

Charlebois Family Tackling Changing Trends

The Charlebois Family
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Hartford, Connecticut

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Why are we here:

How should we as a family address changing retail trends and the negative impact on our malls?

Executive Summary

Strategy	Details
Sell Portland Mall	-Market to property developers
Lower Connecticut Leases for short term	-To encourage tenants to stay in near term
Renovate Connecticut mall for office sharing	-Set up rental offices for small business owners to lease
Invite Lifestyle business to lease in Connecticut	-Invite fitness centre, daycares, dancing studios, etc.
Manage Family Business	-Establish Key-Person Insurance for CEO to pay for finding new CEO upon death -Establish Buy-Sell Insurance for each family member to acquire equity upon death
Charge for parking at Connecticut mall	-3 hours free -Assigned spots can pay for day parking at \$10/day

Recommendation

- ▶ Sell Portland mall and use capital gains to fund renovations at Hartford mall
- ▶ Move away from leasing to traditional retail and establish office sharing space
- ▶ Attract lifestyle-type businesses to build community for work and play

Move over retail, let's get to work

Eva to discuss the details

A closer look at our business

How we make money

- Collect lease income
- Dollar per square foot

Online retail trend

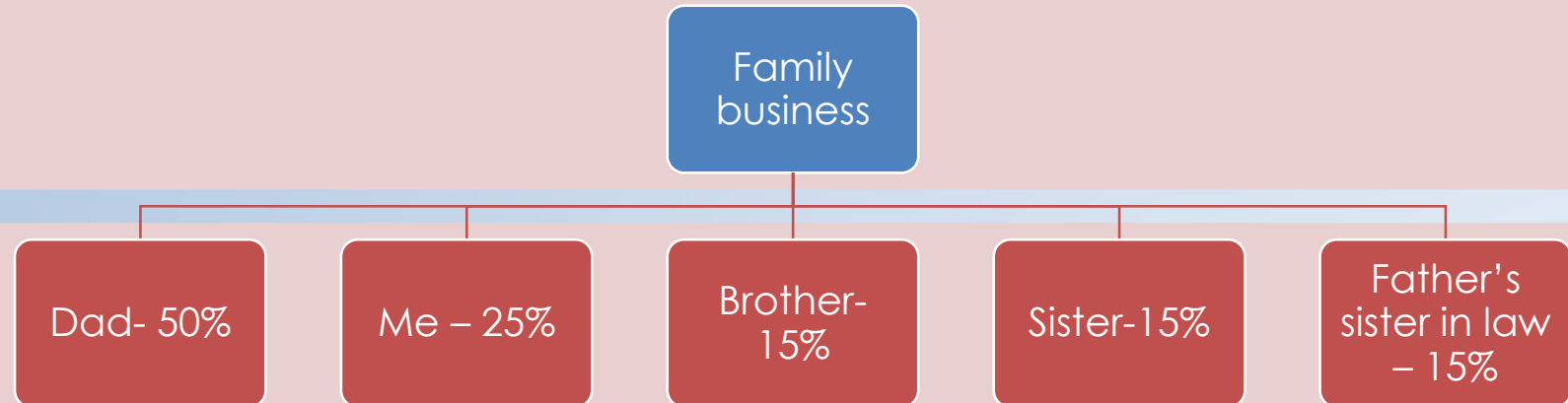
- Retail store dropping revenue
- Moving to online stores

Lifestyle change

- Look for wellness and become less consumeristic

Opportunities and challenges for our family, time to stay together and tackle them all

Our shareholding structure



We are all in this together:
we need to have the same
vision

What we own currently

Hartford mall

- Mortgage left
- Anchor store and close to transit
- Prime location and growth future

Portland mall

- Paid off, easy to sell
- No anchor store, less business and traffic

Options ahead of us

1

- Sell both store

2

- Keep Portland store

3

- Keep Hartford store

4

- Keep both stores

Criteria to evaluate the options

┌ Location and business potential for potential growth

∞ Community and customer feed perception

∞ Risk and timeline

Options and analysis

Options and criteria	Location and business potential for potential growth	Community and customer feed perception	Risk and timeline
Sell both store	☒	✓	✓
Keep Portland store	☒	☒	✓
Keep Hartford store	✓	✓	✓
Keep both stores	☒	☒	☒

Options and analysis

Options and criteria	Location and business potential for potential growth	Community and customer feed perception	Risk and timeline
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Strategies going forward new business for a community center

► Set up rental offices for small business owners to lease

Office sharing is getting popular, provide entrepreneurs next to technology center to start their business, flexible lease and sharing office supply and meeting rooms, with quick Wifi and shower.

Invite Lifestyle business to lease in Hartford

► -Invite fitness centre, daycares, dancing studios

Help small business to grow a stronger community

► Local produce, crafts store, exhibition center for artist

Subsidiary considerations

- ▶ Parking lot charge

Charge \$10/day after 3 hours, don't lose this revenue from small stream, every penny counts

- ▶ Current leasing customers: establish relationship, let them know that our new plan will drive more traffic to their business

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Building on the numbers

Bharath to talk about financials

Share structure

Shareholder	Share
Father	30%
Me	25%
Brother	15%
Sister	15%
Father's sister-in-law	15%

Assumptions

- ▶ All currencies are in USD
- ▶ Retail space income
 - Portland - \$20/Sq.ft
 - Hartford - \$25 to \$30/Sq.ft
- ▶ 200 parking spots in the back of Hartford mall
- ▶ Discount rate – 10% for NPV calculation

Sale of Connecticut mall

- Current space – 515,000 sq.ft
- Estimated yearly revenue - \$4.7MM
- Estimated profits - \$925K
- Estimated sale price - \$9MM to \$10MM

Parking fee

- Parking in the front
 - Free for 3 hours maximum
- Parking in the back
 - Free for 3 hours maximum
 - \$10 flat fee for a full day
- People have to register their cars at the parking stations

Paid parking cash flows

► Revenue - \$500,000/yr

► Costs

- Installation and maintenance of 4 parking meters - \$50K each
- Parking enforcer - \$40K/yr

► Total costs - \$240K

Connecticut vs Portland mall

City	City population	Ground floor	Office space	Stores
Portland	515,000	125,000	22,000	22
Connecticut	1,215,000	425,000	0	89

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Alternatives



Sell both properties



Keep both properties

Sell both properties

- ▶ No urgency for losing all the family's cash-flows
- ▶ USA is at an all-time record low unemployment of 4%
- ▶ Small to medium businesses are thriving



Keep both properties

Portland has

- ▶ Lower population
- ▶ Requires renovation – have to take new debt
- ▶ Lower – middle class demographic
- ▶ Only 22 stores, only 5 stores have to move out for 1/4th of revenue loss





One brick at a time

Nicole will talk about the implementation plan

For future consideration...

► “Out of the box” thinking...

- Tear down the Connecticut location and develop condominium buildings supporting those moving out of the suburbs

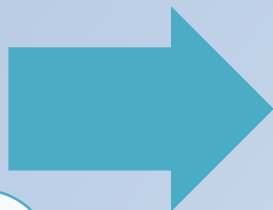
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Implementation Timeline

Short Term (1 year)

- Value and sell the Portland mall
- Understand interests of the family
- Planning for the future of owners and the business
- Implement parking regulation changes with supporting enforcement staff



Longer Term (2 – 3 years)

- Complete the sale transaction
- Use funds towards the Connecticut mortgage
- Renew leases with current tenants at Connecticut
- Find new tenants with desired businesses to support the community

How do we attract these types of businesses?

- Show the space as attractive and transformative
- Builds a sense of community with retailers supporting each other
 - Tenants are community-focused
- Spend the next year building relationships
- Decreasing leases in the short term for current lease holders will help provide some comfort as the industry changes

Planning for the future

Tasks	Outcome	Responsible	Timeline
Discuss personal objectives after reviewing the strategy	Understand priorities of business owners	Charlebois Family	Immediately
Acquire buy-sell life insurance on family members	Insurance policy will buy shares back in unexpected situations	Charlebois Family	3 months
Acquire key person's life insurance for CEO position	Provides funds to fill position if required	Charlebois Family	3 months
Explore options of buying out interested owners	Provides immediate financial reward and eliminates risk	Charlebois Family	1 year, continuous

Risks and Mitigation Strategies

Risks	Mitigation Strategies	Likelihood (H/M/L)	Impact (H/M/L)
Unable to sell Portland location for perceived value	Look for other purchasers or maintain property	M	M
Family members opposed to selling the Portland locations	Buy shares out or reassess the strategy	L	M
Renters are unhappy about parking policy changes	Look at prices or free sections	L	L



Get ready for opening day

Derek will bring everything together

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