



FC PRIVATE EQUITY REALTY MANAGEMENT CORP.

FC PRIVATE EQUITY REALTY MANAGEMENT CORP. PROVIDES VIEWS ON PROPOSED RETAIL PORTFOLIO SPINOFF AND NEGATIVE IMPACT TO PREFERRED UNITHOLDERS

Toronto, Ontario, October 1, 2020. FC Private Equity Realty Management Corp. ("**Firm Capital**"), through affiliated entities is an owner of Artis Real Estate Investment Trust ("**Artis**" or the "**REIT**") Trust Units (Common Units) and Preferred Units.

If you are a Preferred Unitholder of Artis, we ask that you please read the correspondence we have had with senior management and board of trustees of Artis as it may impact you as a Preferred Unitholder. This correspondence is located at www.ArtisPreferredUnits.com.

You are being asked to vote for a transaction that gives you nothing in return for your vote, yet you are losing security.

Based on our calculations, Preferred Unitholders are losing approximately \$235 million of equity that formed a part of the protection in the capital stack that is relied upon to form the Preferred Unit security. Furthermore, Artis will remain as a guarantor on the mortgage debt transferred to the new Retail Artis REIT.

Senior management and the board of trustees are asking you as Preferred Unitholders to vote and to consent to \$235 million of equity leaving Artis to the benefit of the Common Unitholders who will be the only Unitholders of the new Retail Artis REIT.

Further, to facilitate the transaction that benefits only the Common Unitholders, Artis requires the Preferred Unitholders to enter into a series of steps (the "**Steps**") that requires current Preferred Units to be first redeemed, and then replaced with a Promissory Note pending plan of arrangement approval. Subsequently, the issuance of new Preferred Units in the stripped down Artis would occur. The first redemption Step should trigger a redemption at PAR for cash.

Furthermore, in our correspondence with senior management and the board of trustees, it has come to our attention that with respect to the existing mortgages on the retail assets, the lenders **ARE NOT** releasing any of the corporate guarantees on mortgages for assets that will be transferred to Artis Retail REIT. To be clear, the existing Artis REIT will be liable as a guarantor for the mortgage debt of the assets being transferred to Artis Retail REIT. This is a further erosion of safety for the Preferred Unitholder's, creates a contingent liability for Artis by leaving the existing Artis REIT liable for the debt obligations

for Artis Retail REIT, which will create a level of increased risk for Artis REIT, and possible stock overhang, with the outstanding hanging guarantees, which will also negative impact Common Unitholders.

Preferred Unitholders should be redeemed at \$25.00 Per Unit and NOT receive a promissory note, NOT be subject to the loss of security and NOT remain in an entity that is guaranteeing mortgage debt for an unrelated entity.

We are of the view that: (i) with the elimination of \$235 million of equity; (ii) the Steps required to complete this transaction; and (iii) the increased risk from the mortgage guarantees as outlined above, warrants the Preferred Units to be redeemed at PAR or the \$25.00 per unit cash redemption price. Preferred Unitholders should not have to accept a promissory note, even for a moment in time.

IN OUR VIEW, THE NEXT STEPS ARE AS FOLLOWS:

On September 21, 2020 we wrote to the Board of Trustees suggesting two proposals on how to address this matter. Our first proposal requested the following:

1. An independent committee be established of the Preferred Unitholders to review this transaction. Specifically, we have asked for an independent five (5) person Preferred Committee on behalf of the Preferred Unitholders. The Preferred Committee would be comprised of the Chair of the Board of Artis and one other independent board member selected by the Board, plus three (3) Preferred Unitholders, and;
2. The committee retain independent legal counsel to provide an opinion and obtain an independent fairness opinion on the transaction with respect to how this benefits Preferred Unitholders. The findings would form part of the circular recommendation.

The board rejected our proposal.

The Board of Trustees have a fiduciary duty to make a recommendation to Preferred Unitholders on the transaction as it relates to the interest of the Preferred Unitholders, and not having any regard for the Common Unitholders. To do so is impossible as it puts the Trustees in a conflict position for the two different stakeholders. That is why our proposed next step is viable, as it creates independence for the Preferred Unitholders.

THE BOARD IS FACED WITH CONFLICTING UNITHOLDER INTEREST

In order for the Board of Trustees to make such a recommendation, as stated, they should retain separate and distinct legal counsel and advisors for the Preferred Unitholders, otherwise there is an inherent conflict of interest.

In light of the fact that the Preferred Unitholders are being asked to vote on a transaction that has: (i) nothing being provided to them in the form of consideration; (ii) losing approximately \$235 million in the form of eroded equity; (iii) seeing a restructured Artis REIT having no retail real estate that produced income to protect Preferred Unitholders distributions; and (iv) the increased risk from the mortgage guarantees as outlined above, we cannot see how the Board of Trustees can recommend this transaction as being in the best interests of Preferred Unitholders.

Independent legal counsel is required for the Preferred Unitholders, as it is apparent that Artis REIT legal counsel is conflicted in providing an overall opinion that impacts different stakeholders such as Common Equity holders; Preferred Equity holders, Management and the Board of Trustees.

The Management Information Circular should not be issued until the preferred stakeholders have had proper, independent representation and an independent fairness opinion on the impact to Preferred Unitholders advice.

You can access all our correspondence at www.ArtisPreferredUnits.com.

We encourage preferred unitholders to reach out to us at spoklar@firmcapital.com as well as the transfer agent as we are attempting to formulate a committee of Preferred Unitholders to review this transaction in further detail and come to an effective resolution.

COMMON UNITHOLDERS:

Notwithstanding our position as a Preferred Unitholder in Artis REIT, we as a Common Equity holder oppose the splitting up of the REIT and are of the opinion Common Unitholder's should vote against the plan for the following reasons:

1. The creation of a small capitalization 100% Western Canada Retail REIT will not trade properly in the markets and will become its own problem for Unitholder's as the Unit price will plummet once listed. Artis REIT has clearly stated the reason for this transaction is that the retail assets, being in Western Canada are a valuation issue to Artis, so management feels the answer is to toss those assets into a stand alone REIT to "house" the bad assets, which in our opinion is completely illogical;
2. The existing Artis REIT is remaining as a guarantor on the mortgages for the properties being assumed by Artis Retail REIT, leaving the existing common equity holders in Artis REIT at risk for that overhanging guarantee liability; and
3. Artis REIT should continue on its path of selling off all the retail properties one by one, reducing debt and redeeming preferred units and common units. This approach of leaving all the assets in one entity creates a prudent margin of safety for all equity holders.

ADDITIONAL INFORMATION

The information contained in this news release does not and is not meant to constitute a solicitation of a proxy within the meaning of applicable securities laws. In connection with the Meeting, Firm Capital may file a dissident information circular in due course in compliance with applicable corporate and securities laws.

Notwithstanding the foregoing, Firm Capital is voluntarily providing the disclosure required under section 9.2(4) of National Instrument 51-102 – Continuous Disclosure Obligations in accordance with securities laws applicable to public broadcast solicitations.

This news release and any solicitation made by Firm Capital in advance of the Meeting is, or will be, as applicable, made by Firm Capital, and not by or on behalf of the management of Artis REIT. All costs incurred for any solicitation will be borne by Firm

Capital, provided that, subject to applicable law, Firm Capital may seek reimbursement from Artis REIT of Firm Capital's out-of-pocket expenses, including proxy solicitation expenses and legal fees.

Firm Capital is not soliciting proxies in connection with the Meeting at this time, and unitholders are not being asked at this time to execute proxies in favour of Firm Capital (in respect of the Meeting). Proxies may be solicited by Firm Capital pursuant to an information circular sent to unitholders after which solicitations may be made by or on behalf of Firm Capital, by mail, telephone, fax, email or other electronic means as well as by newspaper or other media advertising, and in person by Firm Capital, who will not be specifically remunerated therefor. Firm Capital may also solicit proxies in reliance upon the public broadcast exemption to the solicitation requirements under applicable Canadian corporate and securities laws, conveyed by way of public broadcast, including through press releases, speeches or publications, and by any other manner permitted under applicable Canadian laws. Firm Capital may engage the services of one or more agents and authorize other persons to assist in soliciting proxies on behalf of the Firm Capital.

Firm Capital is not requesting that Artis REIT unitholders submit a proxy at this time. If and when Firm Capital commences a formal solicitation of proxies in connection with the Meeting, proxies may be revoked may be revoked by instrument in writing by the unitholder giving the proxy or by its duly authorized officer or attorney, or in any other manner permitted by law, the declaration of trust of Artis REIT. None of Firm Capital or, to its knowledge, any of their associates or affiliates, has any material interest, direct or indirect, (i) in any transaction since the beginning of Artis REIT's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect Artis REIT or any of its subsidiaries; or (ii) by way of beneficial ownership of securities or otherwise, in any matter proposed to be acted on at the Meeting. Based on public disclosure documents, it is our understanding that the head office of Artis REIT is Suite 600 – 220 Portage Avenue, Winnipeg, Manitoba R3C 0A5.

A copy of this news release may be obtained on Artis REIT's SEDAR profile at www.sedar.com.

ABOUT FC PRIVATE EQUITY REALTY MANAGEMENT CORP.

FC Private Equity Realty Management Corp. is a real estate private equity investment firm in Toronto, Canada.

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