

Canada's Family Office

Direction.

We help clients identify and prioritize their family goals and objectives in a practical way and devise a comprehensive, common sense plan to achieve them.

Perspective.

We give clients an objective, independent view of their complete financial affairs so they can see how the parts fit together and be satisfied they are making the best decisions possible.

Confidence.

Our goal is our clients' complete confidence. We want them to feel confident that their financial lives are in order, that they have a plan for moving forward, and that there is someone who knows how all the intricate pieces fit together so their family goals can be achieved.



About Northwood

Northwood Family Office is an independent, privately-owned family office, which provides comprehensive Net Worth Management™ to wealthy Canadian and global families.

The challenges that come with significant wealth should not be underestimated. Many families with complex family structures own a diversity of investment, business and real estate interests and need the independence, objectivity and counsel that a family office firm can provide. Northwood serves as the single point of contact, like a Personal CFO (Chief Financial Officer), who clients can call on any issue related to their affairs.

Northwood's mission is to bring direction, perspective and confidence to the everyday management of our clients' net worth. We help our clients to define a clear sense of the direction they want to take, and to develop a broader and longer-term perspective. We work closely with our clients' existing professional advisors to ensure that everything is coordinated and integrated.

We also carefully select external specialists from all relevant financial disciplines, including discretionary managers (through our registered Investment Counsel/Portfolio Manager affiliate, Northwood Private Counsel Inc.), to round out the inter-disciplinary service team we manage for each family. We work hard to control costs and timelines and to ensure successful outcomes.

We are hands-on managers with a 'get things done' orientation. With strong emphasis on building a long-lasting relationship with each of our client families, we believe regular, ongoing communication is essential. And throughout the entire process, Northwood maintains absolute confidentiality with respect to our clients and their private information.

Typical Northwood clients have family net worth in the \$10-\$500 million range.



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What is a Family Office?



Family offices have become known for their unbiased advice and objectivity, and the integration and coordination of the services they provide with those of the family's other advisors.

A family office acts as a Personal CFO or Chief Advisor to wealthy families, with a dedicated team of professionals who oversee and manage the complete financial affairs of client families.

With origins tracing back to wealthy 19th century European and American families, family offices have a long history of providing a wide range of highly specialized and custom-tailored services.

Family offices have become known for their unbiased advice and objectivity, and the integration and coordination of the services they provide with those of the family's other advisors. They normally provide highly customized service for several generations of the same family.

Families usually engage a family office when their assets have grown to a size where full-time professional management is required or could be beneficial.

A relatively recent phenomenon is the multi-family office, where one firm manages the affairs of multiple wealthy families. Northwood prides itself on being Canada's premier multi-family office, having twice been selected 'the #1 independent family office in Canada' in the *Euromoney* Global Private Banking survey.

Benefits of a Family Office

- Advice is provided with a complete understanding of all the family assets and liabilities
- Services are provided to the entire high net-worth family
- It ensures advisors work together in a coordinated manner toward an integrated wealth strategy
- It provides benefits of combined purchasing power, allowing for reduced costs
- Investments are managed in the context of the overall family balance sheet



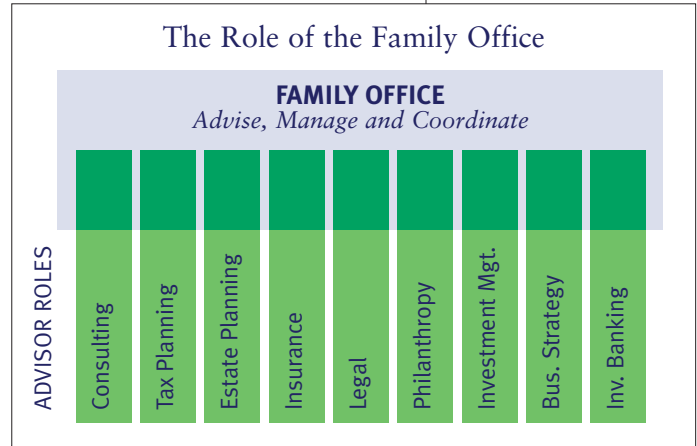
Our Philosophy

Our unique Net Worth Management™ approach starts with an overall view of a family’s wealth. Wealth is more than just investments. It includes all assets and liabilities, such as family businesses, vacation homes, investment real estate, philanthropic funds and human capital.

At Northwood, we start with the premise that the management of net worth must be planned and managed on an integrated basis. Just like a successful business brings multiple disciplines to work together (e.g. sales, accounting, manufacturing, legal, etc.), families of substantial wealth must also take a coordinated approach to their affairs.

As the chart shows, many families have access to advisors in specific disciplines, such as tax, legal, insurance, and investments. However, clients often have to coordinate the activities of all these professionals themselves and explain their circumstances multiple times, resulting in an unconnected mix of investments, strategies and services that may not meet their objectives. ▶

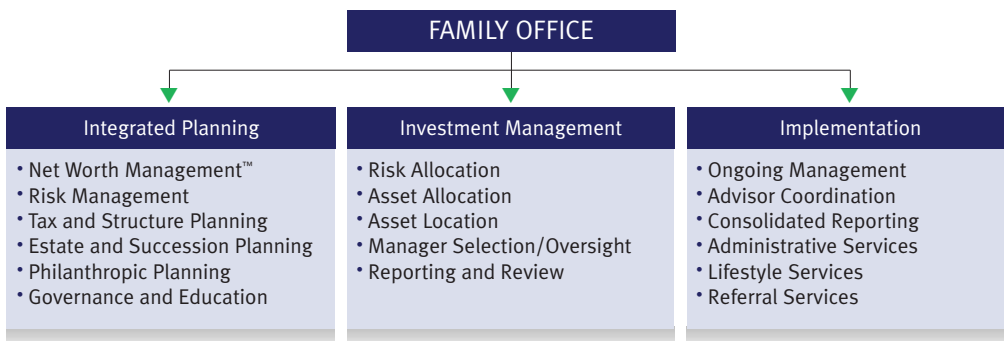
Our role, as a family office, is to develop an integrated plan, and then identify areas requiring specific external expertise. Typically, we work with our clients’ existing accountants and lawyers, especially where a trusted relationship has existed for years. Where clients don’t have a trusted advisor in a particular discipline, we will introduce them to professionals, from our wide network of specialists, who we believe can best meet their needs.



Our Services

Our family office relationships start with a conversation. We sit down with a family and talk about their hopes, their goals, the resources they have at their disposal, and the constraints and challenges they face. We also discuss what they are looking for from their family office and, together, we tailor-make a service plan that will work for them. We also undertake a full Net Worth Review, including reading all key financial documents so we can get an accurate picture of the family’s current situation.

The services we offer, in concert with our registered Investment Counsel/Portfolio Manager affiliate Northwood Private Counsel Inc., fall into three main categories, as shown in the diagram below. ▼



Our Services in Detail

Integrated Planning

Integrated planning is normally the first step when clients start working with a family office. It often includes some or all of the following:

- Net Worth Management™
- Risk Management
- Tax and Structure Planning
- Estate and Succession Planning
- Philanthropic Planning
- Governance and Education

Northwood works with the family and their advisors in specific disciplines, such as tax, legal, insurance and investments. We identify priority issues, map out a game plan and develop solutions together to meet the family's objectives. Northwood's breadth and depth of experience in all key financial disciplines makes us uniquely positioned to pull all the pieces of the puzzle together.

Our role is also to identify areas requiring specific external expertise and then involve and work with those professionals as needed. In a sense, we act as a 'general contractor' on behalf of the family.

Investment Management

Once the integrated planning work has been mapped out, we then move to the investment management stage, in concert with our registered Investment Counsel/Portfolio Manager affiliate, Northwood Private Counsel Inc.*

There are six steps in our investment process:

STEP 1 – Client Discovery

We start with each family's unique combination of objectives, desires, resources and constraints, gleaned from our client discovery conversations.

STEP 2 – Risk Allocation

We then analyze a family's existing net worth using our unique risk assessment approach. While each family is distinct, we believe that their lifetime needs should be 'immunized' with very conservative assets. Their legacy objectives (estates, bequests, etc.) can often afford a higher risk/return character.

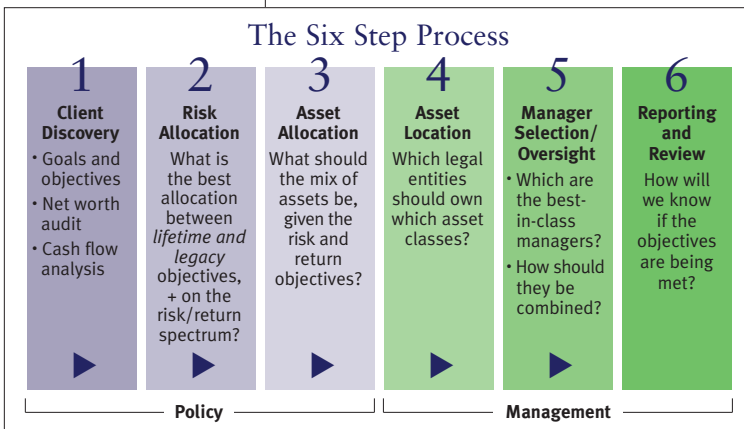
◀ STEP 3 – Asset Allocation

The above information, in conjunction with an understanding of the economic environment and investment alternatives, leads to an asset allocation decision. It ensures a diversified, risk-appropriate portfolio designed to achieve the client's objectives. We capture all of this in an Investment Policy Statement, which becomes the framework for all future investment decisions.

STEP 4 – Asset Location

We then focus on creating the most tax efficient result for families' net worth by locating the assets in the most appropriate legal entities.

The Six Step Process



Our Services in Detail *continued*

STEP 5 – Manager Selection/Oversight

Suitable discretionary investment managers are then chosen from among a carefully selected universe of professional firms, who act as sub-advisors. Each manager recommends a portfolio to suit the client's requirements, which Northwood Private Counsel implements on a segregated basis. We choose managers based on a number of factors including quality of people, a sensible investment approach, degree of correlation with other managers, and consistent investment performance.

STEP 6 – Reporting and Review

Northwood Private Counsel monitors and reviews the investment managers to ensure they are meeting agreed-upon objectives and have not altered their investment philosophy from the mandate that we hired them to perform. We are also alert to changes that have occurred within the family and/or the economic environment to determine if any adjustments need to be made to the portfolio.

Implementation

At Northwood, we believe that the finest plans in the world aren't worth the paper they are printed on unless they are successfully implemented. We focus much of our time and attention on this responsibility on behalf of our clients. Examples of the implementation work we do for families are listed below.

- **Ongoing management** – This includes ongoing advice and counsel, quarterly client meetings and annual reviews.
- **Advisor coordination** – We ensure that all the family's personal advisors are kept informed, engaged and in synch.
- **Consolidated reporting** – Reporting is customized to each family and delivered on a quarterly basis.
- **Administrative services** – These services very much depend on the unique needs of each family but can include the following:
 - Expense review
 - Cashflow management
 - Tax instalment coordination
 - Registered plan contribution coordination
 - Foundation and philanthropy administration
 - Bill paying and banking
 - Insurance renewals
- **Lifestyle services** – This covers a wide range of services that can include consultation on issues as disparate as assistance with purchase/construction of a second home, health care support, referrals to health care services for the elderly, or assistance with immigration and cross-border issues.
- **Referral services** – Northwood can help a family find an expert to assist them in a number of areas, including tax advisors, lawyers and other specialists that a family might need to access.

*Investment management services are provided through our Investment Counsel/Portfolio Manager affiliate Northwood Private Counsel Inc., which is registered in multiple jurisdictions. See www.northwoodfamilyoffice.com/na_os_investmentmanagement.asp for the most current information.



The Northwood Investment Philosophy

Our approach to family investment management is founded on five objectives:

Meeting client goals – We work to ensure our clients' investments are managed in a manner consistent with their goals.

Capital preservation – We protect our clients' investments through a conservative approach with appropriate diversification and inflation protection.

Superior risk-adjusted returns – We identify, select and combine best-in-class investment managers, who are specialists in their fields and have the potential to deliver superior risk-adjusted returns.

Diversification – We ensure client portfolios are well diversified – by asset class, region, manager style, industry group and security – which tends to reduce volatility, enhance capital preservation and increase overall returns per unit of risk.

Tax-efficiency – Taxes eat away significantly at investors' returns, particularly in low-return environments. We take advantage of tools and structures that can reduce the negative impact taxes have on returns.

Client Examples

Here are two examples of family situations we commonly work with:

Sudden Wealth

“Now we have lots of money, but we don’t really have a clear idea of what to do with it. We would like to have a coherent strategy in place and make sure it is actually implemented.”

The client


Peter and Mary Hall have always lived quite modestly, but now they have sold their business for \$50 million. Unaccustomed to such wealth, they have limited knowledge about investments and are unsure how to proceed. Used to managing a business rather than the proceeds of a large sale, they know they must protect their newfound wealth, invest it wisely and save on their taxes as well. The family is small, just Peter and Mary in their fifties and their two children in their early twenties.

The Northwood approach

- A comprehensive review of the family’s financial situation as well as their goals and objectives
- Tax planning and income splitting opportunities with their two children and the use of a family trust
- A review of charitable goals and a resulting philanthropic structure that is efficient and easy for the Halls to manage
- An investment management approach that allows the Halls to be comfortable and confident, including a mix of investments that will meet their long term goals, and introductions to private equity opportunities
- Financial and wealth management education for the children, to prepare them for the inheritance that they will receive in the future

The result

The Hall family is secure in the knowledge all their affairs are being managed through one team dedicated to their needs. In addition to helping them manage their finances, Northwood also advised the Halls as they built several family cottages, consulted with them on the children’s education and set up comprehensive insurance structures to protect their wealth in future years.



“We now feel secure that our money is being managed expertly and that we’re getting the right advice to help us to educate our children about the wealth they will inherit one day and how to be wise stewards of that legacy.”

Complex Affairs

“Our businesses and our other investments seem to be a collection of unrelated and disorganized components, and I’m not sure those investments are doing what they need for us today. They are not part of any cohesive and strategic plan.”

The client

The Tevalas family is the third generation of a wealthy family (net worth of \$350 million) increasingly overwhelmed by the growing complexities of their business activities and investment holdings, which were largely established by their grandparents. This large family, with four adult children living and working both in Canada and abroad, owns a number of different manufacturing businesses as well as a number of private equity investments. They don’t feel they understand or control these complexities effectively, and they worry that important details are falling through the cracks.

Client Examples *continued*

The Northwood approach

- A broad strategic review of all the businesses resulting in a clear set of goals
- Streamlining and improving the complex family business structures to be tax efficient, meet the goals established, and make management easier for the family
- Formalizing inheritance objectives and setting up trusts for the children
- Establishment of a regular communication process with all family members to ensure consistency of information received
- A long term succession plan to deal with business and family holdings when key events occur

The result

The Tevalas family feels reassured that all of their affairs are being managed more effectively, in terms of business structures, investments and complex family interrelationships.



“Now we have a much clearer overview of how our businesses contribute to our overall family wealth. We know that Northwood really understands all the complexities and we have confidence in their ability to manage all the details.”

Do I Need a Family Office?

The decision to engage a family office is an important and personal one, especially since it will likely be a long-term relationship. The questionnaire below can help you make a thoughtful, objective assessment of your family’s needs and objectives.

If your family net worth is \$10 million or more and you answer ‘yes’ to any of the following questions, contact us to arrange a meeting to discuss the suitability of becoming a client of Northwood Family Office.

Family Office Questionnaire

My family wants:

- 1. An integrated plan for our family’s complete financial affairs, including investments, wealth transfer strategies, proactive tax planning and optimal ownership structures.
- 2. A comprehensive approach to risk management, so we know our family and wealth are protected.
- 3. A well thought-out investment policy and process that includes selection and oversight of money managers, effective diversification and consolidated performance reporting.
- 4. Complexity management and time saving, by having a family office act as the quarterback to coordinate and oversee all the components of our integrated financial affairs.
- 5. The cost saving benefits of pooled purchasing power (with full confidentiality).
- 6. Coordination of our professional advisors – including lawyers, accountants, investment and insurance advisors – to ensure that our family’s objectives are met.
- 7. A strategic approach to family philanthropy.
- 8. The confidence that, if something happens to me (or the main family decision maker), there will be someone in place who knows our family and our wealth to help us manage through the transitions and into future generations.
- 9. The proactive, personalized and highly responsive service of an employee-owned, boutique firm.

The Northwood Principals

Northwood Family Office is an independent, privately-owned family office which provides comprehensive Net Worth Management™ to wealthy families. We act as the Personal CFO for our clients, coordinating and managing the complexities of the family businesses, investments and broader family affairs.

Founded in 2003, by CEO Tom McCullough and Executive VP Scott Hayman, Northwood has quickly become one of the leaders in its field and has twice been selected as 'the #1 independent family office in Canada' in *Euromoney's* Global Private Banking survey.

Tom McCullough, MBA, CIM, Ch.P
President, CEO and CIO



Tom has spent over 27 years in the wealth management and family office fields, initially in senior executive roles with RBC's Wealth Management Division. The combination of this background and his own family's desire for a customized, integrated wealth management service led him on a search for a family office firm.

Family offices are well-developed in the U.S., but they were virtually non-existent in Canada. So Tom founded his own family office, with his partner Scott Hayman, a Chartered Accountant and long-time advisor to families of substantial wealth.

Tom is the CEO of Northwood Family Office and the Chief Investment Officer of Northwood Private Counsel Inc. He also leads the client development activities at the firm.

He holds an MBA from the Schulich School at York University, as well as a CIM (Canadian Investment Manager) and a Ch.P (Chartered Professional, Strategic Wealth). Tom also teaches 'Management of Private Wealth' in the MBA program at the University of Toronto's Rotman School of Management.

He is a frequent speaker and passionate advocate of the family office. He is also actively involved in a wide range of philanthropic activities, most notably microfinance in the developing world.

Tom is a member of the Family Firm Institute and is a Fellow of the Canadian Securities Institute.

Scott Hayman, CA, CFP
Executive VP and Head of Client Service



Scott is a Chartered Accountant (CA) and a Certified Financial Planner (CFP), and has spent the last 25 years in the financial services industry. He began his career in public practice with Ernst & Whinney, where he obtained his CA designation.

Since leaving public practice, Scott's focus has been on providing advice and counsel to private clients on all aspects of their financial affairs. He joined a fee-based financial planning firm, where his clients were senior corporate executives and successful entrepreneurs.

The next 12 years of his career were spent in the wealth management industry. He joined RBC Dominion Securities where he was Vice President of the Retirement, Estate and Tax Services Group. This group was responsible for providing advice and counsel to both Investment Advisors and their clients. While at RBC Dominion Securities, he was also an Investment Advisor.

He then moved to ScotiaMcLeod, where he was responsible for developing and building the Wealth Planning Services Group. This group offered financial advice and counselling, as well as insurance, group RRSPs and retirement products.

In February 2003, Scott co-founded Northwood Family Office with Tom McCullough. Scott is responsible for client service within the firm and is also the firm's Chief Financial Officer.

He is a member of the Institute of Chartered Accountants of Ontario.



A family office is not for everyone. If your family has \$10 million or more in net worth and you want to consider engaging a private, professional, boutique firm that specializes in serving the needs of families of wealth, Northwood may be right for you.

To explore becoming part of the Northwood Family Office, please contact Tom McCullough at 416-502-6288 or at tmccullough@northwoodfamilyoffice.com



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www.northwoodfamilyoffice.com



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