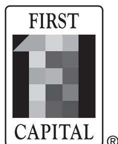
First Capital Realty Inc.

10

ANNUAL REPORT



Shopping For Everyday Life

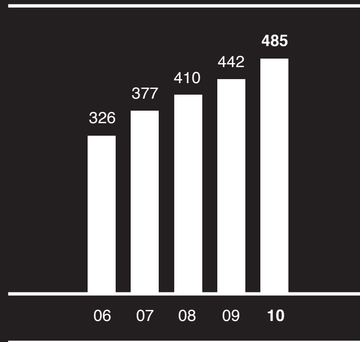
Corporate Profile

First Capital Realty (TSX:FCR) is Canada's leading owner, developer and operator of supermarket and drugstore anchored neighbourhood and community shopping centres located predominantly in growing metropolitan areas. The Company currently owns interests in 179 properties, including three under development, totalling approximately 22.3 million square feet of gross leasable area and eight land sites in the planning stage for future retail development. First Capital Realty has an enterprise value of over $5.5 billion and trades on the Toronto Stock Exchange.

Property Rental Revenue

($ millions)

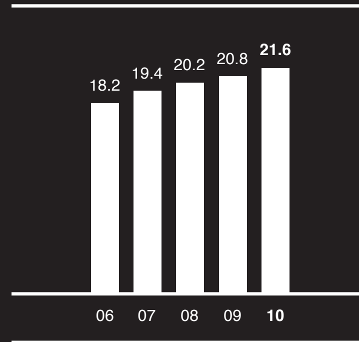
For the year,



Gross Leasable Area

(millions of sq. ft.)

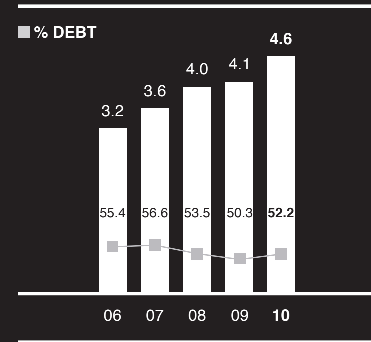
At December 31,



Debt to Aggregate Assets

($ billions)

At December 31,



Building Value

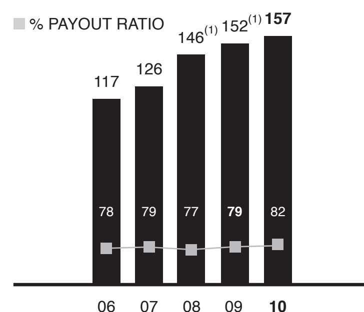
		2010		2009
($ millions)				
Enterprise value	**$**	**5,253**	$	4,508
Debt to aggregate assets		**52.2%**		50.3%
Debt to market capitalization		**45.8%**		45.9%
Property rental revenue	**$**	**485.0**	$	442.1
Net operating income (NOI)	**$**	**316.1**	$	285.2

		2010		2009		2010		2009
		($ millions)				($ per share)		
Funds from operations (FFO) – Core operations	**$**	**154.7**	$	144.5	**$**	**0.97**	$	0.96
FFO – Non-recurring items [1]		**2.4**		6.8		**0.01**		0.05
Total FFO	**$**	**157.1**	$	151.3	**$**	**0.98**	$	1.01
Weighted average diluted shares for FFO (thousands)						**160,031**		150,190
Adjusted funds from operations (AFFO) – Core operations	**$**	**156.2**	$	143.5	**$**	**0.87**	$	0.87
AFFO – Non-recurring items [1]		**4.4**		8.3		**0.02**		0.05
Total AFFO	**$**	**160.6**	$	151.8	**$**	**0.89**	$	0.92
Weighted average diluted shares for AFFO (thousands)						**180,917**		164,695

[1] See Management's Discussion and Analysis.

Funds From Operations

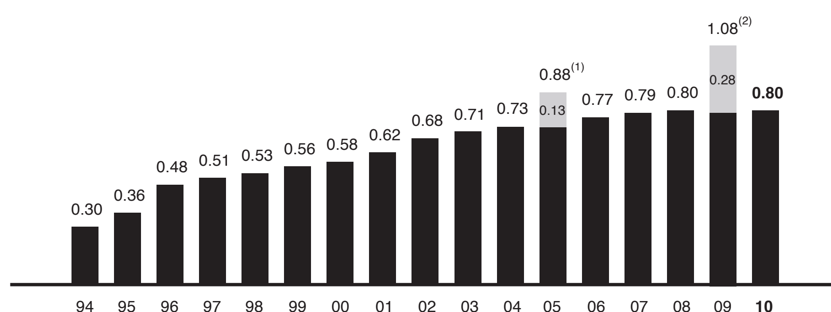
($ millions)



[1] See Management's Discussion and Analysis for the year ended December 31, 2009.

17 Years of Dividends

($ per share)



[1] Includes special dividend of $0.13 paid on April 6, 2005.
[2] Includes Gazit America dividend-in-kind of $0.28 distributed on August 14, 2009.

A Growth Strategy

APPLIED TO A STABLE BUSINESS

2010 Operating Highlights

- Property rental revenue increased 9.7% to $485 million
- Net operating income increased 10.8% to $316 million
- Invested $473 million in acquisitions, development activities and property improvements
- Average rent per occupied square foot increased by 4.1% to $16.35
- 3.9% same property NOI growth including expansion and redevelopment space
- Occupancy of 96.4%

Sustainable Cash Flow

- 154 of 178 properties are supermarket and/or drugstore anchored
- 21.6 million square feet of gross leasable area
- Top 40 tenants provide 57.3% of annual rents and occupy 60.7% of the gross leasable area
- 25 of the top 40 tenants have investment-grade credit ratings
- Approximately 47% of all annual rents are from tenants with investment-grade credit ratings
- Dense urban locations with strong demographics

Tenant Profile

Supermarkets, drugstores and liquor stores	34%
National and discount retailers	16%
Medical, gyms, daycare and other personal uses	13%
Restaurants, fast food and coffee shops	11%
Banks and governments	10%
Other retailers	16%

90%

- OVER 90% OF OUR RENTS ARE FROM URBAN MARKETS
- OVER 90% OF OUR RENTS ARE FROM SHOPPING CENTRES ANCHORED BY SUPERMARKETS AND/OR DRUGSTORES

Urban Markets + Non-Discretionary Goods & Services = Defensive Asset Class

FOCUSSED GROWTH STRATEGY

- Grow a portfolio of neighbourhood and community shopping centres in urban markets in Canada
- Actively manage the portfolio to meet our tenant's needs for upgrades, expansion and relocation
- Acquire older urban shopping centres for repositioning and redevelopment
- Acquire properties and sites adjacent to the Company's existing properties for tenant expansion, increased retail offering and other density
- Acquire newer, high-quality properties where they complement or add value to the portfolio
- Develop new properties in selective growth areas in our target markets to provide superior returns
- All development projects are built to LEED standards (since May 2006)

URBAN MARKETS

Our 7 Target Urban Markets

1. Greater Vancouver Area
2. Calgary
3. Edmonton
4. Greater Toronto Area
5. Ottawa Region
6. Greater Montreal Area
7. Quebec City

Message from the President

KEEPING FIT

In last year's Annual Report, I looked back over the first decade that our team has managed First Capital Realty. I outlined the transformation we have gone through from a small company to a large scale, well diversified organization with significant capabilities in the business of owning, developing and operating supermarket and drugstore anchored shopping centres in urban markets, while at the same time strengthening our balance sheet, financial position and risk profile. These were significant accomplishments, and in 2010 we continued to build on the progress achieved over the prior ten years.

In 2010, we invested $473 million in acquisitions of properties as well as in development, redevelopment and expansion activities, all 100% in line with our strategy and focus. The location of our properties and our proactive management style produced a 3.9% increase in same property net operating income in 2010, while funds from operations from our core operations increased 7.1% to $154.7 million. We were also very pleased to have announced in June 2010 that First Capital Realty's common shares are now included in the S&P/TSX Composite Index.

In addition to these strong operating results, we continued to maintain our conservative capital structure, debt ratios, and well-balanced debt portfolio. Of note, at year-end we had approximately $1.52 billion in unencumbered assets, a key element of our financial strength, with a conservative debt to market capitalization ratio of 45.8% and interest coverage of 2.5 times.

In my report this year I'd like to discuss where we are today, and what this means for the future. As I look ahead, I firmly believe we are where we want to be, with the right portfolio, the right tenants, the right people, the financial strength and the right strategies to continue delivering value to our shareholders over the mid-to long-term.

The Right Portfolio

As of the year-end, our portfolio consisted of 178 properties well-located in seven targeted urban growth markets in Western, Central and Eastern Canada totalling 21.6 million square feet of gross leaseable area. We also owned 287 acres of land either under development or held for future expansion. First Capital's portfolio has been assembled carefully and prudently over the last eleven years to meet two key goals:

- First, we sought to diversify the portfolio geographically to ensure the stability and security of our cash flows;
- Second, we wanted to grow to a sufficient size and critical mass where we could leverage the skills and expertise of our people across a broad base of properties and urban markets to generate economies of scale and operating synergies, as well as better position our value-creating activities to service national tenants across the country.

I believe we have achieved these objectives.

Although the portfolio and our Company are now large, they were built brick-by-brick, enabling us to know and understand each and every one of our properties. We live and breathe our locations every day – our people are on site and are familiar with each property's operation, the tenants and the neighbourhoods in which we are situated. This knowledge of the risks and opportunities for each of our markets and for each of our properties is a key factor in our success and our ability to build value going forward.

The Right Tenants

From the outset, we built our property portfolio specifically to meet the needs of consumers who are "Shopping For Everyday Life"®. By providing shoppers with essentially non-discretionary goods and services, we have positioned the Company in a unique and highly stable asset class. Over 90% of our rents are derived from centres anchored by a supermarket or drugstore, with more than 80% of rents coming from tenants providing daily necessities, including supermarkets and drugstores, banks and other financial institutions, national and discount retailers, liquor stores, medical clinics and gyms, fast food and coffee shops, as well as daycare centres and schools. This is a powerful value proposition for both consumers and our Company.

As the Canadian retail landscape changes over the next few years with the arrival of large, well-capitalized and highly competitive participants from the United States and overseas, the unique defensive nature of our asset and tenant profile should serve us very well.

For example, almost 9% of our rents are derived from retail bank branches, a highly stable and secure business. On average, we have at least one or two financial institutions located in every one of our properties. In addition, our medical clinic and fitness centre tenants attract consumers to our centres and complement shopping in our grocery and drugstore anchors. Our use of shopping centres for daycare and schools also enables us to occupy what may be less attractive space for retailers while at the same time bringing consumers to our centres where they can shop and dine while picking up their children.

The Right People
In addition to the right properties and the right tenants, at First Capital we have built what we believe is one of the finest real estate professional teams in the business. We now have the right people in the right places to profitably manage our operations and our growth. Our property managers, leasing, legal, construction, acquisition and development professionals and our senior management team possess decades of experience with the right level of skill, expertise and knowledge. In addition to our real estate expertise, many of our key executives also have significant experience in the North American retail space, a real advantage in understanding our tenants' needs. Our regional offices are also effectively located to ensure we remain close to our tenants, our communities and our competition, enabling us to remain at the forefront of our business. Our people are our greatest asset, and we are proud of our accomplishments over the last eleven years.

The Right Financial Position
With our accretive growth, we have worked hard to build and maintain a strong and conservative balance sheet and capital structure. We continue to hold solid credit ratings from DBRS and Moody's, our debt and coverage ratios remain conservative, and our significant portfolio of unencumbered assets underpins our financial strengths and capacity to tap different sources of debt capital.

The Right Strategies
Since we took control of First Capital Realty in 2000, a total of 169 properties have been acquired, developed or redeveloped. Our disciplined acquisition and development program has driven our growth and success, and going forward we will continue to focus on prudently buying the right real estate in the right locations with the right demographics.

Looking ahead, we will target primarily the acquisition of older or financially distressed properties that are well-located and where we can add real value through our repositioning and re-development expertise. Of course, we will always keep our eyes open for strategic acquisition opportunities that contribute to operating synergies and economies of scale across our portfolio.

We will also continue to invest in properties adjacent to or near our current centres in order to fully capitalize on our local market knowledge. These investments not only improve the quality and offering of our properties but also generate higher returns with much less risk, as we already have deep and enduring relationships and knowledge of our tenants, neighbourhoods and trade area.

In addition, we are pursuing intensification opportunities in many of our properties. For example, we could add a second storey or additional retail pads at specific locations, or include rental and condominium residential units above our retail space. All of these investments enhance the quality and value of our properties while increasing cash flows and return on investment.

Physically Fit
We are very pleased with where we are today, but our focus remains on continuing to grow and on enhancing our profitability. We will direct our efforts toward increasing the size, density and quality of our assets while capitalizing on our captive development pipeline to bring new, modern and state-of-the-art space on line. We will enhance the quality of our tenant mix, strengthening our current relationships and attracting new tenants that achieve the highest and best use for each of our properties. All of these strategies will ensure we generate consistent, reliable, stable and sustainable earnings and dividends, supported by a conservative balance sheet and highly liquid financial position. In short, we really are *"physically fit"* at First Capital, and we will continue to *"work out"* to grow and fine-tune our business for the benefit of our shareholders over the long term.

In closing, to my fellow co-workers who worked relentlessly to deliver a better company for all of us, I would like to express my appreciation. In addition, I would like to thank our tenants, service providers and partners for their support, our investors for their continued trust, and also our Board of Directors, under the leadership of our Chairman, Chaim Katzman, for their counsel and guidance.

Sincerely,

Dori J. Segal
President and Chief Executive Officer
March 22, 2011

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis of Financial Position and Results of Operations

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for First Capital Realty Inc. ("First Capital Realty" or the "Company") should be read in conjunction with the Company's audited Consolidated Financial Statements and Notes for the years ended December 31, 2010 and 2009. Additional information, including the Company's current Annual Information Form and governance documents, is available on the SEDAR website at www.sedar.com and on the Company's website at www.firstcapitalrealty.ca. Historical results and percentage relationships contained in its interim and annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of its future operations. The information contained in this MD&A is based on information available to Management as of March 2, 2011.

The financial data has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and all amounts are in Canadian dollars, unless otherwise noted.

FORWARD-LOOKING STATEMENT ADVISORY

Certain statements contained in the "Business Overview and Strategy", "Business and Operations Review", "Results of Operations", "Capital Structure and Liquidity", "Outlook", "Summary of Significant Accounting Estimates and Policies", "Controls and Procedures" and "Risks and Uncertainties" sections of this MD&A constitute forward-looking statements, and other statements concerning First Capital Realty's objectives and strategies and Management's beliefs, plans, estimates and intentions. 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. The forward-looking statements are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. Moreover, the assumptions underlying the Company's forward-looking statements contained in the "Outlook" section of this MD&A also include that consumer demand will remain stable, demographic trends will continue and there will continue to be barriers to entry in the markets in which the Company operates.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risks and Uncertainties".

Factors that could cause actual results or events to differ materially from those expressed, implied or projected by forward-looking statements, in addition to those factors described in the "Risks and Uncertainties" section, include, but are not limited to, general economic conditions, the availability of new competitive supply of retail properties which may become available either through construction or sublease, First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents, tenant bankruptcies, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions, development and construction, environmental liability and compliance costs, legal matters, reliance on key personnel, tenant financial difficulties and defaults, changes in interest rates and credit spreads, changes in the US–Canadian foreign currency exchange rate, changes in operating costs, First Capital Realty's ability to obtain insurance coverage at a reasonable cost and the availability of debt and equity financing.

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 except as required by applicable securities law.

All forward-looking statements in this MD&A are made as of March 2, 2011 and are qualified by these cautionary statements.

BUSINESS OVERVIEW AND STRATEGY

First Capital Realty (TSX:FCR) is Canada's leading owner, developer and operator of supermarket and drugstore anchored neighbourhood and community shopping centres located predominantly in growing metropolitan areas. As at December 31, 2010, the Company owned interests in 178 properties, including three under development, totalling approximately 21.6 million square feet of gross leasable area and eight land sites in the planning stage for future retail development.

First Capital Realty's primary strategy is the creation of value over the long term by generating sustainable cash flow and capital appreciation of its shopping centre portfolio. To achieve its strategic objectives Management continues to:

- proactively manage its existing shopping centre portfolio;
- be focussed and disciplined in acquiring well-located properties, primarily older centres and adjacent sites to existing properties
- undertake selective development and redevelopment activities including land use intensification

The Company's property operations are solely focussed in Canada. Until August 14, 2009, the Company also owned an interest in Equity One, Inc., a real estate investment trust based in the United States. On that date, the interest was distributed to the Company's shareholders by way of a special dividend-in-kind.

First Capital Realty was incorporated in November 1993 and conducts its business directly and through subsidiaries.

Urban Focus

The Company targets specific urban markets with stable and/or growing populations. Specifically, the Company intends to continue to operate primarily in and around its target urban markets of the Greater Toronto area including the Golden Horseshoe area and London; the Calgary and Edmonton area; the Greater Vancouver area including Vancouver Island; the Greater Montreal area; the Ottawa and Gatineau region and Quebec City. Over 90% of the Company's annual minimum rent is derived from these urban markets.

The Company has achieved critical mass in its target markets which helps generate economies of scale and operating synergies, as well as real-time market knowledge of its properties, tenants, neighbourhoods and the markets in which it operates. Within each of these markets the Company targets well-located properties with strong demographics that Management expects will attract quality tenants with long lease terms. First Capital Realty assesses the quality of locations based on a number of factors in the trade area of a property, including demographic trends, potential for competitive retail space and existing and potential tenants in the market.

Specifically, Management looks to own and operate properties that provide consumers with products and services that are considered to be daily necessities or non-discretionary expenditures. Currently, over 83% of the Company's revenues come from tenants providing these daily necessity products and services including supermarkets, drugstores, banks, liquor stores, national discount retailers, quick service restaurants and medical and other personal services. In Management's view, shopping centres located in urban markets with such tenants are somewhat less sensitive to economic cycles.

Income-Producing Portfolio

The Company's properties are summarized as follows:

December 31	**2010**				2009			
	Number of Properties[1]	**Gross Leasable Area (000's sq. ft.)**	**Percent Occupied**	**% of Annual Minimal Rent**	Number of Properties[1]	Gross Leasable Area (000's sq. ft.)	Percent Occupied	% of Annual Minimum Rent
Ontario	**68**	**9,654**	**98.0%**	**45%**	67	9,316	98.2%	46%
Quebec	**57**	**5,486**	**95.5%**	**21%**	57	5,424	95.1%	22%
Alberta	**29**	**4,393**	**95.1%**	**22%**	29	4,298	95.1%	22%
British Columbia	**22**	**2,001**	**95.5%**	**11%**	20	1,684	93.2%	9%
Other provinces	**2**	**90**	**78.8%**	**1%**	2	90	81.1%	1%
Total	**178**	**21,624**	**96.4%**	**100%**	175	20,812	96.2%	100%

[1] Includes three properties under development in 2010 and three in 2009.

Grocery stores and/or drugstores anchor over 90% of the Company's properties. The average size of the shopping centres is approximately 120,000 square feet, with sizes ranging from 20,000 to over 500,000 square feet.

In Management's view, one measure of the quality of a shopping centre is the ability of the centre to attract and retain quality tenants. The Company's top ten tenants by percentage of total annual minimum rent, and their respective credit ratings, portfolio presence and average remaining lease terms at December 31, 2010 are listed in the table below:

	Tenant	DBRS Credit Rating	Number of Stores	Square Feet	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	Remaining Lease Term in Years [1]
1	Sobeys	BBB	50	1,663,000	7.7%	6.9%	9.5
2	Shoppers Drug Mart	A (LOW)	66	963,000	4.5%	6.8%	9.6
3	Loblaw Companies Limited	BBB	29	1,465,000	6.8%	4.9%	7.9
4	Metro	BBB	30	1,170,000	5.4%	4.3%	10.7
5	Zellers/Home Outfitters [2]	—	21	1,809,000	8.4%	3.7%	5.0
6	Canadian Tire	A (LOW)	21	788,000	3.6%	3.2%	7.8
7	TD Canada Trust	AA	41	221,000	1.0%	2.1%	5.5
8	Royal Bank	AA	36	197,000	0.9%	1.6%	4.9
9	Canada Safeway	BBB	7	345,000	1.6%	1.3%	6.2
10	LCBO	AA (LOW)	20	181,000	0.8%	1.2%	9.1
			321	8,802,000	40.7%	36.0%	8.3

[1] Excludes tenant renewal options.

[2] Includes 18 Zellers locations and three Home Outfitters. See discussion in the "Leasing and Occupancy" section of this MD&A.

At December 31, 2010, the Company's top 40 tenants, including the top ten above, represented 57.3% of the Company's annualized minimum rents and 60.7% of the gross leasable area in the Company's portfolio. More than 77% of those rents in the top 40 are from tenants who have investment grade credit ratings and who represent many of Canada's leading supermarket operators, drugstore chains, discount retailers, banks and other familiar shopping destinations. Furthermore, approximately 47% of the Company's total annualized minimum rents are from tenants who have investment grade credit ratings.

Acquisitions of Income-Producing Properties

Management seeks to acquire well-located neighbourhood and community shopping centres in the Company's target urban markets focussing on older shopping centres for redevelopment and repositioning and, to a lesser degree, newer and more fully valued properties. These newer properties are acquired where they complement or add value to the existing portfolio. Once the Company has acquired a property in a specific retail trade area it will look to acquire adjacent or nearby properties. These additional adjacent properties allow the Company to provide maximum flexibility to its tenant base to meet their changing formats and size requirements over the long term. Adjacent properties also allow the Company to essentially expand or intensify its existing property, providing a better retail offering for consumers. Management believes that its adjacent site acquisitions result in a better long term return on investment with a lower level of risk.

Through acquisitions, the Company expands its presence in its target urban markets in Canada, and continues to generate greater economies of scale and leasing and operating synergies. Management will look for strategic or portfolio acquisitions, in both existing markets and markets where the Company does not yet have a presence. Historically, such portfolio opportunities with properties of the same quality as the Company's have been rare.

Development and Redevelopment

The Company pursues selective development and redevelopment activities including land intensification projects, either alone or with joint venture partners, in order to achieve a better return on its portfolio over the long term. The redevelopment activities are focused on the older, run down centres that the Company owns and actively seeks to acquire. These properties are redeveloped and expanded, over time, in conjunction with anchor tenant repositioning and changing retail environments. Redevelopment of existing properties generally carries a lower risk profile due to the urban locations, existing tenant base and the intensification opportunities. Redevelopment projects are carefully managed to minimize tenant downtime and they typically continue to operate during the planning, zoning and leasing phases of the project. The Company will sometimes carry vacant space in a property for a planned future expansion of tenants or reconfiguration of a property.

Management believes that the Company's shopping centres, along with its portfolio of adjacent sites, gives it unique opportunity to participate in urban intensification in its various markets. The land use intensification trend in the Company's target urban markets is driven by the costs for municipalities to expand infrastructure beyond existing urban boundaries, the desire by municipalities to increase their tax base, environmental considerations and the migration of people to vibrant urban centres. The Company's intensification activities are focussed primarily on increasing retail space on a property and to a lesser degree, adding mixed use density, including residential projects and office uses. The Company has proven development and redevelopment capabilities across the country to enable it to capitalize on these opportunities and expects these intensification activities to increase over the next several years.

The Company has two residential density projects underway at December 31, 2010 including one in the planning stage at a redevelopment property in the Vancouver area and one which is an expansion of the King Liberty Village, Toronto, property on an adjacent site. The residential density at King Liberty Village is currently being completed with a partner whose primary business is residential development.

To a lesser degree, the Company develops new properties on greenfield sites and typically has 2–3 greenfield development projects in the planning stage or underway. New greenfield shopping centres are developed only after obtaining anchor tenant lease commitments to reduce development risk.

Investments in development and redevelopment activities generally range from 5–8% of the Company's total asset value at any given time. Development activities are strategically managed to reduce development risks by obtaining leasing commitments from anchors and major tenants prior to commencing construction, using experts including architects, engineers and urban planning consultants, and negotiating competitive fixed-price construction contracts.

This provides the Company with an opportunity to use its existing platform to sustain and improve cash flows and realize capital appreciation over the long term through its ownership and development and redevelopment activities.

Proactive Management

The Company views proactive management of its existing portfolio and newly acquired properties as an important part of its strategy. Proactive management means the Company is focussed on continued investment in properties to ensure they remain attractive to quality retail tenants and their customers over the long term. Specifically, Management strives to create and maintain the highest standards in lighting, parking, access and general appearance of its properties. The Company's proactive management strategies have historically contributed to improvement in occupancy levels and average lease rates throughout the portfolio.

The Company is fully internalized and all value creation activities including development management, leasing, property management, lease administration and legal, construction management and tenant co-ordination functions are directly managed and executed by experienced real estate professionals. Employees with these real estate capabilities are located in each of the Company's offices in Toronto, Montreal, Calgary, Edmonton and Vancouver in order to effectively serve the major urban markets where First Capital Realty operates. In addition, a number of the Company's management team members possess significant retail experience which contributes to the Company's in-depth knowledge of its tenants and market trends.

Effective January 2010, the Company acquired the remaining 40% ownership interest in the joint venture ("FCB") with Brookfield LePage Johnson Controls Facility Management Services that provided property management services for its properties, with no resulting material change in operations or operating margins. The full internalization allows the Company to continue to improve the quality and efficiency of its activities together with supporting its human capital. This includes continuing to upgrade and enhance the systems infrastructure, property management, development project costing and purchasing, budgeting and forecasting tools, lease activity management and the central electronic First Capital Realty information portal.

Corporate Sustainability

In 2009, the Company released its first Corporate Sustainability Report which outlines First Capital's environmental sustainability initiatives including Global Reporting Initiatives ("GRI") measurement and results. The report formalizes the Company's commitment to corporate sustainability. This report is available on the Company's website at www.firstcapitalrealty.ca. In 2011 the Company will release its next report showing progress in its Corporate Sustainability Initiatives.

The GRI is a network based organization that developed the world's most widely used sustainability reporting framework and has been adopted by the Company for future sustainability reports.

The Company builds all new development according to Leadership in Energy and Environmental Design ("LEED") certification standards. This is the cornerstone of the Company's sustainability initiatives. Since May 2006, the Company has 39 "Green" development projects underway, in the planning stage, in the final stage of development, or completed in accordance with LEED certification standards.

The LEED rating system is the internationally accepted benchmark for the design, construction, and operation of high performance green buildings. Achieving LEED certification is the leading way for organizations to demonstrate that their building project is environmentally friendly. The certification promotes a whole building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

Current Business Environment

The business environment in which the Company currently operates is characterized by the following:

- Canada's economy appears to have largely avoided the full impact of the recent global recession, but uncertainty still remains due to ongoing sluggish growth in many of the world's major economies;
- the level of financing activity by both financial institutions and in the capital markets has normalized;
- the level of transaction activity in commercial real estate has normalized;
- asset valuations are moving towards pre-financial crisis levels particularly in urban markets; and
- the entry into the Canadian retail landscape of several major U.S. brands, including Target, Marshalls and Dollar Tree is serving as a catalyst for growth or repositioning of retail tenants and space in most of the Company's markets.

Despite the economic conditions of the past three years, the Company has been able to consistently deliver same property net operating income ("NOI") growth, growth in leasing and occupancy, and has continued to undertake selective development and redevelopment activities, ultimately improving its ability to generate high-quality cash flow from operations. However, the challenging capital market conditions during the economic downturn and credit crisis increased the cost of debt and equity financing in 2008 and 2009. This, coupled with Management's cautious approach to maintaining liquidity and extending debt maturities has offset some of the improvements in the Company's funds from operations that otherwise would have resulted from the solid operating performance of the Company's property portfolio. With the return of reasonably priced debt and equity capital in 2010, Management expects that the Company's solid property operating metrics will result in higher funds from operations in 2011 and 2012 and, over the longer term, stable cash flows.

Company Key Performance Measures

There are many factors that contribute to the successful operation of First Capital Realty's business including rental rates, renewal rates, occupancy rates, tenant quality, availability of properties and development sites that meet the Company's acquisition criteria, financing rates, tenant inducements, maintenance and general capital expenditure requirements, development costs and the broader economic environment. The Company quantifies the collective results of all of these factors into key measures: funds from operations and adjusted funds from operations ("FFO" and "AFFO" respectively) per diluted share and the overall leverage level. FFO and AFFO are non-GAAP measures of operating performance which are defined and reconciled to relevant GAAP measures in the "Results of Operations" section of this MD&A. The Company has continued to improve its key performance measures despite challenging economic conditions.

FFO and AFFO

The Company's FFO and AFFO from core operations have shown consistent performance, resulting primarily from growth in net operating income. (See definitions in "Results of Operations" section of this MD&A.) This has been achieved through:

- development and redevelopment coming on line;
- focussed and disciplined acquisitions of income-producing properties; and
- active portfolio management, which ultimately results in higher occupancy and rental rates.

The Company has also enhanced its operating platform in order to create the efficiencies required to grow the portfolio while keeping the growth in operating costs to a minimum.

The growth in NOI has been partially offset, as discussed under "Current Business Environment", by the increased costs of the Company's financing activities.

During 2009, the Company completed a strategic initiative to distribute to shareholders through a dividend-in-kind, the Company's interest in Gazit America Inc., which is the Canadian company that indirectly owned the Company's interest in Equity One, Inc. ("EQY" and "Equity One"). Following this transaction, the Company no longer has any interest in Equity One. As a result, the FFO and AFFO per share are presented for core real estate operations and the amounts for Equity One and other non-recurring gains/losses and expenses are segregated. See the "FFO", "AFFO", and "Other Gains/Losses and Expenses" in the "Results of Operations" section in this MD&A for further explanation.

Year ended December 31	2010	2009	2008
FFO per diluted share – Core operations [1] [2]	**$ 0.97**	$ 0.96	$ 0.96
FFO per diluted share – EQY and other non-recurring items [1]	**0.01**	0.05	0.05
Total FFO per diluted share [1]	**$ 0.98**	$ 1.01	$ 1.01
AFFO per diluted share – Core operations [1] [2]	**$ 0.87**	$ 0.87	$ 0.86
AFFO per diluted share – EQY and other non-recurring items [1]	**0.02**	0.05	0.06
Total AFFO per diluted share [1]	**$ 0.89**	$ 0.92	$ 0.92

(1) Prior years restated to reflect the May 2010, 3.2:2 stock split. See the "Capital Structure and Liquidity – Shareholders' Equity" section of this MD&A.
(2) Excludes the effects of the Investment in Equity One and one-time transactional gains and losses as described in the Reconciliation of Funds from Operations in "Results of Operations" section of this MD&A.

Leverage

The key leverage ratios demonstrate that the Company has continued to maintain a conservative balance sheet despite the growth in the portfolio. Management believes that this will continue to provide the Company with financial flexibility which is critical against a backdrop of changing debt and equity markets.

As at December 31	2010	2009	2008
Debt to aggregate assets	**52.2%**	50.3%	53.5%
Debt to market capitalization	**45.8%**	45.9%	52.6%

2010 Performance

Management undertook and completed many strategic, operational and property management initiatives during 2010 in order to continue to improve the key performance measures:

Same property NOI growth, taking into account the high occupancy level of the portfolio

Same property NOI growth was 3.9% for the year. The Company has maintained solid same property NOI growth primarily from redevelopment and expansion of shopping centres and increasing rental rates on new tenants and renewals.

Year ended December 31	2010	2009	2008
Same property NOI growth	**3.9%**	6.8%	3.8%
Same property NOI growth, excluding expansion and redevelopment	**2.2%**	2.7%	2.1%
Portfolio occupancy as at December 31	**96.4%**	96.2%	96.4%

Development and redevelopment activities

The Company continued to invest in development and redevelopment of its existing properties as well as portfolio improvements including facades, lighting, signage and parking lots. In addition, the Company continued to build according to LEED certification standards and launched a broader corporate sustainability initiative.

Year ended December 31	2010	2009	2008
Investment in development activities and portfolio improvements (millions)	**$ 158.1**	$ 208.4	$ 258.4
Completed development and redevelopment brought on line [1] (millions)	**$ 132.6**	$ 268.4	$ 288.7
Gross leasable area of developed and redeveloped space			
brought on line (square feet)	**384,000**	754,000	835,000
Occupancy rate of space brought on line	**90.0%**	94.4%	97.5%
Average rental rate per square foot	**$ 21.43**	$ 22.79	$ 19.70

(1) Includes development property land allocation and capital expenditures.

Selective acquisitions

In 2010, the Company invested $315 million in acquisitions compared to $76 million in each of the preceeding two years. The increase reflects the increase in opportunities in the market to acquire properties that fit the Company's criteria.

Year ended December 31	**2010**	2009	2008
Total investment in acquisitions (millions)	**$ 315.1**	$ 76.2	$ 76.1
Income-producing properties			
Number of properties	**4**	5	4
Square feet	**658,000**	225,000	292,000
Properties adjacent to existing shopping centres			
Number of properties	**5**	2	—
Square feet	**176,000**	31,000	—
Additional interests in the existing portfolio			
Number of additional interests	**4**	—	1
Square feet	**170,000**	—	51,000
Properties held for development			
Number of properties	**6**	1	2
Acres	**5.6**	8.4	9.5
Additional space and adjacent land parcels			
Number of land parcels	**9**	4	8
Acres	**8.9**	1.3	12.5

Increasing efficiency and productivity of operations

During the year, the Company completed the full internalization of property management and systems infrastructure which includes full integration of property management functions into the Company's business operations. Management continued to implement system enhancements and upgrades which will set the foundation for further efficiency and productivity improvements.

Careful capital allocation to decrease dependence on capital markets

The Company utilized multiple sources of debt and equity capital to finance the investments in development activities and acquisitions during the year.

	2010		2009		2008	
Sources of Capital	**Amount (millions of dollars)**	**Pricing (weighted average)**	Amount (millions of dollars)	Pricing (weighted average)	Amount (millions of dollars)	Pricing (weighted average)
Canadian credit facility net drawdowns (repayments) (1)	**$ (4.8)**	**B.A.+ 2.50%**	$ (179.8)	B.A.+ 3.50%	$ 6.1	B.A.+ 1.10%
Mortgages	**101.4**	**4.78%**	187.3	6.21%	154.7	5.55%
Senior unsecured debentures	**400.0**	**5.50%**	125.0	5.95%	—	—
Convertible debentures	—	—	125.0	6.03%	—	—
Equity (2)						
Issuance of common shares	**55.8**	**$ 14.39**	83.2	$ 10.40	153.9	$ 14.14
Payment of interest on convertible debentures	**19.3**	**$ 13.86**	12.6	$ 10.21	12.9	$ 13.41
Exercise of options and warrants	**51.8**	**$ 11.47**	0.6	$ 9.07	3.0	$ 8.36
Dividends reinvested by common shareholders	**—**	**$ —**	—	$ —	60.0	$ 13.96
Total	**$ 623.5**		$ 353.9		$ 390.6	

(1) Credit facility pricing at December 31. Facility in 2008 was unsecured.

(2) Prior years restated to reflect the May 2010, 3.2:2 stock split. See the "Capital Structure and Liquidity – Shareholders' Equity" section of this MD&A.

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

As at December 31 (thousands of dollars, except per unit and other financial data)	**2010**	2009	2008
Operations Information			
Number of properties [1]	**178**	175	171
Gross leasable area (square feet)	**21,624,000**	20,812,000	20,166,000
Development land pipeline (acreage) [2]			
Available for development	**253**	247	238
Development underway	**34**	48	114
Portfolio occupancy	**96.4%**	96.2%	96.4%
Average rate per occupied square foot	**$ 16.35**	$ 15.71	$ 15.17
Gross leasable area developed brought on line for the year (square feet)	**384,000**	754,000	835,000
Same property net operating income ("NOI")			
– increase over prior year	**3.9%**	6.8%	3.8%
Same property NOI excluding expansion and redevelopment			
– increase over prior year	**2.2%**	2.7%	2.1%
Financial Information			
Gross shopping centre investments [3]	**$ 4,104,311**	$ 3,725,023	$ 3,394,729
Land and shopping centres under development	**$ 306,843**	$ 224,772	$ 281,959
Real property investments, net book value	**$ 3,909,916**	$ 3,540,358	$ 3,350,410
Investment in Equity One, Inc.	**$ —**	$ —	$ 227,259
Total assets	**$ 4,120,713**	$ 3,691,643	$ 3,707,625
Total aggregate assets [4]	**$ 4,602,300**	$ 4,105,827	$ 4,034,366
Mortgages, loans and credit facilities unsecured or secured by Canadian properties	**$ 1,318,341**	$ 1,354,668	$ 1,419,758
Loans and credit facilities secured by investment in Equity One	**$ —**	$ —	$ 153,772
Senior unsecured debentures payable	**$ 1,114,031**	$ 717,040	$ 593,288
Convertible debentures payable	**$ 324,535**	$ 329,739	$ 218,247
Shareholders' equity	**$ 1,133,914**	$ 1,095,843	$ 1,095,146
Capitalization and Leverage			
Shares outstanding [5]	**163,455,753**	153,672,609	144,004,130
Enterprise value [6]	**$ 5,252,706**	$ 4,507,560	$ 4,110,879
Debt to aggregate assets [4]	**52.2%**	50.3%	53.5%
Debt to aggregate assets, quarter end average [4]	**51.4%**	52.9%	54.1%
Debt to market capitalization [4]	**45.8%**	45.9%	52.6%

As at December 31 (thousands of dollars, except per share amounts and other financial data)	2010	2009	2008
Revenues, Income and Cash Flow			
Revenues	**$ 490,080**	$ 447,743	$ 411,751
Net operating income [7]	**$ 316,066**	$ 285,177	$ 261,040
Corporate expenses, excluding capital taxes and non-cash compensation	**$ 18,422**	$ 17,491	$ 16,490
As a percent of rental revenue	**3.8%**	4.0%	4.0%
As a percent of gross total assets	**0.5%**	0.4%	0.4%
Other gains (losses) and (expenses)	**$ 6,725**	$ (1,414)	$ 7,281
Net income	**$ 41,338**	$ 41,913	$ 37,341
Basic and diluted earnings per share [5]	**$ 0.26**	$ 0.28	$ 0.27
Cash flow from operating activities	**$ 176,285**	$ 148,628	$ 147,519
Equity One (through August 14, 2009 – see "Equity One" section of this MD&A)			
Equity income (Cdn$)	**$ —**	$ 7,066	$ 8,716
Dividends from Equity One (Cdn$)	**$ —**	$ 12,452	$ 18,193
Dividends from Equity One (US$)	**$ —**	$ 10,514	$ 16,809
Average exchange on dividends (US$ to Cdn$)	**—**	1.18	1.08
Dividends			
Regular dividends	**$ 127,768**	$ 120,731	$ 113,116
Dividend-in-kind (book value) [8]	**$ —**	$ 63,525	$ —
Regular dividends per common share [5]	**$ 0.80**	$ 0.80	$ 0.80
Dividend-in-kind per common share (fair value) [5] [8]	**$ —**	$ 0.28	$ —
Dividends reinvested by shareholders [9]	**$ —**	$ —	$ 40,331
Funds from Operations ("FFO") [10]			
FFO	**$ 157,134**	$ 151,320	$ 141,345
FFO per diluted share [5]	**$ 0.98**	$ 1.01	$ 1.01
Weighted average diluted shares – FFO [5]	**160,030,988**	150,190,104	139,616,358
FFO – Core Operations [10]			
FFO	**$ 154,725**	$ 144,477	$ 133,322
FFO per diluted share [5]	**$ 0.97**	$ 0.96	$ 0.96
Adjusted Funds from Operations ("AFFO") [10]			
AFFO	**$ 160,578**	$ 151,831	$ 140,743
AFFO per diluted share [5]	**$ 0.89**	$ 0.92	$ 0.92
Weighted average diluted shares – AFFO [5]	**180,916,597**	164,695,415	152,938,418
AFFO – Core Operations [10]			
AFFO	**$ 156,215**	$ 143,464	$ 132,382
AFFO per diluted share [5]	**$ 0.87**	$ 0.87	$ 0.86

(1) Includes properties currently under development.
(2) Net of partners' interests.
(3) Gross shopping centre investments is comprised of the gross book value of shopping centres, deferred leasing costs and intangible assets less intangible liabilities.
(4) Calculated in accordance with the unsecured debentures indenture definitions for the period.
(5) Prior years restated to reflect the May 2010, 3.2:2 stock split.
(6) Enterprise value is a non-GAAP measure and is calculated as equity market capitalization plus the book value of mortgages and credit facilities, and the principal amount of debentures and convertible debentures outstanding.
(7) Net operating income is a non-GAAP measure of operating performance. See definition of Net Operating Income in "Results of Operations" section of this MD&A.
(8) See discussion of Dividend-in-kind in "Result of Operations – Equity One" section of this MD&A.
(9) On August 7, 2008, the Company announced that the dividend reinvestment program was suspended, effective until further notice.
(10) FFO and AFFO are measures of operating performance that are not defined by GAAP. See Definition and Reconciliation of Funds From Operations including "Core Operations" in "Results of Operations" section of this MD&A.

BUSINESS AND OPERATIONS REVIEW

Real Estate Investments

A summary of the Company's real estate investments is set out below:

(millions of dollars)	2010			2009		
	Gross Book Value	**Accumulated Amortization**	**Net Book Value**	Gross Book Value	Accumulated Amortization	Net Book Value
Shopping centres	**$ 4,039**	**$ 461**	**$ 3,578**	$ 3,663	$ 375	$ 3,288
Deferred leasing costs	**37**	**17**	**20**	31	14	17
Intangible assets	**59**	**35**	**24**	53	30	23
Intangible liabilities	**(31)**	**(12)**	**(19)**	(22)	(9)	(13)
Land and shopping centres under development	**307**	**—**	**307**	225	—	225
Real property investments	**4,411**	**501**	**3,910**	3,950	410	3,540
Loans, mortgages and other real estate assets	**78**	**—**	**78**	59	—	59
Real estate investments	**$ 4,489**	**$ 501**	**$ 3,988**	$ 4,009	$ 410	$ 3,599

The Company's total investment in its acquisition, development and portfolio improvement activities is summarized as follows:

(millions of dollars)	**2010**	2009
Gross real property investments, January 1	**$ 3,950**	$ 3,677
Acquisition of income-producing properties	**188**	60
Acquisition of additional space adjacent to existing properties	**38**	4
Acquisition of additional interests in existing properties	**33**	—
Acquisition of properties held for development	**38**	8
Acquisition of additional land parcels adjacent to existing properties	**18**	4
Development activities and portfolio improvements	**158**	209
Disposition of real estate	**(11)**	(4)
Other	**(1)**	(8)
Gross real property investments, December 31	**$ 4,411**	$ 3,950
Gross shopping centre investments	**$ 4,104**	$ 3,725
Land and shopping centres under development	**307**	225
Gross real property investments, December 31	**$ 4,411**	$ 3,950

The Company's operating activities are comprised of acquisitions of income-producing properties, acquisitions of additional space and land parcels adjacent to existing income-producing properties, acquisitions of land sites for future development, capital improvements and leasing at the Company's properties. These operating activities are discussed below.

Income-Producing Properties

As at December 31, 2010, the Company had interests in 178 income-producing properties which were 96.4% occupied with a total GLA of 21,624,000 square feet. This compares to 96.2% occupied and 20,812,000 square feet at December 31, 2009. The occupancy in the portfolio is discussed in more detail under "Leasing and Occupancy" in this section of the MD&A.

2010 Acquisitions

Income-Producing Properties

In 2010, the Company invested $188.5 million in the acquisition of four income-producing shopping centres, comprising 658,000 square feet. Of these properties, three are anchored by both a supermarket and a drugstore. These acquisitions are in the Company's target urban markets and demonstrate the Company's continuing focus on these urban markets. The acquisitions, each of which were acquired from different vendors, are summarized in the table below:

Property Name	City	Province	Quarter Acquired	Supermarket-Anchored	Drugstore-Anchored	Gross Leasable Area (Square Feet)	Acquisition Cost (in millions)
Tuscany Village	Victoria	BC	Q1	✔	✔	66,000	$ 26.9
Semiahmoo Shopping Centre	Surrey	BC	Q2	✔	✔	293,000	84.7
Newport Village	Calgary	AB	Q2	—	—	42,000	15.1
Parkway Mall	Toronto	ON	Q4	✔	✔	257,000	61.8
Total						658,000	$ 188.5

During the third quarter of 2010 the Company sold a shopping centre in Lethbridge, Alberta for gross proceeds of $12.5 million including the assumption of a mortgage of $7.6 million. A gain on disposition of $2.4 million was recorded.

In 2010, the Company acquired the remaining interests in existing properties set out in the table below:

Property Name	City	Province	Interest Acquired	Quarter-Acquired	Gross Leasable Area (Square Feet)	Acquisition Cost (in millions)
Royal Oak Centre	Calgary	AB	40%	Q1	134,400	$ 22.8
Place Bordeaux	Gatineau	QC	20%	Q2	5,600	2.0
Place Nelligan	Gatineau	QC	25%	Q2	14,200	2.5
Dickson Trail	Airdrie	AB	30%	Q4	15,600	6.0
Total					169,800	$ 33.3

Effective March 31, 2010, the Company settled its litigation with the former co-owner of the Royal Oak Shopping Centre in Calgary, Alberta. (See the discussion in the "Commitments and Contingencies" section of the Company's Management's Discussion and Analysis for the year ended December 31, 2009). As a result, the Company was able to complete the acquisition of the remaining 40% of the shopping centre. The Company recorded a gain of $1.7 million in the three months ended March 31, 2010, which is included in "Other gains (losses) and (expenses)" in the Consolidated Statement of Earnings. The gain consists of the benefit realized as a result of the change in net assets since February 2007, which is essentially the collected net operating cash flow, after interest expense, from 40% of the property, less the additional cost of acquiring the property as a result of the settlement. The Company has included the entire net operating cash flow after interest expense from 40% of the property up to the acquisition date in the calculation of AFFO.

Subsequent to December 31, 2010, the Company acquired an 88,000 square foot retail property in Mississauga, Ontario, for $22 million. The purchase price was satisfied in cash.

Additional Space and Adjacent Land Parcels

In 2010, the Company acquired additional space at five existing shopping centres and nine land parcels adjacent to existing properties adding 175,800 square feet of gross leasable area and 8.9 acres of commercial land respectively. Total expenditures on these additional interests and land parcels amount to $55.8 million. These acquisitions are set out in the tables below:

Property Name	City	Province	Quarter Acquired	Gross Leasable Area (Square Feet)	Acquisition Cost (in millions)
Meadowbrook II (50% interest) (Meadowbrook Centre)	Edmonton	AB	Q1	28,000	$ 4.2
Appleby Square (Appleby Village)	Burlington	ON	Q2	25,800	7.6
Kingston Square (Morningside Crossing)	Toronto	ON	Q3	63,000	16.0
Cedarbrae Mall – adjacent parcel	Toronto	ON	Q4	34,000	4.9
Plaza Beaconsfield (Centre Commercial Beaconsfield)	Beaconsfield	QC	Q4	25,000	4.9
Total				175,800	$ 37.6

Property Name	City	Province	Quarter Acquired	Acreage	Acquisition Cost (in millions)
1859 Leslie Street (York Mills Gardens)	Toronto	ON	Q1	1.4	$ 5.8
43 Hanna Avenue (Shops at King Liberty)	Toronto	ON	Q1	0.3	2.7
Esso Parcel (Galeries Normandie)	Montreal	QC	Q2	0.3	0.7
Place Cite des Jeunes (pad)	Gatineau	QC	Q3	0.5	0.9
West Highlands – Lot 4 (West Lethbridge Towne Centre)	Lethbridge	AB	Q3	2.6	1.6
Place Lucerne (Centre d'achats VMR)	Mount Royal	QC	Q4	0.3	2.1
Sherwood Centre (Sherwood Centre)	Sherwood Park	AB	Q4	0.7	1.1
1100 King Street West (50% interest) (Shops at King Liberty)	Toronto	ON	Q4	2.7	2.7
Broadmoor Lane (Broadmoor Shopping Centre)	Richmond	BC	Q4	0.1	0.6
Total				8.9	$ 18.2

Properties Held for Development

During 2010, the Company invested $37.5 million in the acquisition of six properties held for development, comprising 5.6 acres of commercial land for future development, as set out in the table below:

Property Name	City	Province	Quarter Acquired	Acreage	Acquisition Cost (in millions)
5051-5061 Yonge Street	Toronto	ON	Q1	0.7	$ 15.2
2255 Dundas Street West	Mississauga	ON	Q1	2.6	6.4
St. Clair Avenue (Parcel 1)	Toronto	ON	Q2	0.3	3.7
Lakeshore Road	Oakville	ON	Q3	1.6	8.1
St. Clair Avenue (Parcel 2)	Toronto	ON	Q4	0.1	0.8
St. Clair Avenue (Parcel 3)	Toronto	ON	Q4	0.3	3.3
Total				5.6	$ 37.5

Impact of 2010 Acquisitions on Continuing Operations

Management will continue to be selective and take a highly disciplined approach to increasing the size and quality of the Company's property portfolio, seeking acquisitions that are both operationally and financially accretive over the long term. Management looks for benefits from economies of scale and operating synergies in order to strengthen the Company's competitive position in its target urban markets. As well, Management seeks to enhance the tenant and geographic diversification of the portfolio.

The 2010 acquisitions are in line with the Company's business strategy based on their locations, tenancies and redevelopment or expansion opportunities.

2010 Development Activities

Development is completed selectively, based on opportunities in the markets where the Company operates. Development activities are comprised of greenfield development of new shopping centres, redevelopment and refurbishment of existing shopping centres and expansion of space at existing shopping centres. All development activities are strategically managed to reduce risks and properties are developed after obtaining anchor lease commitments.

Development of 272,400 square feet was brought on line in 2010 with 233,900 square feet leased at an average rate of $25.22 per square foot. The Company also reopened 111,300 square feet of redeveloped space at an average rate of $13.45 per square foot.

Property Name	City	Province	Square Feet	Major Tenants
Development of new gross leasable area (1)				
Carrefour Charlemagne (2)	Charlemagne	QC	37,300	Metro
Rutherford Marketplace (2)	Vaughan	ON	35,300	LCBO, Various CRU
Appleby Mall (2)	Burlington	ON	28,100	Various CRU
Hunt Club Place (2)	Ottawa	ON	21,600	TD Canada Trust, Various CRU
Derry Heights Plaza (2)	Milton	ON	17,900	Sunlife, Various CRU
Dickson Trail Crossing (2)	Airdrie	AB	14,800	Various CRU
Brooklin Town Centre (2)	Whitby	ON	11,000	Various CRU
The Village Market	Sherwood Park	AB	10,300	Various CRU
Fairway Plaza (2)	Kitchener	ON	10,000	LCBO
Port Place Shopping Centre	Nanaimo	BC	9,600	Various CRU
Olde Oakville (2)	Oakville	ON	8,900	Various CRU
Fairview Mall	St. Catharines	ON	6,200	Swiss Chalet
Loblaws Plaza (2)	Ottawa	ON	5,600	Royal Bank of Canada
Meadowbrook	Edmonton	AB	5,000	Shoppers Drug Mart (expansion)
Other space – various properties			50,800	
			272,400	
Redevelopment of existing gross leasable area				
South Park Centre	Edmonton	AB	28,200	JYSK, Other CRU
Centre Commercial Beaconsfield (2)	Beaconsfield	QC	19,200	Gold's Gym
Towerlane Centre	Airdire	AB	17,100	Sears
Plaza Actuel	Longueuil	QC	18,500	Bell, Energie Cardio
Loblaws Plaza	Ottawa	ON	14,200	GoodLife Fitness, Other CRU
Westmount Centre	Edmonton	AB	8,000	Shoppers Drug Mart
Other space – various properties			6,100	
			111,300	
Total			383,700	

(1) Includes new space in redevelopment properties and greenfield developments.
(2) Constructed in accordance with LEED certification standards.

Development and redevelopment of 383,700 square feet was completed in 2010 compared with 754,000 square feet developed in 2009. The developed space, including redevelopment was 90.0% occupied when transferred to income-producing shopping centres at an average rental rate of $21.43 per square foot. These successfully completed development projects illustrate the potential future value of investments in ongoing development initiatives that are not yet generating income, but are expected to contribute to the growth of the Company.

The Company's development sites and properties as at December 31, 2010 are summarized as follows:

	Number of Sites/Properties	Acreage[1]	Developable Square Feet[1] (in thousands)	Net Book Value (in millions)
Development properties under construction	3	16.8	113.7	$ 23.8
Redevelopment projects underway	6	15.0	235.4	54.0
Expansion projects underway	3	1.7	30.2	9.1
Properties held for development	14	99.0	1,165.3	90.8
Land parcels adjacent to/part of existing properties	36	126.7	1,630.7	117.6
Land parcels adjacent to/part of existing properties available for expansion	12	27.4	213.0	—
Other development related costs	—	—	—	11.5
Total	74	286.6	3,388.3	$ 306.8

[1] Net of partners' interests.

Costs to complete the development, redevelopment and expansion activities underway are estimated to be approximately $126.6 million, the majority of which will be incurred in 2011 and the first quarter of 2012. In the management of its development and expansion program, the Company utilizes dedicated internal professional staff. Direct and incremental costs of development, including applicable salaries and other direct costs of internal staff, are capitalized to the cost of the property under development.

At December 31, 2010, eight land sites included in properties held for development and land parcels adjacent to/part of existing properties comprising the Company's net interest of 59.0 acres and developable square feet totalling 741,000 square feet are in the planning stage of development. In addition, the Company is actively planning future redevelopment and/or expansion at 21 additional shopping centres.

2009 Acquisitions

Income-Producing Properties

In 2009, First Capital Realty expanded its portfolio through various acquisitions as set out below:

Property Name	City	Province	Quarter Acquired	Supermarket-Anchored	Drugstore-Anchored	Gross Leasable Area (Square Feet)	Acquisition Cost (in millions)
Danforth Sobeys	Toronto	ON	Q1	✔	—	27,000	$ 5.8
St. Denis	Montreal	QC	Q2	—	✔	11,000	3.5
Meadowbrook Centre	Edmonton	AB	Q2	✔	—	42,000	8.8
Langford Centre	Victoria	BC	Q3	✔	—	65,000	10.3
Cranston Market	Calgary	AB	Q4	✔	—	80,000	32.1
Total						225,000	$ 60.5

During 2009, the Company also sold a 66,000 square foot retail property in Regina, Saskatchewan for gross proceeds of $3.8 million including a vendor-take-back mortgage of $2.3 million. A gain of $0.5 million was recorded.

Additional Space and Adjacent Land Parcels

In 2009, the Company acquired additional space at two existing shopping centres and four land parcels adjacent to existing properties adding 31,000 square feet of gross leasable area and 1.3 acres of commercial land. Total expenditures on these additional interests and land parcels amounted to $8.0 million and are set out in the table below:

Property Name	City	Province	Quarter Acquired	Acreage	Gross Leasable Area (Square Feet)	Acquisition Cost (in millions)
Petro Canada Lands (Bowmanville A&P)	Bowmanville	ON	Q1	0.4	—	$ 0.4
4543 Kingston Road (Morningside Crossing)	Toronto	ON	Q1	0.3	—	1.0
1100 King St. W (Shops at King Liberty)	Toronto	ON	Q4	0.5	—	1.3
115 Laird (Leaside Village)	Toronto	ON	Q4	0.1	—	0.8
Danforth Sobeys	Toronto	ON	Q4	—	4,000	0.9
Place Lucerne (Centre D'Achats Ville Mont-Royal)	Mont Royal	QC	Q4	—	27,000	3.6
Total				1.3	31,000	$ 8.0

Property Held for Development

During 2009, the Company invested $7.7 million in the acquisition of one property held for development in Toronto, Ontario, comprising 8.4 acres of commercial land for future development.

2009 Development Activities

In 2009, the Company developed 754,000 square feet of retail space as detailed below:

Property Name	City	Province	Square Feet	Major Tenants
Development of new gross leasable area (1)				
Rutherford Marketplace (2)	Vaughan	ON	95,800	Longo's, Shoppers Drug Mart, RBC, Pathways Academy
Towerlane Centre (2)	Airdrie	AB	61,100	Super Drug Mart, Gold's Gym, Dollarama
Hunt Club (2)	Ottawa	ON	60,800	T & T Supermarket
Derry Heights (2)	Milton	ON	45,200	CIBC, RBC, Shoppers Drug Mart
Morningside Crossing (2)	Toronto	ON	35,600	Shoeless Joe's, Royal Lepage, FCR Property Management
McKenzie Towne Centre (2)	Calgary	AB	30,900	TD Canada Trust, Brewsters
Bowmanville	Bowmanville	ON	22,700	Staples, The Beer Store
Olde Oakville (2)	Oakville	ON	22,200	LCBO, Westmarine
Grimsby Square (2)	Grimsby	ON	20,000	Canadian Tire (expansion), The Beer Store
Dickson Trail Crossing (2)	Airdrie	AB	18,400	Starbucks, Brewsters, Other CRU
Carrefour St. Hubert (2)	St. Hubert	QC	18,300	McDonald's
King Liberty Village – Barrymore Building (2)	Toronto	ON	17,800	Altus Architecture
Sherwood Centre	Sherwood Park	AB	17,000	Shoppers Drug Mart
Eagleson Place (2)	Ottawa	ON	13,900	Westend Family Care Clinic
Time Marketplace (2)	Vancouver	BC	12,200	TD Canada Trust, Boston Pizza
Place Kirkland	Kirkland	QC	12,100	IGA (Expansion)
Carrefour St. David (2)	Quebec City	QC	10,400	Uniprix
Other space – various properties			106,000	
			620,400	
Redevelopment of existing gross leasable area				
Northgate Centre	Edmonton	AB	64,600	Capital Health Authority, Edmonton Musculoskeletal Centre, Labour Market, The X-Ray Clinic
Centre Commercial Beaconsfield	Beaconsfield	QC	19,100	Shoppers Drug Mart
Coronation Mall	Duncan	BC	18,500	Shoppers Drug Mart
Sherwood Centre	Edmonton	AB	9,900	Dollarama
Galeries Normandie	Montreal	QC	6,000	Bank of Montreal
Other space – various properties			15,500	
			133,600	
Total			754,000	

(1) Includes new space created in redevelopment properties and greenfield developments.
(2) Constructed in accordance with LEED certification standards.

The developed space, including redevelopment was 94.4% occupied when transferred to income-producing shopping centres at an average rental rate of $22.79 per square foot. At December 31, 2009, the Company had 295 acres of land sites and parcels available for development or underway.

	Number of Sites/Properties	Acreage[1]	Developable Square Feet[1] (in thousands)	Net Book Value (in millions)
Development properties under construction	3	21.9	204.6	$ 39.4
Redevelopment projects underway	8	21.5	467.8	47.7
Expansion projects underway	6	5.0	53.9	8.9
Properties held for development	10	125.9	1,155.0	60.5
Land parcels adjacent to/part of existing properties	22	94.6	1,039.5	58.5
Land parcels adjacent to/part of existing properties available for expansion	12	26.4	251.7	—
Other development related costs	—	—	—	9.8
Total	61	295.3	3,172.5	$ 224.8

[1] Net of partners' interests.

Expenditures on Land and Shopping Centres under Development and Shopping Centres

Revenue sustaining and enhancing expenditures are as follows:

(thousands of dollars)	2010	2009
Expenditures on:		
Deferred leasing costs		
Revenue sustaining	**$ 2,668**	$ 2,999
Revenue enhancing	**3,250**	2,083
Other items and adjustments	**60**	(60)
	5,978	5,022
Shopping centres		
Revenue sustaining	**13,079**	10,846
Revenue enhancing	**14,900**	16,781
Property repositioning	**226**	550
Expenditures recoverable from tenants	**3,449**	7,102
Other items and adjustments	**1,285**	30
	32,939	35,309
Land and shopping centres under development	**119,147**	168,110
Total	**$ 158,064**	$ 208,441

Revenue sustaining capital expenditures are expenditures required for maintaining shopping centre infrastructure and revenues from current leases. Typically, these expenditures range from $0.60 to $0.75 per square foot per annum over a longer term with a three-year weighted average of $0.68 per square foot for the three years ended December 31, 2010. Actual revenue sustaining expenditures per square foot over the past three years are as follows: 2008 – $0.60, 2009 – $0.68 and 2010 – $0.74. During 2010 and 2009, the Company increased its expenditures on roof and parking lot replacements at several of its centres which will reduce its ongoing maintenance expenditures at these centres going forward.

Revenue enhancing and repositioning expenditures are those expenditures which increase the revenue generating ability of the Company's shopping centres. Management considers the potential effects on occupancy and future rents per square foot, development activities, the time leasable space has been vacant and other factors when assessing whether an expenditure is revenue enhancing or sustaining.

The Company's active development and property improvement initiatives improve the physical structures and appearance of its shopping centres. At December 31, 2010, the age of the Company's portfolio was as follows:

5 years or newer	6–10 years	11–15 years	16–20 years	Over 20 years
28%	33%	13%	10%	16%

Leasing and Occupancy

Changes in the Company's gross leasable area and occupancy are set out below:

	Total Square Feet (thousands)	Occupied Square Feet (thousands)	%	Under Redevelopment Square Feet (thousands)	%	Vacant Square Feet (thousands)	%	Rate Per Occupied Square Foot
December 31, 2009	**20,812**	**20,033**	**96.2%**	**143**	**0.7%**	**636**	**3.1%**	**$ 15.71**
Tenant openings	—	441		—		(441)		19.34
Tenant closures	—	(409)		—		409		(17.00)
Closures for redevelopment	—	(148)		148		—		(13.25)
Net new leasing	—	(116)		148		(32)		
Developments – coming on line	272	234		—		38		25.22
Redevelopments – coming on line	—	112		(112)		—		13.45
Demolitions	(154)	(5)		(112)		(37)		—
Dispositions	(54)	(54)		—		—		(17.40)
Reclassification	(89)	(151)		59		3		—
Total portfolio before acquisitions	20,787	20,053		126		608		16.22
Acquisitions	837	799		—		38		19.47
December 31, 2010	**21,624**	**20,852**	**96.4%**	**126**	**0.6%**	**646**	**3.0%**	**$ 16.35**
Renewals	—	858		—		—		$ 19.94
Renewals – expired	—	(858)		—		—		(17.92)
Net increase per square foot from renewals								$ 2.02
% Increase on renewal of expiring rents								11.3%

For the year ended December 31, 2010, gross new leasing including development and redevelopment space totalled 787,000 square feet. Renewal leasing totalled 858,000 square feet with an 11.3% increase over expiring lease rates.

The weighted average rate per occupied square foot at December 31, 2010 increased to $16.35. This compares to a weighted average rate of $15.71 per square foot at December 31, 2009 and $16.26 at September 30, 2010.

Portfolio occupancy at December 31, 2010 of 96.4% is up from 96.2% at December 31, 2009. Included in the vacant amount is 126,000 square feet of space under redevelopment providing potential for future income growth.

On January 13, 2011, Target announced its acquisition of up to 220 Zellers locations in Canada which is expected to be completed in the latter half of 2011. The Company's portfolio at December 31, 2010 included 18 Zellers locations representing 3.1% of total annual minimum rent at December 31, 2010. These leases have a weighted average remaining lease term of approximately 4 years under current options and an average rate per square foot of $6.46. A majority of these leases have extension options at fixed rates in favour of Zellers. The lease at one of these centres expired at January 31, 2011 and was not extended. As of March 2, 2011, Target has not yet disclosed which of these locations, if any, it will assume or when any such locations would begin to operate as Target stores. Overall, Management expects that the presence of Target at its centres would have a positive impact.

Average rental rate per occupied square foot for tenant openings and renewals during the year ended December 31 by region:

(per occupied square foot)	Eastern Region	Central Region	Western Region	Total
2010	$ 14.13	$ 23.86	$ 22.65	$ 20.20
2009	$ 15.02	$ 19.64	$ 24.97	$ 20.00

Loans, mortgages and other real estate assets

(thousands of dollars)	2010	2009
Non-revolving term loan receivable from Gazit America Inc. (a)	**$ 36,758**	$ 37,836
Investments in marketable securities (b)	**27,313**	7,979
Other loans receivable (c)	**14,431**	13,405
	$ 78,502	$ 59,220

(a) The non-revolving unsecured term loan receivable from Gazit America Inc., a subsidiary of the Company's principal shareholder Gazit-Globe Ltd. ("Gazit"), in the amount of US$36.0 million, bears interest at 8.5% per annum calculated semi-annually, payable quarterly and is due June 19, 2014, subject to Gazit America Inc.'s option to extend the maturity date for a further five-year period at a fixed rate of 8.5%. The principal amount of the loan is prepayable from August 14, 2012.

(b) The Company invests from time to time in the securities of public entities in real estate and related industries. These securities are recorded at market value. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income, while unrealized gains and losses on securities held-for-trading are recorded in net income.

(c) Other loans receivable consists of loans and mortgages receivable on certain properties. The loans are secured by interests in shopping centres or development properties, bear interest at a weighted average rate of 9.0% (December 31, 2009 – 6.9%) and their fair values approximate carrying values.

RESULTS OF OPERATIONS

Net Income

(thousands of dollars, except per share amounts)	2010	2009
Net income	**$ 41,338**	$ 41,913
Earnings per share (diluted) (1)	**$ 0.26**	$ 0.28
Weighted average common shares – diluted (1)	**160,030,988**	150,190,103

(1) Prior periods restated to reflect the May 2010, 3.2:2 stock split.

Net income for the year ended December 31, 2010 was $41.3 million or $0.26 per share (basic and diluted) compared to $41.9 million or $0.28 per share (basic and diluted) for the year ended December 31, 2009. The decrease in net income is primarily due to increased interest expense, increased amortization expense and future income taxes and decreased income from Equity One as a result of the August 2009 dividend-in-kind. The effects of the decreases in net income were offset by increases in NOI resulting from new acquisitions, development and redevelopment projects coming on line, same property NOI growth and increased straight-line rent revenue, as well as increased other gains (losses) and (expenses). In addition, there was an increase in the weighted average basic and diluted shares outstanding compared to the same prior year period.

Funds from Operations and Adjusted Funds from Operations

In Management's view, funds from operations ("FFO") and adjusted funds from operations ("AFFO") are commonly accepted and meaningful indicators of financial performance in the real estate industry. First Capital Realty believes that financial analysts, investors and shareholders are better served when the clear presentation of comparable period operating results generated from FFO and AFFO disclosures supplement Canadian generally accepted accounting principles ("GAAP") disclosure. These measures are the primary methods used in analyzing real estate organizations in Canada. The Company's method of calculating FFO and AFFO may be different from methods used by other corporations or REITs (real estate investment trusts) and, accordingly, may not be comparable to such other corporations or REITs. FFO and AFFO are presented to assist investors in analyzing the Company's performance. FFO and AFFO: (i) do not represent cash flow from operating activities as defined by GAAP, (ii) are not indicative of cash available to fund all liquidity requirements, including payment of dividends and capital for growth and (iii) are not to be considered as alternatives to GAAP net income for the purpose of evaluating operating performance.

Funds from Operations ("FFO")

First Capital Realty calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("RealPac"). The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, modelled on the definition adopted by the National Association of Real Estate Investment Trusts ("NAREIT") in the United States. FFO as defined by RealPac differs in two respects from the definition adopted by NAREIT. Under the RealPac definition, future income taxes are excluded from FFO, whereas under the NAREIT definition, they are included. In addition, impairment losses on depreciable assets are excluded from the RealPac FFO definition, whereas the NAREIT definition includes them. As a result, when calculating FFO, the Company adjusts the FFO reported by Equity One to comply with the RealPac definition, when appropriate.

FFO is considered a meaningful additional financial measure of operating performance, as it excludes amortization of real estate assets. FFO also adjusts for certain items included in GAAP net income that may not be the most appropriate determinants of the long-term operating performance of the Company including gains and losses on depreciable real estate assets.

The Company's GAAP net income is reconciled to funds from operations below:

(thousands of dollars)	**2010**	2009
Net income for the year	**$ 41,338**	$ 41,913
Add (deduct):		
Amortization of shopping centres, deferred leasing costs and intangible assets	**100,465**	94,501
Gain on disposition of income-producing shopping centres	**(2,416)**	(737)
Equity income from Equity One [1]	**—**	(7,066)
Funds from operations from Equity One [1]	**—**	15,009
Future income taxes	**17,747**	7,700
FFO	**$ 157,134**	$ 151,320

[1] 2009 amounts cover the period to August 14, 2009. See discussion of dividend-in-kind in the "Results of Operations – Equity One" section of this MD&A.

The components of FFO are:

(thousands of dollars)	**2010**			2009		
	FFO – Core Operations	**FFO – EQY and Other Non-recurring Items**	**Total FFO**	FFO – Core Operations	FFO – EQY and Other Non-recurring Items	Total FFO
Net operating income	**$ 316,066**	**$ —**	**$ 316,066**	$ 285,177	$ —	$ 285,177
Interest expense	**(143,333)**	**—**	**(143,333)**	(120,101)	(5,364)	(125,465)
Corporate expenses	**(21,442)**	**—**	**(21,442)**	(22,122)	—	(22,122)
Interest and other income	**5,064**	**—**	**5,064**	5,612	—	5,612
Other gains (losses) and (expenses) [1]	**1,900**	**2,409**	**4,309**	118	(2,269)	(2,151)
Funds from operations from Equity One [2]	**—**	**—**	**—**	—	15,009	15,009
Amortization of non-real estate assets	**(3,530)**	**—**	**(3,530)**	(4,207)	—	(4,207)
Current income taxes	**—**	**—**	**—**	—	(533)	(533)
FFO	**$ 154,725**	**$ 2,409**	**$ 157,134**	$ 144,477	$ 6,843	$ 151,320
FFO per diluted share [3]	**$ 0.97**	**$ 0.01**	**$ 0.98**	$ 0.96	$ 0.05	$ 1.01
Weighted average diluted shares – FFO [3]	**160,030,988**	**160,030,988**	**160,030,988**	150,190,104	150,190,104	150,190,104

[1] Excludes gains on disposition of income-producing real estate.
[2] 2009 amounts cover period to August 14, 2009. See discussion of dividend-in-kind in the "Results of Operations – Equity One" section of this MD&A.
[3] Prior year restated to reflect the May 2010, 3.2:2 stock split.

The Company's funds from operations – core operations for the year ended December 31, 2010 totalled $154.7 million or $0.97 per diluted common share which compares to $144.5 million or $0.96 per diluted common share for the year ended December 31, 2009. The Company's FFO – core operations for the year ended December 31, 2010, was positively affected by acquisitions and development coming on line and same property NOI growth and increased straight-line rent revenue. This was offset by increased interest expense due to the increase in total debt related to growth in the Company's core operations. During 2010, the Company also carried undeployed cash on its balance sheet. On a per share basis, FFO decreased due to an increase in the number of weighted average diluted shares outstanding of 6.6% over the prior year as a result of equity issuances during the last two years.

FFO – EQY and other non-recurring items includes other gains (losses) and (expenses) and in the prior year period, the effect of Equity One and its related interest expense and income taxes. The Equity One results are included in 2009 through August 14, the effective date of the dividend-in-kind. For the year ended December 31, 2010, FFO – EQY and other non-recurring items totalled $2.4 million or $0.01 per diluted common share compared to $6.8 million or $0.05 per diluted common share in the prior year period.

Adjusted Funds from Operations ("AFFO")

Management views AFFO as an effective measure of cash generated from operations. AFFO for the year ended December 31, 2010 totalled $160.6 million or $0.89 per diluted common share compared to $151.8 million or $0.92 per diluted common share in the prior year.

AFFO is calculated by adjusting FFO for non-cash and other items including interest payable in shares, straight-line and market rent adjustments, non-cash compensation expense, actual costs incurred for capital expenditures and leasing costs for maintaining shopping centre infrastructures and gains or losses on debt and hedges. Land sales are excluded from AFFO. The Company's proportionate share of Equity One FFO is excluded and only the regular cash dividends received are included in the prior year's AFFO. The weighted average diluted shares outstanding for AFFO is adjusted to assume conversion of the outstanding convertible debentures. Non-recurring AFFO items primarily consist of dividends from Equity One, net of the associated interest expense and realized gains on marketable securities.

(thousands of dollars, except per share amounts)	2010			2009		
	AFFO – Core Operations	AFFO – EQY and Other Non-recurring Items	Total AFFO	AFFO – Core Operations	AFFO – EQY and Other Non-recurring Items	Total AFFO
FFO	$ 154,725	$ 2,409	$ 157,134	$ 144,477	$ 6,843	$ 151,320
Add/(deduct):						
Interest expense payable in shares	22,214	—	22,214	15,342	—	15,342
Rental revenue recorded on a straight-line basis and market rent adjustments	(11,786)	—	(11,786)	(7,376)	—	(7,376)
Non-cash compensation expense	2,843	(58)	2,785	3,609	600	4,209
Revenue sustaining capital expenditures and leasing costs [1]	(13,291)	—	(13,291)	(12,171)	—	(12,171)
Additional pre-settlement net cash from property acquisitions	1,605	—	1,605	—	—	—
Funds from operations from Equity One [2]				—	(15,009)	(15,009)
Dividends from Equity One (regular)	—	—	—	—	12,452	12,452
Dilution loss on investment in Equity One	—	—	—	—	676	676
Return of capital portion of marketable securities – net	133	—	133	(299)	—	(299)
Change in cumulative unrealized losses (gains) on marketable securities	—	(253)	(253)	—	(1,952)	(1,952)
Losses on settlement of debt	—	1,215	1,215	—	2,394	2,394
Realized losses on termination of hedges	—	1,588	1,588	—	1,160	1,160
Unrealized (gains) losses on interest rate swaps not designated as hedges	—	(538)	(538)	—	1,203	1,203
Gain on disposition of land	(228)	—	(228)	(118)	—	(118)
AFFO	$ 156,215	$ 4,363	$ 160,578	$ 143,464	$ 8,367	$ 151,831
AFFO per diluted share [4]	$ 0.87	$ 0.02	$ 0.89	$ 0.87	$ 0.05	$ 0.92
Weighted average diluted shares – AFFO [3] [4]	180,916,597	180,916,597	180,916,597	164,695,415	164,695,415	164,695,415

(1) Estimated at $0.65 per square foot per annum on average gross leasable area for 2010 ($0.60 per square foot per annum in 2009).
(2) 2009 amounts cover period to August 14, 2009. See discussion of dividend-in-kind in the "Results of Operations – Equity One" section of this MD&A.
(3) Includes the weighted average outstanding shares that would result from the conversion of the convertible debentures.
(4) Prior year restated to reflect the May 2010, 3.2:2 stock split.

A reconciliation from cash provided by operating activities (a GAAP measure) to AFFO is presented below:

(thousands of dollars)	2010	2009
Cash provided by operating activities	**$ 176,285**	$ 148,628
Realized gains on sale of marketable securities	**4,361**	4,242
Dividend income – return of capital portion	**133**	(299)
Deferred leasing costs	**5,978**	5,022
Net change in non-cash operating items	**(15,051)**	6,592
Additional pre-settlement net cash from property acquisition	**1,605**	—
Amortization of other assets	**(1,729)**	(2,005)
Amortization of financing fees	**(1,801)**	(2,202)
Non-cash interest expense	**(3,340)**	(2,564)
Settlement of restricted share units	**2,899**	2,463
Settlement of deferred share units	**—**	514
Gains (losses) on foreign currency exchange	**2**	(278)
Realized losses on termination of hedges	**1,588**	1,160
Convertible debenture interest paid in common shares	**(19,275)**	(12,613)
Convertible debenture interest payable in common shares	**22,214**	15,342
Revenue sustaining capital expenditures and leasing costs	**(13,291)**	(12,171)
AFFO	**$ 160,578**	$ 151,831

Net Operating Income ("NOI")

NOI is defined as property rental revenue less property operating costs. In Management's opinion, NOI is useful in analyzing the operating performance of the Company's shopping centre portfolio. NOI is not a measure defined by GAAP and as such there is no standard definition. As a result, NOI may not be comparable with similar measures presented by other entities. NOI is not to be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

(thousands of dollars)	2010	2009
Property rental revenue		
Base rent [(1)]	**$ 309,996**	$ 281,079
Operating cost recoveries	**65,354**	59,975
Realty tax recoveries	**87,281**	80,276
Straight-line rent and market rent adjustments	**11,786**	7,376
Lease surrender fees	**1,394**	3,492
Percentage rent	**1,960**	2,803
Prior year operating cost and tax recovery adjustments	**(538)**	465
Temporary tenants, storage, parking and other	**7,783**	6,665
Total property rental revenue	**485,016**	442,131
Property operating costs		
Recoverable operating expenses	**75,061**	70,129
Realty tax expenses	**94,530**	87,090
Prior year realty tax expenses	**(960)**	(639)
Other operating costs and adjustments	**319**	374
Total property operating costs	**168,950**	156,954
NOI	**$ 316,066**	$ 285,177
NOI Margin	**65.2%**	64.5%
Operating cost recovery percentage	**87.1%**	85.5%
Tax recovery percentage	**92.3%**	92.2%

(1) Base rent includes annual minimum rents from gross and semi-gross leases.

The Company experienced growth in base rent and recoveries from tenants as a result of growth in the portfolio due to acquisitions and development coming on line, as well as increases in rental rates due to step ups and lease renewals. Operating costs and property taxes similarly increased due to the increase in the portfolio size. These items are discussed in the "Business and Operations Review" section of this MD&A above.

Straight-line rent revenue increased to $9.3 million in the year ended December 31, 2010 from $5.1 million in the same prior year period. The increase was partially due to a $2.7 million reduction in the fourth quarter in the allowance for doubtful accounts in respect of straight-line rents recognized in prior years. The Company lowered its estimate of anticipated doubtful accounts as a result of the level of write-offs actually experienced during the recent economic downturn, as well as the improvement in the outlook for Zellers resulting from the announced Target acquisition. The remainder of the increase in straight-line rents primarily results from the timing and number of free rent periods granted during 2009 and 2010.

(thousands of dollars)	% Increase	2010	2009
Same property NOI excluding expansion and redevelopment	**2.2%**	**$ 264,538**	$ 258,854
Expansion and redevelopment space NOI		**16,354**	11,481
Same property NOI with expansion and redevelopment	**3.9%**	**280,892**	270,335
Greenfield development		**10,737**	5,480
2010 Acquisitions		**8,279**	—
2009 Acquisitions		**3,868**	908
Rental revenue recognized on a straight-line basis		**9,299**	5,053
Market rent adjustments		**2,487**	2,323
Dispositions and other		**504**	1,078
NOI		**$ 316,066**	$ 285,177

Same properties in the table above refer to those shopping centres that were owned by the Company on January 1, 2009, and throughout 2009 and 2010.

Same property NOI increased by 3.9% in 2010, compared to the same prior year period, generating NOI growth of $10.6 million, primarily attributed to redevelopment and expansion space coming on line and increases in lease rates and occupancy. Same property NOI in 2010 includes $1.4 million of lease termination fees from 27 tenants at separate locations where 60,400 square feet with an annualized NOI of $1.0 million was vacated. 43,772 square feet has been re-leased replacing $0.75 million of the total NOI. A further 16,599 square feet was leased subsequent to year-end. Same property NOI in 2009 included $3.5 million in lease termination fees, which was primarily from three tenants at separate locations where 94,500 square feet was vacated.

Same property NOI for the year, excluding expansion or redevelopment space, increased by $5.7 million or 2.2% over the same prior year period.

Acquisitions completed in 2010 and 2009 contributed $12.1 million to NOI in 2010, while greenfield development activities contributed a further $10.7 million in 2010.

Interest and Other Income

(thousands of dollars)	2010	2009
Interest income from non-revolving term loan receivable from Gazit America Inc.	**$ 3,148**	$ 1,247
Interest, dividend and distribution income from marketable securities and cash investments	**1,252**	3,788
Interest income from loans receivable	**664**	577
	$ 5,064	$ 5,612

Interest and other income decreased during 2010 due to a reduction in dividend and distribution income from marketable securities, as a result of a reduced level of investments. This was partially offset by the interest income from the term loan receivable from Gazit America Inc. which is outstanding since August 14, 2009.

Other Gains (Losses) and (Expenses)

(thousands of dollars)	2010	2009
Gains on disposition of land	**$ 228**	$ 118
Gain from settlement of the Royal Oak litigation (a)	**1,672**	—
Included in FFO – Core operations	**1,900**	118
Realized gains on sale of marketable securities	**4,361**	4,242
Change in cumulative unrealized gains on marketable securities held-for-trading	**253**	1,952
Losses on purchase of convertible debentures (b)	**(767)**	—
Losses on settlement of debt	**(448)**	(2,394)
Realized losses on interest rate swaps (c)	**(1,588)**	(1,160)
Unrealized gains (losses) on interest rate swaps not designated as hedges	**538**	(1,203)
Gains (losses) on foreign currency exchange	**2**	(278)
Severance and termination costs	**—**	(2,000)
Costs related to acquistion of 40% interest in FCB	**58**	(752)
Dilution loss on investment in Equity One, Inc.	**—**	(676)
Included in FFO – EQY and other non-recurring items	**2,409**	(2,269)
Gain on disposition of shopping centre (d)	**2,416**	737
	$ 6,725	$ (1,414)

(a) During the first quarter of 2010, the Company settled its litigation with the former co-owner of the Royal Oak Shopping Centre in Calgary, Alberta which resulted in the Company acquiring the remaining 40% interest in the Royal Oak Shopping Centre. See the "Business and Operations Review – Acquisition Activities" section of this MD&A for further discussion.

(b) On August 6, 2010 the Toronto Stock Exchange ("TSX") accepted First Capital Realty's notice of intention to commence a normal course issuer bid ("NCIB") for each series of the convertible debentures. The NCIB commenced on August 10, 2010 and will expire on August 9, 2011 or such earlier date as the Company completes its purchases pursuant to the NCIB. During the year ended December 31, 2010, the Company purchased $7.1 million of principal amount of the 6.25% convertible debentures for $7.6 million, resulting in a loss of $0.7 million, a reduction of contributed surplus in the amount of $60,000 and a reduction in convertible debentures-equity component of $247,000. In the fourth quarter of 2010, the Company also purchased $0.9 million principal amount of the 5.50% convertible debentures for $0.9 million, resulting in a loss of $27,000, an increase of contributed surplus in the amount of $5,000 and a reduction in convertible debentures-equity component of $28,000.

(c) The Company terminated $90 million notional amount of Canadian bankers' acceptance based interest rate swaps in the first quarter of 2010 resulting in a loss of $1.6 million.

(d) During the year ended December 31, 2010, the Company sold a shopping centre in Lethbridge, Alberta for gross proceeds of $12.5 million including the assumption of a mortgage of $7.6 million. A gain on disposition of $2.4 million was recorded. During the year ended December 31, 2009, the Company sold a shopping centre in Regina, Saskatchewan for gross proceeds of $3.8 million including a vendor-take-back mortgage of $2.3 million. A gain on disposition of $0.5 million was recorded.

Interest Expense

(thousands of dollars)	2010	2009
Mortgages, loans and credit facilities		
Canadian operations	$ 82,437	$ 91,705
Secured by investment in Equity One [1]	—	3,416
	82,437	95,121
Senior unsecured debentures	54,613	33,442
Convertible debentures		
Coupon interest	19,886	13,901
Amortization of discount [2]	1,357	936
Amortization of deferred issue costs	971	506
	22,214	15,343
Interest capitalized to land and shopping centres under development	(15,931)	(18,441)
Total interest expense	$ 143,333	$ 125,465

(1) 2009 amounts cover period to August 14, 2009. See discussion of dividend-in-kind in the "Results of Operations – Equity One" section of this MD&A.

(2) Discount results from the bifurcation of the convertible debenture into the liability and equity components under GAAP on the date of issue, and consists of amortization of the difference between the issue proceeds and the amount assigned to the liability component as a result of assigning value to the equity component.

Interest expense on mortgages, loans and credit facilities decreased in the year ended December 31, 2010 compared to the same prior year period primarily due to the paydown of credit facilities from the proceeds of debenture and equity financings completed in the second half of 2009 and in 2010 as well as the effect of the August 2009 dividend-in-kind.

The increase in interest expense from senior unsecured debentures is due to the issuances of $400 million principal amount of senior unsecured debentures in 2010 and issuances of $125 million principal amount in 2009 as described in the "Capital Structure and Liquidity – Senior Unsecured Debentures" section of this MD&A.

The increase in convertible debenture interest expense is due to the interest on the $75 million of par value 6.25% convertible unsecured subordinated debentures issued on September 18, 2009 and the interest on the $50 million of par value 5.70% convertible unsecured subordinated debentures issued on December 30, 2009.

Capitalized interest decreased by $2.5 million from 2009 to 2010 due to a decrease in the levels of assets under development during 2010.

On February 23, 2011, the Company announced that, consistent with past practice, it will pay the interest due on March 31, 2011 to holders of its 5.50%, 6.25% and 5.70% convertible unsecured subordinated debentures by the issuance of common shares. The number of common shares to be issued per $1,000 principal amount of debentures will be calculated by dividing the dollar amount of interest payable by an amount equal to 97% of the volume-weighted average trading price of the common shares of First Capital Realty on the Toronto Stock Exchange, calculated for the 20 consecutive trading days ending on March 24, 2011. The interest payment due is approximately $9.7 million.

It is the current intention of the Company to continue to satisfy its obligations to pay principal and interest on its convertible debentures by the issuance of common shares. Since issuance, all interest payments have been made using common shares.

Corporate Expenses

(thousands of dollars)	2010	2009
Salaries, wages and benefits	$ 17,775	$ 16,559
Non-cash compensation	2,802	3,609
Other general and administrative costs	8,947	8,112
Capital taxes, net of recoveries from tenants	255	1,022
Abandoned transaction costs	828	1,072
	30,607	30,374
Amounts capitalized to properties under development and deferred leasing costs	(9,165)	(8,252)
	$ 21,442	$ 22,122
Corporate expenses, excluding capital taxes and non-cash compensation	$ 18,422	$ 17,491
As a percent of rental revenue	3.8%	4.0%
As a percent of gross total assets	0.5%	0.4%

Salaries, wages and benefits increased from the prior year primarily as a result of an increase in the staffing levels to accomodate the completion of the internalization process and growth in the Company's portfolio and to a lesser degree the additional incentive compensation payable to the employees.

Non-cash compensation is recognized over the respective vesting periods for options, restricted share units and deferred share units. These items are considered part of the total compensation for directors, senior management, other team members and periodically to select service providers to the Company. The decrease in non-cash compensation results primarily from the effect of large stock option grants in 2007 being fully amortized in 2010.

Capital taxes have decreased due to ongoing reductions in capital tax rates in Ontario and Quebec during 2010. Capital taxes have been eliminated in substantially all of the provinces in which the Company had properties as of December 31, 2010.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development and initial leasing of the properties, including salaries and related costs, are capitalized in accordance with GAAP to land and shopping centres under development, as incurred. Certain costs associated with the Company's internal leasing staff are capitalized to deferred leasing costs and amortized over the lives of the related leases. Amounts capitalized to real estate investments for properties undergoing development or redevelopment and leasing costs (including leasing for development projects) during the year ended December 31, 2010 totalled $9.2 million compared to $8.3 million in the prior year comparative period. Amounts capitalized are based on specific leasing activities and development projects underway. The increase in capitalized costs in 2010 compared to 2009 is primarily due to the increase in the level of development activity on developments scheduled for 2011 and the increase in the amount of internally developed software and systems.

Amortization Expense

(thousands of dollars)	2010	2009
Shopping centres	**$ 90,949**	$ 83,342
Deferred leasing costs	**3,998**	3,662
Intangible assets	**5,518**	7,497
Amortization of real estate assets	**100,465**	94,501
Deferred financing fees	**1,801**	2,202
Other assets	**1,729**	2,005
Total amortization	**$ 103,995**	$ 98,708

Amortization of real estate assets increased due to the amortization of newly acquired properties and development coming on line.

Income Taxes

(thousands of dollars)	2010	2009
Current income taxes	**$ —**	$ 533
Future income taxes	**17,747**	7,700
Income taxes	**$ 17,747**	$ 8,233

Current income tax has decreased as a result of the August 2009 dividend-in-kind related to the Company's interest in Equity One.

Future income tax expense has increased compared to 2009 due to an increase in income before income taxes. Income tax expense in 2009 also included the effect of substantively enacted rate reductions that took effect in 2009.

Equity One, Inc. ("Equity One")

(thousands of dollars, except per share and other data) (1)		2009
% Ownership as at December 31		—
Investment in Equity One, Inc. (Cdn$) as at December 31	$	—
Funds from operations from Equity One, Inc. (Cdn$)	$	15,009
Funds from operations from Equity One, Inc. (US$)	$	12,631
Dividends from Equity One (Cdn$)	$	12,452
Dividends from Equity One (US$)	$	10,514
Average exchange on dividends (US$ to Cdn$)		1.18
Equity One dividends per common share (Cdn$)	$	0.89
Equity One dividends per common share (US$)	$	0.75

(1) 2009 amounts cover period to August 14, 2009.

On August 14, 2009, First Capital Realty completed the dividend-in-kind of the Company's interest in Gazit America Inc. (formerly known as First Capital America Holding Corp.) ("Gazit America"). Gazit America is a Canadian company that indirectly owned shares in Equity One (approximately 14.1 million shares), and had debt secured by the Equity One shares (approximately US$100 million) and certain other liabilities, including subordinated debt owing to First Capital Realty in the amount of approximately US$36 million. As a result of this dividend-in-kind, First Capital Realty no longer has any ownership interest in Equity One. Equity One is a United States REIT traded on the New York Stock Exchange ("NYSE") under the ticker symbol EQY.

Gazit America Inc. had an initial fair value of $41.5 million or $0.28 per First Capital Realty common share on August 14, 2009 (per share amount restated to reflect the May 2010, 3.2:2 stock split). Under relevant accounting rules, the dividend has been recorded at the carrying value of the assets and liabilities transferred, adjusted for accumulated other comprehensive income. Note 7 to the annual financial statements for 2009 contains a complete reconciliation of the carrying amounts. The carrying value of the dividend was adjusted in the fourth quarter of 2009 when Equity One announced the final taxable percentage of its dividends for 2009, and when the Company completed its final future income tax calculations for the year ended December 31, 2009.

CAPITAL STRUCTURE AND LIQUIDITY

Capital Employed

(thousands of dollars)	2010	2009
Equity capitalization		
Common stock outstanding (1)	**163,455,753**	153,672,609
Diluted common stock (1) (2)	**165,062,316**	154,608,498
Mortgages, loans and credit facilities	**$ 1,318,341**	$ 1,354,668
Senior unsecured debentures (principal amount)	**1,120,799**	720,799
Convertible debentures (principal amount)	**343,750**	351,750
Equity market capitalization (common shares at market value, based on closing share price of $15.11 (2009 – $13.54 (1))	**2,469,816**	2,080,343
Total capital employed, December 31	**$ 5,252,706**	$ 4,507,560
Debt to aggregate assets (3)	**52.2%**	50.3%
Debt to total market capitalization (3)	**45.8%**	45.9%
Weighted average interest rate on fixed rate debt and senior unsecured debentures	**5.89%**	5.98%
Weighted average maturity on mortgages, term credit facilities and senior unsecured debentures (years)	**4.4**	4.4

(1) Prior year restated to reflect the May 2010, 3.2:2 stock split.
(2) Includes effect of all dilutive securities except convertible debentures.
(3) As at December 31, 2010.

The real estate business is capital-intensive by nature. The Company's capital structure is key to financing growth and providing sustainable cash dividends to shareholders. In the real estate industry, financial leverage is used to enhance rates of return on invested capital. Management believes that First Capital Realty's composition of debt, convertible debentures and equity in its capital base provides stability and reduces risks, while generating an acceptable return on investment, taking into account the long-term business strategy of the Company.

In 2007, the Dominion Bond Rating Service Ltd. ("DBRS") provided First Capital Realty with a credit rating upgrade to BBB with a stable trend from the previous rating of BBB (low) with a stable trend relating to the senior unsecured debentures. The Company received its initial credit rating of BBB- in May 2005, from DBRS. A credit rating in the BBB category is generally an indication of adequate credit quality as defined by DBRS. In 2006, Moody's Investor Services, Inc. ("Moody's") provided First Capital Realty with a credit rating of Baa3, with a stable outlook relating to the senior unsecured debentures. As defined by Moody's, a credit rating of Baa3 denotes that these debentures are subject to moderate credit risk and are of medium grade and, as such, may possess certain speculative characteristics. A rating outlook, expressed as positive, stable, negative or developing, provides the respective rating agencies' opinion regarding the outlook for the rating in question over the medium term. DBRS and Moodys have provided updates in July 2010 and February 2011, respectively, at these same investment grade ratings. The credit ratings assigned are not recommendations to purchase, hold or sell these debentures. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by either or both Moodys or DBRS at any time.

The Company seeks the lowest cost of debt capital over the long term. Where it is deemed appropriate, the Company will raise equity as a source of financing and may strategically sell non-core assets to best redeploy capital and take advantage of opportunities in the market.

During the first half of 2009 and in the prior 18 months of disrupted credit markets the Company utilized unencumbered properties to access secured financing and then reentered the unsecured debenture market only after pricing was normalized.

In 2010, the Company completed $101.4 million of secured financing on three properties at a weighted average rate of 4.78% and a weighted average term of 8.0 years. This compares to $187.3 million on 13 properties in 2009 at a weighted average rate of 6.21% and a weighted average term of 8.5 years.

The Company also completed in 2010 the issuance of $400 million principal amount of senior unsecured debentures and raised $125.5 million from common shares issued. This compares to the issuance of $125 million principal amount of senior unsecured debentures, $125 million principal amount of convertible debentures and $100.6 million from common shares issued in 2009. Subsequent to December 31, 2010 the Company raised $150 million from the issuance of senior unsecured debentures as described in the "Capital Structure and Liquidity – Senior Unsecured Debentures" section of this MD&A. These financings along with planned financings and availability on existing credit facilities, address substantially all of the contractual 2011 debt maturities and contractual committed costs to complete on current development projects.

Consolidated Debt and Principal Amortization Maturity Profile

(thousands of dollars)	Mortgages	Cdn Credit Facilities	Senior Unsecured Debentures[1]	Total	% Due
2011	$ 95,940	$ —	$ 198,799	$ 294,739	12.1%
2012	162,406	—	100,000	262,406	10.8%
2013	236,245	—	97,000	333,245	13.7%
2014	263,731	—	200,000	463,731	18.9%
2015	185,329	—	125,000	310,329	12.6%
2016	62,500	—	—	62,500	2.6%
2017	30,135	—	250,000	280,135	11.5%
2018	93,322	—	150,000	243,322	10.0%
2019	135,744	—	—	135,744	5.6%
Thereafter	53,350	—	—	53,350	2.2%
Add: unamortized deferred financing costs and premium and discounts, net	(361)	—	(6,768)	(7,129)	—
	$ 1,318,341	$ —	$ 1,114,031	$ 2,432,372	100.0%

(1) The covenants on the unsecured debentures include the requirement that unencumbered assets are equal to or greater than 1.30 times the gross book value of the outstanding debentures. This pool of unencumbered assets provides the Company with financing flexibilities on maturity of the debentures.

Mortgages, Loans and Credit Facilities

The changes in the book value of the Company's mortgages, loans and credit facilities during the year ended December 31, 2010 are set out below:

(thousands of dollars)	Fixed Rate Mortgages	Weighted Average Interest Rate	Secured Term Loans and Credit Facilities	Weighted Average Interest Rate	Total
Balance, December 31, 2009	**$ 1,312,032**	**6.18%**	**$ 42,636**	**3.94%**	**$ 1,354,668**
Additional borrowings, net of issue costs	108,158		52,315		160,473
Assumed mortgages on acquisition of shopping centres	66,795		—		66,795
Vendor-take-back mortgage	11,275		—		11,275
Repayments	(147,489)		(95,806)		(243,295)
Principal instalment payments	(35,084)		—		(35,084)
Effects of US dollar exchange rate and other changes [1]	2,654		855		3,509
Balance, December 31, 2010	**$ 1,318,341**	**6.09%**	**$ —**	**—**	**$ 1,318,341**

[1] Includes amortization of issue costs, premiums and discounts.

At December 31, 2010, 100% (2009 – 96.9%) of the outstanding mortgage, loan and credit facility liabilities bore interest at fixed interest rates. The fixed mortgage rates provide an effective matching for rental income from leases, which typically have fixed terms ranging from five to ten years, and incremental contractual rent steps during the term of the lease.

The Company had fixed rate mortgages outstanding, as at December 31, 2010 and 2009, in the aggregate amount of $1.3 billion. In the year ended December 31, 2010, $186.2 million in new financings from new mortgage financing and assumed mortgages on acquisitions of properties was offset by $182.6 million in principal amortization and repayments. The average remaining term of the mortgages outstanding has declined from 4.9 years at December 31, 2009 to 4.6 years at December 31, 2010.

Mortgage Maturity and Lender Type Profile

					Breakdown of Mortgage Maturities by Type of Lender		
(thousands of dollars)	Scheduled Amortization	Payments on Maturity	Total	Weighted Average Interest Rate	Percent with Banks	Percent with Conduits	Percent with Insurance Co's and Pension Funds
2011	$ 35,543	$ 60,397	$ 95,940	6.71%	17.8%	57.2%	25.0%
2012	33,527	128,879	162,406	6.65%	2.0%	55.6%	42.4%
2013	30,579	205,666	236,245	6.02%	21.5%	34.2%	44.3%
2014	23,175	240,556	263,731	6.27%	6.2%	44.7%	49.1%
2015	15,074	170,255	185,329	5.43%	—	46.0%	54.0%
2016	11,415	51,085	62,500	5.54%	23.2%	13.5%	63.3%
2017	10,901	19,234	30,135	5.85%	7.0%	—	93.0%
2018	8,269	85,053	93,322	6.20%	—	—	100.0%
2019	4,528	131,216	135,744	6.41%	26.2%	—	73.8%
2020	1,866	45,858	47,724	5.20%	—	—	100.0%
Thereafter	5,626	—	5,626	6.20%	—	—	—
Total	$ 180,503	$ 1,138,199	$ 1,318,702	6.09%	10.5%	32.5%	57.0%

The Company's strategy is to manage its long-term debt by staggering maturity dates in order to mitigate short-term volatility in the debt markets. At December 31, 2010, the Company had mortgages, loans and credit facilities aggregating $95.9 million coming due in 2011. Maturing amounts are comprised of $60.4 million of mortgages at an average interest rate of 6.71% and $35.5 million of scheduled amortization of principal balances. Subsequent to December 31, 2010, $5.5 million of the mortgages were paid out on maturity.

Also, subsequent to December 31, 2010, the Company committed to $23 million in a secured financing transaction at an interest rate of 5.108% and a term of 10 years.

Credit Facilities

The Company has the flexibility under its secured credit facilities to draw funds based on bank prime rates, Canadian bankers' acceptances, LIBOR-based advances or US prime for US dollar-denominated borrowings or Euro dollars. The bankers' acceptances currently provide the Company with the least costly means of borrowing under this credit facility. The secured credit facilities are being used primarily to provide liquidity for financing acquisition, development and redevelopment activities and for general corporate purposes.

On March 5, 2009, the Company completed a three-year, $450 million secured revolving credit facility with a syndicate of ten banks led by RBC Capital Markets, TD Securities and BMO Capital Markets, maturing March 2012. The new facility replaced the Company's three-year $350 million senior unsecured revolving credit facility maturing March, 2010. The interest rate on the secured facility was initially at bankers' acceptances plus 350 basis points. On November 24, 2009, the Company reduced the secured revolving credit facility by $75 million and on December 30, 2009 further reduced the facility by $90 million. On January 21, 2010, the Company further reduced the availability of the secured revolving credit facility by $35 million to $250 million. As a result, $0.3 million of unamortized deferred financing costs has been recorded as a loss on settlement of debt in the first quarter of 2010.

The Company also completed a three-year $75 million secured revolving credit facility with the Bank of Nova Scotia with the same terms as the $450 million syndicated facility in January 2009. On January 21, 2010, the Company reduced the $75 million secured revolving credit facility to $50 million which resulted in $0.2 million of unamortized deferred financing costs being recorded as a loss on settlement of debt in the first quarter of 2010.

Effective April 9, 2010, the spread charged on the two existing bank facilities decreased to 250 basis points over the bankers' acceptance rate.

Senior Unsecured Debentures

(thousands of dollars)

			Interest Rate		Term to	Principal
Series	Date of Issue	Maturity Date	Coupon	Effective	Maturity (yrs)	Outstanding
B	March 30, 2006	March 30, 2011	5.25%	5.51%	0.2	$ 98,899
C	August 1, 2006	December 1, 2011	5.49%	5.67%	0.9	99,900
A	June 21, 2005	June 21, 2012	5.08%	5.29%	1.5	100,000
D	September 18, 2006	April 1, 2013	5.34%	5.51%	2.3	97,000
E	January 31, 2007	January 31, 2014	5.36%	5.52%	3.1	100,000
F	April 5, 2007	October 30, 2014	5.32%	5.47%	3.8	100,000
G	November 20, 2009	June 1, 2015	5.95%	6.13%	4.4	125,000
H	January 21, 2010	January 31, 2017	5.85%	5.99%	6.1	125,000
I	April 13, 2010	November 30, 2017	5.70%	5.85%	6.9	50,000
I	April 13, 2010	November 30, 2017	5.70%	5.82%	6.9	25,000
I	June 14, 2010	November 30, 2017	5.70%	5.70%	6.9	50,000
J	July 12, 2010	August 30, 2018	5.25%	5.66%	7.7	50,000
K	August 25, 2010	November 30, 2018	4.95%	5.30%	7.9	50,000
K	October 26, 2010	November 30, 2018	4.95%	5.06%	7.9	50,000
			5.45%	5.63%	4.0	$ 1,120,799

On January 21, 2011, the Company completed the issuance of $150 million principal amount of senior unsecured debentures, Series L, due July 30, 2019. These debentures bear interest at a coupon rate of 5.48% per annum payable semi-annually commencing July 30, 2011.

On issuance, each series of debentures issued was rated BBB with a stable trend by DBRS and Baa3 (stable) by Moody's Investors Service.

Convertible Debentures

(thousands of dollars)

Interest Rate				Principal at			
Coupon	Effective	Date of Issue	Maturity Date	Issue Date	Principal	Liability	Equity
5.50%	6.45%	December 19, 2005	September 30, 2017	$ 100,000	$ 75,808	$ 71,927	$ 2,286
5.50%	6.39%	November 30, 2006	September 30, 2017	100,000	100,000	95,165	6,015
5.50%	6.61%	June 29, 2007	September 30, 2017	50,000	50,000	47,025	7,387
6.25%	7.64%	September 18, 2009	December 31, 2016	75,000	67,942	63,478	2,385
5.70%	6.88%	December 30, 2009	June 30, 2017	50,000	50,000	46,940	1,482
5.69%	6.75%			$ 375,000	$ 343,750	$ 324,535	$ 19,555

For the year ended December 31, 2010, 1,390,495 common shares (year ended December 31, 2009 – 1,235,701 common shares [(1)]) were issued to pay interest to holders of the 5.50%, 6.25% and 5.70% convertible debentures.

The Company uses convertible debentures as a part of its overall capital structure. It is the Company's current intention to continue to satisfy its obligations of principal and interest payments on its convertible unsecured subordinated debentures by issuance of common shares.

The TSX accepted First Capital Realty's notice of intention to commence a normal course issuer bid (the "NCIB") effective August 6, 2010 for each series of its convertible unsecured subordinated debentures. The NCIB commenced on August 10, 2010 and will expire on August 9, 2011 or such earlier date as the Company completes its purchases pursuant to the NCIB. All purchases made under the NCIB will be made in accordance with the rules of the TSX through the facilities of the TSX or other Canadian marketplaces at market prices prevailing at the time of purchase and the timing of such purchases will be determined by First Capital Realty or, for purchases under an automatic securities purchase plan, by the Company's broker. The total amount of convertible debentures that may be purchased under the NCIB cannot exceed the limits disclosed in the Company's August 6, 2010 press release announcing its intention to commence the NCIB.

During the year ended December 31, 2010, the Company purchased $7.1 million principal amount of the 6.25% debentures for $7.6 million, resulting in a loss of $0.7 million, a reduction of contributed surplus in the amount of $60,000 and a reduction in convertible debentures equity component of $247,000. In the fourth quarter of 2010, the Company also purchased $0.9 million principal amount of the 5.50% convertible debentures for $0.9 million, resulting in a loss of $27,000, an increase of contributed surplus in the amount of $5,000 and a reduction in convertible debentures equity component of $28,000.

Subsequent to December 31, 2010, on January 19, 2011, the Company announced that it had entered into an automatic securities purchase plan with a broker in order to facilitate repurchases of its 5.50% Convertible Unsecured Subordinated Debentures due September 30, 2017 (TSX: FCR.DB.A) (the "Debentures") under the NCIB. Purchases under the automatic securities purchase plan will be made by the Company's broker based upon the parameters prescribed by the TSX, applicable Canadian securities laws and the terms of the parties' written agreement. This automatic securities purchase plan has been approved by the TSX and was implemented effective January 20, 2011.

Under First Capital Realty's automatic securities purchase plan, the Company's broker may purchase Debentures under the normal course issuer bid at times when First Capital Realty would ordinarily not be permitted to, due to its self-imposed regular quarterly blackout period. This automatic securities purchase plan will terminate no later than 12:01 a.m. (Toronto time) on the third trading day after the Company publicly disseminates its results for the year ended December 31, 2010. The Company anticipates, subject to regulatory approval, entering into one or more automatic securities purchase plans from time to time during the course of the NCIB to enable purchases of convertible debentures (series and classes of convertible debentures subject to an automatic plan may vary) under the NCIB to be made during regular quarterly blackout periods.

(1) Prior year restated to reflect the May 2010, 3.2:2 stock split. See the "Capital Structure and Liquidity – Shareholders' Equity" section of this MD&A.

Shareholders' Equity (1)

Shareholders' equity amounted to $1.134 billion as at December 31, 2010, as compared to $1.096 billion at December 31, 2009. Shareholders' equity as at December 31, 2010 included $19.6 million (December 31, 2009 – $19.8 million) representing the equity component of convertible debentures as discussed above.

As at December 31, 2010, the Company had 163,455,753 (December 31, 2009 – 153,672,609) issued and outstanding common shares with a stated capital of $1.7 billion (December 31, 2009 – $1.6 billion). During the year ended December 31, 2010, a total of 9,783,144 common shares for proceeds of $125.5 million were issued as follows: 1,390,495 shares for interest payments on convertible debentures, 4,707,649 shares primarily from the exercise of common share warrants and options, and 3,685,000 shares from a public offering.

On May 27, 2010, the Company completed the subdivision of its common shares at a ratio of 3.2 common shares for each two common shares. The common shares commenced trading on a post stock-split basis on the TSX effective May 25, 2010. No fractional common shares were issuable as a result of the subdivision but, rather, a cash payment was made for such fractional interests determined on the basis of the closing price of the common shares on the TSX on May 28, 2010.

The Company's quarterly dividend has effectively remained unchanged following the subdivision in that for a given number of common shares on a pre-split basis and for the corresponding number of common shares on a post-split basis, the total dividend did not change as a result of the subdivision. More specifically, the former quarterly dividend of $0.32 per share (on a pre-split basis) is now $0.20 per share (on a post-split basis) so as to reflect the additional number of common shares outstanding as a result of the subdivision.

As a result of and effective immediately following the subdivision, the exercise price of the Company's outstanding warrants was decreased by (multiplying by) a factor of 0.625 and the number of common shares for which each such warrant is exercisable was increased by (multiplying by) a factor of 1.6 (with any fractional interests being rounded down to the nearest whole number without payment of any consideration therefor). As a result of and effective immediately following the subdivision, the conversion price of the Company's convertible debentures outstanding (TSX:FCR.DB.A, FCR.DB.B, FCR.DB.C and FCR.DB.D) was decreased by (multiplying by) a factor of 0.625.

On June 29, 2010, the Company completed the sale of 3,485,000 common shares at a price of $14.35 per common share for total gross proceeds of $50.0 million. On July 15, 2010, the underwriters exercised part of their over-allotment option and purchased an additional 200,000 common shares at the offering price of $14.35 per common share for additional gross proceeds of $2.9 million.

On February 17, 2009, the Company issued 2,289,773 shares at a book value of $10.21 per share in exchange for 1,766,800 units of Allied Properties REIT at a ratio of 1.296 First Capital Realty shares per unit.

On August 5, 2009, the Company issued 3,450,000 units (the "Units") at a price of $17.10 per Unit for total gross proceeds of approximately $59 million. Each Unit consisted of: (i) 1.6 common shares of First Capital Realty (on a post split basis), and (ii) two-thirds of a share purchase warrant.

The Company adopted a Dividend Reinstatement Plan ("DRIP") in May 2005 enabling qualifying shareholders that elect to participate in the DRIP to reinvest dividends on common shares of the Company in additional common shares at a discount of 2% of the weighted average trading price of the common shares on the TSX for the five consecutive trading days preceding the dividend payment date. From the inception of the plan, the quarterly participation rate in the DRIP averaged 76%. On August 7, 2008, the Company announced that it was suspending the DRIP. Accordingly, any dividend payable to shareholders after that date is not subject to the DRIP. The suspension is in effect unless and until further notice is given. The Company may consider from time to time reinstating the DRIP.

Shareholders' equity as at December 31, 2010 included a deficit of $609.5 million (December 31, 2009 – $523.1 million). The Company has historically paid dividends at levels consistent with general industry practice based on cash flow from operations as opposed to net income.

As at March 1, 2011, 163,499,096 common shares were outstanding. There were no material changes in the aggregate principal amount of convertible unsecured subordinated debentures from December 31, 2010 to March 1, 2011.

(1) Prior year restated to reflect the May 2010, 3.2:2 stock split described in this section.

Share Purchase Options

As of December 31, 2010, the Company had outstanding 5,463,038 share purchase options, with an average exercise price of $14.25. The options are exercisable by the holder at any time after vesting up to ten years from the date of grant. The options have been issued at various times pursuant to the Company's stock option plan to the employees, officers and directors of the Company and certain third-party service providers. The options granted permit the holder to acquire shares at an exercise price equal to the market price of such shares at the date the option is granted. The purpose of granting options is to encourage the holder to acquire an ownership interest in the Company over a period of time, which acts as a financial incentive for the holder to consider the long-term interests of the Company and its shareholders.

The exercise price of all eligible options were adjusted by $0.28 in the third quarter of 2010 to reflect the capital distribution relating to the August 2009 dividend-in-kind of the Company's interest in Equity One.

If all options outstanding at December 31, 2010 were exercised, 5,463,038 shares would be issued and the Company would receive proceeds of approximately $77.8 million. This includes 2,396,006 options for proceeds of approximately $39.7 million that were out-of-the-money at December 31, 2010.

Liquidity

(thousands of dollars)	**2010**	2009
Revolving credit facilities		
Approved	**$ 300,000**	$ 360,000
Cash drawn (balances) and letters of credit	**$ (13,000)**	$ 56,000
Unencumbered assets available as defined by debt covenants, less cash on hand	**$ 1,519,000**	$ 1,084,000
Other unencumbered real estate assets including properties under development	**$ 217,000**	$ 136,000

(thousands of dollars)	**2010**	2009
EBITDA (1)	**$ 302,453**	$ 279,342
EBITDA margin (2)	**61.7%**	61.4%
EBITDA interest coverage (2)	**2.21**	2.13
EBITDA interest coverage excluding capitalized interest on development (2)	**2.50**	2.48

(1) EBITDA is calculated as net income, adding back income tax expense, interest expense, amortization expense and excluding the impact of gains and losses and other non-cash items. EBITDA is used in analyzing the Company's compliance with the unsecured debentures indenture. EBITDA is not a measure defined by GAAP and as such there is no standard definition. As a result, EBITDA may not be comparable with similar measures presented by other entities. EBITDA is not to be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

(2) Calculated, on a trailing basis, in accordance with the unsecured debentures indenture definitions for the period, excluding non-cash compensation.

Cash flow from operations is dependent on occupancy levels of properties, rental rates achieved, collections of rent and costs to maintain or lease space. The Company's strategy is to maintain debt in the range of 45% to 60% to market capitalization. At December 31, 2010, this debt ratio was 45.8% based on the Company's calculation. Maturing debt is generally repaid from proceeds from refinancing such debt cost.

Cash and cash equivalents were $31.6 million at December 31, 2010 (2009 – $4.5 million). At December 31, 2010, the Company had undrawn credit facilities totalling $281.5 million and had approved credit facilities totalling $300 million. The Company also had unencumbered assets with a gross book value of approximately $1.7 billion. During the year ended December 31, 2010, the Company completed secured mortgages totalling $101.4 million; issued $400 million in senior unsecured debentures and issued 3,685,000 common shares in two transactions for gross proceeds of $52.9 million. As a result the Company also held average cash balances from January 21, 2010, of $55.2 million. These transactions demonstrate the Company's access to capital and various sources of financing. Management believes that it has sufficient resources to meet its operational and investing requirements in the near- and longer-term based on the availability of capital in various markets.

The Company historically used secured mortgages, term loans and revolving credit facilities, senior unsecured debentures, convertible debentures and equity issues to finance its growth. The actual level and type of future borrowings will be determined based on prevailing interest rates, various costs of debt and equity capital, capital market conditions and Management's general view of the required leverage in the business.

Cash Flows

(thousands of dollars)	2010	2009
Cash provided by operating activities	**$ 176,285**	$ 148,628
Cash used in investing activities	**(396,301)**	(232,860)
Cash provided by financing activities	**247,107**	80,195
Effect of currency rate movement	**—**	1,322
Increase (decrease) in cash and cash equivalents	**$ 27,091**	$ (2,715)

Operating Activities

Cash provided by operating activities increased in 2010 primarily from cash flow generated by the growth in net operating income from the Company's shopping centre portfolio as well as an increase in accounts payable due to the timing of payments on trade payables.

Investing Activities

The Company continues to acquire properties and make significant investments in its shopping centre portfolio. The overall level of investing activity in 2010 is higher than the prior year. Details of the Company's investments in acquisitions and developments are provided under the "Business and Operations Review" section of this MD&A.

Financing Activities

The cash flow provided by financing activities includes the issuance of $400 million senior unsecured debentures, equity issuances and mortgage financing activities, offset by the paydown of credit facilities. The increase in cash flow from financing activities is consistent with the increase in investing activities. These activities are fully described in the "Capital Structure and Liquidity" section of this MD&A.

Contractual Obligations

	Payments Due by Period				
(thousands of dollars)	Year ended December 31 2011	Years ended December 31 2012 to 2013	Years ended December 31 2014 to 2015	Thereafter	Total
Mortgages					
Scheduled amortization	$ 35,543	$ 64,106	$ 38,249	$ 42,605	$ 180,503
Payments on maturity	60,397	334,545	410,811	332,446	1,138,199
Total mortgage obligations	95,940	398,651	449,060	375,051	1,318,702
Senior unsecured debentures	198,799	197,000	325,000	400,000	1,120,799
Land leases	823	1,651	1,574	13,964	18,012
Contractual committed costs to complete current development projects	38,233	1,000	—	—	39,233
Other committed costs	3,401	12,464	—	—	15,865
Total contractual obligations	$ 337,196	$ 610,766	$ 775,634	$ 789,015	$ 2,512,611

In addition, the Company has $18.5 million of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's obligations related to its development projects.

The Company's estimated costs to complete properties currently under development are $126.6 million of which $39.2 are contractually committed. The balance of the costs to complete will only be committed once leases are signed and construction activities are underway. These contractual and potential obligations primarily consist of construction contracts and additional planned development expenditures and are expected to be funded from credit facilities as the work is completed.

Other committed costs are with respect to the purchase of a property and a related tenant allowance.

The Company is liable for minimum land-lease payments of $0.8 million on certain of its properties in each year from 2011 to 2015 and $14.0 million thereafter. Total minimum land-lease payments are $18.0 million. The leases expire between 2023 and 2052.

Contingencies

The Company is involved in litigation and claims which arise from time to time in the normal course of business. In the opinion of Management, none of these, individually or in aggregate, would result in a liability that would have a material adverse effect on the financial position of the Company.

The Company is contingently liable, jointly and severally, for approximately $36.3 million (December 31, 2009 – $51.1 million) to various lenders in connection with loans advanced to its joint venture co-owners secured by the owners' interest in the co-ownerships.

Dividends

The Company has paid regular quarterly dividends to common shareholders since it commenced operations as a public company in 1994. Dividends are set taking into consideration the Company's capital requirements, its alternative sources of capital and common industry cash distribution practices.

	2010	2009
Regular dividends paid per common share [1]	**$ 0.80**	$ 0.80
August 14, 2009 dividend-in-kind [1] [2]	**$ —**	$ 0.28
Payout ratio calculated as a percentage of:		
Funds from operations [1]	**81.6%**	79.2%
Adjusted funds from operations [1]	**89.9%**	85.3%

(1) Prior year restated to reflect the May, 2010, 3.2:2 stock split.

(2) See discussion of dividend-in-kind in "Results of Operations – Equity One, Inc." section of this MD&A.

QUARTERLY FINANCIAL INFORMATION

	2010				2009			
(thousands of dollars, except per share and other data)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property rental revenue	**130,676**	**119,092**	**117,135**	**118,113**	113,232	108,829	109,727	110,343
Property operating costs	**44,185**	**40,119**	**41,208**	**43,438**	39,524	37,217	38,170	42,043
Net operating income	**86,491**	**78,973**	**75,927**	**74,675**	73,708	71,612	71,557	68,300
Equity income (loss) from Equity One [1]	**—**	**—**	**—**	**—**	(1,287)	954	3,369	4,030
Net income	**10,983**	**11,083**	**9,503**	**9,769**	14,736	9,002	9,093	9,082
Basic earnings per share [2]	**$ 0.07**	**$ 0.07**	**$ 0.06**	**$ 0.06**	$ 0.09	$ 0.06	$ 0.06	$ 0.06
Diluted earnings per share [2]	**$ 0.07**	**$ 0.07**	**$ 0.06**	**$ 0.06**	$ 0.09	$ 0.06	$ 0.06	$ 0.06
Weighted average diluted shares outstanding – EPS [2]	**164,235,206**	**162,157,130**	**157,835,090**	**155,676,589**	155,211,858	151,843,209	148,195,664	145,875,546
Funds from operations	**44,975**	**38,494**	**36,319**	**37,346**	36,159	38,502	38,416	38,243
Funds from operations/ share diluted [2]	**$ 0.27**	**$ 0.24**	**$ 0.23**	**$ 0.24**	$ 0.23	$ 0.25	$ 0.26	$ 0.26
Cash provided by operating activities	**52,640**	**45,599**	**46,336**	**31,710**	50,436	38,261	35,801	24,130
Weighted average diluted shares outstanding – FFO [2]	**164,235,206**	**162,157,130**	**157,835,090**	**155,676,589**	155,211,858	151,843,209	148,195,664	145,875,546
Adjusted funds from operations	**43,347**	**39,667**	**36,648**	**40,916**	38,822	37,456	38,734	36,819
Adjusted funds from operations/share diluted [2]	**$ 0.23**	**$ 0.22**	**$ 0.20**	**$ 0.23**	$ 0.22	$ 0.23	$ 0.24	$ 0.23
Weighted average diluted shares outstanding – AFFO [2]	**185,487,382**	**183,759,780**	**179,547,106**	**177,395,934**	174,315,179	166,206,894	161,632,702	159,283,562
Regular dividend [2]	**$ 0.20**	**$ 0.20**	**$ 0.20**	**$ 0.20**	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Dividend-in-kind [2]	**—**	**—**	**$ —**	**$ —**	$ —	$ 0.28	$ —	$ —
Total assets	**4,120,713**	**4,059,565**	**3,971,888**	**3,788,500**	3,691,643	3,678,153	3,801,501	3,769,275
Total mortgages, loans and credit facilities	**1,318,341**	**1,323,556**	**1,337,288**	**1,333,334**	1,354,668	1,499,011	1,703,274	1,657,535
Shareholders' equity	**1,133,914**	**1,135,410**	**1,135,994**	**1,098,285**	1,095,843	1,109,353	1,106,786	1,114,741
Other Data								
Number of properties	**178**	**177**	**178**	**176**	175	175	174	172
Gross leasable area	**21,624,000**	**21,271,000**	**21,272,000**	**20,829,000**	20,812,000	20,674,000	20,414,000	20,198,000
Occupancy %	**96.4%**	**96.4%**	**96.4%**	**96.3%**	96.2%	96.0%	96.1%	96.0%

(1) The Q3 2009 amounts cover the period to August 14, 2009. See discussion of dividend-in-kind in the "Results of Operations – Equity One" section of this MD&A.

(2) Prior year periods restated to reflect the May 2010, 3.2:2 stock split. See the "Capital Structure and Liquidity – Shareholders' Equity" section of this MD&A.

Refer to the applicable MD&A and the Quarterly Financial Statements for discussion and analysis relating to the four quarters in 2009 and the first three quarters in 2010. A discussion of the fourth quarter of 2010 follows.

FOURTH QUARTER 2010 OPERATIONS AND RESULTS

Acquisitions and Development

During the fourth quarter of 2010, the Company invested $68 million in the acquisition of one income-producing shopping centre and a remaining interest in an existing shopping centre totalling 273,000 square feet. The Company also invested $9.8 million in the acquisition of additional space adjacent to two existing properties comprising 59,000 square feet and two properties held for development and four land parcels adjacent to existing properties for future development comprising a total of 4.2 acres.

In addition to acquisitions of income-producing properties and development assets, the Company invested $50.6 million during the fourth quarter in its active development projects as well as in certain improvements to existing properties.

Development of 79,200 square feet was brought on line in the fourth quarter of 2010, with 76,600 square feet leased at an average rate of $22.81 per square foot. The Company also reopened 41,600 square feet of redeveloped space at an average rate of $15.73 per square foot.

Property Name	City	Province	Square Feet	Major Tenants
Development of new gross leasable area (1)				
Carrrefour Charlemagne (2)	Charlemagne	QC	37,300	Metro
Appleby Mall (2)	Burlington	ON	8,400	Various CRU
Hunt Club Place (2)	Ottawa	ON	5,100	TD Canada Trust
The Village Market	Sherwood Park	AB	5,300	Various CRU
Loblaws Plaza (2)	Ottawa	ON	5,600	Royal Bank of Canada
Meadowbrook	Edmonton	AB	5,000	Shoppers Drug Mart (expansion)
Other space – various projects			12,500	
			79,200	
Redevelopment of existing gross leasable area				
South Park Centre	Edmonton	AB	4,700	Various CRU
Centre Commercial Beaconsfield (2)	Beaconsfield	QC	19,200	Gold's Gym
Loblaws Plaza	Ottawa	ON	14,200	GoodLife Fitness, Other CRU
Other space – various projects			3,500	
			41,600	
Total			120,800	

(1) Includes new space created in redevelopment properties and greenfield developments.
(2) Constructed in accordance with LEED certification standards.

Development and redevelopment of 120,800 square feet was completed in the fourth quarter of 2010 compared with 160,300 square feet developed in the fourth quarter of 2009. This new space was 97.9% occupied when transferred to income-producing shopping centres at an average rental rate of $20.32 per square foot.

Expenditures on Land and Shopping Centres under Development and Shopping Centres

(thousands of dollars)	Three months ended December 31, 2010	Three months ended December 31, 2009
Expenditures on:		
Deferred leasing costs		
Revenue sustaining	**$ 609**	$ 982
Revenue enhancing	**1,090**	534
Other items and adjustments	**3**	1
	1,702	1,517
Shopping centres		
Revenue sustaining	**3,633**	2,255
Revenue enhancing	**1,405**	5,977
Property repositioning	**126**	531
Expenditures recoverable from tenants	**1,519**	4,401
Other items and adjustments	**806**	(278)
	7,489	12,886
Land and shopping centres under development	**41,438**	33,733
Total	**$ 50,629**	$ 48,136

In the fourth quarter of 2010, revenue sustaining capital expenditures totalled $0.20 per square foot (2009 – $0.16 per square foot). The increase of $0.04 per square foot is primarily due to the increase in roof replacement expenditures.

Leasing and Occupancy

Changes in the Company's gross leasable area and occupancy are set out below:

	Total Square Feet (thousands)	Occupied Square Feet (thousands)	Occupied %	Under Redevelopment Square Feet (thousands)	Under Redevelopment %	Vacant Square Feet (thousands)	Vacant %	Rate Per Occupied Square Foot
September 30, 2010	**21,271**	**20,511**	**96.4%**	**127**	**0.6%**	**633**	**3.0%**	**$ 16.26**
Tenant openings	—	57		—		(57)		21.82
Tenant closures	—	(76)		—		76		(20.15)
Closures for redevelopment	—	(35)		35		—		(18.89)
Net new leasing	—	(54)		35		19		—
Developments – coming on line	79	77		—		2		22.81
Redevelopments – coming on line	—	42		(42)		—		15.73
Demolitions	(28)	—		(23)		(5)		—
Reclassification	(14)	(9)		29		(34)		—
Total portfolio before acquisitions	21,308	20,567		126		615		16.32
Acquisitions	316	285		—		31		18.05
December 31, 2010	**21,624**	**20,852**	**96.4%**	**126**	**0.6%**	**646**	**3.0%**	**$ 16.35**
Renewals	—	224		—		—		$ 20.39
Renewals – expired	—	(224)		—		—		(17.89)
Net increase per square foot from renewals								$ 2.50
% Increase on renewal of expiring rents								14.0%

In the fourth quarter of 2010, gross new leasing totalled 175,000 square feet including development and redevelopment space coming on line compared to 266,000 square feet in the fourth quarter of 2009. This gross new leasing will generate additional annual minimum rent of approximately $3.7 million. Renewal leasing totalled 224,000 square feet with a 14.0% increase over expiring lease rates.

With the impact of leasing during the three months ended December 31, 2010 in the existing portfolio and development space, new acquisitions and increases from contractual rent steps, the average rate per occupied square foot increased to $16.35 at December 31, 2010. This compares to an average rate of $16.26 per square foot at September 30, 2010 and $15.71 per square foot at December 31, 2009.

Closures for redevelopment totalled 35,000 square feet in the three months ended December 31, 2010, providing potential for future income growth through leasing and redevelopment activities.

Net Income

	Three months ended	
(thousands of dollars, except per share amounts)	**December 31, 2010**	December 31, 2009
REVENUE		
Property rental revenue	**$ 130,676**	$ 113,232
Interest and other income	**1,516**	2,549
	132,192	115,781
EXPENSES		
Property operating costs	**44,185**	39,524
Interest expense	**37,193**	32,343
Amortization	**26,999**	24,473
Corporate expenses	**6,628**	5,801
	115,005	102,141
Income before undernoted items	**17,187**	13,640
Equity (loss) income from Equity One	**—**	(1,287)
Other gains (losses) and (expenses)	**1,743**	(1,639)
Income before income taxes	**18,930**	10,714
Income taxes (recovery):		
Current	**—**	(1,662)
Future	**7,947**	(2,360)
	7,947	(4,022)
Net income	**$ 10,983**	$ 14,736
Earnings per common share, basic and diluted [1]	**$ 0.07**	$ 0.09
Weighted average common shares diluted [1]	**164,235,206**	155,211,858

[1] Prior period restated to reflect the May 2010, 3.2:2 stock split.

Net income for the three months ended December 31, 2010 was $11.0 million or $0.07 per share (basic and diluted) compared to $14.7 million or $0.09 per share (basic and diluted) for the prior year comparable period. The decrease in net income is primarily due to increased interest expense, increased amortization expense and increased future income taxes. The effects of the decreases in net income were offset by increases in NOI resulting from new acquisitions, development and redevelopment projects coming on line, same property NOI growth and increased straight-line rent revenue as well as increased other gains (losses) and (expenses). In addition, there was an increase in the weighted average basic and diluted shares outstanding compared to the same prior year period.

Funds from Operations

The Company's GAAP net income is reconciled to FFO below:

	Three months ended	
(thousands of dollars)	**December 31, 2010**	December 31, 2009
Net income for the period	**$ 10,983**	$ 14,736
Add (deduct):		
Amortization of shopping centres, deferred leasing costs and intangible assets	**26,037**	23,022
Gain on disposition of income-producing shopping centre	**8**	(526)
Equity loss from Equity One	**—**	1,287
Future income taxes (recovery)	**7,947**	(2,360)
FFO	**$ 44,975**	$ 36,159

The components of FFO are:

	Three months ended					
(thousands of dollars)	**December 31, 2010**			December 31, 2009		
	FFO – Core Operations	**FFO – EQY and Other Non-recurring Items**	**Total FFO**	FFO – Core Operations	FFO – EQY and Other Non-recurring Items	Total FFO
Net operating income	**$ 86,491**	**$ —**	**$ 86,491**	$ 73,708	$ —	$ 73,708
Interest expense	**(37,193)**	**—**	**(37,193)**	(32,343)	—	(32,343)
Corporate expense	**(6,628)**	**—**	**(6,628)**	(5,801)	—	(5,801)
Interest and other income	**1,516**	**—**	**1,516**	2,549	—	2,549
Other gains (losses) and (expenses) (1)	**—**	**1,751**	**1,751**	—	(2,165)	(2,165)
Amortization of non-real estate assets	**(962)**	**—**	**(962)**	(1,451)	—	(1,451)
Current income taxes	**—**	**—**	**—**	—	1,662	1,662
FFO	**$ 43,224**	**$ 1,751**	**$ 44,975**	$ 36,662	$ (503)	$ 36,159
FFO per diluted share (2)	**$ 0.26**	**$ 0.01**	**$ 0.27**(3)	$ 0.24	$ (0.01)	$ 0.23
Weighted average diluted shares – FFO (2)	**164,235,206**	**164,235,206**	**164,235,206**(3)	155,211,858	155,211,858	155,211,858

(1) Excludes gains on disposition of income-producing real estate.

(2) Prior periods restated to reflect the May 2010, 3.2:2 stock split.

(3) For the fourth quarter of 2010, the 5.50% convertible debentures are dilutive to FFO. The dilutive effect is calculated by adding back $3.5 million of interest expense associated with these debentures to the numerator and 13.8 million shares issuable to the denominator. The effect would lower the FFO per share by $0.0015 and therefore is not material.

The Company's funds from operations – core operations for the fourth quarter ended December 31, 2010 totalled $43.2 million or $0.26 per diluted common share which compares to $36.7 million or $0.24 per diluted common share for the three months ended December 31, 2009. FFO – core operations was positively affected by acquisitions and development coming on line, same property NOI growth and increased straight-line rent revenue. This was partially offset by increased interest expense due to the increase in total debt related to growth in the Company's core operations. On a per share basis, FFO decreased due to an increase in the number of weighted average diluted shares outstanding of 5.8% over the prior year period as a result of equity issuances during the twelve months ended December 31, 2010.

FFO – EQY and other non-recurring items includes other gains (losses) and (expenses). For the three months ended December 31, 2010, FFO – EQY and other non-recurring items totalled $1.8 million or $0.01 per diluted common share which compares to ($0.5) million or ($0.01) per diluted common share in the prior year period.

Adjusted Funds from Operations

AFFO for the three months ended December 31, 2010 totalled $43.3 million or $0.23 per diluted common share compared to $38.8 million or $0.22 per diluted common share in the prior year period. Non-recurring AFFO items primarily consist of realized gains on marketable securities, losses on settlement of debt, realized losses on termination of hedges and unrealized losses on interest rate swaps not designated as hedges.

	Three months ended					
(thousands of dollars, except per share amounts)	**December 31, 2010**			December 31, 2009		
	AFFO – Core Operations	**AFFO – EQY and Other Non-recurring Items**	**Total AFFO**	AFFO – Core Operations	AFFO – EQY and Other Non-recurring Items	Total AFFO
FFO	**$ 43,224**	**$ 1,751**	**$ 44,975**	$ 36,662	$ (503)	$ 36,159
Add/(deduct):						
Interest expense payable in shares	**5,536**	**—**	**5,536**	4,819	—	4,819
Rental revenue recorded on a straight-line basis and market rent adjustments	**(4,849)**	**—**	**(4,849)**	(2,731)	—	(2,731)
Non-cash compensation expense	**753**	**—**	**753**	882	600	1,482
Revenue sustaining capital expenditures and leasing costs [1]	**(3,370)**	**—**	**(3,370)**	(3,329)	—	(3,329)
Return of capital portion of marketable securities – net	**35**	**—**	**35**	(1,273)	—	(1,273)
Change in cumulative unrealized losses (gains) on marketable securities	**—**	**701**	**701**	—	(186)	(186)
Losses on settlement of debt	**—**	**160**	**160**	—	1,497	1,497
Realized losses on termination of hedges	**—**	**—**	**—**	—	1,181	1,181
Unrealized (gains) losses on interest rate swaps not designated as hedges	**—**	**(594)**	**(594)**	—	1,203	1,203
AFFO	**$ 41,329**	**$ 2,018**	**$ 43,347**	$ 35,030	$ 3,792	$ 38,822
AFFO per diluted share [2]	**$ 0.22**	**$ 0.01**	**$ 0.23**	$ 0.20	$ 0.02	$ 0.22
Weighted average diluted shares for AFFO [2] [3]	**185,487,382**	**185,487,382**	**185,487,382**	174,315,179	174,315,179	174,315,179

[1] Estimated at $0.65 per square foot per annum on average gross leasable area for 2010 ($0.60 per square foot per annum in 2009).

[2] Prior period restated to reflect the May 2010, 3.2:2 stock split.

[3] Includes the weighted average outstanding shares that would result from the conversion of the convertible debentures.

A reconciliation from cash provided by operating activities (a GAAP measure) to AFFO is presented below:

	Three months ended	
(thousands of dollars)	**December 31, 2010**	December 31, 2009
Cash provided by operating activities	**$ 52,640**	$ 50,436
Realized gains on sale of marketable securities	**2,074**	4,349
Loss on termination of hedges	**—**	1,181
Dividend income – return of capital portion	**35**	(1,273)
Deferred leasing costs	**1,702**	1,517
Net change in non-cash operating items	**(15,073)**	(19,576)
Settlement of restricted share units	**1,656**	2,463
Settlement of deferred share units	**—**	514
Amortization of other assets	**(512)**	(807)
Amortization of financing fees	**(450)**	(644)
Non-cash interest expense	**(835)**	(761)
Loss on foreign currency exchange	**(56)**	(67)
Convertible debenture interest payable in common shares	**5,536**	4,819
Revenue sustaining capital expenditures and leasing costs	**(3,370)**	(3,329)
AFFO	**$ 43,347**	$ 38,822

Net Operating Income

	Three months ended	
(thousands of dollars)	**December 31, 2010**	December 31, 2009
Property rental revenue		
Base rent [1]	**$ 81,667**	$ 71,488
Operating cost recoveries	**18,592**	15,864
Realty tax recoveries	**23,259**	20,103
Straight-line rent and market rent adjustments	**4,849**	2,731
Lease surrender fees	**88**	133
Percentage rent	**761**	1,214
Prior year operating cost and tax recovery adjustments	**(652)**	(49)
Temporary tenants, storage, parking and other	**2,112**	1,748
Total property rental revenue	**130,676**	113,232
Property operating costs		
Recoverable operating expenses	**20,914**	18,352
Realty tax expenses	**25,129**	21,682
Prior year realty tax expenses	**(1,118)**	(276)
Other operating costs and adjustments	**(740)**	(234)
Total property operating costs	**44,185**	39,524
NOI	**$ 86,491**	$ 73,708
NOI Margin	**66.2%**	65.1%

[1] Base rent includes annual minimum rents from gross and semi-gross leases.

The Company experienced growth in base rent and recoveries from tenants as a result of growth in the portfolio due to acquisitions and development coming on line, as well as increases in rental rates due to step ups and lease renewals. Operating costs and property taxes similarly increased due to the increase in the portfolio size. These items are discussed in the "Business and Operations Review" section of this MD&A above.

Straight-line rent and market rent adjustments increased to $4.8 million in the three months ended December 31, 2010 from $2.7 million in the same prior year period. The increase was partially due to a $2.7 million reduction in the fourth quarter in the allowance for doubtful accounts in respect of straight-line rents recognized in prior years. The Company lowered its estimate of anticipated doubtful accounts as a result of the level of write-offs actually experienced during the recent economic downturn, as well as the improvement in the outlook for Zellers resulting from the announced Target acquisitions. The remainder of the increase in straight-line rents primarily results from the timing and the number of free rent periods granted during 2009 and 2010.

		Three months ended	
(thousands of dollars)		**December 31, 2010**	December 31, 2009
Same property NOI excluding expansion and redevelopment	**5.8%**	**$ 69,457**	$ 65,624
Expansion and redevelopment space NOI		**4,413**	3,214
Same property NOI with expansion and redevelopment	**7.3%**	**73,870**	68,838
Greenfield development		**3,174**	1,538
2010 Acquisitions		**3,989**	—
2009 Acquisitions		**582**	323
Rental revenue recognized on a straight-line basis		**4,192**	2,153
Market rent adjustments		**657**	578
Dispositions and other		**27**	278
NOI		**$ 86,491**	$ 73,708

Same properties in the table above refer to those shopping centres that were owned by the Company on October 1, 2009, and throughout 2009 and the three months ended December 31, 2010, respectively.

Same property NOI increased by 7.3% in the fourth quarter of 2010 compared to the same period in 2009, generating NOI growth of $5.0 million, primarily attributed to redevelopment and expansion space coming on line and increases in lease rates and occupancy.

Acquisitions completed in 2010 and 2009 contributed $4.6 million to NOI in the three months ended December 31, 2010, while greenfield development activities contributed a further $3.2 million in the three months ended December 31, 2010.

Interest and Other Income

	Three months ended	
(thousands of dollars)	**December 31, 2010**	December 31, 2009
Interest income from non-revolving term loan receivable from Gazit America Inc.	**$ 756**	$ 805
Interest, dividend and distribution income from marketable securities and cash investments	**521**	1,593
Interest income from loans receivable	**239**	151
	$ 1,516	$ 2,549

Interest and other income decreased in the three months ended December 31, 2010 due to a reduction in dividend and distribution income from marketable securities.

Other Gains (Losses) and (Expenses)

(thousands of dollars)	Three months ended December 31, 2010	Three months ended December 31, 2009
Realized gains on sale of marketable securities	**$ 2,074**	$ 4,349
Change in cumulative unrealized (losses) gains on marketable securities held-for-trading	**(701)**	186
Losses on purchase of convertible debentures (a)	**(160)**	—
Losses on settlement of debt	**—**	(1,497)
Gain on termination of hedge previously held in other comprehensive income	**—**	290
Realized losses on interest rate swaps (b)	**—**	(1,471)
Unrealized gains (losses) on interest rate swaps not designated as hedges (c)	**594**	(1,203)
Losses on foreign currency exchange	**(56)**	(67)
Costs related to acquisition of 40% interest in FCB	**—**	(752)
Severance and termination costs	**—**	(2,000)
Included in FFO – EQY and other non-recurring items	**1,751**	(2,165)
Gain on disposition of shopping centre (d)	**(8)**	526
	$ 1,743	$ (1,639)

(a) During the three months ended December 31, 2010, the Company purchased $1.3 million of the 6.25% debentures for $1.4 million, resulting in a loss of $134,000, a reduction of contributed surplus in the amount of $20,000 and a reduction in convertible debentures–equity component of $47,000. The Company also purchased $0.9 million of the 5.50% debentures for $0.9 million, resulting in a loss of $27,000, an increase of contributed surplus in the amount of $5,000 and a reduction in convertible debentures–equity component of $28,000.

(b) The Company terminated $20 million notional amount of Canadian bankers' acceptance loan interest rate swaps on December 22, 2009 resulting in a loss of $1.45 million.

(c) In the three months ended December 31, 2009, as a result of the Company substantially paying off its Canadian credit facilities, a loss of $1.2 million was recorded on its remaining $100 million notional Canadian swaps reflecting the termination of the hedging relationship.

(d) During the quarter ended December 31, 2009, the Company sold a shopping centre in Regina, Saskatchewan for gross proceeds of $3.8 million including a vendor-take-back mortgage of $2.3 million. A gain on disposition of $0.5 million was recorded.

Interest Expense

(thousands of dollars)	Three months ended December 31, 2010	Three months ended December 31, 2009
Mortgages, loans and credit facilities	**$ 20,396**	$ 22,894
Senior unsecured debentures	**15,644**	9,082
Convertible debentures		
Coupon interest	**4,940**	4,340
Amortization of discounts	**348**	294
Amortization of deferred issue costs	**248**	185
	5,536	4,819
Interest capitalized to land and shopping centres under development	**(4,383)**	(4,452)
Interest expense	**$ 37,193**	$ 32,343

Interest expense on mortgages, loans and credit facilities decreased in the three-month period ended December 31, 2010 primarily due to the paydown of credit facilities from the proceeds of debenture and equity financings completed in the first nine months of 2010.

The increase in interest expense from senior unsecured debentures is due to issuances of a total of $400 million principal amount of senior unsecured debentures in 2010 as described in the "Capital Structure and Liquidity – Senior Unsecured Debentures" section of this MD&A.

The increase in convertible debenture interest expense is due to the interest on the $50 million of par value 5.70% convertible unsecured subordinated debentures issued on December 30, 2009.

Corporate Expenses

(thousands of dollars)	Three months ended December 31, 2010	December 31, 2009
Salaries, wages and benefits	$ **5,524**	$ 4,327
Non-cash compensation	**753**	882
Other general and administrative costs	**2,535**	2,345
Capital taxes, net of recoveries from tenants	**48**	274
Abandoned transaction costs	**253**	11
	9,113	7,839
Amounts capitalized to properties under development and deferred leasing costs	**(2,485)**	(2,038)
	$ **6,628**	$ 5,801
Corporate expenses, excluding capital taxes and non-cash compensation	$ **5,864**	$ 4,645
As a percentage of rental revenue	**4.5%**	4.1%
As a percentage of gross total assets	**0.5%**	0.5%

The increase in salaries, wages and benefits in the three months ended December 31, 2010 compared to the same prior year period results primarily from an increase in the amount of incentive bonus payable to employees.

The decrease in non-cash compensation results primarily from the effect of a large stock option grant in 2007 being fully amortized in 2010. Capital taxes have decreased due to ongoing reductions in capital tax rates. Capital taxes have been eliminated in substantially all of the provinces in which the Company had properties as of December 31, 2010.

Amounts capitalized to real estate investments for properties undergoing development or redevelopment and leasing costs (including leasing for development projects) during the three months ended December 31, 2010 totalled $2.5 million compared to $2.0 million in the prior year comparative period. The increase in capitalized costs in the three months ended December 31, 2010 compared to the same period in 2009 is primarily due to the increase in the level of development activity on developments scheduled for 2011 and the increase in the amount of internally developed software and systems.

Amortization Expense

(thousands of dollars)	Three months ended December 31, 2010	December 31, 2009
Shopping centres	$ **23,598**	$ 20,594
Deferred leasing costs	**1,037**	946
Intangible assets	**1,402**	1,482
Amortization of real estate assets	**26,037**	23,022
Deferred financing fees	**450**	644
Other assets	**512**	807
Total amortization	$ **26,999**	$ 24,473

Amortization of real estate assets increased due to the amortization of newly acquired properties and development coming on line.

Income Taxes

(thousands of dollars)	Three months ended December 31, 2010	December 31, 2009
Current income tax (recovery)	$ **—**	$ (1,662)
Future income taxes (recovery)	**7,947**	(2,360)
Income taxes (recovery)	$ **7,947**	$ (4,022)

The fourth quarter current income tax recovery in 2009 resulted from an adjustment to the taxable portion of dividends from Equity One. When the Company had an interest in Equity One, it was required to estimate the taxable percentage of dividends when reporting on interim periods, and adjust it when the figure was announced by Equity One in the fourth quarter.

Future income tax expense increased as a result of an increase in net income before taxes as well as the effect of a decrease in substantively enacted income tax rates, which was recognized in the fourth quarter of 2009.

Cash Flows

	Three months ended	
(thousands of dollars)	**December 31, 2010**	December 31, 2009
Cash provided by operating activities	**$ 52,640**	$ 50,436
Cash used in investing activities	**(130,811)**	(64,439)
Cash provided by (used in) financing activities	**28,575**	(849)
Decrease in cash and cash equivalents	**$ (49,596)**	$ (14,852)

Operating Activities

Cash provided by operating activities increased in the fourth quarter of 2010 primarily from cash flow generated by the growth in net operating income from the Company's shopping centre portfolio.

Investing Activities

The Company continued to acquire properties and make significant investments in its shopping centre portfolio. The overall level of investing activity in the three months ended December 31, 2010 is higher than the same period in 2009.

Financing Activities

The cash flow provided by financing activities includes the issuance of $50 million senior unsecured debentures, equity issuances and mortgage financing activities.

OUTLOOK

The forward-looking statements contained in this section and elsewhere in this MD&A are not historical facts but, rather, reflect the Company's current expectations regarding future results or events and are based on information currently available to Management. Certain material factors and assumptions were applied in providing these forward-looking statements. See "Forward-Looking Statement Advisory" section on the first page of this MD&A.

2011 Outlook

Over the past several years, First Capital Realty has made significant progress in growing its business across the country, generating modest accretion in funds from operations while dramatically enhancing the quality of its portfolio.

The current property acquisition environment remains competitive for assets with similar quality to those the Company owns, with increasing transaction activity. Both equity and long-term debt and equity markets are accessible but continue to represent tight spreads, (if at all) relative to pricing currently being asked by vendors of high quality, well-located urban properties. The Company will continue to selectively acquire properties that are well-located and of high quality, when they add strategic value and/or operating synergies, provided that they will be accretive to FFO over the long term, and provided that equity and long-term debt capital can be priced and committed to maintain conservative leverage.

Development and redevelopment activities continue to provide the Company with opportunities to grow within its existing portfolio of assets. These activities typically generate higher returns on investment over the long term.

With respect to acquisitions of both income-producing and development properties, as well as in its existing portfolio, the Company will continue to focus on the quality, sustainability and growth potential of rental income. Consistent with First Capital Realty's past practices and in the normal course of business, First Capital Realty is engaged in discussions, and has various agreements, with respect to possible acquisitions of new properties and dispositions of existing properties in its portfolio. However, there can be no assurance that these discussions or agreements will result in acquisitions or dispositions, or if they do, what the final terms or timing of such acquisitions or dispositions would be. The Company expects to continue current discussions and actively pursue other acquisition, investment and disposition opportunities.

With respect to financing activities, the Company will continue to focus on maintaining access to all sources of long-term capital at the lowest possible price. In particular, the Company is focussed on both extending the term and staggering the maturity of its debt.

Specifically, Management has identified the following six areas to achieve its objectives going forward into 2011 and 2012:

- continued focus on proactive management that results in higher rent growth;
- development, redevelopment and repositioning activities on existing and newly acquired properties;
- selective acquisitions of strategic assets and adjacent sites;
- densification activities in the existing portfolio;
- increasing efficiency and productivity of operations; and
- improving the cost of both debt and equity capital.

Overall, Management is confident that the quality of the Company's balance sheet and the defensive nature of its assets and operations will continue to serve it well in the current environment.

Guidance

Readers should refer to the Company's 2010 year-end press release dated March 3, 2011, as filed on SEDAR at www.sedar.com for a discussion of the Company's previously issued 2010 specific guidance as compared with actual results for 2010.

The 2010 year-end press release dated March 3, 2011 includes information on the Company's expected operating activity assumptions and growth for 2011.

The purpose of the Company's guidance is to provide readers with Management's view as to the expected financial performance of the Company, using factors that are commonly accepted and viewed as meaningful indicators of financial performance in the real estate industry.

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

Summary of Critical Accounting Estimates

First Capital Realty's significant accounting policies are described in Note 1 to the Consolidated Financial Statements. Management believes the policies which are most subject to estimation and Management's judgement are those outlined below.

Fair Value

Fair value is defined as the amount at which an item can be bought or sold between independent, knowledgeable parties under no compulsion to act, as opposed to a forced or liquidation sale.

Quoted market prices in active markets are usually the best evidence of fair value when they are available. Market prices are usually available for marketable securities and other actively traded financial instruments owned by the Company. When quoted market prices are not available, estimates of fair value are based on the best information available, including comparable market data and other valuation techniques, including discounted cash flows and other models based on future cash flows.

Where the valuation method chosen is based on future cash flows, the Company would be required to make estimates that incorporate assumptions of economic conditions, local market conditions, the potential uses of assets and other factors.

As a result, the Company's determination of fair value could vary under differing circumstances and result in different calculations.

The most significant areas which are affected by fair value estimates in the Company's financial statements are:

- allocations of purchase price on property acquisitions;
- estimates of fair value of assets when assessing potential impairments;
- valuation of financial instruments both for disclosure and measurement purposes; and
- valuation of stock options using the Binomial Method.

Property Acquisitions

For acquisitions subsequent to September 12, 2003, in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1581 and 3062, Management is required to allocate the purchase price to land, building, tenant improvements, and intangibles such as the value of above-market and below-market leases, lease origination costs, tenant relationships and mortgages, if any.

Management uses estimates and judgements as well as third-party appraisals to determine the following:

- The fair value of land as of the acquisition date.
- The value of the depreciated replacement cost of buildings as of the acquisition date based on prevailing construction costs for buildings of a similar class and age.
- The value of the above- and below-market leases based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents.
- The value of deferred leasing costs, including tenant improvements, at depreciated replacement cost based on estimates of prevailing construction costs, taking into account the condition of tenants' premises and year of improvement.
- The value of lease origination costs based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions. These costs include leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period.
- The value of the tenant relationships, if any, based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, and the probability that the tenants will renew.
- The fair value of debt assumed on acquisition by reference to prevailing market interest rates.

Estimates of fair values and market rates used could vary and impact reported financial results.

Impairment of Assets

Under Canadian GAAP, Management is required to write down to fair value any long-lived asset that is determined to have been permanently impaired. First Capital Realty's long-lived assets consist of investments in income-producing properties, land and shopping centres under development and mortgages receivable. The fair value of investments in income-producing properties is dependent upon anticipated future cash flows from operations over the anticipated holding period.

The review of anticipated cash flows involves subjective assumptions of estimated occupancy, rental rates and a residual value. In addition to reviewing anticipated cash flows, Management assesses changes in business climates and other factors which may affect the ultimate value of the property. These assumptions are subjective and may not be ultimately achieved.

The fair value of mortgages receivable depends upon the financial covenant of the issuer and the economic value of the underlying security.

In the event these factors result in a carrying value that exceeds the sum of the undiscounted cash flows expected to result from the direct use and eventual disposition of the property, an impairment would be recognized.

The estimates of future cash flows and the impact of other factors could vary, and result in a different calculation of the impairment.

In assessing impairment of the income-producing shopping centres, Management makes use of the property appraisals completed by both external appraisers and internally for the purposes of International Financial Reporting Standards.

Amortization of Income Properties

Amortization is recorded on buildings using a straight-line basis over the expected useful economic life of the building, which is typically 40 years. A significant portion of the acquisition cost of each property is allocated to the building. The allocation of the acquisition cost to the building and the determination of the useful life are based upon Management's estimates. In the event the allocation to the building is inappropriate or the estimated useful life of the building proves incorrect, the computation of amortization will not be appropriately reflected over future periods. The Company's total gross book value of buildings is $3.0 billion. If the useful life estimate of the buildings changed by one year, the associated amortization expense would change by $1.8 million.

Fair Value of Financial Instruments

The Company is required to determine the fair value of its mortgage debt, senior unsecured debentures, loans, mortgages and marketable securities and its convertible debentures. In determining the fair value of the Company's outstanding mortgages, Management uses internally developed models, which incorporate estimated market rates. In determining market rates, Management adds a credit spread to quoted rates on Canadian government bonds with similar maturity dates to the Company's mortgages. A 1% change in the interest rate used to determine the fair value of the mortgages payable would change the fair value of the mortgages payable by $53 million. Similarly, a 1% change in the interest rate used to determine the fair value of the senior unsecured debentures would change the fair value by $39 million. The fair value of the Company's convertible debentures is based on current trading prices. Estimates of market rates and the credit spread applicable to a specific property could vary and result in a different disclosed fair value.

Income Taxes

The Company exercises judgement in estimating future income tax assets and liabilities. Income tax laws are potentially subject to different interpretations, and the income tax expense recorded by the Company reflects the Company's interpretation of the relevant tax laws. The Company is also required to estimate the timing of reversals of temporary differences between accounting and taxable income in determining the appropriate rate to apply in calculating future income taxes.

SUMMARY OF CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Future Accounting Changes

Future adoption of International Financial Reporting Standards ("IFRS") in Canada
Overview

The Canadian Accounting Standards Board ("AcSB") has mandated that all publicly accountable profit-oriented enterprises adopt IFRS, which replaces Canadian GAAP, for interim and annual periods beginning on or after January 1, 2011. Comparative information for 2010 will be presented under IFRS, including a balance sheet as at January 1, 2010.

The Company continues to evaluate the effect of the adoption of IFRS on its consolidated financial statements as new standards are issued by the International Accounting Standards Board ("IASB"). However, Management expects that the consolidated financial statements prepared under IFRS will have material differences from the current Canadian GAAP financial statements.

The major steps that form part of the Company's conversion plan for Canadian reporting purposes are set out below:

IFRS Conversion Plan – Significant Elements

Area	***Steps***	***Progress***
Financial Statement Presentation and Disclosure	Identification of IFRS/Canadian GAAP differences	Completed
	Evaluate and select accounting policy alternatives	Completed
	Quantify the effect of the differences based on the accounting policy alternatives chosen	Completed
	Prepare opening IFRS balance sheet as at January 1, 2010	Completed, subject to any further changes in accounting standards
	Prepare internal IFRS balance sheet, statement of income and cash flows as at and for each quarter ended in 2010 so that comparatives are ready for 2011	Ongoing
Processes and Systems	Identify changes required to current information systems	Completed
	Implement changes to information systems	Completed
	Identify data collection requirements and implement processes to collect the data	Completed
	Determine valuation process for investment properties, including frequency and the percentage of appraisals to be completed internally versus externally	Completed
Business impacts	Review significant financial covenants and make changes if required	Review of financial covenants is complete and no changes are required
	Review employee compensation plans and make changes if required	Completed
	Identify required resources, including valuation expertise as well as additional accounting resources during the transition	Completed

Area	*Steps*	*Progress*
Training	Educate the Board of Directors, Audit Committee and Senior Management on the effects of IFRS	Education sessions have taken place with the Board of Directors, Audit Committee and Senior Management. Updates take place as the IASB makes changes to standards
	Technical training of accounting and valuation staff	Completed and ongoing
	Communication to all other internal and external stakeholders	Ongoing communication to external stakeholders through MD&A each quarter. Internal stakeholders are given status updates as required during the process
Internal controls over financial reporting and disclosure	Ensure the appropriate documentation of processes and systems are in place	Ongoing
	Ensure appropriate changes to internal controls are made according to the appropriate control framework	Substantially completed. The Company has not made, and does not expect to make, material changes to internal controls over financial reporting as a result of the change to IFRS
	Assess the effectiveness of the controls	Ongoing

Effect of Adoption of IFRS

Adoption of IFRS requires retrospective application as at the transition date. The Company's transition date for Canadian reporting purposes is January 1, 2010, as the fiscal year 2010 results will be presented comparatively under IFRS when the Company commences reporting under IFRS in 2011.

Under IFRS 1: First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company can elect to apply prospective treatment under certain conditions to certain accounting standards. In addition, IFRS 1 provides for exceptions and optional exemptions for first-time adopters. The cumulative effect of the differences between IFRS and Canadian GAAP as at January 1, 2010 will be recognized in retained earnings, in accordance with IFRS 1.

The key differences between IFRS and Canadian GAAP that affect the preparation of the Company's consolidated financial statements under IFRS, as well as the significant accounting policy choices and exemptions that the Company intends to apply, are set out in the table below:

Current Canadian GAAP Treatment	*IFRS Treatment*	*Effect on Shareholders' Equity at Transition Date*	*Net Income*	*FFO*
Basis of valuation of investment properties				
Cost less accumulated amortization.	IFRS allows an entity to choose either a) fair value; or b) cost less accumulated amortization. IFRS also allows entities to elect to deem the transition date fair value as the "deemed cost" and then apply the cost model from that date. Under the cost model, an entity is still required to disclose the fair value of its investment properties, at least annually. The Company intends to adopt the fair value model. The effect of applying the fair value model to investment properties is quantified in this MD&A.	Will increase as disclosed in this MD&A.	Will increase or decrease as property values increase or decrease.	No effect. FFO excludes fair value adjustments.

Current Canadian GAAP Treatment	*IFRS Treatment*	*Effect on Shareholders' Equity at Transition Date*	*Net Income*	*FFO*
Recognition of intangible assets and liabilities				
Fair value as at the date of acquisition of the related income-producing property, less accumulated amortization.	Separate recognition of intangible assets and liabilities on acquisitions of investment property by the Company will no longer be required under IFRS as the Company has chosen the fair value method.	Intangible assets and liabilities are reflected in the fair value of investment properties and not separately recorded.	Will depend on whether the investment property values increase or decrease.	Will be reduced by the amount of amortization of above and below market rents previously included in rental income.
Transaction costs on property acquisitions				
Capitalized as part of the cost of the asset.	Under IFRS, transaction costs (land transfer tax, legal, commissions, etc.) on a business combination are expensed immediately, whereas the costs on an asset acquisition are capitalized. The definition of a business combination is broad under IFRS, and captures certain investment property acquisitions.	No effect. Properties are measured at fair value.	No effect on net income. This only affects the classification between the fair value adjustment and operating expenses.	No effect. Transaction costs are excluded from FFO.
Future income taxes				
Measured based on the Canadian GAAP carrying values of assets and liabilities.	Future income tax assets and liabilities will need to be adjusted based on the change in the carrying value of assets and liabilities upon conversion to IFRS. The most significant of these adjustments is the additional future tax liability as a result of the revaluation of investment properties to fair value. This effect is quantified in the "Valuation of Investment Properties under IFRS" section of this MD&A.	Will decrease, as an additional deferred income tax liability will be recorded.	Liability increase or decrease depending on the movement of the fair value of investment properties.	No effect as future income taxes are excluded from FFO.
Income statement classification of tenant improvement allowances to tenants				
Under Canadian GAAP, the Company's lease incentive payments to tenants are recorded as amortization expense.	Under IFRS, certain of the payments that the Company makes to its tenants may be classified as lease incentives under IFRS and therefore the amortization would be recorded as a reduction of rental revenue rather than as an amortization of an asset.	No effect.	No effect on net income. Classification difference between the fair value adjustment and rental revenue.	No effect.
Development costs				
Interest costs and incidental operations are capitalized during the period of active development which includes a lease-up period after the asset is available for tenant possession.	Active development is deemed to cease when an asset is ready for tenant possession. Certain other development costs currently capitalized under Canadian GAAP will not be capitalized under IFRS. The Company expects a reduction in capitalized costs under IFRS. Incidental operations are not capitalized either before or during development. Incidental operations include items such as temporary tenancies or parking revenue during the period of development.	No effect.	No net effect as this only affects the classification between the fair value adjustment and net operating income.	Expected to decrease 2010 annual FFO by 1 to 2 cents per share.

Current Canadian GAAP Treatment	*IFRS Treatment*	*Effect on Shareholders' Equity at Transition Date*	*Net Income*	*FFO*
Straight-line recognition of rental revenue				
Under Canadian GAAP, straight-line recognition of rental revenue was adopted January 1, 2004 and applied prospectively from that date.	Under IFRS, straight-line rent recognition is applied retroactively to lease inception.	No effect.	No net effect as this only affects the classification between the fair value adjustment and net operating income.	The effect is not expected to be material.

Other significant differences between Canadian GAAP and IFRS which have been considered by Management but are not currently expected to be material to the Company's financial statements are set out below:

Asset Impairment

There are differences between the method of determining the amount of impairment charges between Canadian GAAP and IFRS. However, because the Company intends to adopt the fair value method of accounting for investment properties, this difference will not have a material impact on the Company's consolidated financial statements.

Other Areas

Management has also considered differences and exemptions in the areas of employee future benefits, asset retirement obligations, cumulative currency translation adjustments, re-designation of previously recognized financial instruments, share-based payments, borrowing costs and variable interest entities and accounting for interests in joint ventures. These differences do not have a material effect on the consolidated balance sheet of the Company as at January 1, 2010 (the IFRS transition date) and are not expected to have a material effect in the future, based upon the Company's current operations.

VALUATION OF INVESTMENT PROPERTY UNDER IFRS

The most significant difference between IFRS and Canadian generally accepted accounting principles ("Canadian GAAP") is that income-producing shopping centres ("Shopping Centres") and land and shopping centres under development ("Development Properties") are presented at fair value under IFRS as opposed to cost less accumulated amortization under Canadian GAAP. In addition, the values of deferred leasing costs, straight-line rents receivable and intangible assets and liabilities related to Shopping Centres are not presented separately under IFRS as their values are incorporated within the values of the Shopping Centres. In addition, First Capital Realty's future income tax liability increases as a result of the change in value of the Shopping Centres under IFRS. This information is set out in the table below:

(millions of dollars)	**2010**	2009
IFRS value of Shopping Centres and Development Properties	**$ 4,833**	$ 4,159
Canadian GAAP value of Shopping Centres and Development Properties [(1)]	**3,952**	3,572
Difference between IFRS value and Canadian GAAP value	**881**	587
Increase in future income taxes as a result of the difference in value	**(163)**	(111)
Difference in value, net of taxes	**$ 718**	$ 476

(1) Includes the net book value of Shopping Centres, Development Properties, deferred leasing costs, straight-line rents receivable and intangible assets and liabilities.

As at December 31, 2010 (millions of dollars)	Eastern Region	Central Region	Western Region	Total
IFRS value of Shopping Centres and Development Properties	$ 917	$ 2,287	$ 1,629	$ 4,833
Canadian GAAP value of Shopping Centres and Development Properties	733	1,882	1,337	3,952
Difference between IFRS value and Canadian GAAP value	$ 184	$ 405	$ 292	$ 881

As at December 31, 2009 (millions of dollars)	Eastern Region	Central Region	Western Region	Total
IFRS value of Shopping Centres and Development Properties	$ 862	$ 1,919	$ 1,378	$ 4,159
Canadian GAAP value of Shopping Centres and Development Properties	709	1,699	1,164	3,572
Difference between IFRS value and Canadian GAAP value	$ 153	$ 220	$ 214	$ 587

During 2010 approximately 39% (2009 – approximately 81%) of the total fair value of Shopping Centres and approximately 10% (2009 – approximately 79%) of the total fair value of Development Properties was determined through independent appraisals conducted by a nationally recognized appraisal firm. The properties were appraised on an individual basis, with no portfolio effect considered. The remainder of the properties were appraised internally by Management. The appraisals were prepared to comply with the requirements of IAS 40 – Investment Property and the International Valuation Standard.

The determination of which properties are externally appraised and which are internally appraised by Management is based on a combination of factors, including: property size, the level of redevelopment and leasing activity, and local market conditions, as well as ensuring that a representative sample of properties from each market in which the Company operates are externally appraised. In addition, Management ensures that each property in the portfolio is externally appraised at least once every three years. In completing the internal appraisals, Management considers capitalization rate information obtained from the appraisals completed by the external appraisers for comparable properties in the same markets, known precedent transactions and available market data. In addition, for the properties internally appraised, Management considered the last external appraisal completed for the property, material leasing activity and material changes in local market conditions.

The primary method of appraisal was the income approach, since purchasers typically focus on expected income. For each property, the appraisers conducted and placed reliance upon a) a direct capitalization method, which is the appraiser's estimate of the relationship between value and stabilized income, normally in the first year and b) a discounted cash flow method, which is the appraiser's estimate of the present value of future cash flows over a specified horizon, including the potential proceeds from a deemed disposition. The determination of these values required Management and the appraisers to make estimates and assumptions that affect the values presented, and actual values in a sales transaction may differ from the values shown above.

Based on these valuation methods, the aggregate weighted average stabilized capitalization rates on the Shopping Centres as at December 31, 2010 and December 31, 2009 were 6.81% and 7.39%, respectively.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

First Capital Realty Management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in its various reports is recorded, processed, summarized and reported accurately.

The Chief Executive Officer and the Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their supervision, the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2010, and have concluded that such disclosure controls and procedures were operating effectively.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles.

The Chief Executive Officer and the Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their supervision, the effectiveness of the Company's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2010, and have concluded that such internal controls over financial reporting were operating effectively.

The Company did not make any material changes to the design of internal controls over financial reporting during the period beginning on October 1, 2010 and ended on December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. On an ongoing basis, the Company will continue to analyze its controls and procedures for potential areas of improvement.

In spite of its evaluation, Management does recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure controls and procedures or internal controls over financial reporting occur and/or mistakes happen, the Company intends to take reasonable steps to minimize the consequences thereof.

RISKS AND UNCERTAINTIES

First Capital Realty, as an owner of income-producing properties and development land, is exposed to numerous business risks in the normal course of its business that can impact both short-and long-term performance. Income-producing and development properties are affected by general economic conditions and local market conditions such as oversupply of similar properties or a reduction in tenant demand. It is the responsibility of Management, under the supervision of the Board of Directors, to identify and, to the extent possible, mitigate or minimize the impact of all such business risks. The major categories of risk the Company encounters in conducting its business and the manner in which it takes action to minimize the impact of these risks are outlined below. The Company's current Annual Information Form provides a more detailed discussion of these and other important risks and can be found on SEDAR at www.sedar.com and the Company's website at www.firstcapitalrealty.ca.

Economic Conditions and Operating Risk

Real property investments are affected by various factors including changes in general economic conditions (such as the availability of long-term mortgage financings and fluctuations in interest rates) and in local market conditions (such as an oversupply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from other real estate developers, managers and owners in seeking tenants, the ability of the owner to provide adequate maintenance at an economic cost, and various other factors. The economic conditions in the markets in which the Company operates can also have a significant impact on the Company's tenants and, in turn, the Company's financial success. Adverse changes in general or local economic conditions can result in some retailers being unable to sustain viable businesses and meet their lease obligations to the Company, and may also limit the Company's ability to attract new or replacement tenants.

The Company's portfolio has major concentrations in Quebec, Ontario, Alberta and British Columbia. As a result, economic and real estate conditions in these regions will significantly affect the Company's revenues and the value of its properties.

Revenue from the Company's properties depends primarily on the ability of the Company's tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Leases comprise any agreements relating to the occupancy or use of the Company's real property. There can be no assurance that tenants and other parties will be willing or able to perform their obligations under any such leases. If a significant tenant or a number of smaller tenants were to become unable or unwilling to meet their obligations to the Company, the Company's financial condition and results of operations would be adversely affected. In the event of default by a tenant, the Company may experience delays and unexpected costs in enforcing its rights as landlord under lease terms, which may also adversely affect the Company's financial condition and results of operations.

In addition, the value of real property and any improvements may depend on the success of its tenants' operations as well as their credit and financial stability. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could have a significant adverse effect on that property. The Company's financial position and results of operations would be adversely affected if tenants become unable to pay rent or other charges on a timely basis or if the Company is unable to lease a significant amount of available space in its properties on economically favourable terms.

The following chart summarizes the top 40 tenants of the Company, which together represent 57.3% of the Company's annualized minimum rent from its portfolio as at December 31, 2010.

	Tenant	Number of Stores	Square Feet	Percent of Total Gross Leasable Area	Percent of Total Annualized Minimum Rent	DBRS Organization Credit Rating	S&P[1] Organization Credit Rating	Moody's Organization Credit Rating
Top Forty Tenants								
1	Sobeys	50	1,663,000	7.7%	6.9%	BBB	BBB-	
2	Shoppers Drug Mart	66	963,000	4.5%	6.8%	A (LOW)	BBB+	
3	Loblaw Companies Limited	29	1,465,000	6.8%	4.9%	BBB	BBB	
4	Metro	30	1,170,000	5.4%	4.3%	BBB	BBB	
5	Zellers/Home Outfitters	21	1,809,000	8.4%	3.7%			
6	Canadian Tire	21	788,000	3.6%	3.2%	A (LOW)	BBB+	
7	TD Canada Trust	41	221,000	1.0%	2.1%	AA	AA-	Aaa
8	Royal Bank	36	197,000	0.9%	1.6%	AA	AA-	Aa1
9	Canada Safeway	7	345,000	1.6%	1.3%	BBB	BBB	
10	LCBO	20	181,000	0.8%	1.2%	AA (LOW)	AA-	Aa1
11	Wal-Mart	4	473,000	2.2%	1.2%	AA	AA	Aa2
12	CIBC	26	137,000	0.6%	1.2%	AA	A+	Aa2
13	Staples	13	276,000	1.3%	1.1%		BBB	Baa2
14	H.Y. Louie Group (London Drugs)	8	217,000	1.0%	1.1%			
15	Bank of Nova Scotia	22	118,000	0.5%	1.0%	AA	AA-	Aa1
16	Rexall	18	149,000	0.7%	1.0%			
17	GoodLife Fitness Club	10	226,000	1.0%	0.9%			
18	Dollarama	24	224,000	1.0%	0.9%			
19	Rona	2	257,000	1.2%	0.9%	BBB	BBB-	
20	Bank of Montreal	21	101,000	0.5%	0.8%	AA	A+	Aa2
21	Cara Operations	31	101,000	0.5%	0.8%			
22	Blockbuster	24	117,000	0.5%	0.8%		SD	
23	SAQ	19	82,000	0.4%	0.7%	A(HIGH)	A+	Aa2
24	Save on Foods	4	196,000	0.9%	0.7%			
25	Tim Hortons	41	108,000	0.5%	0.7%	A(LOW)		
26	Rogers	33	95,000	0.4%	0.7%	BBB	BBB	Baa2
27	Winners Merchants Inc.	5	177,000	0.8%	0.7%		A	A3
28	Starbucks	35	57,000	0.3%	0.6%		BBB+	Baa3
29	Reitmans	31	152,000	0.7%	0.6%			
30	Future Shop	5	140,000	0.6%	0.6%		BBB-	Baa2
31	Yum! Brands	29	60,000	0.3%	0.5%		BBB-	Baa3
32	Pharmacie Jean Coutu	8	115,000	0.5%	0.5%			
33	Subway	55	66,000	0.3%	0.5%			
34	Longo's	2	78,000	0.4%	0.5%			
35	McDonald's	21	64,000	0.3%	0.5%		A	A2
36	Home Depot	2	236,000	1.1%	0.4%	A(LOW)	BBB+	Baa1
37	Bell Canada	39	57,000	0.3%	0.4%	BBB	BBB+	Baa1
38	Toys "R" Us (Canada) Ltd.	3	113,000	0.5%	0.4%		B	B1
39	Forzani Group	6	80,000	0.4%	0.3%			
40	Uniprix	7	72,000	0.3%	0.3%			
Total: Top 40 Tenants		**869**	**13,146,000**	**60.7%**	**57.3%**			

[1] Standard and Poor's

Lease Maturities

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced or, if renewed or replaced, that rental increases will occur. The failure to achieve renewals and/or rental increases may have an adverse effect on the financial condition and results of operations of First Capital Realty.

First Capital Realty's lease maturities are staggered which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next ten years range from 4.3% to 11.0% of the annualized minimum rent in the Company's portfolio.

The Company's lease maturity profile at December 31, 2010 is as follows:

Date [1]	Number of Stores	Occupied Square Feet	Percent of Total Square Feet	Annualized Minimum Rent at Expiration	Percent of Total Annualized Minimum Rent	Average Annual Minimum Rent per Square Foot at Expiration
Month-to-month	11	13,000	0.1%	$ 162,000	0.1%	$ 12.75
2011	721	2,635,000	12.2%	37,472,000	10.7%	14.22
2012	521	1,943,000	9.0%	34,758,000	9.9%	17.89
2013	530	2,067,000	9.6%	34,054,000	9.7%	16.48
2014	458	1,889,000	8.7%	33,618,000	9.6%	17.80
2015	467	2,349,000	10.9%	38,401,000	11.0%	16.35
2016	132	874,000	4.0%	14,960,000	4.3%	17.11
2017	154	1,455,000	6.7%	21,335,000	6.1%	14.67
2018	177	1,313,000	6.1%	22,596,000	6.4%	17.21
2019	178	1,288,000	6.0%	24,066,000	6.9%	18.68
2020	157	947,000	4.4%	19,027,000	5.4%	20.09
2021	41	593,000	2.7%	10,646,000	3.0%	17.95
Thereafter	133	3,486,000	16.0%	59,476,000	16.9%	17.06
Total/Average	**3,680**	**20,852,000**	**96.4%**	**$ 350,571,000**	**100.0%**	**$ 16.81**

[1] Excluding any contractual renewal options.

Future total gross rent from leases committed as of December 31, 2010 is estimated as follows:

(millions of dollars)	2011	2012	2013	2014	2015 and Thereafter	Total
Annual minimum rents	$ 323.2	$ 292.4	$ 263.8	$ 232.4	$ 1,109.8	$ 2,221.6
Cost recoveries [1]	162.6	147.5	133.1	117.5	567.7	1,128.4
Total gross rents	$ 485.8	$ 439.9	$ 396.9	$ 349.9	$ 1,677.5	$ 3,350.0

[1] Estimated based upon the percentage relationship to annual minimum rent.

Financing and Repayment of Indebtedness

The Company has outstanding indebtedness in the form of mortgages, loans, credit facilities, senior unsecured debentures and convertible debentures and, as such, is subject to the risks normally associated with debt financing, including the risk that the Company's cash flow will be insufficient to meet required payments of principal and interest.

Debt service obligations reduce the funds available for operations, acquisitions, development activities and other business opportunities. There is a possibility that the Company's internally generated cash may not be sufficient to repay all of its outstanding indebtedness. Upon the expiry of the term of the financing on any particular property owned by the Company, refinancing on a conventional mortgage loan basis may not be available in the amount required or may be available only on terms less favourable to the Company than the existing financing. The Company may elect to repay certain indebtedness through the issuance of equity securities or the sale of assets, where appropriate. The Company's strategy of spreading the maturities of its debt is also helpful in mitigating its exposure to interest rate fluctuations.

Interest Rate Risk

Interest represents a significant cost in the ownership of real property. The Company has a total of $790.7 million of fixed rate interest-bearing instruments outstanding including mortgages, senior unsecured debentures and convertible debentures maturing in the three years ending December 31, 2013 at a weighted average interest rate of 5.81%. If these amounts were refinanced at an average interest rate that was 100 basis points higher or lower than the existing rate, the Company's interest cost would respectively increase or decrease by $7.9 million.

Credit Ratings

Changes or anticipated changes in the credit rating assigned by DBRS or Moody's to the Company's senior unsecured debentures may affect the Company's access to financial markets and its cost of borrowing.

Risk of Non-Collection of Straight-Line Rents Receivable

A significant portion of the Company's straight-line rent receivables will be payable by the tenants at dates up to 15 years in the future. Because of the inherent uncertainty of predicting economic trends and changes, consumer trends and specific tenant conditions, some or a significant portion of these straight-line rents receivable, which totalled $44.3 million at December 31, 2010, may not be collected. Under Canadian GAAP, the Company records allowances for doubtful accounts on straight-line rents on a tenant-by-tenant basis, using specific, known facts and circumstances that exist in its portfolio at the time of the analysis. At December 31, 2010 the allowance for doubtful accounts related to straight-line rent receivables totalled $2.7 million.

Acquisition, Expansion and Development Risk

The key to the Company's ongoing success will be its ability to create and enhance value through the skill, creativity and effectiveness of its Management team and the opportunities which the market presents. First Capital Realty will continue to seek out acquisition, expansion and selective development opportunities that offer acceptable risk adjusted rates of return, although the Company may not succeed in identifying such opportunities or may not succeed in completing them.

The Company competes for suitable real property investments with individuals, corporations, real estate investment companies, trusts and other institutions (both Canadian and foreign) which may seek real property investments similar to those desired by the Company. Many of these investors may also have financial resources, which are comparable to, or greater than, those of the Company. An increase in the availability of investment funds, and an increase of interest in real property investments, increases competition for real property investments, thereby increasing purchase prices and reducing the yield therefrom.

The increasingly competitive real estate market has led to lower capitalization rates for new acquisitions in certain of the markets in which the Company operates. Lower capitalization rates mean a smaller spread between the Company's cost of capital and return on acquisitions and may therefore have a negative impact on the Company's earnings growth.

Further, the Company's development commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseeable delays; (ii) cost overruns; (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; and (iv) increase in interest rates during the life of the development.

Joint Ventures

Some of First Capital Realty's properties are partially owned by non-affiliated partners through partnership, co-ownership and limited liability corporate venture arrangements (collectively, "joint ventures"). As a result, the Company does not control all decisions regarding those properties and may be required to take actions that are in the interest of the joint venture partners collectively, but not in the Company's sole best interests. Accordingly, First Capital Realty may not be able to favourably resolve any issues that arise with respect to such decisions, or the Company may have to take legal action or provide financial or other inducements to joint venture partners to obtain such resolution.

Risks of Foreign and Domestic Equity Investments and Borrowings

The Company may acquire investments in US or Canadian REITs or real estate investment vehicles from time to time. The value of the Company's investments of this nature is subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers of the equity securities held by the Company may become impaired, or that the general condition of the stock market may deteriorate. The investee companies are also subject to risks associated with real property ownership which are similar to those described for the Company itself. Common stocks are also susceptible to general stock market fluctuations with potentially volatile increases and decreases in value as market confidence in, and perceptions of, their issuers change.

SHARE PRICE AND DIVIDEND HISTORY

	2010	2009	2008	2007
Average Closing Share Price (1)				
1st Quarter	$ 13.43	$ 10.11	$ 13.97	$ 17.33
2nd Quarter	$ 13.98	$ 10.21	$ 14.48	$ 17.03
3rd Quarter	$ 14.42	$ 11.29	$ 13.90	$ 16.11
4th Quarter	$ 15.37	$ 12.68	$ 11.55	$ 15.69
Closing price, end of year	$ 15.11	$ 13.54	$ 11.86	$ 15.01
Dividend History (per Common Share) (1)				
1st Quarter	$ 0.20	$ 0.20	$ 0.20	$ 0.19
2nd Quarter	$ 0.20	$ 0.20	$ 0.20	$ 0.19
August 14, 2009 dividend-in-kind	$ —	$ 0.28	$ —	$ —
3rd Quarter	$ 0.20	$ 0.20(2)	$ 0.20	$ 0.20
4th Quarter	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Total	$ 0.80	$ 1.08	$ 0.80	$ 0.78
Total excluding dividend-in-kind	$ 0.80	$ 0.80	$ 0.80	$ 0.78
Dividend Yield on average closing price (end of period annualized dividend)	5.21%	6.31%	6.93%	5.10%

(1) Prior periods restated to reflect the May 2010, 3.2:2 stock split.

(2) Amount represents the regular dividend. A dividend-in-kind of $0.28 was distributed in addition to the regular dividend. See discussion of dividend-in-kind in "Results of Operations – Equity One" section of this MD&A.

Quarterly Dividend

The Company announced that it will pay a first quarter dividend of $0.20 per common share on April 12, 2011 to shareholders of record on March 30, 2011, which represents the regular quarterly dividend on a post split basis.

Shopping Centre Portfolio

Property	Location	Year Built or Acquired	Gross Leasable Area	Percent Occupied	Anchors and Major Tenants
(at December 31, 2010)					
ONTARIO					
1842-1852 Queen Street West	Toronto	2006	13,000	74.2%	CIBC, Starbucks
216 Elgin Street	Ottawa	2008	12,000	100.0%	Harvey's, Second Cup, Quizno's
Adelaide Shoppers	London	2005	19,000	100.0%	Shoppers Drug Mart, Wendy's
Ambassador Plaza	Windsor	1994	150,000	97.2%	CIBC, Scotiabank, Royal Bank of Canada, LCBO, Zellers
Appleby Mall	Burlington	2004	182,000	100.0%	Fortinos (Loblaws), Pharma Plus, Bank of Montreal, TD Canada Trust, LCBO, The Beer Store, Home Hardware
Bayview Lane Plaza	Markham	2003	40,000	91.3%	Bank of Montreal, Dollarama
Bowmanville Mall	Bowmanville	2005	149,000	99.6%	Metro, Shoppers Drug Mart, Staples, The Beer Store, Dollarama, GoodLife Fitness
Brampton Corners	Brampton	2001	302,000	100.0%	Fortinos (Loblaws), Wal-Mart, HSBC, National Bank, Scotiabank, Kelsey's, Chapters, Second Cup
Brantford Commons	Brantford	1995	296,000	100.0%	Zehrs (Loblaws), Wal-Mart, LCBO, Cineplex, Royal Bank of Canada, The Beer Store, Reitmans
Bridgeport Plaza	Waterloo	1994	223,000	98.4%	Sobeys, Zellers, Rogers Video, Tim Hortons, Bulk Barn
Brooklin Towne Centre	Whitby	2003	109,000	94.2%	FreshCo (Sobeys), Shoppers Drug Mart, LCBO, Scotiabank, Tim Hortons
Burlingwood Shopping Centre	Burlington	2005	67,000	89.3%	No Frills (Loblaws), Pharma Plus, Tim Hortons
Byron Village Plaza	London	2002	89,000	100.0%	Metro, Pharma Plus, TD Canada Trust, Rogers Video, LCBO
Cedarbrae Mall	Toronto	1996	543,000	97.7%	No Frills (Loblaws), Shoppers Drug Mart, CIBC, Scotiabank, Burger King, The Beer Store, Canadian Tire, Dollarama, Toys 'R' Us, Zellers, LCBO, Extreme Fitness, Staples
Chartwell Shopping Centre	Toronto	2005	89,000	94.0%	Price Chopper (Sobeys), Shoppers Drug Mart, Bank of Montreal, CIBC
Chemong Park Plaza	Peterborough	2001	68,000	100.0%	Sobeys, TD Canada Trust, Government of Canada, Meridian Credit Union
Clairfields Common	Guelph	2006	85,000	100.0%	Food Basics (Metro), Shoppers Drug Mart, TD Canada Trust, Scotiabank, Starbucks
College Square (3)	Ottawa	2005	388,000	100.0%	Loblaws, Pharma Plus, Bank of Montreal, The Beer Store, LCBO, Tim Hortons, Home Depot, Reitmans, Rogers
Credit Valley Town Plaza	Mississauga	2003	100,000	97.7%	No Frills (Loblaws), Pharma Plus, TD Canada Trust, Tim Hortons, Rogers Video
Danforth Sobeys	Toronto	2009	31,000	96.8%	Sobeys
Delta Centre	Cambridge	1998	79,000	100.0%	Price Chopper (Sobeys), Shoppers Home Health Care, Starbucks, Dollarama
Derry Heights Plaza	Milton	2008	99,000	100.0%	Shoppers Drug Mart, CIBC, Royal Bank of Canada, Tim Hortons
Dufferin Corners	Toronto	2003	74,000	94.6%	Shoppers Drug Mart, TD Canada Trust, Royal Bank of Canada
Eagleson Cope Drive	Ottawa	2003	103,000	100.0%	Real Canadian Superstore (Loblaws)
Eagleson Place	Ottawa	2003	82,000	100.0%	Shoppers Drug Mart, Home Hardware, TD Canada Trust, Starbucks, Rogers Video, The Beer Store
Fairview Mall	St. Catharines	1994	387,000	99.2%	Food Basics (Metro), Zehrs (1) (Loblaws), CIBC, Scotiabank, Costco, Future Shop, Mark's Work Wearhouse, Office Depot, Winners, Zellers, Sport Chek, LCBO
Fairway Plaza	Kitchener	2005	249,000	100.0%	Food Basics (Metro), LCBO, Starbucks, Dollarama, Home Sense, Pier 1 Imports, Sport Chek, Winners, GoodLife Fitness, Reitmans
Gloucester City Centre	Ottawa	2003	345,000	95.5%	Loblaws, Pharma Plus, CIBC, Scotiabank, Tim Hortons, Zellers

Property	Location	Year Built or Acquired	Gross Leasable Area	Percent Occupied	Anchors and Major Tenants
ONTARIO (cont'd)					
Grimsby Square Shopping Centre	Grimsby	2005	162,000	100.0%	Sobeys, Shoppers Drug Mart, Royal Bank of Canada, McDonald's, Canadian Tire, Mark's Work Wearhouse, The Beer Store
Halton Hills Village	Georgetown	2007	112,000	100.0%	Metro, TD Canada Trust, LCBO, Tim Hortons
Harwood Plaza	Ajax	1999	216,000	95.4%	Food Basics (Metro), Shoppers Drug Mart, Scotiabank, Tim Hortons, Blockbuster, Dollarama, GoodLife Fitness
Humbertown Shopping Centre	Toronto	2006	137,000	96.6%	Loblaws, Shoppers Drug Mart, Royal Bank of Canada, Scotiabank, LCBO, Blockbuster
Hunt Club Place (4)	Ottawa	2009	87,000	100.0%	T&T Supermarkets, Petro Canada, TD Canada Trust
Hyde Park Plaza	London	2006	52,000	100.0%	Shoppers Drug Mart, Bank of Montreal, Starbucks
Laurelwood Shopping Centre	Waterloo	2007	92,000	100.0%	Sobeys, TD Canada Trust, Starbucks, LCBO
Loblaws Plaza	Ottawa	2005	134,000	93.2%	Loblaws, Royal Bank of Canada, GoodLife Fitness
Maple Grove Village	Oakville	2003	111,000	98.8%	Sobeys, Pharma Plus, CIBC, Tim Hortons, Rogers Video, The Beer Store
McLaughlin Corners (3)	Brampton	2002	116,000	99.0%	Metro, Shoppers Drug Mart, Royal Bank of Canada, Pizza Hut, Rogers Video
Meadowvale Town Centre	Mississauga	2003	380,000	100.0%	Metro, Shoppers Drug Mart, Bank of Montreal, CIBC, TD Canada Trust, Tim Hortons, Blockbuster, Canadian Tire, LCBO, Premier Fitness, The Beer Store
Merchandise Building	Toronto	2004	52,000	92.4%	Metro
Midland Lawrence Plaza	Toronto	2002	81,000	93.3%	Price Chopper (Sobeys), TD Bank, Part Source (Canadian Tire)
Morningside Crossing	Toronto	2007	261,000	100.0%	Metro, No Frills, Shoppers Drug Mart, Bank of Montreal, CIBC, TD Canada Trust, GoodLife Fitness, Dollarama, Starbucks, Blockbuster, Rogers, LCBO, Marks Work Wearhouse, Pizza Hut, Pharma Plus, Tim Hortons
Norfolk Mall	Tillsonburg	2004	88,000	100.0%	Zehrs (Loblaws) (1), Dollarama, Wal-Mart
Northfield Centre	Waterloo	1999	52,000	100.0%	Sobeys, Pharma Plus, Royal Bank of Canada, Tim Hortons, Rogers Video
Olde Oakville Market Place	Oakville	2006	126,000	95.3%	Whole Foods, Shoppers Drug Mart, HSBC, Royal Bank of Canada, Starbucks, Blockbuster, LCBO
Orleans Gardens (3)	Ottawa	2005	110,000	91.2%	Your Independent Grocer (Loblaws), Pharma Plus, Rogers Video, Tim Hortons
Parkway Centre	Peterborough	1996	264,000	100.0%	Price Chopper (Sobeys), Zellers, Addition Elle, Reitmans, Sport Mart, Winners
Parkway Mall	Toronto	**2010**	257,000	89.0%	Metro, Staples Business Depot, Shoppers Drug Mart, CIBC, TD Canada Trust, LCBO, McDonalds, Second Cup, Bank of Nova Scotia, Tim Hortons, Reitmans
Queenston Place	Hamilton	1995	174,000	96.8%	Zellers, Mark's Work Wearhouse, Penningtons (Reitmans)
Rutherford Marketplace	Vaughan	2009	135,000	100.0%	Longo's Supermarket, Shoppers Drug Mart, Royal Bank of Canada, LCBO, Second Cup
Queensway	Toronto	2006	67,000	100.0%	Panache Rotisseurs
Sheridan Plaza	Toronto	1995	168,000	100.0%	Food Basics (Metro), Zellers
Shoppes on Dundas	Oakville	2007	66,000	96.4%	Shoppers Drug Mart, TD Canada Trust, RBC Insurance, Starbucks
Shops at King Liberty	Toronto	2004	242,000	98.6%	Metro, LCBO, TD Canada Trust, Blockbuster, Starbucks, Royal Bank of Canada, GoodLife Fitness, First Capital Realty Inc., West Elm, Knoll
Stanley Park Mall	Kitchener	1997	189,000	98.9%	Zehrs (Loblaws), Zellers, Pharma Plus, TD Canada Trust, LCBO
Steeple Hill Shopping Centre	Pickering	2000	93,000	100.0%	FreshCo (Sobeys), Shoppers Drug Mart, Royal Bank of Canada, Blockbuster

Property	Location	Year Built or Acquired	Gross Leasable Area	Percent Occupied	Anchors and Major Tenants
ONTARIO (cont'd)					
Stoneybrook Plaza	London	2006	55,000	100.0%	Sobeys, Pharma Plus, TD Canada Trust, Home Depot (1)
Strandherd Crossing	Ottawa	2004	123,000	100.0%	Metro, Shoppers Drug Mart, Royal Bank of Canada, TD Canada Trust, Starbucks, Rogers Video, GoodLife Fitness
Sunningdale Village	London	2006	73,000	100.0%	No Frills, Shoppers Drug Mart, Starbucks
Thickson Place	Whitby	1997	93,000	100.0%	Metro, CIBC, TD Canada Trust
Tillsonburg Town Centre (2)	Tillsonburg	1994	281,000	94.9%	Zellers, Shoppers Drug Mart, CIBC, TD Canada Trust, Business Depot (Staples), Canadian Tire, LCBO, Mark's Work Wearhouse, Reitmans, Rogers Video, The Souce (Bell) Electronics Inc.
University Plaza	Windsor	2001	139,000	100.0%	Metro, Shoppers Drug Mart, Bank of Montreal, Canadian Tire, Dollarama
Valley Creek Plaza	Brampton	2008	23,000	83.0%	Bank of Nova Scotia
Waterloo Shoppers Drug Mart	Waterloo	2004	15,000	100.0%	Shoppers Drug Mart
Wellington Corners	London	1999	77,000	100.0%	Price Chopper (Sobeys), Shoppers Drug Mart, Starbucks, Montana's
Westney Heights Plaza	Ajax	2002	157,000	99.2%	Sobeys, Shoppers Drug Mart, CIBC, Scotiabank, TD Canada Trust, Starbucks, Rogers Video
Yonge-Davis Centre	Newmarket	2003	53,000	97.2%	Sleep Country, Fitness Souce
York Mills Gardens	Toronto	2004	168,000	95.7%	Longo's Supermarket, Shoppers Drug Mart, Royal Bank of Canada, TD Canada Trust, Kelsey's, McDonald's, Second Cup, Pizza Hut, Wendy's, Rogers Video, Starbucks
Total – ONTARIO			**9,654,000**	**98.0%**	
QUEBEC					
Carrefour Charlemagne	Charlemagne	2006	200,000	100.0%	Rona, Sports Rousseau, Metro
Carrefour des Forges	Drummondville	2005	59,000	100.0%	IGA (Sobeys), SAQ
Centre D'Achats Ville Mont-Royal	Mount Royal	2007	159,000	83.9%	Provigo, Pharamprix (Shoppers Drug Mart), Scotiabank, Blockbuster, Starbucks
Carrefour Don Quichotte	Île Perrot	2004	71,000	79.5%	Pharamprix (Shoppers Drug Mart), CIBC
Carrefour du Plateau Grives	Gatineau	2008	29,000	100.0%	Jean Coutu, Royal Bank of Canada
Carrefour du Versant	Gatineau	2003	96,000	100.0%	IGA (Sobeys), Familiprix, Royal Bank of Canada, TD Canada Trust, SAQ, Quiznos, Tim Hortons, Dollarama
Carrefour Soumande	Québec City	2004	145,000	89.0%	Fruiterie 440, SAQ, Toys 'R' Us
Carrefour St. David	Québec City	2006	74,000	100.0%	Metro, Uniprix, TD Canada Trust, Starbucks, McDonald's
Carrefour St. Hubert	Longueuil	2002	152,000	90.6%	Super C, Jean Coutu, CIBC, Dollarama, SAQ, Second Cup, Quiznos, McDonald's
Centre commercial Beaconsfield	Beaconsfield	2002	135,000	98.0%	Metro, Pharmaprix (Shoppers Drug Mart), Royal Bank of Canada, SAQ, Tim Hortons, Gold's Gym
Centre commercial Côte St. Luc	Côte St. Luc	2002	159,000	89.7%	IGA (Sobeys), Jean Coutu, Royal Bank of Canada, SAQ, Blockbuster, Dollarama, Reitmans
Centre commercial Domaine	Montréal	2002	196,000	92.6%	Metro (3), Uniprix, CIBC, Tim Hortons, Dollarama, Reitmans, Rossy, Zellers
Centre commercial Maisonneuve (2)	Montréal	2003	113,000	100.0%	Provigo (Loblaws), Brunet, TD CanadaTrust, Canadian Tire, SAQ
Centre commercial Van Horne	Montréal	2002	79,000	98.9%	IGA (Sobeys), Pharmaprix (Shoppers Drug Mart), Royal Bank of Canada, Scotiabank, Tim Hortons
Centre commercial Wilderton	Montréal	2002	127,000	98.9%	Metro, Pharmaprix (Shoppers Drug Mart), Laurentian Bank, Royal Bank of Canada, Dollarama, SAQ
Centre Kirkland/St. Charles	Kirkland	2006	115,000	100.0%	Uniprix, Bank of Montreal, CIBC, Dollarama, SAQ
Centre Maxi Trois Rivières	Trois Rivières	2003	121,000	100.0%	Maxi (Loblaws), Jean Coutu, Dollarama, Bank of Montreal, Tim Hortons, Blockbuster, Value Village
Édifice Gordon	Montréal	2005	19,000	87.4%	Pharmaprix (Shoppers Drug Mart)

Property	Location	Year Built or Acquired	Gross Leasable Area	Percent Occupied	Anchors and Major Tenants
QUEBEC (cont'd)					
Édifice Hooper	Sherbrooke	2005	142,000	91.6%	IGA Extra (Sobeys), Familiprix, Desjardins
Faubourg des Prairies	Montréal	2007	60,000	89.7%	IGA (Sobeys), Familiprix, SAQ
Galeries Brien	Repentigny	2002	61,000	98.7%	IGA (Sobeys), Uniprix
Galeries des Chesnaye	Lachenaie	2005	59,000	96.2%	IGA (Sobeys), Uniprix, Desjardins, Videotron, SAQ
Galeries Normandie	Montréal	2002	216,000	95.4%	IGA (Sobeys), Pharmaprix (Shoppers Drug Mart), Staples, Bank of Montreal, Desjardins, Royal Bank of Canada, Blockbuster, Dollarama, SAQ, Tim Hortons
IGA Tremblant	Mont-Tremblant	2004	38,000	100.0%	IGA (Sobeys)
La Porte de Châteauguay	Châteauguay	1995	132,000	100.0%	Tim Hortons, Blockbuster, Zellers
La Porte de Gatineau	Gatineau	1994	155,000	92.6%	Maxi (Loblaws), CIBC, TD Canada Trust, Future Shop, La-Z-Boy Furniture, Toys 'R' Us [1], SAQ
Le Campanîle & Place du Commerce	Montréal	2003	107,000	97.4%	IGA (Sobeys), Jean Coutu, Pharmaprix (Shoppers Drug Mart), Bank of Montreal, TD Canada Trust
Les Galeries de Lanaudière [3]	Lachenaie	2002	268,000	100.0%	TD Canada Trust, Bureau en Gros (Staples), Future Shop, Home Depot [1], Pier 1 Imports, Reitmans, Sears, Winners
Les Galeries de Repentigny	Repentigny	1997	121,000	100.0%	Super C (Metro), Pharmaprix (Shoppers Drug Mart), Tim Hortons
Les Promenades du Parc	Longueuil	1997	104,000	100.0%	IGA (Sobeys), Pharmaprix (Shoppers Drug Mart), Laurentian Bank, National Bank, Tim Hortons, Blockbuster
Marche du Vieux Longueuil	Longueuil	2008	58,000	100.0%	Metro, Pharmaprix (Shoppers Drug Mart)
Place Bordeaux	Gatineau	2002	29,000	75.9%	Pharmaprix (Shoppers Drug Mart), National Bank
Place Cité Des Jeunes	Gatineau	2001	58,000	97.1%	Metro, Uniprix
Place de la Colline	Chicoutimi	2004	52,000	100.0%	Maxi (Loblaws), Uniprix, McDonald's, Dollarama
Place des Cormiers	Sept-Îles	2004	75,000	94.6%	Provigo (Loblaws), Bureau en Gros (Staples), SAQ
Place Fleury	Montréal	2002	108,000	99.4%	Metro, Pharmaprix (Shoppers Drug Mart), Bank of Montreal, Reitmans, SAQ
Place Kirkland	Kirkland	2006	57,000	95.8%	IGA (Sobeys), CIBC
Place Lorraine	Lorraine	2006	61,000	86.8%	Provigo (Loblaws), National Bank, SAQ
Place Michelet	Montréal	2005	59,000	100.0%	IGA Extra (Sobeys), TD Canada Trust, A&W, Sherwin Williams, St. Hubert
Place Nelligan	Gatineau	2002	57,000	91.3%	IGA (Sobeys), CitiFinancial
Place Panama	Brossard	2006	94,000	100.0%	Loblaws [1]
Place Pierre Boucher	Boucherville Borough	2004	80,000	92.7%	Maxi (Loblaws), Pharmaprix (Shoppers Drug Mart), SAQ,
Place Pointe-aux-Trembles	Montréal	2002	118,000	88.0%	Metro, Jean Coutu, Rossy
Place Provencher	Montréal	2004	48,000	100.0%	Pharmaprix (Shoppers Drug Mart), Bureau en Gros (Staples)
Place Roland Therrien	Longueuil	2000	42,000	100.0%	Super C (Metro) [1], Scotiabank, Blockbuster
Place Seigneuriale	Québec City	2004	55,000	90.5%	Metro, Royal Bank of Canada, Nautilus Plus
Place Viau	Montréal	2002	152,000	100.0%	Zellers
Place Vilamont	Laval	2002	73,000	94.0%	Provigo (Loblaws), Jean Coutu, Laurentian Bank
Plaza Actuel	Longueuil	2006	56,000	84.2%	Pizza Hut, Pontiac Buick, Rotisserie St-Hubert
Plaza Delson	Delson	2002	185,000	90.1%	Loblaws, Pharmaprix (Shoppers Drug Mart), National Bank, Harveys, Tim Hortons, SAQ, Cineplex
Plaza Don Quichotte	Île Perrot	2004	134,000	96.9%	IGA (Sobeys), SAQ, Caisse Populaire, Desjardins, Laurentian Bank, Tim Hortons, SAQ
Plaza Laval Élysée	Laval	2004	63,000	100.0%	Maxi, Pharmaprix (Shoppers Drug Mart), Laurentian Bank, Tim Hortons
Promenades Lévis	Lévis	2004	164,000	96.1%	Metro, Bank of Montreal, Jean Coutu, McDonald's,
Queen Mary	Montréal	2006	6,000	100.0%	Tim Hortons, Couche Tard
St. Denis Pharmaprix	Montreal	2009	11,000	100.0%	Pharmaprix
Toys 'R' Us/Pier 1 Imports	Montréal	2002	52,000	100.0%	Pier 1 Imports, Toys 'R' Us
Village des Valeurs	Laval	2002	27,000	100.0%	Value Village
Total – QUEBEC			**5,486,000**	**95.5%**	

Property	Location	Year Built or Acquired	Gross Leasable Area	Percent Occupied	Anchors and Major Tenants
ALBERTA					
9630 Macleod Trail	Calgary	2006	134,000	100.0%	Rona, Bank of Montreal
Cochrane City Centre	Cochrane	2006	59,000	94.8%	Shoppers Drug Mart, Starbucks, Blockbuster
Cranston Market	Calgary	2009	84,000	100.0%	Sobeys, Scotiabank, Petro Canada
Deer Valley	Calgary	2008	197,000	93.3%	Calgary Co-op, Shoppers Drug Mart, Royal Bank of Canada, Zellers
Dickson Trail Crossing	Airdrie	2009	52,000	85.1%	Rexall, Starbucks, Brewsters
Eastview Shopping Centre	Red Deer	2004	35,000	100.0%	Sobeys, Bank of Montreal, 7-Eleven
Fairmount Shopping Centre	Calgary	2006	60,000	97.5%	Sobeys , Royal Bank of Canada, Tim Hortons
Gateway Village	St. Albert	1994	105,000	95.0%	Safeway, Bank of Montreal, CIBC, Scotiabank, Tim Hortons
Kingsland Shopping Centre	Calgary	2005	46,000	99.6%	Shoppers Drug Mart, Starbucks
Lakeview Plaza	Calgary	2005	64,000	98.6%	IGA (Sobeys), Super Drug Mart, Scotiabank
London Place West	Calgary	1998	77,000	100.0%	London Drugs, Bank of Montreal, Rogers Video, Boston Pizza
McKenzie Towne Centre	Calgary	2003	183,000	100.0%	Sobeys, GoodLife Fitness, Rexall, TD Canada Trust, Blockbuster, Alberta Treasury Branch
Meadowbrook Centre (5)	Edmonton	2009	71,000	100.0%	Sobeys, Blockbuster, Shoppers Drug Mart
Newport Village	Calgary	**2010**	42,000	91.7%	Starbucks, 7-Eleven
Northgate Centre	Edmonton	1997	489,000	95.3%	Safeway, Royal Bank of Canada, Future Shop, Sport Mart, Zellers
Old Strathcona Shopping Centre	Edmonton	2003	76,000	94.0%	Dollarama, Canada Post
Red Deer Village	Red Deer	1999	219,000	97.6%	Sobeys, Shoppers Drug Mart, HSBC, TD Canada Trust, Starbucks, Canadian Tire, Mark's Work Wearhouse, Reitmans, Rogers Video, Sport Mart
Richmond Square	Calgary	2006	157,000	97.9%	Home Outfitters, Canadian Tire (1), GoodLife Fitness
Royal Oak Centre	Calgary	2003	336,000	95.0%	Sobeys, Wal-Mart, London Drugs, Royal Bank of Canada, Blockbuster, Home Outfitters
Sherwood Centre	Sherwood Park	1997	78,000	86.2%	Save-On-Foods (1), Shopper Drug Mart, Dollarama, CIBC, Rogers Video
Sherwood Towne Square	Sherwood Park	1997	120,000	100.0%	Royal Bank of Canada, Home Depot (1), Home Sense, Mark's Work Wearhouse, Michaels, Staples
South Park Centre	Edmonton	1996	374,000	92.3%	Starbucks, Canadian Tire, Zellers, Toys 'R' Us (1), Sport Chek, GoodLife Fitness, TD Canada Trust
Staples Gateway	Edmonton	2007	40,000	100.0%	Mark's Work Wearhouse, Staples, Home Depot (1)
Towerlane Centre	Airdrie	2005	247,000	97.3%	Safeway, Staples, Gold's Gym, TD Canada Trust, Starbucks, Blockbuster, The Source (Bell), Dollarama, CIBC
TransCanada Centre	Calgary	2006	184,000	100.0%	Safeway, Rexall, Scotiabank, Starbucks
Tuscany Market	Calgary	2003	85,000	97.3%	Sobeys, Rexall, Scotiabank, Starbucks
Village Market	Sherwood Park	1997	131,000	95.0%	Safeway, London Drugs, Scotiabank, Tim Hortons, Rogers
West Lethbridge Towne Centre	Lethbridge	1998	103,000	97.2%	Safeway, Scotiabank, McDonald's, Starbucks, Blockbuster, Home Hardware
Westmount Shopping Centre	Edmonton	2007	545,000	86.9%	Safeway, Shoppers Drug Mart, Bank of Montreal, Scotiabank, TD Canada Trust, Tim Hortons, Blockbuster, Dollarama, Home Depot, Zellers, Gold's Gym
Total – ALBERTA			**4,393,000**	**95.1%**	

Property	Location	Year Built or Acquired	Gross Leasable Area	Percent Occupied	Anchors and Major Tenants
BRITISH COLUMBIA					
Broadmoor Shopping Centre	Richmond	2005	17,000	100.0%	Safeway, Royal Bank of Canada, Coast Capital Savings
Coronation Mall	Duncan	2005	49,000	75.4%	Shoppers Drug Mart, TD Canada Trust, Blockbuster, BC Liquor Store
Gorge Shopping Centre	Victoria	2008	35,000	91.6%	Shoppers Drug Mart, Starbucks, Subway, Bell, Rogers, BC Liquor Store
Harbour Front Centre	Vancouver	2005	166,000	100.0%	Vancity, Kelsey's, McDonald's, Starbucks, Canadian Tire, Mark's Work Wearhouse, Michaels, PetSmart
Langford Centre	Langford	2009	66,000	82.6%	Western Foods, Starbucks, Subway
Langley Crossing Shopping Centre	Langley	2005	125,000	95.9%	Shoppers Drug Mart, CitiFinancial, Dollar Max, Chuck E Cheese's
Langley Mall	Langley	2005	132,000	93.4%	IGA Marketplace (Sobeys), Shoppers Home Health Care, TD Canada Trust, Army & Navy
Longwood Station	Nanaimo	2007	106,000	100.0%	Thrifty Foods, TD Canada Trust, Boston Pizza
Pemberton Plaza	Vancouver	2005	95,000	97.5%	Save-On-Foods, Vancity, Starbucks
Port Place Shopping Centre	Nanaimo	2006	99,000	90.3%	London Drugs, BC Liquor Store, CIBC, Thrifty Foods
Semiahmoo Shopping Centre	Surrey	**2010**	278,000	94.7%	Save-On-Foods, Shoppers Drug Mart, Zellers, Royal Bank of Canada, CIBC, Rogers
Scott 72 Centre	Delta	2004	165,000	94.0%	London Drugs, Staples, TD Canada Trust, Starbucks, Vancity, Little Gym
South Fraser Gate	Abbotsford	2008	33,000	97.8%	Shoppers Drug Mart
Staples Lougheed	Burnaby	2006	32,000	100.0%	Staples Business Depot
Terminal Park	Nanaimo	2006	29,000	83.3%	Save-On-Foods [1], Bank of Montreal, BC Liquor Store
Terra Nova Shopping Centre	Richmond	2005	72,000	92.6%	Save-On-Foods, Royal Bank of Canada, Pizza Hut, Starbucks
The Olive	Vancouver	2006	21,000	100.0%	Shoppers Drug Mart, Blenz
Time Marketplace	Vancouver	2004	52,000	95.8%	IGA Marketplace (Sobeys), Shoppers Drug Mart, Boston Pizza, TD Canada Trust
Tuscany Village	Victoria	**2010**	66,000	100.0%	Thrifty Foods (Sobeys), Subway, Starbucks, Blockbuster
West Oaks Mall [3]	Abbotsford	2004	266,000	99.7%	Save-On-Foods, London Drugs, Michaels, Reitmans, CIBC, Pier 1 Imports, Sport Mart, Tim Hortons, Starbucks
Woodgrove Crossing	Nanaimo	2006	59,000	100.0%	Michaels, Sleep Country, Shoppers Drug Mart
Woolridge Building	Coquitlam	2006	38,000	100.0%	Home Outfitters
Total – BRITISH COLUMBIA			**2,001,000**	**95.5%**	
OTHERS					
Cole Harbour Shopping Centre	Dartmouth, NS	1997	50,000	91.9%	Sobeys [1], Canadian Tire [1], Shoppers Drug Mart, TD Canada Trust
Ropewalk Lane	St. John's, NF	1997	40,000	62.5%	Government of Newfoundland and Labrador, Tim Hortons
Total – OTHERS			**90,000**	**78.8%**	
TOTAL			**21,624,000**	**96.4%**	

(1) Tenant (or other) owned.
(2) Interest is leasehold.
(3) 50% interest owned.
(4) 33% interest owned.
(5) A portion of Meadowbrook is 50% owned by First Capital Realty Inc.

Management's Responsibility

The accompanying consolidated financial statements and Management's Discussion and Analysis ("MD&A") are the responsibility of Management and have been prepared in accordance with Canadian generally accepted accounting principles.

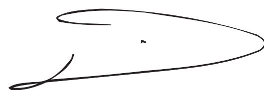
The preparation of financial statements and MD&A necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. In addition, in preparing this financial information Management must make determinations as to the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to March 2, 2011.

Management is also responsible for the maintenance of financial and operating systems which include effective controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are properly authorized and recorded, and that reliable financial information is produced. PricewaterhouseCoopers LLP has been engaged to assist Management and the Audit Committee in planning and conducting its annual internal audit plan.

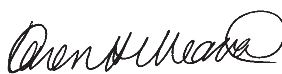
The Board of Directors is responsible for ensuring that Management fulfills its responsibilities through its Audit Committee, whose members are not involved in day-to-day operations of the Company. Each quarter the Audit Committee meets with Management and, as necessary, with the independent auditors, Deloitte & Touche LLP, to satisfy itself that Management's responsibilities are properly discharged and to review and report to the Board on the consolidated financial statements.

As at December 31, 2010, our Chief Executive Officer and Chief Financial Officer evaluated, or caused the evaluation of under their direct supervision, the disclosure controls and procedures and the internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) and, based on that assessment, determined that the disclosure controls and procedures and internal controls over financial reporting were appropriately designed and were operating effectively.

In accordance with generally accepted auditing standards, the independent auditors conduct an examination each year in order to express a professional opinion on the consolidated financial statements.



Dori J. Segal
President and Chief Executive Officer
Toronto, Ontario
March 2, 2011



Karen H. Weaver, CPA
Executive Vice President and Chief Financial Officer

Independent Auditor's Report

To the Shareholders of First Capital Realty Inc.

We have audited the accompanying consolidated financial statements of First Capital Realty Inc., which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Capital Realty Inc. as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 2, 2011

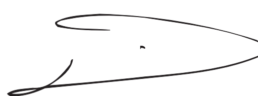
Consolidated Balance Sheets

December 31 (thousands of dollars)

	2010	2009
ASSETS		
Real Estate Investments		
Shopping centres *(note 3)*	**$ 3,578,960**	$ 3,288,759
Land and shopping centres under development *(note 4)*	**306,843**	224,772
Deferred leasing costs *(note 5)*	**19,431**	17,471
Intangible assets *(note 6)*	**23,683**	22,549
	3,928,917	3,553,551
Loans, mortgages and other real estate assets *(note 7)*	**78,502**	59,220
	4,007,419	3,612,771
Other assets *(note 8)*	**29,933**	28,726
Amounts receivable *(notes 9 and 28)*	**51,722**	45,598
Cash and cash equivalents *(note 24(d))*	**31,639**	4,548
	$ 4,120,713	$ 3,691,643
LIABILITIES		
Mortgages, loans and credit facilities *(note 11)*	**$ 1,318,341**	$ 1,354,668
Accounts payable and other liabilities *(note 12)*	**149,824**	137,658
Intangible liabilities *(note 6)*	**19,001**	13,193
Senior unsecured debentures *(note 13)*	**1,114,031**	717,040
Convertible debentures *(note 14)*	**324,535**	329,739
Future income tax net liabilities *(note 20)*	**61,067**	43,502
	2,986,799	2,595,800
SHAREHOLDERS' EQUITY	**1,133,914**	1,095,843
	$ 4,120,713	$ 3,691,643

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors:



Chaim Katzman
Chairman of the Board

Dori J. Segal
Director

Consolidated Statements of Earnings

Years ended December 31 (thousands of dollars, except per share amounts)

	2010	2009
REVENUE		
Property rental revenue	**$ 485,016**	$ 442,131
Interest and other income *(note 16)*	**5,064**	5,612
	490,080	447,743
EXPENSES		
Property operating costs	**168,950**	156,954
Interest expense *(note 17)*	**143,333**	125,465
Amortization		
Shopping centres	**90,949**	83,342
Deferred leasing costs	**3,998**	3,662
Intangible assets	**5,518**	7,497
Deferred financing fees	**1,801**	2,202
Other assets	**1,729**	2,005
Corporate expenses	**21,442**	22,122
	437,720	403,249
Income before the undernoted items	**52,360**	44,494
Equity income from Equity One, Inc.	**—**	7,066
Other gains (losses) and (expenses) *(note 19)*	**6,725**	(1,414)
Income before income taxes	**59,085**	50,146
Income taxes *(note 20)*		
Current	**—**	533
Future	**17,747**	7,700
	17,747	8,233
Net income	**$ 41,338**	$ 41,913
Earnings per common share, basic and diluted [1] *(note 21)*	**$ 0.26**	$ 0.28

[1] Prior year restated to reflect the May 2010, 3.2:2 stock split.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31 (thousands of dollars)

	2010	2009
NET INCOME	**$ 41,338**	$ 41,913
OTHER COMPREHENSIVE INCOME		
Unrealized foreign currency gains on translating self-sustaining foreign operations		
Losses arising during the year	**–**	(6,156)
Reclassification adjustment for dilution loss on investment in Equity One, Inc.	**–**	1,669
Reclassification adjustment for dividend-in-kind *(note 18)*	**–**	17,288
	–	12,801
Other comprehensive income (losses) of Equity One, Inc.		
Gains arising during the year	**–**	4,346
Reclassification adjustment for dilution loss included in net income	**–**	29
Reclassification adjustment for dividend-in-kind *(note 18)*	**–**	(1,124)
	–	3,251
Unrealized gains on cash flow hedges of interest rates		
Unrealized gains arising during the year	**–**	10,182
Reclassification adjustment for losses included in net income	**–**	2,621
Reclassification adjustment for dividend-in-kind *(note 18)*	**–**	4,407
	–	17,210
Change in cumulative unrealized gains on available-for-sale marketable securities		
Unrealized gains arising during the year	**3,144**	13,687
Reclassification adjustments for gains included in net income	**(1,571)**	(6,038)
	1,573	7,649
Other comprehensive income before income taxes	**1,573**	40,911
Future income tax expense *(note 23(a))*	**252**	6,202
Other comprehensive income	**1,321**	34,709
COMPREHENSIVE INCOME	**$ 42,659**	**$ 76,622**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(thousands of dollars)

	Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Deficit and Accumulated Other Comprehensive Income/(Loss)	Share Capital	Contributed Surplus	Convertible Debentures Equity Component	Options, Deferred Share Units and Warrants	Total
		(note 23(b))		*(note 15)*		*(note 14)*	*(note 15)*	
Shareholders' equity, December 31, 2009	**$ (523,071)**	**$ 918**	**$ (522,153)**	**$ 1,564,028**	**$ 19,513**	**$ 19,830**	**$ 14,625**	**$ 1,095,843**
Changes during the year								
Net income	**41,338**	**—**	**41,338**	**—**	**—**	**—**	**—**	**41,338**
Issuance of common shares	**—**	**—**	**—**	**55,765**	**—**	**—**	**—**	**55,765**
Dividends	**(127,768)**	**—**	**(127,768)**	**—**	**—**	**—**	**—**	**(127,768)**
Payment of interest on convertible debentures	**—**	**—**	**—**	**19,275**	**—**	**—**	**—**	**19,275**
Purchase of convertible debentures	**—**	**—**	**—**	**—**	**(55)**	**(275)**	**—**	**(330)**
Exercise of warrants	**—**	**—**	**—**	**42,096**	**—**	**—**	**(1,808)**	**40,288**
Options vested	**—**	**—**	**—**	**—**	**—**	**—**	**1,032**	**1,032**
Exercise of options	**—**	**—**	**—**	**9,735**	**—**	**—**	**(580)**	**9,155**
Deferred share units	**—**	**—**	**—**	**—**	**—**	**—**	**659**	**659**
Restricted share units	**—**	**—**	**—**	**—**	**—**	**—**	**1,733**	**1,733**
Exercise of restricted share units	**—**	**—**	**—**	**—**	**—**	**—**	**(3,014)**	**(3,014)**
Issue costs, net of tax	**—**	**—**	**—**	**(1,383)**	**—**	**—**	**—**	**(1,383)**
Other comprehensive income	**—**	**1,321**	**1,321**	**—**	**—**	**—**	**—**	**1,321**
Shareholders' equity, December 31, 2010	**$ (609,501)**	**$ 2,239**	**$ (607,262)**	**$ 1,689,516**	**$ 19,458**	**$ 19,555**	**$ 12,647**	**$ 1,133,914**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(thousands of dollars)

	Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Deficit and Accumulated Other Comprehensive Income/(Loss)	Share Capital	Contributed Surplus	Convertible Debentures Equity Component	Options, Deferred Share Units and Warrants	Total
		(note 23(b))		*(note 15)*		*(note 14)*	*(note 15)*	
Shareholders' equity, December 31, 2008	$ (380,728)	$ (33,791)	$ (414,519)	$ 1,463,389	$ 19,513	$ 15,905	$ 10,858	$ 1,095,146
Changes during the year								
Net income	41,913	—	41,913	—	—	—	—	41,913
Issuance of common shares	—	—	—	83,187	—	—	—	83,187
Issuance of warrants	—	—	—	—	—	—	1,821	1,821
Dividends	(120,731)	—	(120,731)	—	—	—	—	(120,731)
Dividend-in-kind *(note 18)*	(63,525)	—	(63,525)	—	—	—	—	(63,525)
Payment of interest on convertible debentures	—	—	—	12,613	—	—	—	12,613
Equity component on issuance of convertible debentures	—	—	—	—	—	4,114	—	4,114
Conversion of convertible debentures	—	—	—	6,056	—	(189)	—	5,867
Exercise of warrants	—	—	—	135	—	—	(12)	123
Options vested	—	—	—	—	—	—	1,394	1,394
Exercise of options	—	—	—	444	—	—	(8)	436
Deferred share units	—	—	—	—	—	—	815	815
Exercise of deferred share units	—	—	—		—	—	(514)	(514)
Restricted share units	—	—	—	—	—	—	2,989	2,989
Exercise of restricted share units	—	—	—	—	—	—	(2,718)	(2,718)
Issue costs, net of tax	—	—	—	(1,796)	—	—	—	(1,796)
Other comprehensive income	—	34,709	34,709	—	—	—	—	34,709
Shareholders' equity, December 31, 2009	$ (523,071)	$ 918	$ (522,153)	$1,564,028	$ 19,513	$ 19,830	$ 14,625	$1,095,843

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31 (thousands of dollars)

	2010	2009
CASH FLOW PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income	**$ 41,338**	$ 41,913
Items not affecting cash *(note 24(a))*	**125,874**	105,877
Deferred leasing costs	**(5,978)**	(5,022)
Dividends received from Equity One, Inc.	**—**	12,452
Net change in non-cash operating items *(note 24(b))*	**15,051**	(6,592)
Cash provided by operating activities	**176,285**	148,628
INVESTING ACTIVITIES		
Acquisition of shopping centres *(note 3)*	**(178,708)**	(59,039)
Acquisition of land and shopping centres held for development *(note 4)*	**(49,863)**	(10,273)
Net proceeds from property dispositions	**12,644**	4,826
Expenditures on shopping centres	**(32,939)**	(35,309)
Expenditures on land and shopping centres under development *(note 4)*	**(119,147)**	(168,110)
Changes in working capital items related to investing activities	**(6,342)**	(15,595)
Changes in loans, mortgages and other real estate assets *(note 24(c))*	**(21,946)**	50,640
Cash used in investing activities	**(396,301)**	(232,860)
FINANCING ACTIVITIES		
Mortgage financings, loans and credit facilities		
Borrowings, net of financing costs	**160,473**	621,208
Principal instalment payments	**(35,084)**	(38,917)
Other repayments on maturity	**(243,295)**	(685,930)
Issuance of senior unsecured debentures, net of issue costs *(note 13)*	**395,634**	124,000
Purchases of senior unsecured debentures	**—**	(1,145)
Issuance of convertible debentures, net of issue costs *(note 14)*	**(60)**	120,071
Purchase of convertible debentures *(note 14)*	**(8,570)**	—
Issuance of common shares, net of issue costs	**103,327**	57,771
Issuance of warrants, net of issue costs	**(55)**	1,821
Cash balance included in dividend-in-kind *(note 18)*	**—**	(492)
Payment of dividends	**(125,263)**	(118,192)
Cash provided by financing activities	**247,107**	80,195
Effect of currency rate movement on cash balances	**—**	1,322
Increase (decrease) in cash and cash equivalents	**27,091**	(2,715)
Cash and cash equivalents, beginning of the year	**4,548**	7,263
Cash and cash equivalents, end of the year *(note 24(d))*	**$ 31,639**	$ 4,548

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2010 and 2009

1. SIGNIFICANT ACCOUNTING POLICIES

First Capital Realty Inc. (the "Company") is incorporated under the laws of Ontario to engage in the business of acquiring, developing, redeveloping, owning and operating neighbourhood and community shopping centres. The Company's accounting policies and its standards of financial disclosure are in accordance with Canadian generally accepted accounting principles. The Company's significant accounting policies are as follows:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and trusts, and the Company's proportionate share of assets, liabilities, revenues and expenses of partnership, co-ownership and limited liability corporate ventures, which are accounted for using the proportionate consolidation method. The Company's investment in Equity One, Inc. was accounted for using the equity method as the Company exercised significant influence over this investment prior to the dividend-in-kind (note 18).

(b) Shopping Centres

Shopping centres are stated at cost less accumulated amortization.

The purchase price of shopping centre properties is allocated to land, building, deferred leasing costs and intangibles including lease origination costs associated with in-place leases, the value of above- and below-market leases, and the value of tenant relationships, if any.

Allocations of the purchase price are generally based on the following criteria:

(i) Land is recorded at its estimated fair value.

(ii) Buildings are recorded at depreciated replacement cost based on estimates of prevailing construction costs for buildings of a similar class and age.

(iii) Tenant improvements are recorded at depreciated replacement cost based on estimates of prevailing construction costs, taking into account the condition of tenants' premises.

(iv) Lease origination costs are determined based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions. These costs include leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period.

(v) Values ascribed to above- and below-market in-place leases are determined based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents.

(vi) Tenant relationship values are determined based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew.

For practical reasons, the purchase price allocation of property acquisitions which occur at or near year-end are estimated based on the facts available at that time and are subsequently evaluated and adjusted as necessary as additional information becomes available.

(c) Land and Shopping Centres Under Development

Land and shopping centres under development are stated at cost. Cost includes all expenditures incurred in connection with the acquisition, development, redevelopment and initial leasing of the properties. These expenditures include acquisition costs, construction costs, initial leasing costs, other direct costs, building improvement costs and carrying costs. Carrying costs (including property taxes and interest on both specific and general debt, incremental direct internal costs and net operating results) are capitalized to the cost of the properties until the accounting completion date (which is defined as the earlier of the completion of tenant improvements or one year from the cessation of major construction activity). Upon completion, the properties are classified as shopping centres.

(d) Deferred Leasing Costs

Deferred leasing costs include leasing costs incurred through leasing activities. Deferred leasing costs consist of commissions, legal and other direct costs.

(e) Intangible Assets and Liabilities

Intangible assets and liabilities include lease origination costs associated with in-place leases, the value of the above- and below-market leases, and the value of tenant relationships, allocated to existing tenants in acquired shopping centres.

(f) Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that the net cumulative future cash flows of a long-lived asset are less than the assets carrying value, the long-lived asset is written down to its fair value. Cumulative future cash flows represent the undiscounted estimated future cash flow expected to be received from the long-lived asset. Assets reviewed for impairment under this policy include shopping centres, land and shopping centres under development, intangible assets, and furniture, fixtures and equipment.

(g) Fixtures, Equipment and Computer Hardware and Software

Fixtures, equipment and computer hardware and software are recorded at cost less accumulated amortization.

(h) Marketable Securities

Marketable securities are classified as either held-to-maturity, held-for-trading, or available-for-sale.

- Held-to-maturity investments are measured at amortized cost. Losses due to impairment are included in current period net income.
- Held-for-trading investments are measured at fair value. All gains and losses are included in net income in the period in which they arise.
- Available-for-sale investments are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the investment is sold or when a loss is deemed to be other than temporary and consequently recorded on the income statement.

(i) Property Rental Revenue

Property rental revenue includes rents earned from tenants under lease agreements, including percentage participation rents, property tax and operating cost recoveries, and incidental income, including lease cancellation payments. Property rental revenue also includes the amortization of above- and below-market leases allocated on asset acquisitions. Tenant inducements are deducted from rental revenue on a straight-line basis over the term of the tenant's lease. Revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the property subject to the lease. Generally this occurs on the lease commencement date or, where the Company is required to make additions to the property in the form of tenant improvements, upon substantial completion of those improvements.

The Company uses the straight-line method of recognizing rental revenue whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, a deferred rent receivable is recorded from the tenants for the current difference between the straight-line rent recognized as rental revenue and the rent that is contractually due from the tenants.

(j) Amortization

Buildings and improvements are amortized on a straight-line basis, so as to fully amortize the properties over their estimated useful lives, which vary, but do not exceed 40 years.

Deferred leasing fees incurred on securing leases, other than initial leases on shopping centres under development, are amortized over the term of such leases on a straight-line basis which typically range from 5 to 15 years in length. Tenant improvements are amortized over the estimated useful lives of such improvements.

Lease origination costs associated with in-place leases are amortized over the remaining lives of the associated leases.

The value of tenant relationships is amortized over the expected term of the relationship. In the event a tenant vacates its leased space prior to the contractual termination of the lease, and no rental payments are being made on the lease, any unamortized balance relating to that lease is expensed immediately.

Commitment fees and other costs incurred in connection with debt financing are amortized using the effective interest method of amortization and are presented as non-cash interest expense.

Fixtures, equipment and computer hardware and software are amortized on a straight-line basis over estimated useful lives ranging from three to ten years.

(k) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and short-term deposits with original maturities of three months or less.

(l) Foreign Currency

The Company carried on business in the United States through operationally and financially self-sustaining entities up to August 14, 2009, the date of the dividend-in-kind (note 18).

Assets and liabilities denominated in United States dollars were translated into Canadian dollars at period-end exchange rates. Revenues and expenses denominated in United States dollars were translated at the weighted average daily exchange rate for the periods being reported on. The resulting net gains or losses were accumulated and included in a separate component of shareholders' equity described as Accumulated Other Comprehensive Income.

Effective August 14, 2009, assets and liabilities denominated in United States dollars are translated at the rate of exchange prevailing at year-end and revenues and expenses denominated in United States dollars are translated at the weighted average daily exchange rate for the periods being reported on. Gains or losses on translation of these items are included in the consolidated statements of earnings in Other Gains (Losses) and (Expenses).

(m) Derivative Financial Instruments and Hedging

Derivative financial instruments are utilized by the Company in the management of its interest rate exposures. Derivative instruments are recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments are recognized in net income, except for derivatives that are designated as cash flow hedges. The fair value changes for the effective portion of such cash flow hedges are recognized in Other Comprehensive Income ("OCI"). The Company has no significant derivative instruments other than its interest rate swaps. The Company documents its eligibility for hedge accounting and assesses the effectiveness of these relationships based on the degree of expected future offsetting cash flows.

Interest rate swaps are recorded in the balance sheet at fair value. The change in fair value with respect to the swaps that have been designated is recorded in OCI. The change in fair value with respect to swaps that are not designated as hedges, as well as the ineffective portion of designated hedges, are recorded in net income in Other Gains (Losses) and (Expenses). The Company does not utilize derivative financial instruments for trading or speculative purposes.

(n) Convertible Debentures

The Company presents its convertible debentures in their liability and equity component parts where applicable, as follows:

(i) The liability component represents the present value of interest and principal obligations to be satisfied by cash or common shares of the Company, where a variable number of common shares is required to settle the obligation, discounted at the rate of interest that would have been applicable to a debt-only instrument of comparable term and risk at the date of issue. As a result, the interest payments are treated as a reduction of the liability component, and the interest expense, calculated using the discount rate, and is recorded as an increase in the liability component.

(ii) The equity component of the convertible debentures is included in Shareholders' Equity in the consolidated balance sheets. The equity component consists of the value ascribed to the conversion right granted to the holder, which remains a fixed amount over the term of the debentures unless there are conversions.

(o) Income Taxes

Income taxes are accounted for using the liability method. Under this method, future income taxes are recognized for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which the differences are expected to reverse.

(p) Stock-Based Compensation Plans

The Company has stock-based compensation plans as described in note 15(d) and (e). The Company recognizes compensation expense for stock-based compensation awards at the fair value as at the granting date, over the vesting period.

(q) Financial instruments

(i) Recognition and measurement

Section 3855 Financial Instruments: Recognition and Measurement of the CICA Handbook establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value with gains and losses recognized in net earnings. Transaction costs are capitalized on instruments classified as held-for-trading. The Company's cash and cash equivalents and certain marketable securities are classified as held-for-trading.

Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization. For such financial instruments, transaction costs are capitalized on initial recognition. The main categories of the Company's financial assets and liabilities measured at amortized cost using the effective interest method include: (i) amounts receivable and payable; (ii) mortgages and loans receivable and mortgages payable; and (iii) debentures payable.

Available-for-sale financial assets are required to be measured at fair value with unrealized gains and losses recognized in OCI.

(ii) Fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, fair value may be based on observable current market transactions or on a valuation technique using market based inputs. The Company's financial assets include cash and cash equivalents, accounts receivable, investments in common shares and mortgages and loans receivable. The Company's financial liabilities include accounts payable and other liabilities, mortgages payable and credit facilities and debentures payable. Except as noted below, the carrying value of the Company's financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values of mortgages, debentures and designated hedging derivative instruments included in receivables and other assets and accounts payable and other liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

In determining fair values, the Company evaluates counterparty credit risks and makes adjustments to fair values and credit spreads based upon changes in these risks.

Fair value measurements recognized in the balance sheet are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

(i) Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date (the Company's marketable securities and cash and cash equivalents are measured using level 1 inputs);

(ii) Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (the Company's interest rate swaps and its written loan receivable option are measured using level 2 inputs); and

(iii) Level 3 Inputs – inputs for the asset or liability that are not based on observable market data (unobservable inputs). These unobservable inputs reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the reporting entity's own data).

(r) Use of Estimates

The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from such estimates. Significant estimates are required in the allocation of the purchase price of shopping centre acquisitions, determining future cash flows when assessing assets for impairment, determining the useful lives of assets for amortization purposes, determining the allocation of convertible debentures between debt and equity, future income taxes, assessing the allowance for doubtful accounts on trade accounts receivable and straight-line rent, the determination of the fair value of stock-based compensation and determining fair values of financial instruments for disclosure purposes. During the year the Company changed its estimate of allowances for doubtful accounts for straight-line rent (note 9).

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") IN CANADA

The Canadian Accounting Standards Board has confirmed that IFRS will replace Canadian GAAP effective for fiscal periods beginning on or after January 1, 2011. The Company has adopted IFRS effective January 1, 2011.

3. SHOPPING CENTRES

(thousands of dollars)	2010	2009
Land	**$ 948,388**	$ 825,732
Buildings and improvements	**3,091,128**	2,837,610
	4,039,516	3,663,342
Accumulated amortization	**(460,556)**	(374,583)
	$ 3,578,960	$ 3,288,759

During the year the Company acquired interests in four (2009 – five) income-producing shopping centres and additional interests in existing properties as follows:

(thousands of dollars)	2010	2009
Allocation of purchase price:		
Shopping centres	**$ 259,812**	$ 67,129
Intangible assets	**7,103**	1,157
Intangible liabilities	**(8,725)**	(1,869)
Other net liabilities	**(9,579)**	—
Total purchase price, including acquisition costs	**248,611**	66,417
Less mortgages assumed on acquisitions and vendor-take-back mortgages	**(66,795)**	(7,378)
Difference between principal amount and fair value of assumed mortgage financing	**(3,108)**	—
Net cash outlay for acquisitions, funded from cash and/or credit facilities	**$ 178,708**	$ 59,039

During the year ended December 31, 2010, the Company sold a shopping centre in Lethbridge, Alberta for gross proceeds of $12.5 million including the assumption of a mortgage of $7.6 million. A gain on disposition of $2.4 million (note 19) was recorded.

During the year ended December 31, 2009, the Company sold a shopping centre in Regina, Saskatchewan for gross proceeds of $3.8 million including a vendor-take-back mortgage of $2.3 million. A gain on disposition of $0.5 million (note 19) was recorded.

4. LAND AND SHOPPING CENTRES UNDER DEVELOPMENT

The Company acquired land and shopping centres under development as follows:

(thousands of dollars)	2010	2009
Purchase price of land and shopping centres acquired for development or redevelopment, including acquisition costs	**$ 61,062**	$ 10,773
Less mortgages assumed on acquisitions and vendor-take-back mortgages	**(11,275)**	(500)
Difference between principal amount and fair value of assumed mortgage financing	**76**	—
Net cash outlay for acquisitions, funded from cash and/or credit facilities	**$ 49,863**	$ 10,273

(thousands of dollars)	2010	2009
Completed developments transferred to shopping centres	**$ 132,604**	$ 268,445
Shopping centres transferred to land and shopping centres under development	**$ 34,465**	$ 34,748
Expenditures on development properties	**$ 119,147**	$ 168,110
Interest expense capitalized to development properties	**$ 15,931**	$ 18,441
Incremental direct internal costs capitalized to development properties	**$ 4,856**	$ 4,604

The costs to complete projects currently under development include $39.2 million which are contractually committed at December 31, 2010 (2009 – $38.0 million).

5. DEFERRED LEASING COSTS

(thousands of dollars)		**2010**		2009
Cost	**$**	**36,953**	$	31,304
Accumulated amortization		**(17,522)**		(13,833)
Net book value	**$**	**19,431**	$	17,471

Incremental direct internal costs related to leasing activities totalling $4.6 million (2009 – $3.7 million) were capitalized during the year ended December 31, 2010.

6. INTANGIBLE ASSETS AND LIABILITIES

				2010		
(thousands of dollars)		**Cost**		**Accumulated Amortization**		**Net Book Value**
Intangible Assets						
Lease origination costs	**$**	**47,442**	**$**	**(29,933)**	**$**	**17,509**
Above-market in-place leases		**3,160**		**(1,749)**		**1,411**
Tenant relationships		**8,229**		**(3,466)**		**4,763**
	$	**58,831**	**$**	**(35,148)**	**$**	**23,683**
Intangible Liabilities						
Below-market in-place leases	**$**	**30,989**	**$**	**(11,988)**	**$**	**19,001**

				2009		
(thousands of dollars)		Cost		Accumulated Amortization		Net Book Value
Intangible Assets						
Lease origination costs	$	43,369	$	(26,010)	$	17,359
Above-market in-place leases		2,156		(1,473)		683
Tenant relationships		7,339		(2,832)		4,507
	$	52,864	$	(30,315)	$	22,549
Intangible Liabilities						
Below-market in-place leases	$	22,487	$	(9,294)	$	13,193

Values ascribed to above- and below-market in-place leases are amortized to property rental revenue.

7. LOANS, MORTGAGES AND OTHER REAL ESTATE ASSETS

(thousands of dollars)		**2010**		2009
Non-revolving term loan receivable from Gazit America Inc. (a)	**$**	**36,758**	$	37,836
Investments in marketable securities (b)		**27,313**		7,979
Other loans receivable (c)		**14,431**		13,405
	$	**78,502**	$	59,220

(a) The non-revolving unsecured term loan receivable from Gazit America Inc., a subsidiary of the Company's principal shareholder Gazit-Globe Ltd. ("Gazit"), in the amount of US$36.0 million, bears interest at 8.5% per annum calculated semi-annually, payable quarterly and is due June 19, 2014, subject to Gazit America Inc.'s option to extend the maturity date for a further five-year period at a fixed rate of 8.5%. The extension option is bifurcated from the non-revolving term loan to Gazit America Inc. and is accounted for separately as a component of Other liabilities and is classified as a held-for-trading liability at fair value, with changes in fair value recognized in income in the period of the change. At issuance of the non-revolving term loan to Gazit America Inc. the

fair value of the extension option was determined to be a liability of $1.4 million. An equal amount has been added to the principal of the non-revolving term loan to Gazit America Inc., and will be amortized to interest income over the initial term of the term loan using the effective interest rate method. The fair value of the option at December 31, 2010 is $0.8 million and has been estimated using level 2 inputs.

The principal amount of the loan is prepayable from August 14, 2012.

(b) The Company invests from time to time in the securities of public entities in real estate and related industries. These securities are recorded at market value. Unrealized gains and losses on available-for-sale securities are recorded in other comprehensive income, while unrealized gains and losses on securities held-for-trading are recorded in net income. Included in marketable securities are $13.3 million classified as available-for-sale and $14.0 million classified as held-for-trading.

(c) Other loans receivable include loans and mortgages receivable on certain properties. The loans are secured by interests in shopping centres or development properties, bear interest at a weighted average rate of 9.0% (December 31, 2009 – 6.9%) and their fair values approximate carrying values.

8. OTHER ASSETS

(thousands of dollars)	2010	2009
Prepaid expenses	$ 7,289	$ 7,223
Deposits and costs on properties under option	4,243	4,179
Other deposits	10,025	7,691
Fixtures, equipment and computer hardware and software (net of accumulated amortization of $4.1 million (2009 – $3.2 million))	6,330	6,090
Deferred financing costs on credit facilities (net of accumulated amortization of $2.9 million (2009 – $1.5 million))	2,046	3,543
	$ 29,933	$ 28,726

9. AMOUNTS RECEIVABLE

(thousands of dollars)	2010	2009
Trade receivables (net of allowances for doubtful accounts of $3.3 million (2009 – $3.1 million))	$ 8,518	$ 9,905
Rent revenue recognized on a straight-line basis (net of allowances for doubtful accounts of $2.7 million (2009 – $5.8 million))	41,602	31,805
Construction and development related chargebacks and receivables	950	1,887
Corporate and other amounts receivable *(note 28)*	652	2,001
	$ 51,722	$ 45,598

The Company determines its allowance for doubtful accounts on a tenant-by-tenant basis taking account of lease terms, industry conditions, and the status of the tenant's account, among other factors. Accounts are written off only when all reasonable collection efforts have been exhausted.

During 2010, the Company changed its methodology for estimating its allowances for doubtful accounts in respect of straight-line rent to reflect the current economic environment credit worthiness of its tenants. The impact of the change in estimate in the current year was $2.7 million. It is impracticable to determine the impact of this change on future periods.

10. CAPITAL MANAGEMENT

The Company manages its capital, taking into account the long-term business objectives of the Company, to provide stability and reduce risk while generating an acceptable return on investment over the long term to shareholders. The Company's capital structure currently includes common shares, convertible debentures and secured and unsecured term financings and revolving credit facilities, which together provide the Company with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions, capital improvements, leasing costs, debt principal repayments and the payment of dividends to shareholders. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and Management's general view of the required leverage in the business.

The components of the Company's capital as at December 31, 2010 are set out in the table below:

(millions of dollars)	2010	2009
Liabilities (principal amounts outstanding)		
Mortgages	**$ 1,318**	$ 1,312
Loans and credit facilities – Canadian dollars	**—**	5
Loans and credit facilities – US dollars	**—**	38
Mortgages and credit facilities	**1,318**	1,355
Senior unsecured debentures principal	**1,121**	721
Convertible debentures principal	**344**	352
Shareholders' equity		
Common shares (based on closing share price of $15.11 (2009 – $13.54 [(1)]))	**2,469**	2,080
	$ 5,252	$ 4,508

(1) Prior year restated to reflect the May 2010, 3.2:2 stock split.

The Company's overall capital financing strategy includes maintaining debt in the range of 45% to 60% of total market capitalization. The Company monitors a number of financial ratios in conjunction with its financial planning. These ratios are set out in the table below:

	Guidelines	2010	2009
Debt to total market capitalization	45-60%	**45.8%**	45.9%
Debt to aggregate assets	<65%	**52.2%**	50.3%
EBITDA interest coverage excluding interest capitalized to development		**2.50**	2.48
Fixed charges coverage ratio based on EBITDA	>1.50	**1.89**	1.91
Unencumbered asset value ratio	>1.30	**1.36**	1.50

The above ratios include non-GAAP measures which are defined below:

Debt consists of mortgages, loans, credit facilities and senior unsecured debentures, net of cash on hand.

Aggregate assets consist of total assets plus accumulated amortization of shopping centres, deferred leasing costs and intangible assets, less cash.

Total market capitalization consists of the market value of the Company's common shares, the par value of senior unsecured debentures and convertible debentures and mortgages, loans and credit facilities.

EBITDA is calculated as net income, adding back income tax expense, interest expense, amortization expense and excluding the impact of gains and losses and other non-cash items.

Fixed charges include financing costs and capitalized interest in the calculation of interest expense and remove the amortization of the discount on convertible debentures.

Unencumbered assets include the gross book value of assets that have not been pledged as security under any credit agreement or mortgage excluding land and shopping centres under development and future income tax assets. The unencumbered asset value ratio is calculated as unencumbered assets divided by the principal amount of the unsecured debt.

The Company's strategy involves maintaining and improving the above ratios to allow continued access to capital at a reasonable cost. The Company's senior unsecured debentures are currently rated BBB with a stable trend by Dominion Bond Rating Services and Baa(3) with a stable outlook by Moody's Investor Services.

The Company's long-term financial objectives remained substantially unchanged during the past six years. Since becoming an investment grade rated company in May 2005, the Company has financed its growth through common shares and convertible debentures for the equity component and through unsecured debentures, mortgages and credit facilities for the debt component.

However, during the disruption of the credit and capital markets from the second half of 2007 through the first half of 2009, the Company accessed the secured financing market both in the form of mortgages and bank credit facilities to finance its activities. With stability returning to the credit markets, senior unsecured financing was issued in the fourth quarter of 2009 and in 2010 as debt capital markets have become accessible at a more reasonable cost. The Company's long-term financing strategy is based on maintaining maximum flexibility in accessing various forms of debt and equity capital by maintaining a pool of unencumbered assets and investment grade credit ratings from various rating agencies. The Company periodically re-evaluates its overall financing and capital execution strategy to ensure the best access to available capital at the lowest possible cost.

The Company is subject to financial covenants in agreements governing its senior unsecured debentures and secured revolving credit facilities. The Company is in compliance with all of its applicable financial covenants.

11. MORTGAGES, LOANS AND CREDIT FACILITIES

	2010		
(thousands of dollars)	**Canada**	**US**	**Total**
Fixed rate mortgages	**$ 1,318,341**	**$ —**	**$ 1,318,341**

	2009		
(thousands of dollars)	Canada	US	Total
Fixed rate mortgages	$ 1,312,032	$ —	$ 1,312,032
Floating rate secured revolving credit facilities	4,800	37,836	42,636
	$ 1,316,832	$ 37,836	$ 1,354,668

Mortgages and revolving credit facilities are secured by shopping centres.

At December 31, 2010, the Company had $281.5 million (2009 – $303.6 million) of undrawn credit facilities available for acquisitions, development activities, and general corporate purposes.

Of the gross book value of real estate assets of $4.4 billion as at December 31, 2010 (2009 – $3.9 billion), approximately $2.7 billion (2009 – $2.7 billion) has been pledged as security under mortgages and the credit facilities. Real estate assets consist of shopping centres, land and shopping centres under development, deferred leasing costs, intangible assets and intangible liabilities.

Fixed rate mortgages bear interest at a weighted coupon interest rate of 6.09% at December 31, 2010 (2009 – 6.18%) and mature in years ranging from 2011 to 2025. The weighted average effective interest rate on fixed rate financing at December 31, 2010 is 6.00% (2009 – 6.15%).

On January 29, 2009, the Company closed on a three-year, $75 million secured revolving credit facility with a Canadian chartered bank.

On March 5, 2009, the Company closed a three-year, $450 million secured revolving credit facility with a syndicate of ten banks. The syndicate consists of seven Canadian banks and three Schedule III chartered banks. The new facility was used to replace the Company's existing three-year $350 million Senior Unsecured Revolving Credit Facility with a maturity date of March 2010. As a result, $0.7 million of unamortized deferred financing costs were recorded as a loss on settlement of debt (note 19).

During the remainder of 2009, the Company further reduced the $450 million facility by $165 million to $285 million.

On January 21, 2010, the Company further reduced the availability of the secured revolving credit facility by $35 million to $250 million. As a result, $0.3 million of unamortized deferred financing costs were recorded as a loss on settlement of debt (note 19).

Also on January 21, 2010, the Company reduced the availability of the $75 million secured revolving credit facility to $50 million which resulted in $0.2 million of unamortized deferred financing costs being recorded as a loss on settlement of debt (note 19).

At December 31, 2010, the fair value of the Company's mortgages, loans and credit facilities was approximately $1.4 billion (2009 – $1.4 billion).

Principal repayments of Canadian dollar mortgages and credit facilities outstanding as at December 31, 2010 are as follows:

(thousands of dollars)	**Principal Instalment Payments**	**Balance Maturing**	**Total**	**Weighted Coupon Interest Rate**
2011	**$ 35,543**	**$ 60,397**	**$ 95,940**	**6.71%**
2012	**33,527**	**128,879**	**162,406**	**6.65%**
2013	**30,579**	**205,666**	**236,245**	**6.02%**
2014	**23,175**	**240,556**	**263,731**	**6.27%**
2015	**15,074**	**170,255**	**185,329**	**5.43%**
Thereafter	**42,605**	**332,446**	**375,051**	**6.02%**
	$ 180,503	**$ 1,138,199**	**1,318,702**	**6.09%**
Unamortized deferred financing costs, premiums and discounts, net			**(361)**	
			$ 1,318,341	

The Company also makes drawings on its Canadian credit facilities in US dollars which bear interest at LIBOR plus 250 basis points. At December 31, 2010 no drawings (2009 – $37.8 million (US$36.0 million)) were outstanding.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

(thousands of dollars)	2010	2009
Trade payables and accruals	$ 42,719	$ 42,309
Construction and development payables and accruals	33,098	30,450
Dividends payable	32,691	30,734
Interest payable	24,234	19,310
Tenant deposits	10,944	9,819
Other liabilities	5,265	3,832
Interest rate swaps at fair value	873	1,204
	$ 149,824	$ 137,658

13. SENIOR UNSECURED DEBENTURES

(thousands of dollars)						2010	2009
			Interest Rate		Principal		
Series	Date of Issue	Maturity Date	Coupon	Effective	Outstanding	Liability	Liability
B	March 30, 2006	March 30, 2011	5.25%	5.51%	$ 98,899	$ 98,836	$ 98,589
C	August 1, 2006	December 1, 2011	5.49%	5.67%	99,900	99,745	99,585
A	June 21, 2005	June 21, 2012	5.08%	5.29%	100,000	99,610	99,430
D	September 18, 2006	April 1, 2013	5.34%	5.51%	97,000	96,659	96,520
E	January 31, 2007	January 31, 2014	5.36%	5.52%	100,000	99,612	99,476
F	April 5, 2007	October 30, 2014	5.32%	5.47%	100,000	99,546	99,424
G	November 20, 2009	June 1, 2015	5.95%	6.13%	125,000	124,142	124,016
H	January 21, 2010	January 31, 2017	5.85%	5.99%	125,000	124,096	—
I	April 13, 2010	November 30, 2017	5.70%	5.85%	50,000	49,577	—
I	April 13, 2010	November 30, 2017	5.70%	5.82%	25,000	24,833	—
I	June 14, 2010	November 30, 2017	5.70%	5.70%	50,000	49,991	—
J	July 12, 2010	August 30, 2018	5.25%	5.66%	50,000	48,869	—
K	August 25, 2010	November 30, 2018	4.95%	5.30%	50,000	48,883	—
K	October 26, 2010	November 30, 2018	4.95%	5.06%	50,000	49,632	—
			5.45%	5.63%	$ 1,120,799	$ 1,114,031	$ 717,040

Interest on the senior unsecured debentures is payable semi-annually and principal is payable on maturity.

The fair value of the senior unsecured debentures is approximately $1,160 million at December 31, 2010 (December 31, 2009 – $734 million) based on closing bid spreads and current underlying Government of Canada bond yields.

14. CONVERTIBLE DEBENTURES

(thousands of dollars)				2010			2009		
		Interest Rate							
Date of Issue	Maturity Date	Coupon	Effective	Principal	Liability	Equity	Principal	Liability	Equity
December 19, 2005	September 30, 2017	5.50%	6.45%	$ 75,808	$ 71,927	$ 2,286	$ 76,750	$ 72,366	$ 2,314
November 30, 2006	September 30, 2017	5.50%	6.39%	100,000	95,165	6,015	100,000	94,606	6,015
June 29, 2007	September 30, 2017	5.50%	6.61%	50,000	47,025	7,387	50,000	46,685	7,387
September 18, 2009	December 31, 2016	6.25%	7.64%	67,942	63,478	2,385	75,000	69,579	2,632
December 30, 2009	June 30, 2017	5.70%	6.88%	50,000	46,940	1,482	50,000	46,503	1,482
		5.69%	6.75%	$ 343,750	$ 324,535	$ 19,555	$ 351,750	$ 329,739	$ 19,830

The convertible unsecured subordinated debentures bear interest payable semi-annually and are convertible at the option of the holders in the conversion periods into common shares of the Company at the conversion rate per $1,000 principal amount.

Maturity Date	Coupon Rate	Toronto Stock Exchange Symbol ("TSX")	Conversion Price
September 30, 2017	5.50%	FCR.DB.A and FCR.DB.B	$ 16.425 (1)
December 31, 2016	6.25%	FCR.DB.C	$ 14.313
June 30, 2017	5.70%	FCR.DB.D	$ 18.750

(1) $17.031 from January 1, 2012 to maturity.

The 5.50% convertible unsecured subordinated debentures were issued pursuant to the Company's trust indenture dated December 19, 2005, as supplemented, and rank pari passu with the Company's outstanding 6.25% and 5.70% convertible unsecured subordinated debentures (TSX:FCR.DB.C and FCR.DB.D).

The 6.25% convertible unsecured subordinated debentures were issued pursuant to the Company's trust indenture dated December 19, 2005, as supplemented, and rank pari passu with the Company's outstanding 5.50% and 5.70% convertible unsecured subordinated debentures (TSX:FCR.DB.A, FCR.DB.B and FCR.DB.D).

The 5.70% convertible unsecured subordinated debentures were issued pursuant to the Company's trust indenture dated December 19, 2005, as supplemented, and rank pari passu with the Company's outstanding 5.50% and 6.25% convertible unsecured subordinated debentures (TSX:FCR.DB.A, FCR.DB.B and FCR.DB.C).

On August 6, 2010 the TSX accepted First Capital Realty's notice of intention to commence a normal course issuer bid ("NCIB") for each series of the convertible debentures. The NCIB commenced on August 10, 2010 and will expire on August 9, 2011 or such earlier date as the Company completes its purchases pursuant to the NCIB. During the year ended December 31, 2010, the Company purchased $7.1 million of principal amount of the 6.25% convertible debentures for $7.6 million, resulting in a loss of $0.7 million (note 19), a reduction of contributed surplus in the amount of $60,000 and a reduction in convertible debenture-equity component of $247,000. The Company also purchased $0.9 million of principal amount of the 5.50% convertible debentures for $0.9 million, resulting in a loss of $27,000 (note 19), an increase of contributed surplus in the amount of $5,000 and a reduction in convertible debenture-equity component of $28,000.

The Company has the option of repaying the debentures on maturity through the issuance of common shares at 97% of a weighted average trading price of the Company's common shares. The Company also has the option of paying the semi-annual interest through the issuance of common shares valued in the same fashion. In addition, the Company has the option of repaying the debentures prior to the maturity date under certain circumstances, either in cash or in common shares.

The Company's convertible debentures require interest payable semi-annually on March 31 and September 30.

During the year ended December 31, 2010, 1,390,495 common shares (year ended December 31, 2009 – 1,235,701 common shares [1]) were issued for $19.3 million (year ended December 31, 2009 – $12.6 million) to pay interest to holders of convertible debentures.

As at December 31, 2010, subsidiaries of the Company's major shareholder, Gazit-Globe Ltd. ("Gazit"), owned $157.4 million (December 31, 2009 – $157.4 million) principal amount of the 5.50% outstanding convertible debentures and $0.6 million (December 31, 2009 – $29,000) principal amount of the outstanding 6.25% convertible debentures.

Based on the TSX closing bid prices, as at December 31, 2010, the fair value of the principal amount of the convertible debentures was $350 million (2009 – $348 million).

(1) Adjusted to reflect the May 2010, 3.2:2 stock split. The conversion price of the convertible debentures has been decreased by (multiplying by) a factor of 0.625.

15. SHAREHOLDERS' EQUITY

(a) Share Capital

The Company has an unlimited number of authorized preference shares and common shares. The preference shares may be issued from time to time in one or more series, each series comprising the number of shares, designations, rights, privileges, restrictions and conditions which the Board of Directors determines by resolution; preference shares are non-voting and rank in priority to the common shares with respect to dividends and distributions upon dissolution. No preference shares have been issued. The common shares carry one vote each and participate equally in the earnings of the Company and the net assets of the Company upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors.

Effective May 27, 2010, the outstanding common shares were subdivided at a ratio of 3.2 common shares for each two common shares. No fractional common shares were issuable as a result of the subdivision, but, rather, a cash payment was made for such fractional interests determined on the basis of the closing price of the common shares on the TSX on May 28, 2010. The subdivision did not dilute shareholders' equity. All references to the number or price of common shares have been restated to reflect the subdivision throughout the financial statements.

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Number of Common Shares[1]	Stated Capital (thousands of dollars)
Issued and outstanding at December 31, 2008	**144,004,130**	**$ 1,463,389**
Issuance of common shares (b)	7,998,590	83,187
Payment of interest on convertible debentures *(note 14)*	1,235,701	12,613
Conversion of convertible debentures	370,370	6,056
Exercise of warrants (c)	11,818	135
Exercise of options (d)	52,000	444
Issue costs	—	(2,369)
Tax effect of issue costs	—	573
Issued and outstanding at December 31, 2009	**153,672,609**	**$ 1,564,028**

	Number of Common Shares[1]	Stated Capital (thousands of dollars)
Issued and outstanding at December 31, 2009	**153,672,609**	**$ 1,564,028**
Issuance of common shares (b)	3,874,349	55,765
Payment of interest on convertible debentures *(note 14)*	1,390,495	19,275
Exercise of warrants (c)	3,681,424	42,096
Exercise of options (d)	836,876	9,735
Issue costs	—	(1,819)
Tax effect of issue costs	—	436
Issued and outstanding at December 31, 2010	**163,455,753**	**$ 1,689,516**

[1] Prior year restated to reflect the May 2010, 3.2:2 stock split.

(b) Issuance of Common Shares

2010 Activity

On April 22, 2010, the Company issued 80,738 shares to a member of the Company's management at a price of $13.79 per share for gross proceeds of $1.1 million.

On June 29, 2010, the Company completed the sale of 3,485,000 common shares at a price of $14.35 per common share for total gross proceeds of $50.0 million. On July 15, 2010 the underwriters exercised part of their over-allotment option and purchased an additional 200,000 common shares at the offering price of $14.35 per common share for additional gross proceeds of $2.9 million.

On December 15, 2010, the Company issued 108,611 shares to three members of the Company's management at a price of $15.25 per share for gross proceeds of $1.7 million.

2009 Activity

On February 17, 2009, the Company issued 2,289,773 shares at a book value of $10.21 per share in exchange for 1,766,800 units of Allied Properties REIT at a ratio of 1.296 First Capital Realty shares per unit.

On August 5, 2009, the Company issued 3,450,000 units (the "Units") at a price of $17.10 per Unit for total gross proceeds of approximately $59 million. Each Unit consisted of: (i) 1.6 common shares of First Capital Realty, and (ii) two-thirds of a share purchase warrant. As part of the transaction, Gazit Canada Inc., an affiliate of the principal shareholder of First Capital Realty, purchased 600,000 Units and a director of First Capital Realty purchased 15,000 Units at the offering price.

On December 15, 2009, the Company issued 188,817 shares to five members of the Company's management at a price of $13.04 per share for gross proceeds of $2.5 million.

(c) Warrants

2010 Activity

As a result of and effective immediately following the 3.2:2 stock split of common shares, the exercise price of First Capital Realty's outstanding warrants (TSX:FCR.WT.A) was decreased by (multiplying by) a factor of 0.625 (resulting in a post-split exercise price of $10.96 per common share) and the number of common shares for which each such warrant was exercisable was increased by (multiplying by) a factor of 1.6 (resulting in warrantholders being entitled to receive 1.6 common shares for each exercised warrant, with any fractional interests being rounded down to the nearest whole number without payment of any consideration therefor).

During the year ended December 31, 2010, 898,532 share purchase warrants were exercised for 898,532 common shares at $17.53 per common share prior to the stock split and 1,402,358 share purchase warrants were exercised for 2,243,772 common shares at $10.96 per common share subsequent to the stock split, resulting in total proceeds to the Company of $40.3 million. The equity component of the warrants exercised totalling $1.8 million was transferred to share capital.

At December 31, 2010, there were no outstanding share purchase warrants.

2009 Activity

During 2009, a total of 7,400 share purchase warrants were exercised at $17.53 per common share prior to the stock split resulting in proceeds to the Company of $0.1 million. The equity component of the warrants exercised totalling $12,000 was transferred to share capital.

At December 31, 2009, there were 2,304,100 outstanding share purchase warrants with an exercise price of $17.53, expiring October 29, 2010.

(d) Stock Options

As a result of and effective immediately following the stock split, the exercise price per common share for First Capital Realty's outstanding stock options has been decreased by (multiplying by) a factor of 0.625 and the number of common shares issuable on exercise of stock options outstanding has been increased by (multiplying by) a factor of 1.6 with any fractional interests being rounded down to the nearest whole number without payment of any consideration thereof.

As of December 31, 2010, the Company is authorized to grant up to 15,240,000 (December 31, 2009 – 11,240,000 [(1)]) common share options to the employees, officers and directors of the Company and third-party service providers. As of December 31, 2010, 6,547,352 (December 31, 2009 – 3,073,355 [(1)]) common share options are available to be granted. Options granted by the Company generally expire ten years from the date of grant and vest over three to five years. The outstanding options have exercise prices ranging from $7.76 to $16.95 and are comprised of the following:

	2010					2009				
	Outstanding Options			Vested Options		Outstanding Options			Vested Options	
Exercise Price Range	Number of Common Shares Issuable	Weighted Average Exercise Price per Common Share	Weighted Average Remaining Life (years)	Number of Common Shares Issuable	Weighted Average Exercise Price per Common Share	Number of Common Shares Issuable [(1)]	Weighted Average Exercise Price per Common Share [(1)]	Weighted Average Remaining Life (years)	Number of Common Shares Issuable [(1)]	Weighted Average Exercise Price per Common Share [(1)]
$ 7.76 — $10.81	**1,022,249**	**$ 9.87**	**7.2**	**381,704**	**$ 9.94**	1,639,859	$ 9.79	7.7	450,720	$ 9.70
$11.94 — $14.26	**2,044,783**	**$ 13.73**	**7.6**	**878,181**	**$ 13.47**	1,450,025	$ 13.52	7.2	871,440	$ 13.28
$15.47 — $16.95 [(2)]	**2,396,006**	**$ 16.57**	**6.0**	**1,916,006**	**$ 16.48**	2,684,028	$ 16.78	7.0	1,728,297	$ 16.53
$ 7.76 — $16.95 [(2)]	**5,463,038**	**$ 14.25**	**6.8**	**3,175,891**	**$ 14.86**	5,773,912	$ 13.98	7.2	3,050,457	$ 14.59

(1) Prior year restated to reflect the May 2010, 3.2:2 stock split.

(2) The exercise prices of all eligible options were adjusted by $0.28 in the third quarter of 2010 to reflect the capital distribution relating to the August 2009 dividend-in-kind of the Company's interest in Equity One, Inc.

In 2010, $1.1 million (2009 – $1.3 million) was recorded as an expense related to stock options.

	2010		2009	
	Number of Common Shares Issuable	Weighted Average Exercise Price	Number of Common Shares Issuable [1]	Weighted Average Exercise Price [1]
Outstanding, beginning of period [1]	**5,773,912**	**$ 13.98**	4,733,810	$ 14.96
Granted	**996,520**	**$ 13.92**	1,216,838	$ 9.82
Exercised	**(836,878)**	**$ 10.94**	(52,000)	$ 8.40
Forfeited	**(470,516)**	**$ 14.78**	(124,736)	$ 13.11
Outstanding, end of period	**5,463,038**	**$ 14.25**	5,773,912	$ 13.98
Options vested, end of period	**3,175,891**	**$ 14.86**	3,050,457	$ 14.59
Weighted average remaining life (years)	**6.8**		7.2	

[1] Prior year restated to reflect the May 2010, 3.2:2 stock split.

2010 Activity

On March 24, 2010, the Company granted 951,520 common share options (594,700 common share options prior to stock split) with an exercise price of $13.91 ($22.25 prior to stock-split), which had a total value of approximately $1.3 million at the time of issue.

On August 16, 2010, the Company granted 45,000 common share options with an exercise price of $14.26, which had a total value of approximately $54,000 at the time of issue.

2009 Activity

On March 23, 2009, the Company granted 1,200,838 common share options (750,524 common share options prior to stock split) with a strike price of $9.81 ($15.69 prior to stock split) and on August 14, 2009, the Company granted 16,000 common share options (10,000 common share options prior to stock split) with a strike price of $10.81 ($17.30 prior to stock split), which had a total value of approximately $0.8 million at the time of issue.

The fair value associated with the options issued in 2010 and 2009 was calculated using the Binomial Model for option valuation, assuming an average volatility of 15% on the underlying shares, a ten-year term to expiry, and the ten-year weighted average risk-free interest rate (typically, the ten-year Canada bond rate at the grant date). One third of the options vest on each of the three anniversary dates following the grant date.

(e) Share Unit Plans

The Company's share unit plans include a Directors Deferred Share Unit Plan, an Employee Restricted Share Unit Plan and a Chief Executive Officer Restricted Share Unit Plan. Under the plans, a participant is entitled to receive one common share, or equivalent cash value, at the Company's option, when the Deferred Share Unit ("DSU") or Restricted Share Unit ("RSU") vests. RSUs vest on December 15 of the third calendar year following the year in respect of which the RSU is granted. DSUs vest when the holder ceases to be a director of the Company. Holders of RSUs and DSUs receive dividends in the form of additional units when the Company declares dividends on its common shares.

	2010		2009	
	Deferred Share Units	Restricted Share Units	Deferred Share Units [1]	Restricted Share Units [1]
Outstanding, beginning of year [1]	**201,639**	**447,227**	168,547	443,883
Granted	**33,531**	**112,000**	54,432	136,000
Dividends declared	**12,094**	**26,064**	18,739	56,161
Exercised	**—**	**(200,411)**	(40,079)	(188,817)
Forfeited	**—**	**(9,561)**	—	—
Outstanding, end of year	**247,264**	**375,319**	201,639	447,227
Share units available to be granted based on the current reserve	**332,844**	**730,901**	298,468	459,404
Expense recorded for the year	**$ 389,000**	**$ 1,365,000**	$ 438,000	$ 2,377,000

[1] Prior year restated to reflect the May 2010, 3.2:2 stock split.

(f) Dividend Reinvestment Plan (“DRIP”)

The Company adopted a DRIP in May 2005 enabling shareholders who qualified to elect to participate in the DRIP, to reinvest in additional common shares at a discount of 2% of the weighted average trading price of the common shares on the TSX for the five consecutive trading days preceding the dividend payment date.

On August 7, 2008, the Company announced that it was suspending the DRIP. Accordingly, any dividend payable to shareholders subsequent to that date is not subject to the DRIP. The suspension is in effect unless and until further notice is given. The Company may consider from time to time reinstating the DRIP.

16. INTEREST AND OTHER INCOME

(thousands of dollars)	2010	2009
Interest income from non-revolving term loan receivable *(note 7(a))*	**$ 3,148**	$ 1,247
Interest, dividend and distribution income from marketable securities and cash investments	**1,252**	3,788
Interest income from loans receivable	**664**	577
	$ 5,064	$ 5,612

17. INTEREST EXPENSE

(thousands of dollars)	2010	2009
Mortgage, loans and credit facilities	**$ 66,506**	$ 76,680
Senior unsecured debentures	**54,613**	33,442
Convertible debentures		
Coupon interest	**19,886**	13,901
Amortization of discounts	**1,357**	936
Amortization of deferred issue costs	**971**	506
	22,214	15,343
Interest expense	**143,333**	125,465
Convertible debenture interest paid in common shares *(note 14)*	**(19,275)**	(12,613)
Change in accrued interest	**(4,924)**	(2,034)
Effective interest rate in excess of coupon rate on senior unsecured and convertible debentures	**(1,404)**	(984)
Interest paid in excess of coupon interest on assumed mortgages	**1,628**	1,189
Other non-cash interest expense	**(3,564)**	(2,769)
Interest capitalized to land and shopping centres under development *(note 4)*	**15,931**	18,441
Cash interest paid	**$ 131,725**	$ 126,695

18. EQUITY INCOME FROM EQUITY ONE, INC.

On August 14, 2009, First Capital Realty completed the dividend-in-kind of the Company’s interest in Gazit America Inc. (formerly known as First Capital America Holding Corp.) (“Gazit America”). Gazit America is a Canadian company that, indirectly, at August 14, 2009, owned shares in Equity One, Inc (“Equity One”) (approximately 14.1 million shares), the debt secured by the Equity One shares (approximately US$100 million) and certain other liabilities, including subordinated debt owing to First Capital Realty in the amount of approximately US$36 million. As a result, First Capital Realty no longer has any ownership interest in Equity One. The transaction has been recorded as a non-reciprocal transfer to shareholders and at its carrying value, as opposed to fair value, which was $0.28 ($0.45 prior to the stock split) per common share of the Company.

The determination of the dividend-in-kind of $63.5 million at August 14, 2009 is set out below. The dividend was adjusted in the fourth quarter of 2009 when Equity One announced the final taxable percentage of its dividends for 2009.

(thousands of dollars)		
Investment in Equity One common stock	$	204,350
Term loans and credit facilities		(113,404)
Loan due to First Capital Realty		(39,590)
Reclassification of cumulative currency translation adjustment and other comprehensive income items		19,429
Other items, net		(7,260)
	$	63,525

19. OTHER GAINS (LOSSES) AND (EXPENSES)

(thousands of dollars)		2010		2009
Gain on disposition of shopping centres *(note 3)*	**$**	**2,416**	$	737
Gains on disposition of land		**228**		118
Realized gains on sale of marketable securities		**4,361**		4,242
Gain from settlement of Royal Oak litigation (a)		**1,672**		—
Change in cumulative unrealized gains on marketable securities held-for-trading		**253**		1,952
Losses on settlement of debt *(notes 11 and 14)*		**(1,215)**		(2,394)
Realized losses on interest rate swaps (b)		**(1,588)**		(1,450)
Unrealized gains (losses) on interest rate swaps not designated as hedges (c)		**538**		(1,203)
Gain on termination of hedge previously held in other comprehensive income		**—**		290
Gain (loss) on foreign currency exchange		**2**		(278)
Dilution loss on investment in Equity One, Inc		**—**		(676)
Severance and termination costs		**—**		(2,000)
Costs related to acquisition of 40% interest in First Capital Brookfield (a property management subsidiary)		**—**		(752)
Other income		**58**		—
	$	**6,725**	$	(1,414)

(a) During the first quarter of 2010, the Company settled its litigation with the former co-owner of the Royal Oak Shopping Centre in Calgary, Alberta which resulted in the Company acquiring the remaining 40% interest in the Royal Oak Shopping Centre. The Company recorded a gain of $1.7 million, representing the benefit realized as a result of the change in net assets since February 2007, less the Company's costs of settling the litigation.

(b) The Company terminated $90 million notional amount of Canadian bankers' acceptances based interest rate swaps in the first quarter of 2010, resulting in a loss of $1.6 million.

(c) As a result of the Company substantially paying off its Canadian credit facilities in 2009, a loss of $1.2 million was recorded on its remaining $100 million notional Canadian B.A. interest swaps reflecting the termination of the hedging relationship.

20. INCOME TAXES

The Company's business activities are carried out directly and through operating subsidiaries, partnership ventures and trusts in Canada and, prior to 2010, in the United States. The income tax effect on operations depends on the tax legislation in each country and the operating results of each subsidiary, partnership ventures, and the parent company.

The following table summarizes the provision for income taxes:

(thousands of dollars)	2010	2009
Provision for income taxes on income at the combined Canadian federal and provincial income tax rate of 30.06% (2009 – 31.38%)	$ 17,762	$ 15,735
Increase (decrease) in the provision for income taxes due to the following items:		
Non-deductible interest expense	—	226
Change in future income tax rate	(2,030)	(7,497)
Expenses not deductible for tax purposes	326	(92)
Other items	1,689	(139)
Income taxes	$ 17,747	$ 8,233

The Company's future income tax net liabilities are summarized as follows:

(thousands of dollars)	2010	2009
Losses available for carry-forward	$ (25,414)	$ (19,657)
Canadian minimum tax credits	(1,077)	(915)
Shopping centres	85,211	59,218
Other	2,347	4,856
	$ 61,067	$ 43,502

At December 31, 2010, the Company has tax-loss carry-forwards for Canadian income tax purposes of approximately $100 million (2009 – $79 million), which have been recognized as future income tax assets and are available to reduce future Canadian taxable income. These tax-loss carry-forwards expire at various dates between December 31, 2014 and December 31, 2030.

21. PER SHARE CALCULATIONS

The following table sets forth the computation of per share amounts:

(thousands of dollars, except per share amounts)	2010	2009
Basic and diluted net income available to common shareholders	$ 41,338	$ 41,913
Denominator		
Weighted average shares outstanding for basic per share amounts [1]	159,113,924	150,014,454
Warrants [1]	451,022	27,873
Options [1]	466,042	147,776
Denominator for diluted per share amounts	160,030,988	150,190,103
Basic and diluted earnings per share [1]	$ 0.26	$ 0.28

[1] Prior year restated to reflect the May 2010, 3.2:2 stock split.

The following securities were not included in the diluted per share calculation as the effect would have been anti-dilutive:

	Number of Shares if Converted or Exercised [1]			
	Exercise Price	2010	Exercise Price	2009
Common share options	$ 13.91 – $ 16.95	3,338,926	$ 11.94 – $ 17.23	4,134,052
Convertible debentures – 5.50%	$ 16.425	13,747,793	$ 16.425	13,805,174
Convertible debentures – 6.25%	$ 14.313	4,747,039	$ 14.313	5,240,174
Convertible debentures – 5.70%	$ 18.750	2,666,667	$ 18.750	2,666,667

[1] Prior year restated to reflect the May 2010, 3.2:2 stock split.

22. RISK MANAGEMENT

In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

(a) Interest Rate Risk

The Company attempts to structure its financings so as to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations. A portion of the Company's mortgages, loans and credit facilities are floating rate instruments. From time to time, the Company may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount. The fair value of the Company's interest rate swaps (note 12) and other contracts is a liability of $0.9 million (2009 – $1.2 million) due to changes in interest rates since the inception of the contracts.

(b) Credit Risk

Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfill their lease commitments or loan obligations. The Company mitigates the risk of credit loss by investing in well-located properties in urban markets that attract quality tenants, ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. No one tenant represents more than 6.9% of annualized minimum rent. A tenant's success over the term of its lease and its ability to fulfill its lease obligations, is subject to many factors. There can be no assurance that a tenant will be able to fullfill all of its existing commitments and leases up to its expiry date. The Company's maximum exposure to credit risk is limited to the carrying amounts of its financial assets.

(c) Currency Risk

The Company maintains its accounts in Canadian dollars. At December 31, 2010 and at December 31, 2009, the Company has a US$36 million non-revolving loan receivable (note 7(a)). However until August 14, 2009, a portion of its operations were located in the United States and therefore the Company was subject to foreign currency fluctuations which could, from time to time, impact its financial position and results. The Company's US operations were financed in part by US dollar-denominated loans and credit facilities, which were serviced by the cash flow generated by the Company's dividends from Equity One.

(d) Fair Values of Financial Instruments

The fair values of the Company's net working capital items approximate their recorded values at December 31, 2010 and 2009 due to their short-term nature. The fair values of the Company's other financial assets and liabilities are disclosed in notes 7(b), 7(c), 11, 13 and 14.

(e) Liquidity Risk

Real estate investments are relatively illiquid. This will tend to limit the Company's ability to sell components of its portfolio promptly in response to changing economic or investment conditions. If the Company were required to quickly liquidate its assets, there is a risk that it would realize sale proceeds of less than the current book value of its real estate investments.

An analysis of the Company's contractual maturities of its material financial liabilities and other contractual commitments is set out below:

	Payments Due by Period				
(thousands of dollars)	2011	2012–2013	2014–2015	Thereafter	Total
Mortgages					
Scheduled amortization	$ 35,543	$ 64,106	$ 38,249	$ 42,605	$ 180,503
Payments on maturity	60,397	334,545	410,811	332,446	1,138,199
Total mortgage obligations	95,940	398,651	449,060	375,051	1,318,702
Senior unsecured debentures	198,799	197,000	325,000	400,000	1,120,799
Land leases	823	1,651	1,574	13,964	18,012
Total contractual obligations	$ 295,562	$ 597,302	$ 775,634	$ 789,015	$ 2,457,513

In addition, the Company has contractual commitments with respect to its outstanding accounts payable and other liabilities (note 12), land and shopping centres under development (note 4) and interest payments on outstanding debt (notes 11, 13 and 14) and the Company has committed to purchase a property for $13.4 million, with an additional $2.5 million tenant allowance payable.

The Company manages its liquidity risk by staggering debt maturities; renegotiating expiring credit arrangements proactively; using undrawn lines of credit; and issuing equity when considered appropriate. As at December 31, 2010 there were no amounts drawn on the Company's Canadian revolving credit facility with a maturity of March 2012.

In addition, at December 31, 2010 the Company has $18.5 million (2009 – $22.4 million) of outstanding letters of credit that have been issued by financial institutions primarily to support certain of the Company's obligations related to its development projects.

23. SUPPLEMENTAL OTHER COMPREHENSIVE INCOME INFORMATION

(a) The tax effects relating to each component of other comprehensive income are as follows:

Years ended December 31	**2010**			2009		
(thousands of dollars)	**Before-tax Amount**	**Tax Expense**	**Net-of-tax Amount**	Before-tax Amount	Tax Expense	Net-of-tax Amount
Unrealized foreign currency gains on translating self-sustaining foreign operations	**$ —**	**$ —**	**$ —**	$ 12,801	$ —	$ 12,801
Other comprehensive gains of Equity One, Inc.	**—**	**—**	**—**	3,251	—	3,251
Unrealized gains on cash flow hedges of interest rates	**—**	**—**	**—**	17,210	5,038	12,172
Change in cumulative unrealized gains on available-for-sale marketable securities	**1,573**	**252**	**1,321**	7,649	1,164	6,485
Other comprehensive income	**$ 1,573**	**$ 252**	**$ 1,321**	$ 40,911	$ 6,202	$ 34,709

(b) Accumulated Other Comprehensive Income (Loss)

Years ended December 31	**2010**			2009		
(thousands of dollars)	**Opening Balance January 1 2010**	**Net Change During the Year**	**Closing Balance December 31 2010**	Opening Balance January 1 2009	Net Change During the Year	Closing Balance December 31 2009
Unrealized foreign currency (loss) gain on translating self-sustaining foreign operations	**$ —**	**$ —**	**$ —**	$ (12,801)	$ 12,801	$ —
Other comprehensive losses (gains) of Equity One, Inc.	**—**	**—**	**—**	(3,251)	3,251	—
(Losses) gains on cash flow hedges of interest rates	**—**	**—**	**—**	(12,172)	12,172	—
Change in cumulative unrealized gains (losses) on available-for-sale marketable securities	**918**	**1,321**	**2,239**	(5,567)	6,485	918
Accumulated other comprehensive income (loss)	**$ 918**	**$ 1,321**	**$ 2,239**	$ (33,791)	$ 34,709	$ 918

The Company expects the balance of the Accumulated Other Comprehensive Income at December 31, 2010 to be reclassified to net income in 2011.

24. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Items not affecting cash

(thousands of dollars)	**2010**	2009
Amortization	**$ 103,995**	$ 98,708
Amortization of above- and below-market leases	**(2,487)**	(2,323)
Rent revenue recognized on a straight-line basis	**(9,299)**	(5,053)
Gain on disposition of income producing property *(note 19)*	**(2,416)**	(737)
Gains on disposition of land *(note 19)*	**(228)**	(118)
Realized gains on sale of marketable securities *(note 19)*	**(4,361)**	(4,242)
Change in cumulative unrealized gains on marketable securities held-for-trading *(note 19)*	**(253)**	(1,952)
Losses on settlement of debt *(note 19)*	**1,215**	2,394
Non-cash compensation expense	**2,785**	4,209
Less cash settlement of restricted share units	**(2,899)**	(2,463)
Less cash settlement of deferred share units	**—**	(514)
Convertible debenture interest paid in common shares *(note 14)*	**19,275**	12,613
Non-cash interest expense *(note 17)*	**3,340**	2,564
Equity income from Equity One, Inc.	**—**	(7,066)
Dilution loss on Equity One, Inc. investment	**—**	676
Future income taxes	**17,747**	7,700
(Gains) losses on foreign currency exchange	**(2)**	278
Unrealized (gains) losses on interest rate swaps not designated as hedges	**(538)**	1,203
	$ 125,874	$ 105,877

(b) Net change in non-cash operating items

The net change in non-cash operating assets and liabilities consists of the following:

(thousands of dollars)	**2010**	2009
Amounts receivable	**$ 3,894**	$ 5,112
Prepaid expenses	**(49)**	(1,870)
Trade payables and accruals	**13,002**	322
Tenant security and other deposits	**1,447**	2,691
Other working capital changes	**(3,243)**	(12,847)
	$ 15,051	$ (6,592)

(c) Changes in loans, mortgages and other real estate assets

(thousands of dollars)	**2010**	2009
Increase in loans and mortgages receivable	**$ (8,992)**	$ (3,714)
Investment in marketable securities	**(58,964)**	(6,743)
Return of capital from investments in marketable securities	**553**	2,030
Proceeds from disposition of marketable securities	**45,457**	59,067
	$ (21,946)	$ 50,640

(d) Cash and cash equivalents

(thousands of dollars)	2010	2009
Cash	$ 31,266	$ 4,190
Term deposits	373	358
	$ 31,639	$ 4,548

(e) Interest and income taxes

(thousands of dollars)	2010	2009
Cash income taxes paid	$ —	$ 1,358
Cash interest paid *(note 17)*	$ 131,725	$ 126,695

25. SEGMENTED INFORMATION

The Company and its subsidiaries operated in the shopping centre segment of the real estate industry in both Canada and the United States up to August 14, 2009. Income by geographic segment for the year ended December 31, 2009, is summarized as follows:

(thousands of dollars)	Canada	US	Total
Property rental revenue	$ 442,131	$ —	$ 442,131
Property operating costs	156,954	—	156,954
Income before the undernoted items	285,177	—	285,177
Equity income from Equity One, Inc.	—	7,066	7,066
Interest and other income	5,606	6	5,612
Other (losses) gains and (expenses)	(2,407)	993	(1,414)
Interest expense	120,101	5,364	125,465
Corporate expenses	21,792	330	22,122
Income before amortization	146,483	2,371	148,854
Amortization	98,654	54	98,708
Income before income taxes	$ 47,829	$ 2,317	$ 50,146

Canadian operations include the following:

Year ended December 31, 2010 (thousands of dollars)	Eastern Region[1]	Central Region[1]	Western Region[1]	Subtotal	Other[2]	Total
Property rental revenue	$ 105,945	$ 220,590	$ 147,701	$ 474,236	$ 10,780	$ 485,016
Property operating costs	43,458	83,654	47,819	174,931	(5,981)	168,950
Net operating income	$ 62,487	$ 136,936	$ 99,882	$ 299,305	$ 16,761	$ 316,066

Year ended December 31, 2009 (thousands of dollars)	Eastern Region[1]	Central Region[1]	Western Region[1]	Subtotal	Other[2]	Total
Property rental revenue	$ 101,288	$ 205,432	$ 128,686	$ 435,406	$ 6,725	$ 442,131
Property operating costs	41,540	77,953	41,848	161,341	(4,387)	156,954
Net operating income	$ 59,748	$ 127,479	$ 86,838	$ 274,065	$ 11,112	$ 285,177

The net book value of real estate assets is as follows:

December 31, 2010 (thousands of dollars)	**Eastern Region[1]**	**Central Region[1]**	**Western Region[1]**	**Subtotal**	**Other**	**Total**
Land and shopping centres under development	**$ 49,072**	**$ 197,949**	**$ 59,822**	**$ 306,843**	**$ —**	**$ 306,843**
Net book value of other real estate assets [3]	**675,506**	**1,662,284**	**1,265,283**	**3,603,073**	**—**	**3,603,073**
Net book value of real estate assets	**$ 724,578**	**$ 1,860,233**	**$ 1,325,105**	**$ 3,909,916**	**$ —**	**$ 3,909,916**

December 31, 2009 (thousands of dollars)	Eastern Region[1]	Central Region[1]	Western Region[1]	Subtotal	Other	Total
Land and shopping centres under development	$ 43,177	$ 121,851	$ 59,744	$ 224,772	$ —	$ 224,772
Net book value of other real estate assets [3]	658,599	1,561,381	1,095,606	3,315,586	—	3,315,586
Net book value of real estate assets	$ 701,776	$ 1,683,232	$ 1,155,350	$ 3,540,358	$ —	$ 3,540,358

Expenditures for additions to capital assets are as follows:

Year ended December 31, 2010 (thousands of dollars)	**Eastern Region[1]**	**Central Region[1]**	**Western Region[1]**	**Subtotal**	**Other**	**Total**
Deferred leasing costs	**$ 1,923**	**$ 1,141**	**$ 2,914**	**$ 5,978**	**$ —**	**$ 5,978**
Expenditures on shopping centres	**12,083**	**7,722**	**13,134**	**32,939**	**—**	**32,939**
Expenditures on shopping centres under development	**17,037**	**71,370**	**30,740**	**119,147**	**—**	**119,147**
Total expenditures	**$ 31,043**	**$ 80,233**	**$ 46,788**	**$ 158,064**	**$ —**	**$ 158,064**

Year ended December 31, 2009 (thousands of dollars)	Eastern Region[1]	Central Region[1]	Western Region[1]	Subtotal	Other	Total
Deferred leasing costs	$ 1,807	$ 1,876	$ 1,339	$ 5,022	$ —	$ 5,022
Expenditures on shopping centres	11,366	11,186	12,757	35,309	—	35,309
Expenditures on shopping centres under development	18,967	101,986	47,157	168,110	—	168,110
Total expenditures	$ 32,140	$ 115,048	$ 61,253	$ 208,441	$ —	$ 208,441

(1) Eastern region includes properties located in Quebec, Nova Scotia and Newfoundland.
Central region includes properties located in Ontario.
Western region includes properties located in Saskatchewan (to December 2009), Alberta and British Columbia.

(2) Other items are principally rental revenue recorded on a straight-line basis and market rent adjustments.

(3) Net book value of other real estate assets is comprised of the net book value of shopping centres, deferred leasing costs and intangible assets less intangible liabilities.

26. PROPORTIONATE CONSOLIDATION

The Company is a participant in 13 (2009 – 17) partnership, co-ownership and limited liability corporate ventures that own land, shopping centres, and shopping centres under development (collectively the "joint ventures"). The Company's participation in these entities ranges from 33% to 75%.

The following amounts are included in the consolidated financial statements and represent the Company's proportionate interest in the financial accounts of the joint ventures:

(thousands of dollars)	2010	2009
Assets	**$ 140,083**	$ 183,431
Liabilities	**$ 68,040**	$ 93,012
Revenues	**$ 19,398**	$ 27,340
Expenses	**11,701**	20,252
Net income	**$ 7,697**	$ 7,088
Cash flows provided by (used in):		
Operating activities	**$ 12,788**	$ 10,233
Investing activities	**$ 35,940**	$ (21,345)
Financing activities	**$ (51,584)**	$ 11,808

Cash and cash equivalents held pursuant to terms of joint-venture agreements amount to $2.2 million at December 31, 2010 (2009 – $5.1 million).

The Company is contingently liable for certain of the obligations of the joint ventures, and all of the net assets of the joint ventures are available for the purpose of satisfying such obligations and guarantees (note 27 (b)).

27. COMMITMENTS AND CONTINGENCIES

(a) The Company is involved in litigation and claims which arise from time to time in the normal course of business. None of these, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Company.

(b) The Company is contingently liable, jointly and severally, for approximately $36.3 million (2009 – $51.1 million) to various lenders in connection with loans advanced to its joint-venture partners secured by the partners' interest in the co-ownerships.

(c) The Company is also contingently liable for letters of credit in the amount of $18.5 million (2009 – $22.4 million) issued in the ordinary course of business.

(d) The Company has obligations as lessee under long-term leases for land. Annual commitments under these ground leases are approximately $0.8 million (2009 – $0.8 million) with a total obligation of $18.0 million (2009 – $18.8 million).

(e) In two of the Company's shopping centres, the grocery store anchor tenant has a right to purchase their premises on terms that are potentially favourable to the tenants.

28. RELATED PARTY TRANSACTIONS

(a) Included in corporate and other amounts receivable are amounts due from subsidiaries of the Company's major shareholder Gazit-Globe Ltd. ("Gazit"). Gazit reimburses the Company for certain accounting and administrative services provided by the Company. The total amount recorded as reimbursements during 2010 was $3,336,000 (2009 – $2,316,000) which primarily consists of interest on the loan receivable as per note 7(a) of $3,148,000 (2009 – $1,247,000) and appraisal and accounting costs related to preparation of financial reporting in accordance with International Financial Reporting Standards of $46,000 (2009 – $1,069,000). Gazit is also a tenant at a property owned by the Company. Total rental payments received during 2010 amounted to $240,000 (2009 – $231,000). At December 31, 2010, $144,000 due from Gazit was included in amounts receivable (2009 – $1,406,500) and collected subsequent to year-end.

In addition, subsidiary companies of Gazit own convertible debentures of the Company as described in Note 14.

(b) Included in amounts receivable at December 31, 2010 is a loan due from an employee totalling $100,000 (2009 – $250,000). The interest-only loan bears interest at the rate prescribed by the Canada Revenue Agency for employee loans and is fully secured against restricted share units and options to purchase common shares held by the employee. The loan matures in 2013.

29. SUBSEQUENT EVENTS

(a) Senior Unsecured Debentures

On January 21, 2011, the Company completed the issuance of $150 million aggregate amount of Series L senior unsecured debentures due July 30, 2019. The Debentures bear interest at a rate of 5.48% per annum payable semi-annually commencing July 30, 2011.

(b) Interest on Convertible Debentures

On February 23, 2011, the Company announced that it will pay the interest due on March 31, 2011 to holders of its convertible unsecured subordinated debentures, by the issuance of common shares. The number of common shares to be issued per $1,000 principal amount of debentures will be calculated by dividing the dollar amount of interest payable by an amount equal to 97% of the volume-weighted average trading price of the common shares of First Capital Realty on the Toronto Stock Exchange, calculated for the 20 consecutive trading days ending on March 24, 2011. The interest payment due is approximately $9.7 million.

It is the current intention of the Company to continue to satisfy its obligations to pay principal and interest on its convertible debentures by the issuance of common shares. Since issuance, all interest payments on the convertible debentures have been made using shares.

30. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to reflect the presentation adopted in the current year.

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Annual Shareholders' Meeting
May 24, 2011
The Design Exchange
234 Bay Street, Toronto Ontario
at 1:00 pm

Toronto Stock Exchange Listings
Common shares:
FCR
5.50% Convertible Debentures, Class Cdn:
FCR.DB.A
5.50% Convertible Debentures, Class U.S.:
FCR.DB.B
6.25% Convertible Debentures:
FCR.DB.C
5.70% Convertible Debentures:
FCR.DB.D

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Brian Kozak
Senior Vice President, Western Canada

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Vice President, Central Canada

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Vice President, Eastern Canada

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General Counsel and Corporate Secretary

John Todd, C.A.
Vice President and Chief Accounting Officer

Ralph Huizinga
Vice President, Acquisitions & Development, Western Canada

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