

## Up Front



Want some Donkey Kong with your wings? These two entrepreneurs may know a place. **PAGE 3**

## Special Report



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**Inventive:** Bill Howard, CEO of Snap Creative, with the elaborate cases his company makes to help sell DVDs in download era.

PHOTO BY DAVID SPRAGUE

# CASE STUDY

Camarillo firm's DVD packaging boosts dwindling sales.

By **MARK R. MADLER** Staff Reporter

The Optimus Prime collectible found on Target shelves this month is as deceptive as a Transformer can be.

Sure, the arms and legs pull out and the alien robot's armor is finely detailed, but this is no mere toy. For on the back is a round case containing a DVD or Blu-ray copy of "Transformers: Age of Extinction," the fourth entry in the **Paramount Pictures Corp.** sci-fi film franchise.

The "Age of Extinction" packaging is exclusive to Target, while versions sold at Wal-mart and Amazon.com come with collectible figurines

specifically made for those retailers. Prices range from \$29.99 to \$52.99.

Even in the age of digital downloads and streaming of feature films and television series, production companies distribute content in a physical format – and they find there are still profits in DVDs, especially if they come with something extra that a download cannot provide.

"By offering a special collectible artifact or character from a film in physical form, it makes it more desirable to buy a physical product," said **Bill Howard**, chief executive of **Snap Creative**, the

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## DineEquity CEO Gobbles Up Attention

**PROFILE:** Julia Stewart raises profile of IHOP with wacky menu items.

By **STEPHANIE FORSHEE** Staff Reporter

Julia Stewart has been getting a lot of press these days as chief executive of DineEquity Inc., the Glendale company that owns IHOP and Applebee's. Mostly it's been about the over-the-top IHOP menu item, the Waffullicious Waffle, which comes stuffed with bacon or cream cheese – and enough calories to raise eyebrows. That's just fine with the 59-year-old CEO, who's on a mission to raise the profile of her restaurants, better known for comfort food than cutting-edge cuisine.

Stewart certainly knows the territory. She was a teenage waitress, before heading to college and a series of management jobs that led her to the top post at IHOP in 2002. Then in 2007, she pulled off an audacious acquisition, buying the faltering Applebee's for \$2.1 billion in debt, creating DineEquity. The recession threatened her plans to pay back that debt by franchising Applebee's outlets. But the deal worked out and these days franchising is hot on Wall Street. The Business Journal sat down with Stewart to talk about her path to the C-Suite, why she's irritated by questions about balancing work and family time, and how she handles her crazy travel schedule as DineEquity expands globally.

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## Simi Resort May Fly Off

**REAL ESTATE:** Hummingbird Ranch site on the market.

By **ELLIOT GOLAN** Staff Reporter

Just a few months after getting entitlements to build a resort at the Hummingbird Nest Ranch, the owner of the unusual Simi Valley property has decided to put it up for sale.

The 123-acre site is on the market for \$49.5 million, with the brokers at the Beverly Hills office of **Sotheby's International Realty** handling the upscale listing.

In late April, Simi Valley granted the ranch's wealthy owner, **David Saperstein** of Houston, permission to build a hotel, wellness center and spa, conference center and other amenities.

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## Play Date for DreamWorks?

**ENTERTAINMENT:** SoftBank's \$3.4 billion offer pumps stock.

By **MARK R. MADLER** Staff Reporter



**Katzenberg**

The proposed sale of **DreamWorks Animation SGK Inc.** to a Japanese telecom company probably won't mandate relocation or reorganization of the movie studio, experts say.

But it has already pumped life into the stock and could inspire others to make a bid for the Glendale company.

**SoftBank Corp.**, in Tokyo, reportedly made a \$3.4 billion offer for DreamWorks, the studio behind the "Shrek," "Kung Fu

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PHOTO BY DAVID SPRAGUE

**Top Chef:** Stewart at Glendale office.

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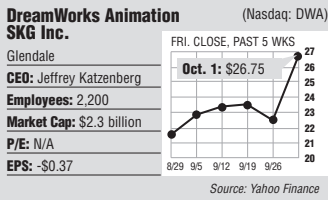
# Entertainment: DreamWorks Campus Is Jewel

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Panda,” and “Madagascar” franchises, on Sept. 27. Shares jumped up the next trading day, and though they gave back some gains, they closed Oct. 1 at \$26.75, about 20 percent higher than before the offer.

And even as talks between the two companies have since cooled, the SoftBank offer makes it a company in play. DreamWorks’ small size, low market capitalization and stable of movies present an attractive package. In addition, the company has diversification plans that include television series, online content, and a themed entertainment center in China.

“They also own (YouTube network) AwesomenessTV, which has a great lock on



web properties targeting pre-teens and teens,” said **Eric Wold**, an analyst in the San Francisco office of **B. Riley & Co.**, a Los Angeles investment bank, which issued a “neutral” rating for the company in August.

DreamWorks Animation was founded in 1994 as the animation portion of the DreamWorks studio started by former Disney executive **Jeffrey Katzenberg**, film director **Steven Spielberg** and record producer **David Geffen**. The company was spun off in 2004 and has a workforce of more than 2,600 employees in Glendale, Redwood City and Shanghai, China. Katzenberg remains as chief executive.

The big question for the Valley: how much of the operations would stay in Glendale, where the studio has a 6-acre campus, about 460,000 square feet of offices and the plurality of its employees?

**Marty Shindler**, entertainment technology consultant at **Shindler Perspective** in Encino, believes the dislocation would be minimal, and

he pointed to the experience of Pixar Animation Studios. Its majority owner, the late Steve Jobs, insisted that when **Walt Disney Co.** bought the studio in 2006 its culture and location in Emeryville stay intact.

“There is a strong business argument to keep operations away from the prying eyes of corporate,” Shindler said.

**Steve Hulett**, the business representative for the Animation Guild in Burbank, agrees with that take. He said that if a sale does go through he did not expect any impact to the membership in Glendale, where the union represents more than 500 employees.

## Asian connection

SoftBank was established in 1981 and is a majority owner in U.S. telecom company **Sprint Nextel Corp.**, and has e-commerce, technology services, media and marketing businesses. Earlier this year, the company considered and dropped a bid to buy **T-Mobile US** for \$32 billion.

By comparison, DreamWorks’ current market cap is about \$2.3 billion after the recent stock run-up.

If the SoftBank transaction for Dreamworks is finalized it would represent the first sale of a Hollywood studio to an Asian company in 25 years.

The last was in 1989 when **Sony Corp.** acquired Columbia Pictures Entertainment Inc., in Culver City, in a deal valued at \$4.9 billion with financing provided by five Japanese banks. The name was changed to Sony Pictures Entertainment two years later. Sony Entertainment produces both feature films and television programming.

Top studio deals since 2006 include Disney’s \$4.2 billion acquisition of Marvel Entertainment, in New York and its \$4 billion acquisition of LucasFilm Ltd., in San Francisco, by Disney \$4 billion. Then there was the mammoth \$30 billion acquisition of NBC Universal, which includes Universal Pictures, by **Comcast Corp.**, in Philadelphia, from **General Electric Co.** that was concluded last year.

Common to all these deals was that the studio facilities stayed in place and didn’t require mass relocation of employees.

LucasFilm did have a change in executive



Shaded: Main Glendale campus employs more than 1,000 workers.

leadership when noted producer **Kathleen Kennedy** was named chief executive the month before its acquisition, a move likely meeting the approval of Disney, Shindler said. “As far as I can tell there have not been wholesale changes in management at LucasFilm,” he added.

But Disney did make staffing cuts by closing the LucasArts video game division in 2013 and letting go more than 100 employees. That, too, could be what’s in store for DreamWorks if SoftBank or another new owner eliminates administrative, legal or accounting jobs at the headquarters.

“If they are not separate they might not need that full set of operations,” Shindler said.

## Competing candidates

DreamWorks isn’t the only entertainment company on SoftBank’s radar. The company is reportedly looking to make an investment in **Legendary Pictures**, the Burbank production house behind “The Dark Knight” and “Hangover” franchises, according to media reports.

This fits with SoftBank’s growth strategy, which was highlighted by company spending \$21.6 billion to acquire Sprint last year. The company is described in media reports as an outlier in the traditional risk-averse mentality of corporate Japan. Its chief executive,

**Masayoshi Son**, also is seen as a maverick with more in common with U.S. executives than Japanese. Forbes magazine named Son as Japan’s richest man with a net worth of more than \$20 billion.

The deep pockets of SoftBank would prove a benefit to DreamWorks, considering the company’s weak financial performance this year. This summer the studio had a hit with “How to Train Your Dragon 2,” but previously had a string of box office bombs that prompted write-downs, layoffs and a decline in the stock price, which topped \$35 a share last December.

The studio has taken a total of \$158 million in write-downs on the 2014 release “Mr. Peabody and Sherman,” the 2013 release “Turbo” and 2012’s “Rise of the Guardians.”

The summer release “How to Train Your Dragon 2” will likely recoup its expenses which will lead to investor optimism for the second half, according to the B. Riley report from Wold.

“However, given “Dragon 2” was always expected to perform relatively well we are looking for indications of both continued box office strength with “The Penguins of Madagascar” this Thanksgiving as well as improving film-level profitability trends,” Wold wrote in the August report.

“Dragon 2” had a global box office of \$613 million, with the international performance doing better than domestically.

# Retail: Company Has Deals With Major Studios

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Camarillo company that has designed the packaging for the “Transformers” home entertainment releases since the first film in 2007.

These extras designed by Snap Creative are the latest iteration of what DVDs need to stay viable, the equivalent of behind-the-scenes footage, deleted scenes, outtakes, interviews gag reels and other bonus content.

Snap Creative is not alone working in this space. There is also AG Properties, with a local office in Sherman Oaks, as well as the home entertainment divisions of the major studios. Still, releasing content in the DVD format is swimming against the technological tide as more people turn to digital distribution to access movies and television series in the home.

This year, U.S. revenue for physical home entertainment releases is expected to be around \$12.8 billion while digital formats will bring in about \$6 billion, according to **PwC**, the London-based accounting and consulting services firm.

The physical format total is down from \$13.8 billion last year and it’s going to get worse. Digital formats are expected to overtake DVDs by 2018 when the physical format will total \$9.9 billion compared to \$14.7 billion for digital distribution.

Still, **Jonathan Dern**, chief executive of

DVD distributor **SD Entertainment** in Woodland Hills, said that old viewing habits do not die fast and the DVD format will remain around as long as mega-retailers like Target, Wal-mart and Best Buy stay open.

“The decline is undeniable but nevertheless there will still be a business there for a while,” Dern said.

## Big-budget extras

Howard founded Snap Creative in 1996 when videotape was primary in home entertainment. One of its first collectibles was a coin for “Space Jam,” the live action/animated sports comedy with basketball legend **Michael Jordan** and Looney Tunes characters that came out that same year.

The company has relationships with all the major studios – **Walt Disney Co.**, **Warner Bros. Entertainment**, **DreamWorks Animation SKG Inc.**, and **Universal Pictures**. The company has 10 employees in Camarillo, eight in Hong Kong and two on mainland China where the manufacturing is subcontracted out to several factories.

Howard said it is often the titles that determine the extent to which Snap Creative will create striking packaging. “It is not right for every title,” he said. “You are not going to put something with a romantic comedy.”



PHOTO BY DAVID SPRAGUE

Fighting Words: Howard discusses Ninja Turtle case with COO Anya Zemliacova.

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