sfvbj.com

San Fernando Valley Business Journal

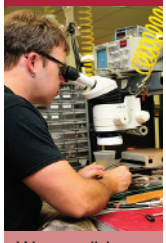
LOS ANGELES • GLENDALE • SANTA CLARITA • BURBANK • CONEJO VALLEY • SIMI VALLEY • SAN FERNANDO • CALABASAS • AGOURA HILLS • ANTELOPE VALLEY

Volume 18, Number 22 | THE COMMUNITY OF BUSINESS™ | October 28 - November 10, 2013 • $4.00

Up Front

A Sun Valley prop house has tricks up its sleeve.
PAGE 4

News & Analysis



Wrap a ribbon around this Burbank firm's hardware.
PAGE 5

List

Biggest private aviation firms
PAGE 8

Comment

VICA lauds the moderation taking hold in Sacramento.
PAGE 52

PUMPED UP?

PHOTO BY DAVID SPRAGUE

Strike: Pumps work Placerita Canyon oil field west of the Antelope Valley (14) Freeway.

Santa Clarita field could be sold, expanded

By JOEL RUSSELL *Staff Writer*

Petroleum has steadily pumped out of Placerita Canyon for more than 100 years. Now, production could ramp up if it is acquired by a spinoff of **Linn Energy LLC**, a Houston firm that specializes in getting maximum oil out of old wells.

The field, west of the Antelope Valley (14) Freeway in Santa Clarita, has between 350 and 400 active wells. Currently it is owned by **Berry Petroleum Co.**, a Denver outfit that also owns fields in the San Joaquin Valley, Colorado, Texas and Utah.

In February, **Linn Co. LLC**, a publicly traded spinoff of Linn Energy, agreed to buy Berry in a stock swap worth $2.5 billion, plus the assumption of $1.8 billion in debt.

A major element of Linn's business model is to buy old oil fields and find new ways to get more oil from them. Common techniques include infill drilling, where the operator finds pools of oil that previous drill bits missed.

Another technology is steam flooding and cyclic steaming, techniques used extensively by Berry at Placerita Canyon.

Ethan Bellamy, an analyst with brokerage **Robert W. Baird & Co.** in Denver, said Linn is interested in Berry's California oil fields where they will try to boost production.

"Their ideal dollar spent is to squeeze more oil out of a well they already own," Bellamy said. "But they spend money any way you can imagine in the oil patch, except drilling highly speculative wells."

But Linn's takeover of Berry's assets, including

Please see ENERGY Page 48

Pet Food Firm Shedding Plant

MANUFACTURING: Natural Balance moving operations to Georgia.

By ELLIOT GOLAN *Staff Reporter*

Natural Balance Pet Foods Inc. is closing its Pacoima manufacturing operations to move them out of state now that the company has been acquired by **Del Monte Corp.**

The pet food maker filed a notice with the state Employee Development Department earlier this month that disclosed the closure of its operations at 12224 Montague St., where 92 employees will lose their jobs when the move is complete Dec. 31.

The company's nearby corporate headquarters and distribution center are remaining and are not affected by layoffs, said **Chrissy Trampedach**, a

Please see MANUFACTURING Page 49

No Sweat for Clothes Maker

ACQUISITION: Private equity firm bulks up Organized SportsWear.

By MARK R. MADLER *Staff Reporter*

Organized SportsWear, a Chatsworth company that is one of the largest suppliers of school gym uniforms in the western United States, has been bought by an area private equity firm in its first acquisition.

CriticalPoint Capital, in El Segundo, closed on its deal with **Rick** and **Karen Johnson**, founders of Organized SportsWear, at the end of September. Financial terms of the deal were not disclosed.

"We had gotten to the point where we were looking at (financial) security and not willing to

Please see ACQUISITION Page 6

SPECIAL REPORT **REAL ESTATE QUARTERLY**

LOFTY LIVING

Want to live in a cool loft? Maybe ride your bike or catch a train to work? Until recently most of your options were limited to downtown and the Westside. But a new wave of urban-style multifamily projects is underway in the greater Valley, such as the Metro Art Sherman Oaks by developer **GREG BRODY**, right. There is some resistance from longtime homeowners, but it looks like the developments are here to stay.

BEGINNING ON PAGE 15

PHOTO BY DAVID SPRAGUE

2013 Corporate Counsel Awards

Nomination Deadline: **Friday, November 1, 2013**

Award Categories: Public Company • Private Company
Nonprofit Company • Rising Star • Government/Municipal/Public Sector

NOMINATE NOW!

For more information, see our ad on page 44 or visit www.sfvbj.com/bizevents

Acquisition: Apparel Lines to Be Grown, Improved

Continued from page 1

take risks," said Karen Johnson, who had been president and remains special assistant to new president, **Rick Bolander**. Rick Johnson, who turned 72 this year, has left the business.

Young

Organized SportWear, started 25 years ago, has grown into a $10 million business serving the western states with 85 percent of its orders going to California public and private schools.

The California P.E. uniform market totals some $35 million to $45 million in annual sales and is highly competitive. Rivals include **Coastal Enterprises** in Fountain Valley; **My School Things** in Cerritos; and **One Stone Apparel** in Lomita.

Prior to the recession, annual growth of 10 percent was standard at Organized. And it's a goal of CriticalPoint's ownership to get the company back on that trajectory, said **Matt Young**, who is chief executive of Critical Point, which he founded a year ago.

Among the initiatives to achieve that growth will be refreshing the company's product offering and leveling out some of the seasonality to the business. Organized SportsWear's busiest time extends from April to September. During those months, its production area is jam-packed shipping out 10,000 to 12,000 shirts, shorts and pants per day.

"You are going to have … to provide other products, whether its spirit wear or selling to clubs and groups," Young said. "That is part of the strategy we are trying to implement."

Karen Johnson said she and her husband did not deal with the issue of seasonality, but agreed it needed to be addressed.

PHOTO BY THOMAS WASPER

In Charge: Bolander holds silk screen featuring school logo and colors.

Young said the firm has a major asset –strong customer loyalty.

Maria Cross, who handles the purchasing of P.E. uniforms and other clothing items at Lynwood High School in Lynwood, recalled how at Christmastime, Rick Johnson would stop by the school and ask about what types of clothing would be needed for the following school year.

"Sometimes you just hear a voice over the phone, so for someone to take the time and stop by your office was very nice," Cross said.

She also likes the fact she can feel the company's material to see if it can stand up to multiple washings, which is not possible when ordering from more distant vendors. "I've been disappointed when ordering from a catalogue," she said.

Buyout

The couple worked on the sale with **Mentor Group**, a Westlake Village investment banking, financial advisory and appraisal firm, starting in summer 2012.

Initially, there were 40 companies contacted regarding the sale of Organized SportsWear. Out of that number about a half dozen were serious about closing the deal, said **Justin Blaine**, a managing director with Mentor Group.

"It came down to a few groups," Blaine said. "Some were uniform companies without a (physical education) presence or others just involved with private schools."

The company had characteristics that CriticalPoint sought, such as being a market leader in a niche market, stable revenue and a diverse customer base. "You had confidence that if you lost a customer it was not going to crush the business," Young said.

Supplying to schools also is a stable business model because once a school chooses its colors, it likely is never going to change them, said Bolander, who previously worked for telecom giant **AT&T Inc.** and in the finance and budget office of Los Angeles Air Force Base in El Segundo.

Schools order from Organized wholesale and they may or may not mark up the products, which this year range from as low as $8.65 for gym shirts and tops to as much as $11 for the same combo with performance material.

"It's up to the school whether or not they sell to the students at cost or use it as a fundraising opportunity, although most tend to do the latter if for nothing other than to potentially subsidize P.E. uniforms for economically challenged students," Bolander said.

Making the school apparel business challenging is that school budgets have gotten tighter, which puts price pressure on the clothing they buy. At the same time, students want to wear items that are fashion forward, Young said.

Among items that today's pre-teens and teens seek are tagless shirts, yoga outfits and material made with moisture-absorbing fabric, such as Nike's Dry-FIT. That was an area that Organized didn't excel in.

"The way we look at it, what we bring is energy and enthusiasm to reach out and broaden the offerings," Bolander said.

The company also is looking into offering a competitively priced entry-level clothing line, and to move all its inventory. Young said the company will hire five to six new people in the sales and marketing department.

Organized SportsWear uses multiple suppliers for its materials. Once the materials arrive at the Chatsworth facility, workers screen print school names, logos and mascots on them using both seven-armed automated machinery, and the smaller hand-operated equipment. After that, the clothing is put through a giant dry oven, that sets the ink.

The production area is bisected by tall cabinets storing the screens used to place the graphics on the clothing. There are about 6,000 screens, Bolander estimated.

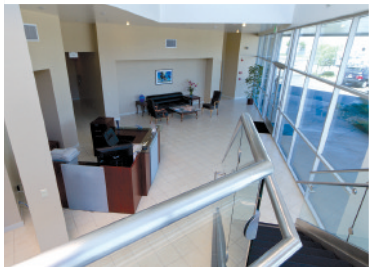
"The screen inventory is a visual representation of the loyal customer base (the company developed) over the years," he added.

Aerolease @ Van Nuys Airport (VNY)

Aerolease offers a prime location to enhance your operations.

- Approximately 3 acres of available land
- Built-to-suit or build-your-own
- Private and secure modern facility and location
- Close proximity to city business centers
- Future additional ramp area
- Room to accommodate large, long-range jets (G650, Global)

Be a part of this impressive modern facility and join us in demonstrating the growing importance of VNY – Los Angeles' Business Airport.



AEROPLEX AEROLEASE GROUP

ARRIVE IN STYLE STAY FOR BUSINESS

(562) 981-2659

3333 East Spring St., Long Beach

www.aeroplex.net