

# LOS ANGELES BUSINESS JOURNAL

Volume 34, Number 26

THE COMMUNITY OF BUSINESS™

June 25 - July 1, 2012 • \$3.00

## Up Front



Why Dr. Laura Schlessinger is making salt shakers. **PAGE 3**

## News & Analysis



How Beverly Hills travel agent Carmella Sears got to sell trips to space. **PAGE 5**

## People



Karen Hathaway's ancestor founded L.A. Chamber - which she now heads. **PAGE 16**

MAIL TO:

# Pier Pressure



Sea Change: Redondo Beach Mayor Mike Gin at the city's aging tourist attraction.

## Redondo Beach tourism ebbs at faded waterfront

By **JACQUELYN RYAN** Staff Reporter

FOR \$1.50, visitors to the Redondo Beach Pier can view a stuffed 16-foot great white shark named Georgette hanging on the wall of a souvenir shop.

It's an impressive, if old-fashioned, curiosity - kind of like the pier itself, which seems frozen in time, too.

Mom-and-pop shops and seafood restaurants are ensconced in wood-paneled buildings that haven't been updated for almost a half-century. Paint on railings is chipped and silhouettes of

marine life on the walkway are fading.

Perhaps even more telling: The huge crowds that once annoyed local residents have thinned out, and what was once one of the South Bay's leading piers has been eclipsed by more upscale waterfronts, such as in Manhattan Beach.

Now, the Redondo Beach City Council is doing something about it. This month, it decided to seek a master developer for a \$100 million-plus redevelopment that would triple the retail, restaurant and entertainment attractions on the

Please see **DEVELOPMENT** Page 65

## Digital Firm Levels Executive System

**MARKETING:** Ciplex axes titles, retools pay and hours to spur staff.

By **JOEL RUSSELL** Staff Reporter

Ilya Pozin has decided to make his company "hierarchy free."

He got rid of the chief executive position and eliminated all job titles, work schedules and management positions. Departments such as sales and graphic design were disbanded. Finally, he implemented a new compensation system so his employees would be motivated by their accomplishments instead of money.

Ciplex, a digital studio that Pozin co-owns in West Hollywood, builds websites and manages search-

Please see **MARKETING** Page 10



Freed Up: Ilya Pozin at West Hollywood's Ciplax.

## Pollution Credits A Smoke Screen?

**GOVERNMENT:** Business rips 'cap and trade' as \$1 billion tax.

By **HOWARD FINE** Staff Reporter

In an effort to curb air pollution, Signal Hill Petroleum Inc. built a clean generator for its local oil field a few years ago. But the plant still produces carbon emissions, so company executives might have to buy at least \$500,000 worth of pollution credits at auction this fall as part of the state's greenhouse gas "cap and trade" program.

"We're going to be penalized immediately just to keep operating the way we are now, with one of the cleanest generators in the business," said David Slater, executive vice president with Signal Hill. "It's going to be devastating for us."

So Signal Hill and dozens of other L.A.-area

Please see **GOVERNMENT** Page 66

## Dole Chair Says Aloha to Lanai

**FINANCE:** Hawaiian island sold as his IPO loan deadline looms.

By **HOWARD FINE** Staff Reporter

David Murdock's decision last week to sell the Hawaiian island of Lanai comes as the L.A. billionaire faces a November deadline to repay a \$300 million loan taken out in connection with Dole Food Co. Inc.'s 2009 IPO.

Under the repayment terms, Murdock pledged as collateral 24 million shares of Dole stock or its cash equivalent. Analysts had expected Murdock to repay the loan with stock, reducing his Dole stake from his current 60 percent to about 33 percent.

But with the Lanai land sale to fellow billionaire and Oracle Corp. Chief Executive Larry

Please see **FINANCE** Page 66

## Managed Care Provider Pursues Medicaid Infusion

By **ALFRED LEE** Staff Reporter

On the evening of June 6, Molina Healthcare Inc. reported that a new expansion in Texas was costing far more than expected, plunging its stock 31 percent. But after the June 7 closing bell came more big news: The company had won back a huge contract in Ohio and shares jumped 24 percent.

It's been that kind of year for the Long Beach managed care provider, which has been dealing with growing pains and wild ups and downs in

Please see **HEALTH CARE** Page 67

We're the alternative CPAs for middle-market public & private companies who are tired of being overcharged.  
[www.squarmilner.com](http://www.squarmilner.com)

**SQUAR MILNER**  
Certified Public Accountants & Financial Advisors

# Government: State May Clean Up With Auction

Continued from page 1

companies have joined a statewide business coalition in a new last-minute drive to get the Legislature to scrap this fall's cap-and-trade auction, calling it a \$1 billion tax on state companies. They want the California Air Resources Board to come up with a program that's less costly.

The coalition, called Californians Against Higher Taxes, has sponsored a petition drive aimed at key state legislators and has scheduled a full-page ad in the Sacramento Bee urging lawmakers to step in and block the auction, now set for November.

Coalition spokesman **Scott Macdonald** said the state should start by granting free credits, as was hoped when the program was unveiled five years ago, instead of selling them at auction.

"To require companies to spend money at the beginning of this cap-and-trade auction system — when it was supposed to be free — is to take money out of the California economy at the worst possible time," Macdonald said.

## Cleaning up

Cap-and-trade programs are designed to provide economic incentives for companies to reduce pollution. Governments distribute credits to companies. Those that can meet or come in lower than the cap on emissions can sell those credits to others that have difficulty meeting emission targets. Each year, as the cap drops, emission credits get more expensive. That makes it more attractive for companies to invest in pollution-reducing technology.

Cap-and-trade programs have been used extensively in Europe. In the Eastern United States, they've been used to reduce sulfur emissions from utilities. In Southern California, they've been used to curb smog-forming emissions.

California's carbon emission cap-and-trade program, designed to reduce the amount of so-called greenhouse gas that industries send into the air, is set to start next year and targets 625 carbon-emitting facilities owned by 350 companies (or municipal utilities). Nearly half of the facilities are electricity generators. The others include oil-related businesses, food processors, breweries, glass manufacturers and other industrial companies.

Among the L.A.-area companies and facilities covered by the carbon cap-and-trade program: **Amgen Inc.** of Thousand Oaks;



'Penalized': David Slater at Signal Hill Petroleum's generator in Signal Hill.

Southern California Edison, a unit of Rosemead-based **Edison International**; **Anheuser-Busch Inc.**'s Van Nuys brewery; **Paramount Petroleum Corp.**; **Owens-Brockway Glass Container Inc.**'s plant in Vernon; and all six oil refineries in Los Angeles County.

## Controversial auction

The business coalition formed in 2006 to fight passage of greenhouse gas emission law AB 32. That year, Gov. Arnold Schwarzenegger signed the legislation, which included the cap-and-trade program.

Based on other agencies' cap-and-trade programs, the businesses targeted by AB 32 thought that the California Air Resources Board would give free credits to all 625 targeted facilities in order to give them enough time to budget for credit purchases or investments in carbon-reducing technologies.

But last year, the air board surprised them by forcing many companies to buy some credits at auction. The companies can still get most of the credits for free, but if they need more, they will have to bid on them.

However, the rules now affect some facilities, such as Signal Hill, more dramatically. They will not get any free credits and will have to buy them all.

That's because Signal Hill's facility, and some others, generate electricity only for on-site

use; such facilities don't get any free credits.

As originally conceived, the cap-and-trade plan was not going to make any money for the state. By forcing some of the credits to go on the block before the program even starts, the money goes to the state, since companies won't yet be able to put their credits on the market. So the state gets an estimated \$1 billion it would not have received had it set up the program as others that distributed the initial credits for free.

"The auction is an important mechanism to promote market transparency and it also gives companies additional incentive to find innovative ways to cost-effectively reduce emissions," air board Chairwoman **Mary Nichols** said in testimony to a state Senate committee in March.

At the projected opening price of \$30 per metric ton of carbon emitted, the initial auction could generate close to \$1 billion for the state government. Nichols said the revenue could go to other state-run clean energy and environmental programs, including the proposed high-speed rail project.

Despite business opposition to the opening auction, the air board has stuck to its revised plan, which has prompted the last-minute drive by the business coalition to have the Legislature step in.

One cement company, **CalPortland Co.** in Glendora, has concluded that such an effort is likely to prove futile and is resigned to paying \$2 million to \$5 million for a year's credits to keep its one

remaining cement plant near Mojave operating.

"The air board is determined that companies will make absolutely no profit at all in this system," said **Steve Regis**, vice president of corporate services for CalPortland. "We haven't made a profit in three years thanks to the construction slowdown and we're still facing tremendous pricing pressure, so we don't know how we're going to absorb this cost."

The cap-and-trade program allows companies to defer payments for up to three years, but doing so entails a risk: The credits might cost even more then.

Regis said the company evaluated alternatives such as extracting carbon dioxide and storing it underground or converting it to bio-fuel, but concluded these options were too expensive or impractical.

Regis said CalPortland's main concern is making sure it doesn't lose customers to out-of-state cement companies that are not subject to the program. CalPortland is pushing the state air board to impose what's called a "border adjustment mechanism" — essentially a tariff — on imported cement products.

The air board has adopted similar fees for imported oil, and some paper and mineral products. Air board spokesman **Stanley Young** said the agency is considering the fee on imported cement products.

## Broader impact

Opponents of the cap-and-trade auction said the fees imposed on companies that generate greenhouse gas will drive up prices for businesses across the board.

"These costs are going to be passed on to customers," said **John Kabateck**, executive director of the California chapter of the National Federation of Independent Business.

One local small-business owner said he's concerned he will have to pay more for electricity and petroleum products. **Tom Benson**, president of **Bud's Beach Cities**, an auto upholstery shop in the city of Signal Hill, said he's concerned about price hikes for vinyl, foam and other petroleum-based cleaning products that he uses.

"I would feel a little better about this if the result was that companies would be cleaner," Benson said. "But this is just an energy tax scheme; it's all about generating money."

# Finance: Dole's David Murdock Sets Sale for Island

Continued from page 1

**Ellison**, Murdock now has the liquidity to more easily pay cash and retain his majority stake in the Westlake Village fruit and vegetable company.

Reports have pegged the value of the 88,000-acre Lanai land deal at between \$500 million and \$600 million. Assuming Murdock has an overwhelming majority ownership in real estate company and Lanai owner **Castle & Cooke Inc.** — and factoring in substantial tax payments — Murdock stands to net at least \$300 million from the deal. That would be more than enough to meet the repayment obligations.

Murdock, who is Dole's chairman, ranks No. 14 on the Business Journal's list of 50 Wealthiest Angelinos, with an estimated net worth of \$2.8 billion.

Murdock was not made available for comment, but his spokeswoman **Roberta Wieman** denied last week that the Lanai sale was tied to the looming convertible debt repayment deadline.

"This was just a case of the right buyer coming along and taking advantage of that opportunity," Wieman said. "Mr. Murdock has the resources now on hand to meet the Dole obligation. He does not need the money from this transaction for that."

Whether or not Murdock uses the money from the Lanai sale to repay the loan, the tim-

ing of the deal is certainly fortuitous. The extra cash gives Murdock flexibility that at least one analyst said he appears to have lacked as the repayment deadline approached.

"(Settling his obligation in cash) is a large sum of money to come up with, particularly given that much of his (Murdock's) expansive wealth is concentrated in relatively illiquid assets, such as real estate," said Heather Jones, an analyst with Richmond, Va.-based BB&T Capital Markets in a May 21 research note.

In the note, before the Lanai sale, Jones said she expected that Murdock would meet his debt obligation through giving up Dole shares. If he turned in all 24 million shares he'd pledged as collateral, that would leave him with about 27 million shares, or about 33 percent of the company total. She believed that move would have been welcomed by investors eager to see Murdock reduce his ownership stake in Dole.

Ever since the \$446 million IPO, there's been significant investor concern over Murdock's motives for taking the company public, given the large convertible debt deal Murdock attached to it. The company also carried \$2 billion in debt.

Murdock has for years invested large amounts of his personal fortune in outside projects with the theme of healthy living. Those projects include a Four Seasons Hotel & Spa in Westlake Village, which features a health insti-

