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From Beirut With Love (A)

Being the chosen one is both a blessing and a curse.

— Robert Fadel, ABC chairman

On July 28, 2017, Robert Fadel, the CEO and chairman of ABC, a retail and real estate group in Lebanon, announced Frank-Matthias Kuntermann as the company's new CEO immediately after the opening of its Verdun mall, ABC's largest to date. It had been a tough ride for Robert since he took the helm of ABC from his father, the late Maurice Fadel, in 2009. ABC was a long-established family business run by Maurice. Robert was the second-oldest of four brothers. In 2002, after much consideration and having tested his four sons in various roles in the company, Maurice established a trust that provided for the future governance of ABC. The trust specified that Robert would succeed him as CEO and chairman of ABC for a period of five years. This term could then be extended for three years with the approval of any one of Robert's brothers. While this created frustration and resentment on the part of Robert's brothers, it did not discourage them from taking positions in ABC. In May 2009, Maurice amended the bylaws of the trust in a way that also allowed Robert to appoint the majority of ABC board members—in essence, giving him control of the board.

After assuming the leadership of ABC, Robert tried to strike a healthy balance between the company and family members by appointing independent directors to ABC's board and by always taking key decisions with the consent of at least one of his brothers and the approval of his mother (see **Exhibits 1a** and **1b** for the composition of the board and board member profiles). With his management consultancy background, he set two main tasks for himself: building a professional organization that had historically been run as a one-man show and strengthening the company's market position by renewing existing facilities and expanding into new areas. Leading the company under constant family pressure had not been an easy job. Some of the family members were against investing; they were interested chiefly in receiving dividends. This was understandable, given that the majority of their wealth was tied to the family business in a country that had barely experienced stability during the course of its history, and they had their own businesses to run. Nevertheless, Robert managed to get the consent of the majority for every project he proposed to the board. In 2017, at the end of his three-year extension, he opened the company's largest-ever shopping mall in Beirut's last remaining untapped wealthy district and appointed a professional CEO. In order for him to continue as chairman,

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he needed his brothers' backing. He was not sure if he wanted to continue the seemingly endless struggle with his brothers, but his father had counted on him to make sure the company continued on its successful path. Should Robert remain chairman of ABC, or should he resign so as to give one of the other family members a chance? Or was appointing a chairman who was not a family member an option?

Lebanon and the Fadel Family

Born in Tripoli, Lebanon in 1928, Maurice Fadel grew up in a poor family. Lebanon, a country smaller than the U.S. state of Connecticut and situated between Israel and Syria, had been at the center of the Middle East's endless disputes (see **Exhibit 2** for a chronology of Lebanon and the ABC Group). With settlements dating back to prehistoric times (5,000 B.C.–3,500 B.C.), Lebanon had been a haven for people escaping from mistreatment and discrimination throughout the region.[1] Ninety-five percent of the Lebanese people identified as Arab, but there were 18 officially recognized religious groups: four Muslim sects, 12 Christian sects, the Druze sect, and the Jewish community (see **Exhibit 3a** for a map of Lebanon's ethnic composition and **3b** for Lebanon's key macroeconomic and demographic indicators).[2,3] Maurice thus grew up in a culture where, although there were constant disagreements about political issues, people always found a common ground when it came to business and social issues.

In 1943, Maurice left school when his family was no longer able to pay for his tuition. He worked with his father in his store in Tripoli, but, tired of disputes with his father, he moved to Beirut, the capital, to sell fabrics in the souk (traditional marketplace). However, he stayed connected to his hometown and even ran for a seat in parliament, although he failed to be elected in both 1964 and in 1968. In 1968, he married Diana Sfeir, who had also grown up in Tripoli, and they had four sons together: Habib (b. 1968), Robert (b. 1970), Karim (b. 1974), and Ronald (b. 1980).

Maurice grew his business significantly over time, but he was uncomfortable about his dependence on a few large suppliers. He decided to move from wholesale to retail. In 1972, ABC, a fixed-price clothing and household items chain, was put up for auction. The business had problems, but Maurice took a controlling stake, at his wife's urging. The same year, he won a seat in the parliament, which meant that he was now wearing two hats: he was both a businessman and a member of parliament representing Tripoli. As soon as he took the reins of ABC, he started restructuring it. He focused on high-end goods and expanded the retailer's presence in the country. For that, he asked his family for help, a common practice in the Middle East. In 1973, the store opened in Beirut's Zahle district.

In 1975, civil war broke out in Lebanon. Gunshots and bombs became part of daily life. Minding his own business, Maurice continued to work on ABC's store format and increased the number of exclusive agreements with European luxury brands. He realized that catchment areas were shifting because of the war; people were moving to remote areas. There was also a shift in consumer spending, away from downtown Beirut. Maurice had a keen eye for where the trade would grow, so he initiated construction of a megastore in Dbayeh, a district in the governate of Mount Lebanon, north of Beirut.[4]

In early 1980, he opened a store in Dbayeh, which was a huge success and a source of morale for the Lebanese. Maurice had other retail partners on his side in creating the shopping environment. Prestigious international brands leased corners in the ABC store, limiting the cost of keeping inventory for the entire store.

In 1982, Israel began a full-scale invasion of Lebanon, which was followed by the assassination of the newly elected Israeli-backed president. U.S., French, and Italian peacekeeping forces soon arrived in Beirut. Diana Fadel and the children, like most families, fled the country, knowing that the worst was yet to come, and relocated first to Switzerland, and then to France, while Maurice remained in Beirut to run ABC.

Robert Fadel

Robert was only 12 years old when everyone in the Fadel family except his father, made the move. After several years of taking it easy, he got serious about his education and started thinking about what he wanted to do with his life. Unsettled by what inept politicians were doing to his country, he enrolled at the Institut d'Études Politiques de Paris (Sciences Po), which counted numerous notable figures in both the private and public sectors among its graduates. He graduated in 1993, the year Israel launched its most forceful attack on Lebanon since 1982. Robert then enrolled in the elite École Nationale d'Administration, a highly selective academic institution, whose graduates included some of the world's most distinguished politicians. Upon graduating in 1995, Robert immediately returned to Lebanon to help the family restore ABC from the ruins of the war. At that time, the family wanted to build a mall—Lebanon's first—that would include an ABC department store and other prestigious retailers on a tract of land in Achrafieh, one of the oldest districts in East Beirut. Robert was in charge of the project, and his father praised him for engineering a complex deal with the owner of the land and for overseeing the design of what was to become a Beirut landmark.

In 1997, Robert met Hala Frangie in Tripoli, and the couple married a year later. Born in north Lebanon, she had lived in Paris since she was an infant. After graduating from HEC Paris, a prestigious international business school, Hala started working in London as a financial analyst in the mergers and acquisitions unit of Merrill Lynch, an international wealth management firm. She was visiting her family in Lebanon when she met Robert. She had never lived in Lebanon and had no intention of living there going forward, so the newlyweds decided to live abroad. As luck would have it, the Monitor Group, an international consulting firm headquartered in Cambridge, Massachusetts, asked Robert to join the company. Robert and Hala moved to Boston—just minutes away from Cambridge, where Hala started an MBA at the Massachusetts Institute of Technology (MIT) Sloan School of Management. She graduated in 2001 and the same year, the couple had their first child, Marie Diane. They moved to Paris and pursued their respective careers.

When the Achrafieh mall was ready to open its doors, Maurice asked Robert to come back to Lebanon, so in 2003, Robert, Hala, and Marie Diane made the move, and Robert became a senior manager in the ABC Group.

The Other Fadel Brothers

The oldest of the brothers, Habib, returned to Lebanon in 1987 and earned a BA degree from the Beirut University College. After a short stint in ABC's marketing function in 1998, he realized that his passion was in the arts, so that same year, he moved to Los Angeles to study filmmaking. He produced a TV series for the Arab world and a few short films, but when he sustained injuries to both his hands in an unfortunate accident, it was in painting that he found healing. In 2003, he returned to Lebanon to set up his own atelier.[5]

Karim graduated from the Sorbonne University's history department in 1997 and then worked for two years as a human rights officer at the United Nations in Geneva, Switzerland. He then took a job in an international bank's private banking division, also in Geneva, where he lived until mid-2001. Knowing that his father longed for him to return to Lebanon to work in the family business, he did exactly that. He joined ABC in June 2001 and played a significant role in various projects until 2005, including the Achrafieh mall. Then in 2006, he moved to the U.S. to start a new life and to pursue an MBA at the MIT Sloan School of Management.

Maurice Fadel's youngest son, Ronald (Ron), was only two when his mother moved to France with all four children. After earning his PhD in computer science with a specialization in artificial intelligence from Stanford University, he joined the family business in 2004. An ABC executive who worked directly with him described his style: "He was so smart, so clever, and so arrogant. It was difficult to work with him, not because he lacked intelligence or good ideas, but because he underestimated everybody."

Diana Fadel

Diana, after living a life of her own in France for more than a decade, returned to Lebanon in 1990. Having been involved with ABC from the beginning, she remained engaged in the business, but she also established a furniture business, Samarcande, where she was the CEO.[6] In 1998, she founded Monuments en Musique, an NGO that organized concerts to promote young Lebanese talent.[7] These activities did not stop her from being part of the family business. She also took a peacemaker role as the mother of four sons whose father would sometimes pit them against each other as a way of assessing their potential for succeeding him. She was always there to mediate and to console the upset one. This gave her indirect authority in the family business that she had been part of from the outset.

The Family Trust

Maurice was an old-school leader; everything depended on him. The head of leasing and operations, Joanna Atalla, had been a tenant from 1991 to 2001 before joining ABC as an employee in 2003. Recalling those days, she said, "There was Maurice, and Maurice. He was a one-man show. He was a businessman. A visionary. At the same time, he was very human and humble. But he could also be very strict, very tough, very demanding." Maurice wanted all his family to work in the business. Diana led the buying for the stores and all the sons were given specific responsibilities. Maurice would test their managerial abilities in various tasks and then promote them if they succeeded. This created a sense of competition that sometimes led to sibling rivalry. Contentious relationships were not limited to the sons. Diana's relationship with Maurice was also antagonistic at times.

Thinking about the future of the company, Maurice wanted to prevent family disputes for fear they would hinder ABC's growth; he also wanted to prevent his sons from making decisions based on emotions. He knew he needed to select his successor in order for the family business to survive for generations to come. In 2002, he established the MAFAD Foundation, a trust that had four equal beneficiaries (the four Fadel brothers), three protectors (Diana Fadel and two family friends), and a council (the two lawyers who had prepared the trust). The trust defined the succession and the financial planning of the family business.

Maurice designated Robert to succeed him as the CEO and chairman of ABC for an initial period of five years. With the agreement of any one of his three brothers, Robert would have a three-year extension on his term as leader of the company. This would give him enough time to build a solid foundation without any intervention or having to waste time on possible family disputes. After eight years, the four brothers would then decide whether to continue the trust structure or not. The continuation of the trust needed to be accepted by at least three of the four brothers within four months after the eight-year period ended. If three of the brothers voted to continue the trust, they were at liberty to determine a new term. In the event that the vote was against continuation, the trust would dissolve freeing up their shares. Maurice, by establishing the trust, gave Robert an uninterrupted eight-year window, assuming he managed to keep at least one of his siblings on his side. A person close to the family said that naming the "heir to the throne" up front was a smart decision. However, Diana was once overheard indirectly criticizing the move: "It's not like passing an exam at the university, where you know there are grades and it's kind of objective. It's always hard to accept not being the chosen one."

The First Experience with a Professional CEO

In 2007, Robert and his youngest brother, Ron, were supporting their father in leading the company (see **Exhibit 4** for the organization chart). Ziad Sanbar, the CFO and board secretary, recalled, "Maurice was the chairman, Robert and Ron were the vice chairmen, and all of ABC's 650 employees reported to them. It was a challenging organization."

Robert, with his management consultant's mindset, wanted to bring in a professional managing director. A personally referred professional from a global beverage company accepted the position. Robert reflected, "It was an external recruitment. He was a good guy, but it didn't work for a number of reasons." He continued:

> First of all, my brother and I were still involved in the business, but we were not very experienced as managers, so we were trying to learn as we went along. I think we were not in a position where we could really let go. Second, the management team was not ready for an outsider. We didn't give him the support he needed in order to succeed. The team saw that we were still involved, so they preferred to bypass him. Third, he [the managing director] was not from our industry. He wasn't able to add immediate value without the team giving support. As it turned out, he was not the right choice, and probably it was not the right time for us.

Atalla remarked, "People considered him invisible; it was as if he didn't exist, so they continued their weekly meetings with Robert and Maurice. They didn't even try talking to him." Thus, the initial attempt to transition to professional management failed, and the idea was put on hold.

In 2008, Maurice was fighting cancer from a hospital bed. He was still officially CEO and chairman, but his second-oldest son, Robert, was now the acting CEO. This was not usual in the Middle East culture in that it would normally be the eldest son who would take over the business. Habib, however, had no interest in running it.

In December 2008, keen to continue the Fadel tradition of having a family member in the parliament—and to ensure that one son did not have it all—Maurice encouraged Habib to campaign for a seat in parliament as a representative of Tripoli. Not long into the campaign, however, Habib decided to drop his candidacy. Robert volunteered to campaign instead, despite his father's advice not to do so, but in the end, Maurice agreed. On June 9, Robert was elected as a member of parliament.

In May 2009, Maurice had amended the trust. He was confident that it was Robert who would be able to continue his legacy in both politics and in business. To add a layer of protection to Robert, he gave him the authority to appoint additional members to ABC's board, essentially giving him full control of the board.

On June 13, Robert was visiting his father in the hospital when Maurice asked about Serena, Robert's second child, who was named after Maurice's mother. "She's at a birthday party, she'll come to see you tomorrow," Robert promised. "I'll be with the other Serena tomorrow," replied his father. Indeed, Maurice died the next day, and then, on June 15, 2009, Robert became CEO and chairman. The first thing the brothers wanted to do was to get Robert to dissolve the trust immediately. When he refused, they asked him to appoint one of them as CEO. He rejected that as well. Robert reflected, "My brothers bonded in their resentment towards me." Right after the first ABC board meeting, Habib sued his brother, claiming that the board gave him too much power. After examining the relevant documents, the judge decided that the board had in fact delegated more power to Robert than was necessary. Robert made a few minor changes, but in essence, nothing really changed, as the trust gave him control of the board. This was not the only time Habib sued his brother. He also opened a case when Robert bought some of Karim's shares, but he lost that one altogether.

Robert Fadel: CEO and Chairman

Robert started off by establishing a solid board of directors (BOD). In addition to his three brothers and his mother, he appointed three independent board members, each of whom was an influential business figure in their respective industry (see **Exhibits 1a** and **1b** for the composition of the board and board members' profiles). Sanbar remarked, "Robert wanted to have a functional board, not a 'people' board. He obviously wanted to involve the family members, but he also wanted to have independent directors who would be able to efficiently manage the company with transparency going forward." One of the BOD members was an old friend, Nicolas Tamari, who had his own family business, a coffee trading company. Robert knew Tamari as a classmate from the boarding school they attended together in Switzerland. He was close to the family, yet not part of it. "I think on the big picture side, the father was a genius," asserted Tamari. "He split the ownership and the voting rights at ABC. I was taught at Harvard Business School that 'What's fair isn't equal and what's equal isn't fair.' But this obviously created tension between the brothers. Habib seldom attended the board meetings, and Ron never showed up."

Building a Professional Organization

Once the board of directors was settled, the next item on Robert's agenda was to change the management culture. Tamari remembered, "Maurice decided everything, from A to Z, all by himself. Culturally, ABC wasn't a place that nurtured from the inside, and Maurice wasn't one to delegate responsibilities. When I joined, just to order toilet paper, the CEO would have to sign the purchase order." Robert set to work, building a strong middle management. He hired Christophe Tellier, a French human resources (HR) consultant. The two men worked together closely to create a development and training plan. Atalla noted, "He [Robert] cared about the employees in this company —maybe more than he cared about the company itself. He knew and appreciated the value of each person and empowered them. Robert wanted ABC to be a place where people were treated fairly and respectfully, just like he wanted Lebanon to be."

Robert also worked on improving the pay structure of the management team. ABC had a high employee turnover and paid lower salaries than other companies in the industry. "I multiplied the HR cost by three during my term," he recalled. He also created a shadow stock program that attracted talent from the outside and reduced turnover. However, the family members objected to the increasing costs. They thought Robert's salary was far too generous and that the overall personnel costs were increasing too fast. Some of the family members did not want their dividends to decrease under any circumstances. "They were very vocal about that," he recalled.

Another step was to find someone to succeed him. In the first months of 2011, two senior executives were onboarded, one as chief operating officer (COO)—a female—and a male deputy COO. Both came from Dubai, in the United Arab Emirates, each with a decade of retail experience in large-format U.S.-based department stores. A new organization was laid out. Atalla remembered, "In those days, we went through several structures. One year it was this, and another year it was that. Robert was trying to find the best way." However, the newcomers did not sync with the team or with each other. The flagship director, Jean Kassis, commented, "They kept blaming one another for setting the wrong strategy or executing poorly. Recruiting people from outside ABC seemed to be failing." The two outsiders left the company, one after the other, in 2013.

Robert then decided to look inside the organization. He identified a strong internal CEO candidate, a woman who had held various roles in the company during the previous five years. They agreed on an 18-month development plan with specific financial targets and soft skill goals. "Everyone in the company knew I was trying hard to promote internally," he noted. However, nine months into the program, the candidate had failed to meet several of her key objectives.

In mid-2013, a good friend of Robert who was the distributor of the French luxury brand Hermès (and a tenant and wholesaler of ABC) recommended a Frenchman of German origin for the position. Frank-Matthias Kuntermann was in charge of Hermès in the region, and Robert's friend had worked with him as a customer and got to know him well. "He spoke very highly of him, especially in terms of leadership skills and ethics, and I trusted his intuition," Robert remembered.

Kuntermann had earned a degree in communication and marketing from Sciences Po in Paris in 1992. He then worked as export manager in a French perfume company, where Maurice was one of his clients. In 2000, he moved to Hermès, a multibillion dollar business that—like ABC—was owned (75%) by its founding family and managed by a family member. He started as head of sales in Europe and then was promoted to sales director for Eastern Europe and the Middle East. In 2007, Kuntermann became general manager for the Middle East and moved to Dubai, where he lived for five years. When he was approached by ABC, he was interested, given the company's solid reputation. "There was an immediate click between me and Robert," Kuntermann remembered. "I knew the family business environment and its advantages and disadvantages. Robert convinced me to move to Lebanon and take the job." In September 2013, Kuntermann became ABC's COO and focused exclusively on the retail business, which meant overseeing the management of more than 80% of all ABC employees. He started out by building several discussion platforms to break down the silos in the organization. To begin with, the communication between the buyers and the people on the sales floor was weak. The buyers reported to Tania Ezzedine, head of strategic planning and development, while the sales floor personnel reported to Kuntermann. Ezzedine reflected, "We [Frank and I] didn't get along very well in the beginning. I'd been there a long time and had always reported to Robert . . . but Frank is very good at teamwork. He involves everyone in the decisions, so people feel informed and involved."

Kuntermann also enhanced the customer experience in the ABC department stores, first assessing the existing structure and changing policies related to the recruitment and training of sales personnel. Kuntermann explained, "I created a customer experience committee, which represented all parts of retail in ABC where decisions concerning the customer were taken. For the first time, the entire team was sitting down together to make decisions. Problems were being addressed as soon as they came up. Everything, absolutely everything, was decided on a single work platform in a united way. That was a complete transformation." Within a year and half, the customer experience showed strong improvement on all performance measures. Customer feedback scores were at an all-time high.

The third person that Robert eyed as his potential successor was an HBS and Stanford graduate. Robert hired him as head of business development at ABC. He had a consulting background, just like Robert. Ezzedine commented, "He was a great guy. The problem is that, even when you have a great profile like this, ABC has its own unique culture. It's a very emotional company, with a bit of politics . . .

He wasn't able to adapt to the environment, and some colleagues perceived him as a bit arrogant, even though he wasn't. He stayed only a year and then left."

Strengthening the Competitive Position

The Lebanese retail industry became increasingly competitive. In 2010, Majid Al Futtaim Properties, a United Arab Emirates-based pan-Middle East shopping mall and retail giant, unveiled its investment plans for Lebanon. A huge mall in the Hazmieh district would be opened in 2013.[8] There were others—smaller regional and local players—that were investing in shopping malls and other retail concepts. (See **Exhibit 5** for current and planned shopping malls in Lebanon and **Exhibit 6** for retail sales performance in Lebanon.) Sanbar and Robert identified the possible effects of increased competition: reduced customer traffic, a price war for tenants, more frequent discounts, employees being poached by other companies, and higher marketing costs. Each of these had serious knock-on effects. For ABC to strengthen its position in a shrinking market during an economic recession, they would have to invest in new locations as well as existing ones and devise new ways to retain customers (see **Exhibit 3b**).

First, Robert wanted to finish the $60 million renovation project of the Dbayeh mall that had started in 2006. When completed in 2012, its size would be triple that of the existing store. Second, he needed to arrange for expanded parking for the mall. This project involved third-party landowners, a source of future vulnerability, and required an investment of approximately $50 million to acquire the land and construct a multi-story parking facility. A third project was the Achrafieh mall, whose build-operate-transfer (BOT) license would expire in 2033; he had in mind extending the term for another 15 years. A fourth project was to relocate the ABC headquarters to a facility where employees could interact and enjoy coming to their workplace. Regional expansion was yet another one. Robert chose Jordan as his first regional target. Amman was less than a two-hour flight from Beirut, and Jordanians comprised a good portion of the non-local clients of the ABC department stores in Lebanon. Several senior executives resisted the expansion, maintaining that ABC was still not ready for such a step. However, Robert was confident in his decision and opened an ABC department store in the Al Baraka Mall in Jordan. A senior executive recalled, "We were traveling to Jordan every weekend to closely monitor the operations there. However, two years later, we had to close the store. The location wasn't good and the demand wasn't what we expected." Nevertheless, Robert was unfazed.

Robert's biggest project was opening a new mall in Verdun, the last remaining untapped wealthy neighborhood in Beirut. The company was financially healthy. Total revenues and earnings before tax had experienced a double-digit growth in the two years since 2009, when Robert became CEO and chairman. The company's balance sheet was also strong (see **Exhibits 7a** and **7b** for ABC's financial performance).

Robert found a parcel of land in Verdun that was owned by a member of the renowned Hariri family.[a] He was not particularly interested in selling it, but even if he had been, it was expensive, at an estimated value of $250 million. Robert proposed a 30-year BOT deal that would allow Hariri to become the owner of the mall as well as the land at the end of the 30 years. Building the mall would cost $300 million. Robert engineered yet another deal—a joint venture (JV) to own and operate the mall. Sixty percent of the shares would be owned by Hariri and 40% by the ABC Group. Given the large scale of the project, the JV partners were interested in using debt to finance part of the mall construction. After talking to several banks, Sanbar secured project financing, a specific investment financing tool that did

[a] The Hariri family was one of the leading Lebanese families that were active in both politics and business. Rafic Hariri, a former prime minister, was assassinated in 2005.

not require collateral—other than the project itself—for 60% of the $300 million mall construction. ABC's equity share of the mall was thus reduced to $48 million.

Meanwhile, instability reigned in the Middle East. The Arab Spring[b] in 2011 shook the region both politically and economically. Only 30 miles from Beirut, Syria was at war. Robert and Sanbar discussed structuring a safety net to hedge business and country risks. The amount they had in mind was a year's operating expenses, to be set aside over 18 months. When Robert presented the safety net idea and the Verdun mall opportunity to the board, there was resistance, notably from some of the family members. One asked, "Do we really want to invest everything we have in the projects? Why don't we wait? Why don't we see what will happen in the next couple of years?" Tamari explained:

> The brothers were totally against it. One of the independent board members was extremely vocal and said, "guys, if we don't do this [the Verdun mall], we'll never close Lebanon. We can't afford not to be in the heart of Lebanon." We, the board, under very difficult circumstances, pushed through and had to convince each other to do the Verdun deal. If we had left it up to the family, it would never have happened. The same with the safety net. They [the family members] were not in favor of it. They wanted cash, and they wanted the company to pay as much in dividends as possible. In the back of our minds, we were actually creating the safety net as a hedge for Verdun.

That was the way the Verdun project was launched. At a press conference in 2013, Robert remarked, "ABC Verdun will be a quantum leap in the retail sector and mall management—not only in Verdun but in Lebanon—and it will generate more than 2,000 job opportunities."[9] The project was expected to open in early 2018.

Personal Priorities

In addition to his role in ABC, Robert was an active member of parliament. As one of the senior executives at ABC recounted, "Robert had one love called ABC, and his second love was politics." He found politics frustrating for its inefficiency and fought hard to prevent politicians from becoming complacent. His approach was "citizens first" rather than "Lebanon first," as he pushed an agenda to remedy poverty and energy issues.

"Between the stress of the business, the stress of politics, and the headaches coming from the brothers, I think his wife and kids were not his top priority at that time," Tamari asserted. Hala had a busy career herself. Starting in 2002, she was a fund manager in European equities at Comgest, an international asset management group headquartered in Paris. Still, she managed to strike a good balance between traveling for work and caring for their three children. Hala was also chair of the MIT Enterprise Forum of the pan-Arab region and a board member of the MIT Enterprise Forum Global. In 2012, she and the children moved to London and lived there for a year.

The Three-Year Extension

Robert had taken control of ABC in 2008, and by 2014, the company's net profit had increased by 80% and had a proper management organization. (See **Exhibits 7a** and **7b** for ABC's financial performance and **Exhibit 8** for its 2014 organization chart.) However, his five-year term was going to

[b] A series of both violent and peaceful demonstrations that quickly spread throughout the Middle East, thanks to social media, and resulted in regime changes and wars. Source: "The Arab Spring," History, https://www.history.com/topics/arab-spring, accessed August 2018.

end in June 2014. According to the bylaws of the trust, he needed one of the brothers to back him up to continue for another three years. Back in 2010 when Karim needed to sell some of his shares to fund his real estate business in Boston, Robert said, "I'll buy your shares to help you with your projects, but I hope you'll return the favor when I need you." Karim agreed and sold 20% of his shares to his brother. Now it was time for the three-year extension. Diana fully supported the extension, but Habib and Ron resisted. They preferred to see the trust end so that MAFAD's shares would be freed up. They pressured Karim not to support the extension so that, with a majority, they could vote to dissolve the trust and thus free up the shares.

Robert wanted to lead ABC for another three years to complete what he had started: professionalizing the organization and opening the Verdun mall. He reminded Karim of his promise, who duly voted in favor of the extension, without discussion. Robert recalled, "I immediately went into succession planning. I figured if I could complete what I had started and get out of the way, they [his brothers] would accept it more easily." In a move to ease the tension, Robert allowed his brothers to choose the new independent board members. Although all three existing independent directors were astute and highly successful businesspeople, his brothers always complained that he had chosen certain people because they were close to him. In February 2016, there was a new board; Robert had effectively relinquished the control of the board, but he asked two influential Lebanese businessmen, Dani Richa and Iyad Malas, to serve as advisory members (see **Exhibits 1a** and **1b**). He wanted to have as many people as he could who would help him deliver on his plan, and to do so as fast possible.

The Succession Plan in Action

Robert and the ABC team accelerated the work on the Verdun mall. Kuntermann, who was leading ABC retail, asked Kassis to run a "war room" to ensure flawless communication between the various departments in the Verdun store. Kassis remembered, "We were working very hard. One employee took only a half-day off when her father died. Another employee had a stroke on site; he went to the hospital and came back to work the same day." Robert himself was also busy. Karim, who lived in Boston and had his own real estate portfolio, called his brother several times to offer his thoughts on the project. Robert did not return his calls. He was working day and night.

In November 2016, Robert appointed Kuntermann as deputy CEO to also take over the real estate business. This move was welcomed by the management team. ABC employees and senior executives alike respected Kuntermann. Some suspected that Robert was coaching him on how to identify hidden flaws in people that others failed to see and guided him in an invisible way. Kuntermann and Robert met regularly in the office and over dinner to discuss many facets of the business. They resolved daily issues easily. However, Robert followed a different route for major issues. Kuntermann explained, "For each important decision, Robert always said, 'I'll consult with my brothers even if I can decide alone. I will not go ahead if the majority is against it.' So he applied a rule to himself that didn't even exist because he was thinking of potential tensions. This was kind of a delicate balance because, at the same time, he was shielding the company from family tensions."

Seeing Kuntermann in action, Robert gradually stepped back from his relationship with the senior leaders in the company. Ezzedine offered her opinion: "It was like, 'OK guys, you're part of Frank's team now. You don't come to me anymore.'" Some people began wondering whether the board and the management team would still be shielded from the tension between the Fadel brothers. Tamari said, "The employees were totally clueless. Even the board was unaware of the degree of family tension. I felt it a bit more because I am a childhood friend of the brothers."

Stepping Down from the CEO Role

The Verdun mall opening was on track. In fact, it would be opening in July 2017, five months ahead of schedule. Moreover, the project was going to be completed at 30% under budget. Nevertheless, the brothers' discontent continued. They were complaining about the increasing costs of operation and the moving of ABC headquarters to a villa in Achrafieh. Tamari explained:

> At the board meeting, we announced that we had spent $1.3 million instead of $1 million to refurbish the villa for the new headquarters. At the same time, we announced that the cost of setting up Verdun was not $300 million, but only $200 million—so we saved a $100 million there. But they insisted on talking about the $300,000 overspend on the villa for not less than 15–20 minutes. They wanted to know why we needed a villa for our headquarters and why we spent $1.3 million on it. Yet there was hardly any discussion about how we saved $100 million in Verdun.

To ease the tension, Robert released part of the $40 million safety net that was designated for the Verdun mall project. He felt confident doing so because there was absolutely no risk in terms of financing the project or completing it on time. That year, distributed dividends were four times the average annual distribution. A board member recalled Habib saying, "The problem with Robert is not competence as much as his lack of flexibility. For him, it's either his way or the highway."

Another source of dissatisfaction for some of the brothers was Robert's compensation. They argued that he was grossly overpaid. Tamari offered his opinion: "I was heading the compensation committee, and I hired Egon Zehnder to do a search on how much CEOs earned in similar businesses. We got the numbers and agreed on a package. Robert capped his own bonus so as not to agitate his brothers. They [the brothers] would focus more on Robert's compensation than on the company's profits." In early 2017, Robert even reduced his salary to lessen the relentless friction with his brothers. "I don't think his compensation was high enough when you consider his contribution to value creation. But then, he was never comfortable earning money as an employee," Tamari added.

On July 28, 2017, the day after the grand opening of the Verdun mall, Robert addressed the ABC employees. He thanked everyone for supporting the successful delivery of the Verdun mall and announced Kuntermann as the new CEO of ABC. Atalla said, "We knew it. When he named Frank as deputy CEO, he cut ties with us. We didn't see him after that. He stopped asking questions. I found a certain logic in that."

It was already one month past the eight-year period that was foreseen as the end date of MAFAD. Robert would need to get the approval of two of his brothers to secure the continuation of his chairman role in ABC, but was he ready for another fight? Which of the other family members could feasibly take on the role? Or should they perhaps be thinking about transitioning to a non-family member as the next chairman? How would a family business with a brand new CEO fare without a family member at the helm?

Exhibit 1a ABC Group Board Members, Including Advisory Members (2003–2017)

Position	2003	2009	2014	2017
Chairman	Maurice Fadel	Robert Fadel	Robert Fadel	Robert Fadel
Board Member	Charles Nucho	Diana Fadel	Diana Fadel	Diana Fadel
Board Member	Diana Fadel	Habib Fadel	Habib Fadel	Karim Fadel
Board Member	Mohamed Safadi	Karim Fadel	Karim Fadel	Hadi Farah
Board Member	Habib Fadel	Ronald Fadel	Ronald Fadel	Charles Mardini
Board Member	Robert Fadel	Talal Chaer	Talal Chaer	Imofina Holding SAL represented by Nicolas Tamari
Board Member	Karim Fadel	Mounir Housseini	Mounir Housseini	MAFAD represented by Robert Fadel
Board Member	Ronald Fadel	MAFAD represented by Robert Fadel	MAFAD represented by Robert Fadel	Merit Holding SAL represented by Rodolphe Saade
Board Member	Fayez Saleh	Imofina Holding SAL represented by Nicolas Tamari	Imofina Holding SAL represented by Nicolas Tamari	Dani Richa
Advisory Member	Bassam Daya			Iyad Malas
Advisory Member	Naji Boustani			Karim Abillama
Advisory Member	Chucri Khoury			Nicolas Garzouzi

Source: Company documents.

Note: Dani Richa and Iyad Malas were appointed as advisory members on February 5, 2016; Dani Richa became a voting member in 2017.

Exhibit 1b Board Member Bios (select group)

Charles Mardini	Charles Mardini is the founding partner of SG M&R, a firm specialized in asset management for institutional and private clients. He was formerly executive vice president of SG private banking.
Dani Richa	Dani Richa is the CEO and chairman of BBDO Middle East, Africa & Pakistan. A master of advertising, Mr. Richa started his highly successful career in 1986 at H&C Leo Burnett's Beirut office as art director. In 1987, just after a year, he transferred to Impact BBDO. He worked in both their Cyprus and Dubai offices, eventually returning to Lebanon as a partner in the company. His journey at Impact BBDO had started as a senior art director, and he held various positions from president to chief creative officer before assuming the role of the CEO and chairman of BBDO Middle East, Africa & Pakistan in 2009. Mr. Richa also served two terms as the chapter president of the International Advertising Association and was knighted by the National Order of the Cedar for his accomplishments and contributions to the advertising sector.
Diana Fadel	Diana Fadel married Maurice Fadel in 1968 and played a key role in her husband's decision to buy ABC in 1972. She had already started her studies in philosophy at L'École Supérieure des Lettres in Beirut, but in 1975, during the civil war, she and her children moved to Paris, where she continued her university studies at Paris X Nanterre (later to become Paris Nanterre University) and graduated in 1988. Returning to Beirut ten years later, Ms. Fadel worked in ABC for a few years, and then she launched Monument en Musique, a cultural project designed to preserve iconic Lebanese heritage sites, some of which had been abandoned and left in ruins. In 2015 she founded the Diane Foundation in 2015, which she currently heads as president.
Habib Fadel	Habib Fadel began his career working in the ABC Group, but after a short time, he realized his passion was in the arts. With a love for opera, Mr. Fadel studied singing in Beirut, Paris, and Milan. In 1998, he studied filmmaking in Los Angeles, where he produced a TV series for the Arab world and a few nominated short films. To recover from accidental injuries to his hands, Mr. Fadel began painting, taking classes in drawing and painting at UCLA, which launched his painting career. In 2003, Mr. Fadel returned to Beirut to set up a workshop, and in 2012, he had his first solo exhibition at the Alice Mogabgab Gallery. In 2013, Mr. Fadel had another solo exhibition at Galerie Loegenhoek in Paris, where he also participated in art fairs. He sold his first painting at Christie's Paris in November 2014. Although Mr. Fadel was born in Lebanon, he left the country with his family for France and Switzerland to escape the civil war, and he spent the majority of his childhood and adolescence in boarding school. Mr. Fadel returned to Lebanon in 1987 and attended Beirut University College, graduating with a BA in business management.
Hadi Farah	Hadi Farah is the founder of Hiram Finance, a finance consulting firm specializing in financial markets. He is experienced in financial engineering, risk management, internal audits and conformity, and project management in finance.
Karim Abillama	Karim Abillama is the managing partner at Mitsulift Holding SAL. Mr. Abillama started his career in 1990 as assistant general manager at the Compagnie Française d'Ascenseurs in Paris. In 1993, he returned to Lebanon to develop Mitsulift and Equipment SAL and established a joint venture with the Mitsubishi Electric Corporation in 2000. He led the expansion of the business in Lebanon and into six other countries—Cyprus, Syria, Greece, Jordan, Nigeria, and Ghana—to become the regional leader in building moving systems. Mr. Abillama is also a founding partner at 22 Degrees SAL, the official distributor of Daikin, Japan's leading air conditioner brand. In 2014, he co-founded a new business venture, NY Invest SAL, to develop luxury properties in New York City in line with his vision of enhancing city living. He currently chairs this company. Mr. Abillama has been an active board member of a number of companies, including 22 Degrees SAL, BEMO Bank as an independent board member, and ABC SAL as an advisory board member, where he chairs the Nomination and Remuneration Committee. He is also a member of the board of directors at Al Amir Holding, a family-owned investment company with a globally diversified assets portfolio. With a broad interest in contemporary art, Mr. Abillama sits on the international committee of Les Amis du Musée d'Art Moderne de la Ville de Paris. Mr. Abillama obtained a BS in mechanical engineering from Boston University, an MS in industrial engineering from École Polytechnique de Montréal, and an MBA from INSEAD, in France.
Karim Fadel	**Karim Fadel has been serving on ABC's board of directors since 2002. He is the principal and founder of Unison Realty Partners, a shopping center operator on the East Coast of the United States, where he currently lives. Prior to founding Unison, Mr. Fadel worked for ABC for five years, at a time of tremendous growth for ABC, with the opening of its Achrafieh mall. Prior to dedicating his career to retail real estate, Mr. Fadel worked in the banking industry with HSBC Private Bank and at the United Nations Office of the High Commissioner for Human Rights, both in Geneva, Switzerland. He holds an MBA from the Massachusetts Institute of Technology's Sloan School of Management, and a BA in history from the Sorbonne University in Paris.**
Iyad Malas	Iyad Malas is currently a partner in Gateway Partners, a private equity firm that focuses on investing in Southeast Asia, South Asia, the Middle East and Africa. Between March 2009 and April 2015, Mr. Malas was CEO of Majid Al Futtaim Holding, the largest developer and operator of shopping malls, hypermarkets and leisure and entertainment in the MENA region. Mr. Malas was previously CEO of Majid Al Futtaim Trust LLC, the family investment office of the Majid Al Futtaim Group, a position he began in April 2007. Prior to this role, Mr. Malas was based in New Delhi as the regional director for South Asia for the Washington, DC-based International Finance Corporation (IFC), which he joined in 1987 and where he held a number of positions, including regional financial markets manager for Central Asia and MENA. Between 2000 and 2004, Mr. Malas worked in Egypt, first as CEO of Fleming CIIC and then as the chief operating officer and head of asset management at an Egyptian investment bank, EFG-Hermes. Mr. Malas holds an MBA from George Washington University in Washington, DC and a BA from the American University of Beirut. He is a qualified chartered financial analyst.
Mounir Housseini	Mounir Husseini has over 30 years' experience in direct investing, corporate finance, and strategy. He has been the executive vice chairman at Tell Group since it was founded in 2015. Prior to that, he was the vice chairman of the board at the Pury Pictet Turrettini & Cie SA in Geneva, Switzerland. Before that, he was a partner and executive committee member at Abraaj, a private equity group in the Middle East and North Africa; the chief country officer for the UAE and Qatar at Deutsche Bank in Germany; and managing director and executive committee member at Daimler Structured Finance in Germany. Mr. Husseini completed an executive management program at the IMD Business School after graduating with a bachelor's degree from Fairfield University in the U.S. state of Connecticut.

Exhibit 1b (continued)

Nicolas Garzouzi	Nicolas Garzouzi is a board member of various non-profit organizations, including the Sursock Museum. In 2004, he partnered with the Swiss watch group Audemars Piguet and established Audemars Piguet Moyen Orient SAL, an offshore company based in Lebanon that distributes timepieces from South Africa to the Middle East and Central Asia. Subsequently, in 2010, he obtained a franchise of Hermès, the iconic French manufacturer of luxury goods. Born in 1969 in Beirut, Mr. Garzouzi attended the French Lycée in Beirut before enrolling at the American University of Beirut, where he obtained a BA with distinction in economics. He then completed his university studies at France's HEC (Hautes Études Commerciales), majoring in marketing, and graduated in 1992.
Nicolas Tamari	**Nicolas Tamari has been serving as an independent board member for the ABC Group since 2009. Since 1994, Mr. Tamari has worked for one of the world's leading coffee merchants, Sucafina, where he currently serves as CEO. He is active in Swiss commodity trading organizations and was formerly president of the European Coffee Federation. With broad experience in the field of soft commodities, Mr. Tamari is also on the board of several companies and organizations, including the Swiss Coffee Trade and Shipping Association, the Young Presidents' Association, the Kahawatu Foundation, and the Lebanese American University. He is a Harvard Business School alumnus.**
Robert Fadel	Robert Fadel is currently on the board of the ABC Group. He is also on the board of trustees of the International Crisis Group. After studying in France and gaining international work experience in the U.S., he returned to Beirut in 2003 to join his father, Maurice Fadel, who founded Lebanon's first shopping mall in 2003. While, his father was still CEO and chairman of the ABC Group, Mr. Fadel oversaw renovation projects and mall management as managing director. From his early days in management in the ABC Group, he aspired to transform the company "from a family business into a business owned by family, but managed by professionals." In June 2009, Mr. Fadel became the chairman and CEO of the ABC Group. After serving as CEO for eight years, in 2017, the day after the opening of company's newest shopping mall (and the country's biggest), Mr. Fadel handed over his CEO duties to then-deputy CEO, Frank-Mattias Kuntermann.
Rodolphe Saadé	Rodolphe Saadé is the chairman and CEO of the CMA CGM Group, a leading global shipping company with over 30,000 employees. In 1994, he joined the CMA CGM Group, a French container transportation and shipping company led by his father, Jacques Saadé. He worked in New York and then in Hong Kong before moving to the company's head office in Marseilles, France. From 1997 to 2000, he successively headed various shipping lines before taking the Transatlantic and Transpacific lines under his responsibility. Having been appointed vice chairman and member of the CMA CGM Group's board of directors in 2010, he oversaw the financial restructuring of the Group. In 2015, Mr. Saadé conducted the voluntary general cash offer for Neptune Orient Lines, a Singapore-based container shipping company, and became president of its board of directors in June 2016. In September 2016, Mr. Saadé was recognized as Newsmaker of the Year by the Lloyd's List magazine for his vision in the shipping industry and for his key role in the unprecedented round of consolidations and reshuffling of maritime alliances. In December 2016, the Saadé family ranked fourth on Lloyd's List One Hundred, which recognizes the shipping industry's most influential people. In November 2017, Mr. Saadé was appointed chairman of the board of directors adding to his responsibilities as CEO. Mr. Saadé holds a bachelor's degree in commerce and marketing from Concordia University in Montreal.
Talal Chaer	A trustee of the American University of Beirut (AUB) since 2010, and a former AUB student (1983-84), Talal Shair is the chairman and CEO of Dar Al-Handasah Consultants (Shair and Partners) and of the Dar Group, a privately owned international professional services firm, underpinned by specialist brands and dedicated to the planning, design, engineering and project management of facilities, installations and structures that contribute to the sustainable advancement of communities worldwide. The Dar Group has over 18,000 employees operating from a total of 193 offices and 58 countries that span the Americas, Europe, Australasia, the Middle East, Africa, and Asia.

Source: Company documents.

Exhibit 2 Chronology of Lebanon and the ABC Group

1920	Lebanon was put under a League of Nations mandate.
1926	The Lebanese Republic was declared, and the Constitution of Lebanon was written.
1928	Maurice Fadel was born in Tripoli, Lebanon.
1936	ABC was established in Beirut as a store that primarily sold fashion and household items at a fixed price. Inauguration of ABC Bab Idriss (595 sqm).
1939	ABC became the first retailer to employ women on its sales force.
1940	Inauguration of ABC Borj (350 sqm).
1941	An independence movement began to throw off the occupation by French and British forces.
1943	At the age of 15, Maurice Fadel began working in his father's haberdashery in Tripoli, Lebanon.
1944	Lebanon won its independence from France.
1948	Inauguration of ABC Hamra (440 sqm).
1958	U.S. sent 5,000 marines to Lebanon.
1959	Inauguration of ABC Tripoli (1,420 sqm).
1965	ABC became the first company to bring the mini-skirt into Lebanon.
1968	Israel attacked the Beirut airport to protest Lebanese support for Palestinian terrorists, marking the beginning of conflicts that extended over the next six years.
1970	Robert Fadel was born in Beirut, Lebanon.
1972	Maurice Fadel took over the majority of the shares of ABC. He won a seat in parliament as representative of Tripoli.
1973	ABC's Zahle branch opened (450 sqm).
1975	Conflicts between Phalangist gunmen and Palestinians and between Christians and Muslims sparked the Lebanese Civil War.
1976	Syrian troops arrived in Lebanon to restore peace while subduing the Palestinians. A Syrian-led Arab Deterrent Force was established.
1978	ABC's Kaslik branch opened (375 sqm).
1978	Israel invaded southern Lebanon.
1979	Inauguration of ABC's Dbayeh flagship store (3,000 sqm).
1982	Israel began a full invasion of Lebanon. Western-backed president-elect Bashir Gemayel was assassinated. U.S., French, and Italian peacekeeping forces arrived in Beirut.
1982	Robert Fadel and several family members left Lebanon for Paris.
1983	241 U.S. and 58 French paratroopers died in a suicide attack on the U.S. embassy, the headquarters of the peacekeepers; U.S. forces retreated in 1984.
1985	All Israeli troops withdrew from most of Lebanon, with the exception of its South Lebanon Army in the south.
1988	A temporary military government was installed. Lebanon's government was split into two: a Western-backed military government in East Beirut and a Syrian-backed civilian government in West Beirut.
1989	**A Charter of National Reconciliation was endorsed by the parliament, transferring a portion of the president's authority to the cabinet and increasing the number of Muslim MPs.**
1990	End of the civil war. The Syrian forces attacked the Presidential Palace, forcing President Aoun to flee.
1992	**Elections were held for the first time since 1972. Rafic Hariri became prime minister. Maurice Fadel, like many politicians, boycotted this election because of the Syrians' presence.**
1993	Robert Fadel graduated from the Institut d'Études Politiques de Paris.
1993	**Israel launched its most forceful attack on southern Lebanon since 1982.**
1995	Robert Fadel graduated from the École Nationale d'Administration, joined ABC, oversaw the renovation of the Dbayeh mall, and began working on a new mall in Achrafieh.
1996	Maurice Fadel regained his seat in parliament as the representative of Tripoli, a spot he had given up to protest the elections of 1992.
1997	Robert Fadel met his wife, Hala Franjie. Robert was recruited by the Monitor Consultancy Group headquartered in Boston, and he and his family moved to the U.S. in 1998.
2000	**Israel withdrew its troops from southern Lebanon and released its Lebanese prisoners.**
2000	Maurice Fadel co-founded the Tripolitan Bloc.

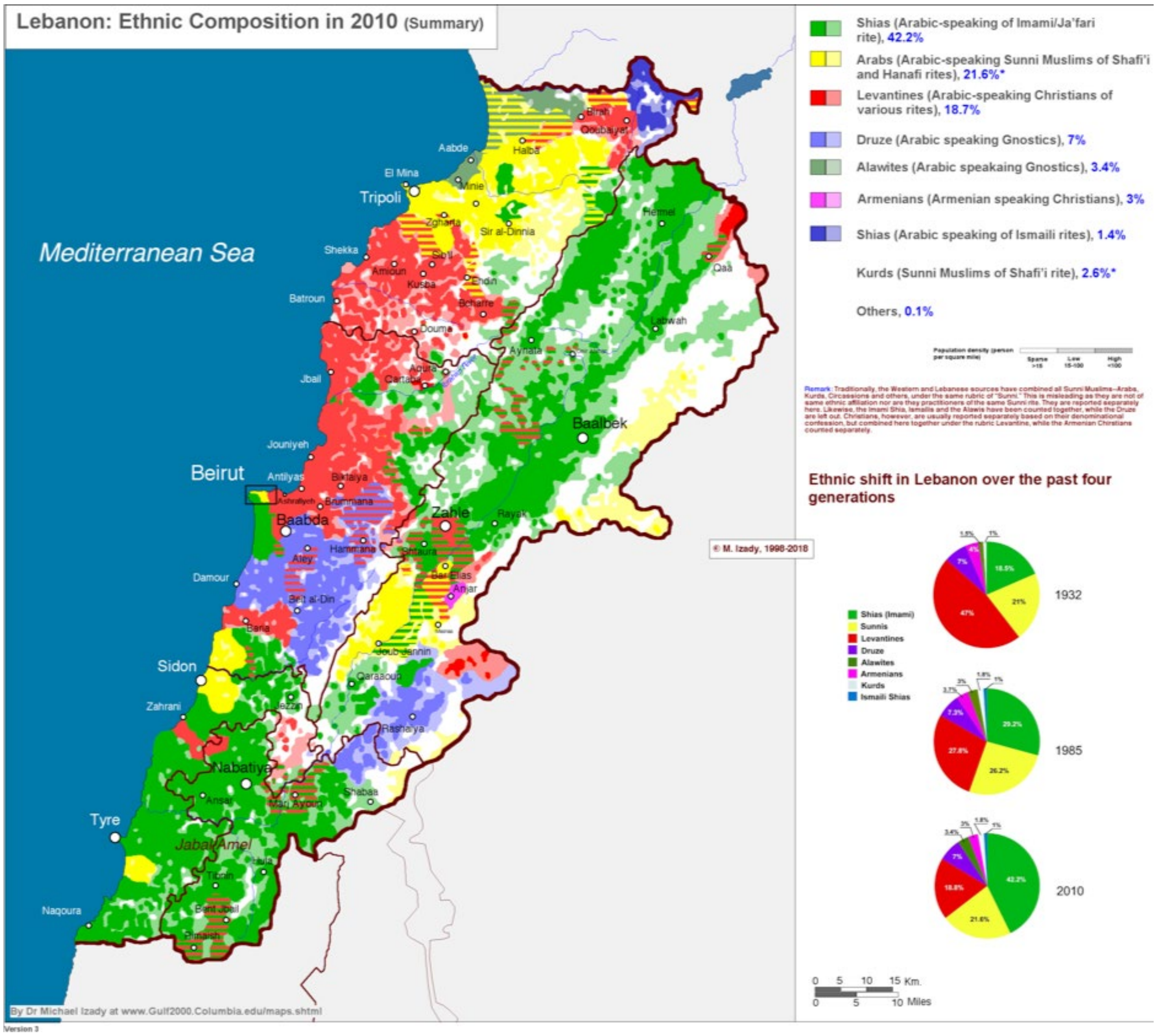
Exhibit 2 (continued)

2002	Maurice Fadel created MAFAD, the Fadel family trust.
2003	Robert Fadel returned to Lebanon to join ABC as general manager. He oversaw the launch of Lebanon's first modern shopping center, ABC's Achrafieh mall (35,000 sqm), with stores occupying 11,800 sqm.
2005	Rafic Hariri was assassinated. The prime minister's cabinet resigned after large demonstrations. Syria agreed to withdraw its troops from Lebanon.
2005	Inauguration of ABC Beauté Bab Idriss (595 sqm).
2006	**Israel conducted strikes on Lebanon after two Israeli soldiers were kidnapped by Hezbollah. The attack grew into a 34-day war.**
2006	Robert Fadel launched Bader, an NGO to promote private initiatives in Lebanon by supporting young entrepreneurs.
2007	**An experienced fast-moving consumer goods (FMCG) executive joined the ABC Group as managing director.**
2008	Army chief Michel Suleiman was elected president by a vote of parliament. Lebanon formed a diplomatic relationship with Syria for the first time since both countries gained independence in the 1940s.
2008/2009	**ABC Dbayeh renovation plan (32,500 sqm).**
2009	ABC obtained the ISO 9001:2008 certification, which covers both of ABC's operations: general retail and mall management and operation.
2009	**The pro-Western "March 14" alliance won the parliamentary elections on June 7, and Saad Hariri formed a unity government.**
2009	Robert Fadel, an independent candidate part of the March 14 coalition, won a parliamentary seat representing Tripoli and became CEO of the ABC Group. Maurice Fadel died on June 14, six days before the session of the current parliament ended. The managing director who was hired in 2007 left the ABC Group.
2010	**Hassan Nasrallah, a Hezbollah leader, asked Lebanon to boycott the UN Hariri tribunal.**
2010	Robert Fadel established the Maurice Fadel Prize for the best business plan in northern Lebanon.
2011	The government collapsed following the resignation of Hezbollah MPs and allied ministers in January. The Syrian Civil War started in March. Prime Minister Najib Mikati formed a majority pro-Syrian cabinet.
2011	Two senior executives experienced in department store retailing in the region joined as the ABC Group COO and deputy COO.
2012	**Deadly clashes between Sunni Muslims and Alawites took place in Tripoli and Beirut, pouring over from the Syrian Civil War.**
2013	Further sectarian clashes in Tripoli between supporters and opponents of the Syrian regime resulted in the death of more than 10 people. Dozens were killed in bombings at two mosques in Tripoli and double suicide bombings outside the Iranian embassy in Beirut. Syrian warplanes launched rockets into northern Lebanon. Najib Mikati and his government resigned, causing political tension.
2013	**Frank-Matthias Kuntermann joined the ABC Group as COO.**
2014	According to the UN, over one million Syrian refugees were registered in Lebanon: one in every four people living in Lebanon was a Syrian refugee. President Suleiman's term ended, creating a power vacuum. Elections that had been postponed in 2013 took place and the parliament extended its term due to security concerns over Syria.
2015	**Restrictions were placed on Syrian refugees entering Lebanon.**
2016	Robert Fadel resigned from the parliament to protest the lack of reforms on poverty and energy issues and the absence of minority sects in the new Tripoli municipal council.
2016	**Michel Aun became president, ending the power vacuum that had followed President Suleiman's end of term in office. A suicide bombing in Al-Qaa, allegedly by a Syrian, caused further deterioration of the relationship between Lebanese and Syrians.**
2017	Parliament approved a new electoral law after much deliberation. Hezbollah and the Syrian army began a military operation to force out jihadist groups. Prime Minister Hariri resigned on live television, only to retract it later.
2017	ABC opened its Verdun mall.

Source: Compiled by casewriters from "Lebanon profile—Timeline," BBC News, 25 April 2018, https://www.bbc.com/news/world-middle-east-14649284, accessed July 2018; "Lebanon: A brief history," The Telegraph, 24 February 2003, https://www.telegraph.co.uk/news/1400004/Lebanon-A-brief-history.html, accessed July 2018; Dana Halawi, "ABC mall gets ready to open in Verdun," The Daily Star (Lebanon), 20 April 2017, https://www.pressreader.com/lebanon/the-daily-star-lebanon/20170420/281612420278498, accessed July 2018.

Note: Text in red refers to the ABC chronology and black text refers to Lebanon's chronology.

Exhibit 3a Map of Lebanon's Ethnic Composition



Source: Dr. Michael Izady. *Lebanon: Ethnic Compsition in 2010, summary*. Columbia University, Gulf 2000 Project, http://gulf2000.columbia.edu/images/maps/Lebanon_Ethnic_summary_lg.png, accessed August 2018.

Exhibit 3b Lebanon's Macroeconomic and Demographic Indicators

	1980	1990	2000	2010	2017
Nominal GDP (PPP, international $, bn)	15.33	12.64	32.90	69.91	87.68
Nominal GDP (US$, bn)	4.07	2.84	17.25	38.42	51.46
Real GDP (% change)	1.47%	-13.42%	1.10%	8.04%	1.20%
Nominal GDP per capita (PPP, international $)	6,013	4,674	10,170	16,104	19,439
Nominal GDP per capita (US$)	1,598	1,050	5,331	8,850	11,409
GDP (PPP) share of world total (%)	0.12%	0.05%	0.07%	0.08%	0.07%
Inflation (average consumer prices, % change)	23.90%	68.90%	-0.36%	3.98%	4.48%
Average Exchange Rate (LBP: US$)	3	702	1,511	1,503	1,509
Current account balance (% of GDP)	-3.41%	-38.68%	-17.37%	-20.17%	-25.03%
Total merchandise exports, current US$, millions	955	494	715	5,021	4,026
Total merchandise imports, current US$, millions	3,650	2,525	6,230	18,460	19,911
Exports of goods and services (current US$), millions	N/A	511	2,447	13,752	12,237
Imports of goods and services (current US$), millions	N/A	2,836	6,203	23,142	24,039
Exports of goods and services (% of GDP)	N/A	18.00%	14.18%	35.79%	23.60%
Imports of goods and services (% of GDP)	N/A	99.91%	35.94%	60.24%	46.37%
Inward FDI flow (BoP) (current US$, bn)	N/A	N/A	0.99	4.28	2.61[c]
Final consumption expenditure (% of GDP)[h]	N/A	164.14%	101.35%	99.23%	100.99%
Gross fixed capital formation (% of GDP)[i]	N/A	N/A	21.03%	25.21%	21.78%
Gross national savings (% of GDP)	14.45%	17.77%	1.76%	4.67%	-2.24%
Agriculture, forestry, and fishing, value added[j] (% of GDP)	N/A	N/A	6.24%	3.85%	3.53%
Industry, value added (% of GDP)[j]	N/A	24.90%[d]	19.97%	14.07%	12.01%
Services, value added (% of GDP)	N/A	68.00%[d]	61.52%	71.95%	76.03%
General government total expenditure (% of GDP)	N/A	39.45%	42.28%	29.17%	29.41%
General government primary net lending/ borrowing (% of GDP)	N/A	-18.94%	-7.48%	2.73%	2.46%
General government net debt (% of GDP)	N/A	N/A	143.23%	127.65%	147.16%
Per capita income, (US$, 2017 PPP)	9,668	7,075	11,479	15,547	12,093
Per capita income (%change)	3.67%	31.92%	-1.15%	3.49%	-2.01%
Unemployment rate (% of labor force)	N/A	N/A	8.10%[g]	6.20%	7.00%
Labor force participation rate	N/A	46.24%	47.62%	49.99%	51.23%
Population, total (mn)	2.61	2.70	3.24	4.34	6.08
Population growth (annual %)	0.11%	0.98%	2.46%	3.62%	1.25%
Population aged 0-14 (% of total)	39.04%	34.13%	28.64%	23.72%	23.01%
Population aged 15-64 (% of total)	55.55%	59.96%	64.25%	67.88%	68.40%
Population aged 65 and above (% of total)	5.41%	5.91%	7.11%	8.40%	8.51%
Life expectancy at birth (in years)	67.96	70.22	74.45	78.43	79.58[c]
International tourism (# of arrivals, mn)	N/A	0.45[f]	0.74	2.17	1.69[c]
International tourism receipts (current US$, bn)	N/A	0.71[f]	0.74	8.03	7.15[c]
International tourism expenditures (current US$, bn)	N/A	N/A	2.68[e]	4.87	5.25[c]

Source: Compiled by casewriters from International Monetary Fund, Lebanon Country Data for GDP, accessed July 2018; World DataBank, "Lebanon – World Development Indicators," The World Bank Group, accessed July 2018; UN data, "Lebanon," United Nations, accessed July 2018; World Trade Organization, accessed October 2018; oanda.com, accessed October 2018; Bank of Lebanon official website bdl.gov.lb., accessed October 2018; World Inequality Database wid.world/, accessed October 2018..

a Lebanon has had a pegged exchange rate since 1997.

b Data available for 1992.

c Data available for 2016.

d Data available for 1994.

e Data available for 2002.

f Data available for 1995.

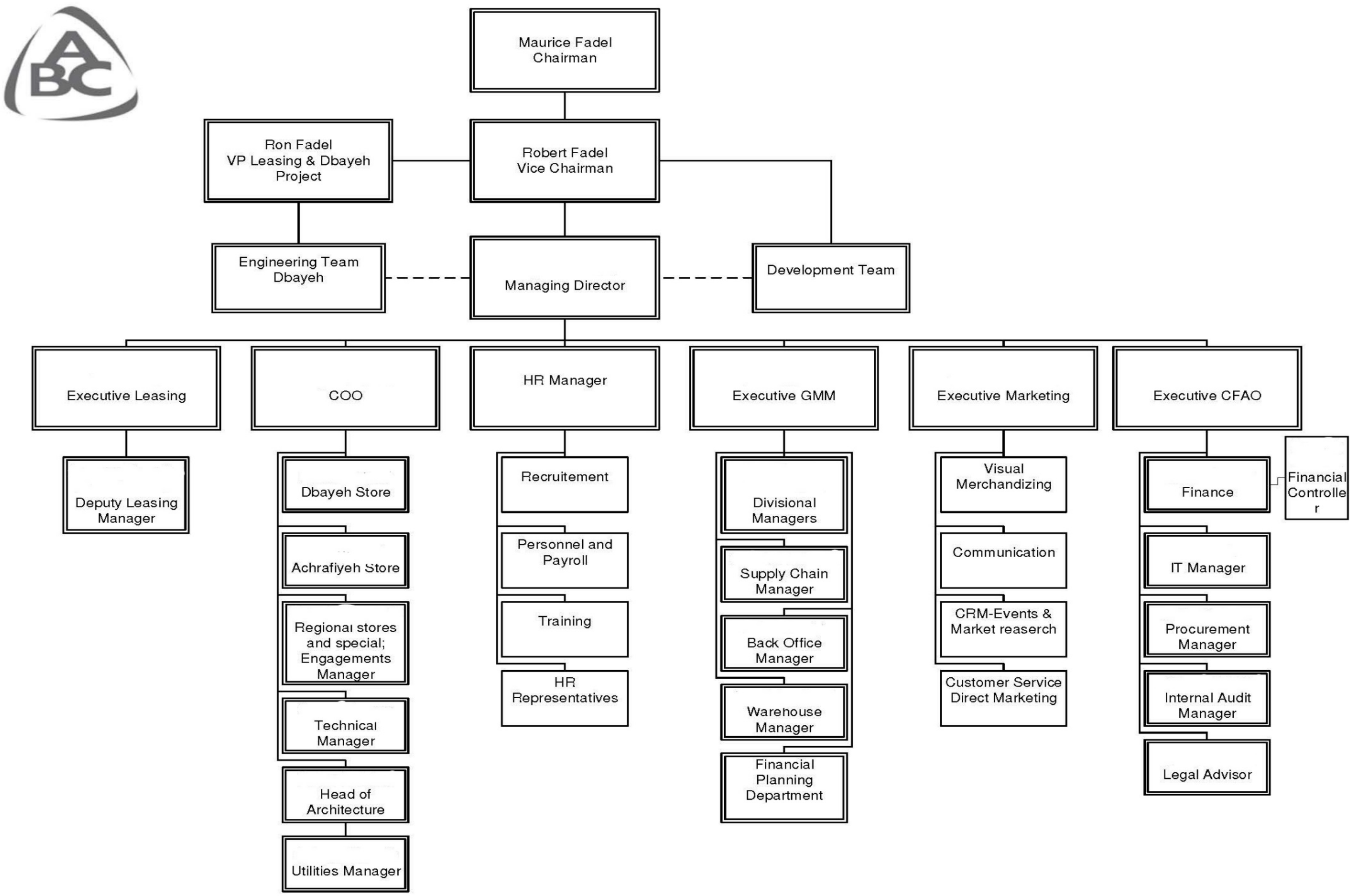
g Data available for 2005.

h Final consumption expenditure (formerly total consumption) is the sum of household final consumption expenditure (private consumption) and general government final consumption expenditure (general government consumption).

i Gross fixed capital formation (formerly gross domestic fixed investment) includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings.

j Including construction.

Exhibit 4 The Organizational Structure of ABC in 2007



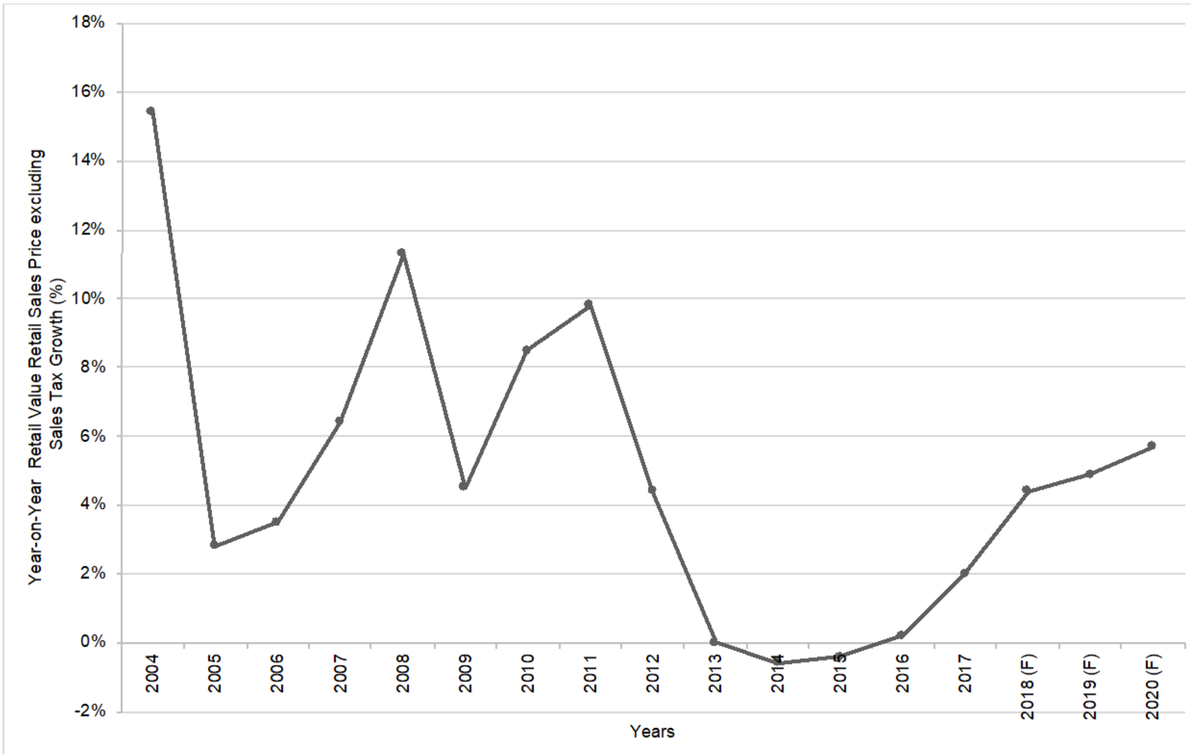
Source: Company documents.

Exhibit 5 Current and Planned Shopping Malls in Lebanon

Name	Year Opened	Comments
Verdun 730	1996	Verdun 730 is located in Verdun. It was developed by Ali Ahmad Group Holding. Verdun 730 has a land area of 3,400 square meters and built-up area of 30,000 square meters. It offers shopping space over 3 floors, office space over 4 floors, and residential units.
Dunes Mall	1997	Located in Verdun, Dunes Mall is known as the first commercial center in Lebanon reflecting the concept of a mall.
Verdun 732	2002	Located across the street from Verdun 730, Ali Ahmad Group Holding opened Verdun 732, the 'twin' of Verdun 730. Verdun 732 has a land area of 3,772 square meters and built-up area of 35,000 square meters. It offers a shopping space of 78 shops over 3 floors, office space over 12 floors and a health club over 3 floors.
City Mall	2005	City Mall, in the east of Beirut, opened in Dora (80,000 square meters gross leasable area). City Mall is owned by Admic, a multi-format retail operator in Lebanon.
Beirut Mall	2006	Beirut Mall is located in Hazmieh and has over 50,000 square meters of air-conditioned space. Beirut Mall was established by the Lebanon branch of the Saudi Marketing Company Ltd. (Aswad Group).
Beirut Souks	2009	Souks, a major commercial district, was a favorite shopping destination prior to the Lebanese Civil War, when it was destroyed. The reconstruction was delayed because of political instability, and Beirut Souks opened to the public on October 2, 2009. With over 200 shops, Beirut Souks has 163,010 square meters of floor space and 17,307 square meters of pedestrian areas. Beirut Souks is a development of Solidere, a land bank in Lebanon.
LeMall (Sin El Fil)	2009	LeMall brand opened its first mall in Lebanon in Sin El Fil. LeMall is owned by Acres Holding, a Lebanese real estate company established in 2006.
LeMall (Saida)	2010	LeMall opened a branch in Saida.
The Spot Saida	2011	Originally opened under the name 'Saida Mall' in Saida. It changed its name to The Spot Saida in 2015. The Spot is an umbrella brand for a number of shopping malls located throughout Lebanon. An initiative of BA United Holding, a Lebanese retail company
LeMall (Dbayeh)	2012	LeMall opened a branch in Dbayeh.
Karout Mall	2012	Karout Mall has six shopping floors totaling approximately 9,000 square meters. The mall is located at the main entrance to Beirut city on Hadat.
Beirut City Centre	2013	Beirut City Centre Mall has 62,000 square meters gross leasing area. It was the first project of Majid Al Futtaim Properties in the Levant region.
The Spot Nabatieh	2014	The Spot opened a branch in Nabatieh.
Cascada Mall	2017	Cascada Mall, established on 220,000 square meters of land, was opened in 2017. Cascada Mall is a company with experience operating mega-malls in North and South America.
The Spot Choueifat	2017	The Spot opened in a branch in Choueifat.
Centerfalls	2018 (expected)	Centerfalls is forecasted to be the largest designer outlet mall in Lebanon (57,000 square meters). It is located in the Metn region in Mazraat Yachouh. Centerfalls is a Lebanese company.
Waterfront City	N/A	When completed, facilities and amenities of the Waterfront City project in Dbayeh (250,000 square meters) will include 16,000 square meters of green space, 16 restaurants, 20,000 square meters of retail and F&B, 150 retail shops, 30 line shops, and 1,500 parking spaces. Waterfront City is a project of Majid Al Futtaim Properties.
Baabda Outlet Mall	N/A	The Baabda Outlet Mall (10,700 square meters of gross leasing space) is an initiative of Admic, the owner of City Mall. The project is located in Baabda.
Aley Center	N/A	Aley Center is an eight-level retail, restaurant, business and entertainment complex that encompasses 26,365 square meters, occupying the largest area of Aley's retail epicenter.

Source: Compiled from City Mall, Majid Al Futtaim Group Properties, http://citymall.com.lb, accessed August 2018; "Dunes Center," About Lebanon, http://www.aboutleb.com/destination/2366/dunes-centre, accessed August 2018; Beirut Mall, http://www.beirutmall.com.lb, accessed August 2018; "Beirut Souks," *Solidere*, http://www.beirutsouks.com.lb, accessed August 2018; LeMall, http://www.beirutsouks.com.lb, accessed August 2018; Karout Mall, http://karoutmall.com, accessed August 2018; "City Center Beirut," Majid Al Futtaim Group, http://www.majidalfuttaim.com/our-businesses/properties/shopping-malls/city-centre/city-centre-beirut, accessed August 2018; Cascada Mall, https://www.cascadavillage.com/new/about-us/, accessed August 2018; "Centerfalls mall," Beirut.com, https://www.beirut.com/l/30486, accessed August 2018; "Waterfront City," Majif Al Futtaim Group Properties, https://www.waterfrontcity.com/en/Shop-And-Dine, accessed August 2018; "The Spot Choueifat," Beirut.com, https://www.beirut.com/l/51365, accessed August 2018; "Baabda Outlet Mall developed by Admic," *Business News Lebanon*, http://www.businessnews.com.lb/cms/Story/StoryDetails.aspx?ItemID=4847, accessed August 2018; Aley Center, http://www.businessnews.com.lb/cms/Story/StoryDetails.aspx?ItemID=4847, accessed August 2018; "Verdun 730 shopping mall so good they built it twice," *The Daily Star*, http://www.dailystar.com.lb/Business/Lebanon/2000/Jan-19/28886-verdun-730-shopping-mall-so-good-they-built-it-twice.ashx, accessed August 2018; "Triple A Team", Ali Ahmad Group Holding, https://www.aliahmadgroup.com/triple.html, accessed August 2018; "Golden Square," Ali Ahmad Group Holding, https://www.aliahmadgroup.com/golden.html, accessed August 2018; Verdun 732; The Spot Saida; The Spot Nabatieh.

Exhibit 6 Retail Sales Performance in Lebanon (2004–2020)



Source: Retailing in Lebanon, Euromonitor International, accessed August 2018.
Note: 2018–2020 are forecasted figures.

Exhibit 7a ABC Group Balance Sheet (2008–2017)

For the Years Ended December 31,	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Non-current Assets	96.6	96.3	94.9	111.6	115.0	154.5	168.4	182.5	193.2	203.5
Fixed Assets	134.9	143.5	150.8	173.6	187.0	237.9	259.9	282.3	300.2	315.5
Depreciation & Provision	(38.3)	(47.2)	(55.9)	(62.0)	(72.1)	(83.4)	(91.5)	(99.8)	(107.0)	(112.0)
Total Current Assets	19.7	39.0	53.3	60.7	99.2	72.3	75.7	71.6	54.0	75.1
Merchandise for Sale	7.4	8.5	9.6	10.6	11.8	13.1	13.4	13.9	13.9	18.5
Doubtful Debts (Net)	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1
Employee's Advances	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.2	0.1	0.1
Tenants' Receivable	3.0	3.6	5.1	4.5	4.1	5.3	5.4	4.0	5.5	6.8
Other Operating Receivable	1.0	1.0	0.8	0.8	0.6	1.0	1.9	1.5	1.2	1.5
Non Operating Debtors (Net)	0.0	0.0	0.1	0.0	0.1	0.3	0.3	(0.0)	0.0	(0.0)
Prepaid Expenses	0.7	2.4	2.3	2.3	1.3	2.9	2.6	3.1	3.2	5.0
Transitory & Reg. Accounts Receivable	0.3	0.8	1.1	1.3	0.8	0.6	(0.8)	(1.2)	(1.6)	(4.7)
Banks	6.2	21.5	33.5	21.2	53.7	8.3	13.1	9.3	9.9	25.6
Cash on Hand	0.7	0.9	0.4	0.5	0.5	0.5	0.7	1.2	0.5	0.6
Marketable Securities	0.2	0.2	0.2	-	-	-	-	-	-	-
Available for Sale Investments Stocks/Bonds	-	-	-	19.3	26.2	40.1	38.9	39.6	21.1	21.6
Total Assets	116.3	135.3	148.2	172.2	214.1	226.7	244.0	254.0	247.2	278.6
Equity										
Subscribed Capital (Called & Paid)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)	(28.6)
Additional Paid in Capital	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Treasury Stock	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Reserves	(6.4)	(8.1)	(10.2)	(12.8)	(12.8)	(12.8)	(12.8)	(12.8)	(12.8)	(12.8)
AFS Reserves	-	-	-	(0.1)	(0.2)	(0.5)	(0.4)	1.3	0.1	0.1
Cumulative Changes Fair Value	(0.9)	(1.3)	(1.8)	(1.4)	(1.5)	(1.8)	(1.4)	(1.1)	(0.9)	(0.8)
Retained Earning	(22.9)	(24.5)	(30.6)	(40.0)	(52.9)	(69.8)	(80.1)	(91.0)	(42.3)	(50.8)
Current Year Profit	(16.9)	(21.9)	(25.7)	(26.6)	(30.6)	(30.8)	(31.0)	(32.0)	(29.0)	(27.8)
Revaluation Reserves	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)
Total Equity	(93.1)	(101.9)	(114.4)	(127.0)	(144.1)	(161.8)	(171.8)	(181.8)	(130.9)	(138.2)
Total Non-current Liabilities	(3.6)	(3.7)	(7.8)	(17.3)	(41.9)	(15.0)	(23.9)	(39.5)	(69.7)	(87.1)
Provision for Counting &Charges	(1.9)	(3.7)	(5.1)	(6.1)	(7.0)	(8.8)	(9.4)	(10.3)	(10.0)	(11.8)
Medium & Long Term Loan	(1.8)	-	(2.7)	(11.2)	(35.0)	(6.2)	(14.5)	(29.2)	(59.6)	(75.3)
Total Current Liabilities	(19.6)	(29.7)	(26.0)	(28.0)	(28.1)	(49.9)	(48.4)	(32.8)	(46.6)	(53.3)
Suppliers	(2.6)	(2.3)	(2.1)	(3.0)	(2.3)	(3.6)	(5.2)	(5.7)	(6.4)	(6.0)
Social Organism	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Taxes & Dues	(0.5)	(0.6)	(1.6)	(0.2)	(0.7)	(0.9)	(1.1)	(0.9)	(0.7)	(0.4)
Taxes on Profit & Commissions	(4.5)	(5.8)	(6.5)	(7.3)	(8.6)	(9.3)	(9.5)	(9.3)	(8.9)	(7.5)
Dividends Payable & Debentures	(0.5)	(4.6)	(1.0)	(0.8)	(0.6)	(0.5)	(0.7)	(0.3)	(1.1)	(0.6)
Operating Payable	(7.9)	(10.7)	(8.4)	(12.2)	(9.6)	(7.8)	(9.3)	(9.0)	(6.7)	(12.0)
Deposit (Tenant & Stands)	(1.4)	(1.9)	(2.0)	(1.6)	(1.7)	(1.1)	(1.1)	(1.3)	(1.3)	(1.8)
Non Operating Payables	-	-	-	-	-	-	-	-	-	-
Accruals	(1.9)	(2.2)	(2.4)	(3.4)	(4.7)	(4.9)	(5.9)	(6.7)	(5.9)	(7.7)
Provision Lease Income	(0.3)	-	-	-	-	-	-	-	-	-
Partners Account	(2.6)	(5.0)	(4.8)	0.2	(0.0)	(0.1)	(0.1)	(0.1)	-	0.0
Subsidiary Companies	2.8	3.5	2.9	0.6	0.3	0.9	0.9	0.7	(0.1)	0.1
Bank's Overdraft	-	(0.0)	-	-	-	-	-	-	-	-
Current Maturities	-	-	-	-	-	(22.5)	(16.3)	-	(15.4)	(17.1)
Total Liabilities	(23.2)	(33.4)	(33.8)	(45.3)	(70.1)	(64.9)	(72.3)	(72.2)	(116.3)	(140.4)
Total Equity and Liabilities	(116.3)	(135.3)	(148.2)	(172.2)	(214.1)	(226.7)	(244.0)	(254.0)	(247.2)	(278.6)

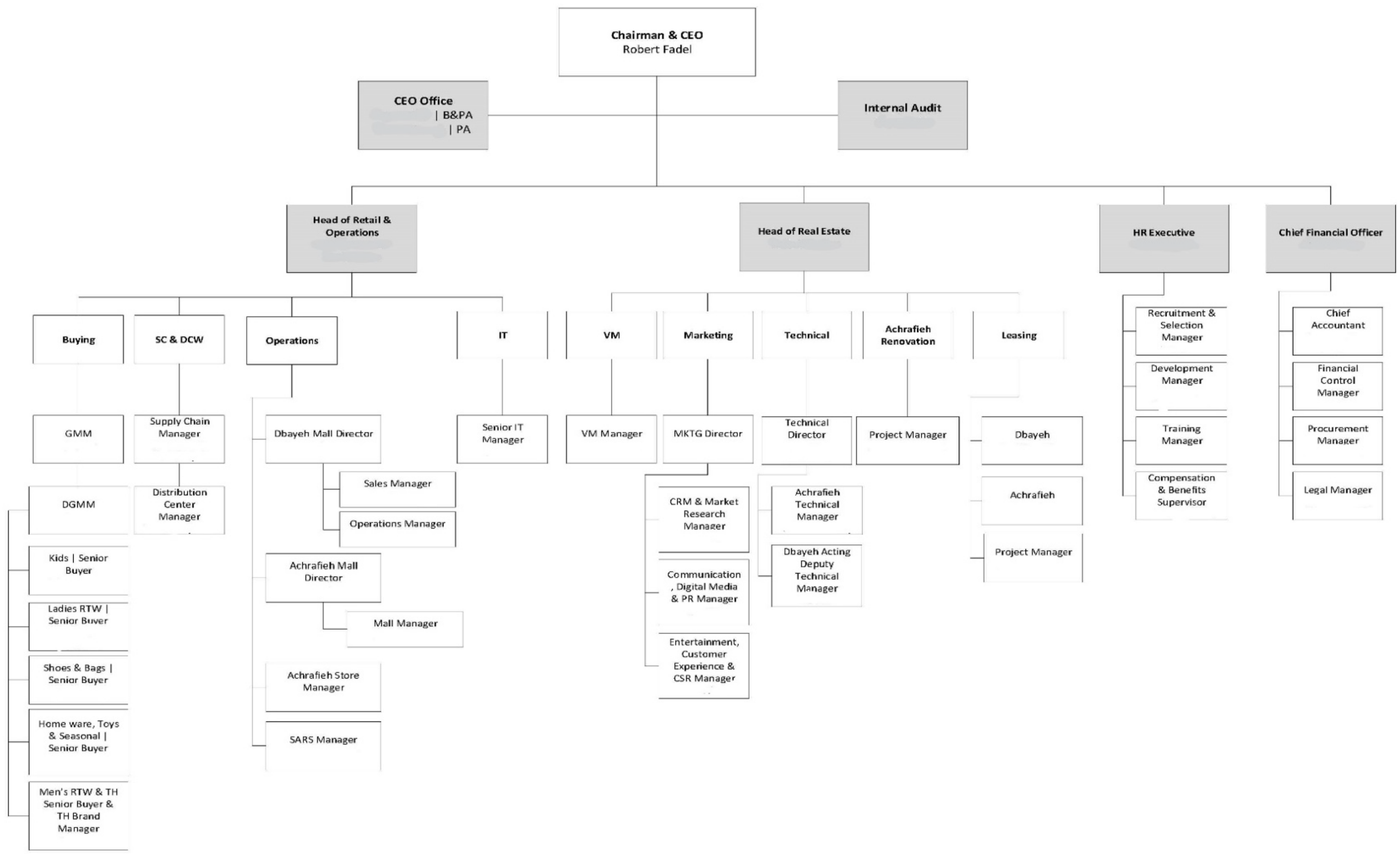
Source: Company documents.

Exhibit 7b ABC Group Income Statement (2008–2017)

For the Years Ended December 31, (in M$)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ABC Department Stores										
Revenues (1)	35.4	40.5	45.0	46.5	48.0	50.9	53.0	51.7	48.8	55.0
Dbayeh	12.4	15.7	17.8	18.8	20.6	23.0	24.5	24.2	23.6	23.3
Achrafieh	19.0	20.8	22.9	22.9	23.0	23.5	24.3	23.1	20.8	23.3
Verdun	-	-	-	-	-	-	-	-	-	4.8
Other Stores	4.0	4.1	4.3	4.9	4.4	4.4	4.2	4.4	4.4	3.6
Cost of Sales	(19.9)	(21.8)	(24.9)	(26.7)	(28.2)	(31.9)	(32.8)	(31.3)	(30.4)	(32.8)
Stock Shortage	(0.1)	(0.2)	(0.2)	(0.3)	(0.2)	(0.3)	(0.2)	(0.0)	(0.1)	(0.1)
Gross Profit	15.4	18.6	19.9	19.5	19.6	18.7	20.0	20.4	18.4	22.1
Gross Margin	*44%*	*46%*	*44%*	*42%*	*41%*	*37%*	*38%*	*39%*	*38%*	*40%*
Franchising										
Revenues (2)	-	0.3	3.1	6.8	7.1	6.3	5.3	4.2	4.3	5.3
Cost of Sales	-	(0.1)	(1.5)	(3.4)	(3.7)	(3.2)	(2.6)	(1.8)	(1.9)	(2.3)
Stock Shortage	-	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Gross Profit	-	0.2	1.6	3.4	3.4	3.1	2.8	2.4	2.5	3.0
Gross Margin	*0%*	*58%*	*52%*	*50%*	*48%*	*49%*	*52%*	*57%*	*57%*	*57%*
Total Revenues (1) + (2)	35.4	40.8	48.1	53.3	55.1	57.2	58.4	55.9	53.2	60.3
Gross Profit (3)	15.4	18.8	21.5	22.9	23.0	21.8	22.8	22.7	20.9	25.1
Gross Margin	*44%*	*46%*	*45%*	*43%*	*42%*	*38%*	*39%*	*41%*	*39%*	*42%*
Lease Revenues from Stands & Tenants (4)	38.7	46.0	52.2	55.6	61.9	64.3	65.4	65.7	65.9	70.2
Stands (Dbayeh)	12.8	16.2	20.1	20.8	25.1	27.2	27.7	28.9	29.1	28.7
Stands (Ach)	7.7	9.0	9.7	9.7	9.3	8.9	8.6	7.4	7.6	10.2
Tenants (Ach)	19.3	21.5	23.4	25.5	27.8	28.4	29.9	29.9	30.8	30.0
Stands (Verdun)	-	-	-	-	-	-	-	-	-	4.0
Stands (Other Stores)	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.0
Provisions & Incentives	(1.3)	(0.9)	(1.2)	(0.6)	(0.5)	(0.5)	(0.9)	(0.6)	(1.5)	(2.7)
Other Income (5)	1.9	3.4	5.1	4.7	6.1	9.6	5.7	7.5	10.1	10.8
Provision written back (6)	0.2	-	0.0	-	-	-	-	1.1	-	7.1
Total Net Revenues (7) = (3) + (4) + (5) + (6)	56.2	68.1	78.8	83.2	91.0	95.6	93.9	97.0	96.9	113.1
Employee Expenses (8)	(9.2)	(11.5)	(12.4)	(12.3)	(14.1)	(14.0)	(14.7)	(14.8)	(15.4)	(18.2)
Other Operational Expenses (9)	(13.8)	(15.8)	(20.4)	(22.1)	(24.0)	(24.7)	(27.3)	(27.4)	(29.9)	(35.9)
Other Expenses (10)	(6.3)	(6.4)	(6.9)	(6.9)	(6.7)	(11.4)	(7.2)	(9.2)	(7.2)	(12.1)
Total Expenses (11) = (8) + (9) + (10)	(29.3)	(33.7)	(39.7)	(41.4)	(44.8)	(50.1)	(49.2)	(51.4)	(52.5)	(66.2)
EBITDA (12) = (7) + (11)	26.9	34.4	39.2	41.8	46.2	45.6	44.7	45.6	44.4	46.9
Depreciation (13)	(6.2)	(7.8)	(8.2)	(8.8)	(9.7)	(9.1)	(8.2)	(8.6)	(8.9)	(10.3)
EBIT (14) = (12) + (13)	20.8	26.6	31.0	33.0	36.5	36.4	36.5	37.0	35.5	36.6
Interest (15)	0.1	0.1	0.7	(0.4)	0.7	1.1	1.4	2.1	(0.6)	(2.2)
EBT (14) + (15)	20.9	26.8	31.7	32.7	37.2	37.6	37.9	39.1	34.9	34.4

Source: Company documents.

Exhibit 8 The Organizational Structure of ABC in 2014



Source: Company documents.

Endnotes

[1] "Destination Lebanon," Lebanon Ministry of Tourism (2011), http://destinationlebanon.gov.lb/en/discoverlebanon/details/2/6#null, accessed July 2018.

[2] Ibid.

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