

# SAN FERNANDO VALLEY BUSINESS JOURNAL

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## Power Plant Still on Drawing Board

**PROJECT:** Palmdale city officials determined to build hybrid plant.

By **KELLY GOFF** Staff Reporter

Nearly seven years ago, Palmdale promised its residents that by mid-2012 it would be home to a state-of-the-art hybrid power plant capable of generating enough energy for the city with extra left over to sell.

Instead, the city has invested at least \$30 million into a project that has yet to secure a developer, much less break ground or create jobs.

City officials say they have received project proposals



Solar: Rendering of Palmdale hybrid power plant.

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## DreamWorks Deadline Nears

**FILM:** Glendale studio considering next move on distribution deal.

By **MARK R. MADLER** Staff Reporter

**DreamWorks Animation SKG Inc.** is fast approaching its self-proclaimed Labor Day deadline to secure a new distribution deal for its animated feature films.

The Glendale-based studio, which produced hit series such as "Madagascar," "Shrek" and "Kung Fu Panda," must decide whether to continue its relationship with partner **Paramount Studios**, or strike a deal with another studio.

Paramount has handled the company's worldwide distribution since 2006. Under the agreement, which expires at the end of the year, the studio

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Train: Children learn to ride at summer camp at the Los Angeles Equestrian Center.

PHOTO BY THOMAS WASPER

## Medispas Face More Scrutiny

**BEAUTY:** Spas operating without a doctor subject to increased fines.

By **KELLY GOFF** Staff Reporter

Laser hair removal, microdermabrasion facials and skin "fillers" such as Botox are part of the beauty vernacular in Southern California, and day spas across the San Fernando Valley have tried to meet demand for these services in recent years by expanding their menu of medical offerings.

But recently enacted legislation takes aim at medical spas that some professional associations and lawmakers say may not have staff properly trained to perform the services. Businesses that fail to follow the state requirements for operating a medical spa now will face major fines for non-compliance.

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# Slow Ride

Los Angeles Equestrian Center fights economic downturn.

By **DARLENE RICKER** Staff Reporter

The bumper sticker slogan "Go broke - buy a horse" used to be an inside joke with the horsey set.

That was when equestrian sports, ever popular in the greater San Fernando Valley region, were still considered "recession-proof."

The **Los Angeles Equestrian Center** and its onsite businesses are trying to revive those salad days. The 550-horse facility at Griffith Park, which for decades had a several-month waiting list to board a horse, today has a 15 percent vacancy rate in its barns, which normally generate \$3 million of its \$5 million in annual revenues. And

with no financial support from the city, state or private investors, the Burbank facility is hard-pressed to compete against other major horse centers in the United States that have the means to attract those precious equestrian dollars.

Traditionally, horsemen had plenty of expendable income, and a considerable chunk of it went to bejeweled bridles and tailor-made riding togs, not to mention the imported steeds themselves. Many were purchased in Europe for six to seven figures and imported to the West Coast on an average travel tab of \$10,000 per horse. Once they arrived, they were sent to live at the finest stables,

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## Precision Castparts Purchases Valley Aerospace Supplier

By **MARK R. MADLER** Staff Reporter

**Precision Castparts Corp.**, a global aircraft and industrial supplier with three other companies in the San Fernando and Santa Clarita valleys, recently purchased North Hollywood-based aerospace manufacturer **Klune Industries Inc.** for an undisclosed amount.

Precision officials say the acquisition will boost the company's aerostructures business because Klune makes parts for aircraft such as Boeing's 737 passenger jet and Gulfstream's 605 business aircraft, which have high sales potential.

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# Klune: Sale Coincides with Booming Market

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Los Angeles-based private equity firm **Vance Street Capital LLC** sold Klune to Precision, a Portland, Ore.-based publicly traded company with a current market value of about \$23.3 billion. Terms of the all-cash deal were not disclosed. Vance Street has owned Klune since 2010.

Klune designs and manufactures aerostructures, or components such as floor beams, door frames, latches and spars that are used in the interior of commercial and business aircraft. In addition to its North Hollywood location, Klune has manufacturing plants in Utah and Washington state. The company employs a workforce of 740, including about 350 in the San Fernando Valley.

Precision Spokesman **Dwight Weber** said the company runs an efficient business model, allowing it to invest in its newly-acquired properties and keep its employment stable or growing.

Precision is a well-run company with a strong understanding of what they do well, said **Neal Dihora**, an equity analyst who follows the aviation and aerospace industry for **Morningstar Inc.** in Chicago.

"They are not going out there and making up a market they want to be in," Dihora said.

## Buying spree

Precision began building up its aerostructures business in July 2011 with the acquisition of Primus International in a deal valued at \$900 million. In May, Precision added to that business by purchasing Centra Industries, a Canadian company.

Buying Klune Industries was yet another strategic move. Weber said the company is looking to purchase other companies that make products from materials such as aluminum and other metals and use similar technologies and have a good return on their assets.

Precision is making its acquisitions at the right time — just as the production rates large



PHOTOS BY THOMAS WASPER

**Metal:** Klune Industries employees using a laser cutting tool (left) and a forming machine at the North Hollywood factory.

commercial aircraft manufacturers are ramping up, Dihora said.

"They (the aircraft companies) are hitting home runs and they have a window where they want to increase production rates," Dihora said. "Precision Castparts wants to be ready and maintain (production rates) across all their products."

This month, **Boeing Co.** snagged orders of 94 single-aisle 737s from two Asian airlines. In July, the aircraft maker announced that it received three orders for two models of the 737 aircraft totaling more than \$18 billion.

Military and commercial aerospace contracts account for 64 percent of the sales at Precision. The balance of the company's business is divided between serving the energy industry and general industrial uses. In the aerospace industry, between 10 and 12 percent of revenue comes from military contracts and the remainder is derived from supplying the commercial aviation sector.

In the second quarter ended July 1,

Precision Castparts reported net income of \$342.1 million, or \$2.33 per diluted share, on revenue of \$1.97 billion.

Precision also owns **Faber Enterprises** in Canoga Park, **Avibank Manufacturing Inc.** in North Hollywood, and **AVK Industrial Products** in Valencia.

## Changes at Klune

Klune Industries was started by the Clune family in 1972. The Clunes sold a majority share in the business to Vance Street in 2010. The sale to Precision ends the family's ownership involvement with the company.

During the two years that Vance Street was a majority owner, Klune transitioned from serving military clients to mostly commercial aircraft manufacturers.

Working with Klune CEO **Allen Ronk**, the private equity firm also made changes in the executive ranks. It added a new chief financial officer, head of operations, and someone to

handle lean manufacturing practices.

"That improved the efficiencies and generated cash out of working capital," said **Jake Blumenthal**, a principal at Vance Street.

In August 2011, Klune acquired GCM Aerospace in Kent, Wash., a move that increased the company's exposure in the commercial market. GCM supplies components and assemblies for the wings, airframe, fuselage and control mechanisms of the Boeing 737, 777, 787 and 747-8.

"The military platforms are growing but not as robustly as commercial," Blumenthal said. "The growth in the Boeing platforms is substantially higher and they are a much more interesting sector right now."

Vance Street has an ownership stake in five other Southern California manufacturers serving the aerospace and military markets. The firm's strategy is to hold onto its portfolio companies for a period of three to seven years and then find liquidity for its investment, Blumenthal said.

# L.A. River Kayaking Trips Attract Crowds

**TOURISM:** Organizers want to expand the 2013 season to meet demand.

By **DARLENE RICKER** Staff Reporter

The Los Angeles River has been the backdrop for motion pictures from "Grease" to "The Italian Job" and, more recently, "Drive." But unless you're a location scout, the thought of spending time on the L.A. River has tended to evoke anything from fear to ridicule.

Then some forward-thinkers had a concept: kayaking down the L.A. River — on purpose — and without getting arrested or accosted.

Their concept has proven quite successful. When last year's pilot program was announced, organizers said 290 tickets for the "Paddle the Los Angeles River" program sold out in 10 minutes. This year's trips sold five times as many tickets, but organizers have tried to keep pace with demand by adding more trips and seats. Now at the halfway point of the 10-week program, which concludes Sept. 30, organizers already are looking ahead to next season in hopes of adding more dates and a new route that may possibly include the Glendale Narrows.

**George Wolfe**, one of the program's founders, said he hopes to resume the river trips in the spring of 2013, rather than having to wait until July, as was required the past two years. He said a longer season may help accommodate more youths during the school year.

For nearly a century, paddling down the once-polluted waterway in the middle of the San Fernando Valley was illegal. Then Wolfe and other local environmentalists began to

push government agencies to open a portion of the river for recreational uses.

In 2010 the U.S. Environmental Protection Agency declared the river a "traditional navigable waterway" subject to the protections of the Clean Water Act. That prompted Wolfe to organize an expedition down a section of the river near Griffith Park. The Army Corps of Engineers issued a license allowing the **LA Conservation Corps** to lead the 2011 pilot program down a 1.5-mile section of the river between Balboa and Burbank boulevards.

People can explore portions of the 51-mile waterway, which stretches from Canoga Park through the Valley, past Griffith Park and downtown Los Angeles on its way to Long Beach, where it flows into the Pacific Ocean. Although mostly concrete, there are several "soft-bottom" sections that resemble what the entire river once looked like before floods hit in the 1930s.

After the floods, authorities moved to protect nearby homes by enclosing the river with concrete and making it a flood-control channel. It became a fenced-off area operated by the Army Corps of Engineers. Residents weren't allowed to navigate the waters, so they started disassociating from the river, some even using it as an alternate garbage dump.

**Mike Mena**, spokesman for the LA Conservation Corps, which also runs trips on the river, said his long-term goal is to make the river "a regular tourist attraction, like Disneyland, something that people have on their list of what they want to do when they visit L.A."

Along with the LA Conservation Corps and other nonprofit organizations such as **The River Project** and **Friends of the Los Angeles River (FoLAR)** and local government public entities such as the **Mountains Recrea-**



COURTESY ANDREW PARKE

**Water:** Kayakers can experience nature in the middle of an urban setting.

**tion and Conservation Authority (MRCA)**, Wolfe said his for-profit organization "believes that it's possible to create a sustainable environment along with sustainable businesses; we believe that you can do good *and* do well."

He pointed to cities across the world, such as San Antonio, Denver, Chicago, Oklahoma City, Seoul and Munich, which are "revitalizing their urban cores and finding that it's actually a boon to businesses to restore their rivers and make them a centerpiece of the urban design, instead of something that businesses need to fear in any way. It often pays big dividends to be good stewards of the environment.

We can do that in Los Angeles, too."

Mena attributes the success of the river trip program to its accessibility.

"I think it's so popular because it's an easy escape. It's a getaway in your own city — you don't have to drive all the way to Palm Springs to experience nature," he said. "You're going through the city (on the river) and some points are so pristine that you forget where you are. . . . most people will be pleased with the peaceful flows and lush greenery."

Tickets are \$50 and availability is limited. For tickets, sign up information and email alerts visit [paddletheLARiver.org](http://paddletheLARiver.org) and [lariverexpeditions.com](http://lariverexpeditions.com).