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StoneFire Sale Could Stoke Growth

RESTAURANTS: Investor to finance expansion by co-founder's sons.

By **HELEN FLOERSH** Staff Reporter

StoneFire Grill, the homegrown restaurant that started in Valencia almost 17 years ago, now employs more than 1,000 workers at eight locations – and with a recent majority investment by New York private equity firm **Goode Partners LLC**, it's poised for further expansion.

Mary Harrigan and her sister **Maureen** launched the eatery as a family business – Mary's sons **Kyle** and **Justin Lopez** worked the cash register in the beginning. Now the family can leave the money worries to their new partners.

"We're excited because Goode Partners brings the opportunity for growth in a way that we don't have to



PHOTO BY DAVID SPRAGUE

Family: Mary Harrigan with son Justin Lopez.

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Warehouses Rise On Mining Site

CONSTRUCTION: Land scarcity prompts project on gravel pit.

By **CAROL LAWRENCE** Staff Reporter

Developers don't usually buy sites with unstable ground, but after hunting for a large swath of industrial land in the San Fernando Valley, **Xebec** settled on a plot in Sun Valley.

Two years and \$58 million since its purchase of a former gravel mine, the **Seal Beach** company is laying down steel rebar and concrete as a foundation for a 255,500-square-foot warehouse – the first phase of the **Sun Valley Business Center**.

Despite the risks, the site fits **Xebec's** strategy of providing space to e-commerce companies that demand warehouses in the middle of large urban markets.

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Cloudy Future For Qualstar?

TECHNOLOGY: Company adapts as data storage market evolves.

By **MARK R. MADLER** Staff Reporter

Three years after taking control of tech manufacturer **Qualstar Corp.**, Chief Executive **Steven Bronson** has not completely turned the company around but believes it's headed in the right direction – despite new competition for its customers from the cloud.

The **Simi Valley** producer of data tape storage and power supply products has money in the bank,

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Time Crunch: Ultratooth inventor **Dr. Sargon Lazarof** in Simi Valley.

SMILE IN A FLASH

Dentist's quest to commercialize quick implants

By **STEPHANIE HENKEL** Staff Reporter

Where does a Crown Prince of Saudi Arabia go for dental work? To **Dr. Sargon Lazarof** at the **Sargon Dental & Implant Institute** in Encino. Lazarof is the inventor of **Ultratooth**, an FDA-approved dental implant procedure that can be completed in one hour and provides a new tooth with full functionality immediately after the surgery.

Ultratooth has a lower price than traditional dental implants, but it's main benefit is the convenience of quick turnaround. For celebrities,

royalty or busy executives who don't want to visit a dentist multiple times or suffer cut and swollen gums for months, it's an attractive option.

Lazarof started designing the prototype **Ultratooth** in 1989 and completed his first implant in a human the following year. However, 26 years later – after countless studies, patent challenges and a lawsuit against **USC** that escalated to the state's highest court – Lazarof and his business partner **Rami Rostami** are about to roll out their marketing plan for **Ultratooth**, a product they say is going

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PHOTO BY THOMAS WASPER

SPECIAL REPORT FINANCIAL SERVICES



MONEY BROKERS: With an ace deal-maker in the White House, investment bankers are looking forward to a prosperous year. Also, this Special Report tells how two Valley companies are dividing up the market for financial "close management" software.

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Hollywood's Film Freezer

ENTERTAINMENT: Vault in Thousand Oaks will preserve movie history at low temperature.

By **CAROL LAWRENCE** Staff Reporter

Thousand Oaks consistently ranks among the nation's safest cities, so it makes sense that it will house many of Hollywood's movie treasures.

"It's A Wonderful Life," "The Godfather" series, "Breakfast at Tiffany's" and the Indiana Jones films are just a few of the classic titles by Paramount Pictures that will be preserved in a new, state-of-the-art giant freezer under construction now by Pro-Tek Vaults, the film services division of **LAC Group** in Los Angeles.

Pro-Tek, headquartered in Burbank, is building a pair of 7,000-square-foot vaults at its Conejo Valley facility to safeguard 500,000 rolls of original negatives – every shot, outtake, behind-the-scenes footage and final cut – of films that Paramount has produced since the early 1950s.

Under the five-year, multimillion dollar contract with Paramount, Pro-Tek will store the films at below-freezing temperature to stop almost all image deterioration. Additionally, the company will begin a multi-year effort to scan Paramount's film collection onto digital formats and do other services, such as catalogue films, inspect and repair them and prepare and send out digital copies.

A movie's original negatives have value, so preserving them is the first step in monetizing them. Movies continue to be a lucrative business for production companies long after their release, said **Tom Regal**, Pro-Tek's vice president.

"For studios, once they made a film, it's a big business to continue making money," Regal said. "All studios are actively engaged in that."

Keeping cold

In the same way a home freezer preserves food and prevents spoiling, Pro-Tek's vaults will conserve Paramount's films.

Rob Corrao, president of LAC Group, said while cold temperatures slow the damaging effects of "vinegar syndrome" – a chemical hardening and shrinkage of the emulsion on certain types of film – and color fading, below-freezing conditions almost stop them altogether.

Other film preservation institutions have cold vaults; for example, UCLA Film & Television Archive has a facility in Santa Clarita. But Pro-Tek's vaults will be kept at 29 degrees Fahrenheit, and only one or two facilities with sub-freezing temperatures exist around the globe, Corrao said.

"Part of the reason you don't see freezing vaults all over the place is it's very challenging to build them and keep them at freezing," he said.

Paramount's archives will be active vaults – a working library, Regal said, with the staff accessing the vaults frequently to retrieve and return canisters of negatives. So Pro-Tek's biggest challenge will be keeping that 29 degrees stable during activity, and developing processes that minimize water condensation on the films.

Inside Pro-Tek's 125,000-square-foot facility, where it has other vaults for other studio clients, two refrigeration units will pump in the freezing air that will be sustained by wool core insulation within the steel construction.

Outside the vaults, staff will use acclimation rooms to slowly warm up the film so it is not quickly exposed to warmer air, which causes condensation and therefore damage, Regal said. Staffers will repair film inside new cleanrooms.

"The key is maintaining the temperature, because as you get colder it becomes more critical, especially as you take things in and out," he added, with colder temperatures increasing chances for condensation. "That's probably the most critical stage – maintain-



PHOTO BY DAVID SPRAGUE

Librarians: Rob Corrao of LAC Group and Tom Regal of Pro-Tek in future archive.

ing that (cold temperature), and then trying to bring the films in and out without creating condensation."

Construction of the facility should finish around June, Regal said.

Pro-Tek is also developing processes to keep work moving efficiently while accounting for acclimation time, and a schedule that will keep vault access at a minimum.

Building opportunities

The additional services Pro-Tek will perform under the Paramount contract, one of its largest, will generate recurring revenue rather than just the one-time fee for film storage.

Scanning, or digitizing, Paramount's films onto digital media will take Pro-Tek five to 10 years. That includes inspecting negatives, repairing any damage, cataloguing those conditions and the film's location, and then verifying that information against existing catalogue entries.

To handle the additional services for Paramount, Pro-Tek expects to hire up to 20 people beyond its existing payroll of 10, Regal said.

Paramount makes money from its original negatives in several ways. Old movies are re-released on new digital formats for home entertainment; copies get sold to image libraries and can appear in posters or commercials; and digitized films get sold to other production companies to appear as clips in new movies or TV shows. Paramount may also sell streaming media subscriptions for its movies.

The value of that revenue stream depends on the original negatives, Corrao said, because all digitizing is done from the source. Making copies of copies will significantly reduce image quality.

"Technology evolves; film is always the same, and we always can scan it," he said. "But if the file format is no longer valid, or becomes corrupt, (that's why) you have to keep the original camera negative."

A successful delivery of the Paramount contract will open more doors for Pro-Tek, Corrao said.

"It will demonstrate our ability to bring a suite of services to a particular client in a unique way," he said. "We're very enthusiastic."

Biotech Startup Sienna Makes Early Acquisition

M&A: Westlake Village firm combines pharma with laser hair removal.

By **STEPHANIE HENKEL** Staff Reporter

Just months after receiving \$46 million in Series A financing, startup **Sienna Biopharmaceuticals Inc.** of Westlake Village has acquired complimentary pharmaceutical company Creabilis plc.

While it's common for mature companies such as **Amgen Inc.** to buy businesses, it's another matter for a new player without a commercial product such as Sienna. The startup biotech plans to utilize its all-star team, consisting of former employees from Westlake Village-based Kythera Biopharmaceuticals Inc., which was acquired for \$2.1 billion by **Allergan plc** in 2015. With expertise in the drug regulatory process, Sienna focuses on late-stage

technologies for skin treatments and brings them to market.

"Our strategy from day one was to build the company and pipeline rapidly," said Sienna Chief Executive Dr. **Frederick Beddingfield III**, who helped develop brands like Botox, Latisse, Juvederm and most recently Kythera's Kybella injectable double-chin fat reducer. "We have looked at over 140 opportunities, and this was one that we identified fairly early on as a potential game-changer."

U.K.-based Creabilis develops topical treatments for common inflammatory skin conditions, including psoriasis, a buildup of skin cells that form itchy, dry patches; and pruritus, severe itching of the skin, commonly associated with psoriasis and other ailments.

As part of the deal, Sienna acquired two lead patented drug candidates, along with other prospects, a technology platform to develop new drugs and a lab in Ivrea, Italy. In exchange, Sienna will pay an undisclosed amount of cash and stock in addition to payments contingent

on meeting certain milestones that could surpass \$150 million in total.

The first candidate drug, SNA-120, is a late-stage topical cream to treat pruritus. If everything goes as planned, SNA-120 could enter pivotal trials, which is the step before regulatory submission, in about two years and could hit the market in about five.

"Currently, there are no topical treatments for pruritus," Beddingfield said. "Psoriasis sufferers say that (pruritus) is their number one symptom. It's very distressing to patients."

The second topical drug, SNA-125, is about two years behind SNA-120.

Sienna launched last April after the Kythera sale with a \$46 million vote of confidence from five investment funds, plus individual investors. The company proposed to develop laser treatments for acne scars and light-pigmented hair removal. Those projects are still in the development pipeline and could be commercialized in the next two to three years, Beddingfield said.

Even though the laser treatments and pruritus

therapies won't be used together, they are complimentary as they are all innovative technologies in similar stages of development that target only a specific problem area of the skin with limited side effects.

Scott Galer, partner at **Stubbs Alderton & Markiles** in Sherman Oaks and co-chair of the law firm's mergers and acquisitions practice group, described Sienna's buyout strategy as a roll up.

"A business may roll up companies and assets in the same industry to get to a certain critical mass sooner, where a larger company may want to acquire them," he said.

Like Kythera, a buyout by a large pharma company may be in Sienna's future, but currently the company is concentrating on its existing technologies.

"The first order of business is to execute on the programs we have now," Beddingfield said. "But frankly, people are still coming to us with external ideas, and we continue to evaluate those."