

State, Hollywood chamber near deal to retain landmarks control

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The Hollywood Chamber of Commerce and California Attorney General's office are close to striking an agreement that would allow the chamber to retain basic control over the famous Hollywood sign and Walk of Fame while averting huge fines that could cripple the booster organization, sources told the Business Journal last week.

The deal, which could be finalized as early as this month, must still overcome reservations by some Los Angeles city officials who are concerned that their control over the landmarks may be too limited, according to knowledgeable city sources. The negotiations are being brokered among chamber counsels at Los Angeles-based Gibson, Dunn & Crutcher and state and city attorneys.

If the complex agreement is finalized, the chamber would lay to rest a controversy that has plagued it for years, and allow it to become more active on hot business topics like Metro Rail, redevelopment and rising crime.

The sign and walkway are considered two of Southern California's best known symbols internationally, bestowing prestige both on the city and the entertainment industry. In addition, royalties and usage fees generated by the landmarks — from filming at the sites to use of their likenesses on souvenirs — produced about \$100,000 for the chamber last year alone.

Like state and city officials, chamber Chairman Christopher Baumgart refused to comment on whether a deal is close, though he was upbeat about the prospects.

"The discussion is much further along than it was last spring because all the parties have come to the table to do the best things for their respective constituencies," he said. "We are actively seeking a good resolution for all concerned."

Citing alleged breaches in state charitable trust law, the Attorney General's office last November filed a civil lawsuit in Los Angeles Superior Court against the chamber, claiming it commingled and misappropriated trust funds intended for the upkeep of the two landmarks with general chamber accounts. The suit seeks to recover as much as \$700,000 in restitution, though chamber officials debate that figure.

Under the prospective agreement — which would be more lenient for the chamber than ones previously reported — the chamber would repay \$225,000 to the two

trusts controlling the landmarks over a 10-year period at about 9 percent interest. Instead of the chamber continuing to act as sole trustees for the sign and walkway, Los Angeles City Council members John Ferraro and Mike Woo would each be allowed to appoint representatives to each trust's new board.

Ferraro's district includes Griffith Park, where the 69-year-old sign is located, and Woo represents Hollywood, where the walkway and its 1,800-plus stars of entertainment figures is situated.

The agreement also would allow the chamber to keep as much as \$100,000 produced by royalties and usage fees, with any excess funds going to charity and or the city. However, sources emphasized that the fine points of the tentative deal are fluid and in "a delicate stage."

City Hall approval is considered vital to completing a deal because the city technically owns both landmarks and the land they sit on and it is partly responsible for their maintenance. The city still wants to join the attorney general as plaintiffs in the lawsuit, even though a Feb. 10 court hearing was postponed.

Besides spelling out precisely the trustee and revenue-sharing arrangements, the city also wants to get some sign trust money to upgrade Griffith Park.

But, as one official cautioned, "you have to question how much of a case the city has" considering the state is eager to resolve the matter.

The state lawsuit centers around charges the chamber, primarily during the 1980s, diverted hundreds of thousands of dollars intended for upkeep and repairs on the sign and Walk of Fame, misappropriating the funds for other chamber needs in violation of California charitable trust law.

The attorney general alleges in the 13-page civil lawsuit that the chamber technically owes: \$191,000 in user fees paid by companies to commercially filmed the sign and walkway, \$98,000 in interest on improperly made loans, \$27,000 donated by 20th Century Fox for the sign's maintenance and roughly \$400,000 in royalties and usage fees.

While past chamber presidents Bill Welsh and Larry Kaplan are named along with the chamber as defendants, Baumgart said there was "nothing insidious" about their actions. He also acknowledged paying a fine or restitution in excess of \$700,000 could bankrupt the chamber, which has been struggling under the weight of the recession and negative press.