

## TitanStar Properties Inc. Announces Plan to Convert to a REIT Structure

**January 20, 2014.** TitanStar Properties Inc. (TSX Venture: TSP) ("**TitanStar**" or the "**Company**") announces plans to convert its current corporate structure into a real estate investment trust ("**REIT**") structure.

Pursuant to an arrangement agreement (the "**Arrangement Agreement**") between the Company and TitanStar Focus Retail Real Estate Investment Trust ("**TitanStar REIT**"), which was formed by the Company to complete such reorganization, the Company and TitanStar REIT propose to effect the REIT conversion by way of a plan of arrangement (the "**Arrangement**"), such that TitanStar REIT will become the owner of the Company's assets and assume the Company's liabilities and will continue the Company's current business and operations.

If completed as anticipated under the Arrangement Agreement, the holders of the Company's Common Shares will become holders of trust units in TitanStar REIT (the "**TitanStar REIT Units**"), and the holders of the Company's convertible debentures (the "**Debentures**") will become holders of convertible debentures of TitanStar REIT, convertible into TitanStar REIT Units and having substantially the same underlying structural features of the outstanding Debentures.

The proposal to convert the Company to a REIT structure is the result of an extensive review conducted by the Company's board of directors of the Company's business model and strategic options.

"We believe that the proposed REIT conversion is crucial for the further growth of TitanStar's business, will enhance securityholder value with a structure comparable to our competitors, providing an enhanced ability to access Canadian equity capital markets, and allowing TitanStar to acquire additional assets under the current investment strategy. We believe the proposed REIT conversion will ultimately create the greatest value for our securityholders," said T. Richard Turner, the Company's CEO.

### Details of the Arrangement

The Arrangement will be carried out by way of a court-approved plan of arrangement, and will require the approval of at least 2/3 of votes cast by shareholders voting at a special meeting of the shareholders of TitanStar expected to take place in March 2014. The proposed Arrangement is also subject to applicable regulatory approvals, including approval of the TSX Venture Exchange, and the satisfaction of certain closing conditions customary in reorganizations of this nature.

If the Arrangement is completed as anticipated, the Company's shareholders will receive a TitanStar REIT Unit in exchange for each Common Share held (or such other number of TitanStar REIT Units as the Company determines is equal to the fair value of a Common Share) and TitanStar REIT will, in accordance with the trust indenture by which the Debentures are governed dated July 31, 2013, as amended ("**Debenture Indenture**"), assume all of the Company's covenants and obligations under the Debenture Indenture, and the Debentures will be valid and binding obligations of TitanStar REIT entitling the holders thereof, as against TitanStar REIT, to all the rights of the Debentureholders under the Debenture Indenture.

As part of the Arrangement, the TitanStar REIT Units will be consolidated at a ratio of "1" "new" TitanStar REIT Unit for that quantity of "old" TitanStar REIT Units that is the lesser of: (i) the

quantity allowable under TSX Venture Exchange policies; and (ii) the quantity determined by dividing \$4 by the "market price" of the Common Shares (where the "market price" of the Common Shares shall be determined as at today's date in accordance with Section 1.11(1) of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids*). The exercise price of any outstanding options or warrants of the Company will also be adjusted accordingly. The conversion price of the Debentures will be adjusted in accordance with the Debenture Indenture.

The Company has engaged Mackie Research Capital Corporation ("**MRCC**") to deliver an opinion with respect to the fairness of consideration to be received by the TitanStar shareholders under the proposed Arrangement. MRCC has informed the board of directors of TitanStar that, in the opinion of MRCC, the consideration to be received by TitanStar' shareholders pursuant to the Arrangement is fair, from a financial point of view.

Upon the recommendation of a special committee established to review the proposal, the Company's directors have determined that the Arrangement is in the best interest of TitanStar and its securityholders, and have unanimously approved the proposal. The directors intend to recommend, in an information circular for the TitanStar shareholder meeting, that the shareholders vote in favour of the Arrangement.

FOR FURTHER INFORMATION PLEASE CONTACT:

T. Richard Turner  
President, CEO and Director  
TitanStar Properties Inc.  
Telephone: (604) 408-3808  
Facsimile: (604) 408-3801  
email: rick@titanstar.ca

#### About TitanStar

TitanStar is a real estate issuer whose investment strategy focuses on building a portfolio of well-positioned, undervalued or underperforming stabilized assets, focusing on geographic areas. TitanStar currently holds a 50% limited partnership interest in the Sahara Crossing, LP, a Nevada limited partnership which owns an approximately 61,125 square foot retail building located just east of Decatur Boulevard on Sahara Avenue in Las Vegas, as well as a 50% limited partnership interest in the Deer Springs Crossing Limited Partnership, a Nevada limited partnership which owns the Deer Springs Crossing Shopping Center, a 22.8 acre retail development project also located in Las Vegas. In December 2012, the Company acquired a 50% limited partnership interest in TSP LP I, L.P., a Nevada limited partnership which owns the Swanway Plaza, a 55,790 square foot retail shopping centre in Tucson, Arizona (see the Company's news release of January 2, 2013). In January 2013, the Company acquired a 50% limited partnership interest in TSP LP II, L.P., a Nevada limited partnership which owns the Kohl's San Tan Plaza, a 29,945 square foot retail shopping centre in Chandler, Arizona (see the Company's news release of January 28, 2013). In September 2013, the Company acquired a 38.4% beneficial interest in Adam's Dairy Landing, a 254,036 square foot retail shopping centre, located in Blue Springs, Missouri (see the Company's news release of September 30, 2013). These recent investments reflect TitanStar's revised investment strategy, announced on September 28, 2012, which added the following objectives:

- begin to build, with or without a partner acceptable to management, a portfolio of stabilized assets that produce a reasonably reliable cash flow that would be available for distribution to shareholders when a distribution policy is determined by the Board of Directors;
- engage local companies to manage such properties; and
- finance the purchase of such assets using conservative financing assumptions, determined by management from time to time.

*Forward-looking statements:*

*Certain statements in this release are forward-looking statements, which reflect the expectations of management regarding the identification, analysis and potential acquisition of future real estate assets. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future and statements concerning the number of TitanStar REIT Units to be received in exchange for each Common Share. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. In particular, the Company cautions that the timing or completion of the Arrangement cannot be predicted with certainty, and there can be no assurance at this time that all required or desirable approvals and consents to effect the Arrangement will be completed in the manner noted above or at all. These forward-looking statements reflect management's current views and are based on certain expectations, estimates and assumptions which may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including factors beyond the Company's control. These forward-looking statements are made as of the date of this news release.*

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*