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Up Front



Why is Paul Sunshine offering a drink to condo shoppers? **PAGE 3**

News & Analysis



Jay-Z's bringing his show downtown, but not everyone's happy. **PAGE 6**

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Houlihan Lokey CEO Scott Beiser wouldn't get hired there today. **PAGE 13**

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Policy Buyer Says Brokers Dead Wrong on Mortality

INSURANCE: Investor claims firm misrepresented health of insured.

By **ALFRED LEE** Staff Reporter

Dennis Gilbert has been one of the most powerful agents in baseball history, a top insurance salesman to Hollywood stars and a bidder for the Los Angeles Dodgers and Texas Rangers. But now a much more arcane venture, selling current life insurance policies to third-party investors, has a former client saying he's responsible for millions in losses.

The conflict arises from Gilbert and former partner **Michael Krupin's** alleged sale of insurance policies on

the secondary market to **Mark Kress**, a marketing wizard who made millions selling jewelry on QVC and cosmetic products for thinning hair.

Like many other transactions in the multibillion-dollar industry known as life settlements, the deals involved an investor buying other people's life insurance policies in order to collect money upon their death.

But Kress claims that he bought policies of people who turned out to be much healthier than Gilbert represented, costing him millions of dollars.

Gilbert isn't known for his involvement in life settlements; most of the major players in the industry are in New York state and Florida. But he is among a wave

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RINGO H.W. CHIU/LAJO

At Bat: Dennis Gilbert in 2011.

Homebuilder On Move Into Cities

REAL ESTATE: KB refocuses from suburbs to transit hubs.

By **MATT PRESSBERG** Staff Reporter

KB Home became a multibillion-dollar real estate company building homes in the ballooning suburbs. But when the housing market dried up in 2008, so did the company's main line of business.

Now, for its next act, the Westwood homebuilder is making a big bet on upscale professionals buying condos, townhouses and homes in cities.

Los Angeles might be famous for its suburban sprawl, but KB has recently been loading up on land on its home turf to build higher-density urban infill

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THE LIST

The 25 largest residential developers with projects in L.A. County **PAGE 18**



Shield Operatives: Rick Licht, left, and Doug Schaer at Hero Ventures in Westwood.

RINGO H.W. CHIU/LAJO

SUPER RISKY?

Show looks to ride cape of Marvel movies

By **JONATHAN POLAKOFF** Staff Reporter

TWO L.A. entrepreneurs are hoping they can conquer the world of traveling entertainment shows with some help from Captain America, Iron Man, Thor and other **Marvel** characters.

Rick Licht and **Doug Schaer**, co-founders of Westwood startup **Hero Ventures**, are preparing to launch a multimillion-dollar, comic book-themed attraction called the **Marvel Experience**, which will hit the road later this year and be pro-

duced in giant inflatable domes.

The project turned from plan to reality thanks to Hero's licensing deal with **Walt Disney Co.'s** Marvel division. Since then, the founders have raised millions from big-name investors. The question now is whether they will generate a Hulk-size smash in return for their faith and efforts when they stage their first event later this year.

"We put everything into this," said Licht, chief

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Companies Not Sweet on Tweets

PR: SEC's change in disclosure regulations sets firms atwitter.

By **SUBRINA HUDSON** Staff Reporter

An anonymous trader wanted to short-sell a major consumer company with a \$10 billion market cap. To secure his position, he posted on Twitter that the company's offices were being raided by the FBI, sending the company's shares tumbling.

PondelWilkinson Inc., the company's outside investor relations and strategic public relations firm, discovered the news and quickly took to Twitter to dispel the false rumor about its client, which it declined to name.

Though an extreme example, social media do pose challenges for public companies. Not only do the companies need to be able to respond quickly and nimbly to outside events, they must

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It's the little details that are vital. Little things make big things happen.

- John Wooden

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Real Estate: Homebuilder Makes Tracks to Transit

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projects. What's driving this strategy? Driving.

"It's the commute times," said **Steve Ruffner**, president of KB's Southern California division. "People are willing to give up a little bit of space and go to a denser product to get hours of their life back every day. I've heard that from customer after customer."

About four years ago, KB Chief Executive **Jeffrey Mezger** laid out an aggressive strategy to grow the company's business in California's coastal cities and began picking up parcels for development, especially those with transit options.

"We wanted to be in infill locations that were close to the commuter corridors, good schools and had high income around them," Ruffner said.

According to real estate agents, these commuter corridors have become a selling point for urban living. People in Los Angeles don't drive everywhere because they like sitting in traffic; they drive everywhere because it's been nearly impossible to find housing served by convenient public transit options. New transit projects, such as the light-rail Expo Line, boost demand, especially when shopping and dining is also available within walking distance.

"Near the Expo Line east of Culver City, I'm selling houses to urban professionals who would never have moved south of the 10," said **Richard Schulman**, an agent with **Keller Williams Realty** in Westwood. "Now they're saying, 'I can go to Santa Monica. I can go downtown, and I don't have to drive.'"

Focusing on more affluent areas led KB to return to Playa Vista, where it developed the Prima Terra condominium project during the master-planned community's first phase of construction, which kicked off in 2001. The company purchased more than 50 acres in the upscale Westside neighborhood in late 2012 for \$250 million and turned it into two new residential communities: Asher, featuring detached single-family homes starting at \$1.4 million, and Skylar, luxury condos that start at \$1.1 million. Both projects just began selling residences a few weeks ago and Ruffner said shoppers have shown a lot of interest.

"The whole strategy there was to build homes on the Westside of Los Angeles in the only master-planned community that probably will be built in our lifetimes," he said. "It has shopping, entertainment and a park-and-not-leave type of environment."

KB was launched as Kaufman and Broad in 1957. (Co-founder **Eli Broad** is No. 2 on the



Building Up: Asher, KB Home's single-family home development in Playa Vista.

Business Journal's list of Wealthiest Angelenos.) The company grew from one tract in Detroit's suburbs to a market cap of more than \$1 billion today.

But the 2008 financial crisis hit KB and other homebuilders especially hard as a wave of foreclosures drained nearly all demand for new construction for several years. The company's stock fell to less than \$6 in August 2011 from a high of \$82 in summer 2005. Suburban areas, where the company had built affordable single-family homes for decades, were especially depressed.

Selling land

From 2008 to 2010, the company sold off thousands of acres of undeveloped suburban development sites to get them off its balance sheet. KB then decided to change tactics. It has invested more than \$1.2 billion in land over the last 12 months with a focus on high-end infill locations.

However, investors are yet to get behind the move. The company's stock was trading at \$16.25 a share April 23, down 10 percent year to date and still less than a fifth of its all-time high.

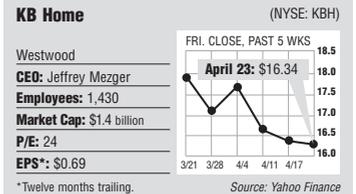
Will Randow, an analyst who covers KB

for New York investment bank Citigroup Inc., said the company's strategy hasn't been enough to lift it above a sinking tide that has brought down homebuilders such as Westlake Village's **Ryland Group Inc.** and **Meritage Homes Corp.** of Scottsdale, Ariz. Both companies are also down substantially this year due to a slowdown in new-home orders.

"Investors generally don't dig as deeply into specific land locations," Randow said. "They're more focused on order pace and the margins related to those orders."

Because KB purchased a lot of its land after the market, especially in coastal California cities, started to bounce back, its margins are not particularly exciting to investors. That hasn't deterred the company from splashing serious cash on new upscale development sites.

KB recently closed on two land purchases in downtown San Francisco, where it plans to build luxury condos, the first time it will develop housing in that city's limits. In September, the company bought a parcel in the South Beach neighborhood that is entitled for a 74-unit complex. It's a \$60 million project, including land costs and construction. KB also picked up a three-quarter-acre site planned for



81 condos in Lower Pacific Heights for \$38 million in February; building costs of the million-dollar condos weren't disclosed.

The company said it plans to continue scooping up urban infill sites, especially in the L.A. area, where it can build dense residential communities for the foreseeable future.

"We are tying up properties in Los Angeles County for a pipeline of these types of projects," said Ruffner. "There's a lot of built-out cities that we think are terrific places to live but have very old housing stock. So that's really a focus for us, to get into those markets."

KB is working to tie up a piece of infill land in West Covina, where it plans to build 12 detached homes per acre. The typical L.A. single-family neighborhood has about five to eight houses on every acre of land. The company is also moving forward on a site in Van Nuys, one of L.A.'s original suburbs, where it wants to put up detached townhomes.

"Higher density, whether it be detached or attached, is going to be the norm for infill, and the buyers seem to be OK with it," Ruffner said. "In fact, they really like it."

The numbers bear out greater demand for condos. The Case-Shiller home price index shows that since the end of 2012, L.A.-area condominium prices have been growing faster than prices of single-family homes. And condos in Los Angeles are often closer to some of the attractions of city life, such as shopping and dining.

Homebuyers are increasingly willing to ditch more space in the suburbs for more time with their families and more to do in the neighborhood. KB is more than happy to provide this dense urban living, as they can pack more housing in the same amount of real estate – and properties in desirable infill areas often command a higher price than the typical suburban home the company built its business on.

"Why go build a house in Corona to sell for \$300,000 when you can build a condo in Westwood to sell for \$750,000?" asked Schulman.

PR: Public Companies Slow to Like Social Media

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also closely monitor the flow of information they generate in order to stay in line with regulations.

The Securities and Exchange Commission last week announced new guidance regarding the use of social media, and Century City's PonderWilkinson is among the IR firms leading its clients into the new world of using social media to disclose key information.

"Some companies are very receptive to the idea of incorporating social media into their investor relations or public relations strategy," said **Evan Ponder**, the firm's president. "For other companies, they're not quite ready to go there."

They might not have an option. New SEC guidance allows shareholders to use social media platforms – Twitter, Facebook and others – to voice their opposition, for example, to a board member before filing or mailing a formal proxy statement.

It also gives companies greater flexibility as required statements or disclosures can now be

hyperlinked, giving more room to fit announcements into Twitter's 140-character limit.

Moira Conlon, founder and president of investor relations firm **Financial Profiles Inc.** in West Los Angeles, said most of her clients have been slow to adopt social media as a way to release financial information.

"There's still a lot of hurdles and companies are trying to figure out what's the payback," said Conlon. "Our clients are interested in getting in front of investors and analysts, and it's done the old-fashioned way: through face-to-face meetings and real communications."

Conlon said companies most willing to embrace tweeting out a highlight from an earnings report have been tech and consumer companies. But she predicted that over time it will become more popular.

Educating clients

"There's a challenge with it really, an educational challenge, in terms of CEOs and senior management," said **Roger Ponder**, CEO at PonderWilkinson and Evan's father. "I think senior management teams are getting it now, but in

the beginning, when they thought about video they thought about sales. They said, 'Let's make it marketing. Do we put makeup on the people?'"

Social media platforms became an acceptable form of communication after a SEC investigation last year into a personal Facebook post made by **Reed Hastings**, chief executive of **Netflix Inc.**, about the company's monthly online views.

The controversy arose when Netflix did not disclose the information Hastings mentioned to its investors by filing the appropriate form with the SEC or a formal press release. Those methods, at least in theory, assure all investors would have access at the same time.

Now, the SEC has concluded that companies can disclose key information through social media as long as investors are made aware that those sites will be used.

Mick Swartz, associate professor of clinical finance and business economics at USC's Marshall School of Business, said social media give companies a way to get information out quickly, but it needs to be interesting.

"If it was something timely, then that would

be useful," said Swartz. "You sign a new contract, and you want to use Twitter as a forum for the release of information. But restating earnings? I'm not so sure people are going to be that thrilled to get those kinds of tweets."

While PonderWilkinson has been increasing its clients' use of social media, Evan Ponder said the transition has not always gone smoothly.

"The challenge is explaining yourself in a cohesive way in 140 characters or less," he said. "How do you do that when you've got a very complicated crisis brewing?"

In the case of the client's false rumor posted on Twitter, the company was able to send out one tweet to stem the damage. Other events could require additional outreach such as emails or a press release.

To mitigate risk, PonderWilkinson monitors tweets or Facebook posts made by or about its 30 clients. To manage that flood of information, the company splits its staff into teams to focus on different clients. Depending

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