



FIRST CAPITAL REALTY INC.

first quarter report
march 31, 2002



CORPORATE PROFILE

FIRST CAPITAL REALTY INC. (TSX:FCR) is a growth-oriented, publicly traded real estate investment company that concentrates on the ownership of neighbourhood and community shopping centres in high-growth areas in Canada and the United States.

The Company's primary investment objective is the creation of value through long-term maximization of cash flow and capital appreciation from its growing shopping centre portfolio. In Canada, this objective is achieved by proactively managing the existing shopping centre portfolio, by seeking appropriate, opportunistic acquisitions and by undertaking selective development activities. In the United States, the company is active through its holdings in Equity One, Inc., a publicly traded real estate investment trust (NYSE:EQY). First Capital Realty is managed by experienced real estate professionals who have a significant interest in creating long-term value for all shareholders. First Capital Realty's common shares, convertible debentures, debentures and warrants trade on The Toronto Stock Exchange.

In addition to its 10.9 million shares of Equity One, the Company currently owns interests in 61 Canadian properties, including 2 under development, containing approximately 8 million square feet of gross leasable area. Including its investment in Equity One, the Company has interests in 149 properties totalling approximately 16.6 million square feet of gross leasable area.

QUARTERLY FINANCIAL HIGHLIGHTS

(\$000s, except per share data)	Three months ended March 31	
	2002	2001
Funds from operations (“FFO”)	\$ 8,824	\$ 9,366
Diluted FFO per share	\$ 0.30	\$ 0.32
Unremitted Equity One FFO	\$ 1,615	\$ –
Net rental income – Canada	\$ 16,672	\$ 14,132
Net rental income – U.S.	\$ –	\$ 10,300
Equity income from Equity One	\$ 6,129	\$ –
Net earnings	\$ 8,148	\$ 4,053
Diluted earnings per share	\$ 0.27	\$ 0.03

First quarter highlights

- Generated \$8.8 million in funds from operations, or \$0.30 per share (diluted)
- Acquired a portfolio of six properties in Quebec for \$58 million
- Received \$4.6 million in Equity One dividends

Subsequent to first quarter

- Acquired Gazit’s shopping centre business including a portfolio of six shopping centres and two freestanding retail buildings in Quebec for \$32 million
- Issued 12.3 million share purchase warrants by way of a rights offering, exercisable at \$11.80 a share
- Announced intention to pay interest due on 7.25% Series D convertible debentures (FCR.DB.D) in common shares
- Declared a second quarter dividend of \$0.27 per common share

REPORT TO SHAREHOLDERS

(INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS)

We are pleased with our first quarter results. If we include the unremitted funds from operations of Equity One, recognizing our 33% equity interest, funds from operations would be increased to \$10.4 million, up from \$9.4 million in the first quarter of fiscal 2001.

We continued to build our portfolio of neighbourhood and community shopping centres, particularly in Quebec where we were under-weighted, while taking initiatives to strengthen our balance sheet over the longer term. Subsequent to the quarter end, we made an additional acquisition in Quebec, thereby better balancing our portfolio between our three main markets - Ontario, Quebec and Alberta. Also subsequent to the quarter end, we announced initiatives that will increase our equity base through the payment of debenture interest with common shares, and we issued share purchase warrants through a recently completed rights offering to shareholders.

OPERATIONS REVIEW

On January 31, 2002 we acquired six Quebec-based shopping centres from Ivanhoe Cambridge, for \$58 million. This portfolio consists of six neighbourhood and community shopping centres in the greater Montreal area, with approximately 800,000 square feet of gross leasable area. Ten-year mortgage debt on four of the properties was arranged, totalling \$27.4 million at a rate of 7.07%. The balance of the purchase price was funded with cash. This purchase will be accretive and is expected to add at least \$6 million to net rental income on an annualized basis.

On May 16, 2002, we completed the acquisition (effective April 1, 2002) from our controlling shareholder, the Gazit Group, of its shopping centre business in Quebec, for \$31.65 million. This portfolio consists of six neighbourhood and community centres, and two freestanding retail buildings, with approximately 800,000 square feet of gross leasable area. These properties are all located in the Greater Montreal area. On seven of the eight properties, mortgages payable total \$22.9 million, with a weighted average interest rate of 7.7%.

The aggregate purchase price of \$31.65 million was satisfied through the issuance of 601,630 common shares of First Capital Realty (at \$12.30 a share) and \$28,155,800 in principal amount of First Capital Realty's 7.25% convertible unsecured subordinated debentures due June 30, 2008 (TSX:FCR.DB.D) ("Series D Debentures"). The amount of Series D Debentures was calculated based on a price per \$100 principal amount of \$84.34. In addition, First Capital Realty may require Gazit, on or prior to June 15, 2002, to provide additional working capital of up to \$5 million in return for the issuance of additional Series D Debentures, the amount of which will be determined on the same price basis as for those issued on closing.

We continue to work towards creating long-term value in our growing portfolio of shopping centres. We have a very focused acquisition strategy. In addition to further strengthening our presence in Quebec, these acquisitions increase our tenant diversification and will be financially and operationally accretive. We expect that these 14 new properties will add \$11.5 million to our net rental income on an annualized basis.

We are currently undertaking redevelopment activities at eight of our shopping centres: Northgate Centre in Edmonton, La Porte de Gatineau in Gatineau, Place Cite des Jeunes in Hull, Galeries Brien in Repentigny, a Pier One freestanding retail building in Montreal, Harwood Plaza in Ajax, Fairview Mall in St. Catharines and the Parkway Centre in Peterborough. In addition, our development projects in Brampton and Lachenaie continue to be under construction and on schedule.

FINANCIAL REVIEW

Funds from operations for the three months ended March 31, 2002 totalled \$8.8 million or 57 cents per common share. On a fully diluted basis, funds from operations were 30 cents per common share in the first quarter of 2002. Under Canadian GAAP, the Company's share of Equity One's unremitted funds from operations, which is \$1.6 million, is not included in funds from operations. If included, funds from operations would have been \$10.4 million or 68 cents per share basic and 35 cents fully diluted. This compares to \$9.4 million or 61 cents basic and 32 cents fully diluted in the prior year's equivalent three-month period.

Canadian net rental income for the first quarter was \$16.7 million, compared to \$14.1 million in the prior year comparative period. The acquisition of six shopping centres in February contributed \$1.0 million to net rental income;

same store property growth also contributed \$0.6 million in the current quarter. U.S. properties in the prior year period contributed \$10.3 million to net rental income. No income from U.S. properties is included in the current year. The Company accounts for its U.S. interests on an equity basis since the completion of the Equity One transaction in September 2001.

Mortgage and credit facilities interest costs were \$3.4 million lower in the first quarter of 2002 than in the first quarter of 2001. The elimination of interest expense on the U.S. properties due to the Equity One transaction resulted in a net decrease of \$3.8 million. Partially offsetting this was a \$0.4 million increase resulting from interest expense on properties acquired.

Net earnings were \$8.1 million, or 28 cents per share basic and 27 cents diluted, compared to \$4.1 million, or 3 cents per share, basic and diluted, in the prior year period. In addition to the factors noted above, net earnings were affected by a dilution gain on the investment in Equity One, net of tax, of \$2.1 million, resulting from the issuance of Equity One shares at values in excess of the Company's carrying cost of these shares.

We received a first quarter dividend payment from Equity One of \$4.6 million, a quarterly dividend of US\$0.27 per share. During the quarter, our investment in Equity One was diluted from 36% to 33% as a result of a private placement and a public offering, which raised approximately US\$57 million for Equity One.

On April 15, 2002, we announced that, pursuant to its rights offering, the Company issued 12,301,619 common share purchase warrants entitling holders to acquire common shares at a price of \$11.80 per share. The warrants are exercisable during a three-month period commencing on June 1 and ending on or about August 31 in each year from 2002 to 2008, on and subject to certain terms and conditions, and may be exercisable in certain other limited circumstances. For 2002, the exercise period will commence, subject to the terms and conditions outlined in the prospectus, on June 1 and end on September 3, 2002. If exercised, these warrants will add \$145 million to the equity base of the Company without incurring any significant issue costs.

Additionally, with a view to strengthening the balance sheet over time, we recently announced our intention to satisfy the interest due on June 30, 2002 on the Series D Debentures by way of common shares in lieu of cash. The 7.25% interest is payable semi-annually. The number of common shares to be issued will be calculated by dividing the dollar amount of interest payable by an


amount equal to 95% of the weighted average trading price of the common shares for the 20-day period ending June 24, 2002. However, if the 20-day weighted average trading price of the common shares is less than \$12.00, the Company will pay the interest owing on the Series D Debentures in cash.

OUTLOOK

Looking ahead, management believes that funds from operations, based on already announced acquisitions will be approximately \$40.0 million on an annualized basis by the fourth quarter of 2002. In addition, redevelopment activity is expected to add approximately \$1.6 million to FFO on an annualized basis by the end of 2002.

We continue to see opportunities to build our portfolio, while steadily strengthening the balance sheet. We are focused on generating a strong return on capital and will continue to pursue acquisition opportunities that are accretive to the business, in terms of building a quality portfolio. Our focus is on increasing FFO, while we continue to look for ways to use our shares as currency in order to increase our equity and the liquidity of our securities over time. We take a long-term view to building shareholder value.

Sincerely,

A handwritten signature in black ink, appearing to read "Dori J. Segal". The signature is written in a cursive style with a large, sweeping initial "D".

Dori J. Segal
President & C.E.O.
May 21, 2002

CONSOLIDATED BALANCE SHEETS

<i>(in thousands of dollars)</i>	March 31, 2002 (unaudited)	December 31, 2001
ASSETS		
Shopping centres (note 2)	\$ 725,359	\$ 661,476
Land and shopping centres under development and redevelopment (note 3)	37,958	39,005
Investment in Equity One, Inc. (note 4)	204,955	190,774
Cash and cash equivalents	8,293	43,951
Amounts receivable	17,937	17,861
Other assets	14,994	16,124
Future income tax assets	17,913	19,348
	\$ 1,027,409	\$ 988,539
LIABILITIES		
Mortgages payable and credit facilities (note 5)	\$ 502,806	\$ 460,356
Accounts payable and accrued liabilities	27,902	31,350
Convertible debentures payable	47,411	49,396
Debentures payable	37,755	37,866
	615,874	578,968
SHAREHOLDERS' EQUITY (note 6)	411,535	409,571
	\$ 1,027,409	\$ 988,539

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(unaudited)</i> <i>(in thousands of dollars except per share amounts)</i>	Three months ended	
	March 31, 2002	March 31, 2001
Gross rental income	\$ 27,287	\$ 39,032
Property operating costs	10,615	14,600
Rental income	16,672	24,432
Equity income from Equity One, Inc.	6,129	-
Interest and other income	992	1,702
	23,793	26,134
Interest expense:		
Mortgages and credit facilities	7,988	11,363
Debentures	1,865	2,045
	9,853	13,408
Corporate expenses	1,564	1,671
Operating income before amortization	12,376	11,055
Amortization	2,333	3,569
Operating Income	10,043	7,486
Dilution gain on investment in Equity One, Inc. (note 4)	3,290	-
Earnings before income and other taxes	13,333	7,486
Income and other taxes:		
Current	1,310	935
Future	3,875	2,498
	5,185	3,433
Net earnings for the period	\$ 8,148	\$ 4,053
Net earnings per common share (note 7)		
Basic	\$ 0.28	\$ 0.03
Diluted	\$ 0.27	\$ 0.03

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF DEFICIT

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Three months ended	
	March 31, 2002	March 31, 2001
Deficit, beginning of the period	\$ (69,324)	\$ (70,921)
Net earnings for the period	8,148	4,053
Interest and accretion on equity component of convertible debentures (net of tax of \$2,441; 2001 - \$2,364)	(3,784)	(3,631)
Issuance of rights to acquire warrants (note 6)	(10,210)	-
Dividends	(4,152)	(3,690)
Deficit, end of the period	\$ (79,322)	\$ (74,189)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF FUNDS FROM OPERATIONS

<i>(unaudited)</i> <i>(in thousands of dollars except per share amounts)</i>	Three months ended	
	March 31, 2002	March 31, 2001
Net earnings for the period	\$ 8,148	\$ 4,053
Add (deduct):		
Amortization	2,104	3,213
Gain on disposition of marketable securities	(468)	(398)
Equity income from Equity One, Inc.	(6,129)	-
Dividend income from Equity One, Inc.	4,584	-
Dilution gain on investment in Equity One, Inc.	(3,290)	-
Future income taxes	3,875	2,498
Funds from operations	\$ 8,824	\$ 9,366
Funds from operations per common share (note 7)		
Basic	\$ 0.57	\$ 0.61
Diluted	\$ 0.30	\$ 0.32

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Three months ended	
	March 31, 2002	March 31, 2001
OPERATING ACTIVITIES		
Funds from operations	\$ 8,824	\$ 9,366
Net change in non-cash operating items	(4,143)	(3,074)
Cash provided by operating activities	4,681	6,292
INVESTING ACTIVITIES		
Acquisition of shopping centres	(57,587)	(40,903)
Expansion and redevelopment of shopping centres	(4,223)	(7,537)
Proceeds on disposition of land and shopping centres	–	1,187
Acquisition and development of land	(3,131)	(4,714)
Purchase of common shares of Equity One, Inc.	(8,631)	–
Advances to development partners	(1,029)	–
Investment in marketable securities	(1,282)	–
Proceeds on disposition of marketable securities	3,002	12,107
Cash used in investing activities	(72,881)	(39,860)
FINANCING ACTIVITIES		
Proceeds of mortgage financings and credit facilities	44,723	57,186
Principal repayments of mortgages payable	(2,273)	(17,719)
Debentures purchased and cancelled	(111)	–
Payments on convertible debentures, net of interest expensed	(5,547)	(5,050)
Dividends	(4,152)	(3,690)
Cash provided by financing activities	32,640	30,727
Effect of currency rate movement on cash balances	(98)	636
Decrease in cash and cash equivalents	(35,658)	(2,205)
Cash and cash equivalents, beginning of the period	43,951	33,604
Cash and cash equivalents, end of the period	\$ 8,293	\$ 31,399
SUPPLEMENTARY INFORMATION		
Cash income taxes paid	\$ 515	\$ 677
Cash interest paid	\$ 15,579	\$ 19,636

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002 (UNAUDITED)

1. CHANGE IN ACCOUNTING POLICY

The accounting policies and methods of application for these interim consolidated financial statements are unchanged from those described in note 1 of the Company's December 31, 2001 annual consolidated financial statements except as described below. These interim consolidated financial statements should be read in conjunction with the December 31, 2001 annual consolidated financial statements.

The Company has a stock option plan as described in note 6. Effective January 1, 2002, the Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to stock-based compensation. The new standard required stock-based payments and direct awards made to non-employees and direct awards, stock appreciation rights and similar awards to employees that are settled in cash or equity instruments to be determined using a fair value based method.

In accordance with the new standard, the Company does not recognize compensation expense when stock options are granted to directors or employees. However, the Company is required to disclose net earnings (and earnings per share) on a pro-forma basis as if the fair value based accounting method had been applied to its stock-based compensation for awards granted on or after January 1, 2002.

During the three months ended March 31, 2002, the Company granted 774,500 options which have an approximate fair value of \$0.5 million, of which \$63,000 would be the pro-forma cost for the three-months ended March 31, 2002, in the determination of pro-forma net earnings of \$8.085 million (pro-forma basic net earnings per common share of \$0.28).

2. SHOPPING CENTRES

Shopping centres, expressed in thousands of dollars, are as follows:

	March 31, 2002	December 31, 2001
Land	\$ 124,896	\$ 111,420
Buildings and improvements	615,176	563,818
Deferred leasing costs	12,519	11,628
	752,591	686,866
Accumulated amortization	(27,232)	(25,390)
	\$ 725,359	\$ 661,476

On January 31, 2002, the Company acquired six shopping centres in the Greater Montreal area, totaling 0.8 million square feet, for approximately \$58 million. The acquisition was satisfied by ten-year mortgage debt secured against four of the six centres totalling approximately \$27.4 million at 7.07%, with the balance paid in cash.

3. LAND AND SHOPPING CENTRES UNDER DEVELOPMENT AND REDEVELOPMENT

Land and shopping centres under development and redevelopment, expressed in thousands of dollars, are as follows:

	March 31, 2002	December 31, 2001
Acquisition costs	\$ 14,829	\$ 18,669
Development and redevelopment costs	20,163	17,442
Interest costs	2,966	2,894
	<u>\$ 37,958</u>	<u>\$ 39,005</u>

In March 2002, two projects under development with costs totalling \$4.0 million were completed and transferred to shopping centres.

Interest capitalized on development and redevelopment properties during the three months ended March 31, 2002 totalled \$0.1 million (2001 - \$1.0 million).

4. INVESTMENT IN EQUITY ONE, INC.

The Company's investment in Equity One, Inc. ("Equity One"), expressed in thousands of dollars, consists of the following:

Investment in Equity One, December 31, 2001	\$ 190,774
Equity income for the three months ended March 31, 2002	6,129
Less: Dividends received in 2002	(4,584)
Purchase of common shares of Equity One	8,631
Dilution gain	3,290
Cumulative currency effect and other adjustments	715
<u>Investment in Equity One, March 31, 2002</u>	<u>\$ 204,955</u>

During the three months ended March 31, 2002, in connection with a private placement and a public offering of Equity One's common shares and through participation in Equity One's dividend reinvestment plan, the Company's U.S. subsidiary acquired an additional 409,078 common shares of Equity One at an average price of US\$13.23 per share.

During the three months ended March 31, 2002, as a result of Equity One's private placement, public offering, and dividend reinvestment plan noted above, Equity One's common shares outstanding increased from 28.6

million to 33.2 million, resulting in a reduction of the Company's ownership interest in Equity One from 36% at December 31, 2001 to 33% at March 31, 2002. As a result, the Company has recorded a dilution gain of \$3.29 million during the period.

The closing price on the NYSE of Equity One's common shares at March 31, 2002 was US\$13.45 (December 31, 2001- US\$13.74) per share. The book value per share of the Company's investment in Equity One at March 31, 2002 is US\$11.78 (December 31, 2001 - US\$11.41). At March 31, 2002, 33.2 million (December 31, 2001 - 28.6 million) shares of Equity One were outstanding, of which 10.9 million shares (December 31, 2001 - 10.5 million shares) were held by the Company.

The Company's share of Equity One's unremitted funds from operations using Canadian generally accepted accounting principles ("GAAP") and expressed in thousands of Canadian dollars, which has not been included in the Company's funds from operations, is as follows:

	3 months ended March 31, 2002
Equity One's funds from operations, Canadian GAAP	\$ 17,119
Company's weighted average ownership percentage of Equity One	36%
Company's share of Equity One's funds from operations	6,199
Less: dividends received by the Company	(4,584)
Company's share of Equity One's unremitted funds from operations	\$ 1,615

5. MORTGAGES PAYABLE AND CREDIT FACILITIES

Mortgages payable and credit facilities, secured by shopping centres and the Equity One, Inc. common shares, presented by geographic location and expressed in thousands of dollars, consist of the following:

	March 31, 2002	December 31, 2001
Canada	\$ 398,565	\$ 363,940
United States (US\$65,388; 2001 - US\$60,532)	104,241	96,416
	\$ 502,806	\$ 460,356

In January 2002, mortgages payable totalling \$27.4 million were obtained in respect of shopping centres acquired in the Greater Montreal area. The mortgages mature by 2012 and bear interest at a rate of 7.07%.

6. SHAREHOLDERS' EQUITY

Shareholders' equity, expressed in thousands of dollars, consists of the following:

	March 31, 2002	December 31, 2001
Equity component of convertible debentures	\$ 312,376	\$ 309,713
Share capital	154,499	154,499
Warrants and rights	11,180	2,000
Cumulative currency translation adjustment	12,802	12,683
Deficit	(79,322)	(69,324)
	<u>\$ 411,535</u>	<u>\$ 409,571</u>

On March 15, 2002, the Company issued to its shareholders one right for each common share held. A holder of rights was entitled to subscribe for one common share purchase warrant for each 1.25 rights held at a price of \$0.05 per warrant (see note 10(a)). As a result, \$10.2 million was charged to the deficit. A corresponding amount, net of issue costs, has been recorded under warrants and rights in shareholders' equity.

The cumulative currency translation adjustment represents the cumulative unrecognized exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States. The change for the period reflects the impact of U.S. currency movements at March 31, 2002 relative to the exchange rate in effect as at December 31, 2001 on these net assets.

The rate of exchange in effect on March 31, 2002 was US\$1.00 = Cdn\$1.59 (December 31, 2001 - Cdn\$1.59). The average rate of exchange for the three months ended March 31, 2002 was US\$1.00 = Cdn\$1.59 (three months ended March 31, 2001 - Cdn\$1.53).

As at December 31, 2001, the Company had issued and outstanding, to its Property Manager's employees, officers, and directors, 480,000 stock options at an exercise price of \$14.30. In the three months ended March 31, 2002, 42,500 of these options were cancelled. In addition, 774,500 options were issued to the Company's officers and directors at an exercise price of \$12.85, which generally vest over three years and expire in 2012.

7. PER SHARE CALCULATIONS

Basic per share information for the three-month period ended March 31, 2002 is calculated based on a weighted average of 15,377,024 common shares outstanding during the period (March 31, 2001 - 15,376,986 common shares).

The determination of basic earnings per share reflects a reduction of \$3.8 million (March 31, 2001 - \$3.6 million) to reported net earnings, which

represents interest and accretion on the equity component of convertible debentures, net of income taxes.

Diluted per share information for the three-month period ended March 31, 2002 is calculated based on a weighted average of 33,035,160 common shares (three months ended March 31, 2001 - 34,522,660 common shares), which reflects the conversion of the convertible debentures. The diluted per share information for the period ended March 31, 2002 does not reflect the exercise of 1,000,000 outstanding warrants (2001 - 1,000,000 warrants) or 1,212,000 issued options (2001 - 487,500 options) as their conversion prices were higher than the average price of the Company's common shares during the period. In addition, the impact of the issuance of 15,377,024 rights as described in note 6, has been excluded as the rights were not convertible into warrants or shares at March 31, 2002.

8. SEGMENTED INFORMATION

The Company and its subsidiaries operate in the shopping centre segment of the real estate industry in both Canada and the United States.

Operating income by geographic segment for the three months ended March 31, 2002, expressed in thousands of dollars, is summarized as follows:

	Canada	U.S.	Total
Gross rental income	\$ 27,287	\$ -	\$ 27,287
Property operating costs	10,615	-	10,615
Rental income	16,672	-	16,672
Equity income from Equity One, Inc.	-	6,129	6,129
Interest and other income	581	411	992
	17,253	6,540	23,793
Interest expense:			
Mortgages and credit facilities	6,905	1,083	7,988
Debentures	1,865	-	1,865
	8,770	1,083	9,853
Corporate expenses	1,479	85	1,564
Operating income before amortization	7,004	5,372	12,376
Amortization	2,309	24	2,333
Operating income	\$ 4,695	\$ 5,348	\$ 10,043

Operating income by geographic segment for the three months ended March 31, 2001, expressed in thousands of dollars, is summarized as follows:

	Canada	U.S.	Total
Gross rental income	\$ 23,808	\$ 15,224	\$ 39,032
Property operating costs	9,676	4,924	14,600
Rental income	14,132	10,300	24,432
Interest and other income	1,211	491	1,702
	15,343	10,791	26,134
Interest expense:			
Mortgages and credit facilities	6,474	4,889	11,363
Debentures	2,045	–	2,045
	8,519	4,889	13,408
Corporate expenses	1,284	387	1,671
Operating income before amortization	5,540	5,515	11,055
Amortization	1,982	1,587	3,569
Operating income	\$ 3,558	\$ 3,928	\$ 7,486

9. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to reflect the current period's presentation.

10. SUBSEQUENT EVENTS

- (a) On April 10, 2002, the Company completed a rights offering (see note 6) pursuant to which its common shareholders subscribed for 12,301,619 warrants to purchase common shares. Each warrant entitles the holder to purchase one common share of the Company at a price of \$11.80 per share during a three-month exercise period commencing on June 1 and ending on August 31 in each year from 2002 to 2008, on and subject to certain terms and conditions, and may be exercisable in certain other limited circumstances. The maximum number of warrants available under the rights offering was subscribed by holders of common shares. In connection with the rights offering, the conversion prices of the Company's outstanding convertible debentures, and the exercise prices of the Company's outstanding advisory warrants and options, in accordance with the terms of those instruments, were adjusted by a factor of 0.9667.
- (b) On April 29, 2002, the Company announced that it will pay the interest due on June 30, 2002 to holders of its 7.25% convertible unsecured subordinated debentures due June 30, 2008 (TSX:FCR.DB.D) (the "Series D Debentures") by the issuance of common shares. The number of common shares to be issued per \$100

principal amount of Series D Debentures will be calculated by dividing the dollar amount of interest payable by an amount equal to 95% of the weighted average trading price of the common shares of the Company on the Toronto Stock Exchange calculated for the 20 consecutive trading days ending on June 24, 2002. If, however, the weighted average trading price per common share of the Company calculated for this 20 consecutive trading day period is less than \$12.00, the Company will pay the interest owing on the Series D Debentures on June 30, 2002 in cash. In addition, in any case, interest will be payable in cash to all holders of the Series D Debentures who are not resident in Canada. Series D Debentures that are indirectly owned by the Gazit Group, the Company's largest shareholder, are all held by Canadian entities.

- (c) On May 16, 2002, the Company completed the acquisition from its largest shareholder, Gazit 1997 Inc., to purchase, effective April 1, 2002, all of the issued and outstanding common shares of First Capital Inc. ("FCI"), a private company carrying on business primarily in Quebec. FCI owns a portfolio comprising six neighbourhood and community shopping centres and two freestanding retail buildings, with approximately 800,000 square feet of gross leasable area. Mortgages payable secured by seven of the eight properties totalled \$22.9 million, with a weighted average interest rate of 7.7%. The aggregate purchase price of \$31,650,000 will be satisfied through the issuance of 601,630 common shares of the Company (at \$12.30 a share) and \$28,155,800 in principal amount of the Company's Series D Debentures. The amount of Series D Debentures was calculated based on a price of \$84.34 per \$100 principal amount. In addition, in connection with post-closing funding requirements of FCI, the Company may require Gazit 1997 Inc., within 30 days following closing, to provide additional working capital of up to \$5 million in return for the issuance of additional Series D Debentures, the amount of which will be determined on the same price basis as for those issued on closing.

SHAREHOLDER INFORMATION

HEAD OFFICE

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TORONTO STOCK EXCHANGE LISTINGS

Common shares: FCR
7.5% debentures: FCR.DB
8.5% convertible debentures: FCR.DB.A
7.875% convertible debentures: FCR.DB.B
7% convertible debentures: FCR.DB.C
7.25% convertible debentures: FCR.DB.D
Warrants: FCR.WT

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Cautionary statement regarding forward-looking statements

This quarterly report contains forward-looking statements relating to First Capital Realty's operations and the environment in which it operates that are based on First Capital Realty's expectations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. First Capital Realty undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.



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