



Five Questions with Charles Santoro

Buyouts Newsletter

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Five Questions With...

Charles Santoro, Managing Partner, Sterling Investment Partners. You recently closed the purchase of New York City supermarket Fairway Markets, the four-location megagrocer with a cult like following among the city's shopping elite. How did you court this third-generation, family-owned business?

Sterling was introduced to the principals approximately three years ago and spent a great deal of time helping them think through their growth strategy. Fairway was looking for a partner, and the time we spent over those three years gave us all a chance to have significant first-hand experience working together. The Glickberg family continues as significant owners of the business, and some of the senior managers for the first time own equity. There's probably about a dozen that have meaningful equity stakes.

We heard about a couple that loved Fairway Markets so much, they actually got married in the cheese section. Is the loyal customer base what got you excited about the deal?

There are actually people that move to be close to Fairway locations. It's an incredible brand with huge consumer loyalty. At the end of the day we're providing an experience that no national concept can ever compete with. The produce is delivered directly, it doesn't sit in warehouses first. We have the highest salesper-square-foot of any retailer. The company has more than tripled its sales over the last 10 years. Fairway reacts rapidly to consumer taste and helps to define consumer taste. Eighty thousand people buy at our midtown site per year and there are 10 million transactions annually at the four stores.

What are your expansion plans?

We'll have two new locations within the next 30 to 45 days. Our plan is to provide growth capital to the business well beyond the two additional locations. We consider our market the broader New York metropolis, which is the largest food market in the United States and one of the three largest in the world. In dollars spent on food, the Tokyo market is the largest, and maybe New York or London is number two. We've also been approached by major developers in other major metropolitan areas. We believe there is ultimately a multi-regional market in cities with populations of 5 million or more. We're also improving our ability to sell gift baskets online.

On Fairway's Web site there's a blog written by employee Steven Jenkins. Who is that?

He is one of the leading experts in the world on cheese. He runs seminars, he is recognized by the government of France as one of a handful of non-French experts on French cheese. And he is now an equity owner. But I think that's symbolic of the commitment that all our managers have with their specialties. You'll see we carry an excess of 60 olive oils, which we believe to be the finest selection in the world. The objective at Fairway is to provide the customer with the ultimate food shopping experience.

As majority owner, how are you going to ensure you don't lose that customer base?

That is probably our single most important focus and objective. We take great comfort in how the management team that built Fairway will be part of every decision. We are also creating additional support for our managers so they will be able to oversee multiple locations. I think the successful opening of our new store in Red Hook, N.Y. is a good example that store openings will continue to provide the Fairway shopper with the classic experience they've come to expect.



NEWS RELEASE



About Sterling Investment Partners

Sterling Investment Partners, based in Westport, Connecticut, invests in companies with significant competitive strengths and growth potential. Sterling Investment Partners has \$1.0 billion of equity capital under management which includes a significant investment from Sterling's four Managing Partners. Sterling has completed investments, strategic or add-on acquisitions, and liquidity events with an aggregate transaction value in excess of \$6 billion, representing approximately 75 companies.

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