



FAMILY BUSINESS

— NEWSLETTER —

Putting Roots Down in Denver International Airport and Beyond

If you've eaten at Denver International Airport while waiting for a flight, chances are you've eaten at one of Mission Yogurt's restaurants. Mission currently operates 16 brands, including Root Down, Que Bueno! Mexican Grille, and Timberline Steaks & Grille, just to name a few.

Mission Yogurt is owned and operated by Rod Tafoya and his mother, Reyes. Because Reyes worked at Stapleton Airport in the 1980s, Rod became fascinated by airports at a young age. Their mutual love of airports led them to decide to go into business together with each being a 50% shareholder. Although Rod operates the day-to-day business, Reyes is still involved with reviewing receivables and payroll — even at the age of 91!

"Airports are the most exciting place to work," Rod says. "They are the safest and cleanest, and every day is different."

He put in a bid for a space at Stapleton in 1985, but was not selected due to a lack of experience. Instead, Rod broke into the restaurant business by purchasing a Penguin's Frozen Yogurt franchise in Arvada, Colorado. The name Mission Yogurt is a nod to their beginnings with that first yogurt shop, although the brand operates many other types of restaurants now. "Mission" comes from the motivation to achieve a goal, like early missionaries, or "Mission Impossible."

When the new Denver International Airport opened in 1995, Rod was ready to try again. This time his bids were successful, and he opened both Sara Lee Sandwich Shoppe and Colombo Yogurt.



Rod Tafoya (second from right) at the ribbon cutting for one of Mission Yogurt's newest locations.

"Never give up on your goals," Rod says. "Even when you face challenges, always persist. If you don't try, someone else will, so why not you? Being a concessionaire, or standard restaurant owner, is hard work. Be prepared to work harder than you ever thought you would, and to give up a lot of personal time. But the results are worth it. My mom always said that if you pay your bills, pay your employees and pay your taxes, everything else will follow. It's been great having her guidance over all the years we've worked together."

When asked when he felt like he'd finally "made it," Rod shares it was when he was able to pay off his student loans a year after opening his first store. He wants to pass that feeling of achievement on to others, and does so by keeping his employees' best interests in mind.

All Mission employees are offered a 401(k) package and paid time off, as well as free health care. Rod also provides a travel allowance to his team members because he recognizes the challenges of working at an airport vs. a typical office location. Just to get to work each day, employees have to commute to the

airport, navigate the parking and then pass through security. His employees' time is valuable, and he wants to make sure they are appreciated.

In addition, Rod recently founded a nonprofit called Mission Cares. Mission employees are welcome to contribute to the fund, which is matched dollar-for-dollar by the company. The application funds are then available to employees in need for unforeseen hardships, medical emergencies, natural disaster recovery and other circumstances that could impact their ability to work.

"Everyone falls on hard times at some point, so I want to make sure my employees are taken care of. By welcoming employees to donate to Mission Cares, we also build a sense of community and family within the company. We look out for each other," Rod says.

Mission Yogurt operates brands in Denver International Airport, San Diego International Airport, John Wayne Airport, and one restaurant in Metro Denver. They currently have 550 employees, and are looking to hire 200 more by 2023.



Family Businesses Need Legal Documents That Go Beyond Estate Plans

By Craig E. Aronoff, Ph.D. and Otis W. Baskin, Ph.D.

Recently an attorney friend with vast experience in helping business-owning families plan for the continuity of their businesses and wealth asked us, “What are the most frequent problems caused by inappropriate legal advice to family business owners?” Actually, the most common problem isn’t inappropriate advice — it’s that the family and business have outgrown the last legal advice they requested. Too often business owners are operating a successful business with legal advice and documentation more than a generation old.

Success in subsequent generations requires review and revision of many operating assumptions to assure

that they fit current needs and intent of both the business and its owners. It is easy when things are going well to leave important documents in a safe place without questioning their ability to safeguard the enterprise as it exists today. But we do encounter clients who have put themselves or their heirs at risk while following legal advice that doesn’t consider all relevant objectives.

When Good Advice Goes Wrong

With respect for our legal colleagues, we find that sometimes their immediate focus is on the details of what they do rather than the client’s overarching needs. So, questions

like, “Who should be your successor trustee?” or “How will your assets be disposed of if everyone in your family were to die?” (as important as those questions may be) get more attention than, “What are the goals you hope to accomplish through the planning process that allow us to produce the documents to guide your family in the future?” or “What are the principles that will guide your decisions as we work through this process?”

Here are some recommendations from our experience that can guide both attorneys and their clients in creating legal solutions that will work now without impeding the future of the family or the business they own.

Don't just tell clients that they need to make certain decisions and have certain documents drawn for them or assume that you know their needs and goals. Take the time to interact and help them understand that these processes and agreements should be parts of comprehensive plans that facilitate client goals consistent with their values. That, in turn, requires clients be able to thoughtfully understand and articulate their own values and goals, something they perhaps have never done before. Clients often need help understanding that passing an operating business or mutually owned investments along to subsequent generations isn't like creating an estate plan for stocks and bonds.

When passing shares of an operating business to successor generations, more needs to be considered than just the cash value or how to divide the profits. Sometimes, the most important challenge is keeping control of the business within the family. This usually requires expertise beyond the scope of most estate planning attorneys because technical issues of corporate law are involved. Here are several critical areas to consider:

- Shareholder agreements or buy-sell agreements need to allow owners liquidity without harming the enterprise or other owners. Provisions to retain ownership within a given family must also consider ways to nurture ownership commitment to the enterprise, particularly when only a minority of the ownership is held by those operating the business. Forced sales of shares for those who choose not to work in the business may result in the business becoming top heavy with uninvolved and unproductive management and/or fractures in family relationships that may never be healed. Restrictions on leverage in the business appropriate for one stage of operations

can hamper the ability of the business to grow and compete in the future.

- The proper role of owners should be defined for shareholders not involved in daily management who need confidence about how their capital is being deployed for the best interest of all. Good corporate governance processes need to be created to protect rights and provide a voice for all owners. Owners must understand the difference between their input and the roles of management.
- Clients should understand that when they put their shares into trust for the benefit of their heirs, they may be giving voting power to professionals outside the family. We have worked with families in multigenerational businesses to make necessary changes to bylaws or other legal documents who were shocked to learn that the majority voting control for ownership was in the hands of outside trustees. Trusts are important tools to provide for heirs in a tax efficient way. But before they are "set in stone," the often-unintended impact on ownership decision-making needs to be clearly understood.

Not Just a Legal Exercise

Understanding and articulating goals and values takes time and thought, and is facilitated by probing, sensitive, informed questioning. This is particularly important, difficult and time consuming when dealing with a family business rather than an individual. Successful ownership transition in a family business often requires that consensus be achieved concerning goals and values to provide a foundation for gaining answers for all the other questions that emerge in the course of generational transition. Family businesses rarely approach generational transition ready to articulate goals and values without going through a process of intensive

communication, planning and joint decision making, often with the guidance of a facilitator experienced in helping families through such processes.

One of our recent clients illustrated how complex it can be to reach consensus even when there is agreement on the goal. A sixth-generation family of more than 40 owners had operated two businesses for more than 100 years. As most of the ownership transitioned to G5, the ownership percentages became smaller and there was a need to increase revenue. Because the family had accumulated large and valuable land holdings over generations that were owned mutually through partnerships, they needed to agree on a way to monetize their assets that would respect the needs and interests of all owners.

A team approach that includes legal advice, financial planning, business governance and family dynamics is the best approach.

While everyone agreed that maximizing the value of more than 10,000 acres of high-demand real estate required outside expertise and sound business planning, creating the structures and processes to achieve the desired outcome required careful preparation. The ownership group selected a working group of family members with the responsibility to represent the interests of all branches and keep them informed. Working with a facilitator, this group reviewed what other families had done in such circumstances and drafted a document of more than 30 pages describing values and objectives that the entire family could embrace. As the document was being prepared, the group members circulated drafts within the family for comment, and two family meetings were held to have open discussions of drafts. At each stage, comments were addressed, and drafts were revised.

When the working group and the larger ownership group agreed on a document that represented their mutual interests, they began to interview law firms to create the documents necessary for business operations and governance. They soon realized that greater expertise in corporate law, real estate law and estate planning was needed, so they narrowed their search to only firms with those capabilities. The law firm selected understood that this would not be a matter of changing names in a document already residing in their computer system. The resulting document defined the roles of owners, managers and the board of directors along with providing mechanisms for ownership to be passed down and bought and sold within the family. Finally, the document was adopted by all owners as the official governance system for all their enterprises present and future.

What Can Go Wrong?

Under the best of circumstances, blockages that slow down or stop the process are not uncommon and patience is required. Here are various obstacles that you may encounter:

- Conflicts among family members (often related to perceived past injustices);
- Fear of death;
- Inability to make objective decisions (e.g., who can perform more responsibly in various roles);
- Inexperience with the kinds of issues that arise in the process; and
- Inability to communicate effectively.

These blockages typically need to be addressed with empathy and understanding if they are to be overcome. The best response is often a team effort among involved family members, lawyers representing different perspectives, financial advisers, and experts in family ownership dynamics.

Conclusion

The best legal advice for any family business owner is always specific to the needs of the individuals and their business. Taking into consideration how the actions of any owner will impact the others. Planning for the continuity of family wealth and an

operating business that can continue to generate wealth for generations to come requires more than tax efficiency. The financial welfare of current owners and those whom they wish to be future owners must be balanced with the need to make ownership decisions. A team approach that includes legal advice, financial planning, business governance and family dynamics is the best approach.

Craig E. Aronoff, Ph.D., is co-founder and senior advisor of The Family Business Consulting Group. He is a leading consultant, speaker, writer and educator in the family business field, lecturing at more than 100 universities, and authoring, co-authoring or editing more than 30 books. Otis W. Baskin, Ph.D., is a senior consultant at FBCG and an expert in helping business-owning families develop plans for leadership development and succession, as well as family ownership structures.



Durable Family Harmony: The Beacon for Strong Family Businesses

By Tom Emigh and Jennifer Strom

From succession/continuity planning to developing policy, a common concern of families with whom we work is something like, “We don’t want this to hurt our family harmony. We’d rather sell the business before wrecking our family.”

Family harmony — how we get along with each other in business and in family — is a core value and goal of any family business or family enterprise. As the family grows and changes, its harmony must also be nurtured to grow stronger and endure any challenges ahead.

Durable family harmony is like a lighthouse. It stands up in the face of intense storms and remains sturdy over long periods of time. It is strong and stable — now and in the future — to fulfill its purpose of guiding sailors into safe harbor or away from dangerous obstacles. Likewise, family harmony allows your family, the business and its ownership to fulfill their purposes.

We help families strengthen relationships by facilitating sometimes difficult conversations, making sure everyone has the space to be heard, and working toward decisions and beneficial outcomes. Through these experiences, we’ve identified central components of family harmony along with thought-starters to help assess its durability.

Our intent is to provide a useful tool that can help you consider initial thoughts and questions for your own reflection and perhaps discussion as a family. Each section of “DURABLE” outlined below contains practical questions that can help you and your family think about, discuss and evaluate the current state of your



family harmony — ultimately leading to solid continuity of both family relationships and business success.

Desire

With desire comes the motivation and energy to do things differently. It also increases the likelihood that there is enough momentum to do the hard work required for change. When it comes to family harmony, you have to want it. That includes wanting harmony more than proving someone wrong. More than any dividend or a new position in the company. And even more than being right. Here are some questions to ask yourself:

- How would you rate the current state of your family harmony? Why?
- How badly do you want things to change?
- What would be different with greater harmony?
- Will things feel better if you make change?
- What actions are you willing to take to achieve greater family harmony?

Understanding

Building understanding is key to grasping issues, defining problems and moving toward meaningful solutions and outcomes. Listening well is an important part of understanding. Not just hearing but taking the time to discover why others hold their positions on issues of difference. Every family business has stories that are causing friction or confusion. By identifying and addressing the stories that require a greater understanding, families can move beyond those into deeper harmony and alignment. Here are some questions to ask yourself:

- What are the stories regarding how the business was started?
- How are transitions understood in the business, such as family members entering and leaving and generational changes?
- Who is in what role and why?
- How and why does the family influence the business and the business influence the family?
- What is the future of the business?



Reflection

Family roles are well-established over time, and relationships in the context of a family business add another layer of complexity. This often leads to relationships with unresolved past hurts and resentments. Remember that the absence of open conflict doesn't equal harmony. Things left unsaid can be just as damaging to cohesion. Reflect on what role you played in a relationship that needs healing rather than defaulting to blame or defensiveness. Here are some questions to ask yourself:

- How has your role impacted family harmony?
- What are the reasons you might want to change?
- What has/has not worked related to your roles in the family, as a manager of the business, and/or an owner of the business?
- Understanding that with friction comes change, are you willing to have difficult conversations? With whom?
- In what ways are you willing to address conflict openly?
- In what ways are you open to reflection about how to listen differently, move through and reconcile past hurt, and collaborate with a common goal?

Accountability

Accountability recognizes that we have responsibilities and obligations to each other, and we take them

seriously. Healthy and helpful accountability flows from agreed upon goals, based on common values. It sets expectations for improvement if we don't do what we say we will do and for celebration/acknowledgment when we achieve our agreed-upon goals. All our desire for harmony falls short if we compromise values or tolerate egregious behavior. Here are some questions to ask yourself:

- How do you take responsibility for your actions?
- Are you willing to be accountable to others for your actions?
- Is there a culture of accountability in your family, business and ownership groups?
- What are the processes and systems by which we hold ourselves and each other accountable? Are they consistently applied?
- How do we hold each other accountable in positive ways that acknowledge success and celebrate wins?

Believe

Durable family harmony is fueled by believing that everyone – you, your family, your business – can achieve this together. Unfortunately, a long pattern of disharmony can undermine the ability to believe. Fans of Ted Lasso associate “BELIEVE” with the coach's eternal optimism and drive to inspire others. Ted teaches his team that if they believe in themselves and work their

hardest, then they could accept whatever the outcome knowing that they believed, and they tried. Here are some questions to ask yourself:

- Do you truly believe that things can be different?
- How do you believe in yourself, your family, your business, your system overall?
- In what ways do you believe in the possibility and power of collaboration?
- How can you shift to a clear and well-defined common vision for family harmony?

Love

Working with relatives opens many windows to view each other's behaviors — the good and the bad. Love is both a feeling and a choice that can motivate us to keep trying and working together, even when we are frustrated or disappointed. Because “Love” isn't guaranteed just because you are family, it must be intentionally nurtured. Ask yourself how you can nurture love:

- For those in your family? All the branches?
- For the history, legacy and stories of your family? The business?
- The mission, purpose, values of your family? Your business?
- Can you choose love, even in conflict? And, can you put your attention on those things that promote love?

Love can also be about where you focus your thoughts and attention. You can concentrate on disappointments and failures or, you can focus on possibilities and potential. Without a shared purpose and vision, it is hard to see big picture. Here are some questions to ask yourself:

- Is there a clear vision for why your family is in business together?
- What is your shared purpose as a family?
- What are the common values that bring you together in family and work?
- How can our family's focus lead to an expression of love that benefits those beyond your family as you live out your shared values (i.e., philanthropy, economic benefit for your family, your region or career satisfaction)?

Enough

Harmony exists along an ever-shifting continuum and is not equal in every family. Exploring and answering key questions can help

define what is enough for your family and how family harmony can support your specific goals. Here are some questions to ask yourself:

- What is enough for your family as related to harmony? How have you considered this if you are moving into a focus on this work?
- After doing the hard work to shift family harmony, how will you know that there is more harmony? What would be different?
- How can you create defined goals around your expectations of "enough"?
- In what ways can these goals be measurable to ensure that they are in support of not just harmony but durable harmony?

Conclusion

The more durable the family harmony, the more durable the enterprise. Once the unity starts to erode, so does the entire system of family, business and ownership. Family harmony is a core issue, focus and outcome that is integral to the discussion about any aspect of

family business. It can either enable or block success and continuity in any endeavor or plan.

The more durable the family harmony, the more durable the enterprise.

Ultimately, we believe that family harmony is truly like a lighthouse for your family business. As it endures intense storms and stands the test of time, it most significantly serves to guide and protect the core values and purpose of your family and business. We hope this simple list of thought/discussion questions will enable you and your family to assess the current state of your family harmony, and move forward to making it more durable.

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For questions or comments, we'd love to hear from you. Contact Nevada State Bank at (702) 383-0009.

