

# LOS ANGELES BUSINESS JOURNAL

Volume 35, Number 13

THE COMMUNITY OF BUSINESS™

April 1 - 7, 2013 • \$5.00

## Up Front



The return of opulence? This iPhone case costs \$14,000.  
**PAGE 3**

## News & Analysis

Why spinmeister Michael Levine decided to sell.  
**PAGE 10**



## Op-Ed



How Angelenos could buy the L.A. Times.  
**PAGE 43**

MAIL TO:



Framed: Larry Fitzgibbon stands next to a screen showing Joe Perez and Steven Kydd at Tastemade in Santa Monica.

## Video Links

YouTube channels team up to score bigger ad rates

By **TOM DOTAN** Staff Reporter

ANOTHER YouTube network has emerged fresh from the oven of L.A.'s online video industry — this one dedicated to food.

**Tastemade**, launched last month and founded by three longtime executives from Santa Monica's **Demand Media**, is developing a brand of foodcentric videos that feature a bite-size style endemic to the Web.

One clip on the channel is a wordless step-by-step video that shows in tightly framed, deftly edited

shots how to brew apple cider. It lasts barely a minute but has racked up more than 800,000 views.

The channel is the latest entrant to a category known as "multichannel networks," a group that bundles different Web series to help them scale. It's a category that has come to dominate the young YouTube economy, which is increasingly centered on the Westside and Hollywood.

In short order, Tastemade has already achieved

*Please see INTERNET page 37*

## Mattress Recycling May Pad Bill

**MANUFACTURING:** Makers, retailers question program costs.

By **HOWARD FINE** Staff Reporter

"This bill is killing me, Loni!"

That's the message **Nelson Bercier**, president of **Sit 'n Sleep** mattress stores, has for state Sen. **Loni Hancock**, who has authored one of two competing bills that would set up statewide mattress recycling programs.

Both bills aim to solve a long-festering problem: old mattresses being dumped on the side of the road or in an alley, forcing cities to haul them away at taxpayer expense.

Berkeley Democrat Hancock's bill targets mattress manufacturers, requiring them to fund the recycling program. Even though as a retailer Sit 'n Sleep

*Please see MANUFACTURING page 38*



Laid Back: Nelson Bercier at Sit 'n Sleep facility.

## Bank Created Little Interest

**LENDING:** Evergreen can't even sell off its charter.

By **JAMES RUFUS KOREN** Staff Reporter

**Evergreen International Bank's** website is long gone, its vault is empty and its lone branch on a quiet stretch of Long Beach Boulevard lies vacant, save for some office furniture. The only evidence that this was once a financial institution is the bank's old sign, still lit up at night.

Banks occasionally go out of business, sure, but they don't usually go like this. Unlike the 18 Los Angeles County banks that have closed since 2008, Evergreen wasn't seized by regulators or purchased by another bank.

Instead, Evergreen sold most of its loans and transferred its deposits to **First Choice Bank** in Cerritos. Then, in January, it took the rare step of surrendering its charter to the state

*Please see LENDING page 39*



Hands On: David Heidel with Qube.

## Drone Business Could Use Lift

**AVIATION:** Federal cuts take air out of AeroVironment.

By **RYAN FAUGHNDER** Staff Reporter

The military drawdown in Iraq and Afghanistan has propelled manufacturers of unmanned aerial vehicles to turn their attention to domestic applications, but a slow pivot and the federal budget crisis have caused one company to run into some turbulence.

**AeroVironment Inc.** has relied heavily on military contracts, supplying 85 percent of the military's 25,000 small drones. Those sales account for 80 percent of the company's revenue and the ongoing federal budget impasse has caught AeroVironment in a squeeze.

The company reported lower-than-expected earnings last month, in large part because year-end uncertainty over the federal budget

*Please see AVIATION page 38*

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# Manufacturing: Mattress Bills Lack Curb Appeal?

Continued from page 1

would not be directly affected by the legislation, Bercier said he expects those costs to be passed on to him and so opposes the bill.

"The Hancock bill would force me to raise my retail prices," he said.

With 30 stores, Gardena-headquartered Sit 'n Sleep is one of the largest mattress retailers in the Southern California region, thanks to those catchy broadcast ads featuring accountant Irwin telling chain founder Larry Miller, "You're killing me, Larry!"

Bercier, however, is not opposed to efforts to require mattress recycling and has thrown his support behind a bill sponsored in part by mattress manufacturers and carried by state Sen. **Lou Correa**, D-Santa Ana. The Correa bill would levy a small fee each time a consumer purchases a mattress and that money would be used to fund a recycling program. It would be similar to the fees collected when consumers purchase new tires or have their motor oil changed.

"The key is that the fee needs to be a line item on the receipt, so the consumer knows there is a recycling program and can feel good about contributing towards it," Bercier said.

Supporters of Hancock's bill dismiss the Correa bill as a "poison pill," designed to stop their bill from getting through the Legislature.

## Discarded mattresses

Both bills seek to address a nettlesome problem: people throwing old mattresses to the curb. While many mattress retailers offer to pick up old mattresses when delivering new ones, that has failed to put much of a dent in the problem. According to Hancock's office, the city of Los Angeles picks up between 120 and 150 mattresses every business day, which translates into more than 30,000 mattresses a year. Sometimes mattresses will sit on sidewalks or in alleys for weeks before being removed.

"Illegally dumped mattresses are a terrible blight on our communities," Hancock said in a press release introducing her bill, SB 254.

Then there's the cost to taxpayers for city haulers to pick up and dispose of the mattresses, usually in landfills. Hancock said the state's 10 largest cities spend more than \$20 million a year hauling away old mattresses.

Supporters of the Correa bill don't dispute those figures. They take issue with how the Hancock bill would pay for the recycling of used mattresses: requiring manufacturers to pay quarterly fees to the state Department of Resources Recycling and Recovery (known as Cal Recycle). The department would deter-



Laid Out: Old mattress sits on the sidewalk in front of an L.A. apartment building. RINGO H.W. CHIU/LABJ

mine the fee amounts at a later date.

The manufacturers would also have to get department approval for a plan – or plans – to recycle 75 percent of old mattresses by 2020. Those manufacturers that refuse to comply would be banned from selling mattresses in the state.

"Manufacturers have a responsibility for their products," said **Larry Levin**, spokesman for Hancock. "Their responsibility goes beyond taking the money from California and running."

The nation's four largest mattress manufacturers – **Sealy Corp.** of Trinity, N.C.; **Serta** of Hoffman Estates, Ill.; **Simmons Bedding Co.** of Atlanta; and **Spring Air Co.** of Elk Grove Village, Ill. – are all headquartered outside California.

Hancock's bill also would require retailers to offer mattress pickup services at no cost to consumers. The bill doesn't specify whether retailers would be reimbursed from the funds collected from manufacturers.

Last year, the **International Sleep**

**Products Association**, the main trade group for mattress manufacturers, opposed Hancock's original mattress recycling bill, as did the **California Manufacturers and Technology Association**.

Nonetheless, the bill made it all the way to the Assembly floor in the final hours of the session before being blocked by some moderate Democrat lawmakers from the Central Valley concerned about the impact it might have on local mattress makers and retailers.

Hancock reintroduced an almost identical bill in February.

## Competing bill

This year, mattress manufacturers have joined a coalition called **Californians for Mattress Recycling** that also includes retailers like Sit 'n Sleep and some mattress recyclers.

The coalition convinced Correa to author his bill, SB 245, as an alternative to the Hancock bill. It would levy a small fee on each consumer

purchase of a mattress; the money would go to a non-profit organization that would set up and operate a statewide mattress recycling program.

"SB 245 balances landfill pressures and environmental and industry concerns," Correa said last month.

A key question with the Correa bill is whether the consumer fee is considered a tax that would require the legislation to get two-thirds approval in both the Senate and Assembly.

Both bills are headed for policy committees this month.

At least two local companies said they were OK with either bill.

"We're comfortable with either bill," said **Ken Karmin**, owner of La Mirada manufacturer-retailer **Ortho Mattress Inc.** "We hope that when these bills come out, they are pro employment and have a positive effect on the environment."

Karmin said his company already pays a small amount to recycling companies to haul away and recycle old mattresses when they deliver new mattresses to customers. These companies break down the mattresses and sell the component parts: steel springs become scrap metal and wood frames get transformed into wooden pallets, for example.

Karmin added he would not mind paying a little more if it would help address the illegal dumping of mattresses that ultimately clog local landfills.

Still, he does have some concerns about both proposals. The Hancock bill, which targets mattress makers, must assure that all manufacturers pay the same fees to the state, he said. In the Correa bill, he continued, any recycling program crafted by the statewide non-profit should not cut out existing mattress recyclers.

"There's a cottage industry of people who recycle mattresses for a living," he said. "I would hate to see any of them lose their jobs because of this legislation."

One of those mattress recyclers is **Tchad Robinson**, co-owner of **Blue Marble Materials**, a facility that opened last year in the City of Commerce and now recycles roughly 500,000 mattresses a year.

Robinson said he, too, does not have a preference for either bill.

"My main concern is that either of these bills could create a top-down approach that could dislodge existing recyclers," he said.

He said neither bill seems to address another of his concerns: Some recyclers refurbish old mattresses and then pass them off as new when they sell them to wholesalers and retailers.

"We need to crack down on these rogue companies," he said.

# Aviation: Drone Maker Targets Domestic Market

Continued from page 1

delayed orders from the military. Compounding that, the across-the-board budget cuts known as sequestration hit early last month, casting a further pall on the company.

"It's already having an effect," said Peter Arment, an analyst with Sterne Agee & Leach in New York who covers AeroVironment. "The overhang of sequestration has caused funding delays as program managers at the Pentagon try to figure out how to allocate money for their core programs."

Shares of AeroVironment fell more than 5 percent last week, closing March 27 at \$18.10 and making it one of the biggest losers on the LABJ Stock Index. (See page 30.) The company's shares have declined 33 percent over the course of the last year.

The slide came in the wake of a weak earn-

ings report released March 5 in which the company reported third quarter net income of \$3.87 million, a 33 percent decrease from the same quarter the previous year. Revenue for the quarter ended Jan. 26 was \$47.1 million, down 35 percent. It chopped its full fiscal 2013 sales guidance by one-third.

The effect of the budget cuts on AeroVironment was unexpectedly great, said William Loomis, an analyst at Stifel Nicolaus & Co. in St. Louis.

"We did not anticipate such a dramatic shortfall," he wrote in a note to clients.

Now, in the wake of the military drawdown in Iraq and Afghanistan and the slashing of the federal budget, AeroVironment is starting to pivot.

The 800-employee company, which manufactures its drones in Simi Valley, is getting ready to sell domestic applications to fill the gaps. The company is developing a drone, dubbed the

Qube, for search-and-rescue missions.

The Qube, which costs \$50,000 per unit, could be used to take photos and videos of crime scenes and emergencies.

"We're going into the evaluation phase," said **David Heidel**, the marketing manager for unmanned aircraft systems at AeroVironment. "We see this as a big opportunity."

## Legislative help

The company's efforts – and bottom line – could get an assist from legislation pushed by two state lawmakers who want to ensure that California, home to about a dozen drone makers, remains a leader in the field.

Assembly members **Jeff Gorell**, R-Camarillo, and **Steven Bradford**, D-Gardena, have introduced legislation that would create tax incentives directed at companies that make unmanned aerial vehicles – UAVs, or drones – in California in the hopes of boosting the state's aerospace manufacturing industry.

For most of the companies in the state working on this cutting-edge technology, the

benefits could prove to be a boon; the bill, AB 1326, would exempt manufacturers from taxes on equipment and new facilities as well as offer a tax credit for qualifying wages and new hires of up to \$20,000 a year per employee.

Gorell said he authored the bill, introduced in February, after manufacturers told him the cost of doing business in California had them considering moves to other states.

At stake is a slice of a growing industry that is expected to generate billions of dollars in sales in the coming years.

Drones are being developed for multiple domestic uses, including search and rescue missions, crime scene analysis, border control and agriculture. The industry could account for \$2.4 billion in economic activity in California through 2017 as long as regulatory milestones are hit, according to the **Association for Unmanned Vehicle Systems International**, an industry group in Arlington, Va.

"You're talking about a great deal of applica-

## LABJ POLL

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Please see GOVERNMENT page 39