GLOBAL WELLNESS SUMMIT

11th Annual Global Wellness Summit
What Wellness Investors are Thinking, Saying and, Most Importantly, Doing with Laurie Racine

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[START RECORDING 400PM WELLNESS INVESTORS REV.MP3]

JARED: [music plays] Okay, if everyone could take your seats we'll get started in a moment. Welcome, everybody. Show of hands, how many of you were in this room for the last round table that just concluded about a half an hour ago? Okay, many of you. So, that's good, that's the loyalty we want. Apparently you liked the format enough that you're back here for this one, and we're doing many more of these tomorrow.

So, we're going to switch gears right now and have another fantastic round table scheduled for you. I'm going to turn it over to Laurie Racine who is going to be the moderator. This is going to operate similarly to the last one where we're going to, Laurie is going to run the roundtable, and then, at a particular point at her determination, we'll open it up to some questions from the audience. And again, we may not get to all of your questions but many, if not all of the panelists here are probably going to be here for the duration of the event, so you should feel free to share your thoughts with them afterwards.

So, again, welcome and with that, I'm going to turn it over to Laurie. Thank you.

MS. LAURIE RACINE: Thank you, everybody, for coming. It's great to see you. This is going to be a rather different kind of conversation, I think, than last time. We are looking at, I think, high level ways that people think about taking risk. And I don't know how many people around the table actually know each other, so what I'd like everybody to do is just briefly introduce yourselves, and then I'm going to throw out a series of questions, and I'd like this to be a real conversation. [crosstalk]

MS. GINA DIEZ BARROSO DE FRANKLIN: [phonetic] Yeah, my name is Gina Franklin. I am from Mexico City. I am a real estate developer and I also own a University of Design, Media and Technology.

MR. RICARDO CHANCE: Hi, everyone, my name is Ricardo Chance and I am a Managing Director at KPMG Corporate Finance. We're part of the broader KPMG accounting advisory firm. And I lead the leisure and wellness practice. We help companies raise capital within the leisure and wellness sector.

MR. ANDREW COHAN: Good afternoon, I'm Andrew Cohan, I run the Miami Office of Horwath HTL, the HTL is hotel, tourism and leisure, and we do quite a number of market studies and feasibility studies for resort developers to let them know, you know, how big, and how much to build.

MR. JOHN COHLAN: My name is John Cohlan. I run a company called Margaritaville Holdings. I didn't write the song, but the guy who did has been my partner for 20 years, and we're a diversified brand management company with quite a significant group of operations in the hospitality business and the shortly active living.

MS. SUSAN DOCHERTY: Great. Good afternoon, thanks John. My name is Susan Docherty and I am the Chief Executive Officer for Canyon Ranch. Canyon Ranch has wellness immersive destination resorts in Tucson Arizona and Lenox Massachusetts. We also have wellness, spa and fitness on 20 cruise ships that are floating around the world 365 days a year. We're on Cunard, Celebrity Noregent [phonetic] and Oceana and we also have the world's largest day spa in Las Vegas, Nevada, on the Strip connected to the Palazzo and Venetian Hotel, with about a hundred treatment rooms, and we'll do over 950 massages alone on a Saturday.

MALE VOICE 1: That's a serious promo, Susan, that's a serious promo [laughter]

MS. DOCHERTY: Serious massages, too. [laughter]

MS. SUE HARMSWORTH: Are we on? Hi, I'm Sue Harmsworth. I'm Chairman and Founder of ESPA and we have 700 spas in about 60 countries. I have sold my company or pieces of my company three times so I have dealt with various types of investors, private equity and others and this is also the third company that I will have sold.

MR. OMER ISVAN: We have 2,500 [laughter] my, my name is Omer Isvan I am the founder of Chief Executive Officer of Servotel Corporation. We are an investment advisory firm but very much immersed in the development phases of investments. So, pretty global. It's been about 43 countries so far. We do some sliver investment but mainly a range of investors and be - - throughout the development process until something is born and then operating and it's life thereafter.

MR. NEIL JACOBS: [phonetic] I'm Neil Jacobs, I'm the CEO of Six Senses.

MR. ISVAN: Only six?

MR. JACOBS: Only, barely six, barely six. [laughter]

MR. THIERRY MALLERET: [phonetic] Hi, I'm Thierry Malleret. I'm the Managing Partner for the The Monthly Barometer and Well Intelligence which macro - - is for private investors and we use it - - as platforms for engaging families who want to co-invest with us and do a bit of - - deal.

MR. JARED MELNIK: Hi, I'm Jared Melnik, I am a Principal with KSL Capital Partners. We're a private equity firm focused on travel and leisure industries. We've made several investments over the recent past in the wellness sector, including Miraval Resorts and Spas [phonetic] ESPA International with Sue and Wellbiz [phonetic] a day franchiser here in the US.

MS. YORIKO SOMA: Hi, my name is Yoriko Soma, actually I was used to working for a boss - - group in Hong Kong and we started the hedge fund together with my - - so, but anyway, I asked my colleagues, I like to invest in wellness, why - - to do that. So, - - some of the, part of the fund. I ask - - want to co invest and he started to make - - holdings in Japan to invest not the spa facility but also like a noise therapist school for, you know, like, salon companies or - - so therefore I am not in spa development or spa property development but besides, I am your - - gold mining. I am making the - - for you guys, these kind of investment at the moment. [laughter]

MS. AMELIA YAO: [phonetic] Hi, my name is Amelia and I am from China, Shanghai. So, similarly to Yoriko we are a real estate investment company in in China. But though, we are normal, we haven't worked on any wellness project but our first coming one coming up is a traditional Chinese medicine resort that's going to be based out in Shanghai.

MS. RACINE: Thank you, I am also in the early stage start up space. I specifically I'm in the software and technology space and am particularly interested in how each of you look at what, in America is a very interesting idiom called a game changer, during the course of your careers, whether it was in the wellness industry or whether it was in another part of your careers, I think it might be interesting to the audience. What was the thing that you came upon or that was given to you that you inherited that's an idea that you put into practice that you think changed either the company that you were working on, the project you were working on? Did it succeed and would you repeat it or do it different the next time? I'm just curious. So, as investors that's the thing that drives us forward.

MS. FRANKLIN: Right.

MS. RACINE: Okay.

MS. FRANKLIN: Yes, I have an example of that because, I mean, being a real estate developer I was not in academics and when I was 40 years old I did to, it was time for me to leave a legacy in education in my country. And I was, due to frustration of the lack of good education in the creative world with the business. You know, I always was seeing the people graduating from creativity sort of starving to death and not understanding how to do business, how to raise money, to go to private, you know, to private money and to venture capital.

I did too start a university, a very strange model of university, a university that mix creative with business and entrepreneurship, which I don't see any other university doing that, at least in, you know, in Mexico, I don't think in the United States they don't exist either. There is one in Finland that we have 70 percent of the curriculized the creativity that we teach and 30 percent is business entrepreneurship, so, the graduate students, they know how to make a business plan, they know how to go and get money, they know how to pitch a project and they know how to set a business.

So, I think that was very unique, very strange and it came out really well, and I think we have been very lucky to see our, you know, we have now 3,000 students and to see our students, instead of trying to go and look for a job, they are putting companies with hiring may of the new graduates in their companies. So, I think it's a new way of making creativity a business.

MS. RACINE: And are they moving around the world?

MS. FRANKLIN: They're moving around the world, they're all over the world, they are. I have kids graduated from Mexico all over the world. And in my university we have children from many parts of the world in the, in, another strange thing that we have, we have 320 professors, all business people. We don't have any full time professor, and we have 320 professor of 27 nationalities. So, it's a strange model but it works for me.

MS. RACINE: - -

MR. ISVAN: Yeah, it's quite recent, a few years ago, we, every year we run a research program just to research on consumer behavior and buying behavior, particularly on leisure, on hotels and resorts. And about four years ago it was a very US based research, about six MBA's, not MBA's, Master's students that were environmentalists, we invited them to do a six month research with us and we threw at them a hypotheses for them to work against. And that hypotheses, was, I said, sustainability and environmentalism is the enemy of luxury. And I said, prove it otherwise. You did it but they didn't.

But at the end of that research they were quite challenged to see how they were going to prove against the fact because, you know, somebody wants a lot of water through their shower and they want their towels changed five times a day and they want their sheets changed twice a day or whatever, it is a luxury, indulgence. A lot of what is traditionally called luxury was against environment.

And anyway, they came up with an interesting results but there was one take home that was an ah-ha moment for us and they said, you know what? We couldn't' come up with a very definite result on disproving that fact, but we'll give you one hint that should do you and in about ten years' time if you're not sustainable, nobody is going to buy you. The upcoming consumer is in such a pathway to consciousness that the don't show it at all, the new generation, they don't show it at all, they look very selfish, they look like they are very self oriented and they want to buy what they want to buy now, what is made for them or what their friends want, so they, you wouldn't think that there's an element of consciousness. But this is breeding enormously and in a geometric progression that a decade or so later it is not the product, it is not your hotel, it is not your resort but also who you are as a corporate. If you are a social conscious and environmental conscious and not there and real and you don't walk the talk, they are going to just say, hey, not buying it, I love it but I'm not going to buy it.

MS. RACINE: So, authenticity?

MR. ISVAN: Well, yes, authenticity but it has to be genuine, in built sustainability into the genes of the company that is behind whatever product you are producing. It could be a product or a service, whatever it is, but they are going to go through a test and they are going to say, sorry, fail. That means, I love your product, I'm not going to buy it. And that is, we started to see that in four years time after that research we started to see the evidence of that coming, and we are talking about the generation that in ten years time is going to be the serious buyer of the luxury resort. They will be 30 years old, they are going to be 35 year old CEO's or whatever they are and they are just going to say or no.

I am not only talking about the environmental sensitivity, I am not talking sustainability but also social consciousness. And I think that was a bigger - - in the way we developed our resorts and the way we advised our clients as to how to develop what to develop. And that has been an amazing awareness and I think we should all be aware of that. The generation that's coming up, they don't show it at all but they have an in built examination that they may examine us with, as a corporate, as a producer of a service and goods.

MS. RACINE: Others?

MS. HARMSWORTH: Do you want, when you say ah hah moments do you mean in the field within what we've got—

MS. RACINE: [interposing] I'm curious, yes. I think, in others, as people who invest, as people who are creating, let's call it shift, right?

MS. HARMSWORTH: Yeah.

MS. RACINE: Because we are either moving money or we are following money or we are trying to create opportunity.

MS. HARMSWORTH: Yeah.

MS. RACINE: Wherever in your career that happened, it would be interesting to hear that.

MS. HARMSWORTH: Well, I think, I started ESPA in 1993 and I had already had 25 years in the industry. The word spa still didn't really exist and so, everything I did was a risk and I was 48 when I started that particular business, I had already sold a spa business. And one of the lessons that I think I've learnt with finance and, and with everything, really, to do with this industry is, we as an industry don't, tend not to listen to our consumers enough and I think, I think it's going to be a problem for us going forward.

It's become a bit of a numbers game, of course we all have to do our numbers and we all have to respect our budgets and capital spend and all the rest of it, but at the end of the day, whatever we do about the wellness and spa industry, wellbeing industry, destination spas, hotels, whatever it is, they have to have integrity and they have to appeal to the consumer and they have to deliver and exceed expectations. And a lot of what is being done recently has not been doing that. And we are in danger, in the industry, I think we are coming at the moment to quite a good point, a turning point within the industry whereas we get bigger and bigger it's getting harder and harder to deliver those experiences that are very high level, partly because of talent shortage, and I have a bit of a thing about talent. I think we need to disrupt that whole area and I'm very—

MS. RACINE: [interposing] Do you have an idea how to do it?

MS. HARMSWORTH: Sorry?

MS. RACINE: Do you have an idea how you do it, how to do it?

MS. HARMSWORTH: Well, my view is that we have to go right back to curriculum. So, if we, there's two talents, there's therapists, complimentary health practitioners and then there's business people. And people may disagree in this room but one of the things I find is it's very difficult in the hospitality industry to take the traditional hospitality people into wellness and wellbeing, it's a different managing style and it’s actually quite an interesting process in where we are going.

So, from a personal perspective I would really like to go back to curriculum because I think the curriculum, in, certainly in the western world is very different, so, let’s just talk about US and UK. The curriculum is dated, it’s not delivering what we need as an industry, so, if you talk about risk there’s risk all over the place.

MS. RACINE: Mm-hmm.

MS. HARMSWORTH: There’s risk of people not understanding the word wellness. We all talk about it in this room and we think we know what it means and we haven’t defined wellbeing, wellness, medical, lifestyle and the differences between them and what is spa. So, the consumer is even more confused.

So, from a financial perspective I think, my view is we always have to take risk, fi you are involved in a company you are always taking risks because you, to me, market research is almost a waste of time because we are almost creating the industry as we go forward, it’s a new industry, it’s a new world and doing the market research, we have to know who our market is, and I was talking about that at lunch, and I think determining now who your market is, ‘cause you can’t be all things to all people, is going to be really important going forward. So, it’s a bit of a disruptive time, I think, which is quite good.

MALE VOICE 3: I think she’s made a good point, there’s a lot of education that has to be done, not just for consumers but for the institutions as well. I was in court last week as an expert witness for a client and the whole crux of my argument was showing the court, there are traditional resort companies of the brands we all know and then there are non traditional resort companies, which is the space we all get. And I showed them what the brands were, and the argument basically was, this project had no value, it was, it was never going to be feasible and my client was, I didn’t say it was necessarily going to be feasible but how can you say it never would be?

And we went down the checklist of how the traditional expert on the other side measured feasibility and it was right in line with the model presented in the Urban Land Institute.

The truth is, we use the same process but we score things very differently. To a traditional hotel or resort the developer or investor, if the hotel is more than an hour from a major airport that's a red mark against it. Right? Nobody would go on a safari in Africa if that was the case though, right?

So, as we went down the list of access, utilities in place, you know, fi the, if you can't plug in well, why should we bother with that when you can buy something that is existing and has cash flow? Well, in our market of non traditional resorts and hotels, if something is worth the trip and the experience there is, is something that is really special, well, then we'll find the ways to connect.

So, as we went down the whole checklist on feasibility, I came out positive, he came out negative and I blamed it on that we wear different glasses and, you know, we will see what happens, but the truth is we need to, as, you know, members of this community in whatever role we have, whether we're educating customers or educating magistrates or educating investors, they need to start to see that we use the same tools but we score things a little differently, and they're not yet familiar with how that is scored.

MS. RACINE: Ricardo, did you, you were nodding and I thought maybe you had something to say?

MR. CHANCE: Yeah, actually, I had a couple just current, current ones that might be applicable. One, as an investment bank and my practice was, again, is focused really exclusively on this sector. What I've noticed recently in terms of the private equity investors which make up a very large section of the capital formation in the private markets, is that, you know, in the last couple of years the number of private equity groups that are now recognizing and acknowledging how important the wellness industry is, it's phenomenal. I go to a lot of conferences where we sit down and meet with hundreds of private equity groups and I would say that maybe five years ago there might have been a handful that are really dedicated towards this sector, and now there are probably more than a hundred that have hired additional staff, that are dedicating partners that have experience coming from this, within this industry to figure out where the investment sweet spots are and where they want to place their bets. So, I think that's—

MS. RACINE: [interposing] Well, we were going to get, we were going to get to that. Go ahead.

MR. CHANCE: --yeah, and then, I guess, the second one is just, you mentioned technology. So, an interesting transaction that we recently advised on was really the intersection between sports and technology and leisure and wellness. And I think that's a powerful trend that's just starting in the resort area and, in particular, this transaction included a company that provided a state of the art golf simulators that are used by the leading PGA tour players, but a number of investors, including Top Golf and North Castle Partners made an investment in the company this year, and what they are doing is, they are starting to roll out these golf simulators within the Four Seasons hotels.

And the reason why they are doing that and I think this is going to be a very powerful trend for the resort industry is because it really solves for a lot of different problems. One is, it's a great way to create more social interaction and create more fun amongst your patrons. It creates more hours on premise and then the way that a lot of these sports features are positioned is very close to the bar. And so, you're getting a pop in your food and beverage sales as well. If you go to the Montage Hotel in Deer Valley they have a bowling alley downstairs, and that's kind of a similar concept.

So, I think you're going to start to see more of this intersection of bringing sports into the hotels and figuring out ways to use technology to make the experience more enjoyable so that it's not about your physical and your athletic capability but its' really about how much fun can you have? And I think having more fun with your friends or family members, that does create a heightened level of wellness, happiness and affiliation with that brand. So, that's a trend I would look at. [crosstalk]

MS. RACINE: It's interesting that in the w--, just speaking because Ricardo is an investment banker, I think what we've seen in the last couple of years is that there has been less money moving in to wellness space from the investment banners and more money from strategics. And so, it would be interesting to talk about, again, this, tie idea of what wellness looks like and what the markets look like from the perspective of, let’s say, someone like John Cohlan who does the brand that’s built on a person which is rather interesting.

MR. COHLAN: We do the bars.

MS. RACINE: You do bars. [laughter]

MR. COHLAN: There you go. No, I would just tell you, going back to the earlier question, which I think is an interesting one, the ah hah moment for me was the power of good will, right? So, my generation grew up with this idea of EBITDA for anybody who is a finance person in this room. And what the story of Margaritaville over the last 20 years really demonstrates is that gap accountants weren’t really so wrong, and that there really is something called good will, actual good will.

And, you know, what EBITDA did, of course, for those who know is it took this thing called good will and the accountants, or the finance guys said, it’s non cash, it’s nondeductible, let’s not pay any attention to it. And a quick short story, 20 years ago when I started to do this Jimmy had one little restaurant in Key West and it’s a long story but we built a big restaurant, Edward Ralphman [phonetic] owned Universal and to their credit they wanted to build a big restaurant in front of the Universal theme park.

And they finished building the restaurant and they politely said, we hope you’re going to pour Seagram Spirits because they owned Seagram’s at the time. And we said, the only spirit we’re not going to pour is Seagram Spirit. And they said, why? And they said, well, you know, you were also Jimmy Buffet’s record company, MCA, and you came out with something called Parrot Bay Rum. And for those of you who don’t know, bit Jimmy Buffet fans are called parrots. So, we’re not going to, we’re not going to do that, we’re going to pour your, your spirits.

And the next day the head of the Seagram’s Liquor Company calls me and he says, we didn’t know what a parrot head was, we want to come down and make it up to you. And again, this is 20 years ago and he comes down and he said, we want to do a propriety tequila for your restaurant. And I said, you know, that’s a lot of effort to go through to, for one restaurant, but, you’re Seagram’s, you don’t have a tequila, maybe there’s a bigger idea. And no one had ever done any consumer research on the word Margaritaville. The song was, at that point, had been written maybe 15 years prior.

MS. RACINE: For people who are not, who are not from the United States—

MR. COHLAN: [interposing] Ah, good point.

MS. RACINE: --yeah.

MR. COHLAN: [interposing] Good point, right, so…

MS. RACINE: They may never know who Jimmy Buffet is before [crosstalk]

MR. COHLAN: Yeah, Jimmy Buffet, he lives in this town, I would say, it’s becoming less of just an American phenomena but it’s essentially a synonym for paradise. So, he’s a very popular musician and author and the song Margaritaville sort of came to stand for paradise. But, in any event, so, the Seagram’s guys looked at me 20 years ago and they said, well, let’s go do some consumer research, which again, normally you don’t do consumer research on a song, who has done consumer research on Let it Be? And what it showed was that 80 percent of people in this country who were tequila drinkers, and back then it was primarily margaritas because people didn’t really drink shots of tequila, related to the word Margaritaville.

And so, you know, there had been one little restaurant and it showed, and we built a business over the last 20 years based fundamentally on the concept of good will and the word used before authenticity. So, you know, don’t underestimate, I guess, the power of a cultural awareness of something and, you know, treat it with great respect.

MS. RACINE: So, you were alluding to something that I wanted to jump in to, it’s not usually discussed in investment meetings and it has to do with corporate social responsibility. I’m curious as either investors and if you are a traditional investor how you invest and what do you think about how a corporation is going to give back or if you are running a corporation how, as an entity, you actually operationalize what we’ll call corporate and social responsibility? Any thoughts on that?

MS. FRANKLIN: I have.

MS. RACINE: It’s very big, I mean, for the wellness community it seems like kind of a natural question to ask.

MS. FRANKLIN: Yes, again it’s, well, the face of the university because that’s the newest thing. We are the, you know, we, I wanted to teach with an example so we are the only full campus, four buildings, - - platinum the world. And I also, you know, we are in an urban space in Mexico, so, the area that is in the back is pretty poor. And we think, we are convinced that being socially responsible and it’s not only being a green building or a - - platinum, we have to change the surroundings and help the people that are next to us.

So, we have a five year plan to, with architects that, they did a city planning, actually, I have a master’s degree in city planning so my architects and my students, they did a city planning for the people in the back of, Centro is the name of the university. And there it, I mean, it’s a pretty conflict area there, actually the American Un--, the American school is there and the British - - Hospital, and when I started building the Centro we have 400,000 square feet and when I started building they all came and they said, you know, we should get together, hire police and security and whatever. And I said, no, you know, these people what they need is this, it’s opportunities, it’s not more security or, you know, they are really, they really need more opportunities.

So, we decided to give, to do the first architecture, urban planning and we, what we also did a project with the community where we have scholarships for the neighbors, how we have 480 neighbors on this program. So, we give them courses, we give them jobs, we give them opportunities if I, there’s a group of students at my university that have, they have seen few, a few areas of opportunities in the area in their, in their area where they live in this poor area where they have done libraries, they have done movie theaters, they have done different areas to help the community. And it has been amazing how the crime has gone down enormously, there is no crime now.

And we are now also changing and doing low income housing where they can have low income housing. So, I think that is, I mean, we are definitely changing all of the environment around the university.

MS. RACINE: This side of the table, any thoughts on corporate - -

MS. YAO: So, this company that I am working with is a family business, so, essentially the second generation from my dad. And I think for my dad, he's always wanted to instill social responsibility into his company but I think just with the, the timeframe for when he started it wasn't one of his priorities. And I think, so that's not an inherent part to his strategies in terms of investment and also management. And, for me, I think social responsibility is an inherent part of how a corporation succeeds, because I think if you do well to the community then in return you do well.

And going back to, I think, what Sue was saying about, like, training and how to, kind of, make that, like, make that more innovative. So, I think, in China there's a, you know, there's a huge population of very undereducated, like, people living in the rural side. And the resort right now, we actually have a staff of, it's in operation but we're trying to transform it into a wellness resort, and all of the staffs are so talented and so eager to learn. I think if you give them the, kind of the right opportunities and invest on their education then I think in return then they will stay loyal and, you know, make your, make our resort successful, so, I think, yeah.

MR. ISVAN: I'll start off, I mean, I think—

MS. RACINE: [interposing] Sorry.

MR. ISVAN: --I think there's, when we talk about people wanting to be, you know, goods stakeholders in the community I think there's - - really two issues when that fails. One is the lack of incentives, and the reality is, there's a lot of family businesses and types of capital that can price that in, and there's a lot of businesses and types of businesses that can't, they get judged by the ultimate return and their contribution to the broader community, frankly, isn't what determines their ultimate success or failure into the investors that they are fiduciaries for.

So, I start off with, one, education, one, it has to be, it has to be made clear to those sources of capital that they should be pricing this in. Two, there has to be education, meaning people have to be aware, I mean, there's a fundamental problem in economics called negative externalities. So, right, people didn't realize 50 years ago that smoking was awful for them, now, everyone does that and they priced it in. You know, there's a million different types of economic activity where that can be priced in, in many ways and wellness.

I think the other thing is, it's frankly becoming apparent that it is good business because the reality is that as people look for brands that are authentic, they, living that brand ethos. For example, we're a large investor in the ski industry. Global warming is an incredible challenge in that industry, I mean, the reality is we don't have snow, we don't have a business. So, being sustainable in that respect is incredibly important and our customers demand it because they care about going skiing every year.

So, I think, again, education, pressure, because ultimately setting people's incentives both to give the consumer what they want and to deliver when having a broader picture of what it means to have a good return is how you will get the broad mass of capital to really care about these kind of issues.

MR. JACOBS: Can I? [laughter] You have to forgive me but it makes me totally crazy when I hear about, you know, sustainability or social responsibility being a result of, needing to be a result of good business and that, you know, the reason to behave in that way is because it just makes good business sense. That kind of, to me, is upside down and somewhat screwed up, but, and I'm in private equity, right, so—

MR. ISVAN: [interposing] And I wouldn't disagree with you but—

MR. JACOBS: --okay.

MR. ISVAN: [interposing] I think that's the economic reality of it.

MR. JACOBS: Well, I think there can be a whole number of realities around it and I think the intention is kin--, is upside down so consequently lacks any degree if authenticity at all, because you just have a screwed up intention, from my point of view, not from the PE perspective, I understand that.

But I think you heard a little bit this morning about, you know, when they talked about the Breakers and, you know, the importance that was given to workplace wellness and the culture that gets created, because I think so much of economic success is often about, you know, the culture that one is able to create and culture is created out of a real desire to do, to do some good and help people improve and develop people to their potential, which, in turn, ought to, with the right business and the right leaders ought to provide a decent return on investment.

I don't know, you know, we look at, you know, as a company we take half a point of our revenue and it goes into, and it's tracked, it's, the use of it is tracked. We invest it in corporate initiatives, in sustainable initiatives and social initiatives in the environment in some of the locations that we operate and, you know, we give our GM's a certain amount of freedom as to where that money goes. But generally it's spent to, you know, improve the lives of the communities in which we work. And, you know, that includes, that doesn't only include, you know, the developing world or poor countries in southeast Asia, we were doing the same in Manhattan, we're doing the same in southern Spain and northern Portugal, you know, which are not kind of developing third world countries.

And we do that out of a real desire to do some good, to do some good for people and, I mean, that's who we are and that's part of the DNA of the company. And that, in turn, creates a great narrative, it comes from a very authentic place and I think is a big part of certainly our successes as a group is the coming from, and that's where I kind of have difficulty sometimes with some of the, you know, the financial world around that. And for us, that's proven to be a beautiful thing and a good thing and a cultural creator in a very big way, and, in turn, has helped us to be profitable and that's not the primary objective of why we do that and why we invest that money.

MS. HARMSWORTH: And Neil, I think you could do both. I actually think you can do both, and you do have to be, you know, most of us have to be accountable to investors. We train 5,000 therapists a year and we make a very conscious decision to employ local therapists and to empower them and to give them a career development, so, which is very much part of our commitment because it's free training. And through that we retain them and we get huge loyalty. Our factory is super green, it exports to 60 countries, it's SECO [phonetic] cert, fair trade, soil association accredited. So, the integrity of the brand and the integrity of everything we do is still maintained.

MR. JACOBS: - - to me coming from, it's the place that comes from that drives the investment, you know? And I absolutely agree, you know, the, we need, we all need to be profitable, 100 percent, otherwise nothing is sustainable. I'm not anti that at all. To me it's just about what drives people and companies to do what they do. I think that, I find that very important, you know, you can—

MS. HARMSWORTH: [interposing] Well, you can have the passion and you can have the brand and you can have the integrity but you still have to report to a board of investors, we all have to do that.

MR. JACOBS: And I'm not de--, I'm not debating that. But it's got to be more than just about this is good for business.

MS. HARMSWORTH: Yeah, I agree with that, and I think that with our business, with our industry the empathy side of what we do is stronger than other businesses, and some of us have had to learn that. And I think all the investors around this table will say the wellness market, although they recognize that it is a key market that they need to be in and they're going to have to be in, especially as resorts go more to wellness destinations than hotels and spas or hotels with resorts, I think they are recognize that, but it's a more complicated model so everyone is having to learn from it.

MR. JACOBS: It's aloes about following a trend, you know? I mean, where were, where was the, where was the corporate capital before it was kind of cool to invest in wellness? You know, it's, it kind of follows the trend, you know, what I'd love to have found would be some corporate capital that was prepared to actually go out on a limb and say, you know, there might e something here. Right now it’s kind of fashionable to, you know, you did, I hope you did well with Miraval and selling that and, you know, it’s kind of, it’s kind of cool now to invest in wellness, you know?

MS. HARMSWORTH: But I think you have to, you know, if I can go back over my career, and I’m sorry, I’m talking too much, so I—

MS. RACINE: [interposing] No, no, no, please. The back and forth is what we want.

MS. HARMSWORTH: --of 45 years that we always, we always end up fighting, all we three, it’s quite interesting - - so I’ll keep it going [laughter].

MS. RACINE: And yet they put you together, I find that very - - [laughter]

MS. HARMSWORTH: - - say Neil, and I will say this, and I’ll wind you up, those of us who risk our own capital year on year on year and invest back in our businesses and invest in training and invest in people and have grown this industry, we are the ones taking the risks, people who work for other people. And so, I risked everything for a good, 25, 30 years before I took outside investment and then I decided if I was going to constructively build my business globally I needed to take that investment. And I actually learned lessons from each time we took it, and I think that would be more interesting probably here to this audience to know about.

MS. FRANKLIN: Do you know that I think that now, you know the investors, the private equity firms, and correct me that, you are here and the VC’s, they have a different mind. I mean, now they – - this impact investing, they are willing to, to sacrifice a percentage of return, if they are making a change in the world.

I think they are, I mean, we have 35 percent of the students on scholarship and we do have a, a - - fund invested in the university and we know that they could, they could make more money if I change the model, but I will not change the model. My model is that I am going to help 35 percent of my students, and they know.

MS. HARMSWORTH: Yeah.

MS. FRANKLIN: And they still went in and they still are getting returns. So, I think the impact investing now in the mind of the people investing, it is in there, like, before it didn't exist.

MS. HARMSWORTH: Now, I think they have it in their head.

MR. MELNIK: Yeah, I—

MS. RACINE: [interposing] And Susan, we haven't heard from you, so—

MR. MELNIK: --yeah, I would just say that I think there's more going on than just investing in wellness as being a fad or a trend at this point. You have to really peel back the onion and say, okay, what are there, the macro trends that are really driving interest in this sector at this point in time? And I think there are some very powerful trends that are responsible for that and investors are starting to recognize that.

You have the aging baby boomers for some things, so you just have a higher percentage of the population that is going to continue to have health issues. You have the, on the other end of that barbell you have the Millennials who are willing to spend more money for experiences, and it's all about the experience, it's about the process of how you buy the product or the service, it's about the performance of the product or service and it's about what their friends think about the brand and what they think about the brand and the social media and all of that. So, so that you've got, I mean, the bulk of the population that's really focused on this particular area.

You also have, you know, the, just the awareness factor in education, we talked about that earlier with the internet, the amount of information that is now available to the average consumer about product ratings, there is a website called EWG dot org and it rates all of these, you know, consumer products and lists every ingredient in there so you know which ones have all of the harmful ingredients, you know, things you can go in to the store and you can scan the product and you can get a list of all of the ingredients. So, I think just the education awareness amongst the average consumer today is just driving more demand by the consumer for companies to perform and provide high quality, clean products but also create a brand that thorough social responsibility that the consumer can identify with. And, I think, those are kind of the big things that we're seeing and why this area of investing is becoming very, very popular at this stage.

MS. DOCHERTY: Yeah, this has been incredible to listen to how everybody is looking at this and approaching it. Three quick things, and by the way I am, I'm relatively new to Canyon Ranch so I am going to be sharing some things with you that people like Dr. Rich Carmona who have been with Canyon Ranch a lot longer than I have, I've been at CR for about two had a half years. But about a decade ago, you know, under our Founder, Mel Zuckerman [phonetic] along with help from Dr. Carmona they felt that with all of the knowledge that we had around wellness and all of our health professionals on integrative medicine and preventative medicine, people who were sleep specialists, people who had board certified credentials in dealing with obesity. So, we probably need to put together a 501 3C with donations not only from our founders and from our employees but from the guests who come to our resort.

They really had the spirit of giving and wanted people who were in under, you know, who were in communities who didn't necessarily have the access to proper healthcare, knowledge base and people that could help guide them to getting, you know, addressing things, whether it was high blood pressure or whether it was issues on cholesterol or obesity, so, they created the Canyon Ranch Institute and have gone out in to communities and trained people from university and attract people over time. So, people are going to these sessions on a weekly basis, they're weighing in and talking about where they can be buying proper food, how to prepare food, and utilize our healthcare professionals, our nutritionists, our chefs to go out to these meetings with people in the community and to do something that is very valuable which is teaching people how to address this.

That is number one and number to and I don't want to steal anybody's thunder but we will be talking about the conference, some work we are doing with another foundation called Dream Street, so, think about it like Make A Wish, but these children and their caregivers really do need a healthy vacation. So, we host them on our property twice a year in

Tucson for a full week, 50 children who are very ill, with their caregivers, enabling them to have this, you know, health and wellness type vacation where they can work on issues of pain. They can work on meditation, yoga, the kinds of things and support system that they may not necessarily be getting from their healthcare systems or the hospitals that they are at.

And I would say to you out of all of the programs that I have had a chance to witness over the last couple of years, that one is incredibly rewarding.

And then the third thing is, from an employee standpoint, and I know many of you in this room, I'm sure, are doing this as well. We heard about this from The Breakers team, but everyone, all 2,500 of our employees have the opportunity to utilize our gym, our fitness, all of the same access to everything that our guests do, because we believe that they also set the example when they are working with our guests to make sure that they understand how powerful a well life is.

MS. RACINE: Jared, go ahead. Sorry, I didn't mean to [laughter]--

MR. MALLERET: Well, I just wanted to offer a European perspective to your comment regarding impact investing and social responsibility. I work with families so private investors are going to take the long view, they're not obsessed with quarterly earnings and results. And I would say that for all of these product investors in Europe the point that - - made at the beginning is fully understood. And if it's not understood as a moral imperative it can be, for me. For example, they understand that it's a question of mere survival, social inequality is rising, social, rising inequalities, you know, of opportunity, of income, of revenues is a defining issue of this century. And these families understand that if they are going to give back to the communities then - - it's as simple as that, so it's a -- heeding a risk, you give back, if not - - that you should do it for moral reasons, you just do it because it's the only way to hedge your risk.

MS. RACINE: You know, it's interesting, in this country there are, unlike Europe and I, correct me if I'm wrong here, but there are legal architectures that protect social impact investing differently. So, there's the 501 C3 which you take a pot of money and you remove it and that becomes your not for profit and that lets you invest differently and it doesn't affect your bottom line in the same way. There is a new legal architecture that a lot of start up's are now using which are social impact where, really social impact corporate architectures where the return on investment is anticipated to be less.

And then there is typical, and this is, I am just saying this for just the edification of people who may not be American, and then there is traditional, certainly in Fortune 100 companies and certainly in some very large private companies in this country that create specific funds that either come out of marketing dollars or they come out of other specific dollars that are used as private, again, at private funds within the corporation. They are not traditionally not for profit but they're, that's what we call CSR, corporate social responsibility. That was just for the audience. Carter, was that fair? Yeah.

Okay, so, as investors I think and as people who are running large firms it's private or public, it's particularly interesting to prognosticate. Where do you think we will be in the wellness space in five years? Because as, certainly in early stage technology we are always, we don't want to build for now because it's already antiquated, we want to build for where we think we are going to be. And I'm just curious where you think the wellness industry is going to be in five years?

MR. MALLERET: I think that many bubbles will have burst. I completely agree with the point made by Ricardo regarding the very powerful - - market trends driving interest in wellness, but wellness is also the - - that have been extremely accommodative in monetary - - over the last ten years, which has driven a search for yield. And when there is a search for yield, you know, investment then will - - trendy stuff of which wellness is a very critical component anymore.

So, this is a very amorphous asset class, and it's going to represent so many different things and it can be organic vineyards or it can be - -

MR. CHANCE: [interposing] Technology.

MR. MALLERET: --technology, of course. But my belief is that that many bubbles forming in specific corners of the wellness industry and I am curious to understand whether this is, will have burst within five years from now.

MR. CHANCE: [interposing] Now—

MR. MALLERET: Interest will have start going up again.

MR. MELNIK: I would agree, I mean, I think in any investment it depends upon your time horizon. I think all of the macro and long terms trends that Ricardo mentioned, aging population, greater, you know, awareness of how to lead a healthy lifestyle and the impact of not doing so, those are great things and those are positive long term trends and I think we will be here in five years, in ten years, and we'll be, you know, this conference will be bigger.

But the reality is, as people become aware of those trends and people chase investments and those investments will get --- at levels that don't make sense. Is this, some business models will be proven out and some will not be, and that's across all of the different verticals.

MS. RACINE: What do you think? What do—

MR. MELNIK: [interposing] Here's a great example—

MS. RACINE: --okay.

MR. MELNIK: --is Class Pass, right? We would all say Class Pass is a great technology company that allows people accessibility to fitness, right? But the problem is—

MS. RACINE: [interposing] I passed on Class Pass.

MR. MELNIK: You passed on Class Pass?

MS. RACINE: Yeah.

MR. MELNIK: Right? And as you can appreciate, it's struggling.

MS. RACINE: Yeah.

MR. MELNIK: They figured out that, perhaps their business model isn't profitable, and so that's where we go back to my earlier comment is if we really want sustainable investment in this sector and this and wellness businesses to thrive and have the impact, they have to ultimately be profitable at scale. There is always going to be socially responsive investors in other type of investors that, you know, within a certain range can fund these because their goals are not financial oriented. But at scale you need that profitability and that financial.

So, I think we'll see wellness be bigger. It will continue to be focused but I do think we'll see a sorting of some, you know, some things that work and some that don't.

MR. CHANCE: What are your thoughts on Peloton [phonetic]?

MS. RACINE: [laughter] You're getting tips here, I just, just pay attention.

MR. MELNIK: Now, yeah, honestly, and it seems to have done, it seems to be growing faster than I would have expected. I think a key aspect of fitness and the evolving health and wellness lifestyle is the social aspect. And so, you know, a lot of the boutique fitness classes, it's the new going to the bar, I mean, you are going and social, it's friendly. And while I understand it can be the convenience factor of Peloton, you know, the lack of social interaction combined with the high up front price point, I just wonder how, how much that can scale.

MS. RACINE: It'll never be Soul Cycle.

MR. MELNIK: Yeah.

MS. RACINE: Yeah.

MALE VOICE 3: What happens with the IPO? [laughter]

MS. RACINE: That's exactly right. So, this is, I'm going to throw this out to you, this is a $5 million dollar bet, if you have $5 million where would you place it? Oh great, come on.

MR. MALLERET: In the outdoor industry.

MS. RACINE: Where, we're, pretend we're in Las Vegas.

MR. MALLERET: In the outdoor industry.

MS. RACINE: In the outdoor industry?

MR. ISVAN: Yeah, I think anything, you know, where we talked about product versus experience and the changing definition of luxury, I think anything that is, allows people unique, it’s adventurous and escape, to be frank, it can probably be, you know, sharable in Instagram or some other social media platform, that is the new currency. So, any, you know, we’re invested in skiing. The most popular area of that ski company is heli skiing. Why? ‘Cause it really is that unique nature, and it’s a high price point here, it’s not accessible in a way—

MS. RACINE: [interposing] How does that get to wellness, that’s like death? [laughter]

MR. ISVAN: No.

MS. RACINE: Sorry, sorry.

MR. ISVAN: No, that is—

MS. RACINE: [interposing] I hope nobody here is in to heli skiing.

MR. ISVAN: It gets, it gets to wellness because people are looking for authentic experiences that challenge them and take them out of their everyday routine. And being in pristine nature, being social with friends, that is what they are looking for.

MS. RACINE: Scared to death.

MR. ISVAN: And that’s what their, what, how do you price that? How do you price that?

MS. RACINE: You can’t. [crosstalk]

MR. MELNIK: That’s also why we’re seeing a, you know, all of these, like, the Iron Man and the Tough Mudder and all of these endurance—

MS. RACINE: [interposing] Tough Mudder, yeah, yeah, yeah.

MR. MELNIK: --endurance - - because there is a new one that I just heard came out where you go on this, you know, 20, 30 mile trek but you do it with your mountain bike and running, so you have to carry the bike on your shoulders.

MS. RACINE: Man versus horse?

MR. MELNIK: Yeah, so you have to carry the bike on your shoulder.

MS. RACINE: Yeah, yeah, yeah.

MR. MELNIK: Up the mountain and ride it back down.

MR. CHANCE: Go to Canyon Ranch or Miraval, those are, those are not inexpensive resorts and they're phenomenal but their physical product is not a five star product or you are going for the experience, you are going because it's your - - you're going, yeah, because it's authentic.

MS. RACINE: But I would like to hear from everybody else. If you have $5 million - -

MS. HARMSWORTH: [interposing] It's not enough, $5 million is not enough. [crosstalk]

MS. RACINE: Well, that's the - - early stage, $5 million, yes, it's just the right amount for an early stage.

OMAR: But that $5 million isn't going to cut the deal, but $5 million—

MS. RACINE: [interposing] But this is a team sport. Let's – - invest - - [crosstalk]

OMAR: So I'm going to take this $5 million and put it in something—

MS. RACINE: [interposing] Correct. [crosstalk]

OMAR: The, but I think wellness communities, without being branded as a wellness community, I think there is enough consciousness growing and there's enough spirit behind it and people's realizations that they want to live better, they want to reduce stress, they want to come out of the rut of daily routines, et cetera, and they are pushing people to look for, see more environments that they want to live in, in fact, what we are describing as wellness communities but I don't think they want to brand it that way. They want it to be a wellness community and, but it's—

FEMALE VOICE 1: So you would buy a house? I don't know. [laughter]

OMAR: Develop one—

FEMALE VOICE 1: [interposing] You and me both.

OMAR: A development one and get one free, and develop a community, but I think there is an enormous growth potential there in, in the fringes of all urban environments in the world and there is a growing education and growing consciousness and awareness that is going to drive people to that kind of community. And I think the danger is putting a big W, you know, the wellness community or this is a sustainable environment or whatever, don't call it anything, just be it. And ensure that the, and that the bones are right and ensure that the principal and the philosophies are right. I don't need to brand it overly and people are going to flock to that.

And these are cyclical movements, I mean, we, we look at patterns of how urban destinations breathe. They breathe out into the green space and then - - that cycle comes back and then all of a sudden the urban, urban nucleus starts becoming cheaper and they come back, or demographically [phonetic] their kids are grown up or whatever it is, they come back and then all of a sudden again, it grows out.

And I think you're going to see a cycle slightly to the fringe and that's getting less and less possible so we need to create some urban escape as well within the urban environment but what is driven by wellness and better living is going to be the next type of real estate investment that I want everybody's $5 million, I think we're going to make a mint.

MS. DOCHERTY: Susan, I agree with Omar in terms of putting money into wellness real estate. The property that Canyon Ranch has in Tucson has, you know, 100 wellness homes that people have been in for decades now and we're finding exactly what you have found, which is the parents are aging and, you know, moving in to adult living communities. Their kids are taking over those homes which is phenomenal because they are also, you know, recognizing the value of a well life.

We just spent many millions of dollars also doing the same thing in Lenox, and I would tell you as, you know, whether I am at Canyon Ranch or I am at another wellness brand, I think this whole aspect, and we heard about it this morning on stage, it's 119, you know, a billion dollars per annum on a global basis, growing at nine percent per year.

I would absolutely put my money there, especially for wellness real estate that's going to be on the side of prevention and that is going to have everything there that people need, you know, a full suite of doctors to nutritionists to chefs to exercise physiologists so that we make people's choice for wellness one that is simple to achieve.

MS. RACINE: John? Oh, sorry. I could see, there was a smile on his face so…

MR. COHAN: I'd put the money in a fund. You see, I think that, I think if you really looked at the hospitality business in America, and I've been on some of these other panels, people, it is a very small niche that people are going on vacation for wellness, I mean, people don't come to The Breakers, okay, to eat a strict diet, right? People come because, what they've always come for, fun. And so, it's interesting what you said about communities not being branded as wellness, you know? Not to, and we're not taking investors. But we announced our active living community with a brand that clearly stands for enjoying yourself, right? And without any marketing spending 100,000 people who have registered to buy a $350,000 home.

Now, I mean, it's just astounding, right? Now, 100,000 people would not register and go buy a home where they felt they wouldn't be able to live ten more years but not have a good time. So, I think that, and, you know, it's very interesting, I was flying down here on the plane and I we curious and I looked up the history of Del Webb. Right? Now, does anybody in this room know what Del Webb really did for a living? Del Webb built the Flamingo for Bugsy Siegel.

MS. RACINE: No.

MR. COHAN: Absolutely. So, it, it is—

MS. RACINE: [interposing] Well, you, you have to give context.

MR. COHAN: --so the—

MS. RACINE: [interposing] You always have to give—

MR. COHAN: --Bugsy Siegel was a legendary criminal in this country who developed Las Vegas, it's a fabulous movie, what was it called, I'm forgetting it—

MS. RACINE: [interposing] Yeah.

MR. COHAN: --with Warren Beatty, who played Bugsy Siegel. But the point being, the more things change, the more they stay the same. People have always liked fun, right? People, the reason he thought people were going to go to these communities was because he was a contrarian, in other words, the conventional wisdom was people wouldn't want to be away from their families, from their extended families. That wouldn't be fun and that wouldn't be - - you want to be with your families.

Well, he went and did a little consumer research and what he found was that it was the exact opposite, people said, you know what, I'd like to separate from my children at 60 and go and be with contemporaries and enjoy myself. So, I think the idea of fun is where I would put my $5 million.

MR. JACOBS: Now, why are the two mutually exclusive?

MR. COHAN: No, they're not, they're not at all. It's really the definition of wellness.

MR. JACOBS: Right, right.

MR. COHAN: If you described ski resorts as wellness.

MR. JACOBS: Yeah, yeah.

MR. COHAN: Then, I mean, I don't think the ski, I think if wellness as something that's about longevity, right? SO then, of course, to your point, at a place that's fun you want some, someone wants to know that that there is wellness, there is exercise, there is all of that going on, but the driver, the magnet is a sense of enjoying yourself and a sense of doing things that are good for you.

MR. JACOBS: But that doesn't mean you have to get blitzed at the bar every night, right? I mean—

MR. COHAN: [interposing] A lot of people would disagree with you. [laughter]

MS. RACINE: It does if you, never mind.

MR. JACOBS: As long as it was organic vodka or whatever then, you know, maybe that would be—

MS. RACINE: [interposing] Biodynamic wine, right? [crosstalk]

MS. YAO: I think—

MS. RACINE: [interposing] Sorry.

MS. YAO: Sorry.

MS. RACINE: No, Amelia, go ahead.

MS. YAO: Well I think the difference between fun fun and wellness fun is why you do it, right? 'Cause sometimes we kind of just have fun for the sake of having fun and it might not be well. So, I think a wellness fun, like, for example, I've run across, like, a few wellness programs, there's, like, wellness surfing camps or wellness, like, scuba diving. So, if you set the intention where it's, like, okay, I'm going to go scuba diving to get over my stress, that's a wellness program. But if you're going to do scuba diving just for the sake of scuba diving, then that's fun. [laughter] [crosstalk]

MS. HARMSWORTH: So, back to your original question, fi I had $5 million what would I do with it?

MS. RACINE: Yeah.

MS. HARMSWORTH: So, I think we have to tackle two issues.

MS. RACINE: Okay.

MS. HARMSWORTH: Because $5 million won't cut it with wellness resorts. And the other thing is, you're all quite American here and it's you're talking very American centric which is fine, but the world is very different and at very different stages. You know, if you're talking five years I think we just, we still won't have defined what wellness is. It took us 15 years to define what spa is and I know technology speeds everything up. But, wellness means medical in the Germanic countries, wellbeing, lifestyle. So, if you take spa, you take salon, you take lifestyle, you take wellbeing, you take wellness, then you take medical, what is that going to be and what does that mean to different people at different times of their lives and in different cultures?

MS. RACINE: Okay, so—

MS. HARMSWORTH: [interposing] And I think it's going to be a long term, and I go back to my original point that we are missing the consumer, we have to start defining the consumer because we're all going to be building these hugely expensive wellness resorts, and there will be a demand but it will be a privileged market who can afford to go. And we come back to Susan's point well in also in mind that I find when I was running health resorts in another life, was very few people can take two weeks out of their life, if you've got children or if you've got family commitments or if you've got work, to go for two weeks and dedicate it to yourself, it usually is because you have a reason, either you've been sick or you've been bereaved or you have some, so that is one market that is completely different.

If I, I am very much on this side of residential but I'm 73 and I cannot imagine anything worse than living with other 73 year old's. [laughter] So, I am a multi generational living but, I am a very private person at the same time. So, I would invest in putting wellness into a home yourself. So, I am very privileged from selling companies a few times to have a beautiful home and I've got my sauna, my gym, my aqua pool with my aqua rider. I have my nutritionist, my personal trainer, and I do all of that at home and to me that is my luxury and that is how I am going to live another ten years well, and I think if you have $5 million that's going to be a huge market, because I think those Boomers, you know, to really, the big thing now is going to be able to live those last few years well and healthfully. I want a pill when I can't do that anymore, and I, but as far as and as long as I I can go and keep healthy, that's the achievement that everybody wants.

MS. FRANKLIN: I agree with you, so, okay, I would in, if I have $5 million I would move with Sue to her house [laughter]

MS. RACINE: We're all moving with Sue to her house. She's going to have to build another several wings. [laughter]

MS. FRANKLIN: No, no, no. I would, maybe I would move, but now what I would invest in is actually not in a company that my company has that I believe a lot, which is, it's biotech company that he knows very well about it, and they are developing things for the face, serums and things for the face with, that, with stem cells from your own body, and that they found that they can make fiberglass grow and your own stem cells grow and make your face never have wrinkles again.

They are in the stage of, I mean, he's a scientist. He will not, he will not distribute this thing, but it is an amazing company and I would definitely invest in that because I think that when you come to certain age you want to look as good as you can in Sue's house with [laughter]—

MS. RACINE: [interposing] Yeah, it's a personal chef - -

MS. FRANKLIN: So, I will take care of your face, you will take care of my body.

MS. RACINE: Her face. [laughter]

MS. FRANKLIN: So, I think that, I think that is a perfect match. So, I think I will definitely invest in the biotech company and we will develop more products with your own stem cells and a personalized creams and serums that will be just for you with your own stem cells.

MS. RACINE: Great. We have, I'm sorry, go ahead. We have about ten minutes left, I want, I just want to make sure we leave time for the audience. Are there questions, do you think, from the audience? Do people have things they want to, if not, I have a list of questions.

MS. SOMA: Just the, just a moment—

MS. RACINE: [interposing] Okay.

MS. SOMA: --because Sue's point is really because, talking about the US, you know, I am investing in Asia.

MS. RACINE: Sure.

MS. SOMA: It's totally different story. When it's - - to say, if I have $5 million, you know, $5 million is a big money, but in a Vietnam has lots of opportunities still. I might be investing in a drug store, I just started a drug store, gaining the - - is such a difficulty in this country but there are, you know, getting the - - to import the products and the, studying, you know, like several drug - - you can sell, 'cause the - - so, A, you know, there are, the same time, you know, I get no drug store in Vietnam.

MS. RACINE: Mm-hmm.

MS. SOMA: But people, you know, kids - - is a big difference, you know, difficulties. So, that's why my opinion is, again, US trade, you know, lifestyle especially, the rich countries say that it’s coming ten years’ time to Asia. So, we still can gain, you know, success story, risk, what’s a fail, what’s a success and - - to, easier to invest before that.

MS. RACINE: Interesting point.

MS. SOMA: But hopefully, you know, I can invest for more like a social friendly project like I didn’t buy the drug store, I studied with a - - maybe something as a - - thought. So, anyway, the fund cannot think about this – - much because, you know, I need to, I manage the, somebody else’s money, not my money, right? So, I have to make profit out and that’s why I try all my best but actually I like to invest for using what this country.

MS. RACINE: Thank you. Sure, of course.

MS. YAO: Yeah, once my dad gives me, like, full autonomy into where I can put the money, I think I, well, [laughter] wellness for children, children’s wellness, so, you know, like, incorporating it into, like, school, wellness preschools, wellness kindergarten, ‘cause I think if you can imprint on us at an early age then it becomes, like, an inherent part of you. And I think, if we can somehow put that model and mix it into schooling and then do it early, I think that would be really, really cool, like, wellness baby schools or wellness mommy and daddy schools.

MS. RACINE: Are there questions from the audience? Okay.

MR. SAMI GAREMY: [phonetic] Hi, my name is Sami Garemy from Geramy, we are manufacturer of spa equipment, beauty, medical and wellness. That means we have different types of clients and we have come to notice in the last years that we have merging markets. We are talking about this, building the wellness temples, which is the trend, and we see more and more medical getting in there. My question is, how much medical you can see in the future in the next ten years, will it be implemented? Do you think that one day hospitals maybe will disappear or the other way around? That’s my question on the specialists, thank you. [crosstalk]

MS. RACINE: No one is touching that with a ten foot pole.

MS. HARMSWORTH: Well, Semi, you know what I think, so I don’t know why you’re asking me what I think. So, I’ve done a lot of research on this and I think we have a very broad customer base, so we're very lucky being in the 60 countries and we get huge feedback because we're operational and because we have all of the therapies.

And we've looked very carefully at prevention, lifestyle, so what I would call complementary alternative medicine, spa treatments, holistic treatments, all of the things we know in this room. And what I'm finding, Sami, is it's a very different market, and the, when people want medical usually they are sick or - - and they want the best doctors they can possibly have.

I might offend people in this room by saying what I am going to say. And I think there are a few exceptions, Canyon Ranch being one of them, and a couple of others, but generally speaking you cannot get the best doctors to work in a wellbeing spa environment and apart from dealing with contraindications from infusions and things like that, which we can probably do with registered nurses and other professionals, I think it's going to be very difficult to do serious medical.

Now, there will be exceptions in the Middle East, there is projects where you've got the hospital morphing in to the wellbeing, morphing into the spa, morphing in to the accommodation, but those are billions of dollars, those projects, they're not, you know, a few million or a hundred million, they're billions and the whole community developments with real estate and all sorts of things.

So, my conclusion and it may be too soon and I may be proven very wrong, is that we are going to have to separate out lifestyle, prevention, spa, wellbeing into one pot and medical into another. And, plus, the cost, the cost of medical and how far can you go with medical with scanning and C--, CAT scans and MRI and all of the labs and all of that sort of thing.

MS. RACINE: It's hard to answer the question because of, because of cultural and political and philosophical differences among countries.

MALE VOICE 3: Reimbursement.

MS. RACINE: Right, and reimbursement amount countries. So, that's an interesting question, but…

MS. HARMSWORTH: Andrea Gibson from ACOR [phonetic].

MS. RACINE: Okay. Yes, yes Andrew.

MR. GIBSON: The - - the medical world, in pretty much most of the countries of the world, medical have got all of the support of the governments in the best ways because of their stature and everything else. Don't you think that once we start mining money out of wellness and everything, the medical will legislate it and control that industry?

MS. RACINE: God, I hope not. [laughter]

MS. HARMSWORTH: Well, we come back to the, to the marriage thing yesterday of wellness and medical and how it transcends. Number one, I think it's going to be different in countries that have socialized medicine, so, I think where the private medical sector is going to be very, is very separate. I don't think it's the medical profession we have to worry about, I think it's the drug companies.

So, but no, you know, personally I think Millennials, I think with Boomers and all of that lot, I think the prevention and the lifestyle issue is a much bigger one.

MR. GIBSON: Exactly.

MS. HARMSWORTH: And if we can prevent getting sick in the first place we're halfway there, and I think it's what most of our role. I, I have generalized to a degree, there will always be exceptions.

MR. JACOBS: What's interesting to me, just quickly is turning that the other way around because we are finding that a lot of hospitals and a couple of pretty large companies are talking to us as an industry about how to put our wellness into their hospitals—

MS. HARMSWORTH: [interposing] Yes.

MR. JACOBS: --as opposed to the other way around.

MS. HARMSWORTH: Well, I can see that, I can see that.

MR, JACOBS: Right?

MS. HARMSWORTH: And I can see what your hospitality expertise. It's almost like there's a couple of private clinics in London where they have taken hotels to do their F&B and their hospitality side, I think that could certainly happen.

MS. DOCHERTY: Yeah, I think there's a lot of need for hospitals to help people get prepared for both, you know, preoperative care and post-operative care, particularly when it means that major lifestyle changes are needed for these people. And I think that, you know, the more we can get on the side of prevention and be very precise, so that things are science based, and we heard a lot about that this morning with all of the various doctors on the stage, but at the end of the day there is no, you know, one big solution for everybody. So, it has to be something that is personalized, precise, and that works on the side of prevention. And I don't, I don't think we're going to see, to your question, hospitals going away because, yes, we talked about a very big moon shot this morning, there were still going to be some fundamental diseases that, you know, we can't cure just through being on the side of prevention, but I think that the two need to work more collaboratively and a lot more closer together to find solutions for people in greater masses then what we are able to do right now where, you know, we're just basically talking to people who can afford it.

MS. HARMSWORTH: I think the other thing that will come, so I, a trend that I certainly see in the UK is there's so much orthopedic issue at the moment, so, knees and hips and feet and, so, people aren't ill. So, you're seeing injury in the men, in particular from running and all sorts of things in their 40's and their 50's, athletes, I mean, I had a hip replacement with a very famous surgeon and it's full of sportsmen, the whole surgery is full of sportsmen. So, I think one of the things we are lacking in the UK and Europe are places to go to prepare for surgery and post-surgery.

MS. DOCHERTY: Right.

MS. HARMSWORTH: And there is a fine line there that might come across. So, you know, you can do real good rehab when you are not sick, you know, in wellness destinations. So, that, there is a fine line but I think invasive surgery where you need plasma and you need labs and all of that stuff, it is a bit of a, you know?

MR. ADAM BOOKMAN: [phonetic] Hey, hi guys, Adam Bookman from the US, and I run a small hospitality consultancy. My question is really about the intersection of hotel and resort with residential and I'd just love to hear one or two of your thoughts on trends that you see moving in to the space in terms of investors that are looking for, kind of, mixed use between residential and hotel and resort.

OMAR: Yes, I'll take that.

MS. RACINE: Please, Omar.

OMAR: Okay, I mean, you know, your question more relates to the trends, you mean, as to what they investors are looking for or the trends that are succeeding?

MR. BOOKMAN: I was thinking more towards kind of - - to what is working and—

OMAR: [interposing] Okay, I, what's happening now is in quite a few countries in the world that it, the mixed use development's, basically are becoming omnipresent, even in urban destinations, but in the resort world that became some sort of a financial model rather than a conscious effort to integrate the two. It is not necessarily an effort to bring those two together but also it's become some sort of a financial model in the absence of long term project financing that can support the, say a seasonal resort destination. So, it's a very good support, I mean, it started with golf courses and fairway houses and golf villas and things like that and we said, ah hah, and now we start bringing that in to various contexts of resort and residential.

In urban, in the urban setting, yes, there is a lot of, there is a lot of money looking for a residential component that is somewhat a serviced environment, a secure environment, and this key word, it seems to be gaining a lot of traction, unfortunately, the secure. And people travel a lot so when they are not there the real estates is well looked after, et cetera. So, when those two work together in an urban context, it's a hotel and branded residences or a hotel and service departments, et cetera, they are gaining, they are gaining traction and there are complications, there are legal complications, there are zoning complications at times, but ultimately if it is done well and I think there is a huge market still, and there is a lot of demand, including pent up demand.

Unfortunately, so far it has always been at the very upscale. So, that kind of a mix between branded residential services and the hospitality piece is associated with luxury and that means expensive, that means $5 million apiece, et cetera. Or I found another place to put your $5 million. [laughter] But it needs to democratize a little bit, there’s a lot of space because from there down to the executive apartments, so, they are, they are pretty poor and there’s a huge gap between them and in the resort context, it’s a mixed blessing, but the buyers are happy that in their absence the place can make money. So, typically you would split that into three, there’s the hotel, there’s the branded comp--, residential component within which there is also a component there, the owner has to actually buy the entire, if - - package exactly as the hotel and in their absence they have to give the key to the hotel operator and that becomes part of inventory, and then the revenue is shared with the owner.

With, whereas the other brands and residential owners are free to do what they want whether they give it to the rental or rental people and things like that. But true rental pools only work with a product that is not personal to somebody but is an extension of the brand identity of the hotel or the resort.

So, it’s happening in both urban and resort context and it hasn’t yet democratized down and it is still in the luxury space and pretty exclusively. But there’s a lot of success and it does create their, a great financial component to a resort venture or a, or even a - -

MS. FRANKLIN: Yes, I was—

MS. RACINE: [interposing] Go ahead.

MS. FRANKLIN: In our case it does happening in Mexico and not for the high end, we are, well, the one I showed you was a little high end.

OMAR: Yeah, that’s - - it.

MS. FRANKLIN: I showed, I showed Omar yesterday one that we are doing, 35 story building with mixed use, but there is another one that we are also doing that this is a 22 stories and it has a wellness component and it has apartments and also office space and it is very inexpensive, it’s target for Millennials that work.

OMAR: How much?

MS. FRANKLIN: And, excuse me?

OMAR: How much is the ticket?

MS. FRANKLIN: It will be about $200,000, no, about $350,000.

OMAR: That’s - -

MS. FRANKLIN: So, it is accessible and it’s working a lot, and the moment that you put the wellness figure, you know, because there is a lot of things going on in Mexico, there are a lot of buildings going up, and if you put the wellness s thing in there it sells much faster, much faster, it’s, you know, you get the money out of there immediately. So, I think the wellness, the wellness component in the buildings that we do makes it much more easy to sell.

MS. RACINE: I have one more, may I ask one more question or no, Jared?

JARED: Real quick, we’re going to wrap this up in the next minute or so.

MS. RACINE: Okay, this is the, one more question that I didn’t get to, but I have about six more that I didn’t get to but this is one that keeps coming up. Is the tension between the Millennials and the Boomers, around the world I think this is probably true, right? That either in terms of marketing or in terms of expenses or in terms of what we are investing in right? Do you as people who are either building, running or investing in properties, I don’t mean physical properties, I mean, opportunities, do you see a tension between the two demographics?

MS. FRANKLIN: Millennials and what?

MS. RACINE: Millennials, the, I work with, most of the people I work with are under 35, they do everything very, very differently than the people who are my age. And I’m curious, as the people around the table, do you see a tension, do you actually think about these, this, these two very large groups of spenders, influencers?

MR. JACOBS: Part of the tension isn't just generational. But the lifespan of real estate generally being 40 to 50 years and the lifespan of habits and behaviors being four to eight years.

MS. RACINE: Perhaps beyond real estate, not just thinking about real estate but just thinking about opportunities for, for wellness, right and how wellness exists and is defined by the new demographics?

MR. JACOBS: Well, I think you have to be prepared for whatever demographic comes your way. I mean, I was just in Asia and in Bali, they basically built many of the resorts for the Australians which were 50 to 60 percent of the visitors. And 15 years later the Chinese visitation has overtaken the Australians totally.

MS. RACINE: Good point.

MR. JACOBS: So, how do you fit in your offering to cater to the waves of different source markets who are coming to take advantage of what you are offering? [crosstalk]

JARED: Well, I hate to be the bad cop. Unfortunately, we're, we're running right against the time. I'm just told we have to, we have to get everyone - - stage within a few minutes, but thank you.

MS. RACINE: Thank you for this very shy group of conversationalists. Thank you - - [applause] [crosstalk] Thanks, you know, I'd love to talk to you further.

FEMALE VOICE 3: Yeah, me too. [music plays]

[END RECORDING 400PM WELLNESS INVESTORS REV.MP3]