

Good Medicine?

WHENEVER a company is acquired, you can expect layoffs. But I don't know that anyone expected such a tall stack of pink slips to be delivered last week to workers at Kythera Biopharmaceuticals in Westlake Village.

The buyer said 117 of Kythera's 212 employees would be let go. That's 55 percent. Workers at Kythera, which makes a drug to dissolve double chins, took it on both chins.

That's a stunner and a disappointment, sure. But if there is such a thing, this is a good time to get laid off in the bioscience field, as one life sciences executive recruiter said in the article on page 8 of this issue. Lots of local companies are looking for good people with experience in that field.

But it's also important to remember that whenever a lot of talent gets released into the economic sphere, entrepreneurship often results. At least some of those 117 who were cozy in their jobs may figure that this is the best time to start that business they were thinking about. For them, this is now-or-never time.

As one source pointed out in the article,

Alan Auerbach created Cougar Biotechnology and sold it in 2009. Rather than spending the rest of his life surfing, Auerbach created Puma Biotechnology to search for and develop cancer-fighting drugs. Puma now employs 134 and was so successful it made Auerbach a billionaire, albeit briefly.



COMMENT

CHARLES CRUMPLEY

All it would take is one Puma-like company to be created, and the loss from Kythera would be offset. But who knows? Maybe two or three Pumas will start. If you want to dream, maybe an Amgen will get rooted; it employs 17,000.

For the individuals laid off from Kythera, this may well be a troubling and dark time. We all get that. But for the city as a whole, we may look back on this moment as the point at which L.A.'s biopharmaceutical sector got a shot in the arm.

...

Presidential candidate Jeb Bush's tax reform proposal includes a provision that would whack high-income people in California unusually hard. He calls for eliminating the federal tax deduction for income and property taxes paid to state and local governments.

Those who itemize their federal tax returns have always been able to deduct their state taxes. Otherwise, it would amount to double taxation, and that would be fundamentally unfair.

But those in the nine states with no income tax (such as Bush's Florida) make a different argument. They claim that the lowered federal tax money coming from the high-tax states results in a kind of deficit that everyone else has to make up. In other words, the low-tax states are being forced to help cover for the high-tax states, and that's fundamentally unfair.

Since California is among the highest-tax states, wealthier folks here would feel a big wallop in the wallet if this proposal becomes reality. But so would those in New York, New Jersey and other high-tax states.

Now, you can point out that the proposal is coming from just one candidate, and one who doesn't seem to be going anywhere anyway. But it's a provision that's bound to gain popularity, at least among Republicans. After all, it would be the blue states that get hit.

In short, if a Republican wins the presidency, be braced to lose that deduction.

Charles Crumpley is editor of the Business Journal. He can be reached at ccrumpley@labusinessjournal.com.

▶ LABJ FORUM

Fashioning Future

With American Apparel filing for bankruptcy protection, Dov Charney's quest to reclaim the company he founded appears to be over. So the Business Journal asks:

What should Dov Charney do next?

▶ **DEBORAH GREAVES**

Attorney
Ezra Brutzkus Gubner

Charney would be wise to walk away from his pending litigation against the company in order to help American Apparel recover from its fiscal issues with the hope that the stock price will recover and he will eventually be able to sell off what remaining stock interest he owns. He can take his wealth of knowledge and experience and use it to consult with and/or launch other companies.

▶ **NICOLE CRABBE**

Founder
NicNac's

Charney should apply his entrepreneurial talents to another business entirely. His robust skill set and experiences would afford him the opportunity to create something different.

▶ **STEVE HONIG**

Principal
Honig Co.

The focus of his efforts needs to be on moving forward and creating a new perception, not dredging up the past. Regardless of whatever happens in court, his primary concern should be the court of public opinion as that is going to have a far greater impact on his future.

▶ **EVAN WAGNER**

Principal
Wagner Strategic Communications

I don't think he's going anywhere. Entrepreneurs seldom do. He needs to spend some time in the woods – as we expect all our fallen heroes to do – and return to the fundamentals of what inspires and motivates him, and perhaps there will be another opportunity when he

emerges. Given how messy his fall from fashion grace has been, any comeback will probably be in another industry.

▶ **MATTHEW D. COVINGTON**

Managing Director
Conway MacKenzie Capital Advisors

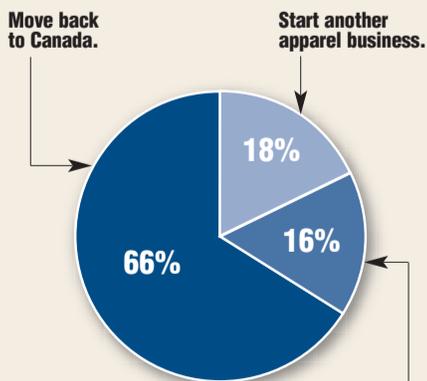
Given the extremely low probability of wresting back control of the company, it's time for him to move on. He's clearly an extremely talented apparel marketer, and I think he should apply his talents in a new apparel business where he has an infrastructure around him that can shore up his weaknesses on the execution side.



Covington

Los Angeles Business Journal Poll

What should Dov Charney do next?



Apply his entrepreneurial talents to another business entirely.

Online results for week ended Oct. 14.



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