

# J. Crew Go-Shop Period Passes

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J. Crew East Hampton

Photo By Robert Mitra



Millard "Mickey" Drexler

Photo By: Courtesy Photo

The deadline came and went.

The go-shop provision in TPG Capital and Leonard Green & Partners' offer of \$2.86 billion, or \$43.50 a share, for J. Crew Group Inc. expired Saturday. Any new offer for the specialty retailer needed to be made before its expiration.

J. Crew chief executive officer Millard "Mickey" Drexler has indicated he's unwilling to work for a new boss other than those at TPG, which owned the specialty retailer before taking it public in 2006.

The 53-day go-shop was longer than usual, believed to allow potential buyers time to review holiday 2010 sales results. Sears Holdings Corp., Urban Outfitters Inc. and two private equity firms were reported to be considering rival bids. Even if no one ponies up with an offer, those kicking the tires might have had a once-in-a-lifetime opportunity to

get a look at J. Crew's books under the guise of "due diligence."

Sears, under the watchful eye of hedge fund honcho Edward Lampert, tends to pop up periodically as a potential suitor, but none of the reports have yet to materialize into a deal. The last time Lampert actually pursued a target was his 2008 failed attempt at Restoration Hardware.

Matthew Kaness, executive director of business development and strategy at Urban Outfitters, at a FashInvest Conference last month reiterated the company's stance that it is always on the prowl for small acquisitions as a way of adding concepts to its portfolio. In the last fiscal year, Urban had sales of \$1.94 billion compared with \$1.54 billion for J. Crew.

A go-shop provision, typical in private equity transactions, allows a company to seek better offers when it has a deal in hand. Because it leaves the door open to higher bids, the provision also provides a company's board protection against allegations that it failed to meet its fiduciary responsibilities. Several parties have filed suit against J. Crew making such accusations.

While go-shop provisions can result in superior bids, they're relatively rare in situations similar to J. Crew's in which management, in this case Drexler, is a party to the transaction.