

COVID-19 ROUNDTABLE CALL RECAP

Compare/share/learn - May 27, 2020

Les Gombik: Good morning, thanks everybody for joining us today. My name is Les Gombik and I'm a managing partner with Caldwell. Can you believe today is our 12th weekly COVID update call? For those of you that have been joining this call from the beginning, you've seen how they've evolved from a group of about 20 CHROs trying to figure things out when the epidemic had just been turned into a pandemic. We were talking about the tactical issues, sending people to work from home and it was forecasted that we'd only have to do this for two weeks. We questioned the likelihood of whether it would go any longer. And if so, what would we do about that? Here we are 12 weeks later with few of us being back in our offices. Although we're still talking tactics, we are tackling things such as who goes back to the office and when, how to physically distance in elevators to stay safe and now we have 500+ participants who sign up for this call every week. Most join because the calls have become much more strategic in nature and companies are refocusing, reinventing and reimagining themselves. As executive search consultants, we at Caldwell are proud to connect you with some very intriguing people each week to help you learn, share and compare over the hour. We're going to have three great speakers with some time at the end for Q&A.

Our first panelist is Greg Moreau, CEO of Chatters Hair Salon. As one of the largest hairstyling and hair product chains in the country, few CEOs are in a similar position as Greg. Although their doors were closed for the last few months, his company is right in the middle of starting up again. And unlike some industries where the startup is expecting a very slow ramp up period, he mentions that in most cases they're booked solid for the next two weeks, at least. This isn't going to be easy because you can't quite socially distance two meters or put up plexiglass shields between you and your stylist. After we hear from Greg, we'll hear from Jim Dinning, Order of Canada recipient and chair and director of multiple boards, including Russell Metals and Western Investment Group, and a number of others. Jim has another interesting piece to his background, prior to his corporate career and his current board career, he spent years in politics and was even a provincial treasurer back in the 90s during a prior recession. Jim is going to be quite thought provoking. Finally, we'll hear from Tom McCullough, author and CEO of Northwood Family Office. Tom's world is dealing with high-net worth families and he does it pretty well, considering Northwood has been recognized as the number one family office in North America. Tom is also a decorated author with his most recent book being "Wealth of Wisdom: The top 50 Questions Wealthy families Ask." Not only does Tom know a thing or two about how to preserve wealth during a downturn, he also understands a lot about family dynamics, which I think many of us are dealing with a lot more lately. As for the Q&A, you can send me an e-mail or a text or you can use the Q&A button at the bottom of the screen.

Greg, thanks so much for joining us today when we know you are absolutely slammed as you're reopening in some provinces as we speak. At the beginning, I highlighted why we have these calls – to help leaders learn from others who are also impacted. Over the last few weeks, we've had Bill Walker, the CEO of Landmark Cinemas, Ed Sims, the CEO of WestJet and now yourself from an industry that's also going through a major disruption. I can't even imagine how much work has gone on for you and your teams to get to this point. Greg, I suspect you're a little excited and a little stressed at the same time today?

Greg Moreau: Well, we're very excited. Thank you so much for having us. It's been an incredibly hectic time, to say the least. I can provide a little bit of background for myself and for the story of Chatters. For the last 20 years, I've worked more in the apparel retail sector as a vice president of stores, country or general manager for Canada. My big break was growing the Guess Jeans business in Canada from about 9 to 120 locations.

Recently, I worked with different private equity companies - The Gores Group and Leonard Green on the retail portfolio companies. In July of last year, I was hired as the CEO of Chatters. I've taken over for one of the founders, Jason Volk. Chatters is a unique Canadian company. It's made up of 77 corporate salons and 38 franchise locations. Collectively, we employ and support over 1700 Canadians. Our revenue is a mix of 50/50 between salon services and professional hair and beauty products. Oncap, a Canadian private equity company, acquired a majority stake in Chatters in 2015. We are the largest distributor of professional haircare goods in Canada, and our largest suppliers are massive beauty companies L'Oreal, Henkel, Cody, Paul Michell. We're fortunate, as we represent a significant portion of their Canadian business, usually 25% to as much as 40% of all their Canadian volume. So, we're very fortunate. We've received incredible support from our vendors throughout the pandemic and obviously this was much needed relief in managing our weekly cash flows. I had shared with Les a story during my interview process with the guys from Oncap that they joked that they would never purchase an apparel brand. It was just too volatile. But one of the main reasons why they decided to purchase Chatters is they viewed it as a recession proof business - everybody needs a haircut. So, I'm very disappointed that we're going to attempt to prove their hypothesis correct now in my first year as CEO.

As far as Chatters' COVID response, we had to close all of our 115 salons on March the 17th. We feel like we had done our part to flatten the curve. Now, there weren't really any dominant national chains to follow. But we felt a swift change in customer sentiment and an obligation ultimately to protect our stylists, our beauty consultants and our guests. From the onset, we were encouraged from our board to protect our employees. We paid all of our corporate and field staff for three weeks from the onset of the crisis. On April 5th, we made the decision to furlough our part time staff and any employee that was ultimately better served on the CERB program. But utilizing the Canadian Employee Wage Subsidy (CEWS), we continued to support 832 full-time employees. It was an effort, certainly to be able to differentiate ourselves from the competition, and we had a unique opportunity to remain focused on our goals while obviously taking financial care of our people. We have a huge project to launch a brand new POS system in June, and we're only a few weeks behind, so that's probably good news. I think it's important to know that we have an especially vulnerable workforce, 90% female, a ton of single mothers, salary of \$40,000 to \$50,000 per year.

We've benefited from tremendous goodwill from our teams right off the top. We're trying to get messaging out to our consumer base and try to create authentic and organic social messaging. You may have seen, "save your roots for your stylist." We did some very fun things in terms of nominating local heroes from the community, and we had a lot of fun with something called the "Bad Hair Day Challenge" where people were sharing funny photos from their worst haircut they've ever received. Utilizing 832 stylists, it really did allow us to amplify our message and dramatically increased our reach and audience size. We had record engagement on all our social channels, which led to dramatic e-commerce growth. Everything that we did, we pointed all of the messaging to Chatters.ca. Now, we were lucky to be able to keep our staff, but these folks are usually standing behind a chair, cutting hair. We committed to being able to do two hours of training and provide content every day. We revamped the learning management system and turbocharged all of our product knowledge and tracked performance weekly. We leveraged our key supplier/partners to provide a really robust online training, whether this was technical knowledge of how to cut or style or we added more interpersonal skills as well. We had a lot of success with a "Make Your Mark" program that highlighted professionalism and social media savvy for our stylists. We also then pivoted selling culture, leadership and things that might have been directed in the past more to our district leaders. We started pointing more of that development at our stylist base and they love these workshops. And then quickly it shifted . . . How do we prepare to reopen our salons? How do we create the proper safety protocol? What are our needs for PPE? And again, how can we be best in class when it comes to client safety? Our e-commerce business, thank God, because it was our only money coming in the door, and it exploded. Our customer service team, that's all of two people, went from receiving 25 calls a day to 250 calls. So again, we pivoted. We had 30 stylists and some district leaders that now support live virtual consultations, live chat and customer service 14 hours a day. So needless to say, like a lot of companies, COVID-19 has accelerated our plans for e-commerce. We had to transition the DC overnight to focus on B2C fulfillment and that has opened additional doors for expansion opportunities online. Things like affiliates through Rakuten, offering e-commerce fulfillment for U.S. vendors that never thought of having e-commerce fulfillment in Canada until every salon closed and or utilizing third-party fulfillment. We are primarily pro hair but we have some skincare and we went live being able to sell Dermalogica on our on our website but it's actually being fulfilled out of Toronto in the Dermalogica DC. We had identified weak points in our execution and/or integrations and it really forces us as a company to think outside the box and to create sustainable processes, something just as simple as fulfilling back orders from a store. So our e-commerce team basically expanded to the entire company and our execution improved. While the result was, we went to same day or next day fulfillment due to, again, embracing social media, we have 45 or 50 people in our DC. We felt like 16 to 20 was the maximum that we could do with social distancing. So we started expanding our hours there. But that allowed us to fulfill e-commerce orders from 6:00 a.m. until one o'clock in the morning. The benefit was obviously increased sales. We feel like we've created lifelong Canadian customers. We had hundreds of five star reviews, a significant expansion of our consumer database, and also very exciting in the beauty world, we were able to double our following on Instagram during this 10 week period. We're not masters of SEO or marketing, it wasn't revolutionary what we did, but we added Canada to the search engines of everything we sold because, again, Canadians realized that they just couldn't get a lot of these products that were traditionally coming over the border. I think everything that we've learned has created new pillars now that are going to help us grow our e-commerce business in the months and years ahead.

If in any way I've made this sound like it was fun, it wasn't. The challenges of what seems like a thousand different phone calls with landlords and managing our daily cash flows. And then more than anything, you're obsessed with keeping your team and keeping your clients safe. Now that we have reopened, we reopened six salons on May 5th although it feels very strange. What's a healthy amount of fear? You've got our staff with fresh capes and masks as well as shields, gloves, if they can cut hair and the new sanitation protocols you're trying to make that the clients be a part of this and see this behavior and what we're doing to keep them safe and procuring and distributing that PPE equipment. I hope as a CEO of a hair salon, my number one goal next year isn't going to be to create psychological safety for my team. But as you mentioned before Les, these are hairstylists, they didn't they didn't sign up for this.

We've had to protect our franchisees. This is critical as we are on the head lease. We definitely have risk. We had offered immediate royalty and ad funded relief to help our franchisees support their staff, trying to garner support from the landlord community, waiting on legislative changes and participation. With constantly changing timeframes, we essentially had five days to reopen six salons in Manitoba and then working with different provincial health authorities. Lastly, I think in terms of successes, as you mentioned, you know, we've reopened about 75 percent of our salons and there is certainly pent up demand, and that's helping us. We're seeing a good recovery, that said, we're only able to operate about 55% or 60% of our stations with proper social distancing. It's basically every other station. We are committed to winning, though, on health and safety. Being a leader now, we created a really incredible safety protocol video with a celebrity hairstylist, Cindy Duplantis. It's already received over 25,000 views. We created a pretty robust COVID-19 communication plan and we shared that with all of the different provincial health agencies. We try to combine some graphics and storytelling to amplify that message across salon social and digital channels. We feel like there's definitely power in the message of including our stylists, that's something that we've learned through this whole crisis and we're going to continue to do that as well as build community and trust with our teams. I'm sure you've heard this week after week . . . Zoom workshops, cost savings. We have salons nationwide - Maritimes to B.C. How is this going to change the way that we train or do orientation for new leaders? We think making education accessible were things that we may have targeted only at a district leader group. Now, maybe we can provide that directly to retail leaders or stylists.

We have a pretty new senior leadership team so it was trial by fire. But I think it was great bonding and now a lot of quick collaboration and a very multi-departmental approach. We really do feel like we've positioned ourselves not only as a leader, but we hope as an employer of choice within our industry. We want to be able to attract top talent and that was really a key focus prior to COVID. You probably wouldn't know it, there's a great shortage of skilled labor when it comes to both stylists and barbers. Until we all couldn't get a haircut for 10 weeks, we sure didn't know how much you were going to miss your stylist or barber. So now continuing to wait on security and safety. I think, above all, our biggest win has been additional exposure for our brand and again, that growth on both our social and digital channels. Thanks for letting me tell our story.

Les Gombik: That's great. Greg, thank you very much, and we'll have lots of time at the end for Q&A and everybody who has questions. Make sure you keep sending them to me. If we don't get to the questions, we will be providing answers and posting them onto our website. Greg, you mentioned a couple of things in your speech that I thought were really interesting around the training and education that you provided your teams while they were off so that you could be better coming out of this. Obviously a lot of attempts to try and be productive while you were down and now trying to figure out how to be as productive as you can when you are only allowed to open up every second seat, etc.. So I'd like to ask everybody on the call today for our first polling question and talk about productivity. Our company a) is significantly more productive than before the crisis; b) we're slightly more productive than before the crisis; c) we're running about the same; d) we're a little bit less productive; e) significantly less productive or we don't know because we're not tracking productivity. Please take the next few seconds to answer that piece with respect to productivity at your organizations; we'll get back to the results at the end.

Now let's move to the board corner segment of our session. I'm very excited to introduce you to Jim Dinning. For those of you who don't know or haven't met Jim and heard him speak before, you're in for a treat. Not only does Jim have the unique background of corporate and commercial experience with a deep understanding of politics, but he's also a very straight shooter and doesn't pull any punches and tells it like it is. Jim, thanks for joining us. Now, I meant to ask you the other day when we were briefing for this call. Do you think it's easier today being a board member during this crisis or the good old days when you were a politician?

Jim Dinning: While I envy the politicians, their job of making difficult decisions, to be exposed to the nonsense in social media and in the bitter partisanship that I see today that I, frankly, didn't experience 20 odd years ago, they can have their job and I'll continue to support them when they make some of those really difficult decisions. I'll admit that tomorrow is the beginning of my week 11 in my isolation/distancing and the end of handshaking in my world. I've moved from the novelty of isolation to being a grumpy old man, busting to break out. So given your introduction to me as a jack of a few trades, let me share some quick observations or advice from my government and corporate experience. Be mindful that experience is what you get when you don't get what you want, and we have plenty of experience.

On government. If you find yourself talking with government or asking them to act on some initiative, take care to know what the government's agenda is because being frank, they're far more interested in accomplishing their agenda than they are yours; Unless the two perfectly line up. Today, governments are clearly in problem solving mode and in job creation mode. For the most part, governments are looking for private sector job creation. So, focus on the problem solving side. They don't need any more, do not take any more problems to governments. Their inbox is full and shut down. Focus on problem solving, on initiatives where you genuinely create jobs. And if they see that in your ask, they will be prepared to act. Things I say to my kids, "bring me something I can say 'yes' to." So, take to governments things that they can say yes to. And these days, they'll especially like your ideas if it doesn't require spending any more money, there are plenty of problems that can be solved without spending more money. And God knows, given that we're close to a trillion dollars in public sector spending announcements, bringing them problems or solutions where they don't have to spend money is what they want. And that can involve changing rules, amending or eliminating regulations, helping them to stop old processes or procedures that simply

don't work anymore. Yes, there will be some built in inertia and resistance in that red tape cutting exercise from inside the public service, because there may be fewer regulators or fewer enforcers as a result. But the elected folks and the senior public servants, they're going to be keen to hear your action plans and what you can get done if you get a 'yes' that aligns with their agenda. And I repeat the alignment thing, because business often asks government to do things and then sits back and says, "why the heck won't they do what I told them or ask them to do?" Governments have agendas and if you don't know what their agenda is, then you need to do your homework. You need to read their election platforms. You need to read their speeches, read their budget documents. Read their speech from the throne. All of it is online. And you need to take your ask to them in the context of accomplishing their agenda and only collaterally yours because they're interested in accomplishing their agenda.

If there's one thing we've learned from the last three months, it is the power of effective communication. In Alberta, our chief public health officer is Dr. Deena Hinshaw., B.C. has Dr. Bonnie Henry and I just mentioned those two, there are several others, quality people. Their communication approach is calm, it's informative, it's factual, it's encouraging and it's frequent. For most of them, it's daily. The point I want to say is that it's authentic. If I may use the Western vernacular, "there's no bullshit" when they get up behind the platform. It's platitude free. It's sympathetic. It's apologetic when it's appropriate and it's stern when it needs to be without being preachy. It's a trust building communication style that, in my view, has set a new standard for leaders and organizations speaking to their stakeholders. It's what our politicians, our business and community leaders should study and try to emulate. I'll admit, I won't apologize for being critical of the communication that comes off the front steps of Rideau Cottage every morning, nor for the words shared from too many business, political, government and community leaders. Contrast that with candor, the calmness and the facts that you hear from our public health officers. It shows that effective, down to earth, authentic communications is just so essential.

On the corporate side. Let me make two quick observations. Ed Sims last week talked about the importance of delegation. And I agree. My word is decentralized. At Russell Metals, we're a \$3.5 to \$4 billion revenue company, one of the largest metals distribution companies in North America. At December 31, we had 3,400 employees. Frankly, we're fewer today, but all of them working out of nearly 140 locations across Canada and for the most part, down the eastern seaboard of the United States. But the head office has 18 people, plus our accounting and finance department. But more than 50% of our revenues come from the metals side alone. And our average invoice is \$1800. This is a \$3.5 to \$4 billion company and you cannot run a successful business with 140 locations from Mississauga, Ontario, Canada. Contrary to what some folks may actually believe. You have to pick the right leaders in the regions and the operators in those branches, pick the right ones, train them, entrust them with responsibilities because they are the ones who know their marketplace. The second one is liquidity, and I know you've talked about that a lot the last few weeks as your speakers in the past have reminded us in these calls. It's essential that there be plenty of cash on hand and ready and assured access to more capital to get through these awful times. There are no ifs, ands or buts. There is carnage as we've seen it. There is carnage out there in every company's market. Yes. I'll admit I'm being mercenary when I say this, but with carnage comes opportunity. Companies with good assets will get into trouble and some will fail. And those assets are likely, therefore, to come to market. Remember that your company took risks to get where you are pre-COVID and

make sure your leadership team is watching for opportunities that will surface in this turmoil. Liquidity is valuable to get through the carnage, but liquidity wisely deployed is what got your company to where it is as we come out of the pandemic. And my advice to directors is don't ignore those game changing opportunities that will come to market and I suspect they will pretty soon. So I'll leave it there. Thank you.

Les Gombik: That's great, Jim. Thank you very much and I think you're right, there probably will be a lot of game changing opportunities that do present themselves, because, as you mentioned, these are really, really tough times. Let's run to our next polling question. With your interesting mix of corporate and government experience, Jim, I thought an interesting polling question might be whether we on the call today as representatives from our respective organizations, do you feel governments are doing the right things to help employers be successful? a) Yes, for the short term and yes, for the long term; b) yes for the short, but no for the long; c) no for the short, but yes for the long; d) no for both or e) I'm not sure. Now we're going to switch gears and talk about how high-net worth families are dealing with the crisis. Our next guest is Tom McCullough, CEO of Northwood Family Office, who, in addition to the books and awards I mentioned earlier, also won another award that I found most interesting that's applicable today. He won the "Best individual contribution to thought leadership in the wealth management industry" award. Tom, thanks so much for joining. When you and I were chatting the other day, you said something that was really interesting, specifically around that most successful families aren't concerned about the economic challenges that we're going through right now. Now, I'm sure there's a misinterpretation piece there, but can you maybe comment on that a little bit, please?

Tom McCullough: I think families are definitely concerned. The question is, how much does that affect them? And let me talk a little bit about that. First of all, thanks for having me. I really enjoyed listening to Jim and Greg. Really interesting comments. Some people don't know what a family office is. So I thought I'd just take 30 seconds and tell you. Essentially, we're an independent, objective, integrated adviser to wealthy families. We're a little bit like an architect, general contractor and we coordinate all the trades for families. We work in four areas, which is primarily planning, investments, administration reporting and then family related issues, which we'll talk a little bit about as well. Clients are typically entrepreneurs who've sold businesses in most cases, but there's a range and they tend to start at \$10 million and go up from there. Our largest family is a billion dollars. I co-founded the firm 17 years ago with a partner and we've been working remotely for this whole period of time with really not much interruption. You know, unlike Greg's business, ours is a business where we can operate remotely and it's worked out quite well. We've actually onboarded two new staff and several new clients, some of whom we haven't hadn't met except on video. So business does continue. It's interesting, I was preparing for this call and I was reading a book called Upstream by Dan Heath. It's called "Upstream: The Quest to Solve Problems Before They Happen." And the Heath Brothers are two of my favorite business writers, and I highly recommend the book. There's a great story in the book that I thought I'd start with. He says two friends are out camping and they hear a cry for help and rush into a fast flowing river to save a drowning child, only to see another child struggling drift by and then another and then another as one of the campers starts to run to shore. His incredulous friend demands to know where he's going. Over his shoulder, his friend yells, "I'm going upstream to tackle the guy who's throwing all these kids in the water." So it made me think about the same issue for wealth holders and investors and how they're handling the current crisis. And the answer is very similar to the issue in upstream is the focus on prevention versus reaction in the moment. Unfortunately, it's less sexy, but it's way more successful.

I'll just give you a couple of thoughts on three steps that people can use from a financial perspective to help manage through a crisis. And I think it applies to companies, too. And I will say that even though I work with the wealthy, a lot of things I'm going to talk about really apply to a whole range of people. At the end if there's time, I'll talk a little bit about a family perspective as well. The first thing is quantify your goals. I think successful families do that well. So it does not make sense to launch out onto a trip without thinking about where you're going. Investing is the same. You need to know where you're headed and what you want. Unfortunately, my experience of over 35 years is that people don't do that. In most cases, they don't understand what their goals are or quantify them. My favorite cocktail party question over the years has become what rate of return do you need in your investments to meet all your investment objectives? I've never had anybody able to answer that question in all my years because they don't know their goals and certainly haven't quantified them. And one of the causes of stress in families is not knowing how long their wealth will last, how much they can spend or how much they can leave for their children. Even for people with a lot of money. So families who weathered storms like this pandemic are able to identify their goals and they can answer five questions like the following: What is the money for? Who is it for? Ourselves or our children? When will be needed? Next month or in 40 years? How high a priority is the goal and how much will the goal cost? So that's the first item.

The second item that successful families do is create a family balance sheet. So just like a company, all of you are involved in companies, every family needs a balance sheet. On the left-hand side of the ledger, you can start by listing family assets, cash securities, real estate, but also the present value of future earnings or business income. On the right-hand side of the balance sheet, you list liabilities but for many families of wealth, it actually isn't debt. Liabilities are often rather self-imposed and more commonly known as family goals. They typically include the present value of your lifetime spending, planned gifts to children, to charities, big one-off cash flow requirements. But what you learn is that liabilities and goals have different characteristics, different priorities, different urgency, different certainty levels attached to them. Some goals are so important and so imminent, like funding your expenses, family expenses next month or funding four kids at university over the next four to six years, that you can't risk not meeting them if your portfolio drops and you don't have the required cash flow. For these goals, you have to invest in things that offer certainty and the problem is it's usually not very much return like cash and short-term bonds; Whereas other goals are different. They've got long term horizons. They need higher rates of return, usually to beat inflation or to meet long-term objectives and they typically need risk assets to fund those, equities or equity like assets. Here's the key, when markets drop, families who have taken this kind of planning oriented approach know that they have these non-risky assets that can fund near term goals and don't have to dip into the risk capital and can wait for a recovery to fund those goals. It always reminds me of the mountain climber I heard speak one time and he said, "you know, as a mountain climber, when you get to the top of the mountain, you're only halfway there. Why? Because you have to get back." And what does that mean? You know, life is a movie, not a snapshot. The absolute dollar value of your portfolio at the market peak isn't relevant, nor is the value of your portfolio at the recent low. What is relevant is cash flow. How much cash flow will your portfolio or your other income sources produce to meet all your goals over the course of your life? That's what's key and important. So step one, quantify your goals. Step two, create a family balance sheet.

And step three is build a bridge and stress test it. There's a long term investor named Charlie Ellis, who some of you may have heard of and he says, that wealth management is actually not really an art or a science. It's actually a matter of engineering. This will appeal to all the engineers in the group listening in. Many people approach investing as a game of forecasting, timing, outsmarting, hoping, when in fact, it's actually a problem of engineering. So picture yourself on one side of a river and let's call that the present and you need to get to the other side of the river. Call it some future state like retirement or the end of a well lived life or maybe over multiple generations. You need to get there safely with a high degree of certainty and a few negative surprises as possible. So how do you do that? Well, you have to build a bridge. Well, if you're going to build a bridge, an actual bridge, what do you take into account? You know, how far is it to the other side? How long will the bridge have to be? What type of loads can it bear? What about natural phenomena like hurricanes and rushing water? How will that work? So similarly, if you're building a financial plan it's the same kinds of questions you have to ask. When you build your financial bridge, what specific goals does the portfolio need to fund? What combination of asset classes is most likely to result in success? How much volatility can the portfolio experience? So, families who want to manage wealth through a crisis actually plan the construction of their financial bridge and stress test the results. The question I always have in these situations is, well, in a world that seems so uncontrollable, how can you actually predict or control anything? That's really the question. And it turns out there are things that are controllable. And my experience over 35 years is, what successful families do is that they know that challenging times are inevitable. They don't know what's going to cause them exactly. They don't know how severe they're going to be. They don't know how long they'll last. But they know they're coming. So they take specific steps. And I can give you examples of some of the families that we work with. You know, many clients will have two or three years of cash reserves so they don't have to dip into growth capital when things are difficult. And markets are down. Their spending is reasonable relative to their resources. Their assets are matched to their liabilities. They've got limited debt. Debt is one of the biggest challenges in downturns. They own high quality, diversified investments. They've got conservative estimates of their own spending and for returns and risks and they've taken advantage of all the integrated planning tools that are available to them. Now, not every family has the resources to do all of these things, and it's not easy.

But over 30 years of working with families, I found that these are the most common indicators of success in a crisis. And as I said, it's not sexy, like trying to catch the bottom of oil prices, double up on Netflix or take a flier in commercial real estate but it is the most successful. And it reminds me there's an old Swedish expression that says, "In calm seas, every ship has a good captain." And that is certainly true. Everything's easy when it's clear sailing. Everybody looks like they know what they're doing. But when the storms come, you can see the good captains are the ones who are prepared. They're not the ones who are searching around for the bailing bucket. When the waves start coming over the gunnels or in the financial world, they're not the ones chasing what's moving, throwing in the towel. In fact, there's surprisingly little activity, it's been planned for. And knowing that you have a plan also gives confidence and the wherewithal to keep your head when other people are losing theirs. As Warren Buffett says, "a little bit of planning can go a very long way".

So let me shift to some family issues. Les asked me to talk briefly about not just the financial weathering of crises but what's happening in families that we see during these challenging times. A lot of us have teens and young adults at home during the pandemic. And maybe there's opportunity for conversation that we don't often have. So let me just give you a couple of thoughts. We cover a lot of these in the book that Les mentioned that I wrote recently. It's called "Wealth of Wisdom: The Top 50 Questions Wealthy Families Ask." And there's actually a podcast series interviewing each of the 50 people that answer those questions. It's available for free online - <https://wealthofwisdombook.com/>. So in the book, we answer questions like, how can we manage conflict in our family? How much money should we leave our children? And when? How do we encourage generosity in our family? Those types of questions and really, not surprisingly, the lessons of how families do this well are very similar as they might do in financial planning. Deciding what you want. Having a game plan, and preparing ahead. While the book was written for families with wealth, the answers really apply to almost everybody. So I'll just pick one topic just to get you thinking. I'd say people often ask me of the 50 questions, what was the most common? And probably one of the most common questions is something around this one. "How do I give my children the benefits and opportunities associated with wealth at the same time ensuring that they are responsible, grounded and others-oriented, i.e. not selfish trust fund babies?" And what happens is money can stunt a child's sense of perspective. And when I say child, I don't mean infant. I mean children up to their 40s and 50s in many cases. Money can stunt children's sense of perspective, independence and life direction. And it can cause entitlement and dependence. It can also impede them in developing the emotional skills they need to live a healthy life of independence and what you actually do about that depends a lot on the child's personality and aptitude but also age and stage.

So let me give you just two nuggets to think about. Based on kids ages. For younger kids, one idea is, model your values. Remember that values are more often caught than taught. Your children will pick up a lot more from seeing the choices that you make and how you spend your money and time than they will from what you say; And if so, for example, if you want them to learn frugality and humility and good judgment. You need to live those values. And as somebody put it, unfortunately, if I followed you around for three weeks, I could tell you what your top five values are. If you are brave and ever do want a window into what your values actually are, there's an idea in the book that is, a really good one, which I've actually done with my kids. The author says, "ask your kids to describe the legacy that you are leaving." What do you think about when you hear the answer? If you like it, great. If you don't, fix it.

The second nugget I'll leave you with is for teens and young adults. The idea is really to teach them financial skills but also let them make mistakes. This is a great time when you're around with, you know, young adults and teens is to help them think about budgeting, help them thinking about saving for an important purchase. Consider maybe matching if they're going to put some money up, match what they can put up. And conversely, if a college student blows through their spending halfway through the month, letting them do without for the rest of the month can help teach them about budgeting, self-discipline and planning, which are all really important life skills. It's very important not to parent with your wallet, which we all do in many ways because we're busy. Remember that money and time can solve most problems, but money can solve them too quickly. Many people use money and influence to allow kids to avoid natural consequences. But those consequences are really what allow them to develop the emotional skills they need to live a healthy life. I have found that wealth is an amplifier of all things, both positive and negative, and if it's not properly managed. The very resources that should help a family flourish can lead to its undoing.

I think people need to put as much time and energy into preparing their heirs as they do into preparing and building their wealth. So thinking back to the original story from Upstream about the guys rescuing kids in the river, prevention and preparation is always better than trying to react and repair things later, both in financial and family matters.

Les Gombik: Thank you, Tom. You've given us a lot to think about, in fact, actually some of the questions that are coming in around people wishing they could take notes fast enough. Luckily, we're recording these sessions so you can go back and watch them. Let's get into some Q&A, I think a good way to really prompt some of those answers is by reviewing some of the poll results. Why don't show the answer to the first poll? This was the question around productivity that came out of the discussion that Greg shared and specifically around whether we are more productive or less productive than before the crisis started. As we can see, most organizations are either similar or slightly less productive than they were before the crisis. Maybe I'll just ask the panel, Greg, Jim and Tom, any thoughts around productivity? Specifically around, how we can continue to improve, particularly for you, Greg, when you're in a consumer business and only able to open every second chair or every second table or at 50% capacity. How do we improve productivity during times like these?

Greg Moreau: Well, I think we're very fortunate, unlike a lot of different industries. We wake up every morning and we track through the day a lot of different metrics, whether that be conversion rates, average dollar spend. When we were closed, we were tracking how much traffic we drive to our website. Again, conversion rates, different promotional cadences, gross margin is what we're doing profitable. I think we have a great benefit of that and we also have learned a lot of lessons that we're pivoting live. We were just so excited when we reopened our salons in Manitoba. We had five days to prepare - customers were calling, reaching out on Instagram, trying to set up. We had started slamming in different appointments while our worlds changed. We need to leave 15 minutes in between every appointment now to use Barbacide and sanitize the tools. We want the customer to see the stylists washing their hands, cleaning their chair. Such a silly little comment, even something as simple as changing out your cape. You wouldn't have thought of wearing the same cape as the customer before when the barber starts. Well, now that's a game changer. And by the way, try to find, 10,000 thousand capes in the middle of a pandemic to make sure that you've got this available for all clients. I mean, these things were crazy. But like I said, I think versus a lot of businesses, the fact that we have sales metrics, traffic, all these things to see how we're recovering and how we're doing is very, very helpful to be able to track that live. The specific example was if we'd have a customer who has made a mess of their hair during COVID, the guys trying to cut their own hair with razors or women doing bad dye jobs. That takes three hours to repair and it's hundreds of dollars in service in the salon. If we booked in a whole bunch of \$30 or \$50 haircuts, we didn't leave room for that. So as we open in different provinces, we realized we better start with these two and three hour services before we start slamming in 30 minute ones. But I think there is productivity in having metrics obviously is critical, and I think similarly from people working at home. You said it's a completely different way of looking at productivity now than maybe we would have looked at it 12 weeks ago.

Les Gombik: Great. Jim, what do you think about this? Obviously, you've got investments through Western Investment Group in a number of different industries. You've touched a whole bunch over the years. What are you thinking?

Jim Dinning: Well, I found interesting was Greg's comments. They listen to their customers and we say, "of course, we always listen to our customers," but being able to respond from 25 to 250 calls and positioning yourself to say, "you know, we used to do it that way and things have changed. We're not going to shift back to the 25. We're going to make sure that we can promote the hell out of 250, making it 2,500 or 25,000 calls a week." And that kind of listening to the customer and being responsive I think is true in our business. It's true that Russell Metals, we were an essential service in almost every part of the continent except for Quebec. But that's come back in the market. I think taking the time to listen to customers at a time like this makes you realize you can't go back to the old ways.

Les Gombik: That's great. Thanks, Jim. We've got one more polling result that we should probably post here before we run out of time. With governments trying to help us be successful the question is around are they doing the right things to help us be successful? Clearly, an abundance of people on the call feel that this is going to help for the short term, but not so good for the long term. It would be interesting to dig into that one a little bit more. You know, Jim, with your experience having done this some on both sides, did you want to comment on that one quick?

Jim Dinning: You know, I hardly agree. Governments by nature are our shock absorbers. And so if they do that well, in the short term, that's good. But I plead with government people regularly, "what does this mean for the longer term?" I'll give an example. \$9 billion being given directly to students rather than, (my words) being put through the 'kidneys' of a company. I bought a new dishwasher at the lake and the owner of the store delivered the dishwasher. I said, "why?" He replied, "Because my delivery guys are being paid \$2,000 to stay at home and do nothing, whereas before I paid them \$1,500 a month. Now they're happy to stay home with \$2,000 and do nothing. And the government, in my view, needs to be thinking about economy building and capacity building in the economy. And you've talked about productivity right off the bat, government investments need to be helping companies and the economy to be more productive.

Les Gombik: Thank you, Jim. So maybe a question for the whole panel. Ultimately, as we need to reopen at half capacity or we've got a number of people that are off and we're having to figure out how to do more with less. What is this going to do to our businesses over the short and medium term, particularly as it relates to how we deliver and how we price? We'll go around the horn and then we'll finish up. Greg, are you seeing this impacting your pricing models broadly? And how can you continue?

Greg Moreau: Well, we certainly are experiencing that. I think we do have the benefit speaking of government programs, at least upon reopening, we still have the benefit of the wage subsidy. We have been reluctant to this stage to address pricing and we realize that we're looking at record unemployment. There was a question on how we're supporting our staff, our stylists are generally commissioned employees so adding on additional environmental or facility fees, COVID fees that could take away from their earnings. And we just didn't feel comfortable right out of the gate charging. And that's something that we're seeing across our industry and something we'll likely end up revisiting over the course of the next several weeks or months. But at this time, we just felt like we were thrilled to have our customers return. Just as a human interest nugget here, yesterday, we had a gentleman come in and get his haircut in Creekside, in Calgary. Not only did he get a \$30 haircut, but he tipped his hairdresser \$200. But he actually wrote an \$800 tip and said that he wanted his stylist to get \$200 and \$100 for every stylist that was working. There's a lot of great, great stories here. And that's obviously another way that we support our teams by not adding on those facility or COVID fees.

Les Gombik: Well, that's great, Greg, and thank you. And I know I was going to ask Tom and Jim, but we have actually run out of time and I'm so sorry, we want to be respectful of everybody on the call. Our Q&A will be available on our site. We want to keep making these valuable, so please provide your feedback when you sign up. Next week, we're going to have a very interesting panel. We're calling it our Most powerful women panel, because our three panelists have been recognized on the top 100 Most powerful women list. Specifically, Colleen Johnston, Geeta Sankappanavar, and Christy Clark are all going to be joining us next week. But first off, I wanted to specifically thank our three panelists today. Greg, Tom and Jim, you did a fantastic job. We appreciate you paying it forward and donating your time today. Thank you. And thank you to all of you for joining us. We're all in this together. We need to help each other and we need to learn from each other. If you have any ideas of future topics or content, please let me know. Or if you want to invite some of your current counterparts or colleagues, let us know and we'll get them to join the call. So thank you very much, everybody. Have a great day and be safe. Bye.



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