

Help | About

USER NAME: PASSWORD: LOGIN 

TAGS

TOPICS

BUCKETS

[Search](#) > [Current Keywords](#) > [Dealmakers](#) **\$436 MILLION SALE OF DAVID'S BRIDAL ANOTHER MILESTONE IN 30-YEAR ATTORNEY-CLIENT UNION**

[« Return](#)

Dealmakers \$436 MILLION SALE OF DAVID'S BRIDAL ANOTHER MILESTONE IN 30-YEAR ATTORNEY-CLIENT UNION

Regional News

The Legal Intelligencer | 2000 July 21

By: Ruth Bryna Cohen,(Of the Legal Staff)

Regional News

Steve **Goodman** is only upset that he wasn't there for the good news.

It was the team here at Morgan Lewis that put this together and worked long hours during that four-day weekend for Fourth of July, when everyone else was down the shore, that accomplished this, he said. All I did was take a vacation.

The 59-year-old partner at Morgan Lewis & Bockius was taking some time off to relax in France when his client of 30 years, the David's Bridal chain of stores, finalized its deal to be sold to the May Department Stores Co. of St. Louis, Mo., for \$436 million, at \$20 per share.

On June 7, I attended a board meeting of David's,'D' said **Goodman**. May [[Department Stores] had proposed a transaction, and we decided to pursue it and see if a deal might be forthcoming. I left for vacation and called Alan [[Singer] to put a team together, who then called Tim Maxwell, a superb lawyer.

When I got back, the deal [for May to acquire David's] was ready to be signed, **Goodman** said. It shows how Morgan Lewis has the ability to implement an undertaking like this and get it done this quickly with so few problems.

LIKE BROTHERS'

The sale was just one of many successes **Goodman** has shared with his clients, the **Erlbaum family**, whom he describes as very talented retailers and resourceful entrepreneurs. After representing the **family** in its many ventures since the early 1970s, they are like brothers to me and they are wonderful businessmen.

Wonderful indeed. David's is the largest retailer of bridal gowns and other bridal-party-related merchandise in the United States, with sales of \$175 million in fiscal 1999, according to the company.

The three **Erlbaum** brothers, Gary, Steven and Michael, are the principal executives behind several businesses most Philadelphians know, including Michael D's carpeting, Mr. Goodbuys and, of course, David's Bridal. They founded the first two businesses and took over David's when it was a single shop in Florida more than 20 years ago. The company today is headquartered in Conshohocken and operates 110 stores, 64 of which are in markets shared by May Co. divisions.

As the Erlbaums grew the business, **Goodman's** career grew as well. They followed him when he made the move from Wolf Block Shorr & Solis-Cohen to Morgan Lewis six years ago.

The relationship has endured longer than many marriages and has remained a happy one. The Erlbaums have always been interested in entrepreneurial ventures, **Goodman**

said, beginning in the early 1970s with Panelrama, a paneling company that later went public.

Goodman began his representation of the Erlbaums in 1971. I was in a small boutique firm called **Goodman & Ewing**, he said. The **Erlbaum** brothers' potential for successful was apparent early on, **Goodman** said. After Panelrama, the brothers invested in a company called Patlex, which owned the laser patent. When asked if the laser patent was for medical or industrial use, **Goodman** said, It's *the* laser it's like having a patent on the electric light-bulb.

Through the years and all the different businesses, the brothers needed different kinds of legal expertise. **Goodman** said while their needs may have exceeded his practice area at times, his job was simply to be a gatekeeper and to bring in the right people to help.

Every client has times where they have needs outside my expertise, **Goodman** said. That's the great thing about being at a firm of 1,200 lawyers. They are indispensable. I can't think of any platform like it, in terms of international offices and coverage.

THE DEAL

The speed of the David's Bridal-May Co. deal was critical once it was a go, **Goodman** said. It wasn't unusually fast for an acquisition. The challenge, he said, is in having a staff ready and able to meet the rigors of completing the deal with the speed it requires.

It's important that a deal involving a public company move fast, **Goodman** said. There's a risk associated with announcing the deal. If information leaks, it's distracting to the process.

On June 16, an in-depth financial and business due diligence began as the vice president and senior vice president of May met in Philadelphia with the Morgan team. On that day, Morgan provided May's counsel, Skadden Arps Slate Meagher & Flom of New York, with a form of merger agreement, according to the offer to purchase.

The sticking points were few, said associate Ryan Pearson.

Usually the concerns in a deal of this type are the tender offer, warranties, conditions precedent to closing and operation of the business while the negotiation is going on, he said. There wasn't anything out of the norm in this case, he said.

The merger agreement, shareholder agreements and an employment agreement to keep Robert Huth on as president and CEO of David's were signed on July 3.

Morgan's Singer worked on the initial public offering of David's in 1999, for which he authored the prospectus and worked extensively with the SEC. He doesn't think the fact that David's went public necessarily attracted May as much as the fact that David's showed great financials, a superior growth rate, and dominance in the market. It wasn't a particularly difficult IPO.

In a dot-com world, it's not always easy to convince people to invest in a brick-and-mortar chain of stores, especially when investing in dot-coms is in fashion, Singer said. But gown sales are least amenable to selling on the Internet. Women need to see them and try them on. He said he believes it was David's unique way of selling gowns that attracted customers and then attracted May.

Among the investors in David's were the Clipper Co. and the **family** that owns the Charming Shops, **Goodman** said.

Singer said that in order to be thorough, he's become a veritable expert on the wedding-gown industry. David's is able to offer the customer a core selection of styles, in a broad size range of gowns that are ready to try on in the store, he said. Most bridal salons only offer a few sizes, and the customer must special-order a gown and wait for the store to get it.

THE TEAM

It took a 17-person team to put the David's Bridal deal together with such lightning speed, **Goodman** said.

Singer handled general matters and in particular, the SEC.

Goodman and fellow partner Timothy Maxwell were general counsel in the deal. Richard D. Martinson handled shared tax, along with Joan M. Roll, who is of counsel. Partner Robert S. Schlossberg and associate Peter A. Shelton formed the team that handled Hart-Scott-Rodino concerns. Eric L. Stern dealt with real estate matters, and Mims Maynard Zabriskie handled ERISA matters.

Along with Pearson, associates Robert Rambo, Jeffrey P. Bodle and Michele E. Martin rounded out the team.