



**TRUE NORTH COMMERCIAL
REAL ESTATE INVESTMENT TRUST**

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE THREE MONTHS ENDED MARCH 31, 2013

May 8, 2013

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS.....	1
CAUTION REGARDING FORWARD-LOOKING STATEMENTS.....	1
BASIS OF PRESENTATION	1
NON-IFRS FINANCIAL MEASURES.....	2
OVERVIEW AND STRATEGY	2
SUMMARY OF SIGNIFICANT EVENTS	3
FINANCIAL AND OPERATIONAL HIGHLIGHTS	4
PROPERTY PROFILE.....	5
FINANCIAL PERFORMANCE	8
CAPITAL STRUCTURE AND DEBT PROFILE	10
LIQUIDITY AND CASH FLOW	12
UNITHOLDERS' EQUITY, CLASS B LP AND SPECIAL VOTING UNITS	12
DISTRIBUTIONS.....	14
UNIT OPTION PLAN	14
WARRANTS	14
RELATED PARTY TRANSACTIONS AND ARRANGEMENTS	15
RISKS AND UNCERTAINTIES.....	16
RISKS RELATED TO THE REAL ESTATE INDUSTRY.....	17
RISKS RELATED TO THE REIT AND ITS BUSINESS.....	18
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING....	20
SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES	20
USE OF ESTIMATES	21
COMMITMENTS AND CONTINGENCIES	22
SUBSEQUENT EVENTS.....	22
OUTLOOK	22
QUARTERLY INFORMATION.....	23

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial results of True North Commercial Real Estate Investment Trust (the "REIT") dated May 8, 2013, for the three months ended March 31, 2013 should be read in conjunction with the REIT's unaudited condensed consolidated interim financial statements and accompanying notes for the same period. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A 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 performance, financial position and cash flows 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 such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the REIT or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future geographic diversification, determinations of investment property fair values, property repair and maintenance expenditures, the REIT's ability to meet its obligations, including with respect to the matters described at "Outlook" are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters 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 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, including the risks discussed herein at "Risks and Uncertainties". 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 actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances, including the following: 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 provide the REIT with access to equity and/or debt at reasonable rates when required; and the risks 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 MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian 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.

BASIS OF PRESENTATION

The REIT's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013 have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The REIT's presentation currency is the Canadian dollar. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of dollars, except for per Unit information.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as Funds from Operations (“FFO”), Adjusted Funds from Operations (“AFFO”) and Net Operating Income (“NOI”) are not measures defined under International Financial Reporting Standards (“IFRS”) as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO and AFFO as computed by the REIT are unlikely to be comparable to similar measures as reported by other trusts or companies in similar or different industries.

FFO is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the REIT’s operating performance.

AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to holders of Units (“Unitholders”) 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.

NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the REIT’s operating performance and uses this measure to assess the REIT’s property operating performance on an unlevered basis.

FFO and AFFO have not been presented in this MD&A as the majority of the REIT’s portfolio was acquired on February 12 and 14, 2013, representing only 47 days of operations. Management intends on providing these measures in future MD&A filings.

OVERVIEW AND STRATEGY

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust (“DOT”) made as of November 16, 2012, and as most recently amended and restated as of December 14, 2012, under, and governed by, the laws of the Province of Ontario. The REIT’s units (each, a “Unit”) are listed on the TSX Venture Exchange (“TSXV”) under the symbol TNT.UN.

The predecessor company to the REIT, Tanq Capital Corporation (the “Company”), was formed as a capital pool company (“CPC”) on July 13, 2012 and completed its initial public offering (“IPO”) on August 28, 2012. Prior to entering into a plan of arrangement with the REIT on December 14, 2012 (the “Plan of Arrangement”), there were 55,000,000 common shares of the Company issued and outstanding.

The REIT incorporated True North Commercial General Partner Corporation (the “GP”) on November 16, 2012, and together formed True North Commercial Limited Partnership (the “Partnership”). Pursuant to the Plan of Arrangement approved by the Company’s shareholders at a special meeting held on December 13, 2012 and the TSXV, the Company’s shareholders either transferred their common shares to the Partnership in consideration for Units, and/or in the case of electing shareholders, for Class B LP units of the Partnership (each, a “LP Unit”) and related voting and exchange rights. In each case, the exchange ratio was one Unit or LP Unit for every eight common shares held. In addition, outstanding share options to purchase common shares in the Company were exchanged for Unit options (each, a “Unit Option”) having identical terms, subject to the adjustment of the number of Units based on the exchange ratio of one Unit for every eight common shares options. The REIT is the continuing public entity with its Units listed on the TSXV.

The REIT was established to focus on acquiring and owning commercial rental properties across Canada, the United States and such other jurisdictions where opportunities exist, subject to the guidelines set out in the DOT.

The objectives of the REIT are to:

- generate stable cash distributions on a tax-efficient basis;
- expand the asset base of the REIT and increase its distributable cash flow through acquisitions of additional commercial rental properties; and
- enhance the value of the REIT’s properties through active management to maximize long-term Unit value

The REIT will seek to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, potential for increasing value through more efficient management of the assets being acquired and growth of the REIT's AFFO per Unit.

SUMMARY OF SIGNIFICANT EVENTS

THREE MONTHS ENDED MARCH 31, 2013

On January 1, 2013, the REIT adopted a Distribution Reinvestment Plan ("DRIP"). Eligible Unitholders, as well as holders of LP Units, can elect to reinvest cash distributions for additional Units at a 3% discount to the weighted average closing price of the Units on the TSXV for the five trading days immediately preceding the applicable date of distribution. The REIT will determine for each distribution payment date, the amount of new equity, if any, that will be made available under the DRIP on that date.

On January 15, 2013, the REIT declared distributions of \$0.03832 per Unit or LP Unit for the period from December 14, 2012 to January 31, 2013. The distribution was paid on February 15, 2013 to Unitholders and holders of LP Units, of record as at January 31, 2013.

On February 12, 2013, the REIT completed the following transactions:

- the REIT completed a public offering and issued 14,549,914 Units at a price of \$3.83 per Unit for gross proceeds of \$55,726. The proceeds were used to satisfy the cash portion of the acquisition of the February 2013 properties which consist of the following properties (the "February 2013 Properties"):
 - The Laurier Property;
 - The Century Property;
 - The Maple Property;
 - The Miramichi Property; and
 - The Carlingview Property.
- the REIT issued 783,290 Units at a price of \$3.83 per Unit for gross proceeds of \$3,000 in a private placement; and
- the REIT granted 855,000 Unit Options at an exercise price of \$3.83 per Unit Option. These Unit Options will expire five years from the date the Unit Options were granted.

On February 12, 2013, the REIT acquired four commercial properties and on February 14, 2013, acquired one commercial property. The total purchase price of \$144,700 for such properties was satisfied by a combination of \$51,525 in cash and \$88,886 aggregate principal amount of new mortgage debt (including a vendor take-back mortgage of \$1,662).

On February 15, 2013, the REIT declared distributions of \$0.02475 per Unit or LP Unit for the month of February. The distribution was paid on March 15, 2013 to Unitholders and holders of LP Units of record as at February 28, 2013.

On March 15, 2013, the REIT declared distributions of \$0.02475 per Unit or LP Unit for the month of March. The distribution was paid on April 15, 2013 to Unitholders and holders of LP Units of record as at March 28, 2013.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial and operational highlights for the three months ended March 31, 2013 are as follows:

As at March 31, 2013	
Operational Information	
Number of properties	6
Total square footage	610,876
Leased Occupancy %	99.7%
Summary of Financial Information	
Gross Book Value ⁽¹⁾	\$157,091
Indebtedness ⁽²⁾	\$99,137
Indebtedness to Gross Book Value ⁽³⁾	63.11%
Weighted average mortgage fixed interest rate	3.48%
Weighted average mortgage term to maturity	4.83 years
Three months ended March 31, 2013	
Summary of Financial Information	
Revenue from property operations	\$2,486
NOI	\$1,683
Net loss and comprehensive loss	(\$3,426)
Notes:	
(1) "Gross Book Value" is defined in the DOT and includes the impact of any fair value adjustment of investment properties.	
(2) "Indebtedness" is defined in the DOT and excludes unamortized financing costs of (\$658).	
(3) Defined as the ratio of Indebtedness to Gross Book Value.	

PROPERTY PROFILE

The following table highlights certain information about the REIT’s properties as at March 31, 2013:

Property Name	City	Province	Type	Occupancy	Average Remaining Lease Term (1)	Sq Ft
Office						
Laurier Property	Ottawa	ON	Office	100%	4.9 years	279,047
Century Property	Calgary	AB	Office	97.4%	4.4 years	75,675
Maple Property	Ottawa	ON	Office	100%	4.7 years	107,243
Carlingview Property	Toronto	ON	Office	100%	4.9 years	26,754
Office/Retail						
Miramichi Property	Miramichi	NB	Office/Retail	100%	4.2 years	73,163
Retail						
Coronation Mall	Duncan	BC	Retail	100%	5.9 years	48,994
Total						610,876
Notes:						
(1) Weighted by budgeted gross revenue for 2013						

PROPERTY DESCRIPTIONS

CORONATION MALL

Coronation Mall is a 48,994 square foot retail shopping centre comprised of two retail buildings located in Duncan, British Columbia. The property is currently 100% occupied. The property was originally constructed in 1970, but was extensively updated in 2010 and 2011. The shopping centre is situated in a 3.58 acre site on the corner of the Trans-Canada highway and Coronation Avenue, and is highly visible and accessible given that the average daily traffic count passing the property is over 22,000 vehicles on the Trans-Canada highway.

FEBRUARY 2013 PROPERTY ACQUISITIONS:

THE LAURIER PROPERTY

The Laurier Property is a 279,047 square foot office building located in Ottawa, Ontario currently 100% occupied, with the Canadian Federal Government leasing approximately 98% of its rentable area. The Laurier Property is well maintained with high quality common area and building systems. The Laurier Property has a prominent location on a well recognized downtown arterial road and is located within Ottawa’s downtown central business district, five blocks from Parliament Hill.

THE CENTURY PROPERTY

The Century Property is a 75,675 square foot office building located in Calgary, Alberta that is currently 97.4% occupied. The Century Property is approximately 63.5% occupied by the Province of Alberta with a remaining lease term of just under five years. The building has been well-maintained and provides for 43 parking stalls in its underground parkade.

THE MAPLE PROPERTY

The Maple Property is a 107,243 square foot office building located in Ottawa, Ontario that is 100% occupied and fully leased to Honeywell International, a New York Stock Exchange listed company. The Maple Property is located near the intersection of Terry Fox Drive and Maple Grove Road in the heart of Terry Fox Business Park, one of the more desirable suburban office nodes in Ottawa. The property is located approximately 20 minutes west of the downtown core of Ottawa. Significant investment has been made by the tenant to customize the leasehold to suit specific engineering and fabrication needs.

THE MIRAMICHI PROPERTY

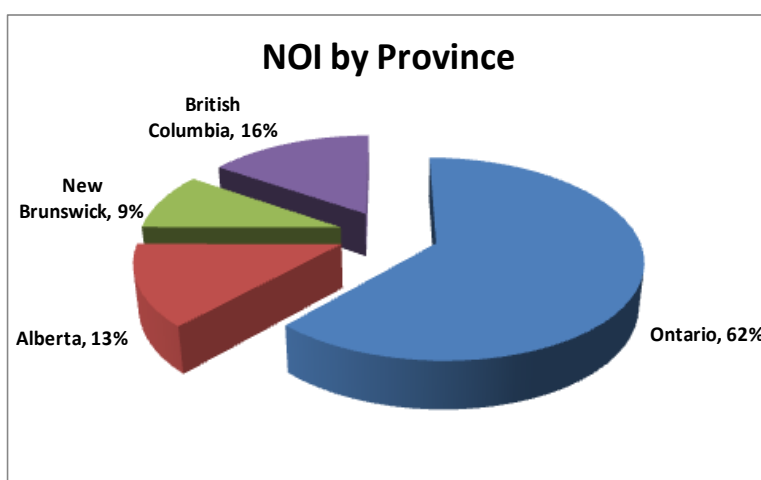
The Miramichi Property is a 73,163 square foot office/retail facility located in Miramichi, New Brunswick that is 100% occupied. The property was originally constructed in 1969 as a neighbourhood retail strip plaza with major renovations completed in 1995, 1996, and 2012. Over \$4 million of capital improvements were made over the last two years to facilitate the change of use for recent tenant additions, including the Federal Government of Canada.

THE CARLINGVIEW PROPERTY

The Carlingview Property is a 26,754 square foot single-tenant office building located in the city of Toronto, Ontario. The Carlingview Property is 100% occupied on a recently entered into five year lease. The Carlingview Property benefits from the close proximity to the Toronto Pearson International Airport, and access to Highways 401, 407, 427, and 409. The Carlingview Property is currently occupied by Cash Money Cheque Cashing Inc., a cash lender with locations in Ontario, Alberta, British Columbia, Manitoba, New Brunswick and Nova Scotia.

GEOGRAPHIC DISTRIBUTION

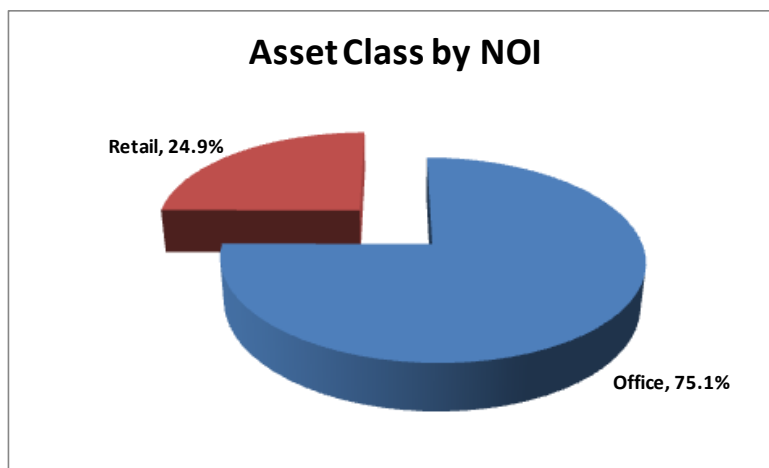
The properties are diversified regionally as follows:



The NOI is based on actual results for the three months ended March 31, 2013.

ASSET CLASS DISTRIBUTION

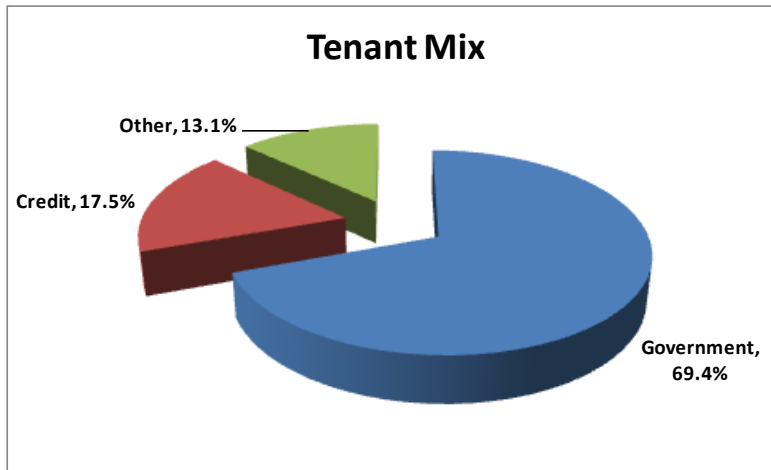
The distribution of the properties by asset class is as follows:



The NOI is based on actual results for the three months ended March 31, 2013.

TENANT MIX

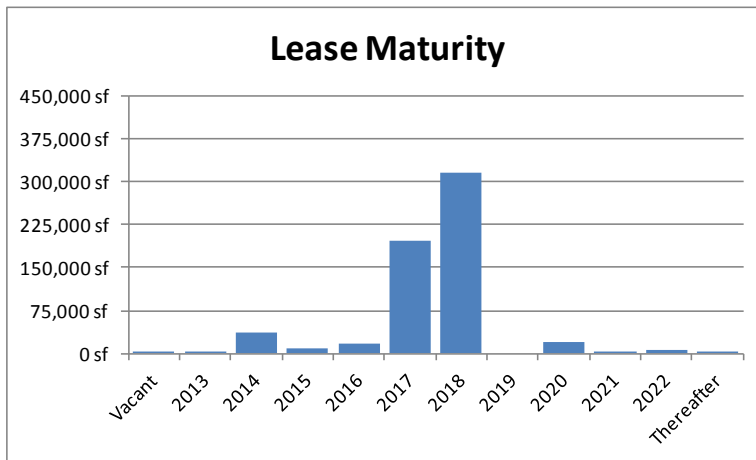
As at March 31, 2013, the percentage of tenants occupying the properties that are government institutions, credit-rated or other is as follows:



The tenant mix is based on the tenant's annualized gross revenue.

LEASE ROLLOVER PROFILE

As at March 31, 2013, the lease rollover profile of the REIT is as follows:



Lease maturity is based on square footage of the properties.

TRUE NORTH COMMERCIAL REIT – MD&A

FINANCIAL PERFORMANCE

The REIT's financial performance and results of operations for the three months ended March 31, 2013 are summarized below. There are no comparative period results given the REIT commenced operations on December 14, 2012 as a continuity of interest of the Company which was formed on July 13, 2012.

FINANCIAL PERFORMANCE

	Three months ended March 31, 2013
Revenue from property operations	\$ 2,486
Property operating costs	803
Net operating income	1,683
Trust expenses	(401)
Fair value adjustment of investment properties	(3,391)
Finance income	3
Finance costs	(504)
Finance costs - fair value adjustment of Class B LP Units	214
Finance costs - distributions on Class B LP Units	(375)
Unrealized loss on change in fair value of derivative instrument	(655)
Net loss and comprehensive loss	\$ (3,426)

RESULTS OF OPERATIONS

	Three months ended March 31, 2013
Revenue from property operations	\$ 2,486
Expenses:	
Operating costs	382
Property taxes	421
	803
Net operating income	\$ 1,683
NOI margin	67.7%

PROPERTY REVENUE AND OPERATING EXPENSES

Revenue from property operations includes all rental income earned from the property, including rental income and all other miscellaneous income paid by the tenants under the terms of their existing leases, such as base, parking, operating cost and realty tax recoveries, as well as adjustments for the straight-lining of rents.

The REIT accounts for rent step-ups and free rent periods by straight-lining the incremental increases and free rent periods over the entire non-cancelable lease term. The total straight line rent adjustment for the three months ended March 31, 2013 was \$572.

Operating costs includes costs relating to building maintenance, HVAC, elevator, insurance, utilities and management fees.

The revenue from property operations amounted to \$2,486 and operating costs were \$803 including \$421 in property taxes. On December 14, 2012 the REIT acquired its first property and a full three months of operations for this property is included above. The above includes results for the remaining properties from the date of acquisition to March 31, 2013.

TRUST EXPENSES

Trust expenses include costs incurred by the REIT that are not directly attributed to the properties. These costs include items such as legal and audit fees, trustee fees, investor relations expenses, trustees' and officers' insurance premiums, costs associated with the REIT's unit option plan (the "Unit Option Plan") and other general and administrative expenses associated with the operation of the REIT. Also included in trust expenses are asset

TRUE NORTH COMMERCIAL REIT – MD&A

management fees payable to Starlight Investments Ltd. (“Starlight”). See “Related Party Transactions and Arrangements – Arrangements with Starlight”. The breakdown of the trust expenses for the three months ended March 31, 2013 is as follows:

- asset management fees incurred of \$79;
- costs associated with the REIT’s Unit Option Plan which amounted to \$195;
- costs associated with the Warrants (as hereinafter defined) which amounted to \$6; and
- trustee fees, audit fees, investor relations expenses, trustees’ and officers’ insurance expense and other general and administration expense, which amounted to \$121.

For unit-based compensation, a liability is recognized and measured initially at fair value. The liability is remeasured to fair value at each reporting date and at each settlement date. Changes in the fair value of the liability are recognized as compensation expense.

For warrant compensation, a liability is recognized and measured initially at fair value. The liability is remeasured to fair value at each reporting date and at each settlement date. Changes in the fair value of the liability are recognized as other trust expense.

INVESTMENTS PROPERTIES – FAIR VALUE ADJUSTMENTS

The REIT has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The following table summarizes the change in investment properties for the three months ended March 31, 2013 and the period from July 13, 2012 to December 31, 2012:

	Amount
Balance at July 13, 2012	\$ -
Acquisition of investment property	14,657
Fair value adjustment	(103)
Balance at December 31, 2012	14,554
Acquisition of investment properties	140,086
Additions to investment properties	9
Straight line rent adjustment	572
Fair value adjustment	(3,391)
Balance at March 31, 2013	\$ 151,830

The REIT recorded a fair value decrease of \$3,391 for the three months ended March 31, 2013, which is mainly attributable to the write down of acquisition costs of \$3,731 that were initially capitalized on closing of the February 2013 Properties. This was offset by an increase in the fair market value of Coronation Mall of \$921 from acquisition date to March 31, 2013. The remaining decrease is due to \$572 relating to the straight line rent adjustment and \$9 of additional acquisition costs incurred in the period relating to Coronation Mall.

The following table reconciles the cost base of investment properties to their fair value:

	As at March 31, 2013	As at December 31, 2012
Cost base	\$ 155,324	\$ 14,657
Cumulative fair value adjustment	(3,494)	(103)
Fair value	\$ 151,830	\$ 14,554

TRUE NORTH COMMERCIAL REIT – MD&A

The fair value of the investment properties acquired during the quarter is deemed to be the purchase price paid to an arm's-length party as no significant events have occurred to change the value from the date of purchase to March 31, 2013. The REIT acquired the Carlingview Property from an entity under the same common ownership as Starlight.

The key valuation assumptions for the REIT's investment properties are set out in the following table:

Capitalization rates - range	6.35% - 12.13%
Capitalization rate - w eighted average	7.74%
Occupancy/Leased rate - w eighted average	98.78%

FINANCE COSTS

The REIT's finance costs for the three months ended March 31, 2013 are summarized below.

	Three months ended March 31, 2013
Interest on mortgages payable	\$ (488)
Amortization of financing costs	(16)
	(504)
Distributions on LP Units	(375)
Fair value adjustment of LP Units	214
	\$ (665)

Interest on mortgages payable for the three months ended March 31, 2013 is comprised of interest on outstanding mortgages payable of \$99,137 as at March 31, 2013. Amortization of financing costs of \$16 for the three months ended March 31, 2013 is due to financing costs of \$676 associated with the mortgages. (See "Mortgages Payable")

The REIT declared its first distribution for the period from December 14, 2012 to January 31, 2013 on February 15, 2013. Distributions on LP Units of \$375 reflect distributions on 4,268,750 LP Units, issued and outstanding during the quarter and includes distributions payable for the 17 day period from December 14 to December 31, 2012. (See "Unitholders' Equity & Class B LP and Special Voting Units")

The fair value change in LP Units is an increase or decrease in correlation to the increase or decrease in the trading price of the Units on the TSXV and any resulting change in their fair value is reported in the period such change occurs. The trading price of the Units on December 31, 2012 was \$3.75 compared to \$3.70 on March 28, 2013 thus resulting in a fair value adjustment of \$214.

UNREALIZED LOSS ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENT

The REIT entered into an interest rate swap agreement to limit its interest rate exposure during the term of the mortgage on the Laurier property. The mortgage has a principal value of \$48,750 at March 31, 2013 and an annual fixed interest rate of 3.388%. For this derivative instrument, an asset or liability is recognized and measured initially at fair value. The asset or liability is remeasured to fair value at each reporting date and at each settlement date. Changes in the fair value of the asset or liability are recognized as unrealized gain or loss on change in fair value of the derivative instrument. The unrealized loss and corresponding liability of \$655 is the present value of the difference between the fixed rate the lender would offer the REIT on March 31, 2013 with the same terms compared to the 3.388% multiplied by the principal balance.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The REIT defines its capital as the aggregate of unitholders' equity, mortgages payable and LP Units. The REIT's capital management program is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the DOT, as well as existing debt covenants, while continuing to build long-term Unitholder value and maintaining sufficient capital reserves.

TRUE NORTH COMMERCIAL REIT – MD&A

As at March 31, 2013, the total capital of the REIT was as follows:

As at March 31, 2013	
Mortgages payable (excludes unamortized financing costs of \$658)	\$ 99,137
LP Units (including cumulative fair value adjustment of \$12,714)	15,794
Unitholders' equity	38,252
Total capital	\$ 153,183

DEBT PROFILE

As at March 31, 2013, the overall leverage, as represented by the ratio of indebtedness to Gross Book Value was 63.11%. The maximum allowable ratio under the DOT is 75%. The mortgages carry a weighted average fixed interest rate of 3.48% (December 31, 2012 – 3.92%), and a weighted average term to maturity of 4.83 years (December 31, 2012 – 4.90 years). All interest rates are fixed for the term of the respective mortgages.

The REIT's strategy is to maintain a combination of short, medium and long-term debt maturities appropriate for the overall debt level of the REIT, taking into account availability of financing, market conditions and the financial characteristics of each property and to extend the current weighted average term to maturity and achieve staggered debt maturities.

MORTGAGES PAYABLE

The following table sets out, as at March 31, 2013, scheduled principal repayments and amounts maturing on the mortgages payable over each of the next five fiscal years:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Scheduled interest payments	Percentage of total mortgages payable
2013	\$ 1,707	\$ -	\$ 1,707	\$ 2,561	1.72%
2014	2,579	1,662	4,241	3,323	4.28%
2015	2,671	-	2,671	3,214	2.69%
2016	2,765	-	2,765	3,121	2.79%
2017	2,838	9,136	11,974	2,992	12.08%
Thereafter	493	75,286	75,779	651	76.44%
	\$ 13,053	\$ 86,084	99,137	\$ 15,862	100.00%
Unamortized financing costs			(658)		
			\$ 98,479		

Included in the balance of \$99,137 is financing obtained by the REIT from the vendor as part of the purchase of the Miramichi Business Complex, in the amount of \$1,662. Subsequent to acquisition, this vendor take back mortgage was sold as a secured promissory note ("Note"). The Note shall be repaid by an amount equal to the total gross revenue realizable from any new lease of a specified portion of the property starting June 1, 2014. However, the full amount is repayable no later than February 12, 2018. The Note bears interest at an annual fixed rate of 2.0%. The Note is interest-only and is payable monthly in arrears.

OPERATING CREDIT FACILITY

On February 12, 2013, the REIT entered into a credit agreement with a Canadian chartered bank to obtain a \$5,000 floating rate revolving credit facility (the "Credit Facility"). The Credit Facility bears interest on cash advances at 225 basis points per annum over the floating banker's acceptance rate or 100 basis points over prime rate to be determined on the date the facility is drawn down. The Credit Facility expires on February 12, 2015. As at March 31, 2013, no amounts were drawn on the Credit Facility. The revolving Credit Facility is secured by a first charge on the Miramichi Business Complex.

LIQUIDITY AND CASH FLOW

LIQUIDITY

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service, capital improvements, tenant inducements and leasing costs. The REIT's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the REIT's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The REIT expects to be able to meet all of its obligations, including distributions to Unitholders, and capital expenditure commitments as they become due and to provide for the future growth of the business. The REIT has a number of financing sources available to fulfill its commitments including (i) cash flow from its operating activities, (ii) mortgage debt secured by investment properties (iii) the Credit Facility and (iv) issuances of equity and debentures.

CASH FLOW

The following table details the changes in cash and cash equivalents for the three months ended March 31, 2013:

	Three Months Ended March 31, 2013
Cash provided by operating activities	\$ 518
Cash used in investing activities	(138,218)
Cash provided by financing activities	139,935
Increase in cash and cash equivalents	2,235
Cash and cash equivalents, beginning of period	907
Cash and cash equivalents, end of period	\$ 3,142

Cash and cash equivalents on hand at March 31, 2013 was \$3,142.

Cash provided by operating activities for the three months ended March 31, 2013 of \$518 related primarily to the property operations of Coronation Mall for a full three months and the February 2013 Properties from their dates of acquisition.

The cash used in investing activities for the three months ended March 31, 2013 of \$138,218 reflects the acquisition of the February 2013 Properties.

Cash provided by financing activities for the three months ended March 31, 2013 of \$139,935 relates primarily to proceeds from the mortgages of \$86,649 (net of financing costs of \$575) and the issuance of Units of \$54,146 (net of costs of \$4,598). This was offset by interest payments and other finance costs and income of \$370 and distributions to Unitholders of \$490.

UNITHOLDERS' EQUITY, CLASS B LP AND SPECIAL VOTING UNITS

The REIT is authorized to issue an unlimited number of Units and an unlimited number of non-participating special voting units ("Special Voting Units").

UNITS

Each Unit confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in all distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The holders of Units have the right to require the REIT to redeem their Units on demand up to a maximum of \$50 in a calendar month. The Units have no par value. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall cease and the holder thereof shall be entitled to receive a price per Unit ("Redemption Price") as

TRUE NORTH COMMERCIAL REIT – MD&A

determined by a formula outlined in the DOT. The Redemption Price will be paid in accordance with the conditions provided for in the DOT.

The following table summarizes the changes in Units for the period from July 13, 2012 to March 31, 2013:

	Units	Amount
Outstanding as at July 13, 2012	-	\$ -
Issuance of Units on exchange for common shares, December 14, 2012, net of costs of \$192	2,606,250	1,728
Issuance of Units, December 14, 2012	133,690	500
Outstanding as at December 31, 2012	2,739,940	2,228
Issuance of Units, February 12, 2013, net of costs of \$4,598	14,549,914	51,128
Issuance of Units, February 12, 2013	783,290	3,000
Issuance of Units under DRIP	75,950	275
Issuance of Units from warrants exercised	7,442	18
Outstanding as at March 31, 2013	18,156,536	\$ 56,649

SPECIAL VOTING UNITS

The DOT and the exchange agreement dated December 14, 2012 between the REIT, Starlight, the GP and the Partnership, amongst others (the “Exchange Agreement”) provide for the issuance of the Special Voting Units which have no economic entitlement in the REIT or in the distribution or assets of the REIT, but are used to provide voting rights proportionate to the votes of the Units to holders of securities exchangeable into Units (i.e. the LP Units). Each Special Voting Unit is not transferable separately from the LP Unit to which it is attached and will be automatically redeemed and cancelled upon exchange of the attached LP Unit into a Unit.

The LP Units issued by the Partnership to holders, together with the related Special Voting Units, have economic and voting rights equivalent, in all material aspects, to the REIT’s Units. They are exchangeable at the option of the holder thereof on a one-for-one basis (subject to anti-dilution adjustments) for the REIT’s Units at the option of the holder, under the terms of the Exchange Agreement. Each LP Unit entitles the holder to receive distributions from the Partnership equivalent to the distributions such holder would have received if they were holding Units instead of LP Units.

Units may be “put” to the REIT and, therefore, the LP Units meet the definition of a financial liability under IAS 32, Financial Instruments – Presentation. Further, the LP Units are classified as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit and loss. The distributions paid on the LP Units are accounted for as finance costs.

The following table summarizes the changes in LP Units for the period from July 13, 2012 to March 31, 2013:

	Class B LP Units	Amount
Outstanding as at July 13, 2012	-	\$ -
Issuance of LP Units on exchange for common shares, December 14, 2012	4,268,750	3,080
Fair value adjustment	-	12,928
Outstanding at December 31, 2012	4,268,750	\$ 16,008
Fair value adjustment	-	214
Outstanding at March 31, 2013	4,268,750	\$ 15,794

A summary of the carrying and fair value of LP Units as at March 31, 2013:

	As at March 31, 2013
Carrying value	\$ 3,080
Cumulative fair value adjustment	12,714
Fair value	\$ 15,794

DISTRIBUTIONS

The REIT adopted the DRIP on January 1, 2013. Eligible Unitholders, as well as holders of LP Units can elect to reinvest cash distributions for additional Units at a 3% discount to the weighted average closing price of the Units on the TSXV for the five trading days immediately preceding the applicable date of distribution. The REIT will determine for each distribution payment date, the amount of new equity, if any that will be made available under the DRIP on that date.

The REIT currently pays monthly distributions to Unitholders of \$.02475 per Unit or LP Unit or \$0.297 on an annual basis. Distributions declared for the three months ended March 31, 2013 were \$1,378. Of this amount, \$275 was reinvested into 75,950 additional Units pursuant to the terms of the DRIP.

The following table shows distribution payments to holders of Units and LP Units for the three months ended March 31, 2013:

	Three months ended March 31, 2013		
	Units	LP Units	Total
Distributions paid	\$ 490	\$ 58	\$ 548
Distributions paid in Units pursuant to DRIP	64	211	275
Distributions Payable at March 31, 2013	449	106	555
Total	\$ 1,003	\$ 375	\$ 1,378

UNIT OPTION PLAN

The REIT's Unit Option Plan provides for, from time to time, at the discretion of the trustees of the REIT (the "Trustees"), the issuance of Unit Options to purchase Units for cash. Participation in the Unit Option Plan is restricted to the Trustees and officers of the REIT, certain employees of Starlight and eligible service providers to the REIT. The Unit Options are non-transferable options to purchase Units, exercisable for a period of up to five years from the date of grant. The maximum number of Units reserved for issuance under the Unit Option Plan may not exceed 10% of the Units issued and outstanding, which amount shall be inclusive of the issued and outstanding LP Units of the Partnership. All currently outstanding Unit Options vest in equal parts over a three-year period from the date of grant.

On August 27, 2012, the Company granted 3,900,000 share options at an exercise price of \$0.10 per share, expiring on August 27, 2017. These options vest over a three-year period beginning one year from the date of grant.

Pursuant to the Plan of Arrangement approved by the Company's shareholders on December 13, 2012 and the TSXV on December 14, 2012, the 3,900,000 outstanding share options have been exchanged for 487,500 Unit Options at an exercise price of \$0.80 per Unit Option on the basis of one Unit Option for every eight share options of the Company. The Unit Options have terms identical to the share options, subject to the adjustment of the number of Units based on the exchange ratio of one Unit for every eight common share options.

On December 14, 2012, the REIT granted 200,000 Unit Options at an exercise price of \$3.74 per Unit Option, expiring on December 14, 2017. These Unit Options vest over a three-year period beginning one year from the date of grant.

On February 12, 2013, the REIT granted 855,000 Unit Options at an exercise price of \$3.83 per Unit Option expiring on February 12, 2018. These Unit Options vest over a three-year period beginning one year from the date of grant.

WARRANTS

On August 28, 2012, in connection with the Company's initial public offering, Raymond James Ltd. (the "Agent") was granted non-transferable warrants (the "Warrants") to purchase, in aggregate, 250,000 shares at a price of \$0.30 per share, expiring on August 28, 2014. The Warrant certificate contains provisions which provides that if there is a reorganization or reclassification of the shares into other shares or into other securities, the Agent will be entitled to receive in lieu of the number of shares to which it was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which the Agent would have been entitled to receive as a result of such reorganization.

TRUE NORTH COMMERCIAL REIT – MD&A

Pursuant to the Plan of Arrangement approved by the Company's shareholders on December 14, 2012, the 250,000 outstanding Warrants have been exchanged for 31,250 Unit Options at an exercise price of \$2.40 per Unit Option on the basis of one Unit Option for every eight Warrants of the Company. The Unit Options have terms identical to the Warrants, subject to the adjustment of the number of Units based on the exchange ratio of one Unit for every eight Warrants.

On March 18, 2013, 7,442 Unit Options issued from the Warrants were exercised at an exercise price of \$2.40 per Unit Option. The fair value adjustment on the Unit Options exercised of \$7 was recognized through unitholders' equity.

The changes in the REIT's Unit Options for the period from July 13, 2012 to March 31, 2013 are summarized below:

	Number of Unit Options	Weighted average exercise price (in actual dollars)
Outstanding as at July 13, 2012	-	\$ -
Unit Options exchanged for share options, December 14, 2012	487,500	0.80
Unit Options exchanged for Warrants, December 14, 2012	31,250	2.40
Granted Unit Options, December 14, 2012	200,000	3.74
Outstanding as at December 31, 2012	718,750	1.69
Granted Unit Options, February 12, 2013	855,000	3.83
Unit Options exchanged for Warrants exercised	(7,442)	2.40
Outstanding as at March 31, 2013	1,566,308	\$ 2.85

Unit options and warrants outstanding at March 31, 2013 consist of the following:

Exercise price (in actual dollars)	Number of Unit Options	Remaining contractual life	Number of Unit Options exercisable
\$ 0.80	487,500	4.41 years	-
2.40	23,808	1.41 years	23,808
3.74	200,000	4.71 years	-
3.83	855,000	4.87 years	-
	1,566,308		23,808

For the three months ended March 31, 2013 compensation expense for the Unit Options issued of \$195 was determined using the Black-Scholes option pricing model, with the following assumptions:

	As at March 31, 2013
Expected option life	3.20 years
Expected volatility	20.00%
Dividend yield	8.03%
Risk-free interest rate	1.12%

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Starlight is considered a related party as Starlight is controlled by the Chairman and Chief Executive Officer ("CEO") of the REIT, who is also a significant Unitholder of the REIT.

ARRANGEMENTS WITH STARLIGHT

On December 14, 2012, the REIT entered into an asset management agreement with Starlight (the "Asset Management Agreement"). Pursuant to the Asset Management Agreement, Starlight provides advisory, asset management and administrative services to the REIT. The REIT will be administered and operated by the REIT's CEO and Chief Financial Officer and an experienced team of real estate professionals from Starlight who have diverse backgrounds in the acquisition, divestiture, financing and operation of real estate.

TRUE NORTH COMMERCIAL REIT – MD&A

The Asset Management Agreement has an initial term of ten years from the date of the agreement and is renewable for successive five year terms, unless and until the Asset Management Agreement is terminated in accordance with the termination provisions in the Asset Management Agreement.

Starlight will be entitled to the following fees pursuant to the Asset Management Agreement:

- (a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:
 - the historical purchase price of properties owned by the REIT; and
 - the cost of any capital expenditures incurred by the REIT or any of its affiliates in respect of properties owned by the REIT from December 14, 2012.
- (b) Acquisition fee equal to:
 - 1.0% of the purchase price of a property, on the first \$100,000 of properties announced to be acquired in each fiscal year;
 - 0.75% of the purchase price of a property on the next \$100,000 of properties announced to be acquired in each fiscal year; and
 - 0.50% of the purchase price on properties announced to be acquired in excess of \$200,000 in each fiscal year.
- (c) From and after January 1, 2013, an incentive fee payable by the REIT for each fiscal year equal to 15% of the REIT's FFO in excess of the FFO per hurdle rate determined by the Trustees by June 30, 2013 for the 2013 fiscal year, with reference to such parameters and information as the Trustees deem prudent, including without limitation, the 2013 business plan of the REIT, and for fiscal years from and after January 1, 2014, an amount equal to the REIT's FFO per Unit for fiscal 2013 plus 50% of the increase in the weighted average consumer price index (or other similar metric as determined by the Trustees) of the jurisdictions in which the properties are located. For the purpose of this calculation, FFO per Unit means the quotient obtained by dividing: (i) the sum of: (A) the gain on the dispositions of any properties in the fiscal year (calculated as the difference between the total sale price set out in any agreement entered into by the REIT with respect to the disposition of the property or properties and the historical purchase price of such property or properties inclusive of costs incurred), and (B) FFO, by (ii) the total number of issued and outstanding Units as at the end of such fiscal year.
- (d) Capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of \$1,000 excluding work done on behalf of tenants or any maintenance capital expenditures.

For the three months ended March 31, 2013, the base management fee was \$79. Of this amount, \$47 is included in accounts payable and accrued liabilities.

For the three months ended March 31, 2013, the REIT incurred \$1,335 for acquisition services under the Asset Management agreement, which were paid at the time of acquisition. These costs were initially capitalized to investment properties on acquisition.

There were no capital expenditure fees incurred for the three months ended March 31, 2013.

On February 12, 2013, the REIT acquired the Carlingview Property from an entity under the same common ownership as Starlight.

In addition, the REIT will reimburse Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the Asset Management Agreement or such other services which the REIT and Starlight agree in writing are to be provided from time to time by Starlight. There were no reimbursements of out-of-pocket costs and expenses for the three months ended March 31, 2013.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the securities of the REIT and in the activities of the REIT, including those set out in the management information circular of the Company dated November 16, 2012 (the "Circular"), as well as, the following, which current and prospective holders of securities of the REIT should carefully consider. The Circular is available on SEDAR at www.sedar.com. If any of the following or other risks occurs, the REIT's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the ability of the REIT to make distributions to Unitholders could be adversely affected, trading price of the

securities of the REIT could decline and investors could lose all or part of their investment in such securities. There is no assurance risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

RISKS RELATED TO THE REAL ESTATE INDUSTRY

REAL PROPERTY OWNERSHIP AND TENANT RISKS

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant space in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors.

If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the properties may not generate revenues sufficient to meet operating expenses, including debt service payments and capital expenditures.

Upon the expiry of any lease, there can be no assurance the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the REIT's properties or revenues to be derived from them. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market based rents in the short term.

CREDIT RISK AND TENANT CONCENTRATION

The REIT is exposed to risk as tenants may be unable to pay their contracted rents. Management mitigates this risk by seeking to acquire properties across several asset classes. As well, management seeks to acquire properties with strong tenant covenants in place. The REIT's portfolio includes over 20 tenant leases with a weighted-average term to maturity of 4.5 years. Approximately 86.9% of the REIT's portfolio was occupied by government and other credit-rated entities based on NOI for the three months ended March 31, 2013.

INTEREST RATE RISK

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it's able to renew its maturing debt, significantly lower loan-to-value ratios may be used. Per the REIT's DOT, at no time shall the REIT incur debt aggregating more than 20% of Gross Book Value at floating interest rates or having maturities less than one year.

GOVERNMENT REGULATION AND ENVIRONMENTAL MATTERS

The REIT is subject to federal, provincial and municipal environmental regulations that apply generally to the ownership of real property and the operation of commercial rental properties. If it fails to comply with those laws, the REIT could be subject to significant fines or other governmental sanctions. Under various federal, provincial and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a facility and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such facility or to borrow using such facility as collateral. In addition, in connection with the ownership, operation and management of real properties, the REIT could potentially be liable for property damage or injuries to persons and property.

It is the REIT's operating policy to obtain (or be entitled to rely on) a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring a property. Where a Phase I environmental audit warrants further

assessment, it is the REIT's operating policy to conduct further environmental audits. The environmental assessments received in respect of the REIT's properties have not revealed, nor is the REIT aware of, any environmental liability the REIT believes will have a material adverse effect. However, the REIT cannot assure Unitholders any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to its properties.

COMPETITION

The real estate business is competitive. Numerous developers, managers and owners of properties compete with the REIT in seeking tenants. The existence of competing developers, managers and owners and competition for the REIT's tenants could have an impact on the REIT's ability to lease space in its properties and on the rents charged.

The REIT is subject to competition for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those targeted by the REIT. A number of these investors may have greater financial resources than those of the REIT, or operate without the investment or operating restrictions of the REIT. An increase in the availability of the investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

The REIT seeks to locate and complete property purchases that are accretive to AFFO per Unit. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may limit the REIT's ability to promptly adjust its portfolio in response to changing economic or other conditions. If the REIT were required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. In addition, by concentrating on commercial rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market and will not benefit from a diversification of its portfolio by property type.

RISKS RELATED TO THE REIT AND ITS BUSINESS

PUBLIC MARKET RISK

It is not possible to predict the price at which the Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The Units will not necessarily trade at values determined solely by reference to the value of the REIT's current properties or future properties acquired by the REIT. Accordingly, the Units may trade at a premium or a discount to values implied by the value of the current or future-acquired properties of the REIT. The market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

ACQUISITIONS

The REIT's strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. There can be no assurance as to the pace of growth through property acquisitions or the REIT will be able to acquire assets on an accretive basis.

Acquisitions of properties by the REIT are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, *Competition Act* (Canada) approval, receipt of estoppel certificates and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated.

ACCESS TO CAPITAL AND FINANCING RISK

The real estate industry is highly capital intensive. The REIT requires 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 the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property

acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, the REIT may not be able to borrow funds due to the limitations set forth in the DOT.

In addition, global financial markets have experienced a sharp increase in volatility during recent years. The underlying market conditions may continue or become worse and unexpected volatility and illiquidity in financial markets may inhibit the REIT's access to long-term financing in the Canadian capital market. As a result, it is possible financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing of any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT.

As at March 31, 2013, the REIT had outstanding indebtedness of \$99,137 (before adjusting for financing costs of (\$658)). A portion of the cash flow generated by the REIT's properties is devoted to servicing the REIT's debt, and there can be no assurance the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. There is a risk the REIT may be unable to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing.

The REIT is subject to the risks associated with debt financing, including the risk the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or the terms of such refinancing will not be as favourable as the terms of existing indebtedness due to, for instance, higher interest rates. To the extent the REIT utilizes variable rate debt, such debt will result in fluctuations in the REIT's cost of borrowing as interest rates change.

POTENTIAL CONFLICTS OF INTEREST WITH TRUSTEES

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. The DOT contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the REIT's Independent trustees only. Conflicts may also exist due to the fact that certain Trustees of the REIT will be affiliated with Starlight.

LITIGATION RISKS

In the normal course of the REIT's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the REIT. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the REIT's business operations.

TAXATION MATTERS

Management of the REIT believes the REIT currently qualifies as a mutual fund trust and a real estate investment trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse.

The *Income Tax Act* (the "Tax Act") contains rules (the "SIFT Rules"), which tax certain publicly traded or listed trusts in a manner similar to corporations and taxes certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. Distributions paid by a specified investment flow-through trust or specified investment flow-through partnership as returns of capital will generally not be subject to the tax.

The SIFT Rules are not applicable to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Exception").

Unless the REIT qualifies for the REIT Exception, the SIFT Rules could impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders. Management of the REIT has determined that the REIT is not subject to the SIFT tax under the Tax Act as it meets the REIT Exception for the three months ended March 31, 2013, and plans to continue to do so throughout 2013 and subsequent years. Accordingly, no current income tax expense or deferred income tax assets or liabilities have been recorded in the financial statements as at and for the period ended March 31, 2013.

If the REIT were to no longer qualify for the REIT Exception, it would not be able to flow through its taxable income to Unitholders and the REIT would therefore be subject to tax. The REIT Exception is applied on an annual basis. As

such, it will not be possible to determine if the REIT will satisfy the conditions of the REIT Exception for 2013 or any subsequent year until the end of the particular year.

SIGNIFICANT OWNERSHIP BY STARLIGHT

At March 31, 2013, Daniel Drimmer, the REIT's CEO, and his related parties held an approximate 19.85% effective interest in the REIT through ownership of Units and LP Units. For so long as Starlight maintains a significant effective interest in the REIT, Starlight benefits from certain contractual rights regarding the REIT. Starlight has the ability to exercise influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes, including the ability to prevent certain fundamental transactions. Starlight may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price. The Units may also be less liquid and worth less than they would if Starlight did not have the ability to influence matters affecting the REIT. Additionally, Starlight's significant effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor as a holder of the Units might otherwise receive a premium for its Units over the then-current market price.

Pursuant to the Exchange Agreement, each LP Unit is exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments). If Starlight exchanges LP Units for Units and sells the Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The REIT maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provide complete assurance the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance any design will succeed in achieving its stated goals under all potential conditions.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the REIT in the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2013 are the same as those applied by the REIT in its consolidated financial statements for the period from July 13, 2012 to December 31, 2012.

IFRS 10, Consolidated Financial Statements ("IFRS 10"), replaced the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. The REIT has assessed its consolidation conclusions on July 13, 2012 (commencement of operations) and determined that the adoption of IFRS 10 did not result in any changes in the consolidation status of the Partnership and other entities.

IFRS 13, Fair Value Measurement ("IFRS 13"), replaces the fair value measurement guidance contained in individual IFRS's with a single source of fair value measurement guidance. It defines fair value as 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, ie. an exit price.

The REIT adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the REIT to determine fair value and did not result in any measurement adjustments as at January 1, 2013.

USE OF ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following.

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

UNIT OPTION PLAN

The estimates used when determining the fair value of the Unit Option Plan are the average expected Unit Option holding period, the average expected volatility rate, and the average risk-free interest rate. The average expected Unit Option holding period used is estimated to being half the life of the respective option agreement applied to that Unit Option upon vesting. The average expected volatility rate applied is estimated based on the historical volatility of the Units and that of comparable companies, reflecting of a period of time reflecting the Unit Option's average expected unit option holding period. The average risk-free interest rate is based on zero-coupon Government of Canada bonds with terms consistent with the average expected Unit Option holding period. Management determines the fair value internally, utilizing the aforementioned inputs, which are available in the forms of external market data and internal financial information.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) Fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

- Fair value through profit and loss — LP Units, restricted cash and cash and cash equivalents.
- Loans and receivables — tenant and other receivables.
- Other financial liabilities — mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and derivative instruments.

The fair values of the REIT's financial assets, which include tenant and other receivables, cash and cash equivalents, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, and finance costs payable, approximate their recorded values due to their short-term nature at the date of consolidated statement of financial position.

The estimated fair value of the mortgage payable approximates its carrying value.

LP Units are carried at fair value and the fair value of the LP Units has been determined with reference to the trading price of the Units.

Unit Options granted and warrants granted are carried at fair value estimated using the Black Scholes option pricing model for option valuation.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the REIT is involved in litigation and claims in relation to the investment properties. In the opinion of management, none of these, individually or in aggregate, could result in a liability that would have a significant adverse effect on the financial position of the REIT. The REIT has agreed to indemnify, in certain circumstances, the Trustees and officers of the REIT.

SUBSEQUENT EVENTS

On April 15, 2013 the REIT declared a distribution of \$0.02475 per Unit or LP Unit for the month of April 2013. The distribution is payable on May 15, 2013 to Unitholders and holders of LP Units of record as at April 30, 2013.

OUTLOOK

The REIT's external growth strategy will focus primarily on acquisitions of commercial rental properties across Canada. The REIT will continue to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, potential for increasing value through more efficient management of the assets being acquired and growth of the REIT's AFFO per Unit.

The REIT will achieve its objective by employing the following strategies:

- execute an aggressive acquisitions program, targeting diversified commercial real estate assets in secondary markets across Canada. The program will primarily focus on office, retail and industrial properties with strong tenant profiles and long term lease maturities. The REIT's objective is to have approximately 70% of its income generated from office properties;
- leverage the relationship with the REIT's external asset manager, Starlight, through its extensive resources and relationship to source off-market acquisitions. The REIT will benefit from Starlight's industry and lending relationships as well as the economies of scale and expertise of Starlight's management and staff; and
- focus on internal NOI growth and value creation through the use of best-in-class, third party property managers who offer clients the benefits of both exceptional service and local market knowledge and expertise.

Management is also focused on further diversifying the geographic concentration of the portfolio through accretive acquisitions. Management believes the geographic diversification of the property portfolio will serve to add stability to the REIT's cash flow as it reduces the REIT's vulnerability to economic fluctuations affecting any particular region in Canada.

The REIT's strategy is to maintain a combination of short, medium and long term debt maturities that are appropriate for the overall debt level of the REIT, taking into account availability of financing, market conditions and the financial characteristics of each property and to extend the current weighted average term to maturity.

The REIT's internal growth strategy focuses on generating greater cash flow from its property portfolio. The REIT achieves this by strengthening its asset base by maximizing occupancy and average monthly rents in accordance with

TRUE NORTH COMMERCIAL REIT – MD&A

local conditions in each of its geographic markets. Management conducts regular reviews of the property portfolio and, based on its experience and market knowledge, assesses ongoing opportunities within the portfolio.

QUARTERLY INFORMATION

The following table shows information for revenues and net loss and comprehensive loss for the periods noted therein.

	Three months ended March 31, 2013 ⁽¹⁾	Three months ended December 31, 2012 ⁽²⁾
Revenue from property operations	\$ 2,486	\$ 73
Property operating costs	803	19
Operating income	1,683	54
Trust expenses	(401)	(695)
Fair value adjustment of investment properties	(3,391)	(103)
Finance income	3	28
Finance costs	(504)	(44)
Finance costs - fair value adjustment of LP Units	214	(12,928)
Finance costs - distributions on LP Units	(375)	-
Unrealized loss on change in fair value of derivative instrument	(655)	-
Net loss and comprehensive loss for the period	\$ (3,426)	\$ (13,688)
Notes:		
(1) During the three months ended March 31, 2013, the REIT acquired the February 2013 Properties.		
(2) The REIT acquired Coronation Mall on December 14, 2012.		

Additional information relating to the REIT can be found on SEDAR at www.sedar.com.

Dated: May 8, 2013
Toronto, Ontario, Canada