



Sterling Buys Fairway Market

Lisa Gewirtz, The Deal
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Sterling Investment Partners has agreed to buy a majority stake in Fairway Market, one of New York City's best-known food institutions. No price was disclosed, but the food retailer sold for about \$150 million, according to two sources.

CapitalSource Finance LLC is providing \$87 million of debt financing, and Sterling, a Westport, Conn., buyout firm, is investing about \$50 million of equity. Fairway's managers, including Harry Glickberg of the founder's family, will retain a significant stake.

Fairway has about \$300 million in revenues. From its roots as a produce market on the city's Upper West Side, the chain has morphed to become a much larger, specialty food purveyor to the city's "foodies," offering fresh fruits and vegetable and gourmet fare from high-quality olive oil and butter to meats, artisan cheeses and chocolates.

This year Fairway opened its largest store yet in a 52,000-square-foot warehouse in Brooklyn's Red Hook neighborhood. It also has stores in Harlem and on Long Island in Plainview, N.Y., as well as its original store on the Upper West Side.

The company plans to close on a deal to buy two more locations during the next month, said Charles Santoro, a managing partner at Sterling, though he declined to name the locales. He said the company plans to open many new stores "in about a 60-mile ring around the Empire State Building," including New Jersey and Connecticut. It also plans to invest in the company's private-label business.

Sterling has been in discussions with Fairway for the past few years, said Santoro.

This is not the first time a private equity firm has invested in a high-end New York grocery. Bear Stearns Merchant Banking bought Bethesda, Md.-based Sutton Place Group LLC, the parent of New York's Balducci's food mecca, for \$50 million from AEA Investors Inc. in November 2003. The company, which has about \$100 million in revenue from 11 stores in the Washington area, Connecticut and New York, has since been renamed Balducci's.

About Sterling Investment Partners

Sterling Investment Partners, based in Westport, Connecticut, invests in companies with significant competitive strengths and growth potential. Sterling has completed investments, strategic or add-on acquisitions, and liquidity events with an aggregate transaction value of approximately \$5.5 billion, representing over 60 companies. Sterling maintains a broad industry focus, including professional and business services, manufacturing, transportation and logistics, and technology-related businesses www.sterlinglp.com.

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