

CHARLEBOIS FAMILY INVESTMENTS

University of Alberta

AGENDA

Today as family gathered to address some key issues:

- Company represents virtually all of the family's wealth
- Strategic decision to be made on what to do with our two properties
- How can we remain profitable?



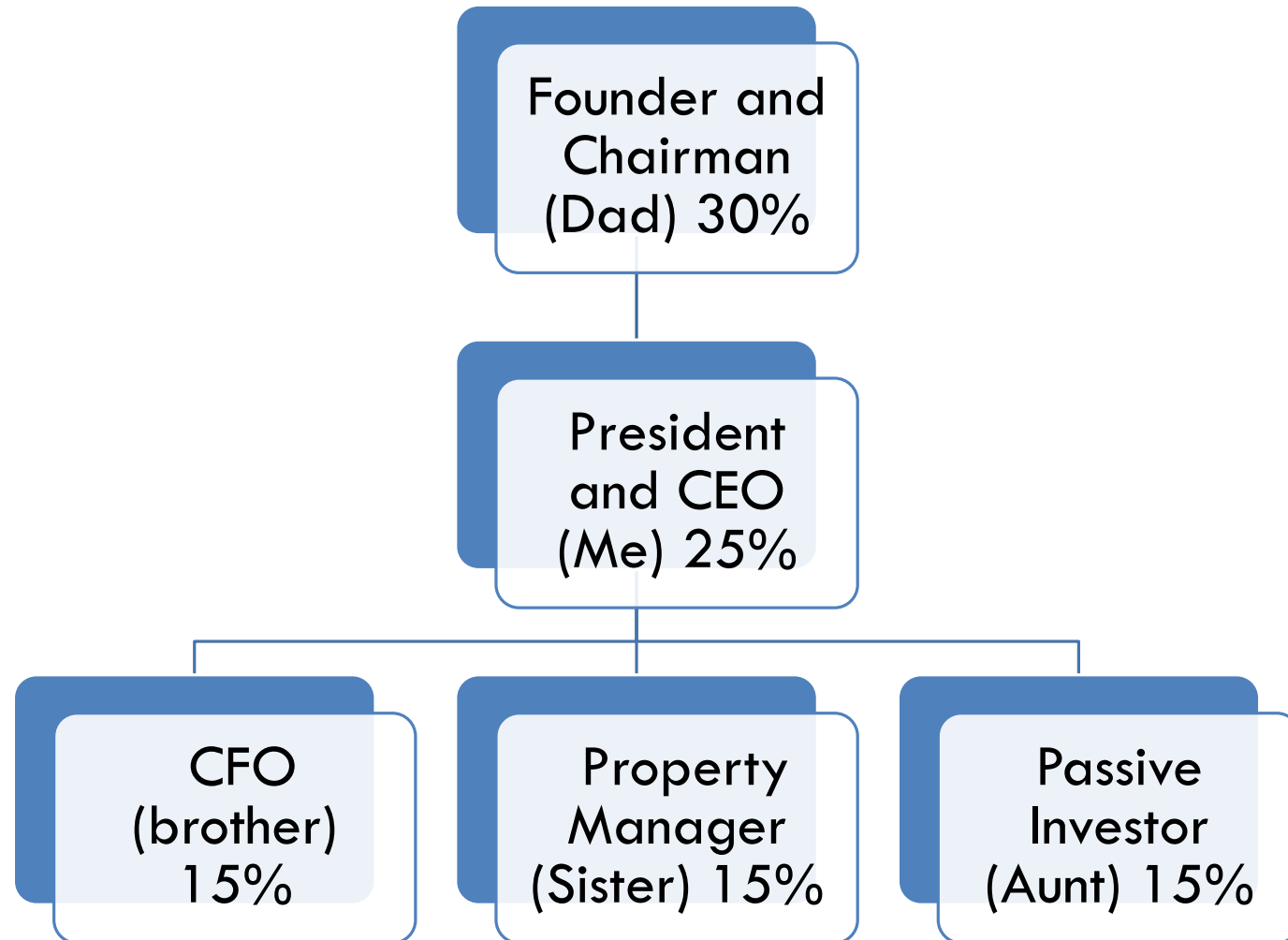
RECOMMENDATION

Sell the Portland Mall and focus our efforts and capital on the Hartford Mall.

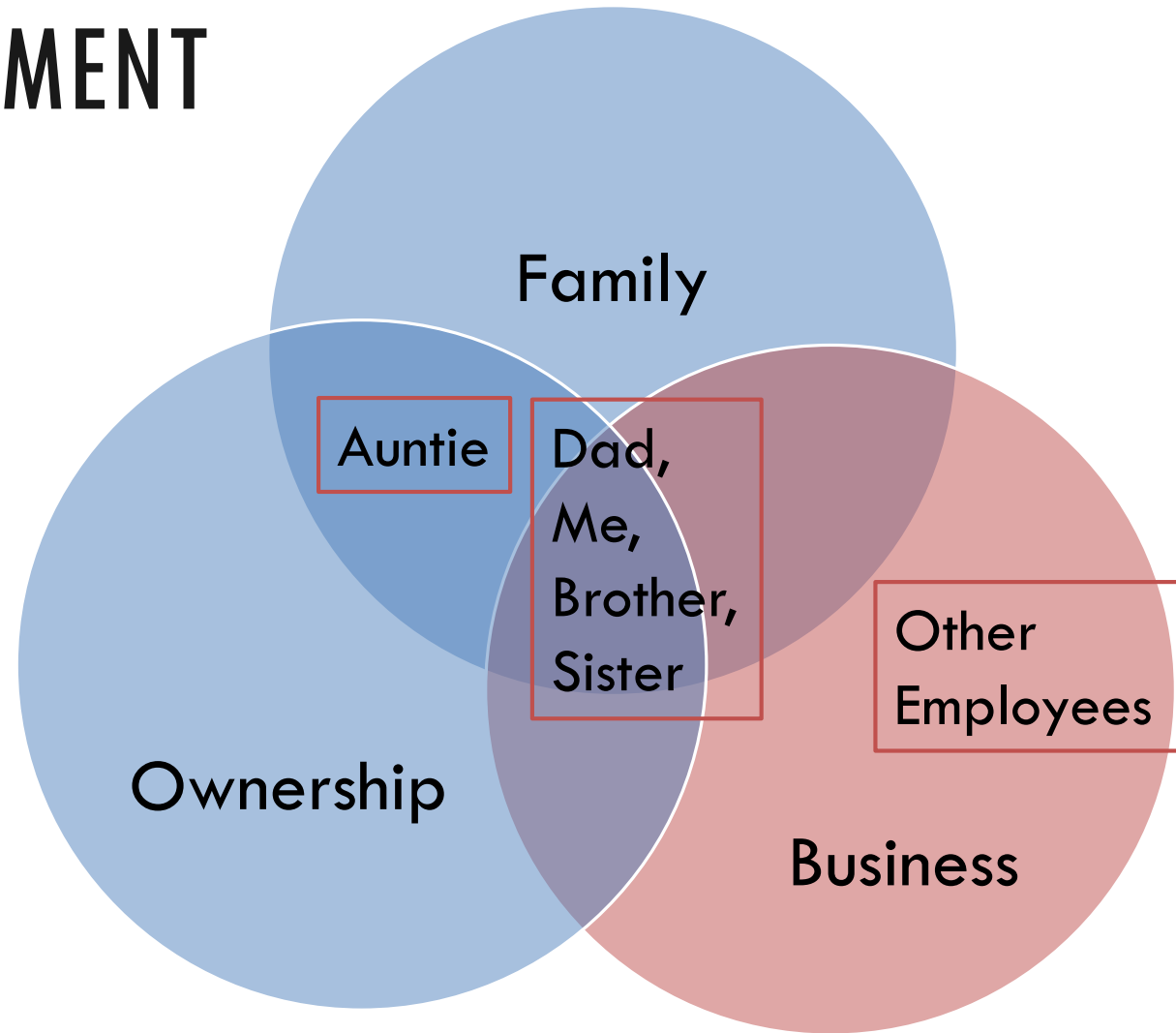
ANALYSIS

Family Business

OWNERSHIP STRUCTURE



FAMILY INVESTMENT



SWOT

Strengths

- No mortgage in Portland
- Own the
- Experienced family members with diverse backgrounds

Weaknesses

- Profitability reduced
- Reduced cash flow

Opportunities

- Upgrade of malls
- Upcoming residential sector close to Hartford mall
- Space under-utilized

Threats

- Online shopping increasing
- Low foot traffic

TWO MALLS

Portland

- Market – lower income
- Stores: No anchor store, large grocery store
- Opportunities: Ample parking, Mortgage free
- Issues: Starting to show wear

Hartford

- Market - upper middle class
 - Stores: 3 anchor stores
- Opportunities: Condominium construction, close to transit, proximity to high tech businesses and professional offices
- Issues: closing anchor store

Growing market in Hartford
and professional work space

FINANCIAL COMPARISON

Portland

145,400 sq. feet

Estimated income \$45/sq. ft

Total annual revenue estimated at
\$6,243,000

Estimated land value range \$150/sq ft -
\$200/sq ft

\$21,250,000 - \$29,080,000

Hartford

425,000 sq. ft

Estimated income \$50/sq. ft

Total annual revenue estimated at
\$21,250,000

Estimated land value range \$170/sq ft -
\$220/sq. ft

\$72,250,000 - \$93,500,000

Land value higher and expected to increase

ALTERNATIVES

Family Business

ALTERNATIVES

Dissolve family business – sell both properties

Sell Hartford property

Continue to run both properties – alter tenants

Sell Portland and use money to invest in Hartford

ALTERNATIVES - CRITERIA

- Cost
- Address changes in market
- Ease of implementation
- Makes sense for family and family goals

DISSOLVE FAMILY BUSINESS — SELL BOTH PROPERTIES

Advantages

Disadvantages

Pursue non-business opportunity

Start other business

Loss of only source of wealth

Loss of legacy

Need family consensus



SELL HARTFORD PROPERTY

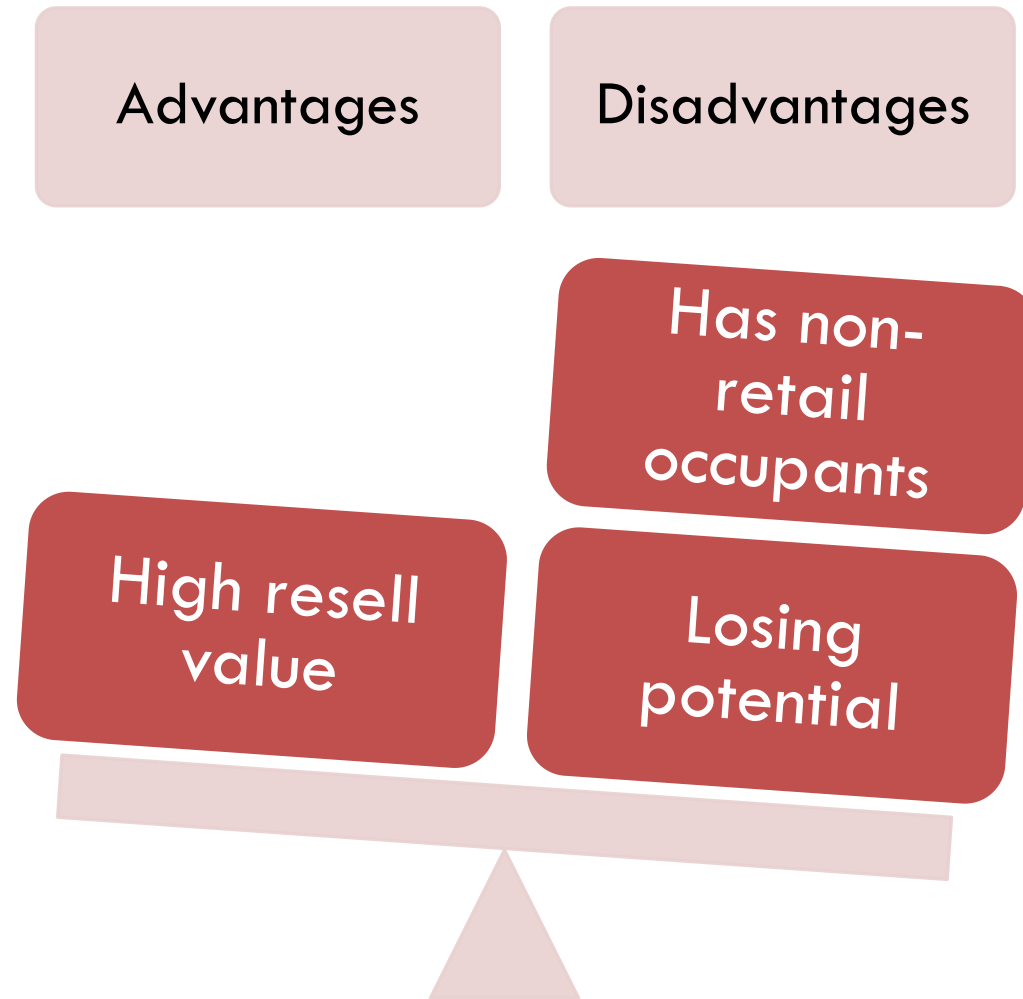
Advantages

Disadvantages

High resell
value

Has non-
retail
occupants

Losing
potential



CONTINUE TO RUN BOTH PROPERTIES — ALTER TENANTS



SELL PORTLAND AND USE MONEY TO INVEST IN HARTFORD

Advantages

Disadvantages

Easily Accessible

Centralized Location

Growing residual population

Hartford

High upgrade cost and potential revenue

Lost rental revenue from Portland mall



IMPLEMENTATION

Family Business

WHAT HAS BEEN SUCCESSFUL

Southgate Mall - Edmonton

- Increased number of restaurants
- Converting anchor stores into office space

Heritage Mall → Century Park - Edmonton

- Embraced connection to transit
- Long term residential investment with short term income generated by parking

IMPLEMENTATION



SELLING PROPERTY IN PORTLAND – 2018

Finding a property buyer

- Approach real estate development company scoping out land in city

Other potential buyers

- Airport related services such as parking garage

Aim for \$21-29 million USD in sale price

MONETIZE PARKING LOT IN HARTFORD

Mall is next to commuter train station

- Need to capitalize on the potential value here

Mall is also next to offices and area is densifying

- Additional parking space will start to become limited

Not capital intensive

- Will require minimum variable cost

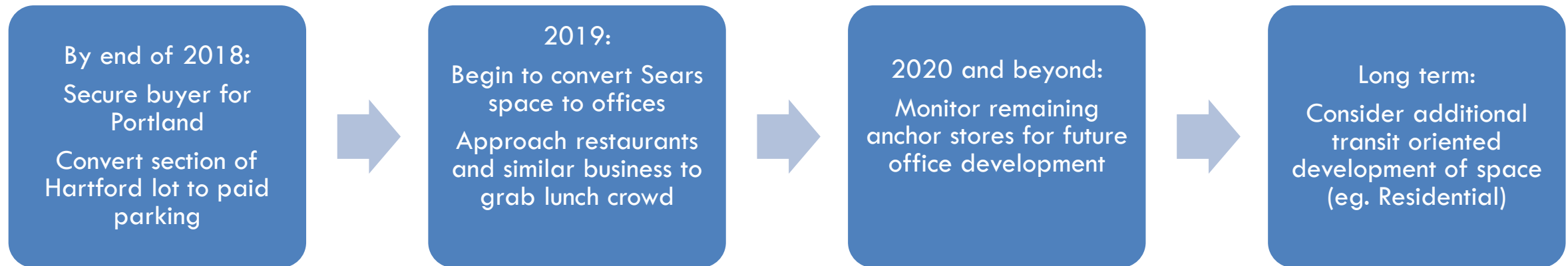
INVESTMENTS IN HARTFORD

Use sale of money from Portland
to:

- Increase paydown rate of Hartford mortgage
- Begin to invest in conversion of Sears footprint to office space
- Approach food/restaurant vendors to solicit new renters

Neighborhood
is converting
from suburban
to urban and
we need to
change with it

TIMELINE



FINANCIALS

Family Business

FINANCIALS

Cost Consideration	Impact	When?	Other assumptions
Sale of Portland Mall	\$21-29 million USD	By end of 2018	Sq. footage \$150-200 per sq. ft
Capitalize on parking at Hartford	Revenue of \$4.3 million USD/year	By end of 2018	1/3 of parking lot converted to pay lot \$10/day parking Would require policing – 3 hr parking max
Cost to convert parking lot	\$0.3 million	2018	
Additional parking costs	\$0.3 million/year	By end of 2018	

FINANCIALS

Cost Consideration	Impact	When?	Other assumptions
Cost to upgrade Sears location to office space	\$3-5 million	2019	Could be phased over the year Other spaces tackled later
Continued revenue per year from Hartford	\$21 million USD/year	Throughout duration	Land will become increasingly profitable

FINANCIALS

By 2020

- Estimated revenue before mortgage repayment of \$29 million USD/year from Hartford

Focus

- Balance upgrades on mall with paying down mortgage payments on mall

Payback period for renovations

- Approximately 2-3 years per anchor store

KEY PERFORMANCE INDICATORS

What will success look like?

- Return Hartford Mall to profitability within a year
- Maintain a 90% occupancy rate in Hartford mall

RISKS AND MITIGATION

Family Business

RISKS AND MITIGATION

Risk	Mitigation
Portland Mall takes longer time to sell	We immediately monetize some of the parking in Hartford to increase revenue
Big stores in Hartford mall all close down, and revenue is lost	Reduce amount diverted to pay down mortgage and then space can be repurposed into offices
Family consensus cannot be reached	Bring in known external, third party advisor, re-evaluate pros and cons with advisor, move forward together

CONCLUSION

Family Business

CONCLUSION

Growing neighbourhood potential

Well used parking space

Sell Portland Mall
Invest in Hartford

Opportunity to convert vacant space to office space

Generate short-term profits as well as long term growth