



SANDPIPER GROUP

Sandpiper Group to FCR: Stop Spinning the Truth. It's Time for Honest Engagement.

- *Sandpiper: "Spinning the truth has become an art form for the Board and management of FCR"*
- *Sandpiper summarily turned down FCR offer of one board seat, a cap on ownership and \$1 million pay out*
 - *Sandpiper calls for full disclosure of terms, including any payouts, in announced cooperation agreement*

VANCOUVER, BC, February 24, 2023 – Sandpiper Group ("Sandpiper") issues letter to its fellow unitholders of First Capital Real Estate Investment Trust ("First Capital", "FCR" or the "REIT")(TSX: FCR.UN):

Dear Fellow Unitholders,

We want to start by thanking you for the support we have received from so many of you in our campaign for change at FCR.

Spinning the truth has become an art form for the Board and management of FCR as they seek to preserve the status quo and cloud the substandard performance of the REIT. While we are confident that our fellow unitholders see through FCR's smoke and mirrors, it is constructive to elaborate on FCR's track record and set a path for honest engagement with our fellow unitholders.

Spinning the truth on the numbers: FCR's performance is not as advertised

FCR headlined their fourth quarter 2022 results by stating that their FFO per unit grew by 36%. However, given the significant non-recurring, non-cash adjustments to this metric, both the investment community and equity research analysts recognized that this headline was not a true representation of the operating performance of the REIT. In fact, certain analysts noted that FCR's adjusted fourth quarter FFO per unit could be considered as below consensus estimates and down year over year.

It is particularly disingenuous to boast about unadjusted FFO growth when portfolio occupancy rates continue to be below that of their peers and pre-pandemic levels, quarterly same-property NOI growth has softened, and net asset value per unit has declined since last year.

If management's key message to unitholders from their fourth quarter 2022 results is that FFO per unit grew by 36%, then our fellow unitholders should question the Board's judgment and ability to assess FCR's performance and strategy.

Spinning the truth on Board changes: Recent Board changes do not address the significant criticisms of the REIT

After multiple unitholders, including Sandpiper, called for substantial governance changes, FCR added one new trustee to its nine member board. Just yesterday, the REIT entered into an undisclosed settlement with a small unitholder that, only just a few months ago, the REIT had filed

a complaint against with the Ontario Securities Commission. Now we have a Board of 10, with at least eight incumbent trustees loyally rowing with management.

What is even more troublesome is that yesterday morning at 3:51am PST, Sandpiper received an on the record offer from FCR for an additional board seat with no incumbents being removed, a cap on ownership, and a \$1 million expense pay out. And to reflect, yet again, the Board's disrespect for the true owners of the REIT who have significant skin in the game, the Chair of the Board said that the seat they were offering could not be occupied by me or anyone from Sandpiper. This Board feels it is not equitable for someone representing \$300 million invested in FCR to be in the boardroom to contribute to and support the governance and direction of the REIT. We were given a 7 hour fuse to make a decision. As unitholders would expect, we turned the offer down summarily. Below is a copy of the email exchange:

From: Douglas, Paul C <p-----@td.com>
Sent: Thursday, February 23, 2023 3:51 AM
To: Samir Manji <s-----@sandpipergroup.ca>
Subject: a proposal

Samir, thank you for your time and our discussions over the last few weeks. The Board of First Capital has carefully considered the various ideas that have been discussed and I wanted to come back to you with a firm proposal that we can accept. To emphasize our seriousness, I am making this offer on the record – it is not without prejudice.

1. We will appoint one of your independent, non-Sandpiper nominees to the Board, with the Board being fixed at 10 members.
2. You would withdraw your meeting requisition.
3. You would agree to a customary standstill through the end of the 2024 AGM. This standstill would cap your ownership with joint actors at the current ownership level of Sandpiper/Artis – no further increases.
4. We would reimburse you for your reasonable and documented expenses to a maximum of CAD \$1,000,000.

This offer is open until 2PM Toronto time today (February 23,2023). If it is acceptable to you the please let me know and our respective advisors can proceed to document it.

From: Samir Manji
Sent: Thursday, February 23, 2023 7:53 AM
To: Douglas, Paul C <p-----@td.com>
Subject: RE: a proposal

Paul,

I am also replying on the record. As I have already been clear to you in our without prejudice discussions, this is not acceptable. You are aware of the contours of what will result in meaningful oversight and change at the board. The resistance to change is quite honestly astounding to me. As for cost reimbursement, you might not be aware that Justice Kimmel has already awarded costs in our favor against FCR.

If you would like to have a meaningful discussion, I am available by telephone any time today.

Samir

Sandpiper put forward a plan seeking change at the REIT and correspondingly nominated four highly qualified individuals to bring a true owner's mindset to the Board. A cosmetic offer of a single board seat resulting in no legitimate unitholder representation will not suffice.

Clearly, FCR is not seeking change; they are intent on preserving the status quo. Unitholders deserve to know what benefits, financial or otherwise, were offered to "cooperating" unitholders. We look forward to that disclosure.

Spinning the truth on governance: Sandpiper's successful court application highlights FCR's attempts to ignore and diminish the rights of unitholders and exhibits the REIT's significant governance issues

Upon choosing an initial May 2023 meeting date, FCR crafted a narrative that emphasized the Board's "careful deliberation" and suggested that Sandpiper did not "put forward any compelling reasons" to hold the meeting earlier. Fortunately, when the facts were presented to the Ontario Superior Court, the reality of the situation became clear, and Justice Kimmel opined:

1. The relatively short single Board meeting at which the Board selected the initial May 2023 meeting date did not reflect a "robust, independent and objective process of deliberation".
2. The Board did not engage in "scrupulous deliberations" or "demonstrate diligence" in their decision making.
3. The Board's stated reasons for waiting until May 16, 2023, to hold the special meeting are "not particularly compelling when scrutinized".

Ultimately, the court determined that the Board did not call the special meeting expeditiously and within a reasonable time. As a result, FCR had no choice but to move the meeting date to March 28, 2023, seven weeks earlier than the date they originally put forward. We are grateful that FCR unitholders will soon have their voices heard, but it is unfortunate and disappointing that we had to fight for this right in court.

We are grateful to those in the investment community who have been supportive and recognized the importance of this victory. The decision of the court was a win for unitholder rights – not only for this particular engagement, but for all future engagements by legitimately concerned unitholders.

FCR is dismissive and combative towards unitholders who provide fair and factual feedback to the REIT

The REIT has touted its willingness to "engage constructively" with unitholders to gain different perspectives, but as one of FCR's largest unitholders, that has not been our experience. To the contrary, as we have stated several times since the onset of our public engagement with fellow unitholders, FCR does not react well to differing viewpoints.

In advance of both the November 2022 and February 2023 quarterly conference calls, unitholders publicly submitted questions to FCR explicitly requesting that responses be provided during the subsequent call. In neither instance were the unitholders' questions acknowledged, let alone answered. We cannot help but doubt the Board's commitment to respecting unitholders' perspectives and ideas given that they repeatedly choose to disregard unitholders' publicly expressed, reasonable concerns.

Sandpiper's consistent experience has been a lack of constructive engagement by FCR. As stated previously, Sandpiper did not become an investor of FCR in search of a fight. Sandpiper has repeatedly sought to engage with FCR's Board, including prior to the submission of our requisition and prior to making a court application. FCR's refusal to consider and reasonably engage with differing viewpoints necessitated Sandpiper's actions. Notably, since December 2022, when Sandpiper requisitioned the special meeting, FCR has not meaningfully engaged with Sandpiper to address our criticisms and concerns about the REIT. This is not the conduct of a Board that values unitholder engagement.

No spin: Sandpiper seeks to have honest engagement with its fellow unitholders

We believe that good governance requires candour and honesty. At FCR, there is a significant misalignment between the REIT's words and the REIT's actions. FCR is building a record of spinning the truth in order to maintain the status quo.

Throughout Sandpiper's public engagement, we have remained focused on the facts, because the facts alone point to a single conclusion - **immediate change at the REIT is necessary**.

We disapprove of FCR's lack of good governance and continued refusal to be straightforward with unitholders. Accordingly, we have filed an information circular to allow us to engage with the true owners of the REIT, have an honest conversation, and solicit your thoughts and support. Thank you again to all those who have reached out thus far to share your concerns and express your support for the change we are proposing to the Board. Together we will ensure that we have true owner representation on the Board. For those unitholders that we have not yet had the opportunity to engage with, we encourage you to reach out so that we can meet and you can join the collective voice of the many concerned unitholders of FCR.

We look forward to hearing from you.

Samir Manji
Founder and CEO, Sandpiper Group

For more information, please visit our website www.puttingownerscapitalfirst.com

Additional Information

Sandpiper owns, together with its joint actor, approximately 9% of the outstanding units of First Capital.

On December 12, 2022, Sandpiper and its joint actor requisitioned (the "Requisition") the Board of FCR to call a special meeting of unitholders for the purposes of replacing certain incumbent members of the Board with nominees of Sandpiper. FCR has called an annual and special meeting that is currently scheduled to take place on March 28, 2023 (the "Meeting") with a record date of February 24, 2023. We reserve the right to withdraw, not withdraw or nominate additional candidates to the Board, subject to FCR's governing documents and applicable law. Prior to the Meeting, Sandpiper expects to issue a supplement to or amendment and restatement of the information circular issued by Sandpiper today (the "Final Sandpiper Circular"), together with a **WHITE** form of proxy and VIF. Unitholders are urged to read the circular filed today as well as the Final Sandpiper Circular, when issued, because they will contain important information.

The below disclosure is provided pursuant to section 9.2(4) of National Instrument 51-102 – Continuous Disclosure Obligations in accordance with securities laws applicable to public broadcast solicitations.

This news release and any solicitation made by Sandpiper in advance of the Meeting is, or will be, as applicable, made by Sandpiper, and not by or on behalf of the management of First Capital. All costs incurred for any solicitation will be borne by Sandpiper, provided that, subject to applicable law,

Sandpiper may seek reimbursement from First Capital of Sandpiper's out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with a successful reconstitution of the Board.

Sandpiper has filed an information circular dated February 24, 2023 (the "Initial Sandpiper Circular") containing the information required by Form 51-102F5 – Information Circular in respect of its proposed trustee nominees. The Initial Sandpiper Circular is available on FCR's company profile on SEDAR at www.sedar.com.

Unitholders are not being asked at this time to execute proxies in favour of the Concerned Unitholders Nominees (in respect of the Meeting) or any other resolution set forth in the Requisition. Proxies may be solicited by Sandpiper pursuant to the Initial Sandpiper Circular or the Final Sandpiper Circular sent to Unitholders whose proxies may be solicited after which solicitations may be made by or on behalf of Sandpiper, by mail, telephone, fax, email or other electronic means as well as by newspaper or other media advertising, and in person by directors, officers and employees of Sandpiper, who will not be specifically remunerated therefor. Sandpiper may also solicit proxies in reliance upon the public broadcast exemption to the solicitation requirements under applicable Canadian laws, conveyed by way of public broadcast, including through press releases, speeches or publications, and by any other manner permitted under applicable Canadian laws. Sandpiper may engage the services of one or more agents and authorize other persons to assist in soliciting proxies on behalf of Sandpiper.

Sandpiper has retained Morrow Sodali (Canada) Ltd. ("Morrow Sodali") to assist Sandpiper in soliciting proxies of unitholders. Morrow Sodali's responsibilities principally include advising Sandpiper on governance best practices, where applicable, liaising with proxy advisory firms, developing and implementing unitholder communication and engagement strategies, and advising with respect to meeting and proxy protocol. The anticipated cost of Sandpiper's solicitation is estimated to be \$350,000 plus disbursements.

Sandpiper is not requesting that First Capital unitholders submit a proxy at this time. Once Sandpiper has issued the Final Sandpiper Circular together with the **WHITE** form of proxy or VIF, proxies may be revoked by instrument in writing by the Unitholder giving the proxy or by its duly authorized officer or attorney, or in any other manner permitted by law and, the declaration of trust of First Capital. None of Sandpiper or, to its knowledge, any of its associates or affiliates, or its trustee nominees, has any material interest, direct or indirect, (i) in any transaction since the beginning of First Capital's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect First Capital or any of its subsidiaries; or (ii) by way of beneficial ownership of securities or otherwise, in any matter proposed to be acted on at the Meeting, other than the election of trustees to the Board.

First Capital's principal office address is Suite 400 - 85 Hanna Avenue, Toronto, Ontario, M6K 3S3. A copy of this news release may be obtained on First Capital's SEDAR profiles at www.sedar.com.

ADVISORS

Sandpiper has retained Morrow Sodali (Canada) Ltd. as its strategic shareholder services advisor. The Special Situations Group at Norton Rose Fulbright Canada LLP is acting as legal counsel.

ABOUT SANDPIPER GROUP

Sandpiper is a Vancouver-based private equity firm focused on investing in real estate through direct property investments and public securities. For more information about Sandpiper, visit www.sandpipergroup.ca.

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