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Malden Exits Bankruptcy as Polartec

WASHINGTON — Chrysalis Capital Partners, a private equity group operating through its newly formed Polartec subsidiary, has purchased the assets of Malden Mills out of bankruptcy for $44 million, marking the start of a new chapter for the performance fabric producer.

Led by chief executive officer Michael Spillane, who took over in July 2004, the firm is ready for a fresh start, having just signed a three-and-a-half-year contract with its union, UNITE HERE.

Most of the workforce and management stayed on through the buyout and Greg Segall, managing partner at Chrysalis, now serves as chairman of Polartec.

"All the legacy problems and liabilities that were with the old company no longer exist, so we get all the good things and none of the bad," Spillane said.

Chief among the bad was the more than $100 million in debt the firm had left over from when it emerged from bankruptcy in 2003, which has been left behind.

"Because the company was not capitalized correctly, management was spending a lot of time focused on trying to operate with no liquidity, which really takes away from what we want to focus on, which is making great product," Spillane said.

Polartec employs 800 to 1,000 people globally, with 600 to 700 of them based in Lawrence, Mass., and Hudson, N.H.

The new company will continue on the course Spillane has steered since becoming ceo, namely shifting the firm away from being a domestic mill to a global branded textile company with an emphasis on technological innovations.

In addition to the Polartec-branded products, which range from lightweight wicking base layers to extreme-weather gear, the company also is planning on making more fabrics from recycled materials. The capital structure of the new company will let Spillane spend more on research and development.

About one-third of Polartec's production is in China and the amount produced by the U.S. is expected to expand this year. Over time, though, Spillane said the location of the firm's production will be dictated by the market.

"It's price and delivery and value, and if it's here, that's great, and if for some reason over time it can't be here, we're still going to be a viable company," he said.

Supporting domestic production are trade deals including the Central American Free Trade Agreement and the North American Free Trade Agreement, as well as the Berry Amendment, which encourages the Defense Department to buy U.S.-made goods.

"The programs that absolutely need to be here are the CAFTA, NAFTA and the military programs," Spillane said.

— **E.C.**