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How Tessa Young is amplifying jobs for women DJs.
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A fashionable local architect explains the crayons in her bag.
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Brothers Divided by Air Line Feud

AVIATION: Surf Air co-founder alleges stake devalued in scheme.

By GARRETT REIM *Staff Reporter*

While Santa Monica's **Surf Air** is flying high with customers and investors, the airline's success has left **David Eyerly**, the company's co-founder and former chief operating officer, out in the cold.

The 31-year-old Eyerly is fighting Surf Air and several of its investors in court, claiming he was the victim of a complex scheme that not only caused his brother and co-founder, **Wade Eyerly**, to force him out of the company, but also diluted his ownership by 94 percent, taking him from a 12.5 percent equity position all the way down to 0.75 percent.

"It was his baby. He was stripped of his stock and he didn't even know (the investors) were doing this," said David Eyerly's lawyer, **Skip Miller** of Century City's **Miller Barondess**. "They did it in the dark without his knowledge, consent or participation."

$1 billion
Estimated value of Surf Air

Meanwhile, the subscription airline founded by the Eyerly brothers and several others in 2011 has become popular among tech entrepreneurs, who regularly fly its Los Angeles-San Francisco route. It has raised more than $84 million in investments.

David Eyerly's legal team values Surf Air at $1 billion and is seeking at least $125 million in damages.

The company's valuation is built on its appeal to frequent flyers, offering them the ability to avoid long Transportation Security Administration security

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Dov Charney Refuses to Fold

CLOTHING: Founder to start rival to American Apparel?

By DAINA BETH SOLOMON *Staff Reporter*

"I'm not going away," insists **Dov Charney**, the ousted chief executive of **American Apparel** who saw the clothier slip out of his grasp in bankruptcy court last week.

OP-ED
Dov Charney reflects and opines.
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Vowing to stay in the public eye, he told the

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SPECIAL REPORT: THE BUSINESS OF ENTERTAINMENT

RINGO H.W. CHIU/LABJ

Social Presence: 'Supernatural' actress Ruth Connell connects with her fans online.

TECH'S NEW STAGES

She might play the mother of the King of Hell on popular TV show "Supernatural," but Ruth Connell didn't need to strike a deal with the devil to become internationally famous.

Instead, the West Hollywood actress used social media to build her fan base and create both a market for her own T-shirt line — based on her character in the CW series, Rowena — and to set up lucrative convention appearances around the world.

Read about how she and other prominent figures in the L.A. entertainment scene are using digital media to boost their business in this special section focusing on film, TV, theater, music and entertainment law.

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Fresh Money In Old Shows

TV: Revenue from streaming alters big picture for some.

By MARNI USHEROFF *Staff Reporter*

TV show "Happy Endings" may have been axed by ABC several years ago, but the series is living up to its name after finding a second life on streaming services offered by **Hulu** and **Amazon.com Inc.**

And it's not alone. Lots of programs have been rising like Lazarus from their graves thanks to companies such as **Netflix**, which allow them to connect to a new audience, often made up of younger viewers.

The trend is not only changing the entire entertainment industry (see page 12), but it also can provide a surprise financial boon to a number of former cast members, producers and writers.

Danielle Prunier, a senior vice president of wealth management for **Merrill Lynch** in Century City, said she first noticed the situation three years ago after hearing from entertainment industry clients as they watched their old shows become popular on streaming platforms.

"I was getting phone calls from clients saying, 'I can't believe this but a whole new generation of kids is watching the show I created that's no longer on the air,'" she said.

In one blockbuster deal last year, Santa Monica's Hulu acquired the exclusive subscription video-on-demand rights to all nine seasons of megahit sitcom "Seinfeld" for a reported $160 million – creating huge new streams of money.

While the growing value of online deals is great news for creatives overall – not all of them are able to reap the rewards.

"If a writer, producer, actor has a profit

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TV: Old Shows Make Big Splash, Money Online

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participation in a show, then yes, the second or third life of a TV series on Netflix or Hulu can mean a lot of money to them," said entertainment attorney **Chad Fitzgerald**, a partner at **Kinsella Weitzman Iser Kump & Aldisert** in Santa Monica. "It depends on how the studio accounts for that money."

There's one thing that those who do get new money from their show's resurrection should not do, advises Merrill Lynch's Prunier: go on a shopping spree.

"You have to treat it as sacred money," she said. "When you get additional money you're not counting on from work you did a long, long time ago, the best thing to do with that money, if you're not financially complete, is to take control of your future earnings by adding to it."

Piece of pie

Unionized actors get residuals or rerun payments when their old TV episodes air in syndication or are distributed on DVD, according to **Richard Marks**, a partner at Beverly Hills entertainment law firm **Point Media**. While those can be lucrative, Marks added that the **Screen Actors Guild and the American Federation of Television and Radio Artists** has yet to hammer out terms to compensate them for streaming.

Terms related to digital distribution were one of the primary issues leading to the **Writers Guild of America** strike that began in 2007.

In general, it's the writers and showrunners who created a program, as well as the big-name actors and lead performers who contributed to a show's success, that tend to get a share of the profits.

"The actors on 'Friends' likely had no participation until they renegotiated in the third or fifth year," Marks said as an example. "Right now you have to be one of the participants who have a back end, meaning a piece of the modified adjusted gross receipts, in order to get a bump from streaming."

He further explained that a show's deal size on a streaming service is determined by the program's success when it first aired as well as how many episodes were made.

"I would say generally the Netflixes of the world are not paying a per-episode fee, but it's certainly tied to the amount of time that they can give to their subscribers," Marks said.

But opaque studio accounting practices often make it tough to calculate a ballpark figure for how much an artist with ownership might profit, he added. For instance, those payments are typically not doled out until a studio or network recoups expenses such as overhead or production costs.

RINGO H.W. CHIU/LABJ

Beefed-Up Income: Wealth manager Danielle Prunier at Merrill Lynch's office in Century City.

But once it does, the stream of money back to the talent can be impressive.

"It's a significant new source of revenue," said Merrill Lynch's Prunier, citing an unnamed client who created a TV show that's been in syndication and is now generating income from Netflix.

Save vs. spend

When her clients do get that extra money, Prunier said she's been telling them to save or invest it.

"This particular industry is volatile, it's unpredictable, and when you have an opportunity to work and earn money, it's so important to save more than you need because you don't know when the next opportunity will be," she said.

It's not like other professions, such as a lawyer or doctor, where it's feasible to work into their 70s or 80s, she added.

"An actor really depends upon the right role out there for them and sometimes has to take a role that doesn't pay, but to improve status as an artist," said Prunier, who's been telling clients to pretend they never received the money and invest wisely.

Martha Henderson, who heads the entertainment division at downtown L.A.'s **City National Bank**, said she would also advise a client to treat this new revenue stream conservatively, as would many of the managers with whom she interacts. Her bank works with more than three-quarters of all business managers in California.

"They really want to invest this in bonds or something that's going to be there for them in the future," she said. "Use it as an opportunity to invest money for long-term financial health, not to go buy a car."

Footwear: Shoemaker Customizes Business Plan

Continued from page 5

partnership with Seattle department store chain **Nordstrom**, which now has an equity stake in Shoes of Prey, to create a shop-in-shop experience at five Nordstrom locations, including at Fashion Island in Newport Beach.

Fox said it was a whole new challenge to create an offline experience, but one that's paid off so far.

"When you're online and you look at a customer's journey, you can architect every single bit of that," she said. "When you're offline, you can architect it but then you have to train your sales staff really well (and) you have to anticipate so many needs."

Scaling up

But meeting customer demand is not easy when a company must build one item at a time – and it can be difficult to find a manufacturer willing to do it. Most prefer producing in bulk as it's more efficient and profitable.

But Shoes of Prey found a way around that by building its own manufacturing facility in China in September 2014.

"There's just no one in the world that knows how to make one pair of shoes at a time," Fox said. "Manufacturers aren't interested in making one at time of anything because they don't know how to do it efficiently. So growing the business to the point where we could build our own factory and create our own supply was really exciting because that solved the problem immediately."

Most manufacturers are set up to make one item repetitively. Since her captive factory is organized to make products one at a time, it's not disruptive to do so. That helps drive down costs.

Fox said she thinks the high manufacturing cost is the reason her two biggest competitors – Milk and Honey and Upper Street London – might have closed down.

Jamal Motlagh, co-founder and chief executive of **Acustom Apparel** in New York, said finding a way to make its custom men's garments also posed a big problem. The label recently opened a West Hollywood shop, sharing a Melrose Avenue space with custom footwear maker **Left Shoe Co.** of Helsinki.

"For our casual pants like denim and chinos, it was almost impossible to find an existing manufacturer that could do what we wanted," Motlagh said. "Most of them wanted to charge a sample fee, which is usually the retail cost of the product you're trying to sell."

Acustom, such as Shoes of Prey, decided to set up a small factory within an existing denim plant in China to make its casual pants. The company pays a flat monthly rent, so its costs are the same whether it fulfills 20 orders or 200.

Fashion Business's Harder said customization requires organization and technology, such as 3-D body scanners, to help meet demand and reduce production costs.

In fact, technology is another big reason custom apparel and shoemakers can keep costs down. By transmitting digital images from a body scan directly into manufacturing machines, it bypasses the need for tailors and pattern makers and such.

Body scanners have already been used by many manufactures and major brands, including Acustom, to customize products.

Motlagh added that as technology improves, custom clothing will increasingly become the norm. What's more, custom-made apparel and shoes avoid the costs that result from production overruns.

"Traditional retailers are having a tough time," he said. "Other than our samples, everything is made based on an order and we take cash up front – unlike a traditional fashion brand that has to make all their product well in advance of knowing demand and hope they sell it or discount it if they don't. We don't have those same economics."

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Arch Appeal: Jodie Fox at Santa Monica's Shoes of Prey, which lets customers design their own footwear through its website.