

# A Fortune in Fashion

*J.P. Morgan transforms orphaned assets into Crosstown Traders*

by Kelly Holman

In October 2002, Cincinnati-based Federated Department Stores Inc. ended its costly three-year ownership of Fingerhut when it sold its apparel subsidiary, Arizona Mail Order, and its food and gift catalog unit, Figi's, to J.P. Morgan Partners. The New York private equity arm of J.P. Morgan Chase & Co. folded the orphan assets into Crosstown Traders Inc. and fashioned a direct marketing enterprise, much like its successful staking of sporting goods seller Cabela's Inc.

The deal, which a source says had an enterprise value approaching \$150 million, proved one of the firm's more successful ventures.

J.P. Morgan worked with Steven Lightman, Crosstown president and a veteran direct marketing executive, in streamlining the business and adding complementary ones, such as Monterey Bay Clothing Co. "One of the more obvious attributes of Crosstown Traders was its proven ability to assimilate other direct marketing businesses of scale," says Jonathan Lynch, a general partner at J.P. Morgan Partners.

Besides Monterey Bay, Crosstown

boasted a stable of women's apparel and footwear catalogs, including Old Pueblo Traders, Bedford Fair Lifestyles, Willow Ridge and Brownstone Studio. Lynch declined to disclose revenue and Ebitda figures.

Two years after the buyout, Charming Shoppes Inc., the Bensalem, Pa.-based owner of the Lane Bryant chain, approached Crosstown about a possible deal. Crosstown hired Gruppo, Levey & Co. affiliate GLC Securities Corp. and Goldman, Sachs & Co. in spring 2005 as advisers. By June, J.P. Morgan had sewn up a deal to sell the business to Charming Shoppes for \$218 million in cash. (Charming Shoppes assumed \$40 million of credit card receivables.)

J.P. Morgan Partners received close to \$200 million in gross proceeds from the sale, equivalent to 5.3 times its investment or an internal rate of return of more than 90%. This followed a recent run of profitable exits, including Cabela's, that resulted in about \$1.2 billion worth of gains for J.P. Morgan for 2004. It was a sharp reversal from 2001, when private equity losses totaled \$1.8 billion. ■