



FIRST CAPITAL REALTY INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 10, 2019

This Management Information Circular requires your immediate attention. If you are in doubt as to how to deal with this document, the documents referred to herein or the matters to which they refer, please consult your professional advisors. If you have questions, you may contact the Company's strategic shareholder advisor and proxy solicitation agent, Kingsdale Advisors, by telephone at 1-866-879-7644 (North-American toll-free) or by email at contactus@kingsdaleadvisors.com.

YOUR VOTE IS VERY IMPORTANT. PLEASE VOTE TODAY.
--

March 11, 2019





FIRST CAPITAL REALTY INC.

85 Hanna Avenue, Suite 400, Toronto, Ontario M6K 3S3

T 416.504.4114 F 416.941.1655 TF 1.877.504.4114

www.fcr.ca

March 11, 2019

Dear Fellow Shareholder:

We are pleased to invite you to attend a special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (the “**Common Shares**”) of First Capital Realty Inc. (the “**Company**”) to be held at the offices of Torys LLP, 79 Wellington Street West, 33rd Floor, TD South Tower, Toronto, Ontario, Canada, M5K 1N2 on April 10, 2019 at 10:00 a.m. (Toronto time).

On February 28, 2019, the Company entered into a share repurchase agreement (the “**Transaction Agreement**”) with Gazit-Globe Ltd. (“**Gazit-Globe**”) and Gazit Canada Inc. (the “**Selling Shareholder**”), a subsidiary of Gazit-Globe, whereby, subject to the terms and conditions of the Transaction Agreement, the Company has agreed to repurchase for cancellation 36 million Common Shares at a price of \$20.60 per Common Share, for gross share consideration paid to the Selling Shareholder of \$741.6 million (the “**Transaction**”).

In conjunction with the Transaction, the Company, the Selling Shareholder, Gazit-Globe and RBC Capital Markets (“**RBC**”) have entered into an agreement for the Selling Shareholder to sell 22 million Common Shares on a bought deal basis to a syndicate of underwriters led by RBC at a price of \$20.60 per Common Share, payable in two instalments, for total gross proceeds to the Selling Shareholder of \$453.2 million (the “**Secondary Offering**”). **The completion of the Transaction is contingent on the completion of the Secondary Offering, and the Secondary Offering is contingent on the approval of the Share Repurchase Resolution (as defined below).**

Assuming completion of the Transaction and the Secondary Offering, the Selling Shareholder’s ownership of the Company (on a non-diluted basis) will be reduced from 31.3% today to approximately 9.9%.

At the Meeting, Shareholders will be asked to consider and vote on an ordinary resolution (the “**Share Repurchase Resolution**”) approving the Transaction. To become effective, the Share Repurchase Resolution must be approved by a simple majority of the votes cast upon such resolution by Shareholders present in person or represented by proxy at the Meeting, excluding the votes attached to Common Shares held by the Selling Shareholder, as well as each related party of the Selling Shareholder and each joint actor of the Selling Shareholder.

The accompanying notice of special meeting (the “**Notice of Meeting**”) and management information circular (the “**Circular**”) contain a detailed description of the Transaction and set forth the actions to be taken by you at the Meeting. You should carefully consider all of the relevant information in the Notice of Meeting and the Circular and consult with your financial, legal or other professional advisors if you require assistance. Kingsdale Advisors (“**Kingsdale**”) has been engaged as strategic shareholder advisor and proxy solicitation agent in connection with the solicitation of proxies from Shareholders for the Meeting. If you have any questions in regards to the Meeting or require assistance with voting, please contact Kingsdale by telephone at 1-866-879-7644 (North-American toll-free) or by email at contactus@kingsdaleadvisors.com.

Completion of the Transaction is subject to the satisfaction of certain conditions, including approval by Shareholders of the Share Repurchase Resolution and completion of the Secondary Offering, as described in the

enclosed Circular. If such approvals and conditions are obtained and the other conditions to the completion of the Transaction are satisfied or waived, closing of the Transaction is expected to occur in April 2019.

After careful consideration and consultation with their financial and legal advisors, the special committee of independent directors of the Company (the “**Special Committee**”) has unanimously recommended that the Company’s board of directors (the “**Board**”) approve the Transaction and recommend to Shareholders to vote **FOR** the Share Repurchase Resolution approving the Transaction.

After careful consideration, the Board unanimously (other than Dori J. Segal, Chaim Katzman and Jeffrey S. Mooallem, each of whom declared an interest in respect of the Transaction and, as such, recused themselves from considering the Transaction) has determined, based upon the recommendation of the Special Committee and consultation with its legal and financial advisors, and based in part on the fairness opinions received from RBC and Blair Franklin Capital Partners Inc., as described in the enclosed Circular, that the Transaction is in the best interests of the Company and recommends that Shareholders vote **FOR** the Share Repurchase Resolution approving the Transaction. The determination of the Board (other than those directors indicated above who declared an interest in the Transaction and recused themselves from considering the Transaction) is based on various factors described more fully in the accompanying Notice of Meeting and Circular. Each member of the Special Committee has agreed to vote his or her Common Shares in favour of the Transaction.

Your vote is important. We urge you to vote **FOR** the Share Repurchase Resolution approving the Transaction. The details of the Transaction and the Meeting are described in the accompanying Notice of Meeting and Circular.

Yours truly,

FIRST CAPITAL REALTY INC.

“Bernard McDonell”

Bernard McDonell
Lead Independent Director



NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

You are invited to a special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares (the “**Common Shares**”) of First Capital Realty Inc. (the “**Company**”):

When

Wednesday April 10, 2019
10:00 a.m. (Toronto time)

Where

Torys LLP
79 Wellington Street West, 33rd Floor
TD South Tower, Toronto, Ontario, M5K 1N2

Business of the Meeting

1. To consider and to vote on, with or without variation, an ordinary resolution (the “**Share Repurchase Resolution**”), the full text of which is set forth in Appendix B to the accompanying management information circular (the “**Circular**”), approving the repurchase for cancellation of 36 million Common Shares at a price of \$20.60 per Common Share, for gross share consideration paid to Gazit Canada Inc. (the “**Selling Shareholder**”) of \$741.6 million, on the terms contained in the transaction agreement dated February 28, 2019 among the Company, the Selling Shareholder and Gazit-Globe Ltd., all as more particularly described in the Circular (the “**Transaction**”).
2. To consider other business that may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

Your vote is important. You can vote by proxy (or voting instruction form, as applicable) if you are unable to attend the Meeting and vote in person. The Circular explains the voting process and discusses the items of business in more detail.

The Circular which accompanies this Notice of Meeting of Shareholders provides information regarding the business to be considered at the Meeting and includes the full text of the Share Repurchase Resolution attached thereto as Appendix B.

Kingsdale Advisors (“**Kingsdale**”) has been engaged as strategic shareholder advisor and proxy solicitation agent in connection with the solicitation of proxies from Shareholders for the Meeting. If you have any questions in regards to the Meeting or require assistance with voting, please contact Kingsdale by telephone at 1-866-879-7644 (North-American toll-free) or by email at contactus@kingsdaleadvisors.com.

Record Date

You have the right to vote if you held Common Shares as at the close of business on March 11, 2019.

Beneficial and Registered Shareholders

You are a beneficial shareholder (also known as a non-registered shareholder) (a “**Beneficial Shareholder**”) if you beneficially own Common Shares that are held in the name of an intermediary such as a bank, trust company, securities broker, trustee, depository, clearing agency (such as CDS Clearing and Depository Services Inc.) or other intermediary. For example, you are a Beneficial Shareholder if your Common Shares are held in a brokerage account of any type.

You are a registered shareholder (a “**Registered Shareholder**”) if you hold a paper share certificate and your name appears directly on your share certificate.

Voting

Beneficial Shareholders should complete and submit the voting instruction form in accordance with the directions on the form. Voting instruction forms can be completed and submitted using the following options:

INTERNET: www.proxyvote.com

TELEPHONE: 1-800-474-7493 (English) or 1-800-474-7501 (French)

MAIL: Data Processing Centre, P.O. Box 3700, STN Industrial Park, Markham, ON L3R 9Z9

Voting instructions must be received at least one business day in advance of the proxy deposit date noted on your voting instruction form. If a Beneficial Shareholder wishes to vote at the Meeting in person (or have another person attend and vote on such Shareholder’s behalf), he or she must complete the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend at the Meeting in person and vote will be forwarded to such Beneficial Shareholder.

Registered Shareholders who are unable to be present at the Meeting should exercise their right to vote by completing and submitting the form of proxy in accordance with the directions on the form. Forms of proxy may also be completed and submitted by telephone or through the internet at www.investorvote.com. Computershare Trust Company of Canada, the Company’s transfer agent and registrar, must receive completed proxies not later than 10:00 a.m. (Toronto time) on April 8, 2019 or, if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and statutory holidays) before any adjourned or postponed meeting.

The voting rights attached to the Common Shares represented by a proxy in the enclosed form of proxy will be voted in accordance with the instructions indicated thereon. **If no instructions are given, the voting rights attached to such Common Shares will be voted FOR the Share Repurchase Resolution approving the Transaction.**

By Order of the Board of Directors,

“Bernard McDonell”

Bernard McDonell
Lead Independent Director

March 11, 2019
Toronto, Ontario

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MANAGEMENT INFORMATION CIRCULAR

Introduction

This management information circular (“Circular”) is furnished in connection with the solicitation of proxies by and on behalf of management of First Capital Realty Inc. (the “Company”) for use at the special meeting (the “Meeting”) of holders (“Shareholders”) of common shares (the “Common Shares”) of the Company to be held on April 10, 2019 and any adjournment(s) or postponement(s) thereof.

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth in the Glossary of Terms in Appendix A to this Circular. Information contained in this Circular is given as of March 11, 2019, except where otherwise noted and except that information in documents incorporated by reference herein is given as of the dates noted therein. No person has been authorized to give any information or to make any representation in connection with the Transaction and other matters described herein other than those contained in this Circular and, if given or made, any such information or representation should be considered not to have been authorized by the Company, Gazit-Globe Ltd. (“**Gazit-Globe**”) or Gazit Canada Inc. (the “**Selling Shareholder**” and, together with Gazit-Globe, the “**Gazit Group**”), a subsidiary of Gazit-Globe.

This Circular does not constitute the solicitation of an offer to purchase, or the making of an offer to sell, any securities or the solicitation of a proxy by any person in any jurisdiction in which such solicitation or offer is not authorized or in which the person making such solicitation or offer is not qualified to do so or to any person to whom it is unlawful to make such solicitation or offer.

Information contained in this Circular should not be construed as legal, tax or financial advice and Shareholders are urged to consult their own professional advisors in connection therewith.

Descriptions in this Circular of the terms of the Transaction Agreement or the Fairness Opinions are only summaries of the terms of those documents. Shareholders should refer to the full text of each of these documents. The RBC Fairness Opinion and the Blair Franklin Fairness Opinion are included as Appendix C and Appendix D to this Circular, respectively, and the Transaction Agreement is available at the Company’s profile on SEDAR at www.sedar.com. **You are urged to carefully read the full text of these documents.**

Information Pertaining to the Gazit Group

Certain information in this Circular pertaining to the Gazit Group has been provided to the Company by the Gazit Group. Although the Company does not have any knowledge that would indicate that such information is untrue or incomplete in any material respect, neither the Company nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for the failure by the Gazit Group to disclose events or information that may affect the completeness or accuracy of such information.

Forward-looking Statements

Except for statements of historical fact, certain information contained herein constitutes “forward-looking information” under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements concerning the Transaction referred to in this Circular, including necessary approvals and other conditions required to complete the Transaction, the expected risks, costs and benefits of the Transaction, the expected closing date of the Transaction, closing of the Secondary Offering (as defined below) and any other statements regarding the Company’s expectations, intentions, plans and beliefs. Forward-looking statements can generally be identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “project”, “expect”, “intend”, “outlook”, “objective”, “may”, “will”, “should”, “continue” and similar expressions to the extent they relate to the Company or its management.

Forward-looking information is based on the opinions and estimates of management as of the date such information is provided. All statements, other than statements of historical fact, in this Circular that address the expected benefits of the Transaction and the Secondary Offering, including the expected benefits to Shareholders and other stakeholders, as well as future financial and operating results; the anticipated timing for the Closing and the Secondary Offering Closing Date (as defined below); the satisfaction of closing conditions in connection with the Transaction; activities, events or developments that the Company or a third party expect or anticipate will or may occur in the future, including the Company's future growth, results of operations, performance and business prospects and opportunities and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events and are based on information currently available to the Company and on assumptions it believes are reasonable. Forward-looking statements are based upon a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond the control of the Company, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: the terms of any new indebtedness incurred by the Company in connection with financing the Transaction; the potential risk that the Transaction will not receive the Required Approval (as defined below) of Shareholders; failure to, in a timely manner, or at all, obtain the necessary approvals for the Transaction; failure of the Parties to otherwise satisfy the conditions to complete the Transaction; the effect of the announcement of the Transaction and the Secondary Offering on the Company's relationships, operating results and business generally; the expected elimination of uncertainty in the Company's ownership structure resulting from the Transaction and the Secondary Offering and the impact of such uncertainty on the historical market price of the Common Shares and the Company's access to the equity capital markets; the expected accretive effect of the Transaction and the Secondary Offering on the Company's NAV per Common Share and FFO per Common Share; the expected improvement to liquidity of the Common Shares and related securities following completion of the Transaction and the Secondary Offering; significant transaction costs or unknown liabilities, and other customary risks associated with transactions of this nature; general economic conditions; real property ownership; tenant financial difficulties, defaults and bankruptcies; the relative illiquidity of real property; increases in operating costs, property taxes and income taxes; the Company's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents; the availability and cost of equity and debt capital to finance the Company's business, including the repayment of existing indebtedness as well as development, intensification and acquisition activities; changes in interest rates and credit spreads; organizational structure; changes to credit ratings; the availability of a new competitive supply of retail properties which may become available either through construction, lease or sublease; the Company's ability to execute on its Evolved Urban Investment Strategy (as defined below), including with respect to dispositions, capitalize on competitive advantages, optimize portfolio assets and accelerate value delivered to its investors and stakeholders, remain ahead of changing market conditions, surface unrecognized value, reach its demographic targets and ensure the Company retains its best in class position; the Company's ability and strategy to de-lever following Closing and the timing thereof; unexpected costs or liabilities related to acquisitions, development and construction; geographic and tenant concentration; residential development, sales and leasing; compliance with financial covenants; changes in governmental regulation; environmental liability and compliance costs; unexpected costs or liabilities related to dispositions; challenges associated with the integration of acquisitions into the Company; uninsured losses and the Company's ability to obtain insurance coverage at a reasonable cost; risks in joint ventures; matters associated with significant Shareholders; investments subject to credit and market risk; loss of key personnel; the ability of tenants to maintain necessary licenses, certifications and accreditations; and cybersecurity. Furthermore, no formal determination to convert to a real estate investment trust (a "**REIT**") has been made by the Company at this time and no assurance can be given as to whether such a reorganization will be undertaken by the Company, or the timing, or impact of such reorganization, or its terms.

Although the forward-looking statements contained in this Circular are based upon what the Company believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Readers, therefore, should not place undue reliance on any forward-looking statement.

Forward-looking information involves numerous assumptions such as rental income (including assumptions on timing of lease-up, development coming online and levels of percentage rent), interest rates, tenant defaults, borrowing costs (including the underlying interest rates and credit spreads), the general availability of capital and the stability of the capital markets, the ability of the Company to make loans at the same rate or in the same amount as repaid loans, amount of development costs, capital expenditures, operating costs and corporate expenses, level and timing of acquisitions of income-producing properties, the Company's ability to complete dispositions and the timing, terms and anticipated benefits of any such dispositions, the Company's ability to redevelop, sell or enter into partnerships with respect to the future uncommitted incremental density it has identified in its portfolio, the Company's ability to convert into a REIT, number of shares outstanding and numerous other factors. Moreover, the assumptions underlying the Company's forward-looking statements contained in this Circular may also include that consumer demand will remain stable and demographic trends will continue.

All of the forward-looking statements made in this Circular are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. All forward-looking statements in this Circular are made as of the date hereof and, except as may be required by applicable law, the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise. Additional information about these assumptions and risks and uncertainties is contained in the Company's filings with securities regulators, including the Company's current annual information form and management's discussion and analysis.

Currency

All dollar amounts set forth in this Circular are in Canadian dollars, except where otherwise indicated.

INFORMATION CONCERNING THE MEETING

Date, Time and Place of Meeting

The Meeting will be held at 10:00 a.m. (Toronto time) on April 10, 2019 at the offices of Torys LLP, 79 Wellington Street West, 33rd Floor, TD South Tower, Toronto, Ontario, Canada, M5K 1N2 unless adjourned or postponed.

Purpose of the Meeting

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass the Share Repurchase Resolution (a copy of which is attached as Appendix B to this Circular) and such other business as may properly come before the Meeting. At the time of printing of this Circular, management of the Company knows of no other matter expected to come before the Meeting, other than the vote on the Share Repurchase Resolution. **If the Share Repurchase Resolution does not receive the Required Approval of Shareholders, the Transaction and the Secondary Offering will not proceed.** See *The Transaction – Required Shareholder Approval* and *The Transaction Agreement – Termination of the Transaction Agreement*.

Timing of Completion of the Transaction

Subject to the satisfaction or, where permitted, waiver of all other conditions specified in the Transaction Agreement, if the Share Repurchase Resolution receives the Required Approval of Shareholders, it is expected that closing of the Transaction will be completed in April 2019.

Shareholders Entitled to Vote

Shareholders are entitled to vote at the Meeting either in person or by proxy. The board of directors of the Company (the “**Board**”) has fixed March 11, 2019, as the record date for determining Shareholders who are entitled to receive notice of and vote at the Meeting (the “**Record Date**”). Quorum for the Meeting shall be two or more individuals present in person either holding personally or representing as proxies not less than 25% in the aggregate of the votes attached to all outstanding Common Shares. Only Shareholders whose names have been entered in the register of the Company as at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting. Common Shares held through an Intermediary, such as a broker, an investment dealer, a bank or a trust company, will be voted by the registered holder thereof, in accordance with the instructions given by the beneficial holder of such Common Shares to such Intermediary. No other securityholders are entitled to vote at the Meeting other than Shareholders.

Principal Holders and Ownership of Securities of the Company

To the knowledge of the directors and officers of the Company, the following is the only person or company who beneficially owns, directly or indirectly, or exercises control or direction over, securities of the Company carrying more than 10% of the voting rights attached to any class of outstanding voting securities as at the Record Date:

	Number of Common Shares	Percentage of Class
Gazit-Globe ⁽¹⁾	79,636,749 ⁽²⁾	31.3%

Notes:

- (1) Gazit-Globe, a corporation listed on the Tel Aviv Stock Exchange, holds its Common Shares through the Selling Shareholder.
- (2) Chaim Katzman, a director of the Company, is the Vice Chairman, Chief Executive Officer and a director of each of Gazit-Globe and its controlling shareholder, Norstar Holdings Inc., a corporation listed on the Tel Aviv Stock Exchange. Mr. Chaim Katzman owns or exercises control over approximately 53.54% of the outstanding common shares of Gazit-Globe. Dori J. Segal, the Chairman of the Board of the Company, and his former spouse also own, directly and indirectly, shares of Gazit-Globe and Norstar Holdings Inc., which includes 811,800 common shares of Gazit-Globe held directly by Mr. Dori Segal representing approximately 0.43% of the outstanding common shares of Gazit-Globe.

As of March 11, 2019, the Board and the executive officers of the Company are aware of no other person that holds (or controls or directs) 10% or more of the issued and outstanding Common Shares.

Voting By Registered Shareholders

The following instructions are for Registered Shareholders only. If you are a Beneficial Shareholder, please see *Voting by Beneficial Shareholders* below and follow your Intermediary's instructions on how to vote your Common Shares.

You are a Registered Shareholder if you have one or more Share certificates and such Share certificates are registered in your name. If you are a Registered Shareholder, a form of proxy has been mailed to you together with this Circular.

Voting in Person

Registered Shareholders who attend the Meeting may vote in person. To ensure your vote is counted, you should complete and return the enclosed form of proxy as soon as possible even if you plan to attend the Meeting in person. Even if you return a proxy, you can still attend the Meeting and vote in person, in which case you will need to instruct the scrutineer at the Meeting to cancel your proxy.

Voting by Proxy

If you are a Registered Shareholder but do not plan to attend the Meeting, you may vote by using a proxy to appoint someone to attend the Meeting as your proxyholder.

You should complete and return the form of proxy accompanying this Circular as instructed. Either you or your duly authorized attorney (the authorization must be in writing) must sign the form of proxy.

If you have any questions in regards to the Meeting or require assistance with voting, please contact Kingsdale Advisors ("Kingsdale") by telephone at 1-866-879-7644 (North American toll-free) or by email at contactus@kingsdaleadvisors.com.

What is a Proxy?

A proxy is a document that authorizes another person to attend the Meeting and cast votes at the Meeting on behalf of a Registered Shareholder. Each Registered Shareholder has the right to appoint as proxyholder a person or company other than the persons designated by management of the Company in the enclosed form of proxy to attend and act on the Registered Shareholder's behalf at the Meeting or any adjournment(s) or postponement(s)

thereof. If you are a Registered Shareholder, you can use the form of proxy accompanying this Circular. You may also use any other legal form of proxy.

How do I Appoint a Proxyholder?

Your proxyholder is the person you appoint to cast your votes for you at the Meeting. The persons named in the enclosed form of proxy are directors or officers of the Company. **You are entitled to appoint a person (who need not be a Shareholder) other than the individuals named in the enclosed form of proxy to represent such Shareholder at the Meeting.** If you want to authorize a director or officer of the Company named in the enclosed form of proxy as your proxyholder, please leave the line near the top of the back page of the form of proxy blank, as their names are pre-printed on the form. If you want to authorize another person as your proxyholder, fill in that person's name in the blank space located near the top of the back page of the enclosed form of proxy.

Your proxy authorizes the proxyholder to vote and otherwise act for you at the Meeting, including any continuation of the Meeting that may occur if the Meeting is adjourned or postponed.

How Will a Proxyholder Vote?

If you mark on the proxy how you want to vote on a particular issue (by checking FOR or AGAINST), your proxyholder must vote your Common Shares as instructed.

If you do NOT mark on the proxy how you want to vote on a particular matter, your proxyholder will have the discretion to vote your Common Shares as he or she sees fit. If your proxy does not specify how to vote on the Share Repurchase Resolution and you have authorized a director or officer of the Company to act as your proxyholder, your Common Shares will be voted at the Meeting FOR the Share Repurchase Resolution.

If any amendments or variations are proposed to the Share Repurchase Resolution, or if any other matters properly arise at the Meeting, your proxyholder will have the discretion to vote your Common Shares as he or she sees fit. At the date of this Circular, management of the Company knows of no such amendments, variations or other matters.

How Do I Deposit a Proxy?

Registered Shareholders may deposit proxies by using one of the following methods:

- (a) complete, date and sign the enclosed form of proxy and return it to the Company's transfer agent and registrar, Computershare Trust Company of Canada ("**Computershare**"), by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524 or by mail to Computershare, 100 University Ave., 8th Floor, Toronto, Ontario M5J 2Y1; or
- (b) use a touch-tone phone to transmit voting choices to a toll free number (Registered Shareholders must follow the instructions of the voice response system and refer to the enclosed form of proxy for the toll free number and the proxy access number); or
- (c) use the internet through Computershare's website at www.investorvote.com (Registered Shareholders must follow the instructions on Computershare's website and refer to the enclosed form of proxy for the holder's proxy access number).

In any case, the Registered Shareholder must ensure the proxy is received no later than 10:00 a.m. (Toronto time) on April 8, 2019 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed).

How Do I Revoke My Proxy?

A Registered Shareholder who has given a proxy may revoke such proxy by: (a) completing and signing a proxy bearing a later date and depositing it with Computershare in accordance with the instructions set out above; (b) depositing an instrument in writing executed by the Registered Shareholder or by the Registered Shareholder's personal representative authorized in writing (i) to Computershare by no later than 10:00 a.m. (Toronto time) on April 9, 2019 (or no later than 24 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed) or (ii) with the scrutineers of the Meeting, addressed to the attention of the Chairman of the Meeting, prior to the commencement of the Meeting on the day of the Meeting, or where the Meeting has been adjourned or postponed, prior to the commencement of the reconvened or postponed Meeting on the day of such reconvened or postponed Meeting; or (c) in any other manner permitted by law.

Voting By Beneficial Shareholders

You are a Beneficial Shareholder (as opposed to a Registered Shareholder) if your Common Shares are held on your behalf, or for your account, by an Intermediary, such as a broker, an investment dealer, a bank or a trust company. In accordance with Canadian securities laws, the Company has distributed copies of the Notice of Meeting and this Circular to the clearing agencies and Intermediaries for onward distribution to Beneficial Shareholders. Intermediaries are required to forward the Notice of Meeting and this Circular to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Typically, Intermediaries will use a service company, such as Broadridge Financial Solutions, Inc. ("**Broadridge**"), to forward such materials to Beneficial Shareholders.

Beneficial Shareholders will receive from an Intermediary either voting instruction forms or, less frequently, forms of proxy. The purpose of these forms is to permit Beneficial Shareholders to direct the voting of the Common Shares they beneficially own. Beneficial Shareholders should follow the procedures set out below, depending on which type of form they receive.

Voting Instruction Form

In most cases, a Beneficial Shareholder will receive, as part of the materials for the Meeting, a voting instruction form. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), he, she or it may vote over the Internet at www.proxyvote.com, or otherwise complete, sign and return the voting instruction form in accordance with the directions on the form. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), the Beneficial Shareholder must complete, sign and return the voting instruction form in accordance with the directions provided.

Forms of Proxy

Less frequently, a Beneficial Shareholder will receive, as part of the materials for the Meeting, forms of proxy that have already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. If the Beneficial Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), the Beneficial Shareholder must complete a proxy and deliver it to Computershare, located at 100 University Ave., 8th Floor, Toronto, Ontario M5J 2Y1,

by no later than 10:00 a.m. (Toronto time) on April 8, 2019 (or no later than 48 hours, excluding Saturdays, Sundays and holidays, before any reconvened meeting if the Meeting is adjourned or postponed).

Only Registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. If a Beneficial Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Beneficial Shareholder's behalf), the Beneficial Shareholder must strike out the names of the persons named in the proxy and insert the Beneficial Shareholder's (or such other person's) name in the blank space provided and return the proxy in accordance with the instructions provided by the Intermediary.

Beneficial Shareholders should follow the instructions on the forms they receive from their Intermediaries and contact their Intermediaries promptly if they need assistance.

If you have any questions in regards to the Meeting or require assistance with voting, please contact Kingsdale by telephone at 1-866-879-7644 (North-American toll-free) or by email at contactus@kingsdaleadvisors.com.

Since we have limited access to the names or holdings of Beneficial Shareholders, you must complete the following steps to vote in person at the Meeting (or have another person attend and vote on your behalf): (a) insert your own name (or such other person's name) in the space provided or mark the appropriate box on the request for voting instructions to appoint yourself (or such other person) as the proxyholder; and (b) return the document in the envelope provided or as otherwise permitted by your Intermediary. No other part of the form should be completed. In some cases, your Intermediary may send you additional documentation that must also be completed in order for you (or such other person) to vote in person at the Meeting.

Revocation

Only Registered Shareholders have the right to revoke a proxy. Registered Shareholders may revoke their proxy at any time before it is acted on. If you are a Registered Shareholder, in order to revoke your proxy, you must send a written statement indicating you wish to have your proxy revoked. This written statement must be received by Computershare at the address indicated on the accompanying Notice of Meeting at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement of the Meeting, or with the Chair of the Meeting prior to the Meeting's commencement on the date of the Meeting or any adjournment(s) or postponement(s) of the Meeting, or in any other manner permitted by law.

Beneficial Shareholders who wish to change their vote must, in sufficient time in advance of the Meeting, arrange for their respective Intermediaries to change their vote and if necessary, revoke their proxy in accordance with the revocation procedures set out herein.

These securityholder materials are being sent, directly or indirectly, to both Registered Shareholders and Beneficial Shareholders. The Company also intends to pay for Intermediaries to forward the securityholder materials to objecting beneficial owners.

Extension of Voting Deadline

The time limit for deposit of proxies may be waived or extended, at the discretion of the Chair of the Meeting, without notice.

Solicitation of Proxies

Whether or not you plan to attend the Meeting, management of the Company, with the support of the Board, requests that you fill out your proxy or voting instruction form to ensure your votes are cast at the Meeting. This solicitation of your proxy is made on behalf of management of the Company.

It is expected that the solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally or by telephone, fax or other electronic means by employees or agents of the Company.

The Company has retained Kingsdale to assist in the solicitation of proxies and may also retain other persons as it deems necessary to aid in the solicitation of proxies with respect to the Meeting. Additionally, the Company may utilize the Broadridge QuickVote™ service to assist Beneficial Shareholders with voting their Common Shares over the telephone. The printing and mailing expenses related to this Circular in connection with the Meeting, which are expected to be nominal, will be borne by the Company. The engagement agreement with Kingsdale contains customary terms and conditions which provide that Kingsdale will be paid a fee of \$100,000, plus out-of-pocket expenses. If you are a Shareholder and have any questions in regards to the Meeting or require assistance with voting, please contact Kingsdale by telephone at 1-866-879-7644 (North-American toll-free) or by email at contactus@kingsdaleadvisors.com.

THE TRANSACTION

Background to the Transaction

Gazit-Globe is an owner, developer, and operator of retail and mixed-use properties located in urban growth markets in North America, Brazil, Israel, Northern, Central and Eastern Europe. The Gazit Group has been a supportive shareholder of the Company for over 18 years, since it first acquired the Company by way of a takeover-bid in 2000. The new management team put in place by the Gazit Group in 2000 dramatically improved the Company's portfolio, balance sheet quality and results of operations.

Since its initial investment, the Gazit Group has maintained a significant ownership interest in the Company. More recently, however, Gazit-Globe has demonstrated a change in its overall strategy, reallocating capital from investments in publicly traded real estate companies into direct ownership of private real estate assets. Its ownership interest in the Company has been diluted by various equity offerings by the Company, as well as two secondary offerings by the Selling Shareholder in January 2016 and March 2017. In the last of these offerings, the Selling Shareholder sold 9,000,000 Common Shares at a price of \$20.60 per Common Share, thereby reducing its ownership position in the Company from approximately 37% to approximately 33%. The Company was thereafter deconsolidated from the Gazit Group's financial statements.

On July 26, 2018, Gazit-Globe announced the completion of a 17-month, 10-step divestiture program of its 13.2% investment in Regency Centers Corporation ("**Regency Centers**"), a U.S. retail REIT. On completion of the sale of its interest in Regency Centers, Mr. Chaim Katzman, Founder and Chief Executive Officer of Gazit-Globe, commented:

"This marks taking another important step in successfully implementing our strategy of recycling capital from investments in public subsidiaries into high-quality direct real estate holdings and lowering the company's leverage. We will continue to work towards executing our strategy, which will return our company to its roots - an operating real estate company with an experienced, world-class management team, owner and developer of irreplaceable properties in urban locations with population density and strong demographics in gateway cities that have robust growth, and in which we believe we can achieve outsized returns. We will also continue to focus on shrinking our holdings

in public companies and the ongoing emphasis on lowering the company's leverage to achieve our aim of receiving an international investment grade credit rating, which will create additional value for our shareholders."

The publicly evidenced change in strategy by Gazit-Globe, and the actions taken by it to reduce its stakes in each of the Regency Centers and the Company, has resulted in a widely held perception that the Selling Shareholder intends to sell its interest in the Company. Management of the Company believes that this, and the resulting uncertainty and speculation relating to the Selling Shareholder's intentions with respect to the means and timing of how it might dispose of the Common Shares held by the Selling Shareholder (the "**Gazit Common Shares**"), has created an overhang in the Common Shares. Management has noted this uncertainty in both analysts' commentaries and in direct feedback from a large number of minority shareholders, and believes that this overhang has adversely affected the market trading price of the Common Shares, with the Common Shares consistently trading in 2018 at larger discounts to NAV and lower premiums to FFO multiples relative to the Company's peers than historically experienced. Management also believes that this uncertainty, and the concerns in the market as to the timing and frequency of any subsequent sales by the Selling Shareholder of the Gazit Common Shares, has also negatively impacted the Company's ability to efficiently access the equity capital markets.

In August 2018, the Gazit Group advised the Company of its intention to explore a monetization of its remaining Gazit Common Shares and expressed a willingness to work with the Company to effect this exit. Subsequently, in late September 2018, Lazard Capital Markets ("**Lazard**"), financial advisor to the Gazit Group, proposed that the Company repurchase approximately 70% of the Gazit Common Shares (thereby reducing the Selling Shareholder's ownership position in the Company to approximately 13% on a non-diluted basis) for a combination of cash and preferred shares and debt, at what was then a substantial premium to the market price of the Common Shares and a premium to the price eventually agreed to in connection with the Transaction (the "**September 2018 Gazit Proposal**").

The Board, other than Mr. Dori Segal and Mr. Jeff Mooallem, who recused themselves from consideration of proposals involving the Gazit Group as a result of their respective relationships with the Gazit Group, met in response to the September 2018 Gazit Proposal, and invited RBC, Torys LLP (as counsel to the Company) and Stikeman Elliott LLP (as counsel to the independent directors of the Company) to provide them with their views and perspectives on the September 2018 Gazit Proposal and alternatives thereto. Mr. Dori Segal was not involved in any discussions with respect to the Proposed Transactions (as defined below). At this initial meeting the Board instructed RBC to provide them with a more detailed analysis of the September 2018 Gazit Proposal, as well as alternatives thereto, and also determined to form a special committee of independent directors of the Company. This committee (the "**Special Committee**") was formally constituted on October 15, 2018.

The mandate of the Special Committee included, among other things, oversight of the review and consideration of the September 2018 Gazit Proposal, as well as any alternatives thereto (including maintaining the status quo), and any discussions and negotiations in connection therewith. The Special Committee initially consisted of three independent directors of the Company, being Mr. Aladin (Al) Mawani, Ms. Andrea Stephen and Mr. Bernard McDonell, with Mr. Bernard McDonell acting as chair. The other independent directors of the Company were invited to, and did, attend the meetings of the Special Committee. The Special Committee retained Stikeman Elliott LLP to act as its legal advisor.

On October 15, 2018 and October 26, 2018, RBC, financial advisor to the Company, delivered presentations to the Special Committee analyzing the September 2018 Gazit Proposal as well as a variety of alternatives thereto (either alone or in combination), including: (i) maintaining the status quo, (ii) acquiring the Gazit Common Shares, either on the terms proposed by the Gazit Group or on alternative terms, (iii) pursuing a sale of the Gazit Common Shares to third party investors, (iv) trading properties or joint venture interests for the Gazit Common

Shares, and/or (v) pursuing a sale of the Company. After careful consideration and discussion, the Special Committee instructed RBC to assist the Company in making targeted inquiries to find a potential third-party buyer for all, or a meaningful portion, of the Gazit Common Shares.

Throughout the balance of October 2018, and November 2018, RBC pursued discussions with select potential third-party buyers, and the Special Committee, with the assistance of its legal and financial advisors, continued to consider various alternatives and to engage in discussions with the Gazit Group. During November, it became apparent that there was no alternative to the September 2018 Gazit Proposal that was actionable on the terms, and in the timeframes, that the Gazit Group had expressed an interest in pursuing. On November 13, 2018, the Company informed the Gazit Group that it was not prepared to pursue the transaction proposed by the Gazit Group in late September, but that it was considering other alternatives. While the Gazit Group remained interested in pursuing an exit from its ownership position in the Company, it expressed that it did not intend to continue further discussions with the Company on the September 2018 Gazit Proposal. The Gazit Group did, however, express an interest in formalizing a set of investor rights relating to its ownership interest in the Company, including board nomination rights and information, access and approval rights, and also requested that Mr. Chaim Katzman, the Chief Executive Officer of Gazit-Globe, be reappointed to the Board. Previously, Mr. Chaim Katzman served as the Company's Chairman from 2000 to 2015 and as a director of the Company from August 18, 2000 until May 30, 2017. Mr. Chaim Katzman resigned from the Board in 2017 upon his appointment as Non-Executive Vice Chair of Regency Centers to comply with proxy advisory recommendations related to the number of public boards on which a director should concurrently serve.

On December 3, 2018 the Special Committee met with its legal and financial advisors to receive an update from RBC on the work that it had been doing. After careful consideration and discussion, the Special Committee determined that a transaction with the Gazit Group was not feasible on the terms proposed at the current time and so concluded its work in this regard. The Special Committee also determined that the Company would not enter into a formal investor rights agreement with the Gazit Group along the lines being sought by the Gazit Group. In light of the Special Committee's determination that a transaction with the Gazit Group was not feasible at the current time, the Special Committee decided to halt its work and dissolve in late December 2018. The Board determined to approve the appointment of Mr. Chaim Katzman to the Board. This appointment was announced on December 6, 2018.

While the Company and the Gazit Group had discontinued discussions, it appeared evident that the Gazit Group continued to be focused on an exit strategy in respect of its investment in the Company, and Lazard continued to be engaged by the Gazit Group for this purpose. In mid-January 2019, the Company and the independent directors of the Board (other than Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem) instructed RBC to reconsider the different alternatives that it had previously presented to the Special Committee. On January 25, 2019, RBC met with the Board (other than Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem), and its legal advisors to review in detail the different alternatives that had previously been canvassed and presented a potential transaction framework that would substantially reduce the Selling Shareholder's ownership position in the Company. The contemplated transaction framework consisted of a repurchase by the Company of a portion of the Gazit Common Shares (the "**Proposed Repurchase Transaction**"), in conjunction with a public offering by the Selling Shareholder of a portion of the Gazit Common Shares (represented by instalment receipts) on a bought deal basis (the "**Proposed Secondary Offering**" and, together with the Proposed Repurchase Transaction, the "**Proposed Transactions**") that would, in combination (and subject to, among other things, receipt of requisite approval by Shareholders), reduce the Selling Shareholder's ownership position in the Company to below 10%, on a non-diluted basis. RBC provided an overview of the various elements of this framework (including the key assumptions, illustrative terms and requirements and illustrative net proceeds to the Selling Shareholder under a range of share prices for the Proposed Transactions) as well as the benefits to the Company and existing Shareholders from the Proposed Transactions. The Proposed Repurchase Transaction was sized such that the Company would not be placing undue leverage on its balance sheet, so that it could continue executing on its

business plan. The Board, other than Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem, determined to re-establish the Special Committee, but this time formally adding Mr. Jon N. Hagan and Ms. Annalisa King, with all five independent directors of the Company serving as members and Mr. Bernard McDonnell being re-appointed as chair, and instructed RBC and its legal advisors to prepare an indicative term sheet and proposal that could be shared with the Gazit Group.

In late January, RBC engaged with Lazard to outline the framework for the Proposed Transactions. Specific financial terms were not proposed at this time, but RBC explained that the bought deal component of the Proposed Transactions would need to be priced at a discount to the market price of the Common Shares, which would be consistent with other bought deals of a similar size. The Company and its advisors separately prepared the various agreements relating to the Proposed Transactions, and the Special Committee and Stikeman Elliott LLP began the process of seeking exemptive relief from the Ontario Securities Commission (the “OSC”) from the requirements applicable to issuer bids in Part 2 of National Instrument 62-104 – *Takeover Bids and Issuer Bids* (“NI 62-104”) in respect of the Proposed Repurchase Transaction (the “**Requested Relief**”). The Special Committee also determined to retain an independent financial advisor on a fully fixed-fee basis, and in early February engaged Blair Franklin in such respect.

On February 11, 2019, the Special Committee met with its financial and legal advisors to discuss the status of the discussions with the Gazit Group and its advisors. It was noted that while Gazit-Globe and Lazard had, to this point, been generally receptive to the Proposed Transactions, neither Lazard nor the Gazit Group had provided substantive feedback on the contemplated terms, other than indicating that the price to be received by the Selling Shareholder for the Gazit Common Shares on an integrated basis, net of all discounts and underwriters’ commissions, would be a key consideration for the Gazit Group given its strong financial position and desire to secure a premium price for its block of the Gazit Common Shares. The Parties had yet to engage on the detailed terms and conditions of the Proposed Transactions, including pricing and final structure, and had not reached any agreement or understanding on whether to pursue the Proposed Transactions.

On February 12, 2019, the Company released its fourth quarter and year-end financial results, including its plan to pursue a reorganization into a REIT and announcing an evolved business strategy that included, among other things, the completion of strategic dispositions of properties to provide capital for its investments program and to grow the value of its portfolio (the “**Evolved Urban Investment Strategy**”). Highlights of this initiative included (i) a deeper focus on super-urban markets that fully integrate retail with other uses; (ii) surfacing unrecognized value in the Company’s density pipeline, primarily through the development process; and (iii) optimizing the Company’s portfolio by further concentrating investment capital in dense, high-growth neighbourhoods.

Following the release of the Company’s fourth quarter and year-end financial results, the Special Committee and the Company, along with their respective financial and legal advisors, continued to engage with the Gazit Group and its advisors to discuss the terms of the Potential Transactions. The Gazit Group continued to express a strong desire to maximize the net, integrated price that it would receive across the Proposed Repurchase Transaction and the Proposed Secondary Offering for the Gazit Common Shares, and indicated a reluctance to pursue the Proposed Secondary Offering, given among other things its view of the costs and execution risks relating thereto. The Company and RBC made it clear to the Gazit Group that they viewed the Proposed Repurchase Transaction and the Proposed Secondary Offering as cross-conditional and would not be interested in pursuing the Proposed Repurchase Transaction alone, as it would not resolve the overhang that existed on the Common Shares. The Special Committee and Stikeman Elliott LLP also continued to have discussions with the OSC regarding the potential for receiving the Requested Relief, and the Special Committee met with Blair Franklin to receive its feedback on the terms of the Proposed Transactions.

Discussions between the Parties continued between February 14, 2019 and February 19, 2019. These discussions were between Lazard and RBC, as well as between Stikeman Elliott LLP and McCarthy Tétrault LLP, who had

been retained by the Gazit Group as Canadian counsel. A number of discussions also took place directly between Mr. Chaim Katzman and Mr. Bernard McDonell, the chair of the Special Committee. The Special Committee also continued to receive the advice and input of RBC and Blair Franklin on the Proposed Transactions and their terms. Over the same period, the Special Committee and its advisors continued to discuss the Proposed Transactions with the OSC and to receive feedback from the OSC on the terms on which it might be prepared to grant the Requested Relief.

In the course of the discussions that took place over this period, the Gazit Group accepted that the Company would not repurchase more than a specific amount of the Gazit Common Shares, given the Company's desire to maintain a prudent pro forma leverage profile, and that the Company would not undertake the Proposed Repurchase Transaction unless the Gazit Group simultaneously pursued the Proposed Secondary Offering that would, in combination with the Proposed Repurchase Transaction, reduce the Selling Shareholder's ownership position in the Company to below 10% (on a non-diluted basis), which would be expected to eliminate the perceived overhang. Within that general framework, an agreement on the overall approach to pricing was reached, with an understanding that the gross purchase price under the Proposed Repurchase Transaction would be equivalent to the gross purchase price under the Proposed Secondary Offering, with the Company and the Selling Shareholder sharing the cost of the underwriting fees payable under the Proposed Secondary Offering. Once this understanding was reached, the Parties sought to settle the balance of the terms of the Proposed Transactions so as to enable an agreement and a transaction launch if market conditions were favourable thereto.

Having reached a general understanding on the approach to pricing, the Gazit Group first provided detailed feedback on the specific terms and conditions of the Proposed Transactions over the course of the day of February 19, 2019. This feedback included proposals that generally sought to secure for the Gazit Group more of the potential financial upside of the Proposed Transactions, while also seeking to mitigate the exposure perceived by the Gazit Group to the market and execution risk relating to the Proposed Transactions, including the actual cost and expense to be incurred by the Gazit Group while pursuing the Proposed Transactions as well as the opportunity cost to the Gazit Group of agreeing to an exclusive dealing period with the Company pending approval of the Proposed Repurchase Transaction by Shareholders. Discussions continued throughout the day and the evening on February 19, 2019 during which terms were negotiated extensively, but as the negotiations progressed and the Special Committee considered the terms that were being requested by the Gazit Group, Mr. Bernard McDonell, the chair of the Special Committee, determined that it would not be possible to reach agreement on the terms being sought by the Gazit Group. Mr. Bernard McDonell therefore instructed RBC and Stikeman Elliott LLP to cease discussions with their counterparts, and to communicate the same to the Gazit Group.

Having ceased discussions on February 19, 2019, the Gazit Group, through its counsel, McCarthy Tétrault LLP, attempted to re-engage in discussions on February 20, 2019, and made several proposals in an attempt to resolve the outstanding points. Discussions continued throughout the day on February 20, 2019, but the Parties were once again unable to reach agreement, and again halted discussions. Given the Special Committee's view of the disparity between the Parties' positions in respect of the terms of the Proposed Transactions, Mr. Bernard McDonell recommended that the Special Committee once again halt its work and dissolve.

Following the second break-down in discussions, Mr. Chaim Katzman, who was planning to be in Toronto for regularly scheduled Board meetings during the week of February 25, 2019, suggested to Mr. Bernard McDonell that they meet in person in Toronto during that week to discuss the outstanding issues relating to the Proposed Transactions to determine whether an agreement could be reached. In connection therewith, Mr. Bernard McDonell and Mr. Chaim Katzman met in person on February 25, 2019, and the Gazit Group submitted a revised proposal with various terms and conditions relating to the Proposed Transactions, including (i) the offering size of the Proposed Secondary Offering relative to the Proposed Repurchase Transaction, (ii) a request that the Company pay a portion of the purchase price for the Proposed Repurchase Transaction upon public announcement

thereof and (iii) a request that in connection with the Proposed Transactions, the Parties formalize a specific set of investor rights relating to the Selling Shareholder's ownership interest in the Company. These discussions continued over the course of February 25 and February 26, 2019 but again broke down, with Mr. Bernard McDonell communicating to Mr. Chaim Katzman that the Parties would be unable to reach agreement along the lines being sought by the Gazit Group.

Despite the third break-down in discussions, Mr. Chaim Katzman and Mr. Bernard McDonell continued to discuss, and the Parties, through their representatives, continued to negotiate the terms of the Proposed Transactions. The Special Committee also continued to receive input and advice from RBC and Blair Franklin, and continued its dialogue with the OSC in respect of the terms on which the OSC might be prepared to grant the Requested Relief. A general understanding on the terms of the Proposed Transactions was reached on February 28, 2019. The terms of the Proposed Repurchase Transaction included a \$3 million expense reimbursement payment by the Company to the Selling Shareholder (the "**Expense Reimbursement Payment**") upon signing of the Transaction Agreement, to be credited against the total consideration for the Purchased Shares on Closing and retained by the Selling Shareholder if the Transaction Agreement is terminated in certain circumstances. See *The Transaction Agreement – Expenses*. The Transaction Agreement also provides the Gazit Group with the right, following Closing, to nominate one representative to the Board for so long as Gazit-Globe beneficially owns, directly or indirectly, or exercises control or direction over, at least 5% of the outstanding Common Shares.

During the afternoon of February 28, 2019, the Special Committee met with RBC and Blair Franklin to discuss the final terms of the Proposed Repurchase Transaction and receive their fairness analyses in respect of the Transaction. The Gazit Group and the Special Committee were then presented with indicative pricing for the Secondary Offering and the Transaction. On the basis of such pricing RBC and Blair Franklin rendered their oral opinions to the Board, confirmed by delivery of the Fairness Opinions, to the effect that, as of the date of such opinions and subject to the assumptions, limitations and qualifications contained in each of the Fairness Opinions, the consideration to be paid under the Transaction is fair, from a financial point of view, to the Company. Following these presentations, and following further discussions, the unanimous determination of the Special Committee was that approval of the Transaction be recommended to the Board and that the Board recommend that the Shareholders vote in favour of the Share Repurchase Resolution. Mr. Bernard McDonell then presented the recommendations of the Special Committee to the Board. After further discussions, the Board (other than Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem) then unanimously determined that the Transaction is in the best interests of the Company and resolved to recommend that the Shareholders vote in favour of the Share Repurchase Resolution.

Following the conclusion of the meeting of the Board, the Transaction Agreement and the Bid Letter were entered into and executed, and the Company and Gazit-Globe publicly announced by separate press releases the entering into of the Transaction and the Secondary Offering.

Recommendation of the Special Committee

As described above under *Background to the Transaction*, the Board established the Special Committee to, among other things, oversee, review and consider the Transaction and make a recommendation to the Board with respect to the Transaction. After careful consideration and consultation with their financial and legal advisors, the Special Committee has unanimously recommended that the Board approve the Transaction and recommend that Shareholders vote **FOR** the Share Repurchase Resolution approving the Transaction.

In forming its recommendation to the Board, the Special Committee considered a number of factors, including, without limitation, those listed below under *Reasons for the Transaction*. Specifically, the Special Committee based its recommendation upon the totality of the information presented to and considered by it in light of the members of the Special Committee's knowledge of the business, financial condition and prospects of the

Company, and after taking into account the advice of financial and legal advisors and the advice and input of management of the Company.

Recommendation of the Board

After careful consideration, the Board unanimously (with Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem not in attendance) determined, based upon the recommendation of the Special Committee and after consultation with its legal and financial advisors, that the Transaction is in the best interests of the Company, and recommends that Shareholders vote **FOR** the Share Repurchase Resolution approving the Transaction.

Reasons for the Transaction

The following summary of the information and factors considered by the Special Committee and the Board is not intended to be exhaustive, but includes a summary of the material information and factors taken into account in the consideration of the Transaction.

At a meeting of the independent members of the Board (with Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem not in attendance) held on February 28, 2019, the Special Committee unanimously recommended that the Board approve the Transaction and recommend to Shareholders that they vote in favour of the Share Repurchase Resolution. Following receipt of the Special Committee's recommendation, the Board unanimously (with Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem not in attendance):

- determined that the Transaction is in the best interests of the Company; and
- resolved to recommend to Shareholders that they vote in favour of the Share Repurchase Resolution.

In evaluating the Transaction, the Board and Special Committee consulted with the Company's management as well as the legal and financial advisors retained by the Company and the Special Committee and considered a variety of factors, including those listed below. Each of the Special Committee and the Board based their respective recommendations upon the totality of the information presented to and considered by it in light of their knowledge of the business, financial condition and prospects of the Company, after taking into account the advice of financial and legal advisors and the advice and input of management.

The following summary of the information and factors considered by the Special Committee and the Board is not intended to be exhaustive, but includes a summary of the material information and factors taken into account in the consideration of the Transaction. In view of the variety of factors and the amount of information taken into account in connection with the consideration of the Transaction, the Special Committee and the Board did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations.

- *Eliminates Current Uncertainty in the Company's Ownership Structure.* The Company believes that the market price of the Common Shares has been adversely affected by the perception relating to the timing and method of sale of all or a portion of the Gazit Common Shares. It is expected that completion of the Transaction and the Secondary Offering will eliminate this uncertainty.
- *Discount to Market Price.* The Transaction allows the Company to repurchase a large block of Common Shares at a discount to the price at which they were trading in the market prior to the announcement of the Transaction. The Consideration of the Purchased Shares is equal to the offering price per Offered Share (as defined below) in connection with the Secondary Offering, being \$20.60, which was priced at a 3.8% discount to the market price of the Common Shares on the close of business on February 28, 2019 and at

a 3.4% discount to the 20-day volume-weighted average trading price of the Common Shares on the close of business on February 28, 2019.

- *Immediate NAV and FFO Accretion.* The Company estimates that the Transaction will be approximately one percent (1%) accretive to the Company's pre-tax IFRS NAV per Common Share, as a result of the Consideration per Purchased Share being at an approximately 9% discount to the Company's pre-tax IFRS NAV per Common Share of \$22.59 as at December 31, 2018. The Transaction is also expected to initially be approximately six percent (6%) accretive to the Company's FFO per Common Share.
- *Improves Market Liquidity.* If the Transaction and the Secondary Offering are successfully completed, the Company expects that its Shareholders will be able to enjoy improved liquidity for their Common Shares due to an increase in the public float of the Common Shares and related securities. The Company estimates that the Company's public float in the Common Shares and related equity securities will increase from approximately 68% of the Common Shares outstanding as of the date of the Transaction Agreement to approximately 89% of the Common Shares outstanding following completion of the Secondary Offering and the Transaction. The Company believes that this improved liquidity will better position it to access the capital markets, and that the Company and its Shareholders will benefit from a larger and more diversified investor base.
- *Eliminates Current Negative Control.* The Selling Shareholder currently owns approximately 31.3% of the outstanding Common Shares (on a non-diluted basis) and has three nominees on the Board, which allows the Gazit Group to exercise significant influence over the Company and its affairs. If the Transaction and the Secondary Offering are successfully completed, the Selling Shareholder will own less than 10% of the outstanding Common Shares (on a non-diluted basis), and will only be permitted to nominate one nominee to the Board. See *The Transaction Agreement – Covenants – Covenants of the Company Regarding the Transaction*. As a result, the Transaction, in conjunction with the Secondary Offering, removes a substantial "control block" of Common Shares at a discount to the Company's pre-tax IFRS NAV per Common Share of \$22.59 as at December 31, 2018, to the benefit of all Shareholders.
- *Prudent Balance Sheet Management.* The Company has consistently maintained a strong balance sheet, giving it the flexibility to finance the Transaction with the proceeds from new debt financing. See *Sources of Funds*. Following completion of the Transaction, the Company's "net debt to total assets" is expected to increase from approximately 42% as at December 31, 2018 to approximately 49%. The new debt financing is not expected to have a materially adverse impact on the Company's existing capital requirements, its financial position or its ability to achieve its business objectives. While increased leverage may impact the Company's credit rating in the short term (see *Sources of Funds – Credit Ratings*), the Company's intention is to gradually return its leverage to current levels by disposing of selected assets pursuant to its disposition program announced on February 12, 2019 in conjunction with its Evolved Urban Investment Strategy.
- *Special Committee and Board Oversight.* The Transaction was overseen and directed by the Special Committee, which was comprised of five directors, all of whom are independent. The Transaction was unanimously recommended to the Board by the Special Committee, and was unanimously approved by the Board (with Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem not in attendance).
- *Financial Advice of RBC and Blair Franklin.* The oral opinions, subsequently confirmed in writing, of each of RBC and Blair Franklin, delivered on February 28, 2019, to the effect that, as of such date, and based on and subject to the assumptions, qualifications and limitations set out therein, the consideration to be paid under the Transaction is fair, from a financial point of view, to the Company, as more fully described in *Fairness Opinions*, as well as the detailed financial analysis provided by each of the Financial

Advisors in connection with the delivery of its respective Fairness Opinion. Blair Franklin was retained by the Special Committee on a wholly fixed fee basis.

- *Minority Shareholder Approval.* The Share Repurchase Resolution must be approved by the Required Approval of Shareholders. Each member of the Special Committee has agreed that he or she will vote his or her Common Shares in favour of the Share Repurchase Resolution.

In addition, the Board (not including Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem) and the Special Committee also considered and evaluated, among other things: (i) the terms and conditions of the Underwriting Agreement, the Transaction Agreement and other ancillary agreements; (ii) information concerning the business, operations, property, assets, financial condition, operating results and prospects of the Company; (iii) current and anticipated industry, economic and market conditions and trends affecting the Canadian real estate industry, particularly within the urban retail property sector; (iv) historical information regarding the trading prices and volumes of the Common Shares; and (v) the nature and composition of the Shareholders.

The Special Committee and the Board (not including Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem) also considered potential risks concerning the Transaction in connection with its deliberations, including the following:

- the risk of the increased leverage to be incurred by the Company as a result of the new debt financing to finance the Transaction, and the risks relating to the Company's planned disposition program that will fund its reduction of this increased leverage;
- the risk that the uncertainty and speculation relating to the Selling Shareholder's intentions to sell the Gazit Common Shares will remain and that the existing market overhang in the Common Shares will continue or be exacerbated in the event the Transaction and the Secondary Offering are not successfully completed;
- the risk that the Required Approval of Shareholders is not obtained at the Meeting;
- the risk that management's attention will be diverted, including from other strategic opportunities and operational matters, while working toward the completion of the Transaction and the Secondary Offering;
- the risk that the Transaction may not be completed despite the Parties' efforts or that completion of the Transaction may be unduly delayed, even if the Required Approval of Shareholders is obtained, including the possibility that conditions to the Parties' obligations to complete the Transaction may not be satisfied, and the potential resulting disruptions to the Company and its Shareholders;
- the fact that the Company has incurred and will continue to incur significant transaction costs and expenses in connection with the Transaction and the Secondary Offering, regardless of whether the Transaction and the Secondary Offering are completed; and
- the matters described under *Management Information Circular – Forward-looking Statements*.

The foregoing discussion of factors considered by the Special Committee and the Board (without the input of Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem) is not meant to be exhaustive, but includes the material factors considered by the Special Committee and the Board in approving the Transaction. The Special Committee and the Board concluded that the potentially negative factors associated with the Transaction were outweighed

by the potential benefits that the Special Committee and the Board expect the Company and its Shareholders to achieve as a result of the Transaction. Accordingly, the Special Committee and the Board approved the Transaction.

Fairness Opinions

RBC Fairness Opinion

In connection with the evaluation by the Board of the Transaction, the Board received the RBC Fairness Opinion to the effect that, as of February 28, 2019, the consideration to be paid under the Transaction is fair from a financial point of view to the Company. The RBC Fairness Opinion was only one of many factors considered by the Board in evaluating the Transaction and was not determinative of the views of the Board with respect to the Transaction. **The following summary of the RBC Fairness Opinion is qualified in its entirety by reference to the full text of the RBC Fairness Opinion attached as Appendix C to this Circular. Shareholders are urged to, and should, read the RBC Fairness Opinion in its entirety.**

RBC was engaged by the Board as a financial advisor to the Board through an engagement agreement dated as of September 28, 2018. Pursuant to the engagement agreement with RBC, RBC agreed to provide, among other things, financial analysis and advice and to deliver a fairness opinion to the Board if requested.

At the meeting of the Board held on February 28, 2019, RBC delivered an oral opinion, subsequently confirmed in writing by the RBC Fairness Opinion, that, as at such date, and subject to the assumptions, limitations and qualifications set forth in the RBC Fairness Opinion, the consideration to be paid under the Transaction is fair from a financial point of view to the Company.

The full text of the RBC Fairness Opinion, which sets forth among other things, assumptions made, matters considered, information reviewed and limitations on the review undertaken by RBC in connection with the RBC Fairness Opinion, is attached as Appendix C to this Circular. **The RBC Fairness Opinion was provided solely for use of the Board in connection with the Board's evaluation of the consideration to be paid by the Company from a financial point of view under the Transaction and the RBC Fairness Opinion may not be relied upon by any other person. The RBC Fairness Opinion is not and is not intended to be and does not constitute a recommendation as to how Shareholders should vote in respect of the Share Repurchase Resolution.**

Pursuant to the terms of the engagement agreement with RBC, the Company is obligated to pay RBC certain fees for its services, a portion of which was payable upon delivery of the RBC Fairness Opinion to the Board (which fee was not contingent on completion of the Transaction) and a significant portion of which is contingent on completion of the Transaction or certain other events. The Company has also agreed to reimburse RBC for its reasonable out-of-pocket expenses and to indemnify RBC in certain circumstances.

Royal Bank of Canada, controlling shareholder of RBC, provides banking services in the normal course of business to the Company and certain of its associates and affiliates. In addition to the services being provided under the engagement agreement with the Company, RBC and its affiliates have in the past provided and/or may in the future, in the ordinary course of their business, perform financial advisory or investment banking services for the Company, Gazit-Globe or any of their respective associates or affiliates.

Blair Franklin Fairness Opinion

In connection with the evaluation by the Board of the Transaction, the Board and the Special Committee received the Blair Franklin Fairness Opinion to the effect that, as of February 28, 2019, the consideration payable by the Company pursuant to the Transaction is fair, from a financial point of view, to the Company. The Blair Franklin

Fairness Opinion was only one of many factors considered by the Board in evaluating the Transaction and was not determinative of the views of the Board with respect to the Transaction. **The following summary of the Blair Franklin Fairness Opinion is qualified in its entirety by reference to the full text of the Blair Franklin Fairness Opinion attached as Appendix D to this Circular. Shareholders are urged to, and should, read the Blair Franklin Fairness Opinion in its entirety.**

Blair Franklin was engaged by the Special Committee as a financial advisor to the Special Committee through an engagement agreement dated as of February 12, 2019 (the “**Blair Franklin Engagement Agreement**”). Pursuant to the Blair Franklin Engagement Agreement, Blair Franklin agreed to provide, among other things, financial analysis and advice and to deliver a fairness opinion if requested.

At the meeting of the Board held on February 28, 2019, Blair Franklin delivered an oral opinion, subsequently confirmed in writing by the Blair Franklin Fairness Opinion, that, as at such date, and subject to the assumptions, limitations, qualifications and reservations set forth in the Blair Franklin Fairness Opinion, the consideration to be paid by the Company under the Transaction is fair, from a financial point of view, to the Company.

The full text of the Blair Franklin Fairness Opinion, which sets forth among other things, assumptions made, matters considered, information reviewed and limitations on the review undertaken by Blair Franklin in connection with the Blair Franklin Fairness Opinion, is attached as Appendix D to this Circular. **The Blair Franklin Fairness Opinion was provided solely for use of the Board and the Special Committee in connection with their evaluation of the consideration to be paid by the Company from a financial point of view pursuant to the Transaction and the Blair Franklin Fairness Opinion may not be relied upon by any other person. The Blair Franklin Fairness Opinion is not and is not intended to be and does not constitute a recommendation as to how Shareholders should vote in respect of the Share Repurchase Resolution.**

The Blair Franklin Engagement Agreement provides for the payment to Blair Franklin of a fixed fee in respect of the preparation and delivery of the Blair Franklin Fairness Opinion. Blair Franklin’s fees are not contingent on the completion of the Transaction, or any other transaction of the Company or on the conclusions reached therein. In addition, Blair Franklin is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company in certain circumstances.

Blair Franklin has not provided any financial advisory services or participated in any financing involving the Company, the Gazit Group or any of their respective associates or affiliates within the past twenty-four months, other than services provided under the Blair Franklin Engagement Agreement. There are no other understandings, agreements, or commitments between Blair Franklin and any of the interested parties with respect to any current or future business dealings which would be material to the Blair Franklin Fairness Opinion.

Sources of Funds

The Company intends to fund the Transaction with proceeds from the following new debt financings: (i) approximately \$400 million of 10-year mortgage debt; and (ii) approximately \$400 million of senior unsecured term loans with terms expected to range from 5-7 years. The Company expects to have these new debt financings completed prior to the closing of the Transaction. In addition, the Company has a fully committed one-year bridge facility for up to \$800 million from RBC to backstop these new debt financings.

Credit Ratings

Subsequent to the announcement of the Transaction, DBRS Limited (“**DBRS**”) and Moody’s Investors Services, Inc. (“**Moody’s**”) announced that the Company’s long-term credit ratings on its outstanding senior unsecured debentures has been placed “under review with negative implications” and “under review for downgrade”, respectively. The ratings are under review pending completion of the Transaction and, in the case of DBRS, its

review of the Company's intention to pursue conversion to a REIT. The Company's senior unsecured debentures are currently rated "BBB (high)" by DBRS and "Baa2" by Moody's. There can be no assurance as to the rating to be assigned by either DBRS or Moody's following their respective reviews or that a rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by either or both agencies if in their respective judgments, circumstances so warrant. A downgrade in credit ratings could adversely affect the Company's access to financial markets and increase its cost of borrowing.

Regulatory Matters

As a reporting issuer (or the equivalent) under applicable securities legislation in each of the Provinces of Canada, the Company is subject to MI 61-101. MI 61-101 governs transactions which raise the potential for conflicts of interest, including related party transactions. MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders by requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties and, in certain circumstances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors.

The Selling Shareholder is currently the largest Shareholder of the Company, owning 79,636,749 Common Shares, which represent (on a non-diluted basis) 31.3% of the issued and outstanding Common Shares. Accordingly, the Selling Shareholder is a "related party" within the meaning of MI 61-101, and the Transaction, if consummated, will constitute a "related party transaction" for purposes of MI 61-101.

MI 61-101 provides that, unless exempted, an issuer proposing to carry out a related party transaction is required to obtain a formal valuation in respect of the transaction. Pursuant to MI 61-101, the Company is relying on the formal valuation exemption in section 5.5(a) of MI 61-101 given that, at the time the Transaction Agreement was entered into, neither the fair market value of the subject matter of, nor the fair market value of the consideration for the Transaction, insofar as it involved interested parties, exceeded 25% of the Company's market capitalization. Further, neither the Company nor any director or senior officer of the Company, after reasonable inquiry, is aware of any "prior valuation" (as defined in MI 61-101) having been prepared in respect of the Company in the 24 months before the date of this Circular.

The Company is also relying on an exemption from the minority approval requirement of MI 61-101 in respect of the Transaction contained in section 5.7(1)(a) of MI 61-101 for the reasons described in the preceding paragraph. Nevertheless, pursuant to the terms of the OSC Order, any votes attached to Common Shares held by the Selling Shareholder, as well as each related party of the Selling Shareholder and each joint actor of the Selling Shareholder (collectively, the "**Interested Shareholders**") present in person or represented by proxy and entitled to vote at the Meeting will be excluded in determining whether approval of the Share Repurchase Resolution has been obtained.

To the best knowledge of the Board, 81,861,419 Common Shares (representing approximately 32.1% of the issued and outstanding Common Shares as at the date of this Circular) are held, in aggregate, by the Interested Shareholders. To the best knowledge of the Board, the following table sets out the details of the votes attaching to Common Shares held by the Interested Shareholders that are required to be excluded pursuant to the OSC Order for the purposes of determining whether approval of the Share Repurchase Resolution has been obtained:

Name	Common Shares
Gazit-Globe ⁽¹⁾	79,636,749
Dori J. Segal	2,224,670 ⁽²⁾
Chaim Katzman	40,396
Total	81,861,419

(1) Gazit-Globe holds its Common Shares through the Selling Shareholder.

(2) Includes 1,095,718 Common Shares beneficially owned by Mr. Dori Segal's former spouse. Mr. Dori Segal and his former spouse also own, directly and indirectly, shares of Gazit-Globe.

It is expected that if the Share Repurchase Resolution is passed by the affirmative vote of a simple majority of the votes cast at the Meeting in person or by proxy by Shareholders (excluding the votes attached to Common Shares held by the Interested Shareholders) (the “**Required Approval**”), the Secondary Offering has been completed and all of the other conditions to closing of the Transaction as set forth in the Transaction Agreement are satisfied or waived, the Transaction will be completed in April 2019.

The full text of the Share Repurchase Resolution is attached as Appendix B to this Circular.

THE TRANSACTION AGREEMENT

The Transaction is being effected pursuant to the Transaction Agreement. The following is a summary of certain material terms of the Transaction Agreement and is subject to, and qualified in its entirety by reference to, the full text of the Transaction Agreement, which is available at the Company's profile on SEDAR at www.sedar.com.

Shareholders are urged to read the Transaction Agreement carefully and in its entirety, as the rights and obligations of the Parties are governed by the express terms of the Transaction Agreement and not by this summary or by any other information contained in this Circular.

Representations and Warranties

The Transaction Agreement contains customary representations and warranties made by the Company to the Gazit Group and customary representations and warranties made by the Gazit Group to the Company. The representations and warranties were made solely for purposes of the Transaction Agreement, were made as of a specified date and may be subject to contractual standards of materiality different from what may be viewed as material to Shareholders. The representations and warranties are, in some cases, subject to specified exceptions and qualifications. For the foregoing reasons, Shareholders should not rely on the representations and warranties contained in the Transaction Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties of the Company relate to the following matters: incorporation and qualification; corporate authority; no violation or breach; execution and binding obligation; required authorizations; no other discussions with any third party regarding the acquisition by such third party of a majority of the outstanding Common Shares or all or substantially all of the Company's assets (each, a “**Business Combination**”); the Fairness Opinions and Board approval; brokers; and financing.

The representations and warranties of the Gazit Group relate to the following matters: incorporation and qualification; corporate authority; no violation or breach; execution and binding obligation; required

authorizations; no other agreements to purchase the Purchased Shares; title to the Purchased Shares; security ownership; brokers; and residence.

Covenants

Mutual Covenant of the Company and the Gazit Group Regarding the Transaction

The Transaction Agreement contains a mutual covenant of the Company and the Gazit Group to use reasonable best efforts to take, or cause to be taken, all actions and to do or cause to be done all things required or advisable under Law to consummate and make effective, as soon as reasonably practicable, the Transaction.

Covenants of the Gazit Group Regarding the Transaction

The Transaction Agreement also contains covenants of the Gazit Group relating to the Transaction, including:

- (a) to cause to be counted as present for purposes of establishing quorum and to vote or cause to be voted all of the Common Shares beneficially owned by the Selling Shareholder or any of its affiliates, or which it or any of its affiliates has the right to vote: (i) at any meeting of the Shareholders at which it is entitled to vote, including the Meeting; and (ii) in any action by written consent of the Shareholders, in each case in favour of the approval, consent, ratification and adoption of the Share Repurchase Resolution and the Transaction;
- (b) that, until the earlier of: (a) if the Transaction Agreement is terminated for any reason other than a breach by the Gazit Group under the Transaction Agreement, the date following such termination and (b) 15 days following the date of termination of the Transaction Agreement if it is terminated as a result of a breach by the Gazit Group under the Transaction Agreement, neither they nor any of their affiliates will, directly or indirectly, sell, transfer or dispose of, or agree to sell, transfer or dispose of, any Common Shares, or solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, or enter into any agreement, arrangement or understanding with, any Person (in each case, other than the Company or the underwriters in connection with the Secondary Offering) relating to any sale, transfer or disposition of any Common Shares, or any sale, acquisition or disposition of the Company or any of its subsidiaries or the Company's business or any of its assets or any other business combination, arrangement, amalgamation or other similar transaction involving the Company or affecting the Common Shares, or take any other action of any kind which would reasonably be regarded as likely to reduce the success of, or materially delay or interfere with the completion of, the Transaction;
- (c) upon the request of the Company, cause two of the representatives of the Selling Shareholder serving on the Board to deliver to the Company a duly executed resignation from the Board, effective on, and conditional upon, Closing; and
- (d) to take or cause to be taken and do or cause to be done all things required or advisable under Law to, by no later than the Closing, deliver the Purchased Shares to the Company on Closing free and clear of all Encumbrances (including the Pledges).

The Transaction Agreement also contains an unconditional and irrevocable guarantee from Gazit-Globe in favour of the Company for the due and punctual performance by the Selling Shareholder of the Selling Shareholder's obligations under the Transaction Agreement.

Covenants of the Company Regarding the Transaction

The Transaction Agreement also contains covenants of the Company relating to the Transaction, including:

- (a) that, until the later of (i) Closing and (ii) the termination of the Transaction Agreement, it will not solicit, initiate, knowingly encourage or otherwise facilitate discussions with any third party regarding a Business Combination (which will not restrict the Company from taking any action it considers necessary or advisable in response to an unsolicited proposal); and
- (b) not to change the record date for the dividend of \$0.215 per Common Share declared by the Board on February 12, 2019 to a date that is later than the day immediately prior to the Closing Date.

The Transaction Agreement also contains a covenant that following the Closing and for so long as Gazit-Globe beneficially owns, directly or indirectly, or exercises control or direction over at least 5% of the outstanding Common Shares, the Gazit Group shall be entitled to nominate one nominee, as selected by the Gazit Group, on the Board for inclusion among the Company's nominees as directors of the Company at any meeting of Shareholders at which directors are to be elected.

Conditions to the Transaction Becoming Effective

The obligations of the Parties to complete the Transaction are subject to the fulfilment of each of the following conditions on or before the Closing Date, each of which may only be waived with the mutual consent of the Parties (in the case of (a), (b) and (c) below) or with the consent of the Party having the benefit of the condition (in the case of (d), (e) and (f) below):

- (a) the Share Repurchase Resolution has received the Required Approval of Shareholders at the Meeting;
- (b) no (i) Law is in effect that makes the consummation of the Transaction illegal or otherwise prohibits or enjoins the Company or the Selling Shareholder from consummating the Transaction and (ii) legal or regulatory action or proceeding shall be pending or threatened by any Person (other than the Parties or any of their respective affiliates) that would reasonably be expected to enjoin, restrict or prohibit the Transaction;
- (c) the Secondary Offering has been completed;
- (d) the representations and warranties of each Party contained in the Transaction Agreement are true and correct, in all material respects, as of the Closing Date (in each case except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date), and each Party has executed and delivered a certificate of a senior officer to that effect;
- (e) each Party has fulfilled or complied in all material respects with each of its covenants contained in the Transaction Agreement to be fulfilled or complied with by it on or prior to the Closing Date, and has executed and delivered a certificate of a senior officer to that effect; and
- (f) each of the Company and the Selling Shareholder has delivered or caused to be delivered to one another on the Closing Date (i) certified copies of such Party's (A) charter documents and by-laws, (B) resolutions of its shareholders and board of directors approving entering into and completion of the Transaction and (C) a list of the directors and officers of such Party authorized to sign agreements together with their specimen signatures; (ii) a certificate of status with respect to such

Party issued by the appropriate governmental official of its jurisdiction of incorporation; and (iii) the certificate referred to in (e) above.

Termination of the Transaction Agreement

The Transaction Agreement may be terminated prior to the Closing Date by:

- (a) the mutual written agreement of the Parties;
- (b) either the Selling Shareholder or the Company if:
 - (i) the Closing has not occurred on or prior to the Outside Date, provided that the right to terminate the Transaction Agreement pursuant to the foregoing shall not be available to a Party (including, in the case of the Selling Shareholder, Gazit-Globe) whose failure to fulfill any of its obligations under the Transaction Agreement has been the cause of, or resulted in, the failure of the closing to occur on or before such date;
 - (ii) after the date of the Transaction Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Transaction illegal or otherwise permanently prohibits or enjoins the Company or the Selling Shareholder from consummating the Transaction, and such Law has, if applicable, become final and non-appealable;
 - (iii) the Required Approval of Shareholders is not obtained at the Meeting; or
 - (iv) the Underwriting Agreement is terminated in accordance with its terms prior to the completion of the Secondary Offering or if the Underwriting Agreement is not entered into as contemplated by the Bid Letter;
- (c) the Selling Shareholder if there has been a breach of or failure to perform any representation, warranty, covenant or agreement on the part of the Company set forth in the Transaction Agreement, which breach or failure to perform would cause the conditions in the Transaction Agreement not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of the Transaction Agreement; or
- (d) the Company if:
 - (i) a Material Adverse Effect shall have occurred since the date of the Transaction Agreement; or
 - (ii) there has been a breach of or failure to perform any representation, warranty, covenant or agreement on the part of the Gazit Group set forth in the Transaction Agreement, which breach or failure to perform would cause the conditions set forth in the Transaction Agreement not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of the Transaction Agreement.

Expenses

Except as otherwise provided for in the Transaction Agreement, all out-of-pocket third party transaction expenses incurred by a Party in connection with the Transaction Agreement and the Transaction, including all fees and

expenses of legal counsel, accountants and other advisers in connection with the Transaction Agreement, shall be paid by the Party incurring such expenses, whether or not the Transaction is consummated.

Notwithstanding the foregoing, the Company has made the Expense Reimbursement Payment to the Selling Shareholder, in accordance with the terms of the Transaction Agreement. Upon Closing, the Expense Reimbursement Payment will be credited to the payment by the Company of the Consideration for the Purchased Shares. If the Transaction Agreement is terminated as a result of a breach by the Gazit Group under the Transaction Agreement, the Selling Shareholder will pay to the Company the full amount of the Expense Reimbursement Payment on the Business Day immediately following the date of termination of the Transaction Agreement.

The estimated legal, accounting, financial advisory, printing, mailing and similar transactional fees, costs and expenses of the Company in connection with the Transaction are anticipated to be approximately \$5 million (which, for greater certainty, excludes 50% of the underwriting fee for the Secondary Offering payable by the Company), based on certain assumptions of the Company.

THE SECONDARY OFFERING

On February 28, 2019, concurrent with the announcement of the Transaction, the Company, the Selling Shareholder, Gazit-Globe and RBC entered into an agreement for the Selling Shareholder to sell 22 million common shares of the Company (the “**Offered Shares**”) on a bought deal basis to a syndicate of underwriters led by RBC, at a price of \$20.60 per Offered Share, payable in two instalments, for total gross proceeds to the Selling Shareholder of \$453.2 million (the “**Secondary Offering**”). Under the Secondary Offering, the first instalment of \$10.30 per Offered Share (the “**First Instalment**”) is payable on the closing of the Secondary Offering and the final instalment of \$10.30 per Offered Share (the “**Final Instalment**”) is payable at any time following completion of the Transaction and no later than the one-year anniversary date of the closing of the Secondary Offering (the “**Final Instalment Date**”).

At the closing of the Secondary Offering, the Offered Shares will be pledged to the Selling Shareholder to secure payment of the Final Instalment. Before full payment of the Final Instalment, beneficial ownership of the Offered Shares will be subject to the pledge and will be represented by instalment receipts (the “**Instalment Receipts**”). If the holder of an Instalment Receipt does not pay the Final Instalment when due, the Offered Shares evidenced by such Instalment Receipt may, subject to the conditions of the Instalment Receipt Agreement and applicable laws, (i) be forfeited to the Selling Shareholder in full satisfaction of the defaulting holder’s obligations or (ii) be directed by the Selling Shareholder to be sold on behalf of the defaulting holder and the defaulting holder will remain liable to the Selling Shareholder to the extent the net proceeds of such sale are less than the outstanding Final Instalment.

Assuming the completion of the Transaction and Secondary Offering, and subject to the terms of the Instalment Receipt Agreement, registered holders of Instalment Receipts will be entitled to receive regular cash dividends declared on the Offered Shares represented by Instalment Receipts, vote at meetings of Shareholders, rank in proportion to the number of Common Shares represented by such Instalment Receipts, and to receive periodic reports and other material in like manner as if they were registered holders of the Common Shares. Accordingly, the Selling Shareholder will have the right to cast the votes attached to the Offered Shares at the Meeting; however, such votes will be excluded in determining whether approval of the Share Repurchase Resolution has been obtained (see *The Transaction – Regulatory Matters*).

The Company will not receive any proceeds from the Secondary Offering but has agreed to pay 50% of the underwriting fee for the Secondary Offering and will pay such portion to the Underwriters on the seventh calendar day following filing of the (final) short form prospectus in respect of the Secondary Offering, with the remaining 50% of the underwriting fee payable by the Selling Shareholder on closing of the Transaction. The proceeds of

the First Instalment payment from the Secondary Offering are expected to be, in aggregate, \$226.6 million, and will be held in escrow (the “**Escrowed Funds**”) and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) until completion of the Transaction, at which time the Escrowed Funds will be paid as follows: (a) 50% of the underwriting fee (plus any interest earned thereon) shall be paid to the Underwriters, and (b) the balance (plus any interest earned thereon) shall be paid to the Selling Shareholder. The proceeds to the Selling Shareholder of the Final Instalment are expected to be, in aggregate, \$226.6 million, and will be payable to the Selling Shareholder by holders of the Instalment Receipts on or before the Final Instalment Date. Proceeds are calculated before deducting the expenses of the Secondary Offering, which will be paid by the Selling Shareholder, except for 50% of the underwriting fee in the amount of \$8,999,728, which will be paid by the Company.

In the event that (i) the Transaction does not occur prior to 5:00 p.m. (Toronto time) on May 17, 2019, or (ii) the Company delivers a notice to the Selling Shareholder, Gazit-Globe, RBC, on behalf of the Underwriters, and the Custodian declaring that the Transaction Agreement has been terminated (each, a “**Termination Event**”, and the date upon which such Termination Event occurs, the “**Termination Date**”), holders of Instalment Receipts shall, commencing on the business day following the Termination Date, be entitled to receive from the Custodian an amount equal to the First Instalment multiplied by the number of Instalment Receipts held by such holder plus their *pro rata* share of any interest earned on the Escrowed Funds (the “**Earned Interest**”) in cash as partial consideration for the sale of the Offered Shares back to the Selling Shareholder, calculated from and including the Secondary Offering Closing Date to but excluding the Termination Date and less any applicable withholding taxes. The Selling Shareholder will be required to make up any deficiency that may occur as a result of any loss on the investment of the Escrowed Funds, by payment to the Custodian, where the balance of the Escrowed Funds and any interest earned thereon is insufficient to satisfy the repayment of the First Instalment plus any Earned Interest.

Each of the Company and the Gazit Group has agreed that it will not, directly or indirectly, and for greater certainty including through their respective subsidiaries, without the prior written consent of (i) RBC, on behalf of the Underwriters, and (ii) the Company (in the event of a sale by the Gazit Group), in each case, such consent not to be unreasonably withheld or delayed, create, issue or sell, assign, transfer, pledge, hypothecate, otherwise encumber or dispose of in any way, or enter into any swap, hedge or other arrangement that transfers the economic, voting or beneficial interest in (any such action, a “**Transfer**”) (or agree or announce any such agreement to create, issue or Transfer) any equity securities of the Company or any securities exchangeable or convertible into equity securities of the Company, other than (i) on exercise of any outstanding options; (ii) through the Company’s existing dividend reinvestment plan, employee share purchase plans, share option plans and other existing compensation and incentive plans, as such plans may be amended from time to time; (iii) as consideration for the acquisition of real property or assets from a vendor that is at arm’s length to the Company; or (iv) in the case of the Gazit Group, pursuant to the Transaction Agreement, at any time prior to 180 days after the Secondary Offering Closing Date. Further, with respect to Common Shares retained by the Selling Shareholder after closing of the Secondary Offering, the Gazit Group will not, directly or indirectly, without the prior written consent of the Company, not to be unreasonably withheld or delayed, Transfer (or agree or announce any such agreement to Transfer) any of the Common Shares (other than pursuant to the Transaction Agreement or in connection with the entering into of any derivative hedging transaction) at any time prior to the first anniversary of the Secondary Offering Closing Date. The foregoing restrictions will not prohibit or restrict the Gazit Group from complying with their obligations under certain pledges of the Common Shares existing on February 28, 2019 or entering into new pledges prior to the Secondary Offering Closing Date (provided that the Offered Shares will be free and clear of all Encumbrances on the Secondary Offering Closing Date) and will not restrict the Gazit Group from making pledges of any Common Shares retained by the Selling Shareholder after the closing of the Secondary Offering to secure certain credit facilities and other indebtedness made available to the Gazit Group by certain commercial lenders.

The Company has covenanted with the Selling Shareholder not to undertake any rights offering transactions until the earlier of (i) the termination of the Instalment Receipt Agreement, and (ii) the business day after the Final Instalment Date.

The Company's first quarter dividend of \$0.215 per Common Share will be paid on April 22, 2019 to Shareholders of record on April 12, 2019. Any cash dividends to be paid in respect of the Offered Shares represented by Instalment Receipts (i) with a record date that is on or after February 28, 2019 and before the closing date of the Transaction and (ii) with a payment date that is prior to the Closing Date, shall be placed in escrow with the Custodian pending the earlier to occur of (x) the closing of the Transaction, and (y) a Termination Event. Upon the closing of the Transaction, any such cash dividends held in escrow will be remitted to the registered holders of Instalment Receipts who were holders of record as at the related dividend record date, together with any interest earned thereon (less any withholding taxes); or, if a Termination Event occurs, an amount equal to such cash dividends will instead be remitted to the Selling Shareholder, together with any interest earned thereon.

Annualized cash dividends paid on the Offered Shares represented by Instalment Receipts in excess of \$0.86 per Offered Share per year and all net proceeds from non-cash distributions paid in respect of the Offered Shares represented by Instalment Receipts (subject to certain exceptions) will be paid to the Selling Shareholder (or, if paid before the closing of the Transaction, the Custodian) to be applied in reduction of the Final Instalment and, upon payment of the Final Instalment, any balance remaining will be paid to the holder of Instalment Receipts (net of any applicable withholding taxes).

It is expected that closing of the Secondary Offering will take place on April 11, 2019 or such other date as the Company, the Selling Shareholder and RBC, on behalf of the Underwriters, may agree, but in any event no later than April 22, 2019 (the **"Secondary Offering Closing Date"**). **The completion of the Transaction is contingent on the completion of the Secondary Offering.**

This Circular does not constitute an offer to sell or the solicitation of an offer to purchase the Instalment Receipts or the Offered Shares represented thereby or any other securities in any jurisdictions, including the United States.

INFORMATION CONCERNING THE COMPANY

General

The Company is one of Canada's largest owners, developers and operators of necessity-based real estate located in Canada's most densely populated urban centres. The Company currently owns interests in 166 properties, totaling approximately 25.4 million square feet of gross leasable area.

The Company's primary strategy is the creation of value over the long term by generating sustainable growth in cash flow and capital appreciation of its urban portfolio. To achieve the Company's strategic objectives, management continues to: undertake selective development, redevelopment and repositioning activities, including land use intensification; be focused and disciplined in acquiring well-located properties to create super urban neighbourhoods, primarily where there are value creation opportunities, including sites in close proximity to existing properties in the Company's target urban markets; raise capital to fund future growth through select dispositions; proactively manage the Company's existing portfolio to drive rent growth; increase efficiency and productivity of operations; and maintain financial strength and flexibility to support a competitive cost of capital over the long-term.

The Company has one principal subsidiary, First Capital Holdings Trust, a 100% owned trust established under the laws of the Province of Ontario, which had total assets amounting to more than 10% of the consolidated assets of the Company as at December 31, 2018 or total revenues amounting to more than 10% of the consolidated revenues of the Company as at December 31, 2018.

The head office and principal place of business of the Company is located at King Liberty Village, 85 Hanna Avenue, Suite 400, Toronto, Ontario M6K 3S3.

Description of Share Capital

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preference shares, issuable in series. As at the close of business on March 11, 2019, there were 254,902,354 Common Shares issued and outstanding and there were no preference shares outstanding.

Holders of Common Shares are entitled to receive: (a) notice of and attend at any meeting of the Shareholders, except class meetings of other classes of shares, and are entitled to one vote for each share held; and (b) dividends in the discretion of the Board. Additionally, subject to the rights of holders of any shares ranking prior to the Common Shares, the holders of the Common Shares shall be entitled to receive the remaining property of the Company upon liquidation, dissolution or the winding-up of the Company.

Trading in Common Shares

The Common Shares trade on the TSX under the symbol “FCR”. The following table sets forth certain trading information for the Common Shares on the TSX for the 12-month period before the date of this Circular, as reported by the TSX:

Common Shares	Month	High (\$)	Low (\$)	Volume
2018	March	21.00	19.67	7,666,267
	April	20.79	20.01	6,387,231
	May	21.41	20.02	6,193,144
	June	21.34	20.57	6,443,567
	July	21.23	19.71	9,583,617
	August	20.78	19.81	6,868,411
	September	20.52	19.28	6,558,790
	October	19.82	18.60	8,558,704
	November	20.21	19.05	7,733,300
	December	20.33	18.28	7,480,527
2019	January	20.70	18.60	7,657,440
	February	22.17	20.44	8,951,890
	March (1 to 8)	21.45	20.33	5,099,106

On February 28, 2019, the last completed trading day on which the Common Shares traded prior to the Company’s announcement that it had entered into the Transaction Agreement, the closing price of the Common Shares on the TSX was \$21.42.

Ownership of Securities of the Company

To the knowledge of the Company, after reasonable enquiry, the table below indicates, as at March 11, 2019, the number of securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised, by each director and officer of Company:

Name and Position	Number of Common Shares	Number of Performance Share Units	Number of Restricted Share Units	Number of Deferred Share Units	Number of Stock Options
Adam E. Paul <i>President and CEO and Director</i>	149,588 ⁽¹⁾	259,766	—	—	2,580,692
Dori J. Segal <i>Chair of the Board</i>	2,224,670 ⁽²⁾	—	93,411	—	195,000
Jon N. Hagan <i>Director</i>	20,472	—	—	96,219	—
Annalisa King <i>Director</i>	5,161	—	—	11,003	—
Al Mawani <i>Director</i>	10,000	—	—	2,131	—
Bernard McDonell <i>Lead Director</i>	2,616	—	—	104,210	—
Jeffrey S. Mooallem <i>Director</i>	—	—	—	1,404	—
Andrea Stephen <i>Director</i>	12,123	—	—	38,320	—
Kay Brekken <i>Executive Vice President and Chief Financial Officer</i>	21,386	69,086	—	—	669,152
Carmine Francella <i>Senior Vice President, Leasing</i>	3,455	27,406	—	—	217,551
Alison Harnick <i>General Counsel and Corporate Secretary</i>	—	9,633	—	—	76,506

Name and Position	Number of Common Shares	Number of Performance Share Units	Number of Restricted Share Units	Number of Deferred Share Units	Number of Stock Options
Maryanne McDougald <i>Senior Vice President, Operations</i>	36,045	32,314	—	—	443,197
Jordan Robins <i>Executive Vice President and Chief Operating Officer</i>	31,900	76,928	—	—	598,708
Jodi Shpigel <i>Senior Vice President, Development</i>	14,401 ⁽³⁾	35,308	—	—	309,711
Chaim Katzman <i>Director</i>	40,396	—	—	10,029	—

Notes:

- (1) Includes 108,675 Common Shares controlled by Adam E. Paul through the Adam Paul Trust.
- (2) Includes 1,095,718 Common Shares beneficially owned by Mr. Dori Segal's former spouse.
- (3) Includes 4,040 Common Shares beneficially held through her spouse's RRSP and TFSA.

Commitments to Acquire Securities

Other than as disclosed in this Circular and other than the commitment of certain directors and officers to purchase 156,000 Common Shares represented by Instalment Receipts in the Secondary Offering, there are no commitments to acquire equity securities of the Company by the Company or, to the knowledge of the Company and its directors and senior officers after reasonable enquiry, by (a) any of the directors and senior officers of the Company, or (b) by any of their respective associates, or (c) by any person or company who beneficially owns (directly or indirectly) more than 10% of any class of the Company's equity securities, or (d) by any person or company acting jointly or in concert with the Company.

Dividend Policy

The Company presently pays quarterly dividends on its Common Shares. On February 12, 2019, the Company announced that it had declared a dividend of \$0.215 per Common Share, payable on April 18, 2019 to Shareholders of record on March 29, 2019. In conjunction with the Transaction and the Secondary Offering, the Company announced that it had moved the record date to April 12, 2019 and the payment date to April 22, 2019.

Dividends on the Common Shares, if any, that are declared are at the discretion of the Board and are set from time to time after taking into consideration the Company's capital requirements, its alternative sources of capital and common industry cash distribution practices. The Company declared and paid regular quarterly cash dividends aggregating \$0.86 per Common Share for each of the years ended December 31, 2017 and December 31, 2018.

Previous Purchases and Sales of Securities

The table below sets out information regarding any Company securities purchased or sold by the Company during the 12 months prior to the date of this Circular:

Date of Issue	Security Issued	Reason for Issuance	Number of Securities Issued	Price per Security (\$)
June 8, 2018	Common Shares	Private Issuance	67,936	\$21.12
July 18, 2018	Common Shares	Public Offering	9,757,000	\$20.50
December 15, 2018	Common Shares	Private Issuance	10,000	\$20.10

INFORMATION CONCERNING THE GAZIT GROUP

The Selling Shareholder is Gazit Canada Inc., a corporation existing under the laws of the Province of Ontario. The Selling Shareholder is a subsidiary of Gazit-Globe Ltd. Gazit-Globe a real estate company listed on the Tel Aviv Stock Exchange. Gazit-Globe is focused on the ownership, management and development of retail and mixed-use properties in North America, Brazil, Israel, northern, central and Eastern Europe, located in urban growth markets. As of September 30, 2018, Gazit-Globe owns and operates 101 properties, with a gross leasable area of approximately 2.5 million square meters and a total value of approximately NIS 38.6 billion.

Chaim Katzman, a director of the Company, and several of the Company's shareholders affiliated with Mr. Chaim Katzman, including Gazit-Globe and related entities, beneficially own approximately 31.27% of the outstanding Common Shares.

INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

In considering the recommendations of the Special Committee and the Board (other than Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem) with respect to the Transaction, Shareholders should be aware that certain members of the Board, and certain officers or employees of the Company may have certain interests in connection with the Transaction or may receive benefits that may differ from, or be in addition to, the interests of Shareholders generally, which may present them with actual or potential conflicts of interest in connection with the Transaction. In particular, Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem have an interest in the Transaction by virtue of owning shares of and/or being directors or officers of Gazit-Globe or its affiliates. Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem abstained from voting in respect of the Board approval of the Transaction.

Other than as disclosed elsewhere in this Circular and in the table below, no director or executive officer of the Company who has been a director or executive officer at any time since the beginning of the Company's last financial year, and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

Name and Position	Number of Common Shares	Number of Performance Share Units	Number of Restricted Share Units	Number of Deferred Share Units	Number of Stock Options
Dori J. Segal <i>Chair of the Board</i>	2,224,670 ⁽¹⁾	—	69,629	—	195,000
Jeffrey S. Mooallem <i>Director</i>	—	—	—	1,404	—
Chaim Katzman <i>Director</i>	40,396	—	—	10,029	—

(1) Includes 1,095,718 Common Shares beneficially owned by Mr. Segal's former spouse.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Circular, no informed person (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) or any associate or affiliate of any informed person has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

MATERIAL CHANGES TO THE AFFAIRS OF THE COMPANY

To the knowledge of the directors and officers of the Company and except as publicly disclosed or otherwise described in this Circular, there are no plans or proposals for material changes in the affairs of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The independent auditor of the Company is Ernst & Young LLP, Chartered Professional Accountants, Licensed Public Accountants, Ernst & Young Tower, 100 Adelaide Street West, Toronto, Ontario, Canada, M5H 1S3. Such firm is independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada, at its principal office in Toronto, Ontario.

EXEMPTIONS

On February 28, 2019, the Company received the OSC Order for the Requested Relief exempting the Company from the requirements applicable to issuer bids in Part 2 of NI 62-104 in respect of the Transaction.

OTHER BUSINESS

There is no information or matter not disclosed in this Circular but known to the Company that would be reasonably expected to affect the decision of Shareholders to vote for or against the Share Repurchase Resolution.

LEGAL MATTERS

Certain legal matters in connection with the Transaction will be passed upon for the Company by Torys LLP.

Certain legal matters in connection with the Transaction will be passed upon for the Special Committee by Stikeman Elliott LLP.

Certain legal matters in connection with the Transaction will be passed upon for the Selling Shareholder by McCarthy Tétrault LLP.

ADDITIONAL INFORMATION

The Company files reports and other information with the securities commissions of the provinces and territories of Canada. Financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the most recently completed financial year ended December 31, 2018. These reports and information are available to the public free of charge under the Company's profile on SEDAR at www.sedar.com and may also be obtained free of charge by contacting the Assistant Corporate Secretary of the Company at King Liberty Village, 85 Hanna Avenue, Suite 400, Toronto, Ontario, Canada M6K 3S3. These documents, certain of our governance documents and additional information about the Company can also be found at www.fcr.ca. Our other continuous disclosure documents are available on our website, www.fcr.ca, and on SEDAR at www.sedar.com.

DIRECTORS' APPROVAL

The contents and the delivery of this Circular have been approved by the Board.

By Order of the Board of Directors,

"Bernard McDonell"

Bernard McDonell
Lead Independent Director

CONSENT OF RBC CAPITAL MARKETS

March 11, 2019

To: The Board of First Capital Realty Inc. (the “**Company**”)

We refer to the management information circular (the “**Circular**”) of the Company dated March 11, 2019 relating to the special meeting of shareholders of the Company to approve a transaction involving the Company, Gazit Canada Inc. and Gazit-Globe Ltd. We consent to the inclusion in the Circular of our fairness opinion dated February 28, 2019 and references to our firm name and our fairness opinion in the Circular. Our fairness opinion was given as of February 28, 2019 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Board of the Company shall be entitled to rely upon such fairness opinion.

(Signed) “*RBC Dominion Securities Inc.*”

CONSENT OF BLAIR FRANKLIN CAPITAL PARTNERS INC.

March 11, 2019

To: The Board of First Capital Realty Inc. (the “**Company**”)

We refer to the management information circular (the “**Circular**”) of the Company dated March 11, 2019 relating to the special meeting of shareholders of the Company to approve a transaction involving the Company, Gazit Canada Inc. and Gazit-Globe Ltd. We consent to the inclusion in the Circular of our fairness opinion dated February 28, 2019 and references to our firm name and our fairness opinion in the Circular. Our fairness opinion was given as of February 28, 2019 and remains subject to the assumptions, qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the Board of the Company shall be entitled to rely upon such fairness opinion.

(Signed) “*Blair Franklin Capital Partners Inc.*”

APPENDIX A

GLOSSARY OF TERMS

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Circular.

“**affiliate**” has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus Exemptions*.

“**Beneficial Shareholders**” means a non-registered, beneficial holder of Common Shares whose Common Shares are held through an Intermediary.

“**Bid Letter**” means the letter agreement dated February 28, 2019 between the Company, Gazit-Globe, the Selling Shareholder and RBC Dominion Securities Inc. on behalf of a syndicate of underwriters pursuant to which the Selling Shareholder agreed to sell 22 million Common Shares beneficially owned by the Selling Shareholder represented by Instalment Receipts.

“**Blair Franklin**” means Blair Franklin Capital Partners Inc.

“**Blair Franklin Engagement Agreement**” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Fairness Opinions – Blair Franklin Fairness Opinion*.

“**Blair Franklin Fairness Opinion**” means the long-form fairness opinion of Blair Franklin dated February 28, 2019.

“**Board**” means the board of directors of the Company, as the same is constituted from time to time; any recommendation or determination of the Board referenced in this Circular shall be deemed to exclude any director who noted a conflict and abstained from voting on any matter, which, for greater certainty, shall exclude Mr. Chaim Katzman, Mr. Dori Segal and Mr. Jeff Mooallem in respect of any recommendation or determination of the Board in respect of the Transaction and the Share Repurchase Resolution.

“**Broadridge**” means Broadridge Financial Solutions Inc.

“**Business Combination**” has the meaning ascribed to such term in this Circular under the heading *The Transaction Agreement – Representations and Warranties*.

“**Business Day**” means any day, other than a Saturday or Sunday, on which banks in Toronto, Ontario are open for commercial banking business during normal banking hours.

“**Circular**” means this management information circular of the Company dated March 11, 2019 together with all appendices hereto, distributed to Shareholders in connection with the Meeting.

“**Closing**” means the completion of the sale to and purchase by the Company of the Purchased Shares pursuant to the Transaction.

“**Closing Date**” has the meaning ascribed thereto in the Transaction Agreement.

“Common Shares” means common shares in the capital of the Company.

“Company” means First Capital Realty Inc., a corporation existing under the laws of Ontario.

“Computershare” means Computershare Trust Company of Canada.

“Consideration” means the amount payable by the Company to the Selling Shareholder for the Purchased Shares pursuant to the Transaction in the aggregate amount of \$741,600,000 (\$20.60 per Purchased Share).

“Custodian” means Computershare Trust Company of Canada, as escrow agent under the Instalment Receipt Agreement.

“DBRS” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Sources of Funds – Credit Ratings*.

“Earned Interest” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“EBITDA” means earnings before interest, taxes, depreciation and amortization.

“Encumbrances” means any mortgage, charge, pledge, debenture, hypothec, security interest, assignment, lien (statutory or otherwise), easement, right-of-way, servitude, encroachment, purchase option, title retention agreement or arrangement, conditional sale, deemed or statutory trust, restrictive covenant, rights of refusal or offer, restrictions on transfer (other than those imposed by applicable securities Laws), or other encumbrance of any nature.

“Escrowed Funds” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Evolved Urban Investment Strategy” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Expense Reimbursement Payment” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Fairness Opinions” means each of the RBC Fairness Opinion and the Blair Franklin Fairness Opinion.

“FFO” means funds from operations.

“Final Instalment” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Final Instalment Date” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Financial Advisors” means each of RBC and Blair Franklin.

“First Instalment” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Gazit Common Shares” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Gazit-Globe” means Gazit-Globe Ltd., a corporation existing under the laws of the State of Israel.

“Gazit Group” means, collectively, Gazit-Globe and the Selling Shareholder.

“Governmental Authority” means (i) any governmental or public department, central bank, court, minister, governor-in-counsel, cabinet, commission, tribunal, board, bureau, agency, commissioner or instrumentality, whether international, multinational, national, federal, provincial, state, municipal, local, or other; (ii) any subdivision or authority of any of the above; (iii) any stock exchange; and (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

“IFRS” means International Reporting Financial Standards.

“Instalment Receipt Agreement” means the instalment receipt, escrow and pledge agreement to be entered into on the Secondary Offering Closing Date among the Company, the Selling Shareholder, Gazit-Globe, the Underwriters and the Custodian.

“Instalment Receipts” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Interested Shareholders” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Regulatory Matters*.

“Intermediary” means an intermediary with which a Beneficial Shareholder may deal, including banks, trust companies, securities dealers or brokers and trustees or administrators of self-directed trusts governed by RRSPs, RRIFs, RESPs (each as defined in the *Income Tax Act* (Canada)) and similar plans, and their nominees.

“Kingsdale” has the meaning ascribed thereto in this Circular under the heading *Information Concerning the Meeting – Voting by Registered Shareholders – Voting by Proxy*.

“Lazard” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Law” or **“Laws”** means any and all applicable (i) laws, constitutions, treaties, statutes, codes, ordinances, orders, decrees, rules, regulations, by-laws (ii) judgments, orders, writs, injunctions, decisions, awards and directives of any Governmental Authority and (iii) policies, guidelines, notices and protocols, to the extent that they have the force of law.

“Material Adverse Effect” means a material adverse effect on the business, revenues, operations, property, condition (financial or otherwise) or liabilities (contingent or otherwise) of the Company and its subsidiaries, taken as a whole.

“Meeting” means the special meeting of Shareholders to be held on April 10, 2019, and any adjournment(s) or postponement(s) thereof.

“MI 61-101” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“Moody’s” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Sources of Funds – Credit Ratings*.

“NAV” means net asset value.

“NI 62-104” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Notice of Meeting” means the notice of special meeting of Shareholders which accompanies this Circular.

“OBCA” means the *Business Corporations Act* (Ontario).

“Offered Shares” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“officer” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“OSC” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“OSC Order” means the order of the OSC dated February 28, 2019 granting the Company the Requested Relief in respect of the Transaction.

“Outside Date” means May 17, 2019, or such later date as may be agreed to in writing by the Parties, each in their sole discretion.

“Parties” means the Company, the Selling Shareholder and Gazit-Globe and **“Party”** means any one of them.

“Person” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including a Governmental Authority), syndicate or other entity, whether or not having legal status.

“Pledges” means the pledges by the Selling Shareholder of the Purchased Shares to secure certain credit facilities and other indebtedness made available to the Selling Shareholder by certain commercial lenders.

“Proposed Repurchase Transaction” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Proposed Secondary Offering” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Proposed Transactions” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Purchased Shares” means the 36 million Common Shares held by the Selling Shareholder to be repurchased for cancellation by the Company pursuant to the Transaction.

“RBC” means RBC Dominion Securities Inc., a member company of RBC Capital Markets.

“RBC Fairness Opinion” means the fairness opinion of RBC dated February 28, 2019.

“Record Date” means the close of business on March 11, 2019.

“Regency Centers” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Registered Shareholder” means a registered holder of Common Shares as recorded in the registers maintained by Computershare.

“REIT” has the meaning ascribed to such term in this Circular under the heading *Management Information Circular – Forward-looking Statements*.

“Requested Relief” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Required Approval” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Regulatory Matters*.

“Secondary Offering” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Secondary Offering Closing Date” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“SEDAR” means the System for Electronic Document Analysis and Retrieval maintained on behalf of the Canadian Securities Administrators.

“Selling Shareholder” means Gazit Canada Inc., a corporation existing under the laws of the Province of Ontario.

“September 2018 Gazit Proposal” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Shareholder” means collectively, Registered Shareholders and Beneficial Shareholders.

“Share Repurchase Resolution” means the ordinary resolution approving the Transaction to be considered at the Meeting by Shareholders, substantially in the form set out in Appendix B to this Circular.

“Special Committee” has the meaning ascribed to such term in this Circular under the heading *The Transaction – Background to the Transaction*.

“Termination Date” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Termination Event” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“Transaction” means the repurchase for cancellation of the Purchased Shares by the Company from the Selling Shareholder on and subject to the terms and conditions of the Transaction Agreement.

“Transaction Agreement” means the transaction agreement dated February 28, 2019 between the Company, Gazit-Globe and the Selling Shareholder (including the schedules thereto), as may be amended, modified or supplemented from time to time in accordance with its terms.

“Transfer” has the meaning ascribed to such term in this Circular under the heading *The Secondary Offering*.

“TSX” means the Toronto Stock Exchange and any successor thereto.

“U.S. Securities Act” means the U.S. Securities Act of 1933, as amended.

“Underwriters” means the syndicate of underwriters led by RBC as contemplated by the Bid Letter.

APPENDIX B
SHARE REPURCHASE RESOLUTION

BE IT RESOLVED THAT:

1. The transactions (the “**Transactions**”) pursuant to the transaction agreement (the “**Transaction Agreement**”) among First Capital Realty Inc. (the “**Company**”), Gazit Canada Inc. and Gazit-Globe Ltd. dated February 28, 2019, as the same may be amended, modified or supplemented from time to time, all as more particularly described in the management information circular of the Company dated March 11, 2019 (the “**Circular**”), accompanying the notice of this meeting (as the Transaction Agreement may be modified or amended in accordance with its terms) are hereby authorized, approved and adopted.
2. The (i) Transaction Agreement and related transactions, (ii) actions of the directors of the Company in approving the Transaction Agreement, and (iii) actions of the directors and officers of the Company in executing and delivering the Transaction Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved.
3. Notwithstanding that this resolution has been passed (and the Transaction approved) by the shareholders of the Company, the directors of the Company are hereby authorized and empowered to, at their discretion, without notice to or approval of the shareholders of the Company: (i) amend, modify or supplement the Transaction Agreement; and (ii) subject to the terms of the Transaction Agreement, not to proceed with the Transaction and related transactions.
4. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

APPENDIX C
RBC FAIRNESS OPINION



February 28, 2019

The Board of Directors
First Capital Realty Inc.
85 Hanna Avenue, Suite 400
Toronto, Ontario M6K 3S3

To the Board:

RBC Dominion Securities Inc. ("RBC"), a member company of RBC Capital Markets, understands that First Capital Realty Inc. (the "Company"), Gazit Canada Inc. ("Gazit") and Gazit-Globe Ltd. propose to enter into an agreement to be dated February 28, 2019 (the "Transaction Agreement") pursuant to which the Company has agreed to purchase for cancellation 36 million of its common shares ("Shares") from Gazit for a price of \$20.60 per Share (the "Transaction"). Concurrent with the Transaction, Gazit has entered into an agreement to sell 22 million Shares through a bought deal secondary offering of Shares, represented by instalment receipts, to a syndicate of underwriters led by RBC at a price of \$20.60 per instalment receipt (the "Secondary Offering"). The Company has agreed to pay the first 50% of the underwriters' fee payable by Gazit under the Secondary Offering. Completion of the Transaction and Secondary Offering are cross-conditional, with the Transaction subject to, among other things, approval by holders of a majority of the Shares, other than Shares held directly or indirectly by Gazit or any of its associates or affiliates. The terms of the Transaction will be more fully described in a management information circular (the "Circular"), which will be mailed to holders of Shares in connection with the Transaction.

RBC also understands that the Ontario Securities Commission (the "Commission") will provide an order that, pursuant to section 6.1 of National Instrument 62-104 *Take-Over Bids and Issuer Bids* ("NI 62-104"), the Company be exempt from the requirements applicable to issuer bids in Part 2 of NI 62-104 in respect of the Transaction.

The Company has retained RBC to provide advice and assistance to the Company in evaluating the Transaction, including the preparation and delivery to the board of directors of the Company (the "Board") of RBC's opinion (the "Fairness Opinion") as to the fairness of the consideration to be paid under the Transaction from a financial point of view to the Company. RBC has not prepared a valuation of the Company, the Shares or any of the Company's assets and the Fairness Opinion should not be construed as such.

Engagement

The Board initially contacted RBC regarding a potential advisory assignment in September 2018, and RBC was formally engaged by the Company through an agreement between the Company and RBC (the "Engagement Agreement") dated September 28, 2018. The terms of the Engagement Agreement provide that RBC is to be paid a fee for its services as financial advisor, including fees that are contingent on completion of the Transaction or certain other events. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Fairness Opinion in its entirety and a summary

thereof in the Circular and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province of Canada.

Relationship With Interested Parties

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the Company, Gazit or any of their respective associates or affiliates. RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Company, Gazit or any of their respective associates or affiliates, within the past two years, other than the services provided under the Engagement Agreement, acting as lead underwriter and sole bookrunner for the Secondary Offering and as described herein. In the past two years, RBC has been engaged in the following capacities for the Company: (i) an ongoing mandate to act as financial advisor on the sale of two properties; (ii) co-manager on a \$200 million Share offering in July 2018; and (iii) joint bookrunner on a \$300 million unsecured debenture offering in July 2017. In the past two years, RBC has been engaged in the following capacities for Gazit and its associates and affiliates: (i) co-manager on a \$185 million secondary offering of Shares in March 2017; (ii) co-manager on a \$300 million senior notes offering in February 2018 for Regency Centers Corporation ("Regency"), an affiliate of Gazit; (iii) co-manager on a \$300 million senior notes offering in June 2017 for Regency; and (iv) co-manager on a \$650 million senior notes offering in January 2017 for Regency. Other than pursuant to certain arrangements in the Engagement Agreement, there are no understandings, agreements or commitments between RBC and the Company, Gazit or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company, Gazit or any of their respective associates or affiliates. Royal Bank of Canada, controlling shareholder of RBC, provides banking services to the Company and certain of its associates and affiliates in the normal course of business.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, Gazit or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, Gazit or any of their associates or affiliates or the Transaction.

Credentials of RBC Capital Markets

RBC is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Fairness Opinion expressed herein represents the opinion of RBC and the form and content herein have been approved for release by a committee of its managing directors, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Scope of Review

In connection with our Fairness Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the most recent draft, dated February 28, 2019 of the Transaction Agreement;
2. the most recent draft, dated February 28, 2019 of the bid letter and term sheet regarding the Secondary Offering;
3. the most recent draft, dated February 28, 2019 of the instalment receipt, escrow and pledge agreement regarding the Secondary Offering;
4. the most recent draft, dated February 28, 2019 of the underwriting agreement regarding the Secondary Offering;
5. the most recent draft, dated February 28, 2019 of the application of the Company to the Commission for an order pursuant to section 6.1 of NI 62-104;
6. audited financial statements of the Company for each of the five years ended December 31, 2018;
7. the unaudited interim reports of the Company for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018;
8. annual reports of the Company for each of two years ended December 31, 2016 and 2017;
9. the Notice of Annual Meeting of Shareholders and Management Information Circular of the Company for the year ended December 31, 2017 and the Notice of Annual and Special Meeting of Shareholder and Management Information Circular for the year ended December 31, 2016;
10. annual information forms of the Company for each of the two years ended December 31, 2016 and 2017;
11. the draft portfolio summary for income producing properties of the Company prepared by management of the Company in accordance with International Financial Reporting Standards ("IFRS") as of December 31, 2018;
12. unaudited consolidated cashflows and a capital plan for the Company prepared management of the Company, for the years ending December 31, 2019 and December 31, 2020 as well as an estimate of the present value of the future uncommitted incremental density of the properties of the Company as of December 31, 2018;
13. unaudited financial projections for the Company prepared by management of the Company for the year ended December 31, 2019;
14. discussions with senior management of the Company;
15. discussions with the Company's legal counsel and legal counsel to the special committee of independent directors of the Company;
16. public information relating to the business, operations, financial performance and stock trading history of the Company, Gazit and its affiliates and other selected public companies considered by us to be relevant;
17. public information with respect to other transactions of a comparable nature considered by us to be relevant;
18. public information regarding the Canadian real estate industry;
19. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which the Fairness Opinion is based; and
20. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company to any information requested by RBC.

Assumptions and Limitations

With the Board's approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial (including, without limitation, the financial statements of the Company) and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company, and their consultants and advisors (collectively, the "Information"). The Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information (as defined above) provided to RBC orally by, or in the presence of, any officer of the Company, or in writing by the Company, any of its affiliates or any of their respective agents or advisors, for the purpose of preparing the Fairness Opinion was, at the date the Information was provided to RBC, and is at the date hereof complete, true and correct in all material respects, did not and does not contain any untrue statement of a material fact, and did not and does not omit to state any material fact necessary to make such Information or any statement contained therein, not misleading in light of the circumstances in which it was provided to RBC; and that (ii) since the dates on which the Information was provided to RBC, except as disclosed in writing to RBC, there has been no material change or change in material facts, financial or otherwise, in or relating to the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries, or material change in the Information.

In preparing the Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Transaction will be met.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Company. In its analyses and in preparing the Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Transaction.

The Fairness Opinion has been provided for the use of the Board and may not be used by any other person or relied upon by any other person other than the Board without the express prior written consent of RBC. The Fairness Opinion is given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to RBC's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Fairness Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any holder of Shares as to whether to vote in favour of the Transaction.

Fairness Analysis

Approach to Fairness

In considering the fairness of the consideration to be paid under the Transaction from a financial point of view to the Company, RBC considered and relied upon the following: (i) a comparison of the consideration to be paid under the Transaction to the results of a net asset value analysis of the Company; (ii) an assessment of the of the impact of the consideration to be paid under the Transaction on the key financial metrics of the Company, both immediately after the Transaction and assuming the Company successfully executes its deleveraging strategy; and (iii) an assessment of the potential impact of the Transaction and the Secondary Offering on the market trading price of the Shares.

Fairness Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the consideration to be paid under the Transaction is fair from a financial point of view to the Company.

Yours very truly,

“RBC Dominion Securities Inc.”

RBC DOMINION SECURITIES INC.

APPENDIX D
BLAIR FRANKLIN FAIRNESS OPINION



February 28, 2019

The Special Committee of the Board of Directors and the Board of Directors
FIRST CAPITAL REALTY INC.
85 Hanna Avenue, Suite 400
Toronto, Ontario
M6K 3S3

To the Special Committee of the Board of Directors and the Board of Directors:

Blair Franklin Capital Partners Inc. ("Blair Franklin") understands that First Capital Realty Inc. ("FCR" or the "Company") will agree to repurchase FCR common shares ("Shares") from its largest shareholder, Gazit Canada Inc. (together with its affiliates, "Gazit"), concurrent with a bought deal secondary offering by Gazit that will reduce Gazit's Share ownership from 31.3% to approximately 9.9%, on a non-diluted basis (collectively, the "Transactions"). Gazit currently holds 79,636,749 Shares. The Transactions consist of the following:

- (i) **Share Repurchase:** The Company will purchase for cancellation 36 million Shares from Gazit for a price of \$20.60 per Share (the "Consideration"), for gross Consideration of \$741.6 million (the "Share Repurchase Transaction"). The Share Repurchase Transaction will be subject to approval of a simple majority of the votes cast at a special meeting of FCR shareholders to be held on or about April 10, 2019, excluding Shares held directly or indirectly by Gazit (as well as its related parties and joint actors). In addition, the definitive agreement prepared in connection with the Share Repurchase Transaction (the "Transaction Agreement") includes (a) an exclusive dealing covenant on the part of Gazit, (b) a provision whereby FCR will make a \$3.0 million expense reimbursement payment to Gazit on signing of the Transaction Agreement which will be credited against the total repurchase price on closing of the Share Repurchase Transaction and retained by Gazit if the Transaction Agreement is terminated in certain circumstances. Gazit has also agreed to certain provisions regarding the number of nominees to the Board of Directors of the Company (the "Board") that it will be entitled to make following closing of the Share Repurchase Transaction.
- (ii) **Bought Deal Secondary Offering:** Gazit will agree to sell 22 million Shares on a bought deal basis to a syndicate of underwriters (the "Underwriters") led by RBC Capital Markets, for gross proceeds of \$453.2 million and net proceeds of approximately \$444.2 million (the "Secondary Offering"). The Shares will be sold

Blair Franklin Capital Partners Inc.

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on an instalment receipt (the “Instalment Receipts”) basis at a price of \$20.60 per Share (the “Offering Price”), of which \$10.30 (the “First Instalment”) is payable upon closing of the Secondary Offering (the “Closing”) and the remaining \$10.30 (the “Final Instalment”) is payable by Instalment Receipt holders no later than the first anniversary of Closing. In addition, FCR has agreed to pay the upfront 50% of the Underwriters’ fee for the Secondary Offering (approximately \$9.0 million) with the remaining 50% payable by Gazit. FCR will not issue or sell any securities pursuant to the Secondary Offering and accordingly will not receive any proceeds in connection therewith.

The Company intends to fund the Share Repurchase Transaction with the proceeds from the following new debt financings: (i) up to \$400 million of 10-year mortgage debt; and (ii) up to \$400 million of senior unsecured term loans with terms expected to range from five to seven years. FCR will also have a fully-committed one-year bridge facility for up to \$800 million from RBC Capital Markets in order to backstop the new debt financings.

Completion of the Transactions is cross-conditional. Pursuant to the Transactions, FCR and all of its directors and officers will be subject to a 180-day lock-up, subject to customary exceptions. Gazit’s retained 9.9% Share interest will be subject to a one year lock-up period, subject to customary exceptions and subject to consent of RBC Capital Markets, on behalf of the Underwriters, and the Company for the first 180 days and subject to consent of the Company for the remainder of the one year period.

We further understand that the Company expects to receive exemptive relief from the Ontario Securities Commission (“OSC”) for the Share Repurchase Transaction exempting the Company from the requirements applicable to issuer bids in Part 2 of National Instrument 62-104 (the “Issuer Bid Requirements”).

The Board has created a Special Committee of the Board comprised exclusively of independent directors (the “Special Committee”) which has retained Blair Franklin, on a fixed fee basis, to provide an opinion as to the fairness, from a financial point of view, of the Consideration payable by FCR pursuant to the Share Repurchase Transaction to the Company (the “Opinion”). Blair Franklin has not been asked to prepare, and has not prepared, a formal valuation of FCR or the Shares and the Opinion should not be construed as such.

Engagement of Blair Franklin

Blair Franklin was initially contacted by the Special Committee with regards to submitting its credentials for a potential independent advisory assignment on February 8, 2019. Blair Franklin was formally engaged by the Special Committee pursuant to an engagement agreement dated February 12, 2019 (the “Engagement Agreement”). The Engagement Agreement provides for the payment to Blair Franklin of a fixed fee in respect of the preparation and delivery of the Opinion. Blair Franklin’s fees are not contingent on the completion of the Share Repurchase Transaction, or any other transaction of FCR or on the conclusions reached herein. In addition, Blair Franklin is to

be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by FCR in certain circumstances.

Relationship with Related Parties

Blair Franklin is not an insider, associate or affiliate (as such terms are defined in the Securities Act (Ontario)) of FCR, Gazit, or any of their respective associates or affiliates (the “Interested Parties”). Blair Franklin has not provided any financial advisory services or participated in any financing involving FCR, Gazit or any of their respective associates or affiliates within the past twenty-four months, other than services provided under the Engagement Agreement. There are no other understandings, agreements, or commitments between Blair Franklin and any of the Interested Parties with respect to any current or future business dealings which would be material to the Opinion.

Blair Franklin believes that it is “independent” (as such term is used in Part 6 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”)) of all interested parties subject to the Share Repurchase Transaction and that it has disclosed to the Special Committee all material facts known to it that could reasonably be considered to be relevant to its independence status under Part 6 of MI 61-101.

Credentials of Blair Franklin

Blair Franklin is an independent investment bank providing a full range of financial advisory services related to mergers and acquisitions, divestitures, minority investments, fairness opinions, valuations and financial restructurings. Blair Franklin has been a financial advisor in a significant number of transactions throughout Canada and North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions in transactions similar to the Share Repurchase Transaction.

The Opinion expressed herein is the opinion of Blair Franklin as a firm and the form and content herein has been approved for release by a committee of our principals, each of whom is experienced in mergers and acquisitions, divestitures, restructurings, minority investments, capital markets, fairness opinions and valuation matters.

Scope of Review

In preparing the Opinion, Blair Franklin has reviewed and relied upon, among other things:

1. Interviews with the management of FCR (the “Management”) as well as with FCR’s financial advisors;
2. Discussions with the chair and other independent directors of the Special Committee;
3. Discussions with counsel to the Special Committee;
4. Discussions with counsel to the Company;

5. Discussions with securities regulators regarding the Transactions;
6. Certain financial analyses and forecasts prepared by Management relating to FCR, including financial projections for status-quo and pro-forma the Transactions;
7. Company prepared Net Asset Value (“NAV”) and NAV per Share calculation (as at December 31, 2018);
8. Company presentation to DBRS Limited (“DBRS”) regarding the proposed transaction (dated February 7, 2019);
9. Draft pro-forma Moody’s credit rating grid, prepared by the Company;
10. Historical credit rating agency reports from DBRS and Moody’s;
11. Audited financial statements and related Management Discussion & Analysis (“MD&A”) of FCR for the last three years ended December 31, 2018;
12. Unaudited quarterly reports and related MD&A of FCR for the three, six and nine-month periods ended March 31, June 30, and September 30, respectively for the last three years;
13. Certain regulatory filings and related material for FCR for the last five years;
14. Most recent management information circular and annual information form of FCR for the year ended December 31, 2018;
15. Press releases issued by FCR for the past three years;
16. Shareholder and insider information of FCR;
17. Comparable trading multiples and comparable transaction multiples for selected companies and transactions considered relevant;
18. Research reports based upon public information prepared by industry analysts;
19. Academic and other research reports regarding the effects of control blocks on public companies;
20. Industry and financial market information, including public information regarding concurrent share repurchase and secondary offering transactions;
21. Draft transaction proposal prepared by Gazit and its financial advisors (dated September 25, 2018);
22. Draft transaction proposal prepared by FCR and its financial advisor;
23. Drafts of the Transaction Agreement to be entered into as part of Share Repurchase Transaction (latest draft dated February 28, 2019); and
24. Such other information, documentation, analyses and discussions that we considered relevant in the circumstances.

Blair Franklin has not independently verified any of the assumptions contained in the financial information publicly disclosed by FCR or provided by their representatives.

Blair Franklin has conducted such analyses, investigations and testing of assumptions as were considered by Blair Franklin to be appropriate in the circumstances for the purposes of arriving at its opinion as to the fairness, from a financial point of view, of the consideration payable by FCR pursuant to the Share Repurchase Transaction to the Company.

Prior Valuations

The President & Chief Executive Officer and the EVP & Chief Financial Officer of FCR, have represented to Blair Franklin that, to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to FCR or any its subsidiaries, material assets or liabilities that have been prepared in the 24 months preceding the date hereof and which have not been provided to Blair Franklin.

Assumptions and Limitations

The Opinion is subject to the assumptions, explanations and limitations hereinbefore described and as set forth below.

We have not been asked to prepare, and have not prepared, a formal valuation or appraisal of the FCR, or any of its respective securities or assets and this Opinion should not be construed as such. We have, however, conducted such analyses as we considered necessary in the circumstances. In addition, the Opinion is not, and should not be construed as, advice as to the price at which FCR may trade at any time. Blair Franklin was not engaged to review any legal, tax or regulatory aspects of the Transaction and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by FCR and its legal advisors with respect to such matters. Blair Franklin was not requested to solicit, and did not solicit, interest from other parties with respect to any alternative transaction or arrangement.

With the Special Committee's approval and as provided in the Engagement Agreement, Blair Franklin has relied upon, without independent verification, the completeness, accuracy and fair presentation in all material respects of all financial information and the completeness and accuracy of the other information, data, advice, opinions and representations obtained by it from public sources, Management and its affiliates and advisors, or otherwise (collectively, the "Information"). Blair Franklin has assumed that the historical information included in the Information did not omit to state any material fact or any fact necessary to be stated or necessary to make that Information not misleading in light of the circumstances in which it was made. This Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as described herein, Blair Franklin has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information. With respect to the forecasts, projections or estimates provided to Blair Franklin and used in the analysis supporting the Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of Management as to the matters covered

thereby at the time of preparation and, in rendering the Opinion, we express no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.

Senior officers of FCR have represented to Blair Franklin in a letter delivered as at the date hereof, among other things, that (i) the Information provided orally by, or in writing by, FCR or any of its subsidiaries or its agents to Blair Franklin relating to FCR, or the Transactions for the purpose of preparing this Opinion was, at the date that the Information was provided to Blair Franklin, and is, at the date hereof, complete, true and correct in all material respects and did not and does not contain any untrue statement of a material fact in respect of FCR or the Transactions and did not and does not omit to state a material fact in respect of FCR, or the Transactions necessary to make the Information not misleading in light of the circumstances under which the Information was made or provided; and that (ii) since those dates on which the Information was provided to Blair Franklin, except as was disclosed in writing to Blair Franklin, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of FCR and no material change has occurred in the Information or any part thereof which would have, or which would reasonably be expected to have, a material effect on the Opinion.

Blair Franklin has made several assumptions in connection with its Opinion that it considers reasonable, including that, the conditions required to implement the Transactions will be met. In preparing the Opinion, we have assumed that the executed agreements regarding the Transactions will not differ in any material respect from the forms that we reviewed, and that the Transactions will be consummated in accordance with the terms and conditions of the latest draft of the Share Repurchase Agreement as of February 28, 2019 without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of the securities markets, economic, financial and general business conditions prevailing as at the date hereof and the conditions, financial and otherwise, of FCR and its affiliates, as they were reflected in the Information and as they were represented to Blair Franklin in discussions with Management. In its analyses and in preparing the Opinion, Blair Franklin made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Blair Franklin or any party involved in the Transaction.

The Opinion has been provided to the Special Committee and the Board for their exclusive use only in considering the Share Repurchase Transaction and may not be used or relied upon by any other person without the express prior written consent of Blair Franklin. The Opinion does not constitute a recommendation as to how any shareholder of FCR should vote or act on any matter relating to the Transactions. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to Blair Franklin) in disclosure documents and the filing of such disclosure documents and the Opinion on SEDAR and the submission by FCR of the Opinion to any relevant court

or regulatory agency in connection with the approval of the Share Repurchase Transaction, the Opinion is not to be disclosed, summarized or quoted from without the prior written consent of Blair Franklin.

Blair Franklin believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by us, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This opinion letter should be read in its entirety.

The Opinion is given as of the date hereof and Blair Franklin disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of Blair Franklin after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, Blair Franklin reserves the right to change, modify or withdraw the Opinion.

All amounts herein are expressed in Canadian dollars, unless otherwise stated.

Overview of the Company

FCR is one of the largest owners, developers, and operators of urban retail real estate properties in Canada. The Company's properties are located in Canada's most densely populated urban centres, with a particular emphasis on the greater metropolitan areas of Toronto, Vancouver, Montreal, Edmonton, Calgary, and Ottawa. FCR currently owns interests in 166 properties, totaling approximately 25.4 million square feet of gross leasable area. Over 90% of the Company's revenues come from tenants in the following industries: grocery stores, pharmacies, liquor stores, banks, restaurants, cafes, fitness centres, medical, childcare facilities and other professional and personal services. FCR is listed on the Toronto Stock Exchange ("TSX") with a market capitalization of \$5.5 billion and an enterprise value of \$9.8 billion. As of February 28, 2019, the Company's share price was trading at a 5% discount to its December 31, 2018 financial statement NAV of \$22.59 per Share. In addition, the Company's current Net Debt / Total Assets is 42%.

Overview of Gazit

Gazit is a global real estate company focused on the ownership, management, and development of retail and mixed-use properties in urban growth markets across North America, Brazil, Israel, northern, central and eastern Europe. Gazit is listed on the Tel Aviv Stock Exchange ("TASE") and is included in the TA-35 Index in Israel. As of September 30, 2018, Gazit owned and operated 101 properties, with gross leasable area of approximately 27.0 million square feet. Gazit's current market capitalization and enterprise value is \$1.9 billion and \$6.2 billion, respectively. As of February 28, 2019, Gazit's share price was trading at a 33% discount to its December 31, 2018 financial

statement NAV of \$15.28 per share. In addition, Gazit's current Net Debt / Total Assets is 55.2%.

Gazit acquired a controlling interest in FCR's predecessor, CentreFund Realty Corp., in 2000. Over the last decade Gazit's ownership stake in the Company has declined to approximately 31% as of the February 28, 2019. In addition to FCR equity issuances that have diluted Gazit's ownership stake in the Company, Gazit has also reduced its stake via two secondary offerings in January 2016 and March 2017. In particular, Gazit's March 2017 secondary offering of 9 million Shares was completed at a price of \$20.60 per Share, reducing its position in FCR from 37% to 33%.

Background to the Transaction

Gazit has actively reduced its ownership stake in FCR through secondary offerings in January 2016 and March 2017 (discussed above). On July 26, 2018, Gazit issued a press release in connection with the divestment of its remaining investment in Regency Centers Corporation where Gazit Founder & CEO, Chaim Katzman, stated:

"This marks taking another important step in successfully implementing our strategy of recycling capital from investments in public subsidiaries into high-quality direct real estate holdings and lowering the company's leverage. We will continue to work towards executing our strategy, which will return our company to its roots - an operating real estate company with an experienced, world-class management team, owner and developer of irreplaceable properties in urban locations with population density and strong demographics in gateway cities that have robust growth, and in which we believe we can achieve outsized returns. We will also continue to focus on shrinking our holdings in public companies and the ongoing emphasis on lowering the company's leverage to achieve our aim of receiving an international investment grade credit rating, which will create additional value for our shareholders"

In August 2018, Gazit advised the Company about its intention to monetize its remaining Shares. Gazit expressed a willingness to work with the Company to effect this exit, in the interest of having a smooth and timely transition. The Company has been working in conjunction with Gazit through various proposals and structures that would be mutually beneficial to both parties, including the potential sale of Gazit's stake to interested third parties. FCR and Gazit engaged RBC Capital Markets and Lazard Capital Markets as their respective financial advisors. While a select number of third parties were confidentially contacted as part of this process, there were no firm proposals for the acquisition of Gazit's stake.

The Special Committee was created by the Board in October 2018 with the mandate to, among other things, consider potential transaction alternatives related to Gazit divesting its stake. The Special Committee and Gazit negotiated various deal structures which resulted in a proposal substantially similar to the Transactions in February 2019.

Fairness Considerations

In support of the Opinion, Blair Franklin has performed certain analyses with respect to FCR and the consideration payable pursuant to the Share Repurchase Transaction, based on those methodologies and assumptions that we considered appropriate in the circumstances.

The primary methodologies employed by Blair Franklin in evaluating the Consideration consisted of:

- (i) a review of various reference prices relative to the Consideration and the ability of third party shareholders to sell Shares at similar price levels;
- (ii) a comparable companies analysis to understand the Consideration relative to the Company's and its peers trading prices;
- (iii) an analysis of the impact of the Share Repurchase Transaction on the Company's leverage metrics and credit ratings;
- (iv) a review of precedent transactions involving a concurrent share repurchase and secondary offering in Canada and the United States; and
- (v) consideration of the Company's business case to pursue the Transactions.

Review of Consideration Relative to Reference Prices

Blair Franklin reviewed Consideration of \$20.60 per Share, as well as the Consideration plus Underwriter fees payable by FCR pursuant to the Secondary Offering (the "Consideration + Fees") (collectively, the "Consideration Prices") relative to a number of references which are outlined in the table below.

Table 1 - Consideration and Reference Prices per Share

	Reference Prices \$ per Share	Premium / (Discount) to Reference Price [Consideration Only]	Premium / (Discount) to Reference Price [Consideration + Fees] ⁽¹⁾
Consideration Prices		\$20.60	\$20.85
FCR Market Prices (as at Feb. 28, 2019)			
Closing Price	\$21.42	(3.8%)	(2.7%)
5-day VWAP	\$21.54	(4.4%)	(3.2%)
20-day VWAP	\$21.33	(3.4%)	(2.3%)
FCR NAV (as at December 31, 2018)			
Prepared by Company (IFRS)	\$22.59	(8.8%)	(7.7%)
Secondary Offering Prices			
Gross	\$20.60	nil	1.2%
Net of Underwriter Fees (2% Payable by Gazit)	\$20.19	2.0%	3.3%
(1) Assumes total Underwriter fees of approximately \$18.1 million (4% of Gross Offering Price multiplied by 22 million shares) divided by the total number of repurchased Shares (36 million) multiplied by 50%			

The Consideration Prices represent discounts to (i) relevant market based metrics (closing price, various volume weighted average prices); and (ii) Company prepared NAV per Share. In addition, the Consideration is equal to the gross secondary offering price of \$20.60 per Share.

Comparable Company Analysis – Trading Metrics

Blair Franklin has reviewed the P/AFFO and P/NAV multiples, among other metrics and multiples, of publicly-traded Canadian real estate investment trusts (“REITs”). The analysis was focused on firms whose primary assets are a portfolio of retail properties. FCR is structured as a corporation and is the only firm amongst its peers which is not a REIT, however this does not materially impact the trading metrics reviewed.

Multiples for the entire set of companies reviewed ranged from P/NAV of 0.88x to 1.08x with an average of 0.96x, compared with FCR’s trading multiple of 0.95x. The majority of comparable companies currently trade at a discount to NAV. While FCR has historically traded at a slight premium to NAV, its current multiple is in-line with its peer group.

In addition, Blair Franklin observed forward P/AFFO trading multiples for the entire set of companies ranged from 10.2x to 19.9x with an average of 14.7x, compared with FCR’s trading multiple of 19.9x. The Company’s P/AFFO trading multiple is amongst the highest in its peer group.

The Share Repurchase Transaction is expected to be immediately accretive to the Company’s Pro-Forma financial metrics, in particular NAV and FFO per Share (see table

below). The immediate accretion experienced is expected to decrease over time as FCR executes on its de-leveraging plan.

Table 2 - Pro-Forma Accretion

<i>(in millions except per Share values)</i>	Pre-Transaction	Pro-Forma	Accretion %
Shares Outstanding ⁽¹⁾	255.5	219.5	
Additional Transaction Debt ⁽²⁾	n/a	\$800	
Company Metrics (Dec. 31, 2018)			
NAV (IFRS)	\$5,772	\$5,005	
FFO	\$303	\$276	
Per Share Metrics			
NAV (IFRS)	\$22.59	\$22.80	0.9%
FFO	\$1.19	\$1.26	6.1%
(1) Includes dilutive options, DSUs and RSUs			
(2) FCR does not expect to draw the full \$800 million facility amount to fund the Share Repurchase Transaction (plus fees)			

Leverage and Credit Ratings Analysis

Blair Franklin has reviewed the amount of additional debt the Company will be incurring in order to fund the Share Repurchase Transaction and the resulting impact on FCR's leverage ratios and credit ratings. In total, the Company will have up to \$800 million in additional leverage immediately following closing of the Transactions. Key peer group leverage ratios reviewed included Net Debt / Total Assets, Net Debt / EBITDA, and Debt / Enterprise Value. In addition, Blair Franklin reviewed FCR and its peers' current credit ratings.

Table 3 - Leverage Ratios Summary

	Net Debt / Total Assets	Net Debt / EBITDA	Net Debt / EV	DBRS Credit Rating	Moody Credit Rating
FCR (Current)	42%	9.6x	44%	BBB (high)	Baa2
FCR (Pro-Forma)	49%	11.3x	48%	unchanged ⁽¹⁾	unchanged ⁽¹⁾
Peer Group					
Average	50%	8.9x	49%		
Median	48%	9.1x	44%		
High	61%	10.3x	67%	BBB (high)	
Low	41%	7.5x	39%	BBB (low)	
(1) Based on Company estimates					

The Company's current leverage ratios are in line with its peer group. FCR's Transactions Pro-Forma metrics increase slightly but remain mostly in line with the peer group, with only Net Debt / EBITDA greater than the group average. We also understand that Management has a comprehensive plan to reduce its leverage over the next 24

months that is consistent with its previously announced strategy concurrently with the Company's December 31, 2018 financial results. The Company's original plan (pre-Transactions) included a disposition of approximately 10% of FCR's property portfolio; Management's plan following the Transactions has increased dispositions to between 10%-15% of FCR's property portfolio.

Since November 2012, DBRS has rated the Company's unsecured debentures as BBB (high), and Moody's has rated these debentures as Baa2 – both investment grade ratings. Credit ratings of peer companies are largely in the BBB range. We understand that the Company has discussed impacts of increased leverage similar to that expected as a result of the Transactions with the credit rating agencies and does not expect a material change in FCR's current credit ratings.

We note that FCR's current credit ratings are only a few notches above non-investment grade. Increased leverage and the associated planned portfolio rationalization may put the Company's credit rating at risk of downgrade due to lower interest coverage, lower proportion of unencumbered assets, and the potential for the rationalization to unintentionally affect quality. A ratings downgrade would increase the Company's borrowing costs, potentially negatively impacting FCR's financial health, market perception, operations, and ultimately share price. Although not anticipated as a result of increased leverage from the Share Repurchase Transaction, material downgrades could result in credit ratings below investment grade.

Precedent Transaction Analysis – Concurrent Share Repurchase & Secondary Offering

Blair Franklin has reviewed more than twenty-five precedent transactions amongst North American companies that have completed a significant share repurchase concurrently with a secondary offering over the past fifteen years. The precedent transaction analysis involved companies across a wide range of industries, each of which had one or more significant shareholders that were seeking to divest a material stake in the company.

In each of the precedent transactions observed, the price paid to repurchase shares was equal to or less than the corresponding secondary offering price. The average share repurchase price discount to market price immediately prior to announcement ranged between 2.4% and 7.6% for Canadian transactions and averaged 2.1% for American transactions; this is compared with a discount of 3.8% (or 2.7% including the portion of the Underwriter Fees to be paid by the Company) for the Share Repurchase Transaction (see Review of Consideration Relative to Reference Prices Section).

Review of FCR Business Case to Pursue the Transactions

Gazit's July 26, 2018 press release regarding a potential divestiture of its indirect real estate holdings may have adversely impacted FCR's share price performance. This followed Gazit's sell down of large blocks of its stake in FCR and placed downward pressure on the Company's share price. Blair Franklin has reviewed market commentary from a number of market participants, including equity research analysts which cover FCR, several of whom indicated that Gazit's perceived divestment strategy had

negatively impacted the Company's Share price. Research analysts expected the Company's Shares to remain undervalued relative to its peers until the Gazit situation was resolved by a material sell down of its FCR stake or other relevant public announcement.

The Transactions represent a mutually beneficial and agreed upon path for Gazit to reduce its FCR stake. In the absence of a transaction similar to the Transactions, there would be a risk that Gazit may in the future sell its block to a non-aligned third-party who may exercise the negative control associated with the block in a manner adverse to the Company and its other shareholders.

Other Factors Considered

Blair Franklin has considered a number of other factors in arriving at the Opinion including:

- The Transactions will increase the Company's public float of Shares and equity related securities by \$453 million, including putting control into the market (i.e. removal of a negative control block);
- Increased leverage may reduce the Company's operational flexibility, including FCR's ability to make opportunistic acquisitions, increase its dividend, or pursue other share buybacks (e.g. normal course issuer bid);
- The timing of dividend payments to applicable Shares in the Share Repurchase Transaction and in the Secondary Offering;
- The time value of the payments Gazit will receive pursuant to the Secondary Offering's instalment receipt structure;
- Should the Transactions fail to close, FCR may still have incurred (and may not be reimbursed for) (i) the \$3 million of Gazit expense reimbursement, and (ii) the upfront 50% of Underwriters commissions totalling \$9.0 million;
- Academic and other research reports regarding the effects of control blocks on public companies; The deal protections as described in successive drafts of the Transaction Agreement; and
- The negotiation process conducted by the Special Committee with Gazit.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, Blair Franklin is of the opinion that, as of the date hereof, the Consideration payable by FCR pursuant to the Share Repurchase Transaction is fair, from a financial point of view, to the Company.

Yours very truly,

"Blair Franklin Capital Partners Inc."

BLAIR FRANKLIN CAPITAL PARTNERS INC.

Questions? Need Help Voting?

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