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Up Front

Why Youssef Fakhouri is milking market for nondairy cheeses.
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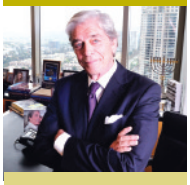

Todd Morgan's Century City office shines with lots of light, star clients.
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Port Delays Sink Importers' Plans

SHIPPING: Backlogs that bruised holiday sales carry into new year.

By CAROL LAWRENCE *Staff Reporter*

At the **MegaToys** warehouse in Commerce, about 650 workers should already be done filling Valentine's Day gift baskets with plush toys from China. Instead, only about 55 people are working, filling baskets with candy as they wait for the toys to arrive.

MegaToys' teddy bears and its other stuffed animals are just some of the countless imported goods caught up in the months-long delays at the ports of Los Angeles and Long Beach. While those delays were frustrating to importers and retailers trying to

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PHOTO BY THOMAS WASPER

Adrift: Charlie Wong at MegaToys' warehouse.

RINGO H.W. CHIU/LABJ

Building Friction: Construction site for a 7,800-square-foot residence in Bel Air.

Homed In

Bel Air residents head to court to restrict big mansions

By CALE OTTENS *Staff Reporter*

THE mansions of Bel Air once deemed extravagant can seem positively modest today. Rising prices and a robust economy have speculators rushing to develop the next generation of posh estates, some of which rival the size of shopping centers.

That's good for builders, real estate agents and the handful of buyers able to afford such massive homes, but the trend has enraged many nearby residents – some of whom are seeking to block new projects in court – and intensified a feud within L.A.'s community of land-use attorneys.

"Conflicts are a material part to all lawyers regardless of the practice area, but it's specifically a larger issue when you're a land-use attorney," said **Andrew Kirsh**, real estate practice chair at Century City law firm **Sklar Kirsh**. "If you are a developer's counsel, a developer is not going to want you to represent a homeowners association against other developers."

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YouTube Stars At Play in Suit

INTERNET: Fullscreen alleges ex-exec tried to poach talent.

By OMAR SHAMOUT *Staff Reporter*

Shapiro

More than millions in venture capital investments, more than the proliferation of A-list stars appearing in original programming streaming online, the one sure sign that content has become king in Silicon Beach is a full-blown fight over talent.

With millions of eyeballs and big money at stake, Culver City multichannel network **Fullscreen Inc.** is facing off against its former senior vice president and head of its talent management department, **Larry Shapiro**, after his abrupt defection in October to

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Drug Firm Eyes Healthy Future

By MARNI USHEROFF *Staff Reporter*

Though it went public last year, **Kite Pharma Inc.** sounds less like a startup and more like a thoroughbred vying for the Triple Crown.

Helmed by executives who sold their previous companies to big pharma and staffed with a slew of **Amgen Inc.** alumni, it's running neck and neck with a handful of other biotech competitors to gain regulatory approval on a cutting-edge cancer therapy. Kite, which last week raised about $218 million in a follow-on offering, has more than

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SPECIAL REPORT WHO'S WHO IN L.A. BUSINESS

Drawing from the region's wealth of industries – from apparel to entertainment to software – the Business Journal presents its annual list of top executives at L.A.'s largest companies and organizations, including their participation in civic and business groups.
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Biotech: Cancer Fighter Nurses Expansion Plan

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tripled its June offering price by year's end to become one of the best performing IPOs of 2014.

Though other companies have also had successful recent IPOs and are producing remarkable results, Kite is looking the most "businesslike," said Tom Shrader, a New York-based analyst with Stifel Nicolaus & Co. Inc.

"What's clear is how close Kite is to turning into an actual product rather than a remarkable experiment," Shrader said, crediting the company's single-minded focus on collecting quality clinical data.

Dr. **Arie Belldegrun**, Kite's Israeli-born chief executive, isn't modest about his aspirations for the company.

"People ask me: What's the objective of Kite?" he said, seated at the head of a large conference table in Kite's Colorado Avenue headquarters, flanked by a dozen executives and researchers from his senior management team. "We are building Amgen in Santa Monica."

He wasn't just referring to his hopes for Kite's success, but also his desire to foster a biotech hub in Silicon Beach. Establishing a Westside version of the $122 billion Thousand Oaks biotech powerhouse is just part of the plan.

Belldegrun's resume is thick with both clinical and boardroom experience. He's director of **UCLA**'s urologic oncology division; chairman of **Arno Therapeutics Inc.**, a Flemington, N.J., company that is also developing targeted cancer therapies; and a director of Israel's generic drug giant **Teva Pharmaceutical Industries**. He's also been closely involved in founding and growing several biotech companies.

He formed drug developer **Agensys Inc.** in 1996 and sold it to Tokyo pharmaceutical company **Astellas Pharma Inc.** in 2007 for around $500 million. He was also a director and chairman of the scientific advisory board for Westwood's **Cougar Biotechnology Inc.**, which was purchased by **Johnson & Johnson** in 2009 for almost $1 billion.

Belldegrun started Kite around the time of the Cougar sale, funding it himself for the first couple of years. Relationships developed in his previous ventures brought an infusion of capital from investors including **David Bonderman**, founding partner of private equity giant **TPG Capital** and now a Kite director. Venture capital, including funds from **Alta Partners** in San Francisco, and institutional investors followed.

"I don't think we ever had a problem raising money," said Belldegrun, who controls 6.4 million shares, a 14.7 percent stake. His position in Kite has ballooned in value to nearly $370 million as shares have more than tripled in value since they priced at $17 in the company's June IPO. Shares closed Dec. 31 at $57.67. (Bonderman controls 2.4 million shares; Alta has 2.9 million and Israeli venture capital firm **Pontifax** has 2.2 million.)

The founder's connections also came in handy when Kite secured a cooperative research and development agreement with the National Cancer Institute in 2012 to commercialize the institute's research on certain immune system cells genetically engineered to fight cancer. Belldegrun had previously done a fellowship at the institute under the same doctor performing the research his company has licensed.

"It gives us a huge pipeline," Belldegrun said, referring in part to multiple ongoing clinical trials at the institute. "If that data holds and looks exciting, we will then move it into Kite and we will develop it further."

The National Cancer Institute will receive what Kite calls modest royalties as part of the deal.

Hot field

Today, Kite has grown to 46 employees and takes 20,000 square feet of offices and lab space in a former Agensys building.

Unlike **Puma Biotechnology Inc.**, another local biotech high-flier that licenses and tests drugs developed by others, Kite is involved in basic research that allows it to move from discovery to drug development and manufacturing.

Kite and its competitors are working in a corner of immunotherapy where doctors are extracting a cancer patient's immune system cells and engineering them to recognize cancer. The cells are then grown in the lab and released back into the patient's body, ideally better equipped to find their target.

On Board: Kite's Dr. Arie Belldegrun at company's Nasdaq launch in June.

"Kite and its brethren are the absolutely most exciting thing going on in the (oncology) field," said Shrader, the Stifel Nicolaus analyst. "They're treating people essentially at death's door."

The research has been percolating for the last 25 years and is possibly about two years away from its first regulatory approval if Kite or competitors **Juno Therapeutics** and **Novartis** succeed.

Most of Kite's focus has been on blood cancers, though solid tumors are the holy grail, said **Margo Roberts**, Kite's chief scientific officer.

Proponents say it could transform oncology, relegating chemotherapy and its unpleasant side effects to a last-ditch treatment. Still, though this technology has shown promising effectiveness in a small group of test subjects, some patients have experienced intense side effects such as high fevers and drops in blood pressure that later resolved for the most part.

Build-out

Despite the risks, investors have taken note of the field's progress and are placing their bets. Juno has a $4 billion-plus valuation in the wake of its IPO last month.

Kite itself has a market cap of more than $2 billion, and its recent secondary offering added to the roughly $230 million it already had in the bank, Belldegrun said. Of the funds raised in the recent offering, $50 million will be allocated to development of a manufacturing facility – the company is already negotiating for space near Los Angeles International Airport – and to commercialize its drugs. An additional $30 million will go to expand research and development efforts.

Still, manufacturing the cells is fraught with risk.

"It's extraordinarily complicated," said Tony Butler, a Guggenheim Securities analyst in New York. "They're fragile. You manipulate them and then you unfortunately have to freeze them and ship them back to the hospital where the patient is located, thaw it and then put it back in the patient."

But that comes with the territory and hasn't stopped Kite from planning for the future. The firm is contemplating some strategic partnerships and is in discussions with about 20 companies – from big pharmaceutical outfits interested in research or commercialization, down to smaller companies that might play a role in manufacturing the next generation of products – according to **Helen Kim**, Kite's head of business development.

"Put it this way, I've been with a lot of companies large and small, and it's really nice being with a company where you're so popular other people are calling you and wanting to meet with you," Kim said.

"A lot of date proposals," Belldegrun interjected, cracking up his team.

"A lot of dates," Kim said.

Internet: Video Celebrities Focus of Firms' Clash

Continued from page 1

rival **Big Frame**, where he performs a similar role as the company's co-president.

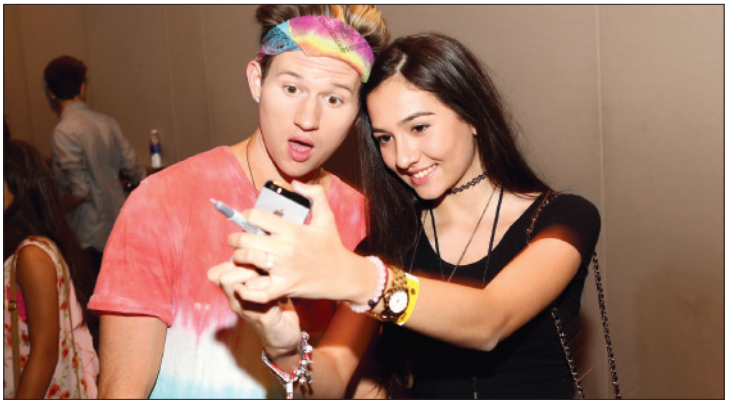
Both networks produce a wide variety of lifestyle content distributed through YouTube and primarily geared toward younger audiences, and Fullscreen claims Shapiro violated his employment contract by secretly securing deals for himself and Big Frame while still employed by Fullscreen.

The battle for talent and the people who manage them might be an old story in Hollywood. But this fight, which has landed in court, shows how far the stakes have risen now that old Hollywood has been staking a claim to the digital landscape, making digital networks increasing valuable.

Over the past year, Hollywood film studios and other large media corporations have seen the inherent business opportunities that multichannel networks, and their talent represent, and the sector has become one of the busiest in the L.A. tech market in terms of mergers and acquisitions.

In March, **Walt Disney Co.** purchased **Maker Studios** in a deal that could reach $950 million. Most recently, **RTL Group** bought a stake in Hollywood's **StyleHaul** for $107 million in November, valuing the fashion-oriented multichannel network, or MCN, at $151 million.

Likewise, Big Frame is a division of West Hollywood's **AwesomenessTV**, which was acquired by **DreamWorks Animation** in May 2013. The studio sold a 25 percent stake in Awesomeness to **Hearst Corp.** in December for about $81 million.



Online Attraction: YouTube star Ricky Dillon, left, with a fan at Fullscreen's InTour show at the Pasadena Convention Center in September.

Otter Media, a joint venture of **Chernin Group** and **AT&T**, acquired in September a controlling stake in Fullscreen.

These YouTube networks have proved attractive because they offer vast amounts of content at a fraction of the cost of feature films and TV shows. Plus, YouTube stars make videos for niche audiences – an asset to digital marketers who look to microtarget ads. YouTube also offers another platform for studios to create content around popular characters as well as look for new film and television ideas.

Rapid expansion

When you tally the viewership numbers of each YouTube network, their scale becomes apparent.

Fullscreen drew more than 37 million unique desktop viewers in the United States to its channels in October, according to rankings released by comScore, an Internet research firm. Awesomeness, which has fewer channels, drew 6.5 million. And when you factor in smartphone viewing, those numbers spike even higher.

"Their core competency is, in fact, finding a way to connect with audiences in a 'world of abundant supply,'" reads a Dec. 15 report about multichannel networks authored by New York-based technology and media consultant Liam Boluk.

But since YouTube takes a 45 percent cut of advertising revenue from its creators, and MCNs share the remaining revenue with their talent, these companies have increasingly looked to secure revenue streams off of YouTube for their biggest stars. These opportunities include brand deals, live events and merchandising, to name a few.

Prior to joining Fullscreen, Shapiro served as executive vice president of business development at **Fourth Wall Studios** in Culver City, and he also spent seven years as an agent at Century City's **Creative Artists Agency**, where he established its video-game depart-

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