Dec 11, 2014

True North Commercial REIT Announces Transformative Acquisitions and an Approximate $27.3 Million Offering of Trust Units

38% increase in portfolio assets; enhanced liquidity from substantial unit offering

TORONTO, ONTARIO--(Marketwired - Dec. 11, 2014) -

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True North Commercial Real Estate Investment Trust (the "REIT") (TSX:TNT.UN) announced today that it has agreed to indirectly acquire an aggregate of 11 office properties (collectively, the "Acquisition Properties") in three separate transactions from arm's length vendors for an aggregate purchase price of approximately $83.4 million (collectively, the "Acquisitions"), representing an implied capitalization rate of approximately 7.6%.

The Acquisitions will be partially financed through the sale, on a bought deal basis, of 4,440,000 trust units of the REIT (each, a "Unit") at a price of $6.15 per Unit (the "Offering") and a concurrent $1.0 million private placement of 151,515 Units at a price of $6.60 per Unit to D.D. Acquisitions Partnership, an entity controlled by Daniel Drimmer, the REIT's President, Chief Executive Officer and Chairman of the Board, and an affiliate of Starlight Investments Ltd. ("Starlight"), the asset manager of the REIT (the "Concurrent Private Placement"). The acquisition of certain Acquisition Properties will also be partially financed through the issuance to the vendors of such Acquisition Properties of 833,333 class B limited partnership units of True North Commercial Limited Partnership ("Class B LP Units") at $6.60 per Class B LP Unit representing in aggregate, approximately $5.5 million.

Highlights:

-- The REIT has agreed to acquire an aggregate of 11 office properties,

totalling approximately 339,500 square feet, located in secondary

Ontario markets for an aggregate purchase price of approximately $83.4

million, representing an implied capitalization rate of approximately

7.6%

-- Acquisitions are expected to be immediately accretive to both FFO per

Unit and AFFO per Unit

-- Upon completion of the Acquisitions:

-- occupancy is expected to remain stable at 98.5% and revenue from government and credit-rated tenants is expected to increase to 90.0%

from 88.2%

-- debt financing is expected to have a weighted average interest rate

of 3.44% (after giving effect to the Instalment Notes (as defined

herein)) and an improved weighted average term to maturity of

approximately 4.3 years

-- the average remaining lease term of the REIT's property portfolio is

expected to increase to 4.9 years from 4.2 years, and

-- the REIT's indebtedness to gross book value ratio will be

approximately 59.2%

The Acquisition Properties are predominantly located in secondary Ontario markets and comprise a total of approximately 339,500 rentable square feet. In aggregate, the Acquisition Properties will increase the size of the REIT's portfolio by 38%, and increase the average remaining lease term of the REIT's property portfolio from 4.2 to 4.9 years. Further, in line with the REIT's unique value proposition, approximately 94.2% of gross revenues of the Acquisition Properties are generated from the Federal Government of Canada, the Provincial Government of Ontario and credit-rated tenants.

Closing of each of the Acquisitions is expected to occur concurrently on or about December 19, 2014 and is expected to be immediately accretive to the REIT's funds from operations ("FFO") per Unit and adjusted funds from operations ("AFFO") per Unit. The Acquisitions are also expected to improve the REIT's FFO and AFFO payout ratios.

Mr. Daniel Drimmer, the REIT's President, Chief Executive Officer and Chairman of the Board, stated, "We are very excited to execute on this exceptional opportunity for quantum growth. The addition of these properties substantially strengthens our presence in a number of target markets throughout Ontario. This portfolio is consistent with our core strategies of acquiring high quality buildings in strong secondary markets, predominantly tenanted with either government or credit-rated organizations. In addition, in concert with the financing arrangements, the acquired portfolio is expected to enhance and reinforce the REIT's key operating metrics."

The Acquisitions

The REIT has agreed to indirectly acquire the Acquisition Properties in three separate transactions from arm's length vendors for an aggregate purchase price of approximately $83.4 million, subject to customary adjustments, representing an implied capitalization rate of approximately 7.6%. The purchase price of the Acquisition Properties will be satisfied by a combination of the following funding sources: i) approximately $22.7 million in cash; ii) the issuance to the vendors of certain Acquisition Properties of 833,333 Class B LP Units at $6.60 per Class B LP Unit representing in aggregate, approximately $5.5 million; iii) the assumption of approximately $17.4 million aggregate principal amount of existing mortgage debt; iv) approximately $30.8 million aggregate principal amount of new mortgage financing; v) the issuance of vendor take-back mortgages in the aggregate amount of $4.1 million in respect of certain Acquisition Properties; and vi) the issuance of a promissory note to a vendor in the amount of $2.9 million. In addition, the REIT has also agreed to pay an earn-out payment to two vendors (to be satisfied by the issuance of $1.9 million of Units) in the event that such vendors successfully secure leases in respect of two units, representing a total of 16,250 square feet, at two of the Acquisition Properties. In connection with the Acquisitions, Starlight will be paid an acquisition fee of $788,000 (exclusive of applicable tax) pursuant to the terms of the asset management agreement between the REIT and Starlight dated as of December 14, 2012.

In connection with the Acquisitions, certain of the vendors have agreed to provide lease renewal guarantees ("Vendor Guarantees") for specified units at three of the Acquisition Properties totalling 48,940 square feet. These vendors have also agreed to provide promissory notes (the "Instalment Notes") in the aggregate amount of $2.0 million pursuant to which such vendors will provide instalment payments to the REIT in order for the REIT to achieve an effective interest rate equal to 3.3% per annum on mortgages to be assumed. Additionally, one of the vendors has agreed to lease (the "Vendor Lease") 5,585 square feet at one specified unit at one of the Acquisition Properties. The Instalment Notes, Vendor Guarantees, and Vendor Lease will be secured by the 833,333 Class B LP Units to be issued to the applicable vendors in connection with the Acquisitions.

The Acquisitions will be completed pursuant to three separate acquisition agreements (collectively, the "Acquisition Agreements"). The Acquisition Agreements contain customary provisions for transactions of a similar nature, including representations, warranties, covenants of the parties and indemnities. The Acquisitions are under firm contract and are expected to close on or about December 19, 2014. However, the completion of each Acquisition is contingent on the satisfaction of certain customary closing conditions. There is no assurance that all of the Acquisitions will be successfully completed and, if so completed, will be completed on the basis of terms described in this news release. A copy of each of the Acquisition Agreements will be available at **www.sedar.com**.

In accordance with the second amended and restated declaration of trust of the REIT made as of May 22, 2014 (the "Declaration of Trust"), the REIT retained CBRE Limited to prepare an independent appraisal for each of the Acquisition Properties. The independent appraisals, dated between November 1, 2014 and December 1, 2014, indicate that the estimated aggregate value of the Acquisition Properties is $84.3 million, which is approximately $0.9 million above the aggregate purchase price. Each of the independent appraisals state the appraisals and analyses were performed in conformity with the Canadian Uniform Standards of Professional Appraisal Practice, as adopted by the Appraisal Institute of Canada, and are subject to a number of assumptions and limitations. A copy of each of the independent appraisals will be available at **www.sedar.com**.

Description of the Acquisition Properties

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Acquisition Property	**City**	**Year Built/Renovated**	**Sq. Ft.**	**Occupancy**	**Remaining Lease Term**	**Major Tenant(s)**

777 Brock Road	Pickering	2001	98,900	100%	8.3 years	Ontario Power Generation
1161 Crawford Drive	Peterborough	2011	32,500	100%	7.3 years	Federal Government of Canada
8 Oakes Avenue	Kirkland Lake	2012	41,000	100%	7.3 years	Federal Government of Canada
520 Exmouth Street	Sarnia	2006	34,700	100%	7.0 years	Federal Government of Canada
529-533 Exmouth Street	Sarnia	2010	15,300	100%	3.5 years	Federal Government of Canada
534 Queens Avenue	London	2006	19,000	100%	6.3 years	Canadian Mental Health Association
417 Exeter Road	London	2013	35,200	77%	4.0 years	Federal Government of Canada
197-199 Dundas Street	London	2000	20,200	100%(1)	3.8 years	Federal Government of Canada and Provincial Government of Ontario
135 Hunter Street East	Hamilton	2003	24,400	100%	3.7 years	Federal Government of Canada
251 Arvin Avenue	Hamilton	2003	7,000	100%	4.6 years	Federal Government of Canada
78 Meg Drive	London	1999	11,300	100%	5.5 years	Federal Government of Canada
Total/ Weighted Average			339,500	97.6%(1)	6.6 years	

(1) Includes the Vendor Lease.

The Offering

To finance a portion of the cash component of the purchase price for the Acquisitions, the REIT has agreed to sell, on a bought deal basis by way of a prospectus supplement (the "Supplement") to the REIT's base shelf prospectus dated December 16, 2013, 4,440,000 Units at a price of $6.15 per Unit (the "Offering Price") for aggregate gross proceeds of approximately $27.3 million to a syndicate of underwriters co-led by CIBC and Raymond James Ltd. (the "Underwriters").

The REIT has also granted the Underwriters an over-allotment option to purchase up to an additional 666,000 Units at the Offering Price, representing 15% of the Units issued pursuant to the Offering (the "Over-Allotment Option"). The Over-Allotment Option is exercisable no later than 30 days after the closing of the Offering and, if exercised in full, would increase the gross proceeds of the Offering to $31.4 million. In the event that the Over-Allotment Option is exercised, the REIT intends to use the proceeds thereof to repay a portion of its credit facilities, for general trust purposes and/or future acquisitions.

The REIT expects to file the Supplement with the securities commissions or other similar regulatory authorities in each of the provinces and territories of Canada on or before December 12, 2014. Closing of the Offering is expected to occur on or about December 18, 2014, or such other date as may be agreed upon, subject to the satisfaction of certain customary closing conditions, including receipt of confirmation from the Toronto Stock Exchange that the listing of the Units to be issued pursuant to the Offering has been conditionally approved.

The Concurrent Private Placement

Mr. Daniel Drimmer, the REIT's President, Chief Executive Officer and Chairman of the Board, through D.D. Acquisitions Partnership, an entity controlled by Mr. Drimmer, intends to subscribe for 151,515 Units at a price of $6.60 per Unit in a non-brokered private placement basis concurrent with the Offering. No commission or other fee will be paid to the Underwriters in connection with the Concurrent Private Placement. The proceeds from the Concurrent Private Placement are expected to be utilized by the REIT to finance a portion of the cash component of the purchase price for the Acquisitions.

The Concurrent 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 minority approval of the REIT's unitholders because the fair market value of Mr. Drimmer's participation in the Concurrent Private Placement will be below 25% of the REIT's market capitalization for purposes of MI 61-101. The Concurrent Private Placement was approved unanimously by the Board of Trustees of the REIT (other than Mr. Drimmer, who declared his interest in the Concurrent Private Placement and was recused from voting) in accordance with the Declaration of Trust.

As of November 30, 2014, there were 12,273,120 Units and 2,588,914 Class B LP Units outstanding. As of the date of this news release, Mr. Drimmer (together with his affiliates) holds an approximate 21.8% effective interest in the REIT through the ownership of, or direction or control over, 2,405,386 Units, 828,123 Class B LP Units, 828,123 special voting units of the REIT (the "Special Voting Units") which were issued in conjunction with the Class B LP Units to provide voting rights with respect to the REIT to the holders of the Class B LP Units, and 152,084 options to acquire Units. Following his subscription for Units pursuant to the Concurrent Private Placement, it is expected that Mr. Drimmer (together with his affiliates) will hold an approximate 16.7% effective interest (or an approximate 16.1% effective interest assuming the full exercise of the Over-Allotment Option) in the REIT through his ownership of, or control or direction over, Units, Class B LP Units, Special Voting Units and options to acquire Units.

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"). FFO per Unit, AFFO per Unit, and indebtedness to gross book value, as well as other measures discussed elsewhere in this news release, do not have a standardized definition prescribed by IFRS and are, 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. Details on non-IFRS measures are set out in the REIT's Management's Discussion and Analysis for the period ended September 30, 2014 and available on the REIT's profile at **www.sedar.com**.

Forward-Looking Statements

Certain statements contained in this news 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 Offering, the Concurrent Private Placement, the Acquisitions, the intended use of proceeds, 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 completion of the Offering, the Concurrent Private Placement and the Acquisitions, 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 news release are dated, and relate only to events or information, as of the date of this news 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.

The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of that act. This news release does not constitute an offer to sell the Units in the United States.

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