

The History of The Nord Family Foundation October 9, 1992

Eric Nord: I guess if you went back to the beginnings, you would have to go back to my father's history, and he was born on a farm in eastern Ohio. His parents were Swedish immigrants, peasants really. He went to a one-room, country schoolhouse there through the eighth grade, which was the end of their program, and then his parents sent him to Jefferson, Ohio, which was nearby the town. The town he lived in was Denmark Center, which was just really a crossroad.

William (Bill) Ginn: Sort of appropriate for the heritage. They were all Swedes and Danes.

Eric: They were all Scandinavian in Denmark Center. In fact, he didn't realize that there was another language except Swedish until he went to this one-room schoolhouse and came home and reported they were talking in a funny language up there. But then he moved to Jefferson, Ohio and boarded with someone there, went to high school and later worked his way through Case Western Reserve. It was Western Reserve University at that time. They had a five-year program in which he went to the liberal arts college at Western Reserve for three years, and then he took two more years at Case and he got an engineering degree at Case, and a bachelor of arts from Western Reserve. From there he went to work at a steel mill in Youngstown, Ohio and then later in Gary, Indiana and then he moved to Amherst to become the equivalent of a chief engineer. They called it the master mechanic of the Cleveland Quarries.

Bill: The master mechanic was the key position?

Eric: That was an important job there. He worked there, I think about 1913 until after, I think, World War I. But in the meantime, he had started his own companies on the side and one of them, the American Specialty Company, became the principal activity he had. In 1929, he was asked to be the receiver in bankruptcy for then U.S. Automatic Incorporated.

Interviewer: What does the "U.S." stand for?

Eric: It stood for the names of the two people who started the company. Uthe, who was the operator and Schibley who was a banker in Amherst and the financial person. They had started, I think, in 1908 or 1909.

Bill: Now they were a screw machine products manufacturer, were they?

Eric: They were what we called a job shop. They ran automatic screw machines and other auxiliary equipment to make parts for other people.

Bill: So they had no products of their own, there were no proprietary products?

Eric: No, they had no proprietary products, although Dad was an entrepreneur and he tried a variety of things to give him a proprietary product. None of them ever really turned out over a long period of time. Some of them were quite interesting for a short period. (To Evan): Do you remember some of them?

Evan Nord: There was the vegetable washing equipment and pre-packaging equipment for some time. He also had some other items like floor waxers and [garden crop] dusters.

Bill: And then during World War II, I remember that when I first became acquainted with this Nord menage. You were making all of these products out of non-metallic materials and it was floor waxers and brooms. They were made by the American Specialty Company, I assume. But that was because of the war. They were adaptations of products that were critical materials and that was kind of an interesting aspect of American Specialty.

Evan: At the same time he was involved in some other quarries they owned.

Eric: Well, he started the American Stone Company and I don't know the date of that, but they developed a mechanized process for product – pulpstone, which were large grinding wheels essentially for grinding paper into pulp and they looked as if they were going to be very successful.

Bill: And that was made out of sandstone?

Eric: They were made out of sandstone, but they became almost instantaneously, technologically obsolete when Carbide Company developed a large, segmented grinding wheel made essentially out of carborundum, and that was a real blow because one year it looked as if they might be a really wonderful operation and the next year they just didn't even bother to take the machines down off the mountain. That was in Alston, West Virginia.

Evan: They were out of business. Eric and I used to pile into the old Cadillac we had and we and Dad to go down to Opekiska, West Virginia. We would get up at 3:00 in the morning and he would pile us up and we would spend the day in the quarry.

Eric: It was just primarily used as a truck. Dad was always an early riser. He was born on a farm and he never got out of it and he would say to us, let's get a good start in the morning and you would be in the car ready to roll at 6:00. When he said let's get an early start you had to be ready at 3:00 or 4:00, but it was an all day drive down to this place in West Virginia.

Bill: It's at least four hours right now with the present day traffic.

Interviewer: Getting back to U.S. Automatic, what made it successful?

Eric: Well, the first thing that came to the rescue was a fellow who came off the street and talked to Dad about the possibility of parts for an invention that he had. He didn't have any money and the product that he had was a machine which in a stated way carried a target in front of a person's eyes and did so in such a way that it exercised various eye muscles, and Dad took that on without really knowing much else about it. We had plenty of time to make the parts since there really was

little else to do. But we made those parts and that went from 1933 until about 1940 or 1939. And that kept the company going when they had hardly anything else left to do.

Bill: Now was that in U.S. Automatic or was that in American Specialty?

Eric: That was American Specialty.

Bill: American Specialty came along a little later.

Eric: Well, U.S. Automatic made the parts and American Specialty made and assembled them and paid U.S. Automatic for making the parts.

Bill: But in those days if I understood it from the history, Eric, American Specialty was your father's company and U.S. Automatic was a separate, free-standing company which your father had no financial interest in.

Eric: No, he was working on behalf of the creditors to bring the company out of bankruptcy and those first four to five years after 1929 when he was appointed a receiver were really tough years, and if it hadn't been for this so-called roto-scope and this inventor named Waltreen, I'm not even sure if U.S. Automatic would have made it. The American Specialty Company always managed to find things to do. They ended up in big trouble in fact when they reorganized U.S. Automatic in 1935 and took it out of bankruptcy. American Specialty bought into a lot of the stock.

Bill: They became the 20 percent owner as I recall.

Eric: Something like that.

Bill: And the other ownership was sort of spread around among people in the community who they owed money and the creditors.

Eric: It was a residual amount of credit.

Interviewer: Evan, did you also work at American Specialty and at U.S. Automatic as well?

Evan: Yes, I forget when I first went there, but Eric and I worked there in high school in the summers and then after college I worked at American Specialty and U.S. Automatic. And I guess the first few years after college I worked in American Specialty then in U.S. Automatic. I worked on the vegetable washer equipment and some of these other jobs and when we got into the war, we took on some of the bombsite parts to manufacture.

Eric: Well, that was before we got into the war. That was 1939 and 1940, but the U.S. was supplying some of these things, for instance, to France and England.

Bill: You mean even before we got into the war?

Eric: Yes, I am not sure if they were supplying to the Norden bombsite, but they were supplying a lot of other material, which we were making.

Interviewer: Did the two of you do the same job? Were both of you creating and producing the same things or did you have different jobs at U.S. Automatic and American Specialty?

Evan: (To Eric): Well, Eric, you got there before I did.

Eric: I came there in 1940, I worked a year in Cleveland and started working there and then Evan came back there when I graduated in 1941. We did pretty much what had to be done, you know. There wasn't a great amount of organizational depth there. You had a meeting over breakfast and sort of figured out what you had to do the rest of the day.

Bill: Well, American Specialty was not what you would call a large organization.

Eric: Right, neither one of them was.

Interviewer: So you ended up working closely with your father then?

Eric: Yes.

Bill: And he continued to worry about the parts and the manufacturing process and every aspect of the business?

Eric: Yes, and he had a lot of health problems over the years. When I was in high school, he was very ill and then he had another bout in 1940 or so. So he was very eager to work and get a lot of things done, but he was not in the best of health. At the time, his physician was not sure if he was going to live very long.

Interviewer: Who was managing the company while he was ill?

Eric: Evan and I were. He was normally ill and he would be gone for months at a time.

Evan: But at that time, also he spent a lot of time in various philanthropic operations.

Bill: He got involved in community activities.

Eric: He got started even before that. He was president of the school board in Amherst for 25 years and I think he was mayor of Amherst, and he was involved in a lot of community activities.

Evan: But early on though his main venue was mental health programs, and he was president of the Ohio Mental Health Association, which I guess he was president of that until he died.

Eric: I think that is right.

Bill: Well, as I remember and this is probably apocryphal, but I think I remember that Walter was getting funding from a guy in Youngstown named Vagely. That probably went way back, but Vagely had money and was willing to fund the Ohio Mental Health Association. I think I remember when I was acquainted with a company in the 1950's that Walter tried to get out of the Ohio Mental Health Association and he said, he didn't want to be associated with it any more and he wanted to ante out and do other things and so forth, and Vagely said, look if you pull out my money goes. He was giving \$50,000 a year to the Mental Health Association, so Walter had to stay as president of the Mental Health Association in order to keep the money coming in. And I think you are right he stayed until he died.

Eric: Well, he was living until another ten years ago, I think

Interviewer: Can you continue with the history, too?

Eric: Well, this was really when he got involved as mayor of Amherst and the school board. He really started getting involved with other community activities and that, I think, was the beginning of his interest in, as Evan said, the mental health group, and I think, he was involved in the Mental Health Association.

Bill: TB and mental health. Tuberculosis was a big problem in those days.

Eric: Yes, so he was head of the Tuberculosis Health Association.

Evan: And the Center for the Sightless.

Eric: And there was the custom when U.S. Automatic made money when they had an operating profit, his custom was to give some of it to these non-profit organizations.

Interviewer: Was that common at that time?

Eric: Well, I am not sure how common it was. I think back in the late 1930's it wasn't unheard of, but it was not common.

Evan: Well, there weren't as many agencies as there are now.

Bill: There doesn't seem to be as many philanthropic people either, I think. People did things on a hands on basis and not in such an organized way and I don't think there was all this business of raising funds and causes and that sort of thing back at that time.

Eric: But the businesses we were in were very cyclical so there were years, sometimes two to three years running, when we didn't make a profit and it was all well and good to say we will give x number of profits for charitable use, but you had two to three years back to back when you didn't have profits. That was terribly hard on these organizations that had become dependent on that source of funds. And, I think, that is really how the U.S. Automatic Foundation, which is sort of the granddaddy of all the foundations that we are connected with, came about because he was trying to figure out a way to accumulate money off the balance sheet and use it as a buffer for years when the corporation didn't make any money.

Bill: It could be sort of a leveling influence. I mean if you made a commitment to support something for \$500 a year for three years you knew that even if you had a bad year in the middle in the company you could still make the \$500.

Eric: Well, yes it worked that way and it also worked the other way when you had a good year you could put the money in the foundation and not count it as taxable income up to five percent, I think it was.

Evan: Right.

Bill: Five percent of the pre-tax profits.

Eric: So it was habit just to give about five percent every year whenever we could and in a good year we gave much more than that in order to build up the foundation funds. So that is the way that started.

Bill: Actually, the way as I recall, I came in 1950, I started work August 1, 1950 in Cleveland as a lawyer and it was shortly after that that I first came, lost my way getting here, and everything, but came out and met Walter and the two of you and Marilyn Jenne out of Walter's office. But the issue that got me here was a decision that your father and you two had made that you would sell the last half of all your machine tools while there was an opportunity to do so at an auction and see if you could accumulate some cash and pay off some debts and that sort of thing and make a new departure as far as whatever business you were going to be in.

Eric: Well, that decision was made actually in the late 1940's.

Bill: Right, but that was your chance to do it.

Eric: We had a cash crisis, I think it was in 1948 in which we found ourselves unable to pay our bills and we couldn't borrow \$75,000 anywhere in Lorain County and we couldn't find any in Cuyahoga County either.

Bill: Well, none of the banks wanted to see you.

Eric: We finally had to borrow the \$75,000 from a personal friend of Dad's, but we had to put up the whole company as collateral. And that was sort of a wake up call for us. We had had close calls before; we had a lot of them before. This finally moved Evan and me to a firm resolution that we were going to get out of that business one way or another and we talked to Dad about it, and he said, well if that is what you want to do, it will be your work and by that time he figured he was pretty well finished with running the company, so we made a decision to keep only half of the customers volume wise who were fairly loyal.

Bill: Because that was a dog eat dog business in the screw machine products.

Eric: It was terrible.

Bill: And after World War II there was so much excess that the capacity out there for getting contracts [was difficult].

Eric: And people would change the supplier for a half percent. So we decided we would keep enough of the equipment to serve that better half of the customers and we would sell at auction the other half.

Evan: Also, we would try and keep the more complicated jobs. Anybody that had a screw machine could make the nuts and bolts in their garage.

Eric: We made the decision in 1949 to let our employment drop by attrition, then we watched the used machinery market and when we finally saw it was going to hit near the top and we already had all the stuff printed and ready to go, and we started in January 1952 I think it was, and we had a two to three day auction and the receipts were something like \$630,000, whereas three years before we couldn't borrow \$75,000 on the whole plant. And then at that point we figured we had the money and a little time, not a lot of it either, but we could have some flexibility and Evan ran the plant and I started to look for new products. At the time, we had

the auction we didn't have a foggiest idea. We knew where we didn't want to be, but we didn't know where we wanted to go. Then in 1952, your [William Ginn's] predecessor, Jerome Fisher, who was our attorney at the time, suggested one of the ways of leveling out this very cyclical profit issue was to create a foundation and that was the beginning of the Nordson Foundation.

Bill: That was in October of 1952 and the foundation was created in an interesting way because no one wanted to be too formal or too expansive with it, so they created a trust which was created just by declaring that having grantors, Walter and American Specialty which was still a separate company from U.S. Automatic, declaring that we were now going to hold funds in trust for charitable purposes in perpetuity and appointing three people as trustees and you had it then. There wasn't a non-profit corporation with all the members and all the trustees and all that. It was a very simple trust on about three sheets of paper, I think.

Evan: It was interesting, I think, that American Specialty put in about \$1,000, wasn't it?

Bill: Yes, I think so.

Evan: W.G. put in \$1,000 and I forget what else, but it was pretty small.

Bill: Yes, I think the total capitalization on the initial grant was \$7,000 and, of course, you had some money because you just liquidated half of your assets and the first made on your record book occurred on January 3, 1953 which at that time had the three trustees.

Eric: They were John Smythe, a lawyer; Paul Warner, a president of a bank in Oberlin and my father.

Bill: So they met out here and made the first grants to mental health and children's things and they were very small grants.

Interviewer: Well, how did they decide what to make the grants to at that time?

Eric: Well, I think it was to whatever he was involved in. And in those days people didn't grant requests. They came over and sat down across from whoever had the authority to write the check and told their story and the chances were they were going to walk out with the check. They got their money right then and there. I remember I used to do a lot of fund raising in Lorain County, and you could go to 25 different companies in Lorain County and talk to the CEO like we are talking now and say, George we need \$25,000, or \$5,000 or \$50 and you very often walked out with the check and there weren't any grant proposals and all that sort of thing.

Bill: Well the worst part of it from a lawyer's stand point was at the end of the year you would go in and talk to Marilyn and she would show you the grants that were made or the obligations that had been made and you just sort of write it up at the end of the year about here's what we did for the foundation and that is the way it was done back in that early point.

Interviewer: When did it start to become a more formalized process?

Eric: It all started when we had the first staff.

Evan: I don't remember the first staff.

Bill: The first staff was really Jep Carrell.

Eric: That was the beginning of our more formal situation. Jim Doughman did it for a while, but he might have worked on that from 1974 or 1975.

Evan: Yes, Jim and I would work together on it.

Bill: And we tried to sort out which ones to support and which ones we didn't.

Eric: But even at that time there weren't many formalities and then we hired Jep Carrell.

Interviewer: When did you establish actually having guidelines?

Eric: Well, here again that gradually evolved because you only made grants for things you knew about. They were all in the county, but there may have been some exceptions. Mental health may have been broader than the county. It was statewide, but it might have been broader than that, but again it was a situation where one or more of us were very familiar with the subject.

Interviewer: So each person would have their area and would say what they would want for their grant? Each one of you had an area that you were interested in that you were comfortable in making a grant?

Eric: Well, I think things evolved out of conversations. I don't know that any of us came with a particular request. We may have talked it over for a couple of hours.

Bill: Even after Jep came, when the requests came in they weren't very formalized. The three of us were serving as trustees and we would get together and there would invariably be projects that were better known to Evan and to Eric and you would lay out the factors and there were quite frequently cases made where the decision would be that the foundation ought not really to support this because it doesn't seem to fit in the foundation and you would do it personally, and Evan would do it personally and Eric would do it personally. Even I would do it personally.

Interviewer: But again, you had some idea about what fit, right? At least some idea?

Bill: We knew how much money was available.

Eric: But when Jep Carrell came we were delegating to him much of the responsibility we had taken ourselves and asked him to formalize it.

Interviewer: This was when it was Nordson?

Bill: Yes, Nordson Foundation definitely.

Eric: Of course when the company changed its name from U.S. Automatic Corporation to Nordson, we changed the foundation name as well and it was still Nordson Corporation when Jep Carrell came with us. That was about 13 or 14 years ago. The way it became Nord Family Foundation goes

back to the time my father died in 1967. My mother wanted to change her will and as I recall Evan and Bill suggested that she leave all her Nordson stock, which was about ten percent of the outstanding Nordson shares...

Bill: It was 3,300 shares, but it was about ten percent.

Eric: (continues): ... to an irrevocable Nordson trust for the benefit of Nord Family Foundation. That was the only foundation at the time in place for her to make that sort of profit and when she did that stock automatically went to the Nordson Foundation. When she made the arrangement the stock was evaluated at around \$400,000 as I recall.

Bill: We actually filed a gift tax return when we made the gift to the irrevocable trust in order to minimize her taxes and we declared \$75 a share for 3,300 shares at the same time she did give Joe [A.] Ignat the stock that she owned in Supervision because she owned shares in Supervision so she gave Joe the Supervision shares and she put the rest of the shares in the irrevocable trust. We did have a little squabble with the IRS over the fact that they thought we should have valued it more than \$75 a share. I think that we settled on something some years later at about \$125.

Eric: Well, it was just a little less than \$400,000 in total and then the stock at the end of that period went to the Nordson Foundation and at that time, I think it was valued at \$38 million. I forgot what that was, but the IRS code required that Nordson Foundation not hold more than two percent of the corporation's shares, and we had to direct those shares and so the Nord Family Foundation had immediately previous to that had come into being and the Nordson Foundation the three of us as trustees decided there should be two foundations, the Nordson Corporate Foundation and the Nord Family Foundation. Because of more of the money that came in at that point was in the form of shares that were donated by my mother, the Nord Family Foundation felt that that part of the assets should go into the Nord Family Foundation and they sold that part of the shares back to the corporation for about \$38 million.

Bill: It was in that neighborhood. We nearly started the Nord Family Foundation with about \$40 million in capital. That is the Family Foundation and just before then we had gotten \$2 million from Nordson Corporation as its yearly contribution so we gave back to the Nordson Corporate Foundation their \$2 million and capitalized them for part of the thing. And also it went back to the plan that was worked out when we created Nordson Corporation because that was when we decided to buy Bede Products and we were going to start a new corporation. We were going to write into its code of regulations that they had to give five percent pre-tax to charity and that was at that time totally unheard of in our experience that you would require a corporation to acknowledge in a governing instrument that it was an obligation to the total community and that was an idea that developed really at the time of the creation of the Nordson Corporation. It had modified what the practice had been at U.S. Automatic.

Evan: And also how important it was to continue that regardless whether some of the Nordsons were still there.

Bill: Right.

Eric: We had some opposition to that idea from some of the people there who were financial analysts and stockbrokers. They said, people wouldn't want to buy your stock if you are going to put that sort of stuff in there. And we said, if the people who don't want to buy stock where they have a provision where they have to give five percent of their pre-tax earnings to charity purposes, we don't think they would make very good stockholders, so we are not really going to worry too much about that. But then a lot of people said, don't make it so formal, don't put it in your code of regulations. But in order to get something like that in your corporate code of regulations you have to have it passed by your shareholders. And I think it was a 3/4 vote and I think it passed by 80 percent, maybe 85 percent. So that is there to stay and as long as Nordson Corporation exists, it is required that they give 5 percent of their pre-tax domestic profits. And that is the source now of the Nordson Corporation money and that the Nord Family Foundation has is a matter of income on their investments.

Interviewer: That is what I was going to ask you as my last question to bring us up to date on how the Nord Family Foundation has become so successful, and could you answer that Evan?

Evan: Successful in what way?

Interviewer: Well, that it continues in its assets and to be able to give.

Evan: I think we have put in place some investment counselors who even through this period of recession have done a good job and one of the assets is the Nordson Corporation stock, which is most successful.

Eric: We own less than two percent of the stock and we are limited to that.

Bill: Yes, slightly less than two percent. And actually the assets of the Nord Family Foundation are slightly in excess of \$60 million and we have a nice chunk of that investment in Nordson, but we also have what the other investment managers have done for us. I think that the question why we are so successful goes back to the mechanism we put into effect when we fund this separate foundation because what we did at that time is we had a trust that the three of us had been operating under since 1952 and under that trust we designated our successors and we didn't have to have anybody looking over our shoulders except Uncle Sam or anybody who else who interested in the foundation. But the boys decided and I participated that it was important to perpetuate a concept of philanthropy through this foundation for the indefinite future and the mechanism that they adopted to do that was Nord Family Foundation under which the members of the foundation and therefor all the people ultimately responsible for its policies and so forth are the lineal descendants of Walter and Virginia Nord and their spouses. And so we have 25 or 28 or however many grandchildren there are and spouses and they elect the trustee of which there are 12 out of which we keep three who are not family members and there are nine fam-

ily members and the coming together of that concept, under Hank Doll's guidance as well, has resulted in the adoption of policies which, I think, very much perpetuate what your father and mother and what you felt were important things in the community. And so it's been a success because of the basic underpinnings that went into it, I think.

Eric and Evan: Well, I think there are a couple of great-grandchildren now of Walter and Virginia Nord who are members when they become 18 they may have equal say in the foundation as to who will be a trustee.

Bill: And there are two of them now at least.

Interviewer: Well, we are going to wind down now, but we will have more to talk about at another time, but is there anything that you want to add? Is there more you want to add, Bill?

Bill: I have nothing in particular to add, I think the informality that once pervaded the company and that once pervaded the foundation became impractical at some point in time because of the multiple interests that were involved in the corporation. The corporation became more extensive and complicated and there became a need for more control and formalities that go with running a thriving enterprise. And it seems that has happened with the foundation. But, I think, the foundation still goes back to the basic concept that there is a relationship that each individual, and we hope each individual Nord has with his or her community, that is expressed in part through their personal generosity, but also in part through the leverage that you get by having the foundation and I think it has been a marvelous tool, if you will, to benefit the children and the aged and the various recipients of grants development.

Eric: One of the things that I think I might want to add is that the philosophy has always been going back to our parents is that if you have a foundation of this sort it doesn't relieve you as a person to do your own charitable works in the community. It isn't funding an alternative way of expressing your own obligations.

Evan: The one thing that appears to me is that this policy of five percent and working to doing things to benefit other people has really been successful for Nordson in many ways. I think it has attracted a lot of top notch people because they are of the same philosophy and so I think it has been very

successful in that respect.

Eric: I would agree with that very much.

Bill: I think that going back to one of the other points that was made earlier. You wondered how we got into some of the things that we did get into. Some of the things that strike me almost as being one of the turning points for the old U.S. Automatic Foundation and it is going back to the two of you deciding that you would enable a Head Start program to really function in Oberlin, and we acquired the old train depot, and then deciding on an early childhood center that would be the best of its kind in the country would be built and at that time the Oberlin Childhood Center was just that. The two of you did personal investigations of what the best thing was around the country and we came up with a plan to finance that without selling the Nordson stock and that really coalesced a line of giving persistent to this day which is to children and to education and that was a long-standing interest of your parents and I think of you personally and it's something that I think the foundation is on track with, I think.

Eric: That is true.

Bill: But that was a real departure up until that point and I was just looking at that. So it was in 1969. It was that early that we acquired the train depot and in 1973 that you built the Oberlin Early Childhood Center and up to that point in time it was the small gifts to important causes that was of interest or were important that came into being that we were able to see, but at that point when you really decided, well let's do something that has real impact and initiative and it was the turning point, I think, to Nordson Foundation and in turn to the Nord Family Foundation. Because that single characteristic of taking the initiative has made the family foundation a great foundation. And you only have to think about the Lorain County Community Foundation, the County Cupboard, the Child Care Resource Center, the Linden School, which was the first accredited child care institution in the country in modern times, and it just goes on. And there are that those initiatives started with that initial decision to do something that really makes an impact on the welfare of the community and that is, I think, the great thing that characterizes the foundation that makes it a lot different than many family foundations.

Interviewer: Thank you.

Source: nordff.org/system/files/
History_of_Nord_Family_Foundation_-_Interview.pdf
Document Properties:
Title: The History of Nord Family Foundation
Author: Patrice Lee (Transcriber)
Producer: OpenOffice.org 3.1
CreationDate: Wed Dec 23 09:43:49 2009
Pages: 13
Converter: /usr/bin/pdftotext -layout; pdfLaTeX
Corrections: Jep Carrell, not Jeff Carroll
Jim Doughman, not Jim Doman
Hank Doll, not Hank Dowell
Bede, not BD; Norden, not northern
Uthe; Schibley ("US" in US Automatic)
other likely mis -hearings / -speaking