

# Buyouts

The newsletter for  
management buyouts,  
leveraged acquisitions  
and special situations

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## Trimaran and K Group Join The Fortunoff Family

Just before Black Friday and the impending holiday shopping spree, two New York-based private equity firms, **Trimaran Capital Partners LLC** and **K Group**, agreed to recapitalize family-run retailer Fortunoff in a deal which will give the duo a majority stake in the Long Island-based jewelry and furniture seller. Financial terms of the deal, which is expected to close in December, were not disclosed, though published reports value the company at between \$250 million and \$280 million. Trimaran took the lead on the investment.

New York-based buyout shop **Apollo Management** was said to have been riding Trimaran's coattails throughout the auction process, which was run by the **Peter J. Solomon Co.**

With approximately \$425 million in annual sales and an 82-year history of split ownership between the Fortunoff and the Mayrock families, Fortunoff operates four full-line stores selling jewelry and home furnishings throughout the New York metropolitan area, as well as two jewelry and giftware stores on Fifth Avenue in Manhattan and in Paramus, N.J.

Fortunoff's partnership with the private equity firms will provide it with the capital necessary to expand its operations to adjacent geographic locations. Just last year, the company opened a White Plains, N.Y., location, which

sources say is struggling. Additionally, sources say that the second generation of family owners has less interest in running the retail giant.

However, **Dean Kehler**, a managing director at Trimaran and a self-admitted 20-year Fortunoff shopper, told *Buyouts* that the Fortunoff and Mayrock families will continue in their present leadership roles in the company. "We're not operators; we're financial people. We don't run our companies, our management partners run our companies. Part of the reason their customer loyalty is so strong is that many of their employees have been with them for five, 10 and 15 years. And that dedication formed a relationship chain that runs from the customer to the employee to the management to the owners, and we do not want to see that broken."

Even though Trimaran has not been very active in the space until recently, Kelner said the firm has been watching retailing very carefully over the past few years. Earlier this year, it acquired an undisclosed majority stake in Urban Brands Inc., a retailer of plus-size women's apparel in a deal that included a \$20 million equity stake from the firm.

To acquire control of Fortunoff, Trimaran agreed to invest more than \$100 million of equity in the deal from its 80% invested **Trimaran Fund II**, which

closed in 2000 with \$1.042 billion.

The K Group—which has made investments in retailers such as Harry Winston, Things Remembered and Bell Sports—did not disclose its equity contribution to the transaction.

**Bank of America's Fleet Retail Group Inc.** and **Back Bay Capital Funding LLC** have agreed to provide senior debt for the recapitalization, though the role of bank financing will not be paramount to the deal's capital structure. "This is a transaction that is not highly levered at all. We think our low-leverage approach is consistent with growing the company over a period of time, which is exactly what this transaction is intended to do," Kehler said. —A.N.

### SNAPSHOT

**Target:** Fortunoff

**Buyer:** Trimaran Capital Partners LLC; K Group

**Seller:** The Fortunoff and Mayrock families

**Financial Advisor:** Seller: Peter J. Solomon Co.

**Legal Counsel:** Buyer: Skadden, Arps, Slate, Meagher & Flom LLP; Seller: Willkie Farr & Gallagher LLP