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Bagged Up: Mark Rampolla, left, and Reed Glidden at West L.A.'s Beanfields.

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Investor dips into social impact with chip buy

By **CAROLINE ANDERSON**
Staff Reporter

THE acquisition last month of a 51 percent stake in West L.A. bean and rice chip maker **Beanfields** by venture capital firm **Powerplant Ventures** and a consortium of investors led by media investor **Bruce Friedman**, had a unique component baked in.

Downtown gang member rehabilitation nonprofit **Homeboy Industries** is getting an equity stake of 5 percent to 10 percent

in the company and a payout of 1 percent of Beanfield's revenue on an ongoing basis, said **Mark Rampolla**, a Powerplant co-founder and partner.

The arrangement was brokered by Rampolla, who has worked with **Homeboy** for three years. The unusual move reflects a goal he had with **Reed Glidden**, Beanfields' co-founder and former chief executive, to make both healthy food and a difference in society.

"Reed and I share a commitment and vision of not only better-for-you food but of

finding creative ways to use business as a force for good," Rampolla said.

Powerplant, based in Manhattan Beach, took a 20 percent stake in Beanfields in the deal; Friedman's group took 31 percent of the company. Homeboy's piece of the company comes from Rampolla, who donated shares he acquired personally in an earlier funding round.

Glidden, 64, and his family retained a more than 25 percent stake, with the

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Small Business Has Big Period

INVESTMENT: First quarter yields \$370 million in deals.

By **HENRY MEIER** Staff Reporter

Mom-and-pop ventures don't typically generate huge revenue figures, but small businesses with positive cash flows are a hot commodity in Los Angeles right now.

There were more than 1,200 lower-market deals in Los Angeles County in the first quarter alone, accounting for approximately \$370 million in transaction value, according to data from small-business

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Next Generation

LENDING: Ethnic banks say tech now speaks to customers.

By **GARRETT REIM** Staff Reporter

L.A.'s Chinese and Korean banks rely on their communities. Second-generation Asian Americans who speak English, while still tied to those communities, don't need the language-specific services their parents did, and that has local ethnic financial institutions worried.



Kum

"As the population of first-generation business owners retire or sell their businesses, we have found that the population of attractive clientele is shrinking," said **Chong Guk Kum**, chief executive

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Utility Puts More in Storage at Facilities

ENERGY: SCE equips two plants with battery systems.

By **HOWARD FINE** Staff Reporter

Gas-electric hybrid engines, which reduce greenhouse gas emissions and boost efficiency, have been popular in cars for years but are only now making inroads at power-generation plants.

Southern California Edison turned on the

switch in March at battery storage units at two natural gas-powered peaker plants, which are used when there is peak demand for electricity. Each of the battery systems can store 10 megawatts of electricity, enough to power up to 9,000 homes, and, like their brethren in vehicles, have multiple environmental and conservation benefits.

"These battery units provide us with a flexible resource with immediate response capability," said **Vibhu Kaushik**, SCE's principal manager

for asset management and generations strategy.

The battery storage units, in Norwalk and Rancho Cucamonga, were built in partnership with **General Electric**. They will allow SCE, a unit of Rosemead-based **Edison International**, to save on natural gas usage, push power instantly to the grid, and provide a place to store excess solar and wind power. This should help reduce power outages in Southern California, SCE said,

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Making Power Play: SCE's Vibhu Kaushik.

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Settling Down

Nicolas Berggruen, whose think tank is to be built in the hills near the Getty Center, has purchased a \$40 million Holmby Hills estate.



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Home Brew

The Gaviña family, coffee purveyors for 140 years, have leased space downtown and are planning their first café.

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Room With View

The 889-room InterContinental hotel at the Wilshire Grand Center, with its 70th-floor lobby, opens next month.



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Investment: Trump Pumps Lower-Market Action

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brokerage **BizBen**. Those numbers include sales of small businesses from pizza parlors to gas stations, convenience stores to vape shops. The typical deal size fell in the midsix-figure range, according to BizBen founder and President **Peter Siegel**.

The first-quarter numbers are up from the previous quarter by 4.1 percent and year to year by 4.4 percent.

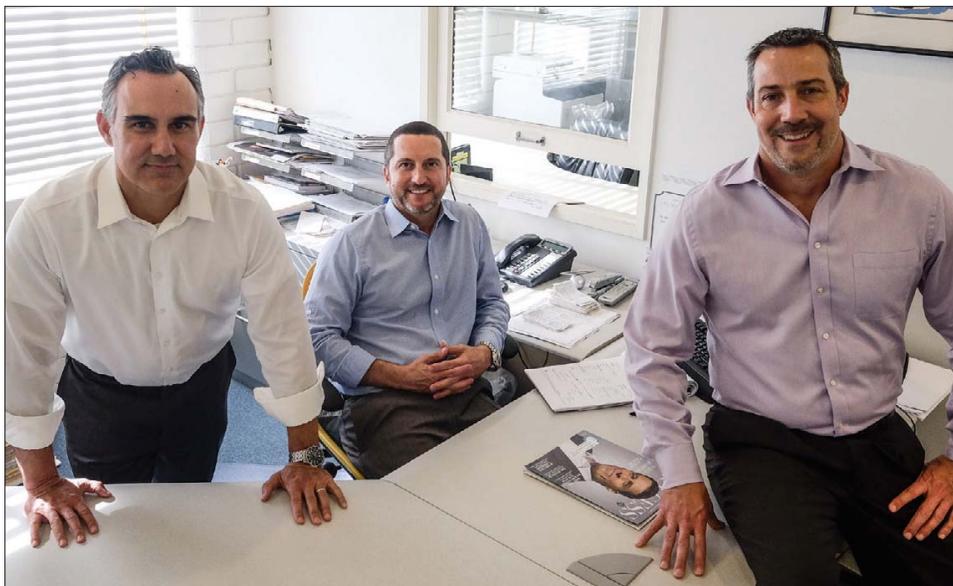
Siegel attributed the uptick to several factors, including: Baby boomers feel comfortable about their retirement savings and the stable stock market, which has led them to explore selling their businesses. In addition, a strong real estate market also creates home equity that some younger entrepreneurs utilize to get small-business loans, which in turn creates buy-side demand.

“There’s a convergence of all the right factors for both buying and selling at once,” he said. “Entrepreneurs have more optimism than pessimism right now.”

This upswell in optimism about small-business prospects has been bolstered by President **Donald Trump**’s promises to cut back on regulations and taxes, leading to widespread confidence in the market. According to a national study of small-business owners released in March by **Wells Fargo & Co.** and **Gallup Inc.**, 71 percent of those surveyed said their financial situation was positive. That’s the highest number reported by the bank since the fourth quarter of 2007 – before the Great Recession.

An overwhelming majority of small businesses also reported cash flow and revenue were increasing and expected the trend to continue for the next 12 months, according to the survey.

Showing positive cash flow is an important factor in dealmaking, according to **Michael Wildeveld**, **Ryan Clark**, and **Robert Rodriguez**, who sell lower-middle-market businesses



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Big Time: Veld Group’s Robert Rodriguez, left, Ryan Clark, and Michael Wildeveld.

through their West Hollywood brokerage, **Veld Group**.

“A lot of buyers are looking for that sweet spot, a business with \$250,000 to \$1 million in annual cash flow,” Clark said. “Once you get under the \$250,000 threshold, things get a little drier.”

The cash-flow component is important because many buyers are new entrants into the small-business world and are transitioning from salaried positions. They also have expenses such as mortgages and kids’ college tuition payments.

“Oftentimes the buyer is someone exiting a corporate job who’s been there for a while, is financially secure, but wants to get out,” Wildeveld said. “They don’t really want to start their own business from scratch, but they need some

cash flow.”

Wildeveld and Clark said they’ve seen lots of recent interest in Los Angeles for backing light manufacturing companies and restaurants.

The brokers helped finalize a deal for a package of four downtown bars – **Sixth Street Tavern**, **Spring Street Bar**, **Library Bar**, and **Beelman’s Pub** – on behalf of seller **Acme Hospitality Group** to Burbank’s **Artisanal Brewers Collective**, the company led by **Golden Road Brewing** co-founder **Tony Yanow**. Veld also helped consummate a separate deal for downtown’s **L.A. Café**. Both deals closed last month for undisclosed sums.

BizBen’s Siegel said in addition to buyers exiting the corporate world looking for an established business, there’s also been an uptick in younger buyers who have been a part of a

successful tech company exit or have parental backing.

“We used to see a lot of people in the 35-to-45 range, but now there’s a shift to the 55-and-up demographic and those on the younger end of the spectrum,” Siegel said.

Risky business

While market conditions are good for small businesses, there are some downsides to buying right now, according to Wildeveld and Clark. With the cost of renting real estate skyrocketing in most parts of Los Angeles, many businesses are feeling the squeeze, especially those with thin profit margins.

“Business buyers, especially restaurateurs, they’re dreamers, and landlords are preying on that a bit,” Clark said. “Unless you’re really hitting it out of the park, 75 percent are probably going to fail within two to three years.”

And while the rest of the country could see breaks on regulatory oversight thanks to Trump’s economic policies, California is trending in the opposite direction with rising minimum wages and labor-friendly workers’ compensation laws.

A survey by **Bank of America Corp.** of 300 small businesses in Los Angeles released this month also revealed some anxiety on the part of small-business owners. The study showed area entrepreneurs were the least optimistic in the country when it came to 2017 revenue predictions, with only 49 percent expecting their business to generate more money over the next 12 months.

But with sellers motivated to get out and buyers high on opportunity, Wildeveld said he expects the market to remain frothy for the foreseeable future.

“It’s the best we’ve seen it since 2002,” he said. “There are lots of buyers out there looking for cash flow and lots of people who have that. It’s a fantastic time to sell.”

Energy: Power Plants Charge Into Battery System

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and might reduce costs, though whether customers will benefit in the form of lower prices is still unclear.

Kaushik said the utility plans to install the batteries at its three other peaker plants. Such facilities power up only at times of peak demand, such as hot summer afternoons when homes and businesses crank up their air conditioning.

It’s part of a much broader strategy to ramp up the utility’s energy storage capacity to comply with state requirements and the mandates to have one-third of its power from renewable sources by 2020 and 40 percent by 2030. As of the end of last year, roughly 27 percent of Edison’s total portfolio of 23,000 megawatts came from renewable sources, including wind, solar, geothermal, and hydropower.

With almost all of these renewable sources generating electricity on an intermittent basis, battery systems are key to storing excess energy when it’s generated and then releasing it to the grid as needed. As of the end of last year, SCE had under contract the ability to store more than 400 megawatts of electricity in batteries. Some capacity is in giant battery complexes, which include a lithium-ion battery facility in Tehachapi and a joint system with **Tesla Inc.** in Mira Loma that was completed this year.

SCE also recently launched an experiment in Irvine with battery storage units in individual homes.

But the two battery storage systems at the natural gas-fired peaker plants mark the first time any U.S. utility has combined energy storage with conventional energy generation.

Just as with gas-electric engines in hybrid



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Energized: Battery storage units at Southern California Edison’s plant in Norwalk.

vehicles, this hybrid power system blends output between the battery and a gas-powered turbine. The energy storage capacity of the battery was designed to provide electricity for long enough to allow the gas turbine to start and reach its designated power output.

A key benefit is that the battery power can be deployed quickly, in seconds rather than the 10 to 15 minutes it takes for the natural gas generator to come on line. The longer lead time for traditional peaker plants can be a liability when a transformer blows or demand spikes suddenly, occasionally leading to power outages or brownouts.

“It makes sense, as the battery storage system kicks in instantaneously instead of the longer ramp-up time required by gas peaker plants,” said **Raj Prabhu**, chief executive of **Mercom Capital Group**, an Austin, Texas, firm that specializes in clean technology research and market intelligence.

Just as in a hybrid vehicle, once the natural gas generator kicks in, some of the electricity goes toward recharging the battery.

SCE’s Kaushik said that in some instances when there’s a short-term spike in demand, only the battery power might be required, and the natural gas generator might not even need

to be activated. That saves on natural gas usage, which has been a key concern since last year, when a massive leak at the Aliso Canyon natural gas storage facility shut off much of the region’s natural gas supply.

Another benefit, especially when more of these battery units begin operating, is providing a place to store excess wind and solar energy as it’s generated. Because wind, especially, is so variable and intermittent, there’s little ability to plan ahead to accommodate the extra power on the grid – unless there is enough battery storage capacity to handle it.

Prabhu said retrofitting existing power plants with battery technology could also prove more cost-efficient than relying on natural gas generation alone.

Whether SCE will be able to save money depends on how much the battery units cost to install, and on that front, Kaushik said he could not release the cost due to a confidentiality clause in the agreement with General Electric.

The lack of cost disclosure is of some concern to ratepayer advocates, who said that if this technology actually results in cost savings for SCE, those savings should be passed on to consumers.

“While we don’t know what the cost actually is, we’re fairly sure ratepayers will pay for the battery storage, so when will they see the promised savings?” said **Mindy Splatt**, spokeswoman for the **Utility Reform Network**, a San Francisco nonprofit.

Splatt noted that SCE has its next three-year rate case pending before the state Public Utilities Commission.

“Could these cost savings be applied to this current case? Or is this cost savings simply too speculative right now?” she said. “We simply don’t know.”