

## **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications – applicant intends to make an offer for all of its outstanding 7.5% debentures due December 1, 2003 in exchange for 7.25% convertible unsecured subordinated debentures due June 30, 2008 – offer not an issuer bid because debt securities to be acquired are not convertible into securities other than debt securities – relief from registration and prospectus requirements granted in connection with the issuance of the 7.25% debentures provided that the offer made by the applicant for the 7.5% debentures is completed in accordance with all rules pertaining to issuer bids – first trade in respect of 7.25% debentures granted subject to certain conditions.

## **Applicable Ontario Statutory Provisions**

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25(1), 53(1), 74(1).

## **Applicable Ontario Rules**

Rule 61-501 - *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions.*

## **Applicable Instrument**

Multilateral Instrument 45-102 - *Resale of Securities* - s. 2.11.

**IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA,  
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC,  
NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND, NEWFOUNDLAND  
AND LABRADOR, YUKON, NORTHWEST TERRITORIES AND NUNAVUT**

**AND**

**IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF FIRST CAPITAL REALTY INC.**

**MRRS DECISION DOCUMENT**

WHEREAS First Capital Realty Inc. (formerly Centrefund Realty Corporation) (the "Filer") intends to make an offer (the "Bid") to all holders (the "Holders") of its outstanding 7.5% debentures due December 1, 2003 (the "Original Debentures") to purchase such Holders' Original Debentures in exchange for newly-issued 7.25% convertible unsecured subordinated debentures of the Filer due June 30, 2008 (the "New Debentures");

AND WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received an application (the "Application") from the Filer for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, (a) subject to certain conditions, the Filer be exempt from the requirements in the Legislation to be registered to trade in a security and to obtain a receipt for a preliminary prospectus and a prospectus (the "Registration and Prospectus Requirements") in connection with the distribution by the Filer of the New Debentures pursuant to the Bid, and (b) the Application and this Decision (as defined below) remain in confidence until the earlier of the announcement of the Bid and January 31, 2003;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer is a corporation incorporated under the laws of Ontario. The Filer is a reporting issuer or the equivalent thereof in all of the Jurisdictions and is not in default of any requirements of the Legislation.

2. The Filer is a growth-oriented real estate investment company that concentrates on the ownership of neighbourhood and community shopping centres.
3. The authorized capital of the Filer consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares. As at October 10, 2002, the Filer had issued and outstanding 18,568,272 Common Shares and no preference shares.
4. As at October 10, 2002, the Filer also had outstanding: (i) \$37,312,700 principal amount of Original Debentures, (ii) \$57,441,000 principal amount of 8.5% convertible unsecured subordinated debentures ("8.5% Debentures"); (iii) \$97,522,000 principal amount of 7.875% convertible unsecured subordinated debentures ("7.875% Debentures"); (iv) \$99,999,100 principal amount of 7.0% convertible unsecured subordinated debentures ("7.0% Debentures"); (v) \$133,881,900 amount of 7.25% convertible unsecured subordinated debentures ("7.25% Debentures"); and (iv) 10,428,213 common share purchase warrants ("Warrants").
5. The Common Shares, Original Debentures, 8.5% Debentures, 7.875% Debentures, 7.0% Debentures, 7.25% Debentures and Warrants are listed on the Toronto Stock Exchange (the "TSX") under the trading symbols "FCR", "FCR.DB", "FCR.DB.A", "FCR.DB.B", "FCR.DB.C", "FCR.DB.D" and "FCR.WT", respectively.
- 6 Pursuant to the Bid, the Filer will make an offer to all Holders to purchase their Original Debentures in exchange for New Debentures.
7. The Original Debentures were issued pursuant to a trust indenture (the "Original Trust Indenture") dated as of March 9, 1994 between the Filer and Montreal Trust Company of Canada ("Montreal Trust"), as supplemented by a first supplemental indenture made among the same parties dated as of December 30, 1994, a second supplemental indenture made among the same parties dated as of January 1, 1996, a third supplemental indenture made among the same parties dated as of January 1, 1998, a fourth supplemental indenture made among the same parties dated as of November 30, 1998 and a fifth supplemental indenture made among the same parties and Computershare Trust Company of Canada ("Computershare") dated as of October 1, 2002 pursuant to which Montreal Trust resigned as trustee and Computershare was appointed as successor trustee under the Original Trust Indenture (the Original Trust Indenture as supplemented by the first, second, third, fourth and fifth supplemental indentures is referred to herein as the "Original Trust Indenture"). The Original Trust Indenture provides that the Filer or the Trustee (as defined in the Original Trust Indenture) or any of their respective affiliates may, by notice given in accordance with the Original Trust Indenture, purchase the Original Debentures at any price pursuant to a call for tenders given to all Holders of the Original Debentures.

8. The outstanding 7.25% Debentures were issued pursuant to a trust indenture (the "Trust Indenture") dated as of June 30, 1998 between the Filer and Montreal Trust as supplemented by a first supplemental indenture made among the same parties and Computershare dated as of October 1, 2002 pursuant to which Montreal Trust resigned as trustee and Computershare was appointed as successor trustee under the Trust Indenture (the Trust Indenture as supplemented by the first supplemental indenture is referred to herein as the "Trust Indenture"). The Trust Indenture provides for the issuance of up to \$350,000,000 principal amount of 7.25% Debentures and, accordingly, the New Debentures will be issued thereunder.
9. The New Debentures will be convertible at the holder's option into fully-paid Common Shares at any time prior to the close of business on the earlier of June 30, 2008 and the last business day preceding the date fixed for redemption at a price of \$24.40 per Common Share, subject to adjustment.
10. The Original Debentures are not convertible into other securities of the Filer. Accordingly, the Bid is not an issuer bid under the Legislation because the offer is being made to acquire debt securities that are not convertible into other securities of the Filer.
11. Application has been made to the TSX to list both the New Debentures to be issued in connection with the Bid and the Common Shares issuable upon the conversion of such New Debentures.
12. The Filer will send to each Holder a circular (a "Bid Circular") in the form of an issuer bid circular under the Legislation that will include prospectus-level disclosure of the New Debentures and the Common Shares issuable upon the conversion of the New Debentures.
13. The Bid Circular will contain a contractual right of action equivalent to the statutory right of action that would otherwise apply if the Bid Circular were an issuer bid circular under the Legislation.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Registration and Prospectus Requirements shall not apply to the distribution of New Debentures issued pursuant to the Bid provided that:

- a) in respect of the Bid, the Filer complies with all of the requirements of the Legislation pertaining to issuer bids; and
- b) the first trade of New Debentures acquired pursuant to the Bid shall be deemed to be a distribution unless
  - (i) the Bid Circular is filed by the Filer on SEDAR (as defined in Multilateral Instrument 45-102 *Resale of Securities*);
  - (ii) the trade is not a control distribution (as defined in Multilateral Instrument 45-102 *Resale of Securities*); and
  - (iii) the Filer is a reporting issuer or the equivalent in the Jurisdictions on the date that the Original Debentures are first taken up under the Bid.

AND THE FURTHER DECISION of the Decision Makers under the Legislation is that the Application and the Decision shall be held in confidence by the Decision Makers until the earlier of (a) the announcement of the Bid and (b) January 31, 2003.

DATED November 6, 2002.

“Paul M. Moore”

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“Harold P. Hands”

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