

## **Kellwood tries on Phat Fashions**

by Kelly Holman

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Adding some urban cachet to its wardrobe of apparel brands, St. Louis-based **Kellwood Co.** said Thursday it agreed to acquire **Phat Fashions LLC**, the clothing label owned by hip-hop mogul Russell Simmons.

Financial terms weren't announced, but a person familiar with the deal said the apparel company will pay \$140 million in cash for Phat Fashions. The purchase also includes an earnout and additional incentives, a source said.

"Diversity of markets, brands, consumers and channels is Kellwood's hallmark," said Hal Upbin, chairman and chief executive of Kellwood, in a statement. "Phat Farm and and Baby Phat are highly sought-after brands, and we believe they represent the crown jewels of the urban business."

Besides licensing of apparel for men, women and children, athletic shoes and accessories, the deal will give Kellwood control of the Phat Farm and Phat brands, as well as Baby Phat, the women's clothing line overseen by Kimora Lee Simmons, Simmons' wife.

Phat Fashions generates about \$200 million in annual revenue, said one investment banker familiar with the company.

"We are now at the point where we need the very best resources and infrastructure to build our underground phenomenon into a mainstream staple," Russell Simmons said. "Kellwood provides us with these opportunities."

Russell Simmons will remain chief executive of Phat Fashions, which will operate as a subsidiary of Kellwood. Kimora Simmons, a former model, will continue to serve as a creative consultant for Baby Phat, which she started in 1999.

Kellwood plans to launch new products under the label, including intimate apparel for Baby Phat.

"It's a growth area, and Phat Fashions has one of the strongest brands in the urban market, with authenticity given the roots of its founder," said Christy Lowe, a managing director at Los Angeles investment bank **USBX Advisory Services**, commenting on the acquisition.

Few would question Simmons' street credibility. He founded Def Jam Records, which launched such major rap acts as Run-DMC and the Beastie Boys into mainstream America and established him as one of the industry's major hip-hop music producers.

Simmons diversified into the fashion business in 1992 with the launching of Phat Fashions. The company operates Phat Farm retail stores in New York and Montreal, as well as a Web site.

Phat Fashions has only three serious competitors, according to Lowe: Fubu, Sean John and Rocawear, which dominate the urban fashion market. All were started by urban rap musicians or people with ties to the rap music community.

Kellwood will produce the men's Phat Farm collection through its menswear organization beginning in fall 2004.

Urban fashions have gone mainstream as buyers at major retail chains have clamored for a piece of what Kellwood estimates to be a \$10 billion retail market. **Liz Claiborne Inc.** made inroads into

the urban market with its \$114 million purchase in December of Enyce Holding LLC, a company with \$95 million in annual sales.

Sean John, the fashion line run by rap impresario Sean "P. Diddy" Combs, recently drew a \$100 million investment from Ronald Burkle, who heads Los Angeles private equity firm **Yucaipa Cos.** The deal marked the first major private equity investment in an urban clothing brand.

Kellwood's purchase is expected to close in February.

Thomas Pollihan, Kellwood's senior vice president and general counsel, served as legal adviser to the company.