

# **Avenir Diversified Income Trust & Western Spirit Investments Ltd.**

## **To Proceed with Business Combination Transaction**

**Calgary, Alberta – January 21, 2004**

### **FOR IMMEDIATE RELEASE**

Avenir Diversified Income Trust ("Avenir Trust" TSXV: ART.UN) and Western Spirit Investments Ltd. ("Western Spirit" TSXV: WST.A), are pleased to announce that they have entered into an agreement (the "Agreement") pursuant to which Avenir Trust will acquire Western Spirit under a plan of arrangement (the "Arrangement").

Through this transaction, former shareholders of Western Spirit will receive, at their election, either \$0.57 cash or 0.95 of a trust unit of Avenir Trust for each Western Spirit Share, provided that the maximum cash consideration will not exceed \$3 million. Avenir Trust will also issue to each Western Spirit shareholder one performance right for each Western Spirit share, each right entitling the holder to acquire 0.05 of a trust unit, for no additional consideration, provided that, at any time on or prior to January 21, 2005, either a signed lease agreement is in place for that portion of the area in Western Spirit's Harris Building, which is currently vacant, or Avenir Trust should sell the Harris Building for not less than \$8.5 million. Avenir Trust will also assume all of Western Spirit's outstanding debt, including mortgages, of approximately \$17.35 million as at December 31, 2003. Based on a closing price of the trust units of \$0.60 per trust unit, the total enterprise value of the transaction is approximately \$23.3 million.

Assuming Western Spirit Shareholders elect to receive the maximum cash consideration of \$3 million, and that all outstanding Western Spirit options are exercised, Avenir Trust will issue approximately 5.0 million trust units to complete the transaction as well as approximately 10.5 million performance rights.

"This transaction is very beneficial to both the unitholders of Avenir Trust and shareholders of Western Spirit", said William Gallacher, President of Avenir Operating Corp., manager of the Trust. "The Western Spirit acquisition is very important to Avenir Trust as these quality industrial real estate assets fill out the Trust's diversified business plan and will provide the Trust with stable, long-term cash flow. The shareholders of Western Spirit are being provided with liquidity at a fair value and the option to participate in the ongoing operations of the Trust if they elect to receive trust units through the transaction. This is an excellent transaction for the Trust as the manager of the Trust estimates that the Western Spirit assets are being acquired at a 10.29% unlevered cap rate based on estimated 2004 net operating income."

Western Spirit founder and CEO, Rick Tanner, praised the outcome of the deal, saying: "We believe that this combination of cash and units promises fair value for all Western Spirit shareholders, more liquidity and an opportunity to enjoy an attractive yield, all of which meet our objectives from the strategic alternative process. The consideration also reflects a significant premium to our recent trading range and demonstrates the underlying strength and competitive advantages enjoyed by income trusts in recent times. We are pleased that our shareholders can be rewarded and get a seat at the trust table in this fashion."

The boards of directors of each of the manager of Avenir Trust and Western Spirit have unanimously endorsed the Arrangement and the board of directors of Western Spirit will recommend that shareholders of Western Spirit vote in favour of the Arrangement.

The Agreement provides that each party will be required to pay a break fee under certain circumstances. Further, Western Spirit has agreed not to solicit further proposals; however, the board of directors of Western Spirit may respond to other offers in accordance with their fiduciary responsibilities, subject to certain conditions. Shareholders of Western Spirit holding approximately 40.5% of the issued and

outstanding Western Spirit shares, and 100% of the options, have agreed to vote in favour of the proposed transaction.

The completion of the transaction is subject to the satisfaction of a number of conditions, including, but not limited to, Exchange acceptance and shareholder approval. The transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the meeting materials to be prepared in connection with the proposed Arrangement, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of each of Western Spirit and Avenir Trust should be considered to be speculative. Western Spirit's meeting of shareholders to consider and approve the Arrangement is expected to be held by the end of March 2004.

Western Spirit has also announced that effective immediately, Rick Tanner has moved from President and CEO to Executive Chairman of Western Spirit, which will give Mr. Tanner more time as needed to attend to personal matters. The company has appointed Randy Holt to serve as President after serving as Vice-President of Western Spirit for the past eight years.

Western Spirit is a public real estate investment company with a portfolio that presently comprises six properties and approximately 554,000 square feet of leasable area, occupied by a total of seven tenants. The properties are located in Toronto, London (Ontario), Calgary and Edmonton, with an approximate weighting by value of 60% in Alberta and 40% in Ontario. The shares of Western Spirit trade on the TSX Venture Exchange under the symbol WST.A.

Avenir Trust is an income trust designed to provide sustainable distributions and growth from a diverse portfolio of operating assets in the sectors of oil and gas, financial services and real estate. The resulting cash flow from these assets is distributed to unit holders on a monthly basis. The trust units of Avenir Trust trade on the TSX Venture Exchange under the symbol ART.UN.

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*The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this Release.*

***Forward-Looking Statements***

Certain information set forth in this press release, including a discussion of future plans and operations, contains forward looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond management's control, including but not limited to, the impact of general economic conditions, industry conditions, fluctuation of commodity prices, fluctuation of foreign exchange rates, environmental risks industry competition, availability of qualified personnel and management, stock market volatility, timely and cost effective access to sufficient capital from internal and external sources. Actual results, performance or achievement could differ materially from those expressed in or implied by these forward-looking statements.