

Auction Block feature

Fashioning the art of the deal

Mel Lisiten still has designs on brokering M&A in New York and beyond



PHOTO: ANTHONY NOTO

A funny thing happened to Mel Lisiten on his way to becoming a fashion designer.

He became a business broker.

Lisiten is 70 years old now, but he hasn't slowed down a bit. From his East 38th St. office in the heart of Manhattan, the tanned, dark-haired Bronx native is still selling companies, one of which he wants to franchise nationally.

Known as "Mr. Corinthian"—he lives and works in The Corinthian Building—Lisiten is busy these days trying to broker the sale of privately owned IE Industries Fashions Inc. as well as the intellectual property of 1-800-Brokers Corp. He's also working on selling Pets

of New Hyde Park again—the third time in four years.

That Lisiten is juggling so many mandates speaks to his adaptability to a new reality in the business brokerage business, namely that sellers can now upload registration forms from his Lisiten Associates Web site, thoroughly explain how their businesses operate and submit proof of their financial stability. In other words, his ability to screen and qualify clients has been facilitated dramatically.

"It was almost impossible (before)," he recalls. "If you did three or four deals in a year, you were a miracle man."

Lisiten is still very old-school. He still works the phone to interview clients. He also tries to get whatever documentation he can, such as business receipts, tax returns or balance sheets. Anything to try to size up a potential buyer or seller. "Those who don't have the wherewithal," he says, "are weeded out."

He believes such due diligence has become a lost art in the business brokerage community. He fears that buyers and sellers may suffer from having brokers who lack the fundamental education—in finance, accounting, merchandising, marketing, importing, exporting and retailing—to handicap effectively the risk that often is inherent in an M&A deal.

"The business brokering industry is not as organized as it should be," Lisiten notes before criticizing how easy it is to become a certified broker. "You take a test and it's a joke."

Lisiten himself doesn't have a college degree. He attended New York University briefly, and then dropped out of the Fashion Institute of Technology. "I was a rebel," he says.

He seemed to be going in a few different directions all at once. By the late 1960s, he was an executive for a sportswear brand who had to arrange fashion shows in different states. It was during this time that he also became a real estate broker—and found himself transplanted in Colorado.

Lisiten started a company called Instahouse Corp. that purchased, renovated and furnished homes in the Rocky Mountain state. He sold the company in 1978 for \$4 million and returned to New York. Two years later, a relative recommended Lisiten to a business owner who was shopping a chemical plant in Queens, N.Y., but needed someone experienced enough to find the right buyer.

Lacking knowledge about chemicals, Lisiten remembered a lesson he learned as an eight-year old at the knee of his uncle, Max Greenfield, a well-known investor who had a penchant for wearing three-piece suits in the summer (Greenfield was one of the developers of the original Pan Am building, now owned by MetLife.) Invest in what people want, he advised, and as an example, Greenfield told his nephew simply to open the refrigerator, and take note of the different products that his parents continued to buy from the supermarket each week.

Lisiten put a different spin on the lesson, and simply opened the cabinets beneath his kitchen sink. He looked at all the products he had purchased, and called every company who made them. He sold the chemical plant for \$56 million to Lever Brothers Co., now part of global conglomerate Unilever, and by 1981 he launched Lisiten Associates. His career as a business broker officially started.

Lisiten didn't stop multitasking, however. Even though Lisiten Associates grew throughout the 1980s, Lisiten's continued moonlighting as a free-lance designer was so successful that he hired some employees and started another firm, Fashionlab, in 1983.

Fashionlab became successful in its own right, creating original art to be used on products and clothes for clients such as Federated Department Stores Inc., Marshall Field & Co., J.C. Penney & Co., Gloria Vanderbilt and Pierre Cardin. (In fact, the self-promoting Lisiten was once fired by Cardin for letting it be known in media reports at the time that the brains behind each of these high-end designers was in fact one brain—his.) By 1988, Fashionlab had studios in New York, London, Florence and Como, Italy, and was bringing in about \$2.5 billion in retail sales.

Just as Fashionlab was helping major retailers learn how to design and source their own products, however, it sowed the seeds of its own destruction and contributed to the demise of the garment industry itself. "Retailers

were eventually going to own and control their own destiny as opposed to depending on small manufacturers," Lisiten explains.

Many of those small manufacturers decided to sell out—with Lisiten serving as their broker. Apparel brand companies such as Roytex Inc., VF Corp., Acker Knitting (now known as Acker Knitting Mills Inc.) and Zodiac USA, a woman's footwear company, all used Lisiten as their broker.

The education of Lisiten as a business owner—Fashionlab faded into Lisiten Associates in 1992—paid its own dividends. He knows what it's like to actually to run a company, and that goes a long way with his brokerage clients. "I would imagine some of these companies call a typical broker who has no clue on how to deal with them," he says. "That's what my sellers tell me. I'm the first person who understands their business."

Witness the IE Industries mandate. The company, which provides department stores and clothing chains with women's, men's and children's apparel, once supplied Fashionlab with the fabrics and materials it needed to make garments. So the company knew how Lisiten ticked. As IE's broker, he is currently in talks with a buyer whose name is withheld due to confidentiality agreements.

The buyer's location, however, is a different matter. "They're in the same building," he says.

This isn't the first time Lisiten has capitalized on geography to cut a deal. When N.Y.-based Licenders Inc. was looking for a buyer in September 2008, Lisiten called investor Joe Tawil and took him on a "journey"—from Tawil's 7th floor office at 315 Fifth Ave. to the one on the 12th floor for Licenders President Adie Horowitz. Horowitz and Tawil hit it off, formed a partnership, and now run the lice treatment company together. "We [stayed] connected to Mel—he's the one that's going to franchise us out," says Horowitz, who valued the deal at \$2 million, or

approximately four times Licenders' earnings.

Lisiten is thrilled, too, and not just because he closed that deal in a month's time. "It's one of these niche businesses you see once in a lifetime and that's what I try to specialize in," he says.

Not all deals are so easy. Lisiten estimates that 10% of the businesses he takes on to broker a sale don't work out deals. Some companies simply "decided not to sell, or they misrepresented themselves and we dropped them."

Conversely, he won't abandon past deals. Pets of New Hyde Park in the Long Island town of the same name specializes in the marketing and exhibition of exotic fish, lizards and other animals. Lisiten brokered a sale of the company for about \$2.7 million in 2005. The new management wanted to expand the business but seemed to underestimate the amount of time and care that was required, he says. So now he's trying to sell it again.

With 1-800-Brokers Corp., this summer Lisiten mailed deal books for the company's intellectual property to about 10 potential buyers. The IP is owned by the pioneers of 1-800-Lawyers Group, the parent company of a service known for its nationwide daytime television commercials that connect callers with injury lawyers. The idea behind 1-800-Brokers is the same as 1-800-Lawyers, only with insurance, real estate and other types of brokers. Call the number, and the service will connect callers with one of those practitioners, who pay licensing fees for a given territory. Lisiten says talks with interested parties have indicated a value range somewhere between \$3 million and \$10 million.

Then there's Lisiten's pet project: the Fashionart Collection. He wants to license more than one thousand clothing concepts of his old company, a collection that was appraised for \$16 million in 1989.

"Look, I'm an artist to begin with and that will never change," Lisiten says. "But as good as people think I am, I never wanted to be in that business. They only make money when they die." ■ —Anthony Noto