

SAN FRANCISCO

Daily Journal

WEDNESDAY,
DECEMBER 27, 2006
VOL. 112 NO. 248

Official Newspaper of the San Francisco Superior Court and United States Northern District Court

—Since 1893—

Business

American Apparel, Frederick's of Hollywood Each Merge With a New York Firm for Public Access

By Rick Kennedy
Daily Journal Staff Writer

Just in time for Christmas, deal makers last week provided yet more proof sex sells, as a pair of Los Angeles apparel icons merged with New York firms.

Fast-growing American Apparel, known for its racy ads and its "Made in L.A." label, will be acquired for \$244 million by Endeavor Acquisition Corp., a special-purpose acquisition company that essentially serves as a vehicle for American Apparel to go public without the hassle of involving an underwriter.

Meanwhile, venerable lingerie company Frederick's of Hollywood announced that it will link with clothing maker Movie Star, in a deal involving up to \$50 million in Movie Star stock that will leave Frederick's shareholders with a majority of the new company.

Frederick's also will gain access to public markets with its merger, allowing it to embark on a rapid expansion campaign. That represents a remarkable turnaround for a company that emerged from bankruptcy in 2003.

The success has come under the stewardship of Frederick's CEO, Linda LoRe, but it's likely that Marilyn Barrett, a partner at Jeffer, Mangels, Butler and Marmaro, had at least something to do with it.

"I'd certainly like to think I did," Barrett said with a laugh.

She has handled Frederick's corporate representation since helping the company file for bankruptcy in 2000 while at Alschuler, Grossman, Stein & Kahan, and she retained the company as a client through a pair of firm moves that brought her to Jeffer Mangels from McGuireWoods in August.

"They're a great client to work with — very energetic and very creative," Barrett said.

Though Barrett does corporate work, much of her experience is in the tax field, so for the merger negotiation Fredericks also hired Joris M. Hogan, a merger and acquisition specialist and partner at Torys, a firm with Canadian roots most often associated with cross-border work. Hogan, however, has plenty of U.S. experience, the result of his 25-year career with Milbank, Tweed, Hadley & McCloy before making the

jump to Torys last year.

"Joris Hogan brought great expertise and talent to the transaction, and I think it's very helpful to have counsel in New York, where most of the meetings were in New York," Barrett said.

Hogan's previous work for a Frederick's board member won him the job of merging the company with Movie Star, in negotiations he said were fairly low-key.

"This was a friendly merger," Hogan said. "It was not a hostile transaction.

"I've done plenty of those, and believe me, there's a big difference."

For its legal advice, Movie Star turned to Scott Kaufman, a partner in the New York office of Cooley Godward Kronish. The company also brought in a pair of partners from New York business firm Graubard Miller, Marci J. Frankenthaler and Peter M. Ziemba. They are two of 15 partners at the firm, yet its transactional group is consistently ranked among the city's elite.

"They're an old-line New York firm that's been around for a long time and is very well-respected," Barrett said.

Barrett expects she will represent the Frederick's half of the newly joined company.

"The public securities work I'm sure Graubard will handle, but there are still a lot of California issues that come up from day to day," Barrett said. "There's always going to be room for a California lawyer. After all, it is Frederick's of Hollywood."

Though American Apparel often highlights its Los Angeles location in its advertising, California lawyers are nowhere to be found in its sale. On the other hand, Graubard Miller once again is, as counsel to the New York-based acquirer, Endeavor Acquisition. Partners David Miller and Brian Ross and associate Jeffrey Gallant make up the Graubard Miller team representing the blank-check company.

Not only did the firm help incorporate Endeavor as a special-purpose acquisition company last year, but in the 1990s, it helped create the company itself. In conjunction with a brokerage firm, Miller worked with the SEC to craft the unique public investment vehicle and carried out a dozen offerings before the superheated IPO market diminished interest. In re-

cent years, special-purpose acquisition companies are becoming popular again, as companies look for a way to go public with reduced risk. Gallant said that Graubard Miller has done 50 such transactions in the past three years.

"We are a small firm, especially in terms of New York City firms," Gallant said, "but especially in these types of transactions in the SPAC world, ask anyone who has the most insight, and anyone will say Graubard Miller."

On the American Apparel side, personal ties trumped geography when company founder and co-owner Dov Charney turned for legal help to a longtime friend, Stuart Slotnick, a partner with Buchanan Ingersoll & Rooney in New York. Slotnick also is calling on fellow partners Robert Frucht and John Leonti in the deal.

"I've known Dov Charney for many years," Slotnick said. "I knew him back when he was first getting into the T-shirt business."

Since American Apparel was founded in 1997, the company has turned the high wages and generous benefits that its Los Angeles workers enjoy into a selling point. It also has relied on sexy images of amateur models, often shot by Charney himself, in its advertising campaigns. The strategy has helped the company flourish, even as Charney has come under fire for his libidinous approach to running an office, which extends to running company meetings in his underwear occasionally.

Slotnick seems to enjoy his client's edgy image.

"Working for American Apparel is very exciting because this is a young company, it's an iconoclastic company," Slotnick said.

Though Charney isn't an average CEO, Slotnick said his friend of two decades is all business when it counts.

"He's a very upfront guy," Slotnick said. "He'll tell you what he needs."

Reprinted with permission from the *San Francisco Daily Journal*. ©2006 Daily Journal Corporation. All rights reserved.

Reprinted by Scoop ReprintSource 1-800-767-3263.

