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Speaking Unique Language of Apparel Law and Finance

By LINDA COBURN AND THOM SENZEE

In his black v-neck pullover, black slacks and black slip-ons, Robert Ezra dresses the part of an attorney who specializes in the apparel industry. But the industry into which Ezra threw himself as a young, downtown attorney during the 70s bares little in common with today's fashion and apparel business.

There are, of course, advantages to having seen the local apparel design and manufacturing community transform through the past three decades.

"We have, I think, a very interesting and unique position," said Ezra, founding partner of Ezra Bruztkus Gubner, LLP, or EB+G, as the Woodland Hills law firm is also known. "We have been doing this so long and are so experienced in the area that we know all the players and can get things done for our clients based on those relationships."

Like other professional services firms catering to the San Fernando Valley's apparel industry, EB+G is big on doing much more for clients than its core business of legal representation. In fact, says Ezra, the firm offers "cradle-to-death" service for local designers, manufacturers, and distributors of clothing and textile products.

"We solve problems," he said. "We find solutions that may not be available to others."

By others, Robert Ezra means other lawyers, most of whom, he adds, are not likely to have a background in accounting and banking, in addition to a working knowledge of the local apparel industry.

By all accounts, it is an industry that is very unique in terms of the way business is practiced.

Take cash flow for instance: The concept of factoring was invented for the apparel industry. In short, factoring firms assume risk on behalf of a company that expects to be paid when an order is filled, usually lending them cash to deliver on that order.

"Let's say you are in the process of filling a large order," explains Lee Hirsch, president of Continental Business Credit, Inc. in Woodland Hills.

"You've built your line [of clothing] and you're going to sell to Target. They give you an order of 100,000 [pieces]. You commit to manufacturing, supplying or importing on that merchandise, but you don't have the money to pay until you get paid."

Factoring firms such as Hirsch's get cash into the coffers of apparel firms that need to fulfill orders for their products at the front ends of deals. Generally, whatever profit is built into the deal is also included with the factoring loan, minus the factoring firm's fee.

"If for some reason the customer goes out of business or does not pay, we've assumed the risk," Hirsch said.

In addition to apparel, other types of manufacturing and service firms also use factoring companies nowadays. In fact, textile and apparel account for between 30 and 40 percent of Continental Business

Credit's factoring business, with the rest spread across aerospace, metals, hardware, furniture and other industries.

"Of our apparel customers, 80 percent are in Southern California, but only about five to 10 percent of that is in the San Fernando Valley," Hirsch said. That ratio reflects a contraction in the number of companies that once designed and produced everything from shoes and hats to longjohns and evening gowns in the Valley.

Robert Ezra says it is important to remember that when there were more local clothing manufacturers, there were also more apparel outlets. He says labels could put together a line of clothing locally and peddle it to the likes of May Company, Robinson's or The Broadway department stores. Those stores are all gone now, victims of industry consolidation.

The Valley's 21st Century apparel-design and -manufacturing industries have less to fear from industry consolidation than they do from counterfeiting. Providing protection against theft of intellectual property is a big part of what apparel-industry attorneys do for their clients.

"The apparel industry is ever-changing because of technology," says attorney Crystal A. Zarpas, founding partner of Mann & Zarpas, LLP in Sherman Oaks. "There are big counterfeiting issues that come from advances in technology, and they affect not only the Louis Vuittons of the world, but also smaller, more local brands."

Zarpas and partner Lloyd S. Mann provide their clients, about 40 percent of whom are in the local apparel industry and allied businesses, with a host of services the former says constitute the most powerful aspect of intellectual-property protection: preventive action.

"I tell clients, 'register the trademark, file for copyright when it's appropriate and register it with customs,'" Zarpas said. "It's like preventive medicine."

Zarpas says there is no way to measure how important it is for entrepreneurs in the apparel industry to have a lawyer that is familiar with their business. Having one who knows the local landscape is that much better.

"I always tell prospective clients that I don't care if they don't hire me; hire someone who knows their industry," she said.

Zarpas says knowing the practical side of a client's business is crucial for providing quality legal advice. Apparel and textile companies have their own language, according to her, and she speaks it.

For instance, knowing everything that a pattern

cutter in the apparel industry does may mean the difference between properly representing a client, or not, she said.

"When we established the firm seven years ago, my partner and I didn't want to do apparel," Zarpas recalls. "But together we have 25 years of experience working for clients in that industry, and they followed us. Some said they wanted us to continue helping them."

With a total of five attorneys, Mann & Zarpas specializes in serving small companies and startups, with Crystal Zarpas handling transactions and Lloyd Mann directing litigation.

The firm has helped spearhead successful efforts to enlist the aid of one-time hotbed of counterfeit apparel, Ebay, in curtailing the crime.

"We also work closely with U.S. Customs," Zarpas said. "Which, by the way, is doing an amazing job at stopping counterfeit items at the ports."

Some other local professional-services firms serving the local fashion trade include Sherman Oaks accounting firm, Grobstein Horwath; Silvers and Bonenfant, of Encino—an accounting firm with 25 years of apparel-industry experience under its belt; Rosenthal and Rosenthal, a New York factoring firm that has reportedly just opened an office in the San Fernando Valley.

"The apparel industry in the San Fernando Valley has waned in recent years," Lee Hirsch of Continental Business Credit said. "But there are still a lot of companies manufacturing for other labels out here."

Hirsch advises his startup clients on ways to avoid pitfalls that have pulled their predecessors asunder.

"We're very focused on trying to facilitate their success," he said. "We hope they start with a reasonable amount of capital, and we'll guide them to accounting firms and lawyers who can also help them make good business decisions."

His is a philosophy not unlike that of Robert Ezra's. Ezra's firm, EB+G, also works with outside local professional-services firms that have knowledge of the local "rags" business as a way of augmenting its in-house services.

EB+G's in-house services include structuring international lines of credit, navigating complex, apparel industry-specific labor laws, (some of which were vastly strengthened in 1999 with the passage of California's AB633), as well as bankruptcies.

But, says Ezra, some of the best service he has provided clients was rendered when he has able to minimize billing time.

That was the case when a client believed the company he previously worked for owed him money. As it turned out, the company's attorney was a long-time business acquaintance. Instead of generating a lot of paperwork to justify fees, Ezra said, he sat down with opposing counsel and hashed out a settlement.

In the San Fernando Valley, it's a small fashion world after all.



Zarpas