

Protecting the wealth of Charlebois Family Investments Inc.

PREPARED FOR:

THE OWNERS OF CHARLEBOIS FAMILY
INVESTMENTS INC.

PREPARED BY:

PRESIDENT/CEO OF CHARLEBOIS
FAMILY INVESTMENTS

The Issue

We must find a way to **protect our wealth** and **manage immediate risks** for long-term success.

The Opportunity

Divest of unprofitable
holdings and take advantage
of potential growth
opportunities to ensure
continued financial success

Agenda

- Analysis
- Alternatives
- Recommendation & Implementation
- Q&A

Analysis

Important Wealth Management Factors

Long-term, med-high risk given wealth

Diversification

Low correlation to investment alternatives

Real Estate is a hedge against inflation

Important Wealth Management Factors

Long-term, med-high risk given wealth

Diversification

Low correlation to investment alternatives

Real Estate is a hedge against inflation

Real estate is a solid, long-term investment vehicle

Current Market Trends in Retail

E-commerce
threats

Retail-tainment

Luxury stores on
rise

One-stop-shop
preference

55% Millennials
want in-store
experience

Many retailers
becoming
obsolete

Current Market Trends in Retail

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Many retailers becoming obsolete

Current trends mean retailers need to offer a customized and unique experience to compete

Value From Mall Locations

PORTLAND, MAINE	
Pros	Cons
<ul style="list-style-type: none">• Mortgage free	<ul style="list-style-type: none">• No anchor stores
<ul style="list-style-type: none">• 3km away from residential area	<ul style="list-style-type: none">• Lower to middle class area
<ul style="list-style-type: none">• Near airport	<ul style="list-style-type: none">• Showing signs of wear
	<ul style="list-style-type: none">• Walmart is 8km away
	<ul style="list-style-type: none">• Rumours of additional discount store
	<ul style="list-style-type: none">• Recent stores bankruptcies affecting cash flows
	<ul style="list-style-type: none">• Low population (515,000 people)

Value From Mall Locations

HARTFORD, CONNECTICIT

Pros	Cons
<ul style="list-style-type: none">• <10km from city centre	<ul style="list-style-type: none">• Current year was unprofitable
<ul style="list-style-type: none">• Larger square footage	<ul style="list-style-type: none">• Current anchor stores are closing down stores (Sears and JC Penny)
<ul style="list-style-type: none">• Surrounded by professional offices	<ul style="list-style-type: none">• Parking being used by train passengers
<ul style="list-style-type: none">• Upper middle-class 8km away	
<ul style="list-style-type: none">• Condo construction for baby boomers	
<ul style="list-style-type: none">• Higher population (1,215,000)	

There are more benefits to further investment in Connecticut mall

Alternatives

Decision Criteria

Protects family
wealth

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Protects family
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Addresses
financial
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Protects family
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Addresses
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Considers
current market
trends

Alternatives

1. Sell off Portland mall; keep Hartford mall and make a luxury mall
2. Maintain both mall properties
3. Sell off both malls and look at other commercial property investments

Alternative 1: Sell off Portland mall; keep Hartford mall and make a luxury mall

Pros

- Divests of higher risk asset
- Capitalizes on mall in higher income/higher populated area
- Focused strategy

Cons

- Risky remaining in retail mall space given changing consumer shift to e-commerce

Alternative 1: Sell off Portland mall; keep Hartford mall and make a luxury mall

Pros

- Divests of higher risk asset
- Capitalizes on mall in higher income/higher populated area
- Focused strategy

Cons

- Risky remaining in retail mall space given changing consumer shift to e-commerce

Recommended: provides a strong go-forward strategy to ensure family's continued wealth

Alternative 2: Maintain both mall properties

Pros

- Diversification of customer base

Cons

- Many threats to Portland mall, outlook is bleak
- Both malls are recently not profitable, higher risk of ROI

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Pros

- Diversification of customer base

Cons

- Many threats to Portland mall, outlook is bleak
- Both malls are recently not profitable, higher risk of ROI

Not Recommended: too high risk given broader market and demographic trends

Alternative 3: Sell off both malls and look at other commercial property investments

Pros

- Removes risk in an increasingly e-commerce market

Cons

- Sacrifices future potential ROI
- Does not take advantage of family knowledge/experience in retail real estate

Alternative 3: Sell off both malls and look at other commercial property investments

Pros

- Removes risk in an increasingly e-commerce market

Cons

- Sacrifices future potential ROI
- Does not take advantage of family knowledge/experience in retail real estate

Not Recommended: leaves money on the table, does not consider future potential growth

Alternatives

1. Sell off Portland mall; keep Hartford mall and make a luxury mall
- ~~2. Maintain both mall properties~~
- ~~3. Sell off both malls and look at other commercial property investments~~

Risks & Mitigation

Risk	Impact	Mitigation	Owner
Family infighting	High	Strong succession plan approved by Chairman	Chairman
Risk of bankruptcy of the stores in the mall	High	Sell off the mall and focus on anchor store strategy	CEO
Can't secure anchor store retailer	High	Create strong pitch to attract interest and secure contract with anchor store retailer	Owners
Consumer shift to e-commerce	Medium	Enhance customer experience to entice visitor foot traffic	Owners




Recommendation & Implementation

Short-term and Long-term Plans




Sell off the
Portland Mall

Make
Connecticut mall
a Luxury mall




Short-term priorities: Sell off the Portland Mall

Activities	Timeline	Year 1	Cost	KPI	Owner
Identify potential buyers for the Portland mall (i.e. Walmart, distributor centres, hotels)			Real-estate, legal fees, investment costs for other mall	Identify buyer and negotiate terms by Year 2	CFO & CEO
Negotiate the sale terms - Proceeds will be used for reinvestment in upgrades to Connecticut mall - Any remaining = redistribute according to current share distribution			Lease exit costs		
Advise all current lease holders that mall will be sold and leases will be terminated			--		

Long-term priorities: Make Connecticut Mall a Luxury Mall

Activities	Timeline	Year 1- 2	Year 3-5	Cost	KPI	Owner
Use proceeds of the Portland mall sale to upgrade Connecticut mall				50-75% of proceeds	Increase CF from luxury mall	CFO
Identify and attract retailers for anchor stores and visitor entertainment Example: Nordstrom, Sak's 5th Other: Golf stores (simulations), spas, restaurants,					Foot traffic Demographics Stores sales	Property Manager & CFO
Review lease terms with current tenants and look to replace discount retailers with high-end retailers					Stores secured on long-term leases	Property Manager

Long-term priorities: Create Succession Plan for Family Business

Activities	Timeline	Year 1- 2	Year 3-5	Cost	KPI	Owner
Succession Planning Executives: Chairman → CEO CFO → CEO Property Manager (same)				Redistribution of shares	Family continues business with new internal disputes	Chairman & CEO
Redistribute shares to the next of kin						
Diversify investments outside of RE						

Long-term Investment Redistribution

Current share break-down

CEO: 25%

Dad: 30%

Brother: 15%

Sister: 15%

Sister In-Law: 15%

Long-term share break-down

CEO: 40%

Brother: 30%

Sister: 30%

Long-term Investment Redistribution

Current share break-down

CEO: 25%

Dad: 30%

Brother: 15%

Sister: 15%

Sister In-Law: 15%

Long-term share break-down

CEO: 40%

Brother: 30%

Sister: 30%

Long-term share redistribution for potential family member retirement

Other Long-term Considerations

Divest some real-estate investments and enter alternatives

Invest with Private Equity Firm

Sell off portion of parking lot

The Opportunity

Divest of unprofitable
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Q&A
