



The Family
Office Association

THE STORY OF TFOA: BUILDING A COMMUNITY

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The Family Office Association you've probably never heard of (and how it came to be)...

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Introduction

From the outside looking in, The Family Office Association (“TFOA”) is a close-knit network of single family offices, whose combined net-worth rivals that of a sizeable nation-state.¹ The truth, however, is more nuanced and much more interesting. TFOA was not born of a grand vision, but instead emerged as an unintended consequence of a chance meeting between a small group of single family office executives, who met by chance at the offices of a storied Texas law firm in 2007 to interview a series of eager fund managers and service providers.

Thus, the story of TFOA isn't like a traditional business case study because TFOA is not a traditional business. This is in part a reflection of the family office construct, which is not in itself a traditional business. A single family office provides information, education, pooled buying power, and wealth management to affluent families, while also preparing the next generation of family leaders and stewards to carry on the family legacy.

While a mind-boggling number of groups have emerged in recent year to capitalize on the craze of family office wealth management, TFOA has put stakeholder experience and long term value above short term monetization. Instead, choosing to focus instead on creating a pure peer network of like-minded family office executives, essentially for free. This is in part due to TFOA's founding principles of privacy and non-solicitation, but also due to an inherit understanding that when one tries to monetize a network like this, what makes the network valuable, trusted, and special can quickly disappear. Viewed in this light, the story of TFOA provides an important case study into the attendant challenges of conscious capitalism, a movement led by entrepreneurs and business leaders who seek to elevate the human condition through business by orienting business around all attendant stakeholders.

(1) The modern family office traces its roots to the Morgans and the Rockefellers; two early 20th century families that built sophisticated administrative and management systems to manage their estates across multiple generations. More recently family offices have been in the news as society becomes increasingly concerned (and polarized) around the wealth gap.

Today TFOA is at an interesting stage. The network continues to grow, and its reach now stretches beyond Texas, including some of the wealthiest families from North America and around the world. Maintaining a commitment to intimate, trusted relationships, while also finding ways to grow and enhance member experience is an ongoing challenge and priority.

Looking back on TFOA's humble beginnings in a conference room in Houston, TX, to becoming one of the preeminent communities for single family offices globally, and charting the possible paths forward, is a unique challenge for any leader who is balancing the value of long-term relationships with the various pressures of engaging a group of diverse and extremely independent stakeholders. Prepare to gain a finer grained understanding of the challenge that face the ultra-wealthy as you read on, because while they are not the same as you and me, rest assured that rich people have problems too.

How It All Started

In early 2007, a small group of single family office executives met in the law offices of Vinson & Elkins, a storied law firm founded in 1917 in Houston, TX. The purpose of the meeting was for the family offices to meet a selection of fund managers and services providers who were targeting the needs of their family office clients. However, the most lasting impact of this meeting was not found in the services being offered, but rather the executives themselves realizing they had much to learn from one another – and that they would much rather meet and discuss these issues in private, out of earshot of the third-party service providers, in a safe and confidential environment.

This meeting highlighted a common problem family offices face. The amount of wealth the family has makes them a target for every service provider, wealth advisor, fund manager, and salesman looking to pitch their wares or sell their services. As the profile of a family office grows, it becomes more and more difficult to find unbiased opinions and independent analysis. Instead, every interaction feels compromised by the bias of a motivated sales representative.

For Marc J. Sharpe, TFOA Founder, and the other family office executives that made up this inaugural group of TFOA founding members, the promise of a community of like-minded peers, who were willing to engage thoughtfully on problems, share best practices and deal flow, and collaborate on matters of diligence, was an idea whose time had come and was too good an opportunity to pass up.

In the early days, TFOA members would meet each month to share interesting opportunities from fund managers, conduct due diligence together in order to capture the wisdom of the crowd, and act as a safe space to discuss challenging problems in a private and confidential setting. Today there is large body of information about family offices, but in 2007 information and best practice were much harder to find. These early meetings carried the group through the Global Financial Crisis, when throughout the fall of 2008, the major financial markets lost more than 30% of their value and the entire financial system was on the brink of collapse. During this time, TFOA members helped each other and provided much needed, impartial counsel as they used their collective expertise and personal networks to monitor the situation and help other members weather the storm.

While surviving the financial crisis showed the inherent value of these relationships, it was the untimely passing of one of the original members of the founding group that strengthened emotional ties and brought members even closer together. This moment of reflection underscored the community's true priorities: genuine care for all members and the value of human relationships. From these early meetings and experiences through hardships – both economic and personal – TFOA developed its own unique personality, culture, and set of core values. These values guide TFOA to this day and include confidentiality, professionalism, cooperation, non-solicitation, diversity, and trust.

Technology & Expansion

TFOA achieved its next major milestone in 2015, when the group introduced an online portal to facilitate networking and the exchange of ideas outside of physical meetings. While regular, informal gatherings provided tremendous value to family offices looking to build relationships, the locality of the network, and the nature of in-person meetings, placed a ceiling on the potential growth and scale of those relationships. The private, member's only portal enabled more frequent and instant interactions between meetings, allowing for greater engagement and shared diligence, while also allowing members to connect with other family offices outside of Texas.

Expanding the network also meant redefining the TFOA value proposition with its members. The desire to grow creates an inherent tension and, to be successful, must be done in a way that allows the network to maintain its core values of trust and community while still delivering high quality resources, relationships, and experiences to its members. Members of TFOA are extremely sensitive when it comes to how they are being monetized by others and they are intimately aware of the many self-proclaimed family office network groups that are out there trying to monetize family office relationships in order to profit.

The last thing a family office needs is another channel for over-shopped deals and more unwanted solicitation. By being mindful of these issues and pivoting carefully, TFOA was able to continue growing without sacrificing its values or the trusted relationships that exist among and between its members.

The core advantage of having an efficient virtual platform to share ideas, discuss opportunities, and find ways to partner with other members sits within an overall framework that encourages engagement and engenders trust. By keeping members' needs at the forefront, TFOA has been able to leverage the efficiency of a virtual technology platform without alienating or isolating its member. And by not opening the group to third party service providers and sponsors, or trying to intermediate on deals between members, TFOA has found a path forward that encompasses a space for members to learn and grow together, while also maintaining the ability to accommodate the needs of the network as they evolve in real time.

A Different Kind of Symposium

The challenges around maintaining member privacy and trust and creating outstanding stakeholder experiences was further tested in 2017 with TFOA's first Annual Single Family Office Symposium. Rather than create an event modeled after a trade conference or marketing event, the Symposium was modeled after the Symposia of ancient Greece and their more modern iterations found in universities and other institutions of higher learning throughout the world.

The first ever symposium, as documented in Plato's dialogue *The Symposium*, brought together a broad range of Athenian personalities including poets, playwrights, philosophers, politicians, war veterans, businessmen, and landowners. Though disparate in background and perspective, they came together to learn from each other and to share ideas. The objective was not to conform each participant into a single dogma, but rather to facilitate growth and learning for each individual in accordance with their own needs and interests.

TFOA's Symposium was similarly designed, pairing the candor of the original symposium with the discretion of Chatham House Rules. By partnering with The Baker Institute, the first TFOA symposium was able to bring together speakers with a combination of public policy as well as practical investing experience. This also helped keep the focus of the gathering on mutual learning, rather than on marketing or business development. This first symposium included no sponsors, no service providers, nor any non-single family office attendees. Over 100 principals and "c-level" single family office participants attended, as

well as a high powered roster of speakers. The first symposium set a high bar for future events and also acted as a practical manifestation of the organization's values in action.

TFOA has now successfully hosted its annual symposium every year since 2015 and has brought members together for these annual gatherings in Houston, Dallas, Austin, and virtually (during the coronavirus pandemic). While each symposium has retained its closed door nature and strict guest list policy, over time the format has evolved to include a select group of sponsors who are willing to underwrite some of the hard costs of hosting such an event. The participation of non-family office attendees presents unique challenges. On the one hand, family offices prefer not to participate in an event that is merely a promotional grab bag where they will be inundated by service providers and fund managers. On the other hand, sponsors need a meaningful return on investment for their participation. Managing this inherent tension takes careful curation and management.

By finding firms that understand the long-term value proposition that a network like TFOA represents, and also keeping the overall ratio of sponsors low, in order to provide real opportunity for relationships to emerge, TFOA has been able to provide an outstanding experience for all stakeholders while keeping the symposium firmly rooted within its core values. Today, TFOA's annual symposium continues to be unlike any other business conference or networking event. Instead, it remains an intimate gathering of family offices for relationship building and learning, supported by a select group of aligned stakeholders focused on long-term relationships and trust.

Looking to the Future

Despite the many challenges of the coronavirus pandemic in 2020, TFOA has continued to grow and adapt. Virtual meetings further extended the reach of the network and events now include both a virtual and in-person component for members, wherever they may be based. As TFOA's membership base continues to grow and diversify, today over half of all members reside outside Texas. It is a long way from the halcyon days where ten members would gather and share deal flow and ideas with each other around a coffee table at Kenny & Ziggy's diner in the Houston Galleria area. However, the same core issues remain the same, but greater scale creates its own pressures and challenges.

Tomorrow's TFOA will retain many of the things that have made TFOA successful to date but will continue to grow and add high quality family office relationships around the world. Through a distributed network model, family offices will be able to build their

own local TFOA communities in line with TFOA's core values and servant-leader mindset. And with new growth means new opportunities to serve the network. It remains to be seen what this means for each of the stakeholders who make up the complex family office eco-system that is TFOA, but one thing is certain, TFOA's leadership has learned that as long as your core values are at the center of everything you do, every day, then there is no challenge that cannot be met and overcome.

About TFOA

The Family Office Association is a global peer network that serves as the world's leading single family office community. Our group is for education, networking, selective co-investment, and a resource for single family offices to share ideas, deal flow and best practices. Members are not actively marketing products or services to other members and no contact information or email lists will ever be shared. Since our founding in 2007, TFOA has led the global single family office community by delivering world-class educational content, unique networking opportunities, and exceptional thought leadership to our highly curated network of the world's largest and wealthiest families. If you'd like to access our free library of whitepapers or receive event updates and more timely information please visit: www.tfoa.info



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