

# Welcome



## ***TEAMWORK***

***“Together We Can Achieve the Extraordinary”***

**2017 DCI WORKSHOPS**

September 16, 2017

# **2018 Purchase - What are the Buyout Options?**

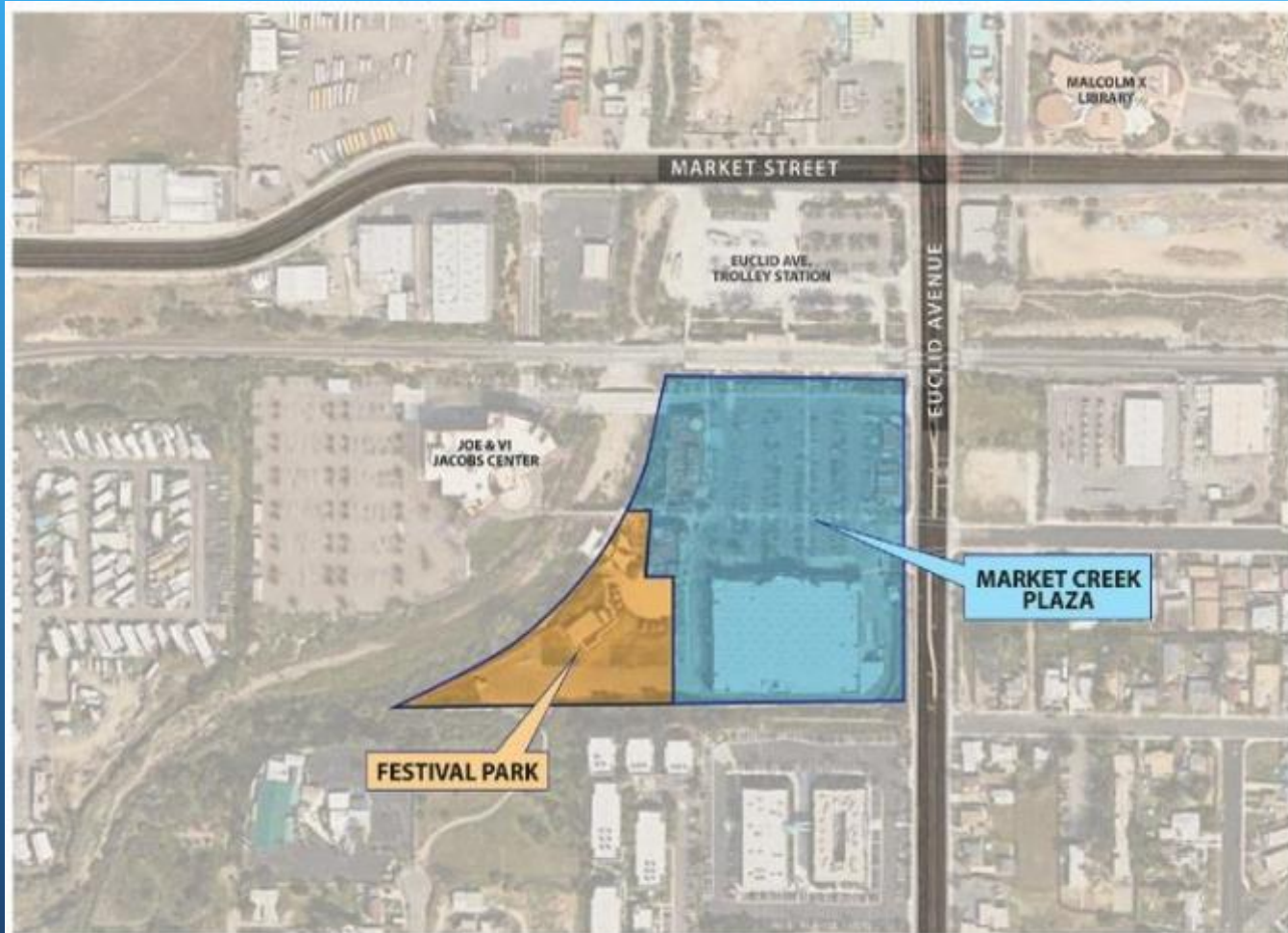
**Understanding Our Purchase Alternatives**

**DCI EDUCATION COMMITTEE  
WORKSHOP SERIES 2017**

# WHAT ARE WE HERE TO DISCUSS?

- Brief Purchase Provision Review
- Ownership Options and how they might work
- Purchase Options Pros & Cons
- Investor Best Interests Pros & Cons
- Key Questions to Consider
- Current Status of Preparing for a Purchase Recommendation

# WHAT DO WE OWN?



*This map is intended for illustrative purposes only to demonstrate the approximate boundaries of Diamond Community Investor partial ownership in Market Creek Plaza and Festival Park. Official legal boundaries may be obtained from the County of San Diego Assessor's office.*

# HOW MUCH DO WE OWN?

## MEMBER'S EQUITY AS OF 12/31/16

<u>Diamond Community Investors</u>	\$	350,506
<u>Neighborhood Unity Foundation</u>	\$	378,761
<u>DMI</u>	\$	107,530
<u>JCNI</u>	\$	3,920,809

## OWNERSHIP PERCENTAGE AS OF 12/31/16

<u>Diamond Community Investors</u>	18.02 %
<u>Neighborhood Unity Foundation</u>	20.00 %
<u>DMI</u>	4.93 %
<u>JCNI</u>	57.04 %

# REMINDER -Buying & Selling Units

- JcNI is restricted by SEC from conducting an internal market
- JcNI/DMI can only buy back units due to hardship
- Per section 9 in the MCP Operating Agreement and in the DCI Charter sections 1.4.5 & 1.4.6 and 3 in its entirety;
  - Current Investors can buy units from other Investors
  - Current Investors can sell units to Qualified Buyers
  - Price to be determined between Buyer & Seller
- DCI members can contact DCIAC for more information, **NOT** JcNI -(619) 450-4070 or [dci@jacobscenter.org](mailto:dci@jacobscenter.org)

# PURCHASER REVIEW

- The charter includes provisions that allow for the JCNI units to be Purchased (“bought out”) in order to increase the ownership percentage of DCI & NUF
- Our partners -JCNI & NUF must agree to any transaction we, DCI, might propose
- There are specific timelines and requirements that must be met

# COUNCIL TASKS REVIEW

- Your DCI Advisory Council is tasked with;
  - Understanding the charter provisions
  - Researching the possibilities for a Purchase
  - Identifying & evaluating pros and cons of each option
  - Determining whether Purchase is in the best interests of the investors
  - Deciding on the best option to recommend to Investors
  - Presenting a recommendation for Investors to vote on



# INVESTOR TASKS REVIEW

Investors are expected to;

- Understand that Purchase is not required, it is an available option
- UNDERSTAND WHAT THEY ARE VOTING ON;
  - Review informational materials mailed to homes
  - Attend workshops, if possible
  - Host Home Briefings or Focus Groups, if possible
  - Discuss recommendation with other investors and DCI Council
  - Attend the meeting to vote or send in a proxy vote

# REVISIT DECISION REVIEW

- **2018 is not our only chance to Purchase!**
- Investors will have a chance to reconsider the Purchase option every 3 years (as long as there is a company)
- The Council can submit a new recommendation in 2021
- Then there would be another opportunity in 2024
- Per the Operating Agreement section 1.4, the Company will dissolve in 2025

# STATUS UPDATE

- ESTABLISHED CONFIDENTIALITY PROTOCOLS
- DEFINED PROCESS & PROJECT PLAN
- DCIAC SUBMITTED PROJECT BUDGET TO JCNI
- BUDGET APPROVED
- TIMELINE & PROJECT PLAN COMPLETED
- TASKFORCE RESEARCHING POTENTIAL SCENARIOS
  - FINANCING/INVESTORS
  - PARTNERSHIPS/FOUNDATIONS
  - PROFIT/NONPROFIT
  - OTHER?

# WHAT DOES THIS REALLY MEAN?

- No Decisions Have Been Made Yet:
  - The Taskforce & DCIAC are working to determine what options are in the best interests of our Investors
  - They are determining what option to recommend, if any
  - As they research and gather information they are providing it to Investors to prepare us for 2018 decision making

# FACTORS TO KEEP IN MIND

- The Charter Provision;
  - Was not designed to simply replace JCNI with a new majority partner
  - Was intended to provide a mechanism to increase mall ownership by the community
  - Was intended to establish a long-term asset for the community benefit

# POTENTIAL SCENARIOS

1. The Company (MCP) borrows additional funds to buy-out JCNI.
2. A third-party investor (which could be a for-profit or non-profit organization) purchases an interest in MCP and that investment is used to buy out JCNI.
3. Another company merges with MCP and in the process, buys out JCNI.
4. Any of the preceding three alternatives are adopted, and in the process, in addition to JCNI being bought out, some or all of NUF and/or the DCI Investors are bought out.

# KEY QUESTIONS

- What is our ideal preference for the structure of the 'new' company after 2018?
- Will MCP retain it's current structure or change after the transaction?
- What will the 'new 'paradigm' be post 2018?

# KEY QUESTIONS

- Will a potential investor/financier allow us (DCI) to buyout over time?
- How will this transition expand our ownership (not just replace JCNI @ 60% with some new investor at 60%)?
- How will a CDC model work and what will it take to transition to one?



# KEY QUESTIONS

- Is it in DCI's best interest for new partner to be profit vs. non profit?
- How much control/influence will DCI have over the mall management? How much do we want?
- How will our incorporation status affect obtaining financing?

# PROS & CONS

- Known Partner vs Unknown Partner
- Profit/Dividend vs Tax Write-off
- Silent vs Active Partner Roles
- For Profit vs. Non Profit
- Investor Owned vs. Community Owned

# KEY DATES TIMELINE

- APRIL 2017 -2018 TASKFORCE ESTABLISHED
- JULY 2017 -INVESTOR WORKSHOPS
- SEPTEMBER 2017 -INVESTOR WORKSHOPS
- NOVEMBER 2017 - GENERAL MEETING
- JANUARY/FEBRUARY 2018 -WORKSHOPS & SALONS\*
- MAR 2018- GENERAL MEETING
- JULY 2018 - APPRAISAL DUE\*
- SEPTEMBER 2018 - 2018 VOTE DUE\*

# NEXT STEPS

- TASKFORCE TO COMPLETE RESEARCH ON POTENTIAL OPTIONS
- DCIAC TO DEFINE RECOMMENDATION
- CONDUCT APPRAISAL (DEPENDING ON RECOMMENDATION)
- CONDUCT VOTE (DEPENDING ON RECOMMENDATION)
- COMPLETE TRANSACTION (DEPENDING ON VOTE)

# What is expected from Investors?

- Pay attention to deadlines and time constraints on information
- Follow the status of the process
- Review information when provided via mailing workshops, etc.
- Ask questions along the way
- **DO YOUR PART;**
  - Provide your expertise on the Transaction Taskforce!
  - Provide your home for an investor salon
- **SPREAD THE WORD!**

# YOUR 2018 TASKFORCE

- CONTACT ANY OF THEM OR A COUNCIL MEMBER WITH SUGGESTIONS OR QUESTIONS
  - Lee King -Chair
  - Joseph Kelly
  - Thomas Cartwright
  - Marquis Snowden
  - Narri Cooper
  - Eddie Price

WE NEED TO BE PROACTIVE AS INVESTORS

# Save The Dates:

- October Investor Appreciation Event @ Casa Mexico
- Next Workshop Topic -2018 Updates & Status
  - January Workshops & Investor Salons TBD
- Investor 10<sup>th</sup> Anniversary in February

## QUESTIONS?



# Thank You



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**2017 WORKSHOP SERIES**