



FIRST CAPITAL®

First Capital Board Approves REIT Conversion and Announces Special Meeting of Shareholders

Toronto, Ontario (October 7, 2019) - First Capital Realty Inc. (the “Company”) (TSX: FCR), one of Canada’s leading developers, owners and operators of mixed-used urban real estate in Canada’s most densely populated centres, announced today that upon receipt of a fairness opinion, its Board of Directors (the “Board”) has unanimously approved the previously announced reorganization of the Company into a real estate investment trust to be named First Capital Real Estate Investment Trust (“First Capital REIT” or the “REIT”).

Blair Franklin Capital Partners Inc. (“Blair Franklin”) has provided a fairness opinion to the Board stating that, in their opinion and subject to the assumptions, limitations and qualifications contained in such fairness opinion, as of the date of the fairness opinion, the consideration to be received by shareholders in the reorganization is fair, from a financial point of view, to the Company’s shareholders, including holders of the Company’s common shares represented by instalment receipts. Blair Franklin was retained by the Board and compensated on a fully fixed fee basis.

The reorganization will be subject to, among other things, approval by shareholders of record on the close of business on October 25, 2019 (the “Record Date”), including holders of common shares represented by instalment receipts, at a special meeting of shareholders to be held on December 10, 2019 (the “Special Meeting”). The Board intends to recommend, in an information circular describing the proposed reorganization, that shareholders vote in favour of the Arrangement (as hereinafter defined).

Upon completion of the Arrangement, First Capital REIT will carry on all of the business and activities currently carried on by the Company, and the trustees and officers of First Capital REIT will be the same individuals who currently act as directors and officers of the Company. In addition, First Capital REIT will become co-principal debtor, together with the Company, of the Company’s outstanding senior unsecured debentures and will assume all of the covenants and obligations of the Company thereunder.

Notwithstanding the structural changes that will result from the Arrangement, the proposed REIT structure will not result in a change in the Company’s portfolio, operations or its super urban strategy.

First Capital REIT’s annual distribution will remain consistent with the Company’s current annual dividend of \$0.86 per common share. The REIT intends to make monthly distributions in place of the quarterly dividends currently paid by the Company, initially of \$0.0716 per REIT Unit (as hereinafter defined), or \$0.86 per REIT Unit on an annualized basis.

Further Details of the Arrangement

The proposed reorganization will be effected by way of a plan of arrangement under the *Business Corporations Act* (Ontario) (the “Arrangement”) and, among other approvals, will be subject to shareholder approval at the Special Meeting. The Arrangement requires the approval of 66 2/3 per cent

of the votes cast by holders of the Company's common shares, including holders of common shares represented by instalment receipts, voting in person or by proxy at the Special Meeting.

Under the terms of the Arrangement, the Company's shareholders will receive one unit of the REIT (a "REIT Unit") for each common share of the Company held, unless a qualifying shareholder elects to receive exchangeable limited partnership units ("Exchangeable Units") in a limited partnership controlled by First Capital REIT in exchange for their common shares of the Company and makes the required tax election. All shareholders have the opportunity to participate in Exchangeable Units; however, Exchangeable Units must be held by a taxable Canadian corporation so additional steps would be required to make this election if common shares are not currently held in a corporation.

The Exchangeable Units are intended to be economically equivalent to and exchangeable for REIT Units on a one-for-one basis and will be accompanied by special voting units of the REIT that provide their holders with equivalent voting rights to holders of REIT Units. The Exchangeable Units will not be listed on the TSX or any other stock exchange or quotation system and will be subject to certain transfer restrictions. A maximum of 20% of the Company's outstanding common shares as of the Record Date for the Special Meeting may be exchanged for Exchangeable Units. If the total number of Exchangeable Units elected is greater than such 20% maximum, Exchangeable Units will be allocated on a *pro rata* basis. All Exchangeable Units will be subject to an automatic exchange into REIT Units on the fourth anniversary of closing of the Arrangement in the event they are still outstanding on such date.

In addition to the requisite shareholder and court approvals, the completion of the Arrangement and exchange of the Company's common shares for either REIT Units or Exchangeable Units will be contingent on receipt of all necessary third party and regulatory approvals and receipt of approval from the TSX to list the applicable REIT Units on the TSX.

Further details on the Arrangement, including additional details relating to the terms of the Exchangeable Units and the eligibility of qualifying shareholders to elect to receive Exchangeable Units, will be set forth in an information circular of the Company that is expected to be mailed to shareholders in early November 2019. The Company anticipates the REIT conversion to be completed on or about December 30, 2019.

Tax Impact for Shareholders

Generally, the completion of the Arrangement will result in a disposition of the Company's common shares for Canadian tax purposes and the immediate acquisition of REIT Units, both at a value equal to the closing price on the last business day prior to the closing date of the Arrangement. If a shareholder holds common shares of the Company outside of a tax-sheltered vehicle (such as an RRSP, RRIF or TFSA), this may result in a taxable capital gain or loss to report for 2019, the year the Arrangement is expected to be completed. A qualifying shareholder who elects to exchange common shares of the Company for Exchangeable Units may be able to defer any capital gain or loss associated with the Arrangement. Exchangeable Units allow for tax deferral; however, they will be subject to additional restrictions and limitations and will not be listed on the TSX or any other exchange. Shareholders should carefully review the information circular to be mailed in early November 2019 for a further discussion of certain tax and other considerations of the Arrangement. This summary is of a general nature only and is not intended to be, nor should it be construed to be legal or tax advice to any particular shareholder. Shareholders are advised to consult their own tax advisors with respect to the tax consequences to them of the proposed REIT conversion, having regard to their particular circumstances.

Forward-looking Statement Advisory

This press release contains forward-looking statements and information within the meaning of applicable securities law, including statements regarding the Arrangement. These forward-looking statements are not historical facts but, rather, reflect the Company's current expectations and are subject to risks and uncertainties that could cause the outcome to differ materially from current expectations. Such risks and uncertainties include those risks discussed in the Company's MD&A for the year ended December 31, 2018 and for the three and six months ended June 30, 2019 and in the Company's current Annual Information Form. Readers, therefore, should not place undue reliance on any such forward-looking statements. The Company undertakes no obligation to publicly update any such forward-looking statement or to reflect new information or the occurrence of future events or circumstances, except as required by applicable securities law.

All forward-looking statements in this press release are made as of the date hereof and are qualified by these cautionary statements.

* * * *

For further information:

Kay Brekken
Executive Vice President & CFO
(416) 216-2051
kay.brekken@fcr.ca
www.fcr.ca
TSX: FCR