

Chatham Manufacturing was engine that drove Town of Elkin for over a century

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As unlikely as it may seem, the end of Elkin's Chatham Manufacturing Co. began with one of the largest corporate scandals in Danish history.

Lucy Chatham Shaw, great-great-granddaughter of the company's founder, led a stockholder group that tried to outbid Denmark-based Northern Feather Ltd. for ownership of Chatham almost 30 years ago. Shaw was Chatham's corporate secretary and board vice chairman, as well as a vice president.

Her group, with 19 percent of the stock, included Chatham family members, senior management, directors and others prominent in the textile industry. Northern Feather won the bidding war with \$56 per share (\$92.4 million) in April 1988, after initially offering \$46 per share (\$75.9 million).

The Chatham family had controlled the company since it was founded in Elkin 112 years earlier, even though rewarding employees with gifts of stock had increased Chatham's shareholders to the point where it had been required to go public a few decades earlier.

Speaking about the takeover in an interview last week, Shaw said, "It all happened so quickly and something just didn't feel right about this company (Northern Feather) coming in and doing this. They were half our size. It just didn't make sense."

It also didn't take long for Johannes Petersen, Northern Feather CEO and chairman, to tell Shaw that she had been fired and was no longer on the board due to insubordination.

Two years later, Chatham officials learned that Northern Feather was in trouble financially and that it possibly involved fraudulent business practices.

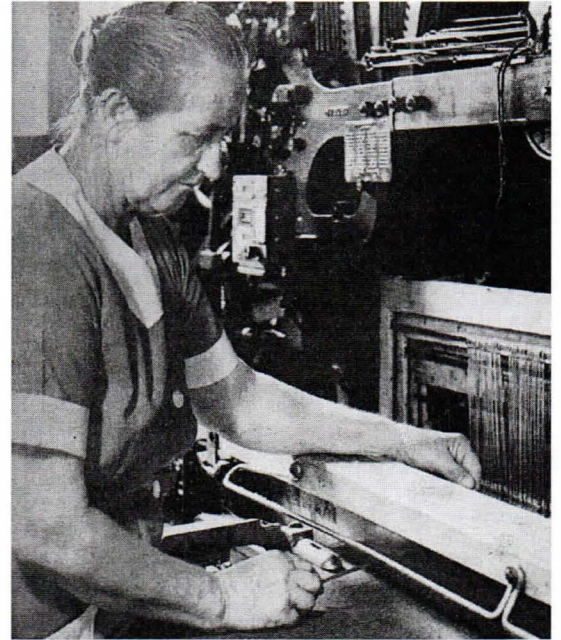
Details of corporate embezzlement and book-cooking, led by Petersen, were disclosed after the company declared bankruptcy and Petersen committed suicide in late 1990.

The scam included overstating asset values and skimming funds from companies that Northern Feather acquired. Shaw said. For example, Northern Feather set unreasonably high values on Chatham's land soon after acquiring the company.

Shaw said she wished she had hired a public relations firm to help build public support in Elkin for the stockholder group that tried to outbid Northern Feather in 1988. "I like to think that if the town hadn't been so welcoming," Northern Feather might not have been as interested in acquiring Chatham.

She said Chatham's financial strength made it "too much of an attractive target for Northern Feather." Calling it Chatham's best year, the company reported a \$6.25 million profit in 1987, up 20.4 percent over the prior year, and sales of \$125.9 million.

Northern Feather's acquisition of Chatham and similar takeovers in that period were related to the lower value of the



Mandy Burcham

PHOTO OF MANDY BURCHAM at work at Chatham Manufacturing, taken around 1940, was in a photographic history of the company published in 1983. A caption for the photo said Burcham was the most careful person in the plant and for many years held the longest safety record. She was a charter member of the Chatham "No Accident Club."

dollar against foreign currencies and a recent stock market crash.

Chatham broken up

Shaw tried again to acquire Chatham after Northern Feather went bankrupt, this time with a group of outside investors, but court-appointed supervisors of Northern Feather instead approved Chatham's sale to Columbia, S.C.-based CMI Holdings Inc. in early 1992.

Chatham had about 1,850 employees when it was bought by CMI, down from about 2,300 when Northern Feather bought the company. Under Northern Feather, Chatham bedding division was split off and became New Jersey-based Northern Chatham Bedding Co. Northern Chatham went bankrupt in 1990.

CMI sold off three more Chatham product lines when it failed to gain financial traction. These were:

- Chatham's woven blankets, sold to WestPoint, based in Georgia and later New York, in 2001. WestPoint closed its Elkin plant in 2009, cutting 134 jobs;
- Chatham's auto upholstery, sold to Borgstena Textile North America, a Swedish company, in 2000. It operated as Chatham Borgstena in Mount Airy until closing in 2003, ending 63 jobs;
- Chatham's commercial and residential upholstery, sold to Atlanta-based Interface Inc. in 2000, but kept in Elkin as part of the Interface Fabrics Group.

Interface sold this fabrics group, including its Elkin operation, to capital investment firm Sun Capital Partners in 2008, and renamed it True Textiles Inc.

True, based in Grand Rapids, Mich., employs 80-100 people in the production of yarn for commercial fabrics in part of the former Chatham complex in Elkin. It had nearly 300 employees there in 2008.

True was sold to Quebec-based Duvaltex Inc., a textile holding company, in early 2016.

Chatham blankets

Although Chatham was a major producer of upholstery for the furniture, auto and other industries in the later portion of its history, the company is best known for its blankets.

The huge "Chatham Blankets" sign atop the main mill building facing East Main Street in Elkin, lit up at night, was a constant reminder of the product that made Chatham the largest employer in this town for decades.

For Shaw, the most painful consequence of the sale to Northern Feather was the eventual loss of thousands of local jobs, but she said seeing the "Chatham Blankets" sign come down also hurt.

Dr. Jason Couch, a pharmacist in Elkin known for his knowledge of Elkin history, said Chatham was the largest blanket maker in the South around 1910, and was among the largest in the world in the 1940s and 1950s.

Chatham did its part on the home front during the two world wars by making millions of woolen blankets and producing cloth for uniforms. Chatham civic clubs sent hundreds of care packages to soldiers. A monument was placed in memory of Chatham employees who died in World War II.

The company's blanket products were more diversified later, from throw blankets with university logos to electric mattress pads.

Chatham began to produce upholstery material for autos in 1936, ending primary reliance on blanket sales. The company extended its upholstery business to furniture fabrics in 1960. In 1987, about two-thirds of its \$125 million-plus in sales were from upholstery products. Most of the rest was from blankets and other bedding products.

Peak employment

Chatham's employment peaked at around 3,500 in the 1970s, and was around 3,000 in much of the 1950s and 1960s. Most of the employees were from Surry, Wilkes, Yadkin and Alleghany counties.

Tracy Walker of Wilkesboro, human resources manager for the company when he retired in 1999 (CMI by then), said careers of 40 years or more there weren't unusual. He said multiple generations of the same families worked at "the mill." Walker worked there 32 years and handled upholstered furniture sales contracts before becoming human resources manager.

Chatham Manufacturing was the engine that drove Elkin for most of the 20th century, but with this came mixed views of Chatham and the interdependence of the town and the company.

Efforts to discourage large employers that might compete for labor with Chatham and impact wages have been alleged, but the same has been said in relation to large furniture factories that were in North Wilkesboro.

There was a bitter fight over unionization of Chatham employees after World War II. The Textile Workers Union of America represented Chatham workers from 1965 to the mid-1970s. A push for unionization in 1990 was unsuccessful.

"It wasn't great pay but it was steady. It fed a lot of families and paid a lot of bills," said Darrell Davidson of Elkin, who worked at Chatham or successor companies for about 32 years.

"They looked after their people," said Davidson, explaining that it wasn't unusual for Chatham employees to be allowed to stay on after they should have retired. He said Chatham was a very community-oriented company.

Relationship not ideal

Shaw said the paternalistic attitude of major textile mills toward employees and the relationship between these companies and the small Southern towns they shared ultimately was less than ideal.

Because of this relationship, she explained, it was harder and took longer for mill towns like Elkin to recover when they lost their major employers.

"Most of what they did in Elkin was in the best interest of the company," said Shaw.

She also noted that Chatham did much for Elkin, including playing a key role in establishment of the Elkin Public Library, Hugh Chatham Memorial Hospital, parks and other institutions and was an important supporter of schools, churches and more.

Couch said Chatham was instrumental in getting N.C. 67 built from Winston-Salem to Elkin, providing a direct route to the company's finishing plant in Winston-Salem. This included the Hugh Chatham Bridge in Elkin, completed in 1933.

The company built the Gilvin T. Roth YMCA in Elkin in 1942 and operated it until 1973. The Y had a library, bowling alley, outdoor swimming pool, gym and banquet hall and was a center of community activity for decades.

Chatham supported employee athletic, social and other organizations like the Chatham Blanketeers semi-pro baseball team, women's basketball team, square dancing team, the Chatham Male Chorus and credit association.

Early history

Alexander Chatham was born near Wilkesboro in 1834 and worked in his father's foundry and repair shop in Wilkesboro when he was growing up.

Chatham came to Elkin as a young man and was hired by Richard Gwyn, who operated a mercantile business and cotton mill called the Elkin Manufacturing Co. Chatham married his employer's daughter, Mary Elizabeth Gwyn, about three years later in 1862.

A little over a decade after the Civil War, in which he served as a lieutenant in the Confederate Army, Chatham and his brother-in-law, Thomas Lenoir Gwyn, formed a partnership and bought a store, grist mill and wool processing operation in Elkin from Gwyn's brother, Richard Ransom Gwyn.

They enlarged the wool processing operation, bought more machinery and founded a business on Big Elkin Creek that initially was called Gwyn and Chatham and later the Elkin Valley Woolen Mill.

In 1890, Alexander Chatham bought Thomas Gwyn's interest in the mill and changed the name to Chatham Manufacturing Co. His son, Hugh Gwyn Chatham, became president of the company that same year.

In 1929, R. Thurmond Chatham became president after the death of Hugh Chatham, his father.

In 1955, Hugh G. Chatham II, the older of R.T. Chatham's two sons, became president.

In 1970, Richard T. Chatham Jr. succeeded his brother as president.