

PALLISER RECOGNITION EVENING

REMARKS BY ART DEFEHR

JANUARY 7, 2003

Purpose of evening – to honor the legacy of people – heart of Palliser

You are the memory and the skills – tonight we honor you

Tonight I can also be more personal

The view from 35,000 feet or 35 years – sort of the same!

Talk about three things

1. Where I come from – personal and family
2. Events that stand out in my memory
3. Some themes that emerge from these reflections

First – some personal and family observations:

Father and son – entered industry by accident

- Father – for security of employment
- Art – also security – lost my clearance

Education – solid background for this job

Recruitment – well known story

- Start at the bottomsales

Father a great role model

- Build an honest product and they will come....
- Dad also a Pioneer – visiting German shows when Americans not even thinking about it
- New technology, metric, experimented with materials
- Dad visited over 60 countries - then less than 100

The ‘Family’ a big factor in my life

- partners, friends, fellow investors
- Thanks to Frank/Dave/Irene

We were always focused – in addition to furniture invested in...

- Pig breeding, waterbeds, trucking companies, bulls from Europe, apartment buildings, land development, farming, travel agencies, bookstores,
- Always saw ourselves as outsiders.
 - Winnipeg – big boys were in Toronto
 - Canada – Big boys were in the States
 - Now North America – still always someone bigger somewhere else

Perspective based on location, isolation and the nature of our employees

- Newcomers to Canada plus isolation
- Never saw ourselves as part of network
- Still a bit true today

Heritage – to make our own way in a challenging world

- A useful attitude even today.

What were the events that stand out?

1. 1969 Entry into the Upholstery Business
 - Parkhill bankruptcy – failed to buy Winnipeg building
 - Calgary – upholstery and bedding
 - Winnipeg industry tried to block our entry
 - Frank left College to manage
 - Dan Toews one of the first employees
2. 1974 Change from printed panels to paper laminates
 - Cutoff by supplier
 - Core technique was board on frame with pre-finished panels
 - Created product family that pioneered entry into US market
 - First major user of melamine panels in North America
 - Pushed Palliser hard into European technology
3. 1981 Second coming into the US market
 - Entry in late 60's aborted by high dollar and special surtax
 - Roger and Ben were our pioneers in Fargo
 - Created basis for expansion when Free Trade came along
4. 1985 Exploration of Asia
 - Realized the potential from Taiwan
 - Smile hired in 1986
 - Import program was basis for Chair Division and interest in leather
5. 1989 FTA and the High Point Showroom
 - Built on experience from Fargo initiative
 - Palliser was early success because of showroom and experience
 - Resulted in product rationalization
 - FTA - diverted attention from further development of imports
6. 1990 Particleboard Plant
 - Caused by loss of supply
 - Strong contributor to profits and stability of product range
7. 1991 Entry into leather
 - Built on early import experience
 - Leather an orphan until about 1994 – but accumulating knowledge
 - Fortunate to be an early player on a big wave
8. 1998 Entry into Mexico
 - Felt Mexico would be a long term good location
 - Interest shifting to Asia – few people will now go there
 - Could be good long term for Palliser
 - Helped to gain experience in remote mfg locations

9. 1999 Investment in Indonesia
 - An alternative strategy to most NA companies
 - Too early to evaluate
 - May or may not give Palliser a strategic advantage

10. 2001 EQ3/retail
 - A bold new direction
 - Will encourage becoming a company driven more by creativity
 - Disconnects us from location and materials
 - The potential to set us apart from our competitors
 - The potential to take us around the world
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Some Themes from my 35 years

1. Furniture and the international scene can mix
 - Refugees – created a flavor that shaped the company and still does
 - Now its just people from everywhere else – same effect
 - Design – why modern “Milan versus NC”

2. Business is about more than business
 - Employment of refugees
 - WASO, handicapped etc.
 - DeFehr Foundation in 1980 – over 30 million \$\$
 - Habitat, Winnipeg Harvest etc.

3. The customer does notice and care
 - My father’s integrity a cornerstone of the company
 - Quality and concern for the customer are noticed
 - People do want to deal with a reliable and genuine company
 - Committed employees are at the center of a great company

4. The outsider – it’s a good perspective
 - Take a fresh approach
 - Do not be limited by convention
 - Never become complacent

5. Palliser survived and thrived on Bold moves
 - the 10 events were all steps well outside the box

Palliser always reached beyond the local community to find great people

EG. Senior management group
Roger – from California
Reg – from Toronto
Peter – from Germany

Al Doerksen – from Winnipeg – nabbed him between flights from somewhere to somewhere...

Best memory – Working with an incredible group of people

Palliser could not happen without talent and commitment in hundreds of workplaces and offices

Thank you to the management,

- thank you to every person working in Winnipeg or around the world,
 - to Bonnie and my capable assistants over the years
 - To Frank, Dave, Irene nephews and my father
 - To my children now in the business with me

A special thank you to my life partner, wife, friend ...Leona

Palliser is a Community that nurtures us all – we do well to sustain those elements that make us more than a business...

Thank you – I look forward to the **next 35 years....**