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True North Commercial Real Estate Investment Trust announces two immediately accretive acquisitions and concurrent non-brokered private placement

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TORONTO, July 4, 2014 /CNW/ - True North Commercial Real Estate Investment Trust (the "**REIT**") (TSX: TNT.UN) is pleased to announce that it has agreed to acquire (the "**Acquisitions**") an industrial property located at 63 Innovation Drive in Hamilton, Ontario (the "**Innovation Drive Property**") and an office property located at 295 Belliveau Avenue in Shediac, New Brunswick (the "**Belliveau Property**").

The Acquisitions represent a combined implied capitalization rate of approximately 7.9% and are expected to be immediately accretive to the REIT's adjusted funds from operations ("**AFFO**"). Upon completion of the Acquisitions, the REIT's aggregate portfolio gross revenue from government and credit rated tenants is anticipated to be 87%, occupancy is expected to increase to 99.6% and average remaining lease term will increase to 4.4 years.

The aggregate purchase price for the Acquisitions is \$10.5 million, exclusive of closing costs, and is expected to be satisfied with first mortgage financing on each of the properties in the aggregate amount of approximately \$7.35 million, with an estimated 3.9% interest rate for a 7 year term in respect of the Innovation Drive Property and an estimated 3.6% interest rate for a 5 year term in respect of the Belliveau Property. The balance of the purchase price is expected to be satisfied through: (i) a concurrent non-brokered private placement (the "**Private Placement**") of 378,787 trust units of the REIT ("**Units**") at an issue price of \$6.60 per Unit for aggregate proceeds of approximately \$2,500,000 with D. D. Acquisitions Partnership, an entity controlled by Daniel Drimmer, the REIT's Chief Executive Officer and Chairman of the Board; (ii) a 3.0% interest only vendor-take-back mortgage in the amount of \$750,000 in respect of the Innovation Drive Property, repayable at any time without penalty, and with a term of up to 9.5 years; and (iii) a drawdown of approximately \$370,000 from the REIT's credit facility.

"We are very pleased to announce two acquisitions which are immediately accretive to AFFO, materially reduce the REIT's payout ratio, are congruent with the REIT's acquisition criteria and will contribute to the overall diversity of the REIT's portfolio," stated Daniel Drimmer, the REIT's Chief Executive Officer and Chairman of the Board. "The Innovation Drive Property is the REIT's first industrial acquisition and the two acquisitions once again confirm our ability to execute on our stated strategy of acquiring quality properties at competitive capitalization rates that are accretive to the REIT's key operating and financial metrics," continued Mr. Drimmer.

Innovation Drive Property

The Innovation Drive Property is a stand-alone, single tenant industrial building situated in Hamilton, Ontario with a total of 45,879 rentable square feet and 24 feet of clear height. Built in 2001 with an expansion in 2006, the property is 100% occupied with an average lease term of 9.4 years and is well situated with access to major arterial highways including Highway 403, the Queen Elizabeth Way and Highway 6. The purchase and sale agreement entered into with an arms' length vendor for the acquisition

of the Innovation Drive Property contains customary provisions for transactions of a similar nature, including representations, warranties and covenants of the parties.

Belliveau Property

The Belliveau Property is a stand-alone, four-storey office building with a total of 42,115 rentable square feet situated in Shediac, New Brunswick, in close proximity to the Greater Moncton International Airport and the TransCanada Highway. Built in 2006, with further improvements made in 2007, the property is 100% occupied by the Federal Government of Canada providing for long-term visible credit-backed cash flow with an average lease term of 7.6 years. The purchase and sale agreement entered into with an entity controlled by Daniel Drimmer, the REIT's Chief Executive Officer and Chairman of the Board, for the acquisition of the Belliveau Property contains customary provisions for transactions of a similar nature, including representations, warranties and covenants of the parties.

Private Placement

In order to satisfy a portion of the purchase price for the Acquisitions, the REIT intends to concurrently complete the Private Placement with D. D. Acquisitions Partnership, an entity controlled by Daniel Drimmer, the REIT's Chief Executive Officer and Chairman of the Board. The subscription agreement to be entered into in connection with the Private Placement is expected to contain customary provisions for transactions of a similar nature, including representations, warranties and covenants of the parties. The Units issued pursuant to the Private Placement will be subject to applicable first trade restrictions under Canadian securities laws. The issue price for the Private Placement represents an allowable discount to the current market price of the Units. However, the issue price represented a premium when the Acquisitions were first considered by the Investment Committee of the Board of Trustees of the REIT and was at the current market price when the Acquisitions and related Private Placement were approved by the Board of Trustees of the REIT (as discussed below).

The Private Placement and the acquisition of the Belliveau Property each constitute a "related party transaction" under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). Pursuant to Section 5.5(a) and 5.7(1)(a) of MI 61-101, the REIT is exempt from obtaining a formal valuation and minority approval of the REIT's unitholders because the fair market value of Mr. Drimmer's participation in the Private Placement and the acquisition of the Belliveau Property will be below 25% of the REIT's market capitalization for purposes of MI 61-101. The Private Placement and the acquisition of the Belliveau Property were each approved unanimously by the Board of Trustees of the REIT (other than Daniel Drimmer, who declared his interest in the Private Placement and the acquisition of the Belliveau Property and was recused from voting) in accordance with the REIT's amended and restated declaration of trust made as of December 14, 2012, as amended.

Following the completion of the Private Placement, Mr. Drimmer is expected to hold an approximate 24.66% effective interest in the REIT (based on the number of issued and outstanding Units and class B limited partnership units ("**Class B LP Units**") of True North Commercial Limited Partnership, a limited partnership controlled by the REIT, as at March 31, 2014 and including the Units issued in connection with the Private Placement, but excluding Mr. Drimmer's options to purchase Units) through his ownership of, or control or direction over Units and Class B LP Units, and the accompanying special voting units of the REIT, which provide a holder of Class B LP Units with equivalent voting rights in respect of the Class B LP Units that the REIT provides to holders of Units.

Completion of the Acquisitions and Private Placement are expected to occur on or about July 31, 2014 and are conditional upon the satisfaction of customary conditions, including approval of the Toronto Stock Exchange.

Asset Management

Upon completion of the Acquisition, Starlight Investments Ltd. ("**Starlight**") will be paid an acquisition fee of approximately \$105,000 (exclusive of applicable tax) pursuant to an asset management agreement with the REIT dated as of December 14, 2012 which is available at www.sedar.com.

About the REIT

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario.

The REIT is focused on acquiring and operating commercial rental properties across Canada and such other jurisdictions where opportunities exist. Additional information concerning the REIT is available at www.sedar.com.

Non-IFRS Financial Measures

The REIT's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). AFFO, as well as other measures discussed elsewhere in this news release, does not have a standardized definition prescribed by IFRS and is, therefore, unlikely to be comparable to similar measures presented by other reporting issuers. The REIT uses non-IFRS measures to better assess the REIT's underlying performance and financial position and provides these additional measures so that investors may do the same. AFFO is an important performance measure to determine the sustainability of future distributions paid to holders of Units after a provision for capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance. Details on non-IFRS measures are set out in the REIT's Management's Discussion and Analysis for the period ended March 31, 2014 and available on the REIT's profile at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the REIT's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to the REIT's future outlook and anticipated events, including completion and the terms of the Acquisitions, the Private Placement or other financial or operating results and may include statements regarding the financial position, business strategy, budgets, financing rates and costs, the capitalization rate attributable to the Acquisitions, the expected occupancy and lease term of the REIT's portfolio resulting from the Acquisitions, taxes and plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek",

"aim", "estimate", "target", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the REIT's control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, the risks discussed in the REIT's materials filed with Canadian securities regulatory authorities from time to time on www.sedar.com. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance that actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions, including management's perceptions of historical trends, current conditions and expected future developments, including the closing of the Acquisitions and the Private Placement, as well as other considerations that are believed to be appropriate in the circumstances, such as: the Canadian economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain stable; conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate; the Canadian capital markets will continue to provide the REIT with access to equity and/or debt at reasonable rates when required; Starlight will continue its involvement as asset manager of the REIT in accordance with its current asset management agreement; and the risks identified or referenced above, collectively, will not have a material impact on the REIT. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made in this press release are dated, and relate only to events or information, as of the date of this press release. Except as specifically required by law, the REIT undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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