



**Quarter ended December 31, 2015**

**Management Discussion and Analysis**

# **Building Trust**



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## Introduction

The purpose of this Management Discussion and Analysis is to allow the reader to evaluate the operating results of BTB Real Estate Investment Trust ("BTB" or the "Trust") for the year ended December 31, 2015, as well as its financial position on that date. The report also presents the Trust's business strategies and the risk exposure it faces. This MD&A dated March 17, 2016 should be read together with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2015 and 2014. It discusses any significant information available up to the date of this MD&A. The Trust's consolidated annual financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts. Per unit amounts are calculated using the weighted average number of trust units outstanding for the periods and years ended December 31, 2015 and 2014. Additional information about the Trust, including the 2014 Annual Information Form, is available on the Canadian Security Administrators ("CSA") website at [www.sedar.com](http://www.sedar.com) and on our website at [www.btbreit.com](http://www.btbreit.com).

The Audit Committee and the Trust's Board of Trustees have approved the contents of this annual Management Discussion and Analysis and the annual financial statements dated March 17, 2016.

## 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

“Net operating income,” “distributable income,” “recurring distributable income,” “funds from operations” (“FFO”), “adjusted funds from operations” (“AFFO”) and “recurring AFFO” are non-IFRS performance measures and do not have standardized meanings prescribed by IFRS. These measures 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.

## 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 up to December 31, 2015, it has acquired and owns 71 commercial, office and industrial properties in primary and secondary markets. BTB is an important real estate owner in geographical markets in Québec and eastern Ontario. The units and Series D, E and F convertible debentures are traded on the Toronto Stock Exchange under the symbols “BTB.UN”, “BTB.DB.D” “BTB.DB.E”, and “BTB.DB.F”, respectively. The Series C convertible debentures (BTB.DB.C) were redeemed on December 30, 2015.

Most of the Trust’s properties are managed internally, with 65 of the Trust’s 71 properties held as at December 31 entirely managed by the Trust’s employees. Management’s objective is to resume, when favourable circumstances prevail, internal management of the Trust’s properties under 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 a summary of the property portfolio:

	Number of properties	Leasable area (sq. ft.)	Fair value (thousands of \$)
<b>As at December 31, 2015<sup>(1)</sup></b>	<b>71</b>	<b>5,094,866</b>	<b>622,651</b>

(1) These figures include a 50% interest in a 17,114 square-foot building in a Montréal suburb, a 75% interest in a 140,870 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 acquire 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.

BTB’s management also regularly performs a strategic portfolio assessment to determine whether it is financially advisable to hold onto certain investments. BTB may dispose of certain assets if their size, location and/or profitability do not meet the Trust’s current criteria.

In such cases, BTB expects to use the proceeds from the sale of assets to reduce debt.

## Highlights of the Year as at December 31, 2015

- 71 properties
- More than 5 million leasable square feet
- More than \$630 million in assets
- More than \$153 million in market capitalization

### Increase

- 8.5% in rental income
- 8.7% in net operating income
- 7.9% in assets
- 2.8% in recurring distributable income per unit
- 3.3% in recurring AFFO per unit

### Improvement

- In the payout ratio from 77.9% to 77.3%
- In the weighted average interest rate on mortgage debt from 4.13% to 3.95%
- In the weighted average term on mortgage debt from 4.7 years to 5.5 years

### Leasing activities

- 250,000 square feet of leases renewed
- 225,000 square feet of new leases signed
- 5.9% increase in the average rate of expired and renewed leases

### Acquisitions

- A 116,415-square-foot industrial property adjacent to Ottawa's Macdonald-Cartier International Airport, for \$12.5 million
- A 145,546-square-foot shopping centre in Delson, a Montréal suburb, for \$21.5 million
- Two office properties with a combined leasable area of almost 159,000 square feet close to Ottawa International Airport on Walkley Road, for \$28.5 million

### Disposal

- Of four commercial properties totalling 135,000 square feet, which no longer met the Trust's current investment criteria. Proceeds of sale totalling \$13.3 million were mainly used to repay mortgage debt and the credit facility.

### Capital transactions

- Closing of an issuance of Series F convertible debentures bearing interest at 7.15% for total proceeds of \$26.7 million. The net proceeds were mainly used to repay the Series C convertible debentures bearing interest at 8 % on December 30, 2015 for total proceeds of \$22.8 million.

### Event subsequent to December 31, 2015

- On February 15, 2016, BTB acquired an office building located in downtown Montréal for \$11 million. The property, entirely leased to a single tenant under a long-term lease, has a leasable area of 52,500 square feet.

## Selected Financial Information

As at December 31, 2015, the Trust owns 71 properties generating, on an annualized basis, revenues of close to \$75 million.

The following table presents highlights and selected financial information for the quarters and years ended December 31, 2015 and December 31, 2014:

Periods ended December 31

(in thousands of dollars, except for ratios and per unit data)

	Reference	Quarter		Year	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>Financial information</b>					
Rental income	Page 33	<b>18,539</b>	17,558	<b>72,892</b>	67,170
Net operating income <sup>(1)</sup>	Page 36	<b>10,020</b>	10,008	<b>41,294</b>	37,983
Net property income from the same-property portfolio <sup>(1)</sup>	Page 41	<b>5,043</b>	5,847	<b>22,223</b>	22,703
Recurring distributable income <sup>(1)</sup>	Page 44	<b>4,211</b>	4,734	<b>18,733</b>	16,626
Distributions	Page 45	<b>3,640</b>	3,581	<b>14,479</b>	12,953
Funds from operations (FFO) <sup>(1)</sup>	Page 47	<b>3,710</b>	4,214	<b>16,333</b>	15,226
Recurring adjusted funds from operations (AFFO) <sup>(1)</sup>	Page 48	<b>3,588</b>	4,153	<b>16,260</b>	14,363
Total assets	Page 54			<b>633,082</b>	586,737
Investment properties	Page 57			<b>622,651</b>	571,462
Mortgage loans payable	Page 60			<b>366,596</b>	329,943
Convertible debentures	Page 62			<b>68,866</b>	65,186
Mortgage liability ratio	Page 65			<b>58.0%</b>	56.3%
Debt-equity ratio – convertible debentures	Page 46			<b>11.5%</b>	11.7%
Debt-equity ratio – acquisition line of credit	Page 46			<b>1.5%</b>	—
Total debt ratio	Page 65			<b>71.0%</b>	68.0%
Weighted average interest rate on mortgage debt	Page 60			<b>3.95%</b>	4.13%
Unitholders' equity	Page 66			<b>174,359</b>	177,599
Market capitalization				<b>153,050</b>	161,454
<b>Financial information per unit</b>					
Units outstanding (000)	Page 67			<b>34,705</b>	34,134
Weighted average number of units outstanding (000)	Page 67	<b>34,649</b>	34,088	<b>34,450</b>	31,418
Recurring distributable income	Page 45	<b>12.2¢</b>	13.9¢	<b>54.4¢</b>	52.9¢
Distributions	Page 45	<b>10.5¢</b>	10.5¢	<b>42.0¢</b>	40.8¢
Payout ratio on recurring distributable income	Page 45	<b>86.4%</b>	75.6%	<b>77.3%</b>	77.9%
Cash payout ratio on recurring distributable income	Page 45	<b>74.9%</b>	67.0%	<b>67.6%</b>	69.2%
FFO	Page 47	<b>10.7¢</b>	12.4¢	<b>47.4¢</b>	48.5¢
Payout ratio on FFO	Page 47	<b>98.1%</b>	85.0%	<b>88.6%</b>	85.1%
Recurring AFFO	Page 48	<b>10.4¢</b>	12.2¢	<b>47.2¢</b>	45.7¢
Payout ratio on recurring AFFO	Page 49	<b>101.4%</b>	86.2%	<b>89.0%</b>	90.2%
Unitholders' equity	Page 66			<b>5.02</b>	5.20
Market price				<b>4.41</b>	4.73
<b>Tax on distributions</b>					
Revenue	Page 71			<b>0.0%</b>	0.0%
Tax deferral	Page 71			<b>100%</b>	100%
<b>Operational information</b>					
Number of properties	Page 55			<b>71</b>	71
Leasable area (thousands of sq. ft.)	Page 56			<b>5,095</b>	4,822
Occupancy rate	Page 51			<b>91.7%</b>	92.7%
Increase in average lease renewal rate	Page 51	<b>10.0%</b>	10.7%	<b>5.9%</b>	8.7%

<sup>(1)</sup> Financial term not defined by IFRS



## Selected Annual Information

The following table summarizes the Trust's financial information for the last three years.

Years ended December 31

(in thousands of dollars, except for ratios and per unit data)	2015	2014	2013
	\$	\$	\$
Rental income	72,892	67,170	63,435
Net operating income <sup>(1), (5)</sup>	41,294	37,983	35,336
Fair value adjustment on investment properties	(5,223)	(1,860)	8,375
Net income	8,669	12,883	18,349
Recurring distributable income <sup>(5)</sup>	18,733	16,626	12,610
FFO <sup>(2), (5)</sup>	16,333	15,226	11,632
Recurring AFFO <sup>(3), (5)</sup>	16,260	14,363	10,462
Distributions	14,479	12,953	10,412
Total assets	633,082	586,737	546,559
Long-term debt	445,262	395,129	377,745
<b>Per unit financial information</b>			
Net income	25.2¢	41.0¢	71.3¢
Recurring distributable income <sup>(5)</sup>	54.4¢	52.9¢	49.0¢
FFO <sup>(2), (5)</sup>	47.4¢	48.5¢	45.2¢
Recurring AFFO <sup>(3), (5)</sup>	47.2¢	45.7¢	40.7¢
Distributions	42.0¢	40.8¢	40.0¢
Recurring payout ratio <sup>(4), (5)</sup>	77.4%	77.9%	82.6%

<sup>(1)</sup> Defined as rental income from investment properties less operating expenses.

<sup>(2)</sup> See "Funds from operations" on page 47 for definition and reconciliation to net income.

<sup>(3)</sup> See "Adjusted funds from operations" on page 48 for definition and reconciliation to FFO and net income.

<sup>(4)</sup> Represents total distributions divided by recurring distributable income.

<sup>(5)</sup> Non-IFRS measure.

## Selected Quarterly Information

The following table summarizes the Trust's financial information for the last eight quarters.

As at December 31 (in thousands of dollars except for per unit data)	2015 Q-4	2015 Q-3	2015 Q-2	2015 Q-1	2014 Q-4	2014 Q-3	2014 Q-2	2014 Q-1
	\$	\$	\$	\$	\$	\$	\$	\$
Rental income	<b>18,539</b>	18,421	17,603	18,329	17,558	16,866	16,202	16,544
Net operating income <sup>(1)</sup>	<b>10,020</b>	10,958	10,184	10,132	10,008	9,643	9,348	8,984
Net income (loss) and comprehensive income	<b>(2,124)</b>	3,669	3,724	3,400	(1,405)	4,968	5,323	3,997
Net income (loss) per unit	<b>(6.1¢)</b>	10.6¢	10.8¢	9.9¢	(4.1¢)	14.6¢	18.3¢	14.1¢
Recurring distributable income <sup>(1)</sup>	<b>4,211</b>	5,286	4,739	4,497	4,734	4,224	3,990	3,677
Recurring distributable income per unit <sup>(1)</sup>	<b>12.2¢</b>	15.3¢	13.8¢	13.1¢	13.9¢	12.4¢	13.7¢	13.0¢
Funds from operations (FFO) <sup>(1)</sup>	<b>3,710</b>	4,321	4,236	4,066	4,214	3,838	3,786	3,388
FFO per unit <sup>(1)</sup>	<b>10.7¢</b>	12.5¢	12.7¢	11.9¢	12.4¢	11.3¢	13.0¢	11.9¢
Recurring adjusted funds from operations (AFFO) <sup>(1)</sup>	<b>3,588</b>	4,663	4,132	3,876	4,153	3,657	3,436	3,117
Recurring AFFO per unit <sup>(1)</sup>	<b>10.4¢</b>	13.5¢	12.0¢	11.3¢	12.2¢	10.8¢	11.8¢	11.0¢
Distributions	<b>3,640</b>	3,628	3,615	3,596	3,581	3,514	3,023	2,834
Distributions per unit	<b>10.5¢</b>	10.5¢	10.5¢	10.5¢	10.5¢	10.3¢	10.0¢	10.0¢

<sup>(1)</sup>Non-IFRS measure.

## Real Estate Portfolio

BTB owns 71 quality properties which have a fair value of \$623 million representing a total leasable area of more than 5 million square feet. A concise description of the properties owned as at December 31, 2015 can be found in the Trust's Annual Information Form available at [www.sedar.com](http://www.sedar.com). The properties acquired in 2015 are described on page 55 of this MD&A.

### Summary of properties as at December 31, 2015

<b>Operating segment</b>	<b>Number of properties</b>	<b>Leasable area (sq. ft.)</b>	<b>Occupancy rate (%)</b>
Office	22	1,515,435	83.9
Commercial	15	981,006	92.8
Industrial	20	1,537,242	97.2
General purpose	11	878,623	94.3
Subtotal	68	<b>4,912,306</b>	91.7
Properties under redevelopment	3	<b>182,560</b>	—
<b>Total</b>	<b>71</b>	<b>5,094,866</b>	91.7

## 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, reduce its operating costs and generate organic growth;
- **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 other non-cash items as well as investments in 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 using its operating revenues;
- The **occupancy rate**, which provides an indication of the optimization of rental space and the potential revenue gain from the Trust's property portfolio.
- The **payout ratios**, which enable investors to assess the stability of distributions against distributable income, FFO and AFFO.
- The **increase in average rate of renewed leases**, which measures organic growth and the Trust's ability to increase its rental income.

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

## Operating Results

The following table summarizes financial results for the quarters and years ended December 31, 2015 and December 31, 2014. The table should be read in conjunction with our consolidated financial statements and the notes thereto.

Periods ended December 31  
(in thousands of dollars)

	Reference	Quarter		Year	
		2015	2014	2015	2014
		\$	\$	\$	\$
Rental income	Page 33	<b>18,539</b>	17,558	<b>72,892</b>	67,170
Operating expenses	Page 34	<b>8,519</b>	7,550	<b>31,598</b>	29,187
Net operating income	Page 36	<b>10,020</b>	10,008	<b>41,294</b>	37,983
Financial income	Page 45	<b>(19)</b>	(50)	<b>(52)</b>	(77)
Financial expenses	Page 37	<b>5,948</b>	7,680	<b>23,203</b>	19,108
Trust administration expenses	Page 38	<b>992</b>	1,127	<b>4,044</b>	4,209
Expenses for abandoned transaction	Page 36	—	—	<b>207</b>	—
Net income before following item:		<b>3,099</b>	1,251	<b>13,892</b>	14,743
Fair value adjustment on investment properties	Page 40	<b>5,223</b>	2,656	<b>5,223</b>	1,860
<b>Net income and comprehensive income</b>	Page 40	<b>(2,124)</b>	(1,405)	<b>8,669</b>	12,883

### Rental income

BTB acquired and sold properties in 2014 and 2015. Acquisitions and sales completed in 2015 are presented in the “Investment Properties” section of this MD&A. Due to this acquisition activity, rental income increased by \$981 or 5.6% for the fourth quarter of 2015 and \$5,722 or 8.5% for fiscal 2015 compared to the same periods of 2014.

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

Some of the Trust’s leases include clauses providing for the recovery of rental income based on amounts that increase every few years. These increases are negotiated when the leases are signed. Under IFRS, these increases must be recognized on a straight-line basis over the terms of the leases.

In the fourth quarter of 2015, rent adjustments of \$141 (2014: \$143) were recorded on a straight-line basis. For the year ended December 31, 2015, these adjustments totalled \$702 (2014: \$610).

In the fourth quarter of 2015, BTB recorded amortization of \$552 (2014: \$476) as a reduction in rental income, which represents amortization of lease incentives afforded to lessees. For the year ended December 31, 2015, amortization totalled \$2,084 (2014: \$1,793).

The following table provides a reconciliation of rental income on the basis of in-place leases and rental income from investment properties.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Rental income on the basis of in-place leases	18,950	17,891	74,274	68,353
Straight-line rental income adjustment	141	143	702	610
Amortization of lease incentives	(552)	(476)	(2,084)	(1,793)
<b>Rental income from investment properties</b>	<b>18,539</b>	<b>17,558</b>	<b>72,892</b>	<b>67,170</b>

### Operating expenses

Operating expenses are expenses directly related to real estate operations and are generally charged back to tenants 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 tenants depends on the occupancy rate of the properties and the nature of the existing leases containing clauses regarding the recovery of expenses. Most of BTB's leases are net rental leases under which tenants are required to pay their share of the properties' operating expenses. BTB pays particular attention to compliance with existing leases and the recovery of these operating expenses.

BTB recorded an increase in operating expenses of \$969 or 12.8% between the fourth quarter of 2014 and the fourth quarter of 2015, and \$2,411 or 8.3% for fiscal 2015 compared to last year. The significant increase in operating expenses in the fourth quarter of 2015 compared to the fourth quarter of 2014 is due to higher maintenance costs and repairs. These were expected during the year, but were mainly paid in the past quarter. On an annual basis, the 7.1% increase in maintenance costs and repairs is lower than the 8.5% growth in revenues.

The following table shows the breakdown of operating expenses for the quarters and years ended December 31, 2015 and 2014.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Operating expenses				
Operating costs	3,418	2,907	11,748	10,970
Property taxes and public utilities	5,101	4,643	19,850	18,217
<b>Total operating expenses</b>	<b>8,519</b>	<b>7,550</b>	<b>31,598</b>	<b>29,187</b>
<b>% of rental income</b>	<b>46.0</b>	<b>43.0</b>	<b>43.3</b>	<b>43.5</b>

As a percentage of rental income, operating expenses increased 3.0% over the quarter, from 43.0% for the fourth quarter of 2014 to 46.0%, primarily due to maintenance costs and repairs mainly paid in the last quarter. On an annual basis, operating expenses as a percentage of rental income decreased 0.2%, from 43.5% for fiscal 2014 to 43.3% for fiscal 2015.

## Net operating income

Net operating income is used in the real estate industry to measure operational performance. BTB defines it as rental income from properties, less operating expenses 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.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Net operating income	10,020	10,008	41,294	37,983
<b>% of rental income</b>	<b>54.0%</b>	<b>57.0%</b>	<b>56.7%</b>	<b>56.5%</b>

Net operating income was stable for the fourth quarter of 2015 compared to 2014 and increased by 8.7% during fiscal 2015 compared to 2014.

Net operating income is reduced by non-cash rental income adjustments. Before adjustments, net operating income increased by 0.9% for the quarter and 9.0% for the full fiscal year, and was as follows:

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Net operating income	10,020	10,008	41,294	37,983
Straight-line rental income adjustments	(141)	(143)	(702)	(610)
Adjustments related to amortization of lease incentives	552	476	2,084	1,793
<b>Net operating income before rental income adjustments</b>	<b>10,431</b>	<b>10,341</b>	<b>42,676</b>	<b>39,166</b>
<b>% of rental income on the basis of in-place leases</b>	<b>55.0</b>	<b>57.8</b>	<b>57.5</b>	<b>57.3</b>

## Financial expenses

Financial expenses arise from the following loans and financings:

- Mortgage loans payable contracted or assumed totalling approximately \$368 million as at December 31, 2015, compared to \$331 million as at December 31, 2014. The increase resulted from the financing of acquisitions and refinancing of certain properties during the last 12 months.
- Series D, E and F convertible debentures for a total par value of \$72.7 million. Series F debentures with a par value of \$26.7 million were issued on December 4, 2015 and the proceeds were used to redeem the Series C debentures with a par value of \$22.8 million on December 30, 2015.
- Operating and acquisition lines of credit used as needed, which allowed primarily for the acquisition of properties during fiscal 2014 and 2015.
- 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.



The following table shows the breakdown of financial expenses for the reporting periods:

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Interest expense on mortgage loans payable	3,688	3,469	14,360	13,523
Interest expense on debentures	1,412	1,274	5,228	5,096
Interest expense on acquisition line of credit	212	—	675	161
Interest expense on operating line of credit and other interest expenses	38	32	125	77
<b>Interest expenses</b>	<b>5,350</b>	<b>4,775</b>	<b>20,388</b>	<b>18,857</b>
Early repayment fees	—	—	625	—
Accretion of effective interest	378	290	1,273	1,069
Accretion of non-derivative liability component of convertible debentures	178	145	629	561
<b>Financial expenses before following item:</b>	<b>5,906</b>	<b>5,210</b>	<b>22,915</b>	<b>20,487</b>
Fair value adjustment on derivative financial instruments (debenture conversion options and interest rate swap)	42	2,470	288	(1,379)
<b>Financial expenses</b>	<b>5,948</b>	<b>7,680</b>	<b>23,203</b>	<b>19,108</b>

Before recognition of fair value adjustments on derivative financial instruments (debenture conversion options and interest rate swap), financial expenses increased by \$696 during the fourth quarter of 2015 compared to the same quarter in 2014, and by \$2,428 during fiscal 2015 compared to fiscal 2014. The increases are due to financings related to acquisitions completed in the last 12 months.

During the third quarter of 2015, BTB refinanced before term mortgage loans in the amount of \$12.1 million bearing interest at an average rate of 5.64%, with a new \$17.5 million loan bearing interest at 4.06% for a 10-year term. To complete this transaction, the Trust had to assume \$625 in early repayment fees fully expensed during the third quarter of 2015. Refinancings and new financings put in place in 2015 are described in more detail in the “Capital Resources” section on page 60 of this MD&A.

Financial expenses can be allocated among interest expenses amounting to \$5,350 for the quarter (2014: \$4,775) and \$20,388 for the year (2014: \$18,857) and non-monetary items. Non-monetary items include, but are not limited to, fair value adjustments on derivative financial instruments in the amount of \$42 for the quarter (2014: \$2,470) and \$288 for the year (2014: credit positions of \$1,379). Fair values fluctuate from one quarter to another. These adjustments result from changes in the value of the Trust’s units on stock exchanges during the reporting quarters and changes in the value of conversion options and interest rate swaps compared with the amounts recorded at the end of previous quarters.

As at December 31, 2015, the average weighted contractual rate of interest on mortgage loans payable was 3.95%, 18 basis points lower than the rate in effect at December 31, 2014 and equivalent to the rate in effect at September 30, 2014. For 29 consecutive quarters, the weighted average interest rate has remained stable or declined. Interest rates on first-ranking mortgage financings ranged from 2.83% to 6.8% as at December 31, 2015. The weighted average term of financing in place as at December 31, 2015 was 5.5 years (4.7 years as at December 31, 2014).

### 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 up 1.3% for the quarter and down 2.9% for the year compared to the same periods last year. Trust administration expenses include amortization of the head office building and property and equipment, as well as unit-based compensation, a non-monetary item that affects the volatility of administrative expenses from quarter to quarter.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Administrative expenses	907	895	3,696	3,808
Amortization	17	32	69	117
Unit-based compensation	68	200	279	284
<b>Trust administration expenses</b>	<b>992</b>	<b>1,127</b>	<b>4,044</b>	<b>4,209</b>

### Expenses for abandoned transaction

In the normal course of business, the Trust's management assesses various investment property acquisition projects. Some of these are not completed and the costs incurred are expensed during the quarter in which the decision not to go through with the acquisition is made.

Due diligence expenses of \$207 were incurred during the fiscal year for the proposed acquisition of a major property portfolio. As certain preliminary conditions were not met, management decided to terminate the acquisition project and write off any expenses incurred during the year.

As the costs were high due to the size of the valued portfolio, they will be treated as an unusual item in the performance indicators.

### 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 periods in which it arises.

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

Management receives quarterly capitalization rate and discount rate data from external chartered valuers and independent experts. The capitalization rate reports provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization and discount rates within ranges provided by external valuers. To the extent that the externally-provided capitalization rate ranges change from one reporting period to the next, or

should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

At year-end, the Trust also uses professional valuers to perform an independent external valuation of a portion of its portfolio. The portfolio's 10 largest properties and approximately a third of the remaining properties were subject to an independent external valuation. The Trust thus intends to ensure that the entire portfolio has been valued by independent valuers every three years. As at December 31, 2015 63% (2014:67%) of the portfolio's market value was subject to an independent external valuation. However, as at December 31, 2015, five properties with a total fair value of \$15.7 million had not been subject to an independent external valuation over the past three years.

Market conditions in the Trust's geographical market remained relatively stable during the fourth quarter and fiscal 2015.

However, management determined that a downward fair value adjustment to the portfolio as at December 31, 2015 was required. Accordingly, management recognized a decline in value of \$ 4,947 as at December 31, 2015 (2014: \$1,860) and incurred transaction fees on disposal of \$276 for a total of \$5,223. This decline in value was mainly due to the following factors:

- Office properties: "Complexe de Léry" in Trois-Rivières, Québec and "1001 Sherbrooke Est" in Montréal, Québec, which lost major tenants during the year and have high vacancy rates, and "Complexe Lebourgneuf Phase 1" in Québec City, Québec, where the occupancy rate has been slow to stabilize.
- Commercial properties: "1100-1136 St-Joseph" in Drummondville, Québec, which was partially redeveloped but has not yet attracted the interest of potential tenants as expected, "Marché de l'Ouest" in Dollard-des-Ormeaux, Québec, where major renovations have been budgeted, and "Galeries Richelieu" in St-Jean-sur-Richelieu, Québec which, due to the impending expiry of certain leases, is a more significant risk.

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

	Commercial	Office	Industrial	General purpose
<b>As at December 31, 2015</b>				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	6.50% - 9.75%	7.00% - 8.25%
Terminal capitalization rate	7.00% - 8.50%	6.75% - 7.75%	7.75% - 9.75%	7.25% - 8.00%
Discount rate	7.75% - 9.00%	7.50% - 8.50%	8.25% - 10.50%	7.75% - 8.50%
<b>As at December 31, 2014</b>				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	7.00% - 10.00%	7.00% - 8.25%
Terminal capitalization rate	7.25% - 8.00%	7.00% - 7.75%	7.25% - 9.75%	7.25% - 8.25%
Discount rate	7.75% - 8.75%	7.50% - 8.50%	7.75% - 10.50%	7.75% - 9.00%

The weighted average capitalization rate for the entire portfolio as at December 31, 2015 was 7.34% (2014: 7.45%), up/down 5 basis points since September 30, 2015 and down 11 basis points from a year earlier.

As at December 31, 2015, BTB has estimated that a 0.25% change in the capitalization rate applied to the overall portfolio would change the fair value of the investment properties by approximately \$22 million.

### Net income (loss) and comprehensive income

For the fourth quarter, the fair value adjustment on investment properties presented a \$ 5.2 million decline in value in 2015, compared to a \$2.7 million decline in value in 2014. The fair value adjustment on derivative financial instruments showed a \$42 expense in 2015 compared to a \$2.5 million expense in 2014.

Consequently, BTB incurred a net loss of \$2.1 million for the fourth quarter of 2015 and generated net income of \$8.7 million for the year, down \$0.7 million from the fourth quarter of 2014 and \$4.2 million for the year.

Periods ended December 31  
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Net income (loss) and comprehensive income</b>	<b>(2,124)</b>	<b>(1,405)</b>	<b>8,669</b>	12,883
Per unit	<b>(6.1¢)</b>	<b>(4.1¢)</b>	<b>25.2¢</b>	41.0¢

### Adjusted net income and comprehensive income

Net income and comprehensive income fluctuate from one quarter and year to another based on certain highly volatile monetary items. Consequently, the fair value of derivative financial instruments and the fair value of the property portfolio fluctuate based on the stock market volatility of BTB units, the forward interest rate curve and the discount and capitalization rates of the property portfolio.

The following table presents adjusted net income and comprehensive income before these volatile non-monetary items.

Periods ended December 31  
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Net income (loss) and comprehensive income</b>	<b>(2,124)</b>	<b>(1,405)</b>	<b>8,669</b>	12,883
Volatile non-monetary items				
±Fair value adjustment on investment properties	<b>5,223</b>	2,656	<b>5,223</b>	1,860
±Fair value adjustment on derivative financial instruments	<b>42</b>	2,470	<b>288</b>	(1,379)
<b>Adjusted net income and comprehensive income</b>	<b>3,141</b>	3,721	<b>14,180</b>	13,364
Per unit	<b>9.1¢</b>	10.9¢	<b>41.2¢</b>	42.5¢

This table shows a decrease of 15.6% in quarterly adjusted net income and an increase of 6.1% in annual adjusted net income, before the non-monetary items mentioned above. Quarterly adjusted net income per unit decreased 16.5% and annual adjusted net income, 3.1%.

## Operating Results – Same-Property Portfolio

### Same-property portfolio

The same-property portfolio includes all the properties owned by BTB as at January 1, 2014, but does not include the financial spin-offs of disposals, acquisitions and developments completed in 2014 and 2015.

The Trust is planning to completely demolish and redevelop the “Promenades St-Noël” commercial property in Thetford Mines. The Trust is waiting for the required authorizations to proceed. As such, the property is excluded from the same-property portfolio data.

The following table summarizes the results of the same-property portfolio.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Rental income	15,047	15,764	61,245	62,011
Operating expenses	7,007	6,820	27,027	26,767
Net operating income	8,040	8,944	34,218	35,244
Interest expense on mortgage loans payable	2,997	3,097	11,995	12,541
<b>Net property income</b>	<b>5,043</b>	<b>5,847</b>	<b>22,223</b>	<b>22,703</b>
<b>Increase in net property income from the same-property portfolio</b>	<b>(13.7%)</b>		<b>(2.1%)</b>	

Net property income from the same-property portfolio provides an indication of the profitability of existing portfolio operations and BTB’s ability to increase its revenues and reduce its costs. It is defined as rental income from properties from the same-property portfolio, less operating expenses and interest on mortgage financing of the same portfolio.

### Rental Income

Rental income from the same-property portfolio decreased by 4.5% in the fourth quarter ended December 31, 2015 compared to the same quarter of 2014. For fiscal year 2015, rental income from the same-property portfolio decreased by 1.2%. The decrease was mainly felt in the office segment, both for the quarter and the year. Two properties were responsible for substantially all of the decrease: “1001 Sherbrooke Est” in Montréal, which had a 36% occupancy rate as at December 31, 2015, and “50 St-Charles Ouest” in Longueuil, which had a 33% occupancy rate as at December 31, 2015.

The following table provides a reconciliation of income from the same-property portfolio and the total portfolio.

Periods ended December 31  
(in thousands of dollars)

	Quarter			Year		
	2015	2014	Δ%	2015	2014	Δ%
	\$	\$		\$	\$	
Same-property portfolio	15,047	15,764	(4.5)	61,245	62,010	(1.2)
Acquisitions, disposals and development	3,492	1,794	n/a	11,647	5,160	n/a
<b>Rental income</b>	<b>18,539</b>	<b>17,558</b>	<b>5.6</b>	<b>72,892</b>	<b>67,170</b>	<b>8.5</b>

### Operating expenses

Operating expenses of the same-property portfolio were up 2.7% for the fourth quarter of 2015 compared to the same quarter of 2014, and 1.0% for the year. Higher operating expenses for the quarter were due to an increase of almost 6% in maintenance and repair expenses, while taxes and utilities remained stable in the fourth quarter.

The following table provides a reconciliation of operating expenses from the same-property portfolio and the total portfolio.

Periods ended December 31  
(in thousands of dollars)

	Quarter			Year		
	2015	2014	Δ%	2015	2014	Δ%
	\$	\$		\$	\$	
Same-property portfolio	7,007	6,820	2.7	27,027	26,767	1.0
Acquisitions, disposals and development	1,512	730	n/a	4,571	2,420	n/a
<b>Operating expenses</b>	<b>8,519</b>	<b>7,550</b>	<b>12.8</b>	<b>31,598</b>	<b>29,187</b>	<b>8.3</b>

### Net operating income

Net operating income from the same-property portfolio was down 10.1% for the fourth quarter of 2015 compared to the same quarter of 2014, and 2.9% for the year.

The following table provides a reconciliation of net operating income from the same-property portfolio and the total portfolio.

Periods ended December 31  
(in thousands of dollars)

	Quarter			Year		
	2015	2014	Δ%	2015	2014	Δ%
	\$	\$		\$	\$	
Same-property portfolio	8,040	8,944	(10.1)	34,218	35,244	(2.9)
Acquisitions, disposals and development	1,980	1,064	n/a	7,076	2,739	n/a
<b>Net operating income</b>	<b>10,020</b>	<b>10,008</b>	<b>0.1</b>	<b>41,294</b>	<b>37,983</b>	<b>8.7</b>

Net operating income of the same-property portfolio before non-cash adjustments was as follows:

Periods ended December 31  
(in thousands of dollars)

	Quarter			Year		
	2015	2014	Δ%	2015	2014	Δ%
	\$	\$		\$	\$	
Net operating income	8,040	8,944	(10.1)	34,218	35,244	(2.9)
Straight-line rental income adjustments	(46)	(115)	n/a	(466)	(563)	n/a
Adjustment related to amortization of lease incentives	496	451	n/a	1,961	1,716	n/a
<b>Net operating income before rental income adjustments</b>	<b>8,490</b>	<b>9,280</b>	<b>(8.5)</b>	<b>35,713</b>	<b>36,397</b>	<b>(1.9)</b>

The Trust is currently making a considerable effort to attract new tenants and fill these new vacancies as quickly as possible.

### Interest expense

As shown by the following table, interest expense on mortgage loans payable in the same-property portfolio decreased by 3.2% in the fourth quarter of 2015 and 4.4% for the year compared to the same periods of 2014, due to the refinancing of loans that matured at more advantageous rates, despite increased financing on certain properties.

The following table reconciles the interest expense of the same-property portfolio with the interest expense of the total portfolio.

Periods ended December 31  
(in thousands of dollars)

	Quarter			Year		
	2015	2014	Δ%	2015	2014	Δ%
	\$	\$		\$	\$	
Same-property portfolio	2,997	3,097	(3.2)	11,995	12,541	(4.4)
Acquisitions and development	691	372	n/a	2,365	982	n/a
<b>Interest expense on mortgage loans payable</b>	<b>3,688</b>	<b>3,469</b>	<b>6.3</b>	<b>14,360</b>	<b>13,523</b>	<b>6.2</b>

## 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 fair value adjustments of investment properties and derivative financial instruments, accretion of the liability component of convertible debentures, rental income arising from the recognition of leases on a straight-line basis, the amortization of lease incentives, the accretion of effective interest and certain other non-cash items.

The following table shows the calculation of distributable income.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Net income (loss) and comprehensive income (IFRS)</b>	<b>(2,124)</b>	<b>(1,405)</b>	<b>8,669</b>	<b>12,883</b>
± Fair value adjustment on investment properties	5,223	2,656	5,223	1,860
+ Amortization of an investment property and other property and equipment	35	45	158	165
+ Unit-based compensation expense	68	200	279	284
+ Accretion of the liability component of convertible debentures	178	145	629	561
± Fair value adjustment on derivative financial instruments	42	2,470	288	(1,379)
+ Amortization of lease incentives	552	476	2,084	1,793
- Straight-line rental income adjustment	(141)	(143)	(702)	(610)
+ Accretion of effective interest	378	290	1,273	1,069
<b>Distributable income</b>	<b>4,211</b>	<b>4,734</b>	<b>17,901</b>	<b>16,626</b>
<b>Unusual items</b>				
Early repayment fees <sup>(1)</sup>	—	—	625	—
Expenses for abandoned transaction <sup>(2)</sup>	—	—	207	—
<b>Recurring distributable income</b>	<b>4,211</b>	<b>4,734</b>	<b>18,733</b>	<b>16,626</b>

<sup>(1)</sup> Early repayment fees incurred for a transaction as part of a refinancing before term - see page 37

<sup>(2)</sup> Due diligence expenses incurred for an unrealized acquisition – see page 38



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 December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Cash flows from operating activities (IFRS)</b>	<b>12,157</b>	13,552	<b>38,238</b>	36,678
+ Financial revenues	19	50	52	77
+ Net change in operating items	(2,615)	(4,093)	624	(1,272)
- Interest expense on mortgage loans payable	(3,688)	(3,469)	(14,360)	(13,523)
- Interest expense on convertible debentures	(1,412)	(1,274)	(5,228)	(5,096)
- Interest expense on acquisition line of credit	(212)	—	(675)	(161)
- Interest expense on operating line of credit and other interest expenses	(38)	(32)	(125)	(77)
- Early repayment fees	—	—	(625)	—
<b>Distributable income</b>	<b>4,211</b>	4,734	<b>17,901</b>	16,626

### Distributions and per unit data

Periods ended December 31  
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Distributions</b>				
Cash distributions	3,154	3,170	12,668	11,505
Distributions reinvested under the distribution reinvestment plan	486	411	1,811	1,448
<b>Total distributions to unitholders</b>	<b>3,640</b>	3,581	<b>14,479</b>	12,953
Percentage of reinvested distributions	13.4%	11.5%	12.5%	11.2%
<b>Per unit data</b>				
Distributable income	12.2¢	13.9¢	52.0¢	52.9¢
Recurring distributable income	12.2¢	13.9¢	54.4¢	52.9¢
Distributions	10.5¢	10.5¢	42.0¢	40.8¢
Payout ratio <sup>(1)</sup>	86.4%	75.6%	77.3%	77.9%
Cash payout ratio <sup>(2)</sup>	74.9%	67.0%	67.6%	69.2%

<sup>(1)</sup> The payout ratio corresponds to total distributions divided by recurring distributable income.

<sup>(2)</sup> The cash payout ratio corresponds to cash distributions divided by recurring distributable income.

Recurring distributable income for the fourth quarter decreased by \$523, from \$4,734 to \$4,211, between 2014 and 2015. The decrease reflects the same-property portfolio's underperformance for the fourth quarter, as explained on page 38. Nonetheless, distributable income for fiscal 2015 amounted to \$18,733, up \$2,107 from fiscal 2014. Recurring distributable income per unit for the fourth quarter of 2015 was 12.2¢ compared to 13.9¢ in 2014, a 12.2% decrease, and 54.4¢ for fiscal 2015 compared to 52.9¢ for fiscal 2014, a 2.8% increase.

Distributions to unitholders totalled 10.5¢ per issued unit in the fourth quarter of 2015 and 42¢ for the year, compared to 10.5¢ and 40.8¢ for the same periods in 2014.

The payout ratio for recurring distributable income was 86.4% in the fourth quarter of 2015 compared to 75.6% in the fourth quarter of 2014, and 77.3% for the 2015 fiscal year compared to 77.9% for 2014, reflecting a surplus of recurring distributable income over distributions.

In the fourth quarter of 2015, 13.4% of distributions (2014: 11.5%) were reinvested under the distribution reinvestment plan implemented by BTB in 2011. More than \$1.8 million (2014: \$1.4 million) of the Trust's cash has thereby been preserved through unit conversions since the beginning of the year.

## Funds from Operations (FFO)

The notion of funds from operations ("FFO") does not constitute financial and accounting information as defined by IFRS. It is, however, a measurement that is frequently used by real estate companies and real estate investment trusts. The following is a list of some of the 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 derivative financial instruments

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 quarters and years ended December 31, 2015 and 2014:

Periods ended December 31  
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Net income (loss) and comprehensive income (IFRS)</b>	<b>(2,124)</b>	(1,405)	<b>8,669</b>	12,883
± Fair value adjustment on investment properties	<b>5,223</b>	2,656	<b>5,223</b>	1,860
+ Amortization of a property recognized at cost	<b>17</b>	17	<b>69</b>	69
+ Amortization of lease incentives	<b>552</b>	476	<b>2,084</b>	1,793
± Fair value adjustment on derivative financial instruments	<b>42</b>	2,470	<b>288</b>	(1,379)
<b>FFO</b>	<b>3,710</b>	4,214	<b>16,333</b>	15,226
<b>FFO per unit</b>	<b>10.7¢</b>	12.4¢	<b>47.4¢</b>	48.5¢
FFO payout ratio <sup>(1)</sup>	<b>98.1%</b>	85.0%	<b>88.6%</b>	85.1%
FFO cash payout ratio <sup>(2)</sup>	<b>85.0%</b>	75.2%	<b>77.6%</b>	75.6%

<sup>(1)</sup> The FFO payout ratio corresponds to total distributions divided by FFO.

<sup>(2)</sup> The FFO cash payout ratio corresponds to cash distributions divided by FFO.

FFO decreased by 12.0% for the fourth quarter of 2015 compared to 2014. As explained on page 38, the decrease is due to the same-property portfolio's under-performance and, more specifically, the high vacancy rate of two office properties during the year. FFO per unit for the fourth quarter amounted to 10.7¢ in 2015 compared to 12.4¢ in 2014. The FFO payout ratio stood at 98.1% for the fourth quarter of 2015 compared to 85.0% for the same period of 2014.

For 2015, FFO per unit stood at 47.4¢ compared to 48.5¢ in 2014, a 2.3% decrease, and the payout ratio stood at 88.6% compared to 85.1% in 2014.

Unusual items totalling \$832 for the year were not deducted in calculating FFO, FFO per unit and the payout ratios. These unusual items are described in the recurring distributable income calculation on page 44. If they had been included, FFO per unit would have been 49.8¢ for the year, and the FFO payout ratio would have been 84.4% for the year, a significant increase compared to the previous year.

## Adjusted Funds from Operations (AFFO)

The notion of adjusted funds from operations ("AFFO") is widely used by real estate companies and real estate investment trusts. It is an additional measure to assess the Trust's performance and its ability to maintain and increase distributions in the long term. However, AFFO is not a financial or accounting measure prescribed by IFRS. The method of computing may differ from those used by other companies or real estate investment trusts and may not be used for comparison purposes.

BTB defines AFFO as its FFO, adjusted to take into account other non-cash items that impact comprehensive income and do not enter into the calculation of FFO, including:

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

Furthermore, the Trust deducts a provision for non-recoverable capital expenses in calculating AFFO. The Trust allocates significant amounts to the regular maintenance of its properties in an attempt to reduce capital expenses as much as possible. The allocation for non-recoverable capital expenses is calculated on the basis of 2% of rental revenues.

The Trust also deducts a provision for rental fees in the amount of approximately 20¢ per square foot on an annualized basis. Even though quarterly rental fee disbursements vary significantly from one quarter to another, management considers that this provision fairly presents, in the long term, the average disbursements that the Trust will undertake. These disbursements consist of inducements paid or granted when leases are signed, and of brokerage commissions.

The following table provides a reconciliation of FFO and AFFO for the quarters and years ended December 31, 2015 and 2014:

Periods ended December 31  
(in thousands of dollars, except for per unit data)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>FFO</b>	<b>3,710</b>	4,214	<b>16,333</b>	15,226
- Straight-line rental income adjustment	(141)	(143)	(702)	(610)
+ Accretion of effective interest	378	290	1,273	1,069
+ Accretion of the liability component of convertible debentures	178	145	629	561
+ Amortization of other property and equipment	18	28	89	96
+ Unit-based compensation expenses	68	200	279	284
- Provision for non-recoverable capital expenses	(371)	(351)	(1,456)	(1,343)
- Provision for rental fees	(252)	(230)	(1,017)	(920)
<b>AFFO</b>	<b>3,588</b>	4,153	<b>15,428</b>	14,363
<b>Unusual items</b>				
Early repayment fees <sup>(1)</sup>	—	—	625	—
Expenses for abandoned transaction <sup>(2)</sup>	—	—	207	—
<b>Recurring AFFO</b>	<b>3,588</b>	4,153	<b>16,260</b>	14,363
<b>AFFO per unit</b>	<b>10.4¢</b>	12.2¢	<b>44.8¢</b>	45.7¢
<b>Recurring AFFO per unit</b>	<b>10.4¢</b>	12.2¢	<b>47.2¢</b>	45.7¢
Recurring AFFO payout ratio <sup>(3)</sup>	<b>101.4%</b>	86.2%	<b>89.0%</b>	90.2%
Recurring AFFO cash payout ratio <sup>(4)</sup>	<b>87.9%</b>	76.3%	<b>77.9%</b>	80.1%

(1) Early repayment fees incurred as part of a mortgage refinancing before term – see page 37.

(2) Due diligence expenses incurred for an unrealized acquisition – see page 38.

(3) The recurring AFFO payout ratio corresponds to total distributions divided by recurring AFFO.

(4) The recurring AFFO cash payout ratio corresponds to cash distributions divided by recurring AFFO.

Recurring AFFO per unit amounted to 10.4¢ in the fourth quarter of 2015 compared to 12.2¢ in 2014, a 14.8% decrease. The recurring AFFO payout ratio stood at 101.4% at the end of the fourth quarter of 2015 compared to 86.2% at the end of the fourth quarter of 2014.

For the year, recurring AFFO per unit stood at 47.2¢ compared to 45.7¢ in 2014, a 3.3% increase. The recurring AFFO payout ratio improved by 1.3%, from 90.2% to 89.0%.

## Segmented Information

The Trust's operations are derived from four categories of properties located in Québec and Ontario. The following tables present each category's contribution to revenues and net operating income for the quarters and years ended December 31, 2015 and 2014.

Quarters ended December 31 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
<b>Quarter ended December 31, 2015</b>									
Investment properties	155,838	25.0	229,288	36.8	124,125	20.0	113,400	18.2	622,651
Rental income from properties	4,517	24.4	7,555	40.7	2,698	14.6	3,769	20.3	18,539
Net operating income	2,687	26.8	3,379	33.7	2,241	22.4	1,713	17.1	10,020
<b>Quarter ended December 31, 2014</b>									
Investment properties	137,362	24.0	209,200	36.6	109,025	19.1	115,875	20.3	571,462
Rental income from properties	4,327	24.6	7,175	40.9	2,601	14.8	3,455	19.7	17,558
Net operating income	2,594	25.9	3,558	35.6	2,147	21.5	1,709	17.1	10,008

Year ended December 31 (in thousands of dollars)	Commercial		Office		Industrial		General purpose		Total
	\$	%	\$	%	\$	%	\$	%	\$
<b>Year ended in 2015</b>									
Rental income from properties	17,670	24.2	28,014	38.5	11,242	15.4	15,966	21.9	72,892
Net operating income	10,801	26.2	12,930	31.3	9,422	22.8	8,141	19.7	41,294
<b>Year ended in 2014</b>									
Rental income from properties	14,087	21.0	27,771	41.3	9,946	14.8	15,366	22.9	67,170
Net operating income	8,687	22.9	13,500	35.5	8,083	21.3	7,713	20.3	37,983

## Real Estate Operations

### Leasing activities

The following table summarizes changes in available leasable area during the quarters and years ended December 31.

Periods ended December 31  
(in square feet)

	Quarter		Year	
	2015	2014	2015	2014
<b>Available leasable area at beginning of period</b>	<b>462,131</b>	329,970	<b>340,348</b>	367,166
Available leasable area purchased (sold)	<b>(22,119)</b>	—	<b>(19,053)</b>	5,296
Leasable area of properties under redevelopment	<b>(8,020)</b>	—	<b>(8,020)</b>	(46,938)
Leasable area of expired leases	<b>29,651</b>	154,390	<b>427,668</b>	531,266
Leasable area of leases terminated before term	<b>7,297</b>	46,661	<b>150,399</b>	117,062
Leasable area of renewed leases	<b>(15,286)</b>	(127,183)	<b>(248,567)</b>	(427,218)
Leasable area of new leases signed	<b>(37,027)</b>	(60,164)	<b>(224,399)</b>	(204,005)
Other	<b>(8,384)</b>	(3,326)	<b>(10,133)</b>	(2,281)
<b>Available leasable area at end of period</b>	<b>408,243</b>	340,348	<b>408,243</b>	340,348

The Trust's leasing operations were significant during the fourth quarter of 2015. More than 52,000 square feet of leases were signed with new tenants or renewed during the quarter (2014: 187,000). At the end of 2015, close to 475,000 square feet (2014: 631,000) were signed with new tenants or renewed.

The average rental rate of expired and renewed leases rose 10.0% during the fourth quarter (2014: 10.7%). The average rate for the year increased by 5.8% (2014: 8.7%).

### Occupancy rates

The following table provides occupancy rates by operating segment based on firm lease agreements signed as at the date of this report:

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
	%	%	%	%	%
<b>Operating segment</b>					
Office	<b>83.9</b>	82.4	81.6	86.8	86.6
Commercial	<b>92.8</b>	92.6	92.1	91.2	92.3
Industrial	<b>97.2</b>	96.7	96.7	98.5	98.3
General purpose	<b>94.3</b>	94.4	94.0	94.5	93.7
<b>Total portfolio</b>	<b>91.7</b>	91.0	90.8	92.8	92.7

The overall occupancy rate is up by 0.7% since September 30, 2015 but down by 1.0% since December 31, 2014. It stood at 91.7% at the end of the fourth quarter of 2015.

The decrease in the industrial segment's occupancy rate was mainly due to the closing of Groupe Épicia's warehouse.

### Retention rate

The retention rate for leases expired in 2015 was 62.5% (2014: 70.0%).

## Lease maturity

The following table shows the lease maturity profile for the next few years:

	2016	2017	2018	2019	2020	2021
<b>Office</b>						
Leasable area (sq. ft.)	206,673	128,124	120,545	275,212	122,939	125,225
Average lease rate/square foot (\$)	\$15.15	\$13.04	\$13.05	\$14.10	\$13.97	\$12.04
% of office portfolio	13.6%	8.4%	7.9%	18.1%	8.1%	8.3%
<b>Commercial</b>						
Leasable area (sq. ft.)	23,008	104,947	116,678	161,825	83,364	56,721
Average lease rate/square foot (\$)	\$15.21	\$12.84	\$14.35	\$12.64	\$13.15	\$12.08
% of commercial portfolio	2.3%	10.7%	11.9%	16.5%	8.5%	5.8%
<b>Industrial</b>						
Leasable area (sq. ft.)	92,013	540,417	—	77,072	37,310	393,937
Average lease rate/square foot (\$)	\$9.46	\$4.82	—	\$4.00	\$4.91	\$5.50
% of industrial portfolio	6.0%	35.1%	—	5.0%	2.4%	25.6%
<b>General purpose</b>						
Leasable area (sq. ft.)	126,453	37,506	122,305	110,222	80,380	147,440
Average lease rate/square foot (\$)	\$8.81	\$14.83	\$11.76	\$11.64	\$12.96	\$9.82
% of general purpose portfolio	14.4%	4.3%	13.9%	12.5%	9.1%	16.8%
<b>Total portfolio</b>						
<b>Leasable area (sq. ft.)</b>	<b>448,147</b>	<b>810,994</b>	<b>359,528</b>	<b>624,331</b>	<b>323,993</b>	<b>723,323</b>
<b>Average lease rate/square foot (\$)</b>	<b>\$12.20</b>	<b>\$7.62</b>	<b>\$13.04</b>	<b>\$12.04</b>	<b>\$12.47</b>	<b>\$8.03</b>
<b>% of total portfolio</b>	<b>9.1%</b>	<b>16.5%</b>	<b>7.3%</b>	<b>12.7%</b>	<b>6.6%</b>	<b>14.7%</b>

## Top 10 tenants

As at December 31, 2015, BTB managed more than 600 leases, with an average area of more than 8,000 square feet. The three largest tenants are Société québécoise des infrastructures (SQI), Public Works Canada and Provigo Distribution Inc., accounting respectively for 3.6%, 2.9% and 2.2% of revenues, generated by a number of leases whose maturities are spread over time. Approximately 32% 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 tenants as a percentage of revenues as at December 31, 2015:

<b>Client</b>	<b>% of revenue</b>	<b>Leased area (square feet)</b>
Société québécoise des infrastructures (SQI)	3.6	123,851
Canada Public Works	2.9	205,836
Provigo Distribution Inc.	2.2	107,642
Shoppers Realty Inc.	2.0	64,304
Atis Portes et Fenêtres Corp.	1.9	219,941
Strongco	1.8	81,442
Flextronics	1.8	48,731
Le Groupe SM inc.	1.6	109,185
Germain Larivière Inc.	1.6	101,194
City of Ottawa	1.5	29,768

## Financial Position

The following table presents the Trust's balance sheet as at December 31, 2015 and December 31, 2014. It should be read in conjunction with the Trust's audited annual financial statements and the notes thereto.

(in thousands of dollars)

		December 31, 2015	December 31, 2014
	Reference	\$	\$
<b>Assets</b>			
Investment properties	Page 57	622,651	571,462
Amounts receivable from tenants and other receivables	Page 59	1,981	1,342
Other assets	Page 59	4,261	5,788
Cash, cash equivalents and reserved cash	Page 59	4,189	8,145
<b>Total assets</b>		<b>633,082</b>	<b>586,737</b>
<b>Liabilities</b>			
Mortgage loans payable	Page 60	366,596	329,943
Convertible debentures	Page 62	68,866	65,186
Bank loans	Page 65	9,800	—
Accounts payable and other liabilities	Page 66	13,461	14,009
<b>Total liabilities</b>		<b>458,723</b>	<b>409,138</b>
<b>Equity</b>			
Unitholders' equity	Page 66	174,359	177,599
<b>Total liabilities and equity</b>		<b>633,082</b>	<b>586,737</b>

The main changes in the balance sheet as at December 31, 2015 compared to the balance sheet as at December 31, 2014 reflect the acquisition and disposal of investment properties in fiscal 2015 and the related mortgage financings, as well as the issuance of Series F debentures mainly used to reimburse the Series C debentures.

## Assets

### Investment properties

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.

The real estate portfolio consists of direct interests in wholly-owned investment properties and the Trust's share of the assets, liabilities, revenues and expenses of jointly-controlled investment properties.

The fair value of investment properties stood at \$623 million as at December 31, 2015 compared to \$571 million as at December 31, 2014.

### Acquisition of investment properties

Since the beginning of 2015, the Trust acquired the following properties:

- On January 28, 2015, a 116,415-square-foot industrial building, adjacent to Ottawa's Macdonald-Cartier International Airport, for \$12.5 million. Built in 2006 on a six-acre lot, the building is occupied by a single tenant, Lowe-Martin, one of Canada's largest printers. The sale and leaseback transaction included a 15-year lease.
- On January 30, 2015, a major shopping centre in Delson, a Montréal suburb, for \$21.5 million. The 145,546-square-foot centre houses several major national retail businesses and restaurants including Loblaw's, Pharmaprix, SAQ, National Bank, Tim Hortons, Harvey's and Subway.
- On August 27, 2015, two office buildings on Walkley Road, close to the Ottawa International Airport, for \$28.5 million. The buildings, which have a combined leaseable area totalling approximately 159,000 square feet, house mainly Canadian government offices.

### Disposal of investment properties

In November 2015, the Trust disposed of two commercial properties, a 27,537-square-foot property located in Boucherville and a 50,258-square-foot property located in St-Bruno-de-Montarville, for proceeds of sale totalling \$7.2 million.

In December 2015, the Trust disposed of two commercial properties, a 29,967-square-foot property located in Montréal and a 27,450-square-foot property located in Laval, for proceeds of sale of \$3.0 million and \$3.1 million, respectively.

### Proposed disposal of investment properties

Following strategic deliberations, the Trust has agreed to sell certain assets when the circumstances are right. The proceeds of disposal from the sale of these assets will be used to repay debt.

### Summary by operating segment

As at December 31

	2015			2014		
	Number of properties	Leasable area (sq. ft.)	%	Number of properties	Leasable area (sq. ft.)	%
Office	22	1,515,435	29.7	22	1,443,881	29.9
Commercial	15	981,006	19.3	15	892,704	18.5
Industrial	20	1,537,242	30.2	19	1,420,827	29.5
General purpose	11	878,623	17.2	13	937,323	19.4
Subtotal	68	4,912,306	96.4	69	4,694,735	97.4
Properties under redevelopment	3	182,560	3.6	2	126,546	2.6
<b>Total</b>	<b>71</b>	<b>5,094,866</b>	<b>100.0</b>	<b>71</b>	<b>4,821,281</b>	<b>100.0</b>

### Investments in investment properties held

BTB invests in permanent capital improvement projects to preserve the quality of infrastructure and services provided to tenants. These disbursements include value-maintenance investments corresponding to expenditures required to keep properties in their current operating condition, as well as property improvement and redevelopment projects intended to increase leasable area, occupancy rates or rental space quality. In some cases, capital expenditures can be recovered from rent.

Capital expenditures for the quarter and year ended December 31, 2015 totalled \$623 and \$4,046 respectively, compared to \$2,335 and \$5,452 for the same periods of 2014, of which \$(115) for the quarter and \$1,183 for the year was recoverable (compared to \$1,143 and \$2,470 for the same periods of 2014). Capital expenditures do not include repair and maintenance costs. Capital expenditures vary from one period to another depending on the activities required or planned for each property.

Upon the signing of several leases, the Trust makes disbursements for leasehold improvements or incentives applicable to the leased areas to meet the specific needs of tenants. Leasing fees are also paid to independent brokers. These disbursements amounted to \$652 for the fourth quarter and \$3,142 for the year ended December 31, 2015, compared to \$1,845 and \$4,225 for the same periods of 2014. The leasing fees and leasehold improvements apply to both new tenants and tenants whose leases are renewed for all properties. The amount of leasing fees and leasehold improvements varies depending on the renewal schedule, vacancy rates and tenancy profile.

The following table summarizes expenditures in maintenance capital expenditures, as well as incentives and leasing fees, for the periods ended December 31, 2015 and 2014.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Recoverable maintenance capital expenditures	39	1,263	1,469	2,590
Grants	(154)	(120)	(286)	(120)
Recoverable maintenance capital expenditures net of grants	(115)	1,143	1,183	2,470
Non-recoverable maintenance capital expenditures	738	1,192	2,863	2,982
<b>Total maintenance capital expenditures</b>	<b>623</b>	<b>2,335</b>	<b>4,046</b>	<b>5,452</b>
Leasing fees and leasehold improvements	652	1,845	3,142	4,225
<b>Total</b>	<b>1,275</b>	<b>4,180</b>	<b>7,188</b>	<b>9,677</b>

The following table shows changes in the fair value of investment properties during the quarters and years ended December 31.

Periods ended December 31  
(in thousands of dollars)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Balance, beginning of period</b>	<b>639,787</b>	570,271	<b>571,462</b>	529,432
Additions:				
Acquisitions	—	—	63,383	40,121
Disposals	(13,053)	—	(13,053)	(4,725)
Capital expenditures net of grants	623	2,335	4,046	5,452
Leasing fees and leasehold improvements	652	1,845	3,142	4,225
Fair value loss	(4,947)	(2,656)	(4,947)	(1,860)
Other non-monetary changes	(411)	(333)	(1,382)	(1,183)
<b>Balance, end of period</b>	<b>622,651</b>	571,462	<b>622,651</b>	571,462

### Investment properties under redevelopment

The Trust decided to invest significant amounts in redeveloping and repositioning three properties:

- **1863-1865 Transcanadienne, Montréal – Québec** - This industrial property is currently completely vacant. To date, the Trust has invested approximately \$1 million to repurpose this property.
- **805 Boundary Road, Cornwall – Ontario** - The Trust plans to divide this industrial property into two, with one section fully rented under a long-term lease with Canada Post. The Trust plans to significantly redevelop the other section, which is subject to a few short-term leases. The Trust intends to invest approximately \$1 million and is waiting for the municipal permits to begin the work.

- **100, 1<sup>ère</sup> rue Ouest, Thetford Mines – Québec** – The Trust is planning to completely demolish this building and redevelop this property into a modern retail business site. The Trust is waiting for the required authorizations.

**Event subsequent to December 31, 2015**

On February 15, 2016, BTB acquired an office building located in downtown Montréal for \$11 million. The property, entirely leased to a single tenant under a long-term lease, has a leasable area of 52,500 square feet.

### Amounts receivable from tenants and other receivables

Amounts receivable from tenants and other receivables increased from \$1,342 as at December 31, 2014 to \$1,981 as at December 31, 2015. The increase is mainly due to a balance of sale receivable of \$600 following the sale of a property in December 2015. These amounts are summarized below:

(in thousands of dollars)	December 31, 2015	December 31, 2014
	\$	\$
Amounts receivable from tenants	1,125	1,195
Allowance for doubtful accounts	(329)	(312)
	796	883
Recovery from unbilled tenants	105	65
Balance of sale receivable	600	—
Other receivables	480	394
	1,981	1,342

### Other assets

Other assets include property and equipment net of accumulated depreciation required for the Trust's operations, prepaid expenses and derivative financial instruments in debit positions. They are summarized below:

(in thousands of dollars)	December 31, 2015	December 31, 2014
	\$	\$
Property and equipment	3,203	3,049
Accumulated depreciation	(911)	(753)
	2,292	2,296
Prepaid expenses	1,285	2,599
Derivative financial instruments	—	53
Other	684	840
	4,261	5,788

### Cash, cash equivalents and reserved cash

(in thousands of dollars)	December 31, 2015	December 31, 2014
	\$	\$
Available cash	4,138	6,428
Reserved cash	51	1,717
	4,189	8,145

## Capital Resources

### Long-term debt

The following table shows the balances of BTB's indebtedness as at December 31, 2015, including mortgage loans payable and convertible debentures, based on year of maturity and corresponding weighted average contractual interest rates:

As at December 31, 2015 (in thousands of dollars)	Balance of convertible debentures	Balance of mortgages payable	Weighted average contractual interest rate
	\$	\$	%
<b>Year of maturity</b>			
2016	—	72,742	4.07
2017	—	60,864	3.85
2018	23,000	38,941	5.00
2019	—	42,281	3.57
2020	49,700	20,433	6.11
2021 and thereafter	—	132,692	4.14
<b>Total</b>	<b>72,700</b>	<b>367,953</b>	<b>4.47</b>

### Weighted average contractual interest rate

As at December 31, 2015, the weighted average contractual interest rate of the Trust's long-term debt stood at 4.47%, i.e. 3.95% for mortgages payable and 7.10% for convertible debentures.

### Mortgage loans payable

As at December 31, 2015, the Trust's mortgage loans payable amounted to \$368 million compared to \$330.8 million as at December 31, 2014, before deferred financing costs and valuation adjustments, an increase of \$37.2 million due to acquisition financings completed in 2015, certain refinancings and principal repayments on monthly payments.

As at December 31, 2015, the weighted average interest rate was 3.95%, compared to 4.13% for mortgage loans on the books as at December 31, 2014, a drop of 18 basis points. As at December 31, 2015, all mortgages payable bear interest at fixed rates or are coupled with an interest rate swap.

The weighted average term of existing mortgage financings was 5.5 years as at December 31, 2015 and 4.7 years as at December 31, 2014.

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



The following table summarizes changes in mortgage loans payable during the quarters and years ended December 31, 2015:

As at December 31, 2015  
(in thousands of dollars)

	Quarter	Year
	\$	\$
<b>Balance at beginning of period</b>	<b>373,143</b>	330,784
Mortgage loans contracted or assumed	<b>7,000</b>	79,875
Balance repaid at maturity or upon disposal	<b>(9,339)</b>	(31,634)
Monthly principal repayments	<b>(2,851)</b>	(11,072)
<b>Balance as at December 31, 2015</b>	<b>367,953</b>	367,953

Note: Before unamortized financing costs and valuation adjustments.

Except for two properties under redevelopment valued at \$4.3 million, and two properties partially securing the acquisition and operating lines of credit as at December 31, 2015, all of the Trust's other properties were mortgaged as at December 31, 2015. Unamortized loan financing costs totalled \$2,383 and are amortized under the effective interest method over the term of the loans.

The following table, as at December 31, 2015, shows future mortgage loan repayments for the next few years:

As at December 31, 2015  
(in thousands of dollars)

	Principal repayment	Balance at maturity	Total	% of total
	\$	\$	\$	
<b>Maturity</b>				
2016	<b>11,174</b>	70,408	81,582	22.2
2017	<b>8,317</b>	57,226	65,543	17.8
2018	<b>6,574</b>	35,493	42,067	11.4
2019	<b>5,165</b>	37,872	43,037	11.7
2020	<b>4,640</b>	17,577	22,217	6.0
2021 and thereafter	<b>35,197</b>	78,310	113,507	30.9
<b>Total</b>	<b>71,067</b>	<b>296,886</b>	<b>367,953</b>	<b>100.0</b>
+ Valuation adjustments on assumed loans			1,026	
- Unamortized financing costs			(2,383)	
<b>Balance as at December 31, 2015</b>			<b>366,596</b>	

Since the beginning of 2015, the Trust has entered into the following financing agreements:

- In January 2015, a loan of \$8.3 million for a 15-year term, bearing interest at a rate of 3.58%, for the sale and leaseback acquisition of an industrial property in the city of Ottawa, at a cost of \$12.5 million.

- In January 2015, a loan of \$14.0 million for a 15-year term, bearing interest at a rate of 3.55%, for the acquisition of a shopping centre in Delson, a Montréal suburb, at a cost of \$21.5 million.
- In July 2015, a refinancing of \$17.5 million for a 10-year term, bearing interest at a rate of 4.06%, on two properties. The total amount was used to repay two outstanding financings of \$12.1 million bearing interest at an average rate of 5.64% and for general Trust purposes.
- In August 2015, a loan of \$18.5 million for a 10-year term, bearing interest at a rate of 3.64%, for the acquisition of two office buildings in Ottawa, at a cost of \$28.5 million.
- In October 2015, a refinancing of two properties for a total amount of \$7 million, at an interest rate of 3.77% maturing in 10 years, to reimburse two financings on these properties, one at 5.26% and the other at 4.0%.
- During the year, renewal of three mortgage loans totalling \$14 million on six properties, at similar terms and conditions as previously established.

#### Event subsequent to December 31, 2015

In February 2016, a loan of \$7.3 million for a 5-year term, bearing interest at rate of 2.77% and a second ranking loan of \$2.6 million for a 2 year-term, bearing interest at 5.9%. These two loans were used to acquire an office building in Montréal, Québec for \$11 million.

In February 2016, BTB entered into a refinancing agreement for \$1.6 million for a 5-year term, bearing interest at a rate of 3.30%, on an office property that is 75% owned.

#### Convertible debentures

##### (a) Series C

In January 2011, the Trust had issued Series C convertible, unsecured, subordinated debentures, bearing 8% interest, in the amount of \$23 million. Interest was payable semi-annually and the debentures matured on January 31, 2016. The debentures were also convertible at the option of the holder at any time no later than January 31, 2016, subject to certain conditions. The conversion price was \$5.00 per unit (the "Series C conversion price"). An amount of \$146 was converted in 2015.

On December 4, 2015, the Trust refinanced the Series C debentures in the amount of \$23 million by issuing new Series F debentures, and the Series C subordinated debentures were fully repaid on December 30 2015.

##### (b) Series 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 December 31, 2015, the closing market price of BTB units was \$4.41.

Since 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.

**(c) Series 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 December 31, 2015, the closing market price of BTB units was \$4.41.

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.

**(d) Series F**

In December 2015, the Trust issued Series F subordinated, convertible, unsecured debentures, bearing 7.15% interest, in the amount of \$26.7 million. Interest is payable semi-annually and the debentures mature on December 31, 2020. The debentures are convertible at the holder's option at any time before December 31, 2020, subject to certain conditions. The conversion price is \$5.65 per unit (the "Series F conversion price"). As at December 31, 2015, the closing market price of BTB units was \$4.41.

As of December 31, 2018, but before December 31, 2019, 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 F conversion price and, as of December 31, 2019, but before December 31, 2020, at a redemption price equal to their principal amount plus accrued and unpaid interest.

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

In 2015, only the Series C debentures met the conditions necessary for an authorized redemption. Debentures totalling \$146 were converted in the second quarter of 2015.

As at December 31, 2015  
(in thousands of dollars)

	<b>Series D</b>	<b>Series E</b>	<b>Series F</b>	<b>Total</b>
Contractual interest rate	7.25%	6.90%	7.15%	
Effective interest rate	8.47%	7.90%	8.47%	
Date of issuance	July 2011	February 2013	December 2015	
Per-unit conversion price	\$6.10	\$6.15	\$5.65	
Date of interest payment	January 31 and July 31	March 31 and September 30	June 30 and December 31	
Maturity date	July 2018	March 2020	December 2020	
<b>Balance as at December 31, 2015</b>	<b>21,627</b>	<b>21,968</b>	<b>25,271</b>	<b>68,866</b>

### Bank loan – operating credit facility

BTB has an operating credit facility of \$2 million with a Canadian chartered bank. This credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and by a third-ranking mortgage. The facility bears interest at the bank's base rate, plus 0.75%. As at December 31, 2015, the operating credit facility had not been used.

### Bank loans – acquisition credit facility

BTB has an acquisition credit facility of \$15 million with a Canadian chartered bank. This credit facility is partially secured by a first-ranking collateral mortgage on three properties, a second-ranking collateral mortgage on three properties, and a third-ranking mortgage on one property. The facility bears interest at the bank's base rate, plus 3.25%. As at December 31, 2015, \$9.8 million of the acquisition credit facility had been used.

The Trust intends to repay the acquisition credit facility in full through the issuance of units as soon as circumstances permit.

### 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.

The following table presents the Trust's debt ratios as at December 31, 2015 and December 31, 2014.

As at December 31 (in thousands of dollars)	2015	2014
	\$	\$
Mortgage loans payable <sup>(1)</sup>	367,953	330,784
Convertible debentures <sup>(1)</sup>	72,700	69,000
Acquisition credit facility	9,800	—
<b>Total long-term debt</b>	<b>450,453</b>	<b>399,784</b>
Gross book value of the Trust	633,993	587,490
Mortgage liability ratio (excluding convertible debentures and acquisition credit facility)	58.0%	56.3%
Debt-equity ratio – convertible debentures	11.5%	11.7%
Debt-equity ratio – acquisition line of credit	1.5%	—%
<b>Total debt ratio</b>	<b>71.0%</b>	<b>68.0%</b>

<sup>(1)</sup> Gross amounts

According to the table above, the mortgage liability ratio, excluding the convertible debentures and acquisition credit facility as at December 31, 2015, amounted to 58.0%, an increase of 1.7% compared to December 31, 2014. Including the convertible debentures and the acquisition credit facility, the ratio stood at 71.0%, up 3.0% from December 31, 2014. This increase reflects two factors: use of \$9.8 million of the acquisition credit facility to purchase accretive properties and a decline in the fair

value of investment properties. Management intends to repay the acquisition credit facility through a contingent unit issue as soon as circumstances permit.

The Trust seeks to finance its acquisitions with mortgage debt ratios of 60% to 70% because the cost of financings is lower than the capital cost of the Trust's equity.

### Interest coverage ratio

The Trust calculates its interest coverage ratio by dividing net operating income by interest expense net of interest income. The interest coverage ratio is used to assess BTB's ability to pay interest on its debt using its operating revenues. For the quarter ended December 31, 2015, the interest coverage ratio stood at 1.88, down 24 points from the fourth quarter of 2014. Despite the decrease, this ratio shows the Trust's financial strength and ability to cover the cost of its debt.

Periods ended December 31  
(in thousands of dollars, except for the ratios)

	Quarter		Year	
	2015	2014	2015	2014
	\$	\$	\$	\$
Net operating income	10,020	10,008	41,294	37,983
Interest expense, net of interest income <sup>(1)</sup>	5,331	4,725	20,336	18,780
Interest coverage ratio	1.88	2.12	2.03	2.02

<sup>(1)</sup> Interest expense excludes accretion of effective interest, accretion of non-derivative liability component of convertible debentures and the fair value adjustment on derivative financial instruments.

### Accounts payable and other liabilities

	December 31 2015	December 31 2014
(in thousands of dollars)	\$	\$
Trade and other payables	11,693	12,457
Distributions payable	1,215	1,194
Unit-based compensation	173	213
Derivative financial instruments	380	145
	13,461	14,009

### Unitholders' equity

Unitholders' equity consists of the following:

	December 31, 2015	December 31, 2014
(in thousands of dollars)	\$	\$
Trust units	184,853	182,284
Cumulative profit	42,232	33,563
Cumulative distributions to unitholders	(52,726)	(38,248)
<b>Unitholders' equity</b>	<b>174,359</b>	<b>177,599</b>

### 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, 114,253 units were issued during the fourth quarter of 2015 (2014: 91,789 units) and 408,625 units were issued during the year (2014: 318,482). Approximately 12.5% of the distributions paid in 2015 have been reinvested under the plan, compared to 11.2% in 2014.

### Units outstanding

The following table summarizes units issued and the weighted number of units for the same periods.

Periods ended December 31  
(in number of units)

	Quarter		Year	
	2015	2014	2015	2014
	Units	Units	Units	Units
<b>Units outstanding, beginning of period</b>	<b>34,590,898</b>	34,042,178	<b>34,133,967</b>	28,325,538
Units issued				
Public offering	—	—	—	5,436,000
Distribution reinvestment plan	<b>114,253</b>	91,789	<b>408,625</b>	318,482
Awards under employee unit purchase plan	—	—	<b>7,758</b>	7,456
Awards under the restricted unit compensation plan	—	—	<b>51,601</b>	10,000
Awards under the deferred unit compensation plan	—	—	—	36,491
Unit options exercised	—	—	<b>74,000</b>	—
Conversion of Series C debentures	—	—	<b>29,200</b>	—
<b>Units outstanding, end of period</b>	<b>34,705,151</b>	34,133,967	<b>34,705,151</b>	34,133,967
Weighted average number of units outstanding	<b>34,648,520</b>	34,088,813	<b>34,449,596</b>	31,418,057

### 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.

The following table provides details on unit options granted:

Periods ended December 31 (in number of options)	2015		2014	
	Unit options	Weighted average exercise price	Unit options	Weighted average exercise price
		\$		\$
<b>Outstanding, beginning of period</b>	<b>74,000</b>	—	<b>98,000</b>	4.51
Expired	—	—	<b>(24,000)</b>	4.54
Exercised	<b>(74,000)</b>	<b>4,50</b>	—	—
<b>Outstanding, end of period</b>	—	—	<b>74,000</b>	4.50
Options vested as at December 31	—	—	<b>74,000</b>	4.50
Weighted average remaining term to expiry (years)	—	—	—	0.40

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.

#### Deferred unit compensation plan

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

The following table summarizes deferred units outstanding during the quarters and years ended December 31, 2015 and 2014:

Periods ended December 31 (in number of units)	Quarter		Year	
	2015	2014	2015	2014
<b>Deferred units outstanding, beginning of period</b>	—	—	—	29,771
Deferred units issued	—	—	—	5,619
Distributions converted to deferred units	—	—	—	1,649
Deferred units paid	—	—	—	(37,039)
<b>Deferred units outstanding, end of period</b>	—	—	—	—



### Restricted unit compensation plan

Under this plan, beneficiaries are awarded restricted units that become fully vested over a period of up to three years. The purpose of the plan is to encourage senior officers to achieve the Trust's long-term growth objectives and align their interests with the interests of unitholders. The plan is also an executive retention tool.

The following table summarizes restricted units outstanding during the quarters and years ended December 31, 2015 and 2014.

Periods ended December 31  
(in number of units)

	Quarter		Year	
	2015	2014	2015	2014
<b>Restricted units outstanding, beginning of period</b>	<b>51,083</b>	—	<b>39,816</b>	—
Restricted units issued	—	39,816	<b>62,868</b>	49,816
Restricted units settled	—	—	<b>(51,601)</b>	(10,000)
<b>Restricted units outstanding, end of period</b>	<b>51,083</b>	39,816	<b>51,083</b>	39,816

### Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, a maximum of 3% to 7% of their base salary depending on their years of experience with the Trust. For each two units purchased by an employee, the Trust shall issue one unit from treasury. During the quarter, no units were issued under the plan (December 31, 2014: nil) and as at December 31, 2015, a liability of 37\$ was recorded for the contingent issuance of 8,340 units (2014: \$37 for 7,758 units).

### Off-balance sheet arrangements and contractual commitments

BTB does not have any other 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.

During the quarter ended December 31, 2015, 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.

A special tax regime applies to trusts that are considered specified investment flow-through (SIFT) entities as well as those individuals who invest in SIFT entities. Under this regime, SIFT entities must generally pay taxes on their income at rates that are close to those of companies. In short, a SIFT entity is an entity (including a trust) that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

However, for a given taxation year, BTB is not considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a real estate investment trust (REIT).

Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions all year long: i) the total fair market value of all the "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the total fair market value at that time of all the "non-portfolio assets" held by the trust ii) not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, disposals of "real or immovable properties" that are capital properties, dividends, royalties and disposals of "eligible resale properties" iii) not less than 75% of its "gross REIT revenue" for the taxation year comes from one or more of the following sources: rent from "real or immovable properties," interest from mortgages on "real or immovable properties," and disposals of "real or immovable properties" that are capital properties iv) at each time in the taxation year, an amount that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust, each of which is "real or immovable property" which is a capital property, an "eligible resale property," an indebtedness of a Canadian corporation represented by a banker's acceptance, cash or, generally, an amount receivable from the Government of Canada or from certain other public agencies; and v) the investments that are made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 2015, 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.

Nonetheless, there is no guarantee that BTB will continue to meet all the required conditions to be eligible for the REIT exception for 2015 or any other subsequent year.

## Taxation of Unitholders

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

Quarters ended December 31	2015	2014
	%	%
Taxable as other income	—	—
Tax deferred	100	100
<b>Total</b>	<b>100</b>	<b>100</b>

## Summary of Significant Accounting Policies and Estimates

BTB's significant accounting policies and estimates are described in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2015 and the reader is invited to refer to these financial statements.

### (a) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per unit amounts.

### (b) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

#### (i) Critical judgements in applying accounting policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

##### *Business combinations*

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

- The extent to which significant inputs and processes are acquired and in particular the extent of ancillary services provided by the acquiree.
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes.
- The number of investment properties owned by the acquiree.

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations*.

When the acquisition does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

*Operating lease contracts – Trust as lessor*

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

**(ii) Key sources of estimation uncertainty**

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

*Valuation of investment properties*

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

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (including lease income and costs, future revenue streams, capital expenditures of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those cash flows. These estimates are based on local market conditions existing at the reporting date.

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

*Techniques used for valuing investment properties*

The Direct Capitalization method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires estimation of future cash inflows and application of investor yield or return requirements.

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

The Comparable method involves the comparison of the Trust's investment properties to similar investment properties that have transacted within a recent time frame from which a fair value is estimated based on the price per square foot of these comparable sales.

*Derivative financial instruments*

Derivative financial instruments, including embedded derivatives, are recognized on the consolidated statement of financial position at fair value. Subsequent to initial recognition, these derivatives are measured at fair value. The fair value of derivative instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. Changes in estimated fair value at each reporting date are included in profit and loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

*Unit options*

The Trust has a unit option plan for the benefit of management. The plan does not provide for cash settlement. The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using the Black-Scholes model. The compensation expense is amortized using the graded vesting method. The valuation model requires management to make estimates for the expected life, volatility, the average dividend yield of distributions and the average risk-free interest rate.

**(c) Basis of consolidation**

**(i) Business combinations**

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the Trust on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Trust measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Trust elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Trust incurs in connection with a business combination are expensed as incurred.

**(ii) Subsidiaries**

Subsidiaries are entities controlled by the Trust. Control exists when the Trust has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(iii) Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. The consolidated financial statements include the Trust's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

**(d) Financial instruments**

Financial assets and liabilities are recognized when the Trust becomes party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trust's designation of such instruments.

**(i) Non-derivative financial assets**

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise restricted cash, receivables and cash and cash equivalents.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less.

*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.

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

**(ii) Non-derivative financial liabilities**

The Trust classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities comprise mortgage loans payable, convertible debentures, bank loans, trade and other payables and distributions payable to unitholders.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

**(iii) Trust units**

Trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32"), in which case, the puttable instruments may be presented as equity.

BTB's trust units meet the conditions of IAS 32 and are therefore presented as equity.

**(iv) Convertible debentures**

The convertible debentures, which are considered financial liabilities, are convertible into trust units of the Trust. Since BTB's trust units meet the definition of a financial liability, the conversion and redemption options are considered embedded derivatives.

**(v) Derivative financial instruments**

Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

**(e) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. The Trust 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. Investment property includes income properties, properties under development and land held for future development if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the investment property.

The Trust makes payments to agents for services in connection with negotiating lease contracts with the Trust's lessees. These leasing fees are capitalized within the carrying amount of the related investment property and then considered in the fair value adjustment of the investment property at the next reporting period.

Should the use of a property change and be reclassified as property and equipment, its fair value at the date of reclassification would become its cost for subsequent accounting.

**(f) Property and equipment**

**(i) Recognition and measurement**

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses in accordance with the cost model.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.



Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within profit or loss on a net basis.

**(ii) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Owner-occupied building	40 years
Equipment, furniture and fixtures	2 - 12 years
Rolling stock	2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted when appropriate.

**(iii) Impairment**

The carrying amount of the Trust's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

**(g) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

**(i) Trust as lessor**

All existing rental leases related to the Trust's investment properties have been assessed as operating leases.

**(ii) Trust as lessee**

Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

**(h) Provisions**

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Trust expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**(i) Revenue recognition**

Rental revenue from property includes rents from tenants under leases, property taxes and operating cost recoveries, lease cancellation fees and incidental income. Rental revenue is recognized when service has been rendered and the amount of expected consideration can be reliably estimated.

The Trust commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date, or when the Trust is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of the additions. Certain leases provide for tenant occupancy during periods for which no rent is due ("free rent period") or where minimum rent payments change during the term of the lease. Accordingly, rental revenue is recognized in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which user's benefit derived from the leased asset is diminished. Any deferred amounts related to the straight-line lease adjustments are recognized within investment properties. Leases generally provide for the tenants' payment of maintenance expenses of common elements, property taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests.

Lease incentives which are mostly leasehold improvements and payments of monetary allowances to tenants, are amortized over the lease term as a reduction of rental revenue. The lease term is the non-cancellable period of the lease together with any further extension for which the tenant has the option to continue the lease, where, at the inception of the lease, the Trust is reasonably certain that the tenant will exercise that option. Lease incentives and amortization of lease incentives are recognized as adjustments to the carrying amount of investment properties.

Cancellation fees or premiums received to terminate leases are recognized in profit and loss when they arise.

**(j) Government grants**

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Trust will comply with the conditions associated with the grant. Grants that compensate the Trust for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Trust for the cost of an asset are deducted from the carrying amount of the asset.

**(k) Earnings per unit**

The Trust presents basic earnings per unit data for its Trust units. Basic earnings per unit are calculated by dividing the profit or loss attributable to unit holders of the Trust by the weighted average number of units outstanding during the period, adjusted for own units held.

**(l) Finance income and finance costs**

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest on mortgage loans payable, convertible debentures, bank loans and other payables, as well as accretion of the non-derivative liability component of convertible debentures, and accretion of effective interest on mortgage loans payable, convertible debentures and bank loans, and finance income.

Net financing costs comprise finance costs and changes in the fair value of derivative financial instruments.

**(m) Operating segment**

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Trust's other components. All operating segments' operating results are reviewed regularly by the Trust's Chief Executive officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**(n) Unit-based compensation**

**(i) Unit option plan**

The Trust uses the fair value-based method of accounting for its unit-based awards, under which compensation expense is measured at grant date and recognized over the vesting period. The units are considered financial liabilities and the awards are also considered financial liabilities and measured at fair-value at each reporting period and the change in the fair value is recognized as compensation expense in profit and loss.

**(ii) Deferred unit compensation plan for trustees and certain executive officers**

Compensation costs related to the deferred unit compensation plan for trustees and certain executive officers are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss.

**(iii) Employee unit purchase plan**

Compensation costs related to the employee unit purchase plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at settlement date. Any changes in fair value are recognized as compensation expense in profit or loss.

**(iv) Restricted unit compensation plan**

Compensation costs related to the restricted unit compensation plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss. The compensation expense is amortized using the graded vesting method.

**(o) Income taxes**

BTB is a mutual fund trust and a Real Estate Investment Trust ("REIT") pursuant to the *Income Tax Act* (Canada). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that, it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. BTB has reviewed the proscribed conditions under the *Income Tax Act* (Canada) and has determined that it qualifies as a REIT for the year. BTB intends to continue to qualify as a REIT and to make distributions not less than the amount necessary to ensure that BTB will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

**(p) Fair value measurement**

The Trust measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at fair value at each reporting date. 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 under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Trust. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by reassessing

categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## New Accounting Policies

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

### **IFRS 9, *Financial Instruments* (“IFRS 9”)**

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The new standard is effective for the Trust’s annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

### **IFRS 11, *Joint Arrangements* (“IFRS 11”)**

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business combination as defined in IFRS 3. Acquirers of such interests are to apply the relevant principals on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016 and should be applied prospectively. The Trust does not expect this amendment to significantly impact the consolidated financial statements.

### **IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”)**

In May 2014 the IASB issued IFRS 15 in replacement of IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard is effective for the Trust’s annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

### **IFRS 16, *Leases* (“IFRS 16”)**

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust’s annual periods beginning after January 1, 2019 with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

**IAS 1, *Presentation of Financial Statements* (“IAS 1”)**

During December 2014, the IASB issued an amendment to IAS 1 clarifying certain existing IAS 1 requirements. The amendments include the following: the materiality requirements in IAS 1; that specific line items in the consolidated statements of earnings and OCI and the consolidated balance sheets may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to earnings. The amendments also clarify the requirements that apply when additional subtotals are presented in the consolidated balance sheets and the consolidated statement of earnings and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments are not expected to have any significant impact on our consolidated financial statements.

## Risks and Uncertainties

Like all real estate entities, BTB 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 redevelopments, 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.

New 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. At this time, low oil prices have had and continue to have an adverse effect on Canada's economy. 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 flows from operations, additional borrowings and public or private sales of equity or debt securities. BTB may not be able to refinance its existing debt or renegotiate the terms of repayment at favourable rates. In addition, the terms of BTB's indebtedness in general contain customary provisions that, upon an event of default, result in accelerated repayment of the amounts owed and that restrict the distributions that may be made by BTB. Therefore, upon an event of default under such borrowings or an inability to renew same at maturity, BTB's ability to make distributions will be adversely affected.

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

The operating credit facility in the stated amount of \$2 million and acquisition credit facility for \$15 million are repayable on demand with at least 60 days' notice. The credit facilities are subject to



review on or around June 1 of each year.

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.

### **Retail sector**

Since the beginning of 2015, the retail sector has suffered economic difficulties that have led to the closing of certain chains and to the bankruptcy of certain companies in Canada. Even though none of these occupied any rental space in BTB's properties, their disappearance has led to an important increase in available space on the markets. This availability might lead to a downward pressure on leasable space and to an increase in competition to fill the vacant spaces.

### **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 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.

### **Environmental matters**

Environmental and ecological related policies have become increasingly important in recent years. As an owner or operator of real property, BTB could, under various federal, provincial and municipal laws, become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect BTB's ability to sell such real estate or to borrow using such real estate as collateral, and could, potentially, also result in claims against BTB by private plaintiffs or governmental agencies. BTB is not currently aware of any material non-compliance, liability or other claim in connection with any of our properties, nor is BTB aware of any environmental condition with respect to any properties that it believes would involve material expenditures by BTB.

Pursuant to BTB's operating policies, BTB shall obtain or review a Phase I environmental audit of each immovable property to be acquired by it.

### **Legal Risks**

BTB's operations are subject to various laws and regulations across all of its operating jurisdictions and BTB faces risks associated with legal and regulatory changes and litigation.

### **General Uninsured Losses**

BTB subscribed a blanket comprehensive general liability including insurance against fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not insurable on an economically viable basis. BTB also carries insurance for earthquake risks, subject to certain policy limits and deductibles, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, BTB could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but BTB would continue to be obligated to repay any mortgage loans on such properties.

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and BTB may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. Damage to a property sustained as a result of an uninsured terrorist or similar act would likely adversely impact BTB's financial condition and results of operation and decrease the amount of cash available for distribution.

### 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 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"). 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, the REIT must meet the following conditions: i) the total fair market value of all the "non-portfolio properties" that are "qualified REIT properties" held by the trust is always at least 90% of the total fair market value at that time of all the "non-portfolio assets" held by the trust; (ii) not less than 90% of the REIT's gross revenues for that year come from one or more of the following sources: rent from "real or immovable properties," interest, disposals of "real or immovable properties" that are capital properties, dividends, royalties and disposals of "eligible resale properties," (iii) not less than 75% of the REIT's gross revenues for that year must come from one or more of the following sources: rent from "real or immovable properties," interest from mortgages on "real or immovable properties" and disposals of "real or immovable properties" that are capital properties; (iv) the REIT must, throughout the year, hold properties, each of which is a "real or immovable property" which is a capital property, an "eligible resale property," 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; and v) the investments that are made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 2015, 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. 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 consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that the DC&P were effective as at the end of the year ended December 31, 2015 and that the current controls and procedures provide reasonable assurance that material information about BTB 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 BTB concluded that ICFR was effective as at the end of the year ended December 31, 2015, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

During fiscal year 2015, management made no changes to internal control over financial reporting that materially affected, or are likely to materially affect, internal control over financial reporting.



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