

January 7 - 13, 2008

\$3.00

THIS
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NUMBER 1

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Foodie: Lorne Goldberg, owner of Mandarin Express, in the kitchen of his Encino home.

Peking Pluck

Investment banker stirs things up with Chinese food chains

By SARAH FILUS
Staff Reporter

LORNE Goldberg made his name through his accomplishments in L.A. investment banking — among them was saving YouBet.com Inc. by raising \$6 million for its launch. Now, he is set to add to his fortune by, among other initiatives, spicing up the menu at two Chinese fast-food chains he acquired.

It's been an odd evolution, since Goldberg had once considered the dining sector too risky.

"The restaurant business is the last business that I would have wished to end up participating in," he said in a recent interview at his offices

overlooking Ventura Boulevard in Sherman Oaks.

Nonetheless, he now owns one of the largest Chinese fast-food chains in the United States with 70 stores and 1,000 employees.

His success with the Mandarin Express chain can be seen as a validation of the model developed by Panda Express, the 1,000-store Rosemead-based chain owned by the Cherng family. Goldberg has followed the local company's footsteps in that he profited early from captive audiences at mall food courts.

Now, also like Panda Express, he's expanding into free-standing restaurants. Last year he purchased

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De La Hoya TKO'd
Over Sears ProjectREAL ESTATE: Boxer pulls out of
Boyle Heights mixed-use project.By DANIEL MILLER
Staff Reporter

Boxing star Oscar De La Hoya has thrown in the towel in his attempt to purchase the landmark Sears building site in Boyle Heights, which was to be redeveloped into a mixed-use retail and residential project.

The deal fell apart Dec. 31 when De La Hoya and his joint venture partners did not release their initial deposit of \$2 million to owner MJW Investments Inc. MJW put the 22-acre site back on the market last week.

De La Hoya, who has moved into real estate development as he steps away from boxing, had hoped the project would help revitalize the low-income neighborhood where he grew up.

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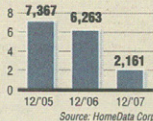
Home Prices Dip as
Sales Volume DivesPROPERTY: Number of houses
sold drops by stunning 66 percent.By DEBORAH CROWE
Staff Reporter

The Los Angeles County residential real estate market continued to tumble in December, with sales nose diving 66 percent compared to a year earlier and the median price dropping 7 percent to \$510,000.

The median, which fell in October for the first time year-over-year since the long real estate run-up began, is now \$15,000 lower than November and \$40,000 lower than it was in December 2006, according to data

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Sales Swoon

Homes sold in L.A. County,
last three Decembers.

Issues at Stake in February Election Divide Business Interests

POLITICS: Telephone tax, Indian
gaming measures go to voters.By HOWARD FINE
Staff Reporter

The state's February election is getting attention for the possibility that California may affect the outcome of the presidential campaigns.

But the election is getting particular attention from businesses — which are divided on whether to support several key measures.

The Feb. 5 ballot features issues as diverse as tribal gaming compacts and community college funding formulas — some of which will affect businesses directly

and others that will be more indirect in impact. As such, the state and local business communities are split on the proposals.

"Business is all over the map in this election," said Robert Stern, president of the Center for Governmental Reform, a Los Angeles-based public policy and political reform organization. "And even on those measures that do impact business, like the telephone tax, many businesses take stands or make donations to stay on the good side of elected officials."

The February ballot is lighter than some recent statewide elections when it comes to business issues. For example, there's no employer mandate to provide health care coverage as there was in November 2004.

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Gaming: Bettor plays slots at Indian casino.

Companies on the move need deeper understanding.

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Dining: Financier Takes Double Dip in Chinese Chains

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another Chinese food chain, Minneapolis-based **LeeAnn Chin**, which has 40 stores not in food courts across the Midwest.

"Panda is in malls and on the street, and right now they are really focused on the street," Goldberg said. "Well, I now have diversification. LeeAnn Chin is a very important acquisition for that reason. You want to have both."

For almost 10 years, Goldberg did investment banking deals through West Coast Capital, which he founded in 1995 when he was 26. During that time he completed more than 40 transactions with a total value of about \$500 million. He found investment money for companies such as **Jaks Pacific Inc.**, the Malibu toy company that later went public. He also played a key role in raising money for the launch of Woodland Hills-based horse-wagering tech startup **YouBet.com** when other funding had fallen through.

Yearlong negotiations

Mandarin Express, which had 25 locations in the Southeast, was brought to him in 2004 as a client for investment banking services. But after taking a look into the company's financials, Goldberg decided a better move would be

Sit-down restaurants don't necessarily translate successfully to quick-serve. In 2006, P.F. Chang's shut its lower-priced Paul Lee's Chinese Kitchen, a joint venture with Outback Steakhouse, after opening just four locations.

to buy Mandarin, because he could operate it with little risk.

"Mandarin Express is somewhat different from a sit-down restaurant where you hope people will come each day," he said. "When you are in a food court, you have a captive audience on a daily basis and your goal is to beat your neighbor."

Goldberg spent a year negotiating with the Atlanta, Ga.-area family that had owned the restaurant for 25 years. He eventually completed a more than \$10 million leveraged buyout with money borrowed from **G.E. Capital**.

In the past three years, he has added five stores to the chain and modernized the décor.

He added two important menu items that have become the top sellers: spicy Mongolian chicken and grilled bourbon chicken.

The changes have paid off. Same store sales have increased by 23 percent cumulatively since Goldberg has been the owner.

"There was a lot of low-hanging fruit and a lot of opportunity," he said. "That is what caused me to purchase the company."

After buying LeeAnn Chin, he added the same two dishes, which alone account for 20 percent of sales. In nine months, same-store sales have increased 4 percent.

Goldberg plans to acquire other Asian restaurant chains and expand the ones he owns. Leases already have been signed for new stores in both chains for the first quarter of 2008. He merged the operations for both LeeAnn Chin and Mandarin Express to the same location in Minneapolis where they have their food distribution facilities. Goldberg will remain in L.A.

The quick-serve chain model is relatively rare in the U.S. Chinese restaurant sector, said Randall Hiatt, the president of Costa Mesa-based hospitality consultancy Fessel International. Most of the operators are independent.

"There is a perception – and some reality – to the fact that it is tougher to wok entrees than to flip burgers," Hiatt said.

Though chains such as Panda Express, Pick Up Stix and Pei Wei have proved to be successful business models, others have fallen by the wayside.

Sit-down restaurants don't necessarily translate successfully to quick-serve. In 2006, P.F. Chang's shut its lower-priced Paul Lee's Chinese Kitchen, a joint venture with Outback Steakhouse, after opening just four locations.

"I bought two of the most established chain food stores in the country," Goldberg said. "You are going to have a difficult time in this industry unless they are buying a company that is seasoned and professionalized. That is why the opportunity for us is enormous."

Finance background

Goldberg is originally from Canada and came to Los Angeles in 1982 after graduating from Temple University in Philadelphia. He first worked for Heitman Financial, a real estate investment group. After three years, he started his own investment banking business.

A year and a half after starting West Coast Capital, Goldberg had raised \$18.5 million for local companies needing rapid growth capital. For most of his career as an investment banker, he worked with mid-sized companies that



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Election: Business All Over the Map on February Ballot Issues

Continued from page 1

And there are no tax increases aimed at specific industries such as tobacco or oil.

Indeed, elections with more impact on bottom lines are likely in June, when competing eminent domain measures will be up for a vote, and in November, when Californians could be voting on another health care reform measure that would require business owners to provide employee coverage.

Even so, the upcoming February ballot includes seven important statewide propositions: four Indian gaming compacts, a gasoline sales tax measure, a minimum guarantee for community college funding and a term limit reform measure.

Big gamble

Television ad wars have already begun over the tribal gaming compacts, which are opposed strongly by the operator of Hollywood Park and other local racetracks.

These four referenda, Propositions 94 to 97, were placed on the ballot by labor unions, racetracks and other opponents of deals reached between Gov. Arnold Schwarzenegger and four Indian tribes. If a majority of voters vote "no," the compacts would be voided.

The deals, approved by the Legislature last fall, would allow the Pechanga Band of Luiseno Indians, the Sycuan Band of the Kumeyaay Nation, the Agua Caliente Band of Cahuilla Indians and the Morongo Band of Mission Indians to add 17,000 slot machines to the 8,000 they run in



Term Limits: Proposition could allow Fabian Nunez to stay in the Assembly.

their casinos, generating billions of dollars in additional state revenue over the next 23 years. How much revenue is in dispute: Estimates range from \$5 billion over 23 years to \$20 billion.

The four Indian tribes, from San Diego and Riverside counties, have raised \$30 million and spent more than \$10 million in ads touting the additional revenue and services the deals would generate. Opponents of the compacts – including unions that failed to extract labor concessions from the tribes, anti-gaming groups and racetrack operators – have raised roughly \$12 million to date.

About half of that sum has come from **Stock-**

bridge Real Estate Fund LP, which owns the Hollywood Park racetrack in Inglewood and the Bay Meadows racetrack in San Mateo County. Bay Area real estate investor Terence Fancher is the general manager of Stockbridge.

The racetracks' main concern is language in the compacts that prohibits them from installing certain types of gaming devices, including video lottery terminals, that are common at tracks in other states. The revenue from those terminals allows the tracks to offer richer purses, which draw better fields and more interest from bettors.

"Hollywood Park and Bay Meadows are

concerned that the compacts as currently drafted will limit their ability to compete with horse racing in other states," said Greg Larsen, a spokesman for the tracks. "The compacts will for more than 20 years not allow them to look at other kinds of alternative gaming or revenue streams to support race purses as tracks do in other states."

However, supporters – including the California Chamber of Commerce and numerous local chambers – say the compacts will bring in much needed revenues to the state. That's become a bigger concern as a slowing economy has California facing a possible \$14 billion deficit in the 2008-09 fiscal year.

"The Indian casinos generate more taxes for us, which are really needed right now for the budget deficit we're having. If we don't get the budget balanced, then we're afraid businesses will have to pay more fees or taxes to close that gap," said Hugo Merida, president of Los Angeles Hispanic Metro Chamber of Commerce, which has about 650 member companies.

A Field Poll taken last month shows 39 percent of likely voters approving the compacts, 33 percent opposed and 28 percent undecided.

Term limit scuffle

Even more controversial on the Feb. 5 ballot is a proposed overhaul of term limits. Under the current system, lawmakers can serve six years in the Assembly and eight years in the Senate. Passed by voters in 1990, the law was a Republican attempt to curb the power of then-Democratic Assembly Speaker Willie Brown.

These limits, especially the six-year cap for

needed \$5 million to \$30 million.

Some of his first jobs were raising money for companies such as **Pink Dot Enterprises Inc.**, a delivery service; **Color Me Mine Enterprises Inc.**; and **Jakks Pacific**.

In 1998, he met David Marshall, one of the founders of **Yobet.com**. At the time, the company was struggling to stay alive, losing several hundred thousand dollars a month and unable to cover payroll.

The company had gone public in a reverse merger in 1995 and faltered after funds from an investment banking firm in London fell through.

Goldberg raised \$6 million for **Yobet**. The money was put toward launching the site.

"We were an Internet startup in the development stage when Lorne stepped in," Marshall said. "We were a company in a difficult position and that didn't scare him away."

But Goldberg said the Mandarin Express and LeeAnn Chin deals were the most significant of his career.

"I enjoyed deal making for many years and continue to enjoy the deal business," Goldberg said. "But my real passion is to own and operate and to build. Now I don't have much inclination to be out doing deals."

Currently, he is focusing on innovation.

Goldberg recently introduced a **Pinkberry**-like product in 10 LeeAnn Chin locations after seeing the popularity of **Pinkberry** yogurt here in Los Angeles. He plans to do a complete rollout this year.



Free-Standing: The interior of a LeeAnn Chin fast-food Chinese restaurant. The chain has 40 locations throughout the Midwest.

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Assembly members, have come under fire from policymakers who contend the restrictions have stripped the Legislature of its institutional memory and turned Sacramento into a game of musical chairs, with lawmakers focused on their next elected office.

The term limits measure on the February ballot was supposed to be paired with the redistricting reform measure, functioning as the "carrot" to redistricting's "stick." But redistricting bogged down amid opposition from Democrats, and especially from members of Congress concerned about losing their nearly de-facto lifetime seats. That just left the term limits overhaul, under which the total number of years a state legislator can serve is reduced to 12 from the current 14. But lawmakers can choose to serve all 12 in one house.

The catch: The proposition as worded applies to 34 current lawmakers due to be termed out next year. That would allow Assembly Speaker Fabian Nuñez to remain in the Assembly another six years and Senate President Don Perata to remain in the Senate an additional four. This has prompted opponents to tag the measure the "Nuñez and Perata Term Extension Act."

In last month's Field Poll, support remained steady at 50 percent, indicating that a close vote is likely.

Business groups have generally been supportive of the concept of extending term limits, especially when paired with redistricting. The believe changing the redistricting process would make seats more competitive, resulting in a more moderate Legislature better capable of crafting compromise bills on a variety of issues. But they appear to be lining up against this measure, largely because it lacks the redistricting component.

Indeed, the California Chamber of Com-

L.A. Voters to Make Call on Telephone Tax

STATE referendums are not the only items on the Feb. 5 ballot that businesses are worried about. One local measure is stirring up its own controversy: an overhaul of L.A.'s telephone users tax.

The City Council put the measure on the ballot in response to lawsuits from phone companies and the Howard Jarvis Taxpayers Association. The lawsuits allege that the city's 2003 decision to increase the tax on telephone users to 10 percent violated Proposition 218's ban on new taxes without voter approval.

Fearing that the lawsuits would be successful and the entire telephone users tax – and the \$270 million in revenue that it generates – would be thrown out, Mayor Antonio Villaraigosa and the council declared a fiscal emergency and put an overhaul before voters. The emergency declaration enabled the phone tax to hit the ballot before the existing tax could be thrown out by a judge, thereby avoiding Proposition 218's

two-thirds vote requirement.

To make it more palatable, the measure reduces the tax from 10 percent to 9 percent, but also applies it to new forms of telephone communication over the Internet and to facilities that use high-capacity T-1 lines.

Businesses pay a hefty portion of the existing tax and can expect to pay just as much, if not more, under the new levy. Proponents say that continuing the phone tax is needed to maintain essential city services.

One of the more prominent proponents is AEG Worldwide, operator of the Staples Center and developer of the L.A. Live project.

"There is nothing more important to this city than our public safety. It's up to everybody to support our police officers and firefighters. Therefore, I am supporting Proposition S," said AEG Chief Executive Tim Leiwke, in a statement.

On a more practical basis, Leiwke and other

business leaders that have deals pending before the city are supporting the phone tax measure as a way to stay in the good graces of the mayor and the City Council, said Robert Stern, president of the Center for Governmental Studies, a Los Angeles-based public policy and political reform organization.

But the Valley Industry and Commerce Association is opposing the phone tax overhaul. It believes the measure should capture a two-thirds majority to pass, something that Villaraigosa and the council circumvented by declaring a fiscal state of emergency.

"The way this was put on the ballot by declaring a fiscal emergency – that's an abuse of the process. The fiscal emergency declaration is only meant to be used in response to a real emergency like a serious earthquake or other disaster," VICA Chief Executive Brendan Huffman.

—Howard Fine

merce last month reversed its position. Nearly a year ago, the group supported the term limits proposal; but the lack of a redistricting measure caused it to reconsider.

"It is unfortunate that the February ballot does not offer voters the opportunity to consider redistricting reform that would provide for fair elections in conjunction with Proposition 93," said Allan Zaremberg, chief executive of the California Chamber of Commerce. "Term limits reform without redistricting reform is not the comprehensive political reform California needs."

That view was echoed by the Valley Industry and Commerce Association, which in November also voted to oppose the measure. The Los Angeles Area Chamber of Commerce

is due to take up the initiative later this month.

So far, the California Small Business Association is the only statewide business group to come out in support of the term limits reform measure. "Legislators can perform better when they have a chance to be there for a little longer period of time," association president Betty Jo Toccoli said at a recent legislative hearing on the issue.

College funding

Meanwhile, the Valley Industry and Commerce Association has split with the state's broader business community on ballot measure Proposition 92, which requires that 10 percent of the education budget be permanently set

aside for community college funding. The initiative has generated strong opposition from advocates of K-12 education who fear that they will lose funds.

The California Chamber of Commerce in September voted to oppose Proposition 92, contending that the guaranteed funding could hurt other vital state programs in education, health and public safety.

But the Valley Industry and Commerce Association is supporting the initiative.

"Our board members felt that, while there is an issue of diverting funds, community colleges are vital for workforce development and should receive a guaranteed level of funding," said VICA Chief Executive Brendan Huffman.