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FAMILY BUSINESS NEWSLETTER

Bonanza Casino: Celebrating 50 Years of Success

When Russ Sheltra bought a grocery store in Reno in the early 1970s, he didn't anticipate that he would be celebrating 50 years as a casino owner in 2023 — but that's just what happened. In 1973, he and a partner combined his V&T Market building with a small restaurant building next door to create the Bonanza Casino. Today, Russ and his son, Ryan, are making plans for the golden anniversary of their family-owned business, a casino with nearly 400 slot machines and two restaurants.

Ryan had always planned to go into the family business and worked in the Bonanza's accounting department in high school. He then attended UNLV's College of Hotel Management, graduating in 1993 with a degree in Hotel Administration. However, when he discussed next steps with his father, Ryan received an unexpected answer. "The best thing my father did was to tell me, 'After you graduate, you can't come back,'" Ryan shares. "He knew that getting experience somewhere else would enable me to share that experience and knowledge with the family business."

After serving internships with two large resort companies, Ryan landed a job at the Caesars Tahoe resort. As a management trainee, he worked in all aspects of the property, from guest services to dealing blackjack. He spent seven years with them, eventually serving as director of Casino Marketing.

Then, in 2000, Ryan was offered a position in a new resort on the Las Vegas Strip. "Working on the Strip is like going to 'The Show' in baseball," Ryan explains. "It was my chance to move up to the big leagues." When he told his father about this exciting offer, Russ countered, "Son, I'm either retiring or selling the business. Either way, I'm getting out." The prospect of taking over the family business was even more attractive than going to The Show, so Ryan decided to stay.

"First, I was told I couldn't come back. Then I was told if I didn't come back, he would sell the business out from under me," Ryan laughs. "So, I came back. Turns out, my dad never intended to retire — 23 years later, he's still here, and so am I."

Ryan now serves as general manager of the Bonanza Casino, and although Russ describes his current position as just "Ryan's lunch buddy," his son disagrees. "He's absolutely still 'The Man' around here. Yes, I handle the day-to-day operations, but he still owns the place. When we're doing anything involving money, he's the 'Money Man' who signs the checks." Russ is also a passionate supporter of the Prostate Cancer Foundation and leads company fundraisers for the foundation throughout the year.



Russ Sheltra, founder of the Bonanza Casino, and his son Ryan, general manager.

"My dad and I have an awesome working relationship," Ryan shares. "The main advantage of working in a family-owned business is unquestioning trust. It's great to know that someone will always have your back. And, no one else has the same passion and commitment to the company. We have a lot of great employees, but nobody sees things quite the way my dad and I do. If there is any disadvantage, it would be the pressure to perform, because so much is at stake."

Ryan has one son in college and another who'll be entering college this fall. "They both worked here during high school, just like I did," he says. "I told them the same thing my dad told me. They can't join the family business right away. Get your degree and then spend five to seven years out in the world. If the fit is right, I would love to see them both join the company after they have some experience under their belt."

Russ explains, "Too many successful family-owned businesses end up closing or going broke because the second generation doesn't bring anything of value into the business. When Ryan brought in all the knowledge and experience he learned at other companies, it created a whole new level of respect between father and son. That's also a reason we're approaching our 50th year in business."



Shared Leadership Offers Growth Opportunities for the Family and Enterprise

By Michael L. Fassler and Joshua Nacht, Ph.D.

Sharing leadership within a family enterprise isn't easy. It requires leaders to share power, influence, and complementary skill sets, while also "playing well" together to navigate the boundaries among roles as family members, owners, board members, and executives. If done right, it can be a competitive advantage for your family's enterprise as it spreads leadership across the shoulders of multiple family members and thereby reduces dependence on any one leader.

In our experience working with a wide range of family enterprises, we have seen several situations in which shared leadership has been impressively successful. We'll look at two examples of how families evolved and leveraged shared leadership roles, and then we'll explore the key attributes, leadership opportunities and advantages that this collaborative effort provides.

Case Example 1: Coordinated Corporate and Family Governance

CEO and third-generation family member Mike Gordon has successfully led the business in significant growth and expanded into new market areas. As the business grew over the years, so did the family ownership group and its expectations. It now includes 23 people across

the second, third and very young fourth-generation members.

On top of his concerns about this large and diverse ownership group, Mike also learned of some rumbling among one branch about wanting increased dividends or perhaps an ownership exit. Recognizing the importance of meeting or exceeding owners' expectations, Mike realized that he couldn't manage the business and lead all the discussions among family. He began to make a push for increased organization and leadership focused on the family owners to address their concerns and align their goals. In turn, the Gordon family learned that their complexity and unique needs required shared leadership to address all their challenges and take advantage of the opportunities of being a family enterprise.

Fast-forward five years later and the Gordon family has a high-functioning family council with an excellent leader, Julia (who has never worked in the business itself). Mike and Julia communicate on a regular basis to share information regarding how the business is performing and to provide updates on the various projects of the family council. Shared leadership in this family consists of business leadership and family governance leadership working closely together to coordinate their efforts on behalf of the business and owners.

Case Example 2: Shared Leadership Agreement

The Hart family wholesale distribution company is owned by five siblings with three working in the business: Tom as chair and CEO with expertise in marketing and product line expansion; Rita as VP of Operations skilled in operational efficiency; and Mary as CFO, who is excellent with finances and protecting the family's assets.

As the market environment shifted, economics evolved such that operational efficiency became more important than product line expansion. The family realized that they did not need to expand so much as re-tool their operations for maximum efficiency and profit. Through a series of conversations, it was determined that the best thing for the business and the family was for Tom to step down from the CEO position and become the full-time board chair. Rita stepped up from VP of Operations into the CEO role.

To make this shift effective, the three siblings created a shared leadership agreement that outlined their new roles, responsibilities and boundaries of their positions. They adopted a philosophy that the success of the company was their primary goal, and each of them put their egos and individual titles secondary to what is best for the business and profitability. The agreement enabled them to have ground rules to manage their new roles and business relationships. The transition was hard, and Tom sometimes struggled to stay in his lane. However, the clear guidelines gave all of them a way to remain accountable to one another and help smooth the path to greater business performance.

How Families Make Shared Leadership Work

Families like the Gordons and Harts who create success in these scenarios often have a combination of the right attributes and documented agreements to gain the

advantages and forestall the challenges involved with shared leadership. Below are several hallmarks that support this collaborative structure:

- **Communication:** Leaders need to be able to speak with one another in a manner that is clear and honest, and invites a healthy interchange of ideas that can be diverse.
- **Trust:** Trust needs to exist within the system, which is an outcome of good communication and accountability. Trust is the glue that can hold everything together.
- **Transparency:** Information needs to flow between interested parties, and secrets or omissions must be avoided.
- **Process:** Families need an agreed-upon fair process for selecting leaders and evaluating their performance, as well as for how decisions are made.
- **Written role descriptions:** Shared leadership works best when the family has created and abides by guidelines of how shared leadership should function, and what the boundaries are for each leader. These serve as “guardrails” and help foster accountability.
- **Servant leadership mindset:** Shared leadership usually requires some level of personal subordination for the benefit of the group. Servant leadership means serving on behalf of the entire family and business, which can often mean letting go of an individual ego-orientation and embracing a mindset of what is best for the collective.

Leadership Opportunities

There are different areas and roles within the family business system where family members can team up and lead together. The following table identifies the variety of leadership opportunities available within a family enterprise.

	Business	Family	Ownership
Leadership role:	To develop strategy and move the business forward.	To meet the family’s needs as a family and to move forward as a cohesive unit that supports the business.	To bring the needs of all three groups together and to guide the business.
Leadership opportunities:	CEO President COO CFO CIO Executive VP Senior VP Division head	Family council chair or other officer Committee chair Taskforce chair Family office chair Family foundation chair	Board chair or other officer Lead director Executive committee member Committee chair Taskforce chair Director

Adapted from “Effective Leadership in the Family Business,” Aronoff & Baskin, 2011.

Value Added by Shared Leadership

When the attributes and agreements are in place and thoughtfully implemented, they serve as parameters to help achieve the advantages and manage the challenges involved with shared leadership. They also serve as guardrails so that leaders can coordinate with one another and stay in their lanes to optimize overall functioning.

The results of shared leadership can be significant and positive for the entire family enterprise system — meaning that family, owners and the business(es) can all benefit. There are many tangible advantages:

- Institutionalized trust within the family enterprise system;
- Enhancement of relationship capital throughout the family enterprise system;
- More choices for family member participation from the expanded opportunities for family members to serve in various roles;
- Increased alignment among shareholders towards common goals and paths to achieve those goals;
- Deeper commitment by family shareholders to a long-term perspective resulting in more “patient capital”;
- Reduction in leadership centricity can lead to increased enterprise value since there is less dependency on one or a few people in the system;

- Increase in the likelihood of multigenerational continuity; and
- Increased resiliency to meet challenges.

Summary

Shared leadership in family enterprises can serve as an excellent opportunity to take advantage of the broad resources of the family to ensure effective leadership across the enterprise system. Shared leadership starts to come into play typically during the sibling phase and beyond of a family business as the increasing size and complexity of the system require increased leadership throughout. As your family and your business evolve, embracing the benefits and implementation of shared leadership can be one of the keys to achieving multigenerational continuity while further enhancing family relationships and continuing to build the wealth of the family owners.

Michael L. Fassler is a principal consultant with The Family Business Consulting Group. He provides family business planning services with a focus on helping his clients grow their relationships, capabilities and capital. Joshua Nacht, Ph.D. is a senior consultant with The Family Business Consulting Group and co-author of “Family Champions and Champion Families,” which explores the role of family leaders in creating enduring business family success.



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How Family Enterprise Owners Can Prepare for the Creation of a Board With Independent Directors

By Rob Sligh

Adding the insight and oversight of independent directors to a family enterprise board begins with a solid commitment from the majority owners. That person or group of people must want a strong board with independent directors to meet their business challenges, take advantage of opportunities and achieve their goals.

Boards with independent directors add value for owners and leadership by sharing relevant experiences, acting as a sounding board and providing valuable advice. Experience shows that businesses with boards that include three or more independent directors perform better, on average, over the long run. That should be compelling for owners.

Ownership's Hesitations

Majority owners sometimes feel that an independent board of directors will be an unnecessary expense, involve too much time and effort to maintain, or boss them around and take control away.

Let's consider these common concerns one by one.

Good independent directors don't accept an outside board position just for the money. They do want to feel that their time and contributions are respected. There is a significant financial investment to create and maintain a board so that the directors are indeed valued.

Owners and leaders may feel that it's not worth the time to create and maintain a board with independent

directors. It's true that the investment of time is significant. Preparation for board meetings requires not only background materials and performance information, but a distillation of the high-level challenges and opportunities in the business and what leadership would like from the board. It takes time to create the necessary focus in writing and to follow up on good ideas.

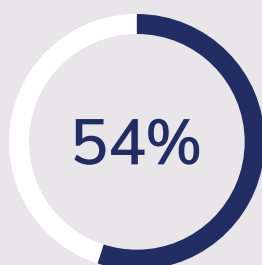
Yet, years afterward most business owners feel that establishing a board with independent directors was one of the best investments of money and time that they ever made.

Many owners who are also leaders in the business say they don't want outsiders on the board bossing them around. That's a misunderstanding. Directors serve at the pleasure of the majority owners. If the majority owners don't like what directors are suggesting, they can readily move them off the board. However, there is a balance of power. If independent director advice is seldom considered, then they may leave the board of their own volition.

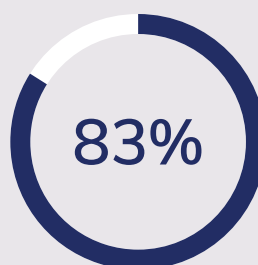
Minority shareholders, spouses, next-gens and others can encourage majority owners to create a board with independent directors by showing how it will help them meet their challenges, take advantage of opportunities and achieve their goals. But there is no getting around it: Majority owner commitment is an essential first step in preparing for an outside board.

Adding Independents Increases Board Value for Leadership

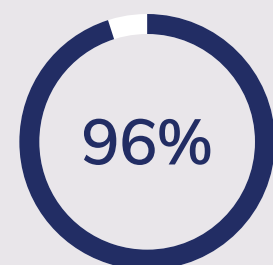
Type of Board & Percent of Sample Rating Their Board Effective



Family-only board



Two or more independents but
NOT a majority



Majority independents

Whose Dream Is It?

Three third-generation brothers were working in a furniture manufacturing business. Two loved the furniture business and one did not. His dream was boat manufacturing. The furniture business bought his shares. The brother used the proceeds to acquire a boat manufacturer — a business he loved and successfully led until retirement.

Majority owners have a dream for the enterprise. They may visualize the business prospering for generations. They may see selling the business with the proceeds creating retirement security and possibly a financial platform for next-gens to pursue their interests.

As family business enterprises succeed into the second and third generations and beyond, role distinctions emerge. In the beginning, the owner was the leader and board minutes may have just been prepared by a lawyer following a brief discussion to meet legal requirements.

In a multigenerational enterprise, the family includes multiple branches. Some are not interested in the family enterprise founded generations ago. They're following their own dreams. To the extent they inherit ownership, they may be interested in cashing in their chips to help in pursuing their own interests and meeting their own goals.

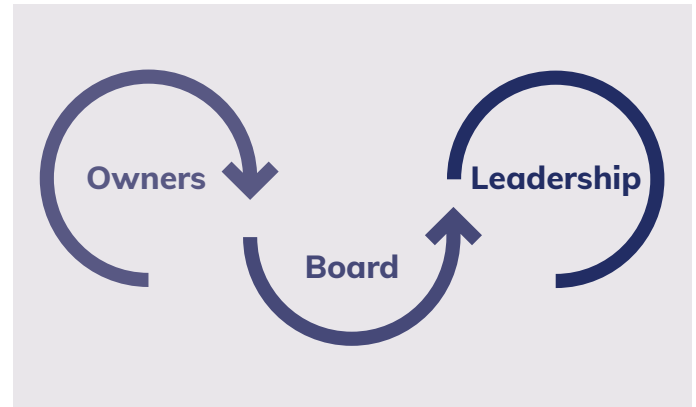
Other family members may be interested in the family enterprise, but only as owners. They are pursuing their own careers but have a nostalgic heart for the family business. If dividends are paid, they may or may not be an important part of their annual income. When dividends are an important part of annual income, they can create conflict between leaders who want to re-invest more in the business and those who want to maintain dividend payouts. A high-performing board with independent directors can help arbitrate these differing perspectives in line with the owners' vision and values.

Successful multigenerational family enterprises cultivate family relationships. They hold family meetings to share enterprise information. That kind of regular engagement goes a long way toward building and maintaining family harmony and creating next-gen interest in the family enterprise. Those who are interested can become owners, and if they have the interest and ability, they may also earn a position in leadership and even on the board.

Owner, Board and Leadership Roles

A third-generation owner worked on the front lines of his family's business as a teen. As an adult, dividends from gifted stock were supplemented by his earnings as an adventure guide. When his dad died, his mom took a seat on the board that included a non-family chair & CEO. As majority shareholder, the mom ultimately elected her son to replace her on the board. The son's

initial instinct was to roam the front lines and middle management to get an up-to-date feel for the business. It took some time, but the son eventually learned how to stay in touch without disrupting leadership processes and became a value-adding director.



Owners set the vision, values and performance expectations for the business enterprise. A vision expresses in general terms where the owners would like to see the family enterprise go and the roles of family and nonfamily professionals on the board and in leadership. Values serve as a catalyst, an expression of pride, and a guide for actions and endeavors. Performance expectations include growth, risk, financial return and liquidity parameters. Owners ideally speak in one voice to the board.

The board sees that the business is well run to achieve the owner's vision, values and business expectations. The board does not run the business.

Leadership runs the business and is accountable to the board. Policies offering family members opportunities as a teen and during college years can build appreciation for the people on the front lines and for work itself. Many families require college graduates to work elsewhere, gaining experience and earning promotions before they can apply for full-time employment in the family firm. Those kinds of policies help distinguish performers who can be candidates for family enterprise top leadership in the long run.

Experience shows that businesses with boards that include three or more independent directors perform better, on average, over the long run.

Often nonfamily top leaders are helpful as enterprises succeed for multiple generations. They can serve as interim leaders. Or nonfamily professionals can become the norm in large enterprises where family engagement is largely centered on ownership and board level processes.

Preparing for a High-Performing Board

A second and third generation manufacturing company developed director criteria that supported their vision for the future. They sought three independent directors where their composite backgrounds would match the criteria. The requirements included experience in the following areas: board or C-Suite leadership level in a multi-generational family business with \$200M+ in annual revenue; transition from one generation to the next; manufacturing; and finance. The trouble started when the G2 Chair suggested his lawyer, accountant and old fraternity brother as candidates.

Once the majority owners are ready to commit to the creation of a high-performing board with independent directors, there is plenty of work to do in preparation. A first step is to define the director skills and experiences that will be valuable in supporting the envisioned future of the family enterprise.

Independent directors are risk-taking peers unassociated with owners and the business. Who do you leave out of consideration? Your banker, lawyer, accountant, financial planner, insurance agent, competitors, close friends, suppliers, customers and those who are overly committed. You pay your advisors for their advice in their sphere of expertise. Your independent directors are peers who give you objective feedback from a high-level, generalist's perspective.

Finding great candidates takes an organized effort that often includes third-party help. A board prospectus is an attractive, attention-getting document that outlines the company history, ownership, owner vision/values/expectations for business performance, top leadership and strategic focus. It also includes key financials, board organization/role, independent director criteria, meeting schedule, terms, evaluation process, compensation and protections. Blind and confidential versions will serve as tools to share with potential candidates and gauge their interest and fit.

An effective board requires openness about financials, alternatives, performance and more — things that many owners are used to keeping close to the vest. The confidential prospectus itself requires openness. Being ready to be candid is an important part of owners' preparation for an effective board with independent directors. Many boards use non-disclosure agreements to help protect confidentiality and establish requirements to disclose conflicts of interest.

Board meetings are a group activity. Effective directors build on others' ideas. They offer different options with grace and in a manner that maintains everyone's dignity. Building in a way of observing board level interaction as part of the final independent director selection process is valuable. This can be done by conducting a simulated board meeting with the candidates to discuss an actual challenge in the business. How they interact with each



other is just as important as the experience and expertise they bring to the table.

When candidates are narrowed to those who fit the criteria and are interested in serving, it comes down to mutual discernment and deciding.

The Important Link

A second-generation owner built the family business from \$10 million annual revenue to over half a billion. It was a different matter for G3 to be ready to take over leadership than it was for G2. In this case, the board with outside directors encouraged recruitment of a CEO from the outside. She served for five years until G3 was ready to fill those shoes.

A board is the important link between owners and leaders in a well-designed and functioning family enterprise structure. The majority owners must want a high-performing board with independent directors in order for this structure to become a reality. The enterprise must have the required talent and ability among its leaders and advisers to provide needed information and insights to the board in an accurate, timely and organized way. Without such a team of leaders and advisers, the board is like a conductor without an orchestra.

When it all comes together, establishing a board with independent directors can be one of the most important decisions the majority owners make. It can create better performance and improve the potential for a family enterprise to prosper for generations.

Rob Sligh is a senior consultant with The Family Business Consulting Group, helping enterprising families with business ownership and leadership succession, creating and improving family business fiduciary and advisory boards, planning and facilitating family and family council meetings, and guiding strategic planning processes.



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IN THIS ISSUE:

- Bonanza Casino: Celebrating 50 Years of Success
- Shared Leadership Offers Growth Opportunities for the Family and Enterprise
- How Family Enterprise Owners Can Prepare for the Creation of a Board With Independent Directors

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

