

*"We are committed to Council
remaining a domestic maker of fine case goods and upholstery."*

Carlton Mallory, the president of Council Co. LLC



BACK IN FORM: Council Co. LLC, a high-end furniture manufacturer in Denton, has emerged from bankruptcy with a new ownership group.

JOURNAL PHOTO BY JEWETT ROSENBERG



"I feel very secure working here because the new management and the employees have the right attitude."

Benny McDowell
of Council Co.

based in Hickory. McDowell, back at the company, said that the best is yet to come for Council.

Made in the USA

Furniture-maker bucks trend toward imports by retooling and hiring back former workers

By Richard Craver
JOURNAL REPORTER

DENTON — Benny McDowell has been through plenty of good and bad times in his 31 years with Council Co. LLC. McDowell was with Council, a wooden-furniture manufacturer, during a heyday that lasted into the late 1990s. That's when the company, then called Council Craftsmen Inc., and its work force of nearly 500 required overtime to meet consumer demand for its high-end, 18th-century reproductions and office furniture.

McDowell has also shared the helpless frustration of watching Council's orders fall and debt rise because of an economic downturn, consumers' increased taste for lower-cost imports and a reluctance to invest in new equipment.

Council's revenue dropped so far that in August 2003 the company shut its doors and laid off its remaining staff of 250. Including McDowell. The company entered Chapter 11 bankruptcy protection the next month.

Now Council is in the midst of a remarkable comeback two years after being thrown a life preserver, and given a new name, by Hancock & Moore Inc., a leather-furniture manufacturer



INDIVIDUAL TOUCH: The company emphasizes hand craftsmanship over assembly-line production to turn out high-quality furniture.

"I feel very secure working here because the new management and the employees have the right attitude," he said. He was re-hired about 1½ years ago and is part of a work force of 170 that Council is expanding by 25 employees.

"There's an attitude of 'We'll show you,' here, that we're going to get better every day," McDowell said. "That kind of attitude is rare anymore in the furniture industry."

The turnaround began in November 2003 when Hancock & Moore bought Council for \$5.1 million and helped secure \$1 million in loans to pay for re-starting the plants.

Since then, Council has added new equipment and a finishing room, emphasized individual craftsmanship over assembly-line production, and introduced well-received collections by designers John Black and Randy Culler. All of this is aimed at producing a high-quality product at a lower cost.

Carlton Mallory, the president of Council, said that the manufacturer's reputation for quality high-end furniture persuaded the new owners not only to buy the company, but also to retain its name and brand.

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Council

Modern masters of fine furnishings.

As seen in the WINSTON-SALEM JOURNAL newspaper.

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COUNCILL

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But Mallory said that it was clear that Council's equipment was in dire need of maintenance and repair, and that quality-control standards were below those necessary for a high-end product.

"Our goal has been to re-engineer our plant processes to keep Council competitive, reduce our costs and, ultimately, remain in Denton," Mallory said. "We are committed to Council remaining a domestic maker of fine case goods and upholstery."

The company and its employees are well aware "that we're bucking the trend" of shrinking furniture production and hemorrhaging jobs in Davidson County, said A.J. Ortinger, the vice president of manufacturing for Council.

Davidson has been the epicenter for furniture-job losses in North Carolina since January 2001, with at least 3,609 positions eliminated and seven plants closed, according to the N.C. Employment Security Commission. That represents 23 percent of the furniture job cuts in the state.

"It is exciting to be in a position of hiring, not laying off, and making headway against the competition most days," said Ortinger, a 30-year veteran of the industry.

"We told the employees as we brought them back that this is a new company with a different attitude. We're expanding, but we've been doing this less than two years, so we certainly can't beat our chests about our long-term prospects."

Steve Googe, the executive director of the Davidson Economic Development Commission, said that Council's investment in equipment and employees has been a morale booster for the county.

"We have seen many of Council's competitors outsource their products, moving jobs from North Carolina," Googe said. "It's very gratifying to see the dedication to Davidson County and North Carolina furniture craftsmen shown by this ownership team."

Ottinger said that Council's goal is to make as much customized furniture as possible in Denton. Domestic manufacturing accounts for about 50 percent of its product mix.

"That requires being a well-defined niche manufacturer and being very attentive to our retailers," Ortinger said. "If we can do those things well, we truly believe the company's future is in our hands."

Council's future, however, was about as bleak as it comes just two years ago.

Fred and Hope Council founded the manufacturer in 1973. Their sons, Moore and Brown Council, took over the company in the mid-1990s and ran Council until they sold it to industry veteran Robert Ginn in June 2002.

Industry officials said that a lack of investment in new equipment in the 1990s eventually caught up to Council. Company officials at the time cited



CUSTOM MADE: Carol Steffy has worked at Council Co. for almost 15 years.

JOURNAL PHOTO BY JOANNE RICHMOND

the effect of imported wooden furniture on its assembly-line production, which led to declining sales and three layoffs before the August 2003 shutdown.

By the time the company entered bankruptcy in September 2003, "it had a smell of death around it," said Art Raymond, the president of consulting firm A.G. Raymond & Co. and a former industry executive.

According to bankruptcy documents, Council had about \$7.3 million in debt.

"Council just appeared to be another victim of a furniture industry that is basically leaving the country," Raymond said.

The financial and psychological effect of Council's bankruptcy was significant on Denton, according to Bill Pless, the town's manager.

"It caused us to pinch our budget and we had begun to brace for even tighter pinching," Pless said. "The county has been hit so many times by furniture layoffs in recent years, but in those instances, those companies are still around. Council was different because it actually shut down."

Any company closure has a ripple effect across the local economy.

When Burlington Industries Inc. closed its operations in Denton in the mid-1990s, eliminating about 920 jobs, "that was a major blow," said Raymond Smith, a manager and cook for Rick's Restaurant.

"When Mickey Truck Bodies didn't proceed with its plans [for a new manufacturing plant] here, that was a different kind of blow because it was our hopes for a better future that were dashed," Smith said.

"Having Council close up was the real blow because it had been so solid for so long."

But before the cobwebs could take hold in the Council plants, Hancock & Moore stepped in to play the role of an angel investor, Raymond said. Jack Glasheen, the president of Hancock & Moore, could not be reached for comment about the purchase.

"They knew that Council had a loyal retailer and customer base, and they felt that the company could be reinvigorated with a viable niche rather than just written off," Raymond said.

Council's new ownership brought hope back to Denton, Smith said.

"We know that nothing is 100 percent guaranteed any more, especially with the imports coming in," Smith said. "But the more jobs that Council has, the more the payroll circulates around town and, hopefully, some of that money is spent here."

Raymond said that it's getting rarer for domestic manufacturers to upgrade equipment rather than just shipping more production to offshore partners.

But Council is not alone among customized manufacturers with North Carolina ties making an investment to better compete against Asian imports.

Plot & Co. has nearly completed the move of its headquarters and manufacturing from Los Angeles to outside Lexington. Plot officials said they chose to operate in Davidson primarily because of the skilled workforce that became available with the local layoffs.

Plot is eligible for more than \$100,000 in state and local incentives

in exchange for creating 80 jobs paying an average of \$16 an hour, and making a \$4 million investment in land, a 100,000-square-foot plant and equipment.

Plot has hired about 45 employees and is running limited production, said Googe, the head of the Davidson economic commission. He said that Plot plans to be up to 60 employees by the end of the year.

Charlesston Forge, a metal-furniture manufacturer in Boone, recently spent \$4 million in an expansion "that doubled our production size in three years," said Art Barber, the president of the company. The manufacturer has about 200 employees.

Henredon Furniture Industries Inc. has spent more than \$600,000 on new equipment since 2002 for its upholstery plant in Mount Airy. Since Henredon began relying on a cell-assembly system in 2000, its work force has been stable at about 166 workers.

Stanley Furniture Co. Inc. recently spent \$1 million on streamlining production at its youth-furniture plant in Robbinsville in Western North Carolina.

The company, based in Stanleytown, Va., has about 575 employees at the plant, which is the largest employer in that community of 750 residents and the last furniture-manufacturing operation in the region.

Stanley, which also has 370 employees at its Lexington youth-furniture plant, makes 70 percent of its product domestically, whereas many of its competitors import the majority of their pieces.

"We're clearly bucking the trend," said Jeff Scheffer, the president and chief executive of Stanley.

"It doesn't make what we're doing right, or our competitors wrong, but it's what is right for us. Having 70 percent of our product made here means we still control most of our product and our supply chain."

"The Robbinsville expansion is less about reinvesting as it is fulfilling and executing on our mission to make the best product the customer can buy with quick shipment and quality delivery," Scheffer said. "Those are the qualities that differentiate us to the consumer and translate into purchases."

Upgraded equipment will play a live-or-die role for Council and any other manufacturer that wants to make the majority of its furniture domestically, said Ken Smith, the director of furniture services with BDO Seidman LLP, a financial-services company with an office in High Point.

"If you're not investing in new equipment, your chances of survival are pretty slim, especially in wooden furniture," Smith said. "It may be too late for even those who have decided recently to invest because the cost of playing catch-up is quite expensive."

"Council will depend on how successful its new collections are, how much consumers still value handmade furniture made in the U.S., and how much they are willing to pay for it."

Raymond said that "it takes lots of moxie and passion" for Council to consider making high-end wooden furniture in this country for the long term.

"There's room for \$25 million to \$50 million furniture manufacturers even with the import competition," Raymond said.

"But it's not going to be easy, especially as more furniture workers go in other directions and there's not an apprenticeship program in place to train the next generation of workers."

Kathy York, who was hired by Council in July, said she's glad that Council has chosen to compete domestically. York worked at Lexington Home Brands for 31 years before her job was cut in May as part of the elimination of 105 jobs at Plant 2.

"When Lexington let me go, I thought about getting into another field, but it would have been hard for me to learn new things," York said. "When the opportunity to work at Council came up, there was no hesitation on my part to come here."

"They're trying to do something better here. Since I firmly believe there's still a place for American-made furniture, I want to be a part of it."

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THE WALL STREET JOURNAL ONLINE
Providing Stock & Four-Nightly News

BUSINESS

WINSTON-SALEM JOURNAL
Sunday, September 11, 2005

PHONE: 727-7376 • WWW.WSJOURNAL.COM • FAX: 727-7375

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