857**	1,485	**5,307**	2,352
Non-recurring item				
Toronto Stock Exchange listing fees	**-**	225	**-**	225
Recurring FFO	**2,857**	1,710	**5,307**	2,577
Per unit data				
FFO	**12.0¢**	7.8¢	**22.3¢**	13.1¢
Recurring FFO	**12.0¢**	9.0¢	**22.3¢**	14.4¢

Recurring FFO increased by 67.1% for the second quarter of 2013 compared with 2012, 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 second quarter amounted to 12.0¢ in 2013 compared to 9.0¢ in 2012, representing an increase of 33.3%.

For the cumulative six-month period, recurring FFO stood at $5,307 or 22.3¢ per unit for 2013 compared to $2,577 or 14.4¢ per unit in 2012, a per-unit increase of 54.9%.

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. Since 2013, the allocation for unrecoverable capital expenses is calculated on the basis of 2% of rental revenues (formerly 1.3%).

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 FFO and AFFO for the periods ended June 30, 2013 and 2012:

Periods ended June 30 (in thousands of dollars, except for per unit data)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
FFO	**2,857**	1,485	**5,307**	2,352
- Straight-line rental income adjustment	**(161)**	(112)	**(505)**	(273)
+ Accretion of effective interest	**252**	340	**664**	704
+ Accretion of the liability component of convertible debentures	**127**	148	**289**	292
+ Amortization of other property and equipment	**15**	9	**30**	14
± Unit-based compensation expenses	**20**	(24)	**43**	(31)
- Reserve for non-recoverable capital expenses	**(316)**	(152)	**(633)**	(295)
- Reserve for rental fees	**(225)**	(180)	**(450)**	(350)
AFFO	**2,569**	1,514	**4,745**	2,413
Non-recurring item				
Toronto Stock Exchange listing fees	**-**	225	**-**	225
Recurring AFFO	**2,569**	1,739	**4,745**	2,638
Per unit data				
AFFO	**10.8¢**	7.9¢	**19.9¢**	13.5¢
Recurring AFFO	**10.8¢**	9.1¢	**19.9¢**	14.7¢

The increase of 47.7% in recurring AFFO for the second quarter of 2013 compared with the second quarter of 2012 is due to acquisitions of income-producing properties and a drop in the average mortgage loan interest rate. Recurring AFFO per unit amounted to 10.8¢ compared with 9.1¢ in 2012 for the second quarter.

For the cumulative six-month period, 2013 recurring AFFO totalled $4,745, or 19.9¢ per unit, compared to $2,638 or 14.7¢ per unit, a per-unit increase of 35.4%.

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 quarters ended June 30, 2013 and 2012

Quarter ended June 30, 2013 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Investment properties	**99,814**	**19.8**	**200,811**	**39.9**	**90,306**	**17.9**	**112,432**	**22.4**	**503,363**
Rental income from properties	**2,893**	**18.3**	**6,717**	**42.5**	**2,157**	**13.6**	**4,053**	**25.6**	**15,820**
Net operating income	**1,764**	**19.7**	**3,288**	**36.6**	**1,788**	**19.9**	**2,135**	**23.8**	**8,975**

Quarter ended June 30, 2012 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Investment properties	68,726	18.0	175,951	46.1	70,769	18.5	66,275	17.4	381,721
Rental income from properties	1,919	16.4	5,733	48.9	1,719	14.7	2,352	20.0	11,723
Net operating income	1,887	28.1	2,326	34.7	1,381	20.6	1,114	16.6	6,708

Quarter ended June 30, 2013 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Rental income from properties	**5,775**	**18.3**	**13,565**	**42.8**	**4,307**	**13.6**	**7,988**	**25.3**	**31,635**
Net operating income	**3,470**	**19.8**	**6,563**	**37.5**	**3,527**	**20.1**	**3,955**	**22.6**	**17,515**

Quarter ended June 30, 2012 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	$	%	$	%	$	%	$	%	$
Rental income from properties	3,864	17.0	11,023	48.5	3,094	13.6	4,741	20.9	22,722
Net operating income	3,067	24.7	4,666	37.5	2,496	20.1	2,200	17.7	12,429

COMPARATIVE SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars,except for per unit data)	2013 Q-2	2013 Q-1	2012 Q-4	2012 Q-3	2012 Q-2	2012 Q-1	2011 Q-4	2011 Q-3
Rental income	**15,820**	15,815	13,316	12,080	11,723	10,999	10,995	10,503
Net operating income	**8,975**	8,540	7,551	7,016	6,708	5,721	5,432	5,861
Net income & comparative income	**1,616**	3,342	5,603	3,429	4,963	3,972	746	4,503
Net income per unit	**6.8¢**	14.0¢	28.4¢	18.0¢	26.0¢	23.8¢	5.0¢	30.5¢
Distributable recurring income	**3,110**	2,718	2,273	2,245	2,071	1,211	1,414	1,340
Distributable recurring income per unit	**13.0¢**	**11.4¢**	**11.5¢**	**11.7¢**	**10.8¢**	**7.3¢**	**10.1¢**	**9.1¢**
Recurring funds from operations (FFO)	**2,857**	2,450	1,975	1,941	1,710	867	938	936
Recurring FFO per unit	**12.0¢**	**10.3¢**	**10.0¢**	**10.1¢**	**9.0¢**	**5.2¢**	**6.5¢**	**6.5¢**
Recurring adjusted funds from operations (AFFO)	**2,569**	2,182	1,905	1,903	1,739	898	1,136	1,070
Recurring AFFO per unit	**10.8¢**	**9.2¢**	**9.7¢**	**10.0¢**	**9.1¢**	**5.4¢**	**7.5¢**	**7.0¢**

FINANCIAL POSITION

The table below presents a summary of assets, liabilities and unitholders' equity as at June 30, 2013 and 2012. It should be read in conjunction with the Trust's audited annual financial statements.

As at June 30 (in thousands of dollars)	2013	2012
Assets		
Investment properties	**503,363**	381,721
Other assets	**18,539**	18,463
Total assets	**521,902**	400,184
Liabilities		
Mortgage loans payable	**301,183**	233,645
Convertible debentures	**63,337**	53,603
Acquisition and operating line of credit	**15,977**	-
Other liabilities	**16,042**	12,455
Total liabilities	**396,539**	299,703
Equity		
Unitholders' equity	**125,363**	100,481
Total liabilities and equity	**521,902**	400,184

The main changes to the statement of financial position as at June 30, 2013 compared to the statement of financial position as at June 30, 2012 primarily reflect investment property acquisitions during fiscal 2012 and 2013, the issuance of units in December 2012 and debentures in February 2013 and mortgage financings and refinancings concluded in 2012 and 2013.

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.

Property acquisitions in 2013

In February 2013, the Trust acquired a 50% interest in a 15,186-square-foot retail complex in Saint-Lazare, Quebec, for a purchase price of $2.5 million. The tenants include Tim Hortons, A&W and a Sobeys convenience store.

In March 2013, the Trust acquired an industrial property with a leasable area of approximately 132,655 square feet for a purchase price of $11 million, excluding transaction costs. The property is located at the intersection of Highways 15 and 440, about ten minutes from Montreal International Airport, and is fully leased to Pharmetics.

Disposal of a property

In May 2013, the Trust disposed of a general-purpose property located at 2220 Lapinière, Longueuil, for a net consideration of $2,300. The property no longer met the Trust's investment criteria.

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

As at June 30 (in thousands of dollars)	**2013**	**2012**
Investment properties (at fair value)	**503,363**	381,721
Others assets at unamortized value	**19,059**	18,873
Gross book value of the Trust	**522,422**	400,594
Number of properties	**66**	58
Leasable area (in thousands of sq. ft.)	**4,472**	3,602

Summary by operating segment as at June 30, 2013

(in square feet)	**Number of properties**	**Leasable area (sq.ft.)**	**%**
Office	**21**	1,400,321	31.0
Commercial	**14**	650,660	15.0
Industrial	**17**	1,445,618	32.0
General purpose	**14**	875,770	22.0
Total	**66**	**4,472,369**	**100.0**

REAL ESTATE OPERATIONS

Leasing activities

The following table summarizes changes in available leasable area during the periods ended June 30, 2013.

(in square feet)	Quarter	Cumulative (6 months)
Available leasable area at beginning of period	**355,188**	359,949
Available leasable area purchased (sold)	**(4,597)**	(4,597)
Leasable area of expired leases	**50,008**	101,491
Leasable area of leases terminated before term	**31,609**	48,481
Leasable area of expired and renewed leases	**(20,261)**	(56,825)
Leasable area of new leases signed	**(40,586)**	(77,138)
Other	**-**	-
Available leasable area at end of period	**371,361**	**371,361**

The Trust's leasing operations were significant during the second quarter of 2013. More than 60,000 square feet were signed with new lessees or renewed during the quarter. Since the beginning of the year, approximately 134,000 square feet have been signed or renewed at generally more advantageous conditions than previously.

The average rate of expired and renewed leases rose 6.13% during the second quarter.

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	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Office	**86.8%**	86.9%	86.4%	86.7%	88.1%
Commercial	**93.1%**	94.4%	93.8%	92.8%	92.4%
Industrial	**93.9%**	94.3%	93.8%	94.5%	94.2%
General purpose	**94.3%**	94.4%	94.9%	89.5%	90.6%
Total du portefeuille	**91.6%**	**92.1%**	**91.7%**	**90.5%**	**91.2%**

The overall occupancy rate is down by 0.5% since March 31, 2013 and up 0.4% since June 30, 2012. It stands at 91.6%.

The increase in the occupancy rate since 2012 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 and has a lease rate of 85.0%, partially explain the lower occupancy rate in this sector. Management is aware of the situation and has taken steps to improve this performance indicator.

Lease maturity

The following table shows the lease maturity profile for the next two quarters of 2013 and the next five years:

	2013	2014	2015	2016	2017	2018
Office						
Leasable area (sq. ft.)	50,085	157,089	218,531	172,859	164,233	129 109
Average lease rate/square foot ($)	15.29	13.90	13.83	14.62	12.60	11.99
% of office portfolio	3.58	11.22	15.61	12.34	11.73	9.22
Commercial						
Leasable area (sq. ft.)	19,927	53,585	36,407	48,625	22,275	112,368
Average lease rate/square foot ($)	12.96	10.71	12.19	10.32	19.56	12.78
% of commercial portfolio	3.06	8.24	5.60	7.47	3.42	17.24
Industrial						
Leasable area (sq. ft.)	34,115	124,185	4,325	60,013	554 539	0
Average lease rate/square foot ($)	6.58	3.40	5.55	11.27	4.66	0.00
% of industrial portfolio	2.36	8.59	0.30	4.15	38.36	0.00
General Purpose						
Leasable area (sq. ft.)	28,080	118,756	94,304	148,228	57,067	95,766
Average lease rate/square foot ($)	13.39	12.44	10.01	9.28	13.00	11.65
% of general purpose portfolio	2.88	12.17	9.66	15.19	5.85	9.81
Total portfolio						
Leasable area (sq. ft.)	132,207	453,615	353,565	429,725	798,114	337,243
Average lease rate/square foot ($)	12.29	10.27	12.54	11.82	7.31	12.16
% of portfolio	2.96	10.14	7.91	9.61	17.85	7.54

Top 10 lessees

As at June 30, 2013, BTB managed more than 700 leases, with an average area of approximately 6,300 square feet. The three largest lessees are Société immobilière du Québec (SIQ), the Groupe Epicia inc. and Atis, Portes et Fenêtres Corp., accounting respectively for 3.9%, 2.2% and 1.8% 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 June 30, 2013:

Client	% of revenue	Leased area (square feet)
Société immobilière du Québec (SIQ)	3.9	139,785
Groupe Epicia inc.	2.2	87,175
Atis, Portes et Fenêtres Corp.	1.8	214,000
Germain Larivière Inc.	1.8	101,194
Sobeys Québec Inc.	1.6	44,988
City of Ottawa	1.6	29,768
Commission de la Santé et de la Sécurité du Travail (CSST)	1.5	46,421
CSSS Lucille-Teasdale	1.5	26,900
Groupe Aro Inc.	1.4	40,825
Hydro-Québec	1.4	37,364

CAPITAL RESOURCES

Long-term debt

The following table shows the balances of BTB's indebtedness as at June 30, 2013, 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	-	24,320	5.49
2014	-	72,059	5.23
2015	-	15,242	5.60
2016	23,000	69,302	5.12
2017	-	65,151	4.25
2018	23,000	19,485	5.71
2019 and thereafter	23,000	35,524	5.71
Total	**69,000**	**301,083**	**5.19**

As at June 30, 2013, the weighted average contractual interest rate of the Trust's long-term debt stood at 5.19%, i.e. 4.67% for mortgages payable and 7.38% for convertible debentures. The average maturity of mortgage loans is 4.38 years.

Mortgage loans payable

As at June 30, 2013, the Trust's mortgage loans payable amounted to $301 million compared to $234 million as at June 30, 2012, before deferred financing costs and valuation adjustments, an increase of $67 million due to acquisitions and refinancings in the last four quarters.

As at June 30, 2013, the weighted average interest rate was 4.67%, compared to 5.15% for mortgage loans on the books as at June 30, 2012, a drop of 48 basis points. Of the balance of $301 million in loans as at June 30, 2013, $276 million bear interest at fixed rates, with the remaining $25 million bearing interest at floating rates. The latter consist of two loans totalling $3.8 million that are in the process of being renewed, a $14.3 million construction loan for Complexe Lebourgneuf Phase 2 and a $7.1 million loan coupled with an interest rate swap setting interest at a fixed rate of 4.02%.

BTB spreads the terms of its mortgages over many years in order to mitigate the risk associated with renewing them.

(in thousands of dollars)	Quarter	Year to date
Balance at beginning of quarter	**303,157**	296,214
Mortgage loans contracted or assumed	**-**	20,836
Balance repaid at maturity	**-**	(11,935)
Monthly principal repayments	**(2,074)**	(4,032)
Balance as at June 30, 2013	**301,083**	**301,083**

N.B.: Before unamortized financing costs and valuation adjustments.

All of the Trust's properties were mortgaged as at June 30, 2013. Unamortized loan financing costs totalled $1,776 and are amortized under the effective interest method over the term of the loans.

The following table, as at June 30, 2013, shows future mortgage loan repayments for the next few years:

Year ended December 31 (in thousands of dollars)				
Maturity	**Principal repayment**	**Balance at maturity**	**Total**	**(%) of total**
2013 (6 months)	4,095	24,092	28,187	9.4 %
2014	7,143	70,255	77,398	25.7 %
2015	6,131	14,120	20,251	6.7 %
2016	5,609	61,276	66 885	22.2 %
2017	3,153	57,527	60,680	20.2 %
2018	1,295	16,555	17,850	5.9 %
2019 and thereafter	20,641	9,191	29,832	9.9 %
Total	**48,067**	**253,016**	**301,083**	**100%**
+ Valuation adjustments on assumed loans			1,876	
- Unamortized financing costs			(1,776)	
Balance as at June 30, 2013			**301,183**	

Financings completed

The Trust renegotiated the renewal of an acquisition line of credit totalling $15 million on more favourable terms. This credit line had been fully used on June 30, 2013. It was repaid in full on July 30, 2013 from the proceeds of the July 29, 2013 unit issue.

As a result of acquisitions completed recently and refinancings, the Trust assumed or contracted the following mortgage loans:

- Arrangement of a second-ranking mortgage financing in the amount of $8,600 on a commercial property acquired in December 2012, at a rate of 4.91% for an 11-year term.
- Arrangement of a second-ranking mortgage financing in the amount of $2,750 on a commercial and office property acquired in December 2012, at a rate of 5.45% for a 40-month term.
- Assumption of a first-ranking mortgage financing in the amount of $1,586 on a retail complex acquired in February 2013, at a rate of 3.93% for a 44-month term.
- Arrangement of a first-ranking mortgage financing in the amount of $7,150 on an industrial building acquired in March 2013, at a rate of 4.02% for a 5-year term.
- Increase of $750 in a first-ranking mortgage on an office building. This is a construction loan bearing floating-rate interest at prime plus 1.50%.

Convertible debentures

i) Series B

In March 2008, the Trust issued Series B convertible, unsecured, subordinated debentures in the amount of $13 million. Interest is at the rate of 8.5% and is payable semi-annually. The debentures matured and were repaid on March 31, 2013.

ii) Series C

In January 2011, the Trust issued Series C convertible, unsecured, subordinated 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 June 30, 2013, the closing market price of BTB units was $4.76.

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, at 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 derivative financial instrument component.

iii) Série D

In July 2011, the Trust issued Series D convertible, unsecured, subordinated 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 June 30, 2013, the closing market price of BTB units was $4.76.

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, at 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 derivative financial instrument component.

iv) Série E

In February 2013, the Trust issued Series E convertible, unsecured, subordinated debentures, bearing 6.90% interest, in the amount of $23 million. Interest is 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 is $6.15 per unit (the "Series E conversion price"). As at June 30, 2013, the closing market price of BTB units was $4.76.

As of March 31, 2016, but before March 31, 2018, 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 E conversion price and, as of March 31, 2018, but before March 31, 2020, 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 E debentures by issuing freely tradable units to Series E debenture holders.

On the date of issuance, the debentures were recorded as a $22.7 million non-derivative liability component and a $0.3 million derivative financial instrument component.

The net proceeds from issue in the amount of $21.8 million were used as planned, i.e. $13 million allocated to the repayment of Series B debentures maturing on March 31, 2013 and the remainder to property acquisitions.

As at June 30, 2013, none of the three series met the conditions necessary for an authorized redemption.

	Series C	Series D	Series E	Total
Contractual interest rate	8%	7.25%	6.90%	
Effective interest rate	9.78%	8.47%	7.90%	
Date of issuance	January 2011	July 2011	February 2013	
Per-unit conversion price	$5.00	$6.10	$6.15	
Date of interest payment	January 31 and July 31	January 31 and July 31	March 31 and September 30	
Maturity date	January 2016	July 2018	March 31, 2020	
Balance as at June 30, 2013	**21,281**	**20,558**	**21,498**	**63,337**

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 June 30, 2013, $1,073 had been used. It was repaid in full on July 30, 2013.

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 June 30, 2013, the credit facility had been fully used. It was repaid in full on July 30, 2013.

Debt ratio

The following table presents the Trust's debt ratios as at June 30, 2013 and 2012.

As at June 30 (in thousands of dollars)	**2013**	**2012**
Mortgage loans payable [1]	**301,083**	234,494
Acquisition credit facility [1]	**15,000**	-
Convertible debentures [1]	**69,000**	59,020
Total long-term debt	**385,083**	293,514
Gross book value of the Trust	**522,422**	400,594
Debt ratio (excluding convertible debentures)	**60.5%**	58.5%
Total debt ratio	**73.7%**	73.3%
Pro forma debt ratio [2]	**57.1%**	58.5%
Total pro forma debt ratio [2]	**70.2%**	73.3%

(1) Gross amounts

(2) Including the issuance of units on July 29, 2013 and repayment of the acquisition line of credit on July 30, 2013.

According to the table above, the debt ratio excluding the convertible debentures as at June 30, 2013, amounted to 60.5% compared to 58.5% as at June 30, 2012. 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 million. The Trust seeks to finance its acquisitions with debt ratios of 60% to 70% because the cost of mortgage financings is lower than the capital cost of the Trust's equity. After including the convertible debentures, the ratio stood at 73.3% compared to 73.3% one year earlier.

On July 30, 2013, the Trust repaid the $15 million acquisition line of credit from the gross proceeds of a $19.0 million issue of units. On a pro forma basis, the debt ratio would stand at 57.1% excluding the convertible debentures, and at 70.2% for the total debt ratio.

Under the terms of its trust agreement, the Trust cannot contract a mortgage loan if, after having contracted the said loan, the total debt exceeds 75% of the gross carrying amount of the Trust. When establishing this calculation, the convertible debentures are not considered in the calculation of total indebtedness. Moreover, 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 June 30, 2013, the interest coverage ratio stood at 1.77, up 12 points from the second quarter of 2012, showing the Trust's financial strength and abililty to cover the cost of its debt.

Periods ended June 30 (in thousands of dollars, except for the ratios)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Net operating income	**8,975**	6,708	**17,515**	12,429
Interest expense, net of interest income	**5,058**	4,055	**10,025**	7,938
Interest coverage ratio	**1.77**	1.65	**1.75**	1.57

Unitholders' equity

Unitholders' equity consists of the following:

As at June 30 (in thousands of dollars)	**2013**	**2012**
Trust units	**137,721**	118,084
Cumulative profit (loss)	**7,289**	(6,701)
Cumulative distributions to unitholders	**(19,647)**	(10,902)
	125,363	100,481

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, 47,559 units were issued during the last quarter (2012: 33,804 units) and 90,855 units have been issued since the beginning of the year (2012: 57,600).

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

Periods ended June 30 (in number of units)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Units outstanding, beginning of quarter	**23,835,093**	19,084,735	**23,791,797**	14,810,790
Units issued				
Public placement and warrants exercised	**-**	-	**-**	4,250,150
Distribution reinvestment plan	**47,559**	33,805	**90,855**	57,600
Units outstanding, end of quarter	**23,882,652**	19,118,540	**23,882,652**	19,118,540
Weighted average number of units outstanding	**23,859,432**	19,101,129	**23,836,654**	17,900,045

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:

Six-month periods ended June 30	**2013**		**2012**	
	Unit options	**Weighted average exercise price ($)**	**Unit options**	**Weighted average exercise price ($)**
Outstanding, beginning of quarter	**227,000**	**5.07**	551,000	10.20
Granted	**-**	**-**		
Expired	**-**	**-**	(324,000)	(13.17)
Outstanding, end of quarter	**227,000**	**5.07**	227,000	5.07
Options vested as at June 30	**227,000**	**5.07**	222,000	5.07
Weighted average remaining term to expiry (years)		**1.09**		2.09

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 second quarter of 2013:

Periods ended June 30 (in number of units)	**Quarter**		**Cumulative** (6 months)	
	2013	**2012**	**2013**	**2012**
Deferred units outstanding, beginning of quarter	**19,323**	**-**	**15,981**	-
Deferred units issued	**2,867**	-	**5,835**	-
Distributions converted to deferred units	**432**	**-**	**806**	-
Deferred units outstanding, end of quarter	**22,622**	-	**22,622**	-

Subscription warrants

At the time of disbursement of the acquisition line of credit, the Trust granted Firm Capital Mortgage Fund Inc. 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.

Quarters ended June 30	2013		2012	
	Number	Exercise price	Number	Exercise price
Outstanding, beginning of quarter	-	-	500,000	3.822
Warrants granted	-	-	-	-
Warrants exercised	-	-	(500,000)	3.822
Outstanding, end of quarter	-	-	-	-

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 is currently party to a firm contract under which it has agreed to acquire a residual 50% interest in an investment property, provided that certain criteria are met. At this time, these criteria have not been met. The disbursement required to finalize this commitment is estimated at approximately $1 million.

During the quarter ended June 30, 2013, 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. The bill was adopted 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 June 30, 2013, 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:

Quarters ended June 30	**2013**	**2012**
Taxable as other income	**-**	-
Tax deferred	**100 %**	100 %
Total	**100 %**	100 %

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

BTB's significant accounting policies are described in Note 2 to the financial statements as at June 30, 2013 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 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 assumed 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 amounts provided in guarantee of mortgage loans.

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 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 revaluated each period end as per the fair value of the units calculated using the price of the last market transaction before period end.

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year.

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.

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 f lows 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.

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*. Management has analyzed the impact of the application of new IFRS on its interim financial statements for the six-month period ended June 30, 2013 and concluded that there was no impact.

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*. Management has analyzed the impact of the application of new IFRS on its interim financial statements for the six-month period ended June 30, 2013 and concluded that there was no impact.

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. Management has analyzed the impact of the application of new IFRS on its interim financial statements for the six-month period ended June 30, 2013 and concluded that there was no impact.

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 added the required information to Note 13 to the interim financial statements.

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. Management has analyzed the impact of the application of new IFRS on its interim financial statements for the six-month period ended June 30, 2013 and concluded that there was no impact.

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 hypothecs, 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 f lows 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 June 30, 2013, 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. 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 the quarter ended June 30, 2013 and 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 the second quarter of 2013, no changes were made in internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.