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True North Commercial Real Estate Investment Trust Proposed New Brunswick Acquisition and Private Placement

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TORONTO, Oct. 23, 2013 /CNW/ - True North Commercial Real Estate Investment Trust (the "**REIT**") (TSX: TNT.UN) is pleased to announce that it has agreed to acquire (the "**Acquisition**") an office property located at 551 King Street in Fredericton, New Brunswick (the "**King Street Property**"). The Acquisition is expected to be immediately accretive to the REIT's adjusted funds from operations ("**AFFO**").

King Street Property

The purchase price for the King Street Property of approximately \$17.0 million, subject to customary adjustments and closing costs, represents an implied capitalization rate of approximately 7.1%. The Acquisition is expected to be satisfied through the payment of approximately \$2.1 million of cash and the issuance to the vendor of 454,545 class B limited partnership units of True North Commercial Limited Partnership ("**Class B LP Units**"), which are economically equivalent to, and exchangeable for, the REIT's trust units ("**Units**"), at a price of \$6.60 per Class B LP Unit, with the balance of the purchase price funded by a new five year mortgage in the amount of approximately \$11.9 million with an expected interest rate of approximately 3.9%. The Class B LP Unit consideration paid to the vendor will be subject to applicable first trade restrictions under applicable Canadian securities laws. Upon completion of the Acquisition, the REIT is expected to have a debt to gross book value of approximately 57.9%.

The King Street Property is a stand-alone premier office building situated in the heart of downtown Fredericton, New Brunswick with a total of 84,915 rentable square feet. Built in 2002, the property is 100% occupied with an average lease term of 8.9 years remaining and is well situated with accessibility to major arterial highways and routes including the Trans-Canada Highway. The tenant base of the King Street Property is comprised of a number of government or credit rated tenants including the Government of New Brunswick and National Bank of Canada, providing for long-term visible credit-backed cash flow and representing 98.4% of the King Street Property's gross revenue.

Daniel Drimmer, the REIT's Chief Executive Officer and Chairman of the Board of Trustees stated, "We are very pleased to acquire this off-market office property which meets the REIT's acquisition criteria and will help to contribute to the overall quality of the REIT's portfolio. This acquisition strengthens the REIT's presence in New Brunswick and confirms 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. With the addition of this property, it is expected the REIT's aggregate portfolio gross revenue from government or credit rated tenants will increase to 88%."

The purchase and sale agreement for the acquisition of the King Street Property contains customary provisions for transactions of a similar nature, including representations, warranties and covenants of the parties. A copy of the purchase agreement, as amended, will be available at www.sedar.com. Completion of the Acquisition is expected to occur on or about November 13, 2013 and is conditional upon the satisfaction of customary conditions, including approval of the Toronto Stock Exchange (the "**TSX**").

Private Placement

To finance the cash component of the purchase price for the Acquisition and related closing costs, the REIT has agreed to sell, on a non-brokered private placement basis, 386,364 Units at a price of \$6.60 per Unit (the "**Private Placement**") for aggregate gross proceeds of approximately \$2.55 million. D.D. Acquisitions Partnership, an affiliate of Daniel Drimmer, has agreed to purchase 378,788 Units pursuant to the Private Placement. Each of the subscription agreements in connection with the Private Placement contains customary provisions for transactions of a similar nature, including representations, warranties and covenants. The Units issued pursuant to the Private Placement will be subject to applicable first trade restrictions under applicable Canadian securities laws. Closing of the Private Placement is expected to occur concurrently with the Acquisition and is subject to the approval of the TSX.

Following the completion of the Private Placement, Mr. Drimmer will hold an approximate 21.74% effective interest in the REIT (based on the number of issued and outstanding Units and Class B LP Units as at September 30, 2013 and including the Class B LP Units and Units issued in connection with the Acquisition and the Private Placement, but excluding Mr. Drimmer's options to purchase Units) through his ownership of, or control or direction over, Units, 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 REIT to holders of Units.

The Private Placement constitutes 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 due to the fair market value of Mr. Drimmer's participation in the Private Placement being below 25% of the REIT's market capitalization for purposes of MI 61-101. The Private Placement was approved unanimously by the Board of Trustees of the REIT (other than Daniel Drimmer, who declared his interest in the Private Placement and was recused from voting) in accordance with the REIT's amended and restated declaration of trust made as of December 14, 2012. The REIT will file a material change report in respect of the Acquisition and the Private Placement; however, the material change report is expected to be filed less than 21 days prior to the closing of the Acquisition and the Private Placement. The shorter time period is necessary in order to permit the REIT to close the Acquisition and the Private Placement in the time frame contemplated in the agreement of purchase and sale.

Asset Management

Upon completion of the Acquisition, Starlight Investments Ltd. ("**Starlight**") will be paid an acquisition fee of \$144,075 (inclusive 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 June 30, 2013 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 of the Acquisition, 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 Acquisition, 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 Acquisition 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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