

## Southerland sale set ESOP to acquire bedding producer

By David Perry

NASHVILLE, Tenn. — Independent bedding producer Southerland said it plans to sell the company to its employees in an Employee Stock Ownership Plan buyout led by a new executive team.

The deal is expected to close at the end of this month. see Southerland, p33

### ► *Southerland*

from p1

Terms were not disclosed.

The new management team is led by two co-presidents, David Corbin and Steve Russo, and by Bryan Smith, Southerland's current president, who will be executive vice president and chief financial officer in the new leadership structure.

Corbin formerly held executive positions with Pulaski Furniture and Chromcraft Revington. Before that he was in brand management with Procter & Gamble. Russo, well-known in the bedding industry, formerly held executive posts with Latex International, Consolidated Bedding and Restonic.

Smith has worked at Southerland for 12 years and has more than 20 years of experience in managerial accounting.

Corbin said the new management team will bring fresh thinking, a consumer-focused approach to product development and strong marketing disciplines to Southerland, which will continue to produce value-priced bedding

lines but will add innovative new lines as well, he said.

Corbin asserted that the company will emerge from the pack of second-tier producers by developing and testing new products with consumer panels, developing a diversified licensed brand portfolio, employing lean manufacturing practices and strategic sourcing, and using value-added sales efforts.

A key to the company's success will be its employee owners, Corbin said. The new ESOP ownership structure and recapitalization will be led by the new executive team and by members of the Southerland family and the current management. The new ESOP structure will result in significant tax efficiencies as well as additional incentives and "exceptional retirement benefits" for the employees, he said. Under the ESOP, employees will own 100% of Southerland.

Studies show that employee-owned companies have a significant advantage over comparable traditionally owned businesses in sales per employee, Corbin said.

ESOPs are the exception in the bedding industry. Top

10 bedding producer Kingsdown is an ESOP company, and bedding major Simmons once had an ESOP. In the broader home furnishings industry, McCreary Modern and Fraenkel Furniture Inds. have employee ownership, and Hooker Furniture once had an ESOP but discontinued it.

Southerland, based in Nashville, operates a factory there and also has plants in Oklahoma City and Phoenix. It serves customers nationally. Southerland has more than 274,000 square feet of combined production and distribution space.

Those three facilities are "ideally suited for the company's plans for future growth and distribution," the company said.

Under the new leadership structure, Southerland will continue to develop its own brands as well as offer private-label brands for regional bedding retailers, the company said.

Southerland's current CEO and chairman, Herman Southerland, is retiring. Marty and Trey Southerland, his sons, will remain with the company.

## Editor's desk

# Southerland deal looks promising

If you've been reading Furniture/Today, you can't help but get the sense that the industry is ramping up for what we all hope will be a long period of incremental growth.

Last week's paper, for example, was full of stories about companies that were expanding, hiring or promoting.

We also had a number of stories about retailers opening stores, testing new retail formats and more.

This week, the good news continues, in part with a story that details a new direction at Southerland, a Tennessee-based bedding producer. The company, which has been a successful family-owned business for more a century, is set to be acquired by its employees under an Employee Stock Ownership Plan buyout.

Once the deal is finalized, Southerland will be led by David Corbin, formerly of Chromcraft Revington and Pulaski; bedding veteran Steve Russo, formerly with Restonic, Consolidated Bedding and Latex International; and Bryan Smith, the current chief financial officer of Southerland.

Corbin and Russo will be co-presidents and Smith will be executive vice president and CFO. While having co-presidents is a new twist in home furnishings, this shared leadership approach has been adopted by firms such as Google, Guess, Imax and others.



The team told me that the plan calls for Southerland to continue to develop its own brands as well as create private-label brands for a select group of regional bedding retailers.


Having had the opportunity to interview Corbin numerous times during his tenure with Pulaski — and in particular in his work to link Pulaski and Build-A-Bear — I can tell you this guy takes his marketing and consumer research seriously.

His background at Procter & Gamble convinced him that product launches need the buy-in of consumers before new goods are brought to market.

So, after a short hiatus from the industry, the guy that brought Pulaski the Build-A-Bear youth furniture line is now ready to build a bed — actually, lots of them.

He is part of a seasoned team that's armed with savvy marketing and employees who will literally share in Southerland's success.

Now, let's see if he keeps his competitors up at night.



Editor in chief

## Three-executive team set for Southerland bedding

By David Perry

NASHVILLE, Tenn. — Two presidents are better than one, according to the co-presidents set to run independent bedding producer Southerland. And three leaders are even better yet.

That's the thinking of the new leadership troika that will be in place after the company is acquired by its employees in an Employee Stock Ownership Plan recapitalization led by the two co-presidents, David Corbin and Steve Russo, and by current Southerland executive Bryan Smith.

"Three heads are better than one," Russo said.

Corbin, Russo and Smith will divide management duties at Southerland. Corbin

will head sales and marketing, product development and customer service, while Russo will head operations, logistics, support services and international sourcing. Smith will lead the finance, domestic sourcing, administrative and information technology areas.

Corbin and Russo have been working as consultants with Southerland since the middle of last year and have seen the potential the company has to gain position in the crowded bedding marketplace, Corbin said.

He said the co-president structure is new to the bedding industry, but has been adopted by a number of companies in other realms, including Google, Guess, Research-in-Motion (which

launched the BlackBerry), Imax and Fortis.

Corbin said he and Russo will be hands-on leaders who will be active in the field and will bring strong management and marketing skills to the Southerland leadership group.

The two have Ivy League credentials and backgrounds that complement one another, they said.

Corbin has an undergraduate degree from Princeton and an MBA from Harvard. He helped lead companies like Chromcraft Revington and Pulaski in the home furnishings industry and was a brand manager at Procter & Gamble. He has 26 years of industry experience.

Russo, who formerly led Latex International, Con-

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**The new leadership team at bedding producer Southernland includes Steve Russo, left, David Corbin and Bryan Smith.**

solidated Bedding and Restonic, has an undergraduate degree from Yale and a graduate degree from Johns Hopkins University. He has 28 years of business experience. In the bedding industry he is known for his low-key, analytical style and strong focus on operations.

Smith has more than 20 years of managerial accounting experience and has been at Southernland

for 12 years. He will be executive vice president and chief financial officer of the company. Smith is currently president of Southernland and serves as its CFO.

Russo said that he, Corbin and Smith are well suited to work together. "Each of us has been the No. 1 person in a company," Russo said. "We've been in that seat. And we know what it's like to be part of the team."