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FAMILY BUSINESS NEWSLETTER

From One Truck to a Fleet: The Truline Story

Grant Truman bought his first truck in 1962. At the time, he was a high school history teacher and football coach looking for a way to earn extra income during summer breaks to support his growing family. “As the family grew from three to five kids, you really couldn’t do it on a teacher’s salary,” says his son, Paul Truman, now president of Truline Corporation.

What began as a single truck hauling produce has grown into Truline Corporation — a Las Vegas-based company with over 400 trucks transporting groceries, hardware, and more across 12 states. Paul’s earliest memory of the business is his father’s daily run between Las Vegas and Phoenix — 45 days straight without a break.

“He was an extremely hard worker, focused on supporting his family,” Paul recalls. “As kids, we were always around trucks, always in the truck yard. I have a lot of good memories — even from when I was little — being around all the heavy equipment.”

As Paul and his siblings grew older, they became more involved in the business. “We always worked during breaks and summers — it was expected, and it gave us some pocket money,” Paul says. By age 14 or 15, he was doing maintenance tasks like changing tires and greasing trucks. Later, he moved into the office, handling paperwork, dispatching, and unloading trailers as they arrived.

“My oldest brother, Clay, started driving right after high school and worked his way up to vice president of maintenance,” Paul explains. “My middle brother, Rod, came back to Truline after earning his college degree. I always knew I wanted to work in the industry. I attended Arizona State University, one of the few schools in the U.S. that offered a degree in transportation logistics.”

Innovation has fueled Truline’s growth — from hauling gypsum in the 1970s and adopting curtain-sided trailers in the 1980s, to adding dry vans and refrigerated trailers in the 1990s, and embracing satellite tracking and in-cab communications in recent years.

From left to right: Clay Truman, Grant Truman, Paul Truman, Rod Truman.

“Event recorders have been our most impactful innovation,” says Paul, referring to AI-powered devices designed to enhance driver safety. “We gamify it — drivers can earn bonuses based on their scores. They enjoy improving and seeing where they rank. It’s been a fun tool and a great help to the company.” Though the tech is new, it reflects a long-standing company value: prioritizing driver safety and well-being.

In 2004, after 42 years, Grant Truman retired and sold his interest to his three sons: Clay, Rod, and Paul. “By then, I had already been back in the business for 15 years, Clay for about 25, and Rod for 17 or 18. It was a smooth transition.”

When asked about the secret to working successfully with family, Paul says, “You have to be clear from the start about expectations and roles. Every now and then, you’ll have disagreements you have to work through, but a family business is a great way to spend time together, be challenged together, have wins together, and ultimately succeed together.”

The featured family businesses are clients of one of Zions Bancorporation’s collection of great banks: Amegy Bank; California Bank & Trust; The Commerce Bank of Oregon; The Commerce Bank of Washington; National Bank of Arizona; Nevada State Bank; Vectra Bank Colorado; and Zions Bank. All other images are stock photography.

In 2014, Clay and Rod retired, selling their ownership to Doug Pyatt and Tim Estenson. With new ownership came a renewed focus on expansion. Now, the next generation is stepping in. “My son now runs our Salt Lake City market, managing about 20 drivers,” says Paul. “I also have a nephew who manages our largest account here in town. We’re a family business. We know who we are.”

Truline is more than a family business — it’s a values-driven business. “One thing my dad always said was, ‘As long as the team members are successful, the company will be successful.’ It’s your team that sets you apart,” Paul says. “We’ve always focused on two things: delivering unparalleled value to our customers and making Truline a great place to work. If we can balance those two, we’ll always be successful.”

Drama-free Owner Buyouts in Family Business

By Michael L. Fassler and Amy Wirtz

You don’t have to look far into the popular press or on television to find stories of drama-filled buyouts involving a family business owner or a group of owning family members. What’s harder to find are examples of families that consolidate their ownership group with minimal angst or conflict. Why is that? In short, some families have agreed on a process for buying out shares, one that is widely seen as fair.

Having a clearly defined, agreed-upon process increases the likelihood that family shareholders, whether exiting or staying, will accept the outcome and move on, even if they don’t like the result.

Family Owner Mindset Matters

When it comes to owner buyouts, family mindset matters. A family culture that accepts a member’s desire to exit their ownership position, either partially or fully, sets the stage for drama-free transitions. Having the option to exit is powerful. It gives owners a sense of control and personal responsibility, often resulting in greater engagement in their ownership role.

Importantly, providing a way to exit that does not disrupt business operations or the remaining ownership group is a key ingredient in reducing conflict.

The reasons for wanting to exit are varied and personal. These include funding other life goals, such as college tuition or a home purchase, diversifying their investment portfolio, fatigue with the business relationship, or a risk appetite that differs from that of other owners. Interestingly, when a choice to exit exists, it tends to lower anxiety within the family ownership group and increase the likelihood that owners will want to stay invested. After all, who wants to be in a business relationship with no option to leave?

Another helpful mindset shift is to view ownership as an investment in the family enterprise. With this perspective, families are more likely to respect the rights of all owners, regardless of how they came into ownership (through gift, inheritance, purchase, or a combination) and their role with the enterprise (whether as executive, governing owner, or passive investor). This contributes to positive relationships, a sense of belonging, and open communication.

Lastly, families that prioritize both the collective well-being of the family system and individual needs of its members create a better environment for exiting owners to remain connected to the family. This guards against feelings of guilt and shame for choosing not to be an owner and makes it less likely that other family members will judge or ostracize them for that decision.

Likewise, prioritizing the well-being of family members reduces the likelihood that someone will have ill feelings toward the family and seek to monetize in a manner that damages the remaining family owners.

Come to an Agreement Using a Fair Process

There are two situations that are common among our clients. The first involves an agreed-upon process already in place before an owner seeks to have their shares bought out. The second occurs when no such process exists, and an owner or group of owners begins to seek liquidity for their shares. We will share experiences related to both scenarios.

In either case, feelings or beliefs about what is "fair" will inevitably arise. In the end, what is fair means "doing things the way we agreed to do them." So, coming to the agreement itself, it is important to apply fair process guidelines, such as those outlined in the box below.

Fair Process Guidelines[1]

No Surprises. Everyone knows the issue and the call to decision beforehand.

No Conflicts of Interest. Personal interests and agendas are disclosed.

No Rush. Everyone feels they have time to prepare and time to present their views.

Sincere Care. Each participant feels respected and heard.

Mutual Commitment. Genuine effort is made to find a win-win solution before a vote or decision.

Objective Outsiders. Independent directors or family facilitators represent the interests of everyone, not just some.

Post-decision Review. Everyone discusses their views of the process and agrees to review the results of the decision later.

When a Liquidity Structure is Already in Place

The Smith family was transitioning from a sibling ownership group to a cousin ownership group. The third generation (G3) included three owners with equal shares, ranging in age from 59 to 70. The fourth generation (G4) consisted of ten cousins, ages 16 to 42.

Fortunately, since the second generation, the Smiths had maintained well-defined legal documents outlining share liquidation, annual liquidity limits, and minimum redemption amounts. However, over the past decade, the family's focus had been primarily on employment and leadership development. As a result, the G3 owners had neglected to educate the cousins about the ownership documents and estate planning structures governing ownership transfer.

Although the family had a *history* of healthy exits, the *current* procedures were a mystery to the emerging generation of owners.

When we started the education process, the cousins were eager to learn. We brought in the business and estate attorney and the tax advisor to explain the legal and financial implications. We also addressed the complexities created by the growing number of shareholders. Equal ownership was no longer practical, and we tackled the challenges related to future company sales and individual liquidity needs.

These conversations built trust between generations. The family committed to annual reviews of the shareholder documents and ongoing education on topics such as direct and beneficial ownership, liquidity, and share redemption. This new education program unified the cousin group and normalized the idea of exiting ownership — without exiting the family.

When No Structure is in Place

Unequivocally, there is less likelihood of drama if the process for determining a transaction price is already agreed to. But what happens when there is no owner buyout process in place and a family member expresses an interest in exiting?

The first step is to reach an agreement on a structured decision-making process about the owner buyout. Beware of starting the conversation about "price" directly. If you cannot agree on a process for determining the price, it is highly unlikely that consensus will ever be reached on the number itself. Focusing on the price too soon often leads to tense situations with owner buyouts and the process becomes a court system process. Taking the time to deliberately develop a process is the best option in the absence of a pre-existing structure.

Below we share a few examples of what has worked well for a drama-free owner buyout when the structure must be created contemporaneously with a transaction.

Example 1: Sibling Buyout Using an Auction Process

In one situation, two siblings who were 50/50 operating owners concluded that continuing in business together was not a healthy option for themselves, the family, or the business. Both were capable leaders, each interested in sole ownership, and the business had a strong enough equity position to support a leveraged buyout.

The siblings engaged with a facilitator to work with them to develop an agreement for determining the price and transaction terms. After considering multiple options, they agreed to an auction process to determine the price. The structure and terms of the transaction (including stock sale, closing date, payment terms, etc.) were also agreed to ahead of the auction.

Key elements of the auction process included:

- The siblings were the only bidders.
- A coin toss determined who would choose to bid first or defer.
- The bidding opened at 8 a.m. on Day 1 and concluded at 4 p.m. on Day 2, with a break from 4 p.m. on Day 1 to 8 a.m. on Day 2.
- A maximum of two hours between bids was permitted, allowing time for each party to caucus with their respective advisory teams.

Bidding concluded by noon on Day 2 when one sibling chose not to respond to the final bid. The transaction closed within 90 days.

The primary reason why this process worked out for the siblings in a drama-free manner is that neither sibling knew whether they would be the buyer or the seller, thereby helping to rationalize the eventual transaction price. Both were also equally knowledgeable about the business and how to effectively lead it.

Example 2: Multi-Branch Family Buyout with Facilitated Valuation

In another situation, a family with four ownership branches included both sibling and cousin owners and a mix of operating and non-operating participants. One branch, which had no members working in the business, concluded that they no longer wanted to keep their investment at risk and wished to sell their shares. Shares were held equally by each branch.

Without an agreement as to how an owner buyout would work, the owners recognized the increased risk to family relationships. They agreed to engage in a facilitated process to arrive at a transaction price, terms, and structure suitable to all shareholders.

Elements of this process included:

- The facilitator conducted interviews with the G2 and G3 owners to develop a deep understanding of their respective hopes and goals.
- Through facilitated discussions, the ownership group agreed that approval of a process for determining the price would be approved by a two-thirds super-majority vote of the shares.
- The facilitator selected a valuation expert, and they teamed up to develop and deliver an educational program on valuation fundamentals to all shareholders.
- After the educational program and additional facilitated discussions, the ownership group came to an agreement, by a super-majority vote, that:
  - The interest of the exiting owners would be valued by the valuation expert.
  - The valuation of shares would be on a marketable minority basis.
  - The share value determined by the valuation expert would be the transaction price.

The valuation was completed, the transaction documents were prepared, and the company purchased the shares of the family owners who desired to exit.

If You Lack a Structure, Start with Process

If you find your family's enterprise without the structure for an owner buyout, come to an agreement on the process first. Consider these questions when designing a process tailored to your situation:

- What are the precipitating factors that are prompting the owner buyout?
- What is the status of the relationship among the parties?
- What foundational knowledge about valuation is needed across the shareholder group?
- How will we decide on the process to determine the price and terms of the buyout?
- Is there alignment with and commitment to ensuring a transaction takes place?
- What is the size of the ownership group?

In Closing

A healthy family owner mindset and a structured process developed using fair process guidelines are critically important to drama-free owner buyouts. Although there can be a considerable investment of a family ownership group's time in developing a fair process ahead of or in conjunction with an anticipated transaction, doing so will increase the odds of a smooth transition. The pay-off: a result that most people most of the time can live with (even if the outcome of the process is different than they wanted) and a higher likelihood of sustaining family relationships.

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Call to Action and Additional Tips

All family businesses are encouraged to create a plan for family owner buyouts. Here are steps to guide the process:

- Discuss Liquidity: Initiate discussions about liquidity with family members.
- Explore Past Experiences: Discuss past buyouts within the family to understand the impact and outcomes.
  - Were there any voluntary sales?
  - If so, what were the effects on the family?
  - Is the seller still considered part of the family?
  - Did they achieve a sense of resolution?
- Understand Ownership Documents: Carefully review and understand all current ownership documents, both individually and collectively.
  - Do these documents include buy-sell clauses?
  - Does the ownership group fully understand these clauses?
  - Have the ownership documents been updated to reflect the business's growth, value, and the increased size of the ownership group?
- Review Funding Options: Assess funding options to ensure the company can meet the financial demands of a potential sale or triggering event.
- Establish a Process for Ongoing Review: Implement a system for regular review and updates to the buyout process. If the documents are older than five years, form a committee to work with advisors to review and determine if changes are needed.
- Invest in Education: Ensure that each owner and generation educates themselves continually about ownership, liquidity, and valuation.
- Review Valuation Clauses: Regularly review valuation clauses and ensure a clear understanding of the company's valuation process.

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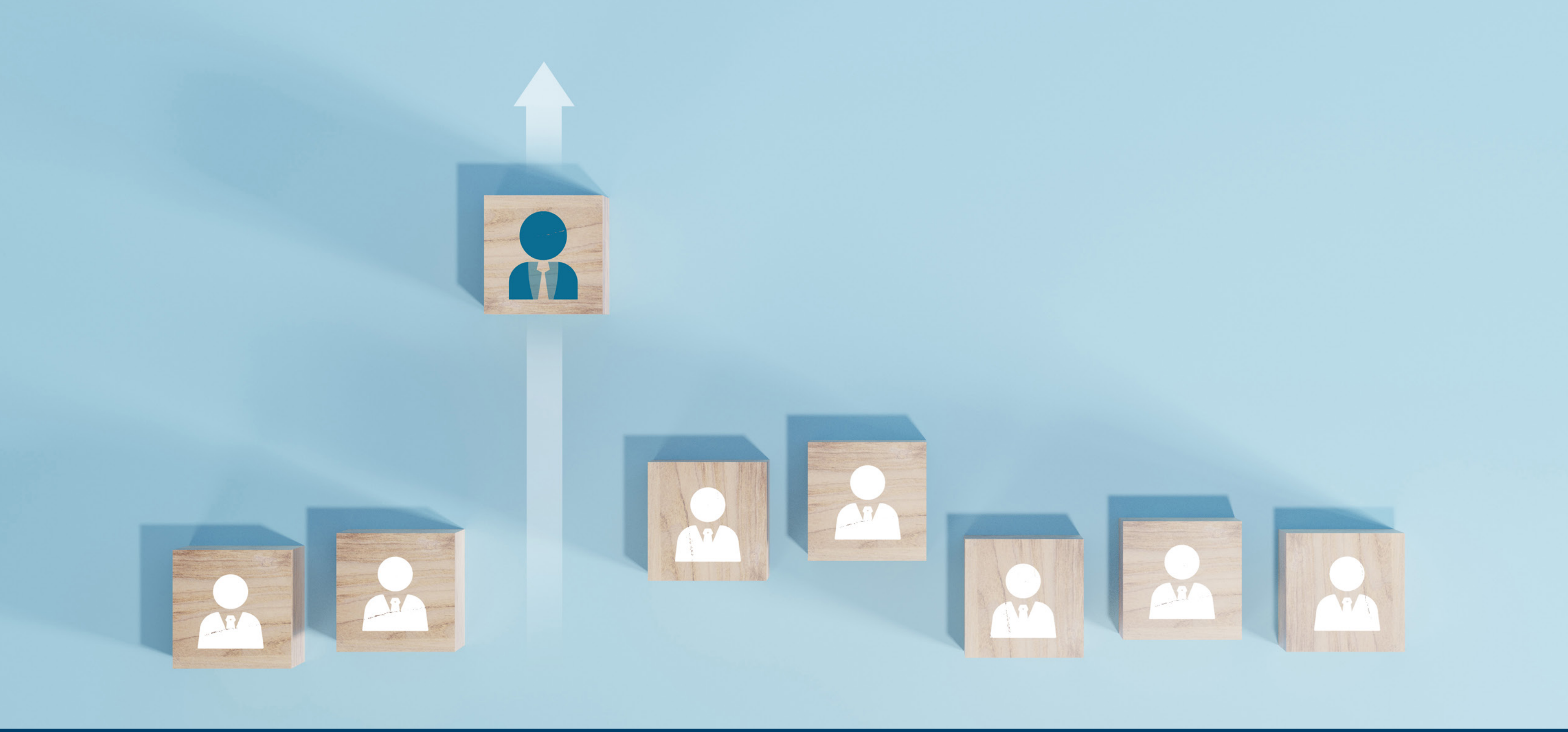
1 "Fair Process: So Important, So Subtle" by John L. Ward, The Family Business Consulting Group

Michael L. Fassler is a principal consultant with The Family Business Consulting Group providing family business planning services with a focus on helping his clients grow their relationships, capabilities, and capital. Amy Wirtz is a senior consultant with The Family Business Consulting Group helping families establish family offices, family councils and enterprise governance systems.



Succeeding at Succession

By Rob Sligh

It's hardly an exaggeration to consider the successful transition of ownership and leadership from one generation to the next as two family business miracles.

Consider, perhaps in an ideal world, a founder and an only daughter in business together. They get along well and own the business 50/50. When the founder retires, the daughter becomes chair and CEO and spends the next decade buying out the founder's share. But of course, it's rarely that simple.

The second generation typically includes multiple siblings. Often they all become owners, with at least part of that transfer placed into one or more trusts through gifting. All or some may be leaders in the business. While they are different people with a variety of interests, they generally have the bond that comes from growing up in the same household.

We call the third generation the cousin generation and things become more complicated. There may be 10 or 20 family owners in the family enterprise that may own more than one business. Some owners are involved in family business leadership but many or even most are not. Cousins grow up in different households. They have different backgrounds, interests and goals.

Overcoming the Odds

Only about 3% of family businesses make it through the fourth generation where complexity can increase exponentially.

So, it's important to consider why and how some family businesses succeed for generations. With each succeeding generation, in an essential process of renewal, families agree on answers to important foundational questions:

- What is the purpose of our proactively engaging as an extended family?
- What is the purpose of staying together as family enterprise owners?
- To what extent, if any, will family members be engaged in business leadership?

It may be that extended family owners share beliefs about human nature, family enterprise culture and legacy, and directions for the fruitful investment of time and money. They may see themselves as stronger together — culturally, competitively and financially — than if they went their separate ways. Those are the kinds of things that can represent a strong purpose for proactively engaging extended family or staying together as family enterprise owners.

Active Owners

Ownership is an active endeavor whether or not it's combined with business leadership. Owners elect the board of directors as well as influence the selection of top leaders and the direction of the company. Ultimately owners decide who has an opportunity to buy or receive shares. Owners support business leadership with loyalty, engagement, motivation and compensation. They are actively involved and knowledgeable about business culture, values, people and plans, how plans are carried out and the effects for customers, employees and owners. Owners properly expect information, emotional value, leadership accountability, a competitive return for the risk undertaken and viable options for liquidity. But ownership is not the same as management.

Owners can't just walk into a business and tell people what to do. And ownership does not confer a right to be part of business leadership. Next-generation members often work simple jobs in the family business beginning at young ages. They get to know people who work in the business and develop a front-line view. Many family businesses encourage or even require next-generation members out of school to work full time at another business to gain experience and earn promotion independently. If they later join the family business, the outside success boosts their self-confidence and credibility with family business employees. New ideas are better accepted when next-generation members have first-hand experience working elsewhere.

Leading for the Long Run

Successful family enterprises include involved families, but that doesn't necessarily mean there needs to be a family CEO. Many family businesses evolve in later generations to a non-family CEO for a business that the family owns. Whether family enterprises are led by family or non-family, a frequent competitive advantage over private-equity owned companies and public companies is longer leadership tenure and a longer range strategic view.

The creation of an independent board of advisors or board of directors is often described years after implementation as one of the best decisions ever made by a family business. Comprised of three or more risk-taking peers who meet formally three to five times a year and informally in-between, the outside board can be helpful with:

- Strategy,
- Ownership and leadership succession,
- New investment proposals,
- Top leadership accountability and compensation.

Beyond that, many families find that boards with independent directors help professionalize discussion of difficult topics.

Management gains value from preparing well-founded and ultimately concise materials for board books. It takes time and effort to distill information down to what's vitally important and relevant. The chairman (not necessarily the CEO) plays an important role in participatively developing board agendas that assume good preparation by everyone on the board and focusses discussion on the key few, most important board-level issues.

The right timing for top business leadership transition will vary. But just as it's understandable that the shorter term focus of private equity and public market owners can result in lower, longer term returns compared to family-owned enterprises, it's also understandable that leadership can stay too long. For example, it's natural for successful top leaders to feel after a decade or two that gains should be consolidated and paid out to shareholders. The younger generation often feels the business should be investing and growing to remain successful in the face of changing markets and emerging competitors. The current generation may have trouble letting go. The next generation may have trouble grabbing on to the hard work and relentless responsibility of top leadership. That can be an inflexion point where non-family top leadership or selling operating assets are among the options considered.

There are many ways to be involved in family enterprises. Family collaboration can continue after a family business or a family business operating unit is sold. Families can invest together through a family office and a family foundation. They can share values and celebrate their common history through a family council and a family assembly. Or people or family units can decide to go their own way.

What's essential in each generation is to ask and answer: What is the purpose of our proactively engaging as an extended family? Of staying together as family enterprise owners? To what extent, if any, will family members be engaged in business leadership? Business can be a means of achieving family purpose, but it is not the purpose itself.

How wonderful for communities, employees and families when a family business enterprise finds a way to succeed for generations and enjoy doing so in the process.

Rob Sligh is a senior consultant for The Family Business Consulting Group, helping enterprising families with business ownership and leadership succession.

AmegyBank

P.O. Box 27459
Houston, TX 77227-7459

AmegyBank.com

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For questions or comments, we’d love to hear from you. Contact Amegy Bank at (888) 462-6349.