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News & Analysis



He's about to freeze all of Paramount's films. **PAGE 5**

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MAIL TO:

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.

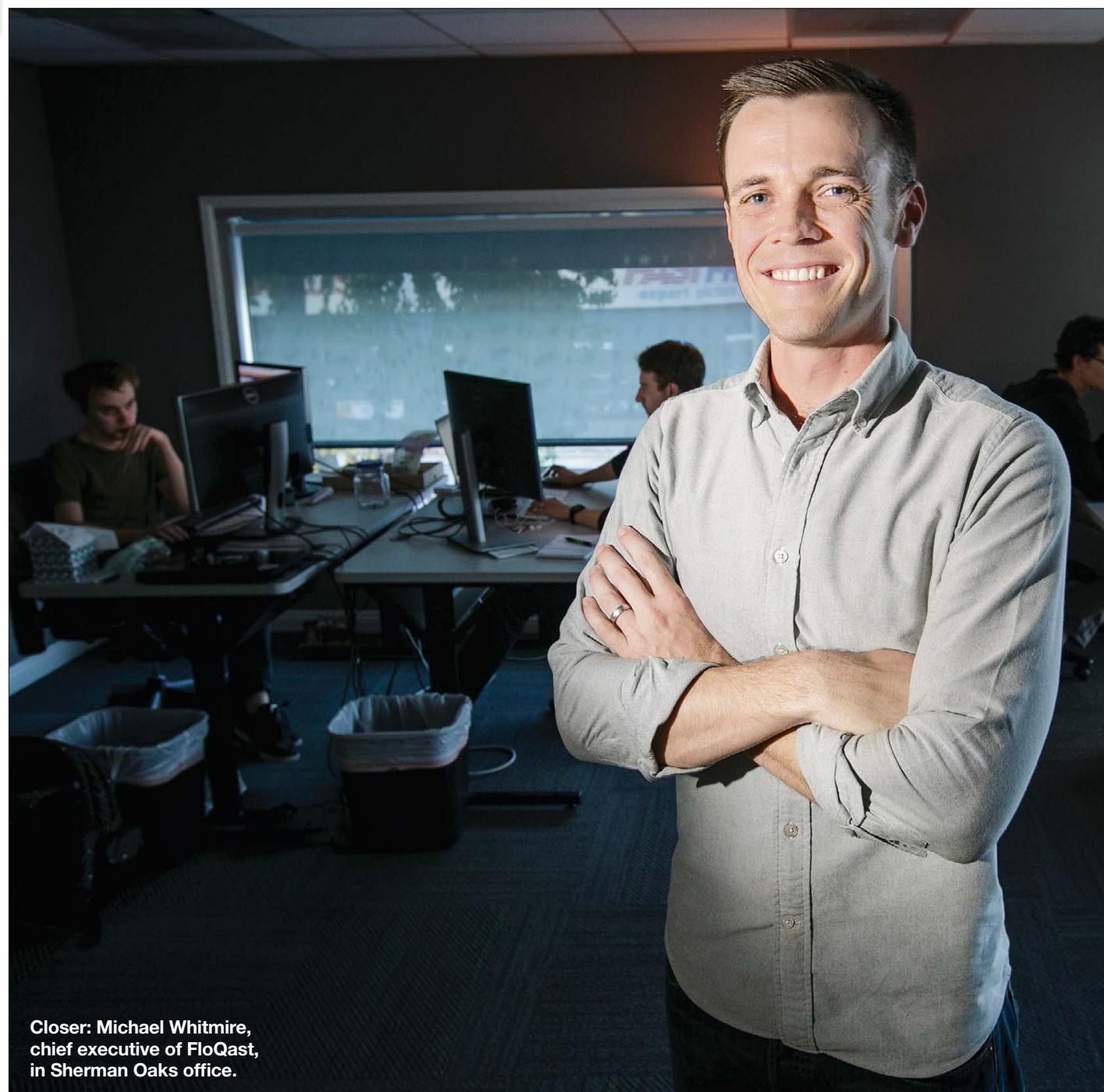
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FINANCIAL SERVICES



Closer: Michael Whitmire, chief executive of FloQast, in Sherman Oaks office.

OPEN MARKET TO CLOSE BOOKS

By **STEPHANIE HENKEL** Staff Reporter

Two Valley companies are approaching a narrow niche of the financial software industry from opposite ends of the market.

On one end, there's **FloQast Inc.**, a Sherman Oaks startup founded in 2013 that develops accounting "close management" software, which streamlines and integrates the processes of closing out financial books and reconciling accounts. Its product works in conjunction with spreadsheet software program Excel from **Microsoft Corp.**, financial applications from **NetSuite Inc.** and document storage platforms from **Dropbox Inc.** and **Google Inc.**

"When we started integrating with a lot of different systems, that's when the product made sense," said **Michael Whitmire**, chief executive of FloQast. "Many businesses will be built in the (accounting software) space; I truly think this is the future of accounting."

On the largest end of the market is **BlackLine Inc.**, which also produces cloud-based close management software. The Woodland Hills company went public in October, and by market close on the first day of trading, the stock gained 39 percent to \$23.70 from an issue price of \$17, valuing the company above \$1.1 billion.

BlackLine develops software similar to FloQast with some key differences, which include non-compatibility with Excel, and serving larger-sized client companies, like **Coca-Cola Co.** and **GoDaddy.com** – two of its current customers.

The Business Journal reached out to

BlackLine for comment, but the company declined as it has recently entered into a quiet period before its next earnings release.

Why the Valley?

The two companies in the same software market ended up in the Valley by different paths. BlackLine was founded in the Valley in 2001. The software developer moved its headquarters from Calabasas to Woodland Hills in 2011, which was primarily driven by growing pains and business incentives offered by the city of Los Angeles at the time.

From the tax incentives – which included a hiring credit and a gross receipts tax exemption – the company was able to save approximately \$350,000 over a three-year period,

said Chief Marketing Officer **Mario Spanicciati**, in a 2011 article featured in the Business Journal.

FloQast, on the other hand, started at a Westside accelerator and moved to the Valley in light of rising rents in Silicon Beach.

"I got a lot of grief from our investors for moving the company here," said

Dashboard: FloQast software helps accountants close and reconcile financial records.



Whitmire. "They were like, 'Why would you ever leave the Westside? You're not going to be able to hire anyone.'"

However, Whitmire estimates that he saves about \$30,000 a month on rent when compared to Silicon Beach leasing prices; he puts the money toward growth. He said the strategy is working as the company just experienced its most successful quarter ever. During the three months ended Sept. 30, FloQast increased revenue by more than 300 percent year-over-year, added close to 40 new customers and grew its workforce by nearly 90 percent.

"I think maybe we (accounting companies) are a little more prudent about our budgets based on our backgrounds," Whitmire added. "I certainly know that's why we're here (in the San Fernando Valley)."

Direct competition

Now that BlackLine is public, Whitmire said the company is going global and pursuing bigger clients, but he also has seen it dipping down in the mid-market, which is FloQast's target market sweet spot. He said his company's software is designed for businesses with about 30 to 40 accountants and believes FloQast may soon start meeting Blackline in more head-to-head competition for the same customers.

In the last year, FloQast's client list has grown and added big-name organizations such as **Los Angeles Lakers**, **Golden State Warriors**, **Zillow Group Inc.** of Seattle and Venice-based **Dollar Shave Club Inc.** But with growth, the company needs to expand its staff to meet demand, and it is drawing personnel from the Valley employment pool. FloQast currently has approximately 30 employees and plans on doubling that number by the second quarter. With the 101 tech corridor blossoming along the stretch of freeway that connects the Conejo and San Fernando valleys, talent is no longer hard to come by.

"Hiring is so much easier here," Whitmire said. "You get to pitch that the employees won't have to drive to the Westside anymore and get two hours of their day back."

BlackLine's Spanicciati also cited local recruitment potential as a draw to move to Woodland Hills as the company's goal was to hire 50 new employees within the first year of the relocation. Now BlackLine has over 500 employees worldwide, according to **Bloomberg**.

Outside of the Valley, other specialized close management software companies include **Trintech Inc.** of Addison, Texas, as well as Sarbanes-Oxley compliance companies **Workiva Inc.** of Aimes, Iowa and **Sox-hub Inc.** in La Palma.

However, despite industry growth, **USC** accounting professor **Daniel O'Leary** said there are inherent risks these companies may experience down the line.

Currently, a lot of these niche software offerings can be integrated with established enterprise resource management, or ERP, software products, such as NetSuite's. But if these ERPs begin getting blamed for problems from these specialty products that are integrated into their own and realize they are missing a market opportunity, they may move into FloQast and BlackLine's territory.

"Niches tend to disappear and find a way into the main software," O'Leary said. "At some point, I would expect companies to have close software embedded into their software."

He said companies could go about this in two ways: by creating their own specialty offerings or acquiring a successful company already solidified in the space, similar to the acquisition of NetSuite by Redwood City-based **Oracle Corp.**

Nevertheless, FloQast isn't looking toward the buyout route. It hopes to go public like its West Valley counterpart BlackLine.

"That's the goal," Whitmire said. "We plan on doing another round of funding and going bigger from there."