

Up Front



Dr. Momjian has a cash-only plan for health care. **PAGE 3**

News & Analysis



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Music festival entrepreneur David Bash. **PAGE 7**

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Gas Leak Yields Windfall of Work

LAW: Attorneys sign up hundreds of Porter Ranch residents.

By **JOEL RUSSELL** Editor

With the gas leak in Aliso Canyon plugged, a geyser of lawsuits has erupted to provide work for local law firms – and perhaps rewrite the rules for complex litigation going forward.

R. Rex Parris Law Firm in Lancaster has the biggest caseload among the Porter Ranch residents with more than 8,200 plaintiffs. **Owen Patterson & Owen** in Valencia has more than 4,000. And numerous smaller firms have entered the fray by recruiting residents and businesses.

About 10 miles from Aliso Canyon, **David Shapiro**, an attorney and city councilman in Calabasas, has about 200 Porter Ranch clients. He spends between 60 and 75 percent of his time on the matter, even though it's not generating any income, at least

not yet. All the cases are contingency, so he won't get paid unless his clients get money from San Diego-based **Sempra Energy Corp.**, owner of the leaky well.

"I've been meeting with each client and family one-on-one, going through their potential claims," he said. "Those discussions range from three to six hours. It's a significant investment in cost and time."

He also has helped clients file claims for reimbursement of relocation expenses, which have a July 15 deadline.

The natural gas leak was first detected in October and capped in February, but the gas took months more to dissipate. About 4,000 families evacuated their homes. To pay for temporary housing and other expenses for the displaced residents, Sempra has set aside \$665 million, and has received \$660 million from insurance policies, according to the company's most recent quarterly report. The Aliso

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PHOTO BY DAVID SPRAGUE

Counsel: Calabasas lawyer David Shapiro.

Crop Firm Ends in Acquisition

AGRICULTURE: Land O'Lakes to pay \$17 million for Ceres.

By **STEPHANIE HENKEL** Staff Reporter

After pivoting from the biofuel industry to the forage seed sector, **Ceres Inc.** of Thousand Oaks has found an acquirer in agricultural giant **Land O'Lakes Inc.**

The Arden Hills, Minn. co-op, best known for its dairy products, will pay about \$17.2 million in an all-cash transaction to buy all outstanding shares of Ceres common stock for 40 cents a share, representing an 81 percent premium of its June 16 closing price.

Assuming the deal goes through, Ceres will

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Upgrade: Sign touts retailers will benefit from student foot traffic.

PHOTO BY DAVID SPRAGUE

CLASS FOR RENT

College to convert vacant supermarket into school

By **CAROL LAWRENCE** Staff Reporter

It's a story known to many cities these days: a once-busy strip mall loses anchor tenants and the vast spaces sit empty for years before getting filled – if at all. Meanwhile, fewer people stop by, the center gets old and sluggish, and that drives out more tenants.

The story is unfolding more often as Sports Chalets, Sports Authorities, Haggen supermarkets and others that once filled those large spaces exit for ones smaller, or shut altogether.

But the Palmdale Place strip mall along Palm-

dale Boulevard on the city's west side is one of the lucky ones. A community college has leased more than 50,000 square feet there so it can reuse the long-vacant former Albertsons supermarket and adjoining medical offices as a satellite campus that will bring several thousands of students to the mall by next spring.

Lancaster's Antelope Valley College expects construction will soon start, pending state and city approvals, to convert 2301 E. Palmdale Blvd. into its new Palmdale campus. With nearly three times

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SPECIAL REPORT PUBLIC COMPANIES



Hessem Nadji of Marcus & Millichap

THE SILVER IN SERVICE: Every company strives to be profitable. But why are some particularly successful at it? Here's one answer: Service-focused companies – such as Marcus & Millichap of Calabasas – tend to be more lucrative. In this Special Report, the Business Journal ranks the Valley-area's most profitable companies, and explains how they did it. Another list ranks the area's biggest public companies, and an article explains why that list keeps shrinking.

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Gannett Buys Digital Future

ACQUISITION: ReachLocal in Woodland Hills to join newspaper chain in \$156 million deal.

By **MARK R. MADLER** Staff Reporter

Expansion of its digital marketing is the motive behind **Gannett Co. Inc.**'s decision to buy **ReachLocal Inc.** in Woodland Hills.

Gannett, publisher of USA Today and more than 100 other newspapers in 34 states, will pay \$156 million for ReachLocal, which handles online marketing for small businesses. Under the agreement announced June 27, Gannett will pay \$4.60 a share in cash, a 188 percent premium over the closing price on June 24.

Analysts who follow Gannett said that the media company wants to bring in house its digital marketing now outsourced to **G/O Digital** under an agreement that expires next year.

"The company will probably keep ReachLocal as a separate entity until that relationship ends, which is over the next year," said **Michael Kupinski**, director of research, digital media and technology, for **Noble Financial Group**, in Boca Raton, Fla.

With newspaper publishers continuing to see dwindling revenue from print advertising, the industry is moving toward a digital future, and the ReachLocal acquisition reflects that trend.

"A company like ReachLocal does digital marketing services, and so it is a natural extension for them (Gannett) to offer digital services," said Kupinski.

The State of the News Media 2016 report released last month from the **Pew Research Center** concluded that the financial realities of the Internet were not friendly for newspapers, whether in a print or digital format.

"There is money being made on the web, just not by news organizations," the report said.

Digital ad revenue increased by 20 percent in 2015 to more than \$60 billion, according to the study. Sixty-five percent of that money went to five technology companies, including **Google Inc.**, **Yahoo Inc.** and **Facebook Inc.**, all of which offer news among their content.

'Attractive valuation'

ReachLocal, founded in 2004, has more than 1,300 employees serving 16,000 clients in North America, Europe, Asia-Pacific and Latin America. The company promotes small and medium-sized businesses on the Internet by selling a package of marketing services that includes website design, search engine optimization and advertising, live chat with customers, display ads, a Facebook page, reputation management and mobile apps.

Under founder **Zorik Gordon**, ReachLocal grew into an international business, with global offices numbering 45 by 2010. Over time others would follow in Australia, Germany and Asia. Its headquarters is in the Warner Center complex.

Until 2010, the company had been backed by venture capital firms, including **VantagePoint Venture Partners**, **Rho Ventures** and **Galleon Special Opportunities Partners Fund LP**. That year it went public with its stock selling at \$13 a share.

ReachLocal shares would peak at \$25.51 in April 2011. Three years later, the price was below \$10 a share and has decreased gradually since then. By 2015, the price hit its lowest



'We believe that this powerful combination will drive growth and allow us to accelerate innovation, enabling the best and most complete digital marketing solutions in the market today.'

SHARON ROWLANDS, ReachLocal Inc.

point at less than \$1.

The company hasn't been profitable in 6 years and its revenues have declined in the past two.

Gordon left the company in September 2013 to run his next venture, Sherman Oaks-based **Serviz**, a provider of home repair and construction services. **Sharon Rowlands** was hired as CEO the following spring after having served as head of **Altegrity Risk International**, a global risk management firm based in New York.

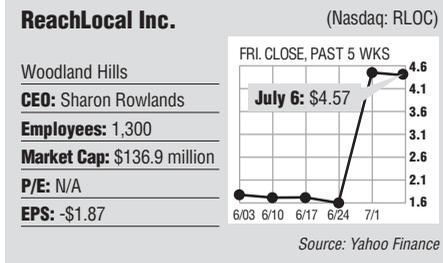
Rowlands inherited a company facing stiffer competition as the online world evolved. For example, **Yelp Inc.**, a review site that allows businesses to tell their history and expertise, appeals to do-it-yourselfers. **Group Inc.** and other coupon sites often work directly with retailers, but don't require any upfront investment. And Facebook ads are sometimes cheaper and more effective than search engine ads.

In the most recent quarter ending March 31, ReachLocal reported a net loss of \$6.2 million (-21 cents a share) and revenue of \$78.7 million.

Gannett earlier this year made an unsolicited buyout offer for **Tribune Publishing**, now named **tronc**, the parent of the Los Angeles Times, because it is buying up newspapers in hopes it can achieve economies of scale. Gannett has more than 18,000 employees and in the most recent quarter reported net income of \$31.3 million (26 cents a share) and revenue of \$659 million.

Last year, Gannett spun off its digital and television business into **Tegna Inc.**, which includes **G/O Digital** as well as online automotive classified site **Cars.com** and employment website **CareerBuilder.com**, jointly owned with two other media companies.

G/O Digital operates in the same sector as ReachLocal with website design, search engine optimization, email marketing and



search engine advertising among its services.

Barry Lucas, an analyst with **Gabelli & Co.**, in Rye, N.Y., wrote in a research note on June 28 that while the premium Gannett paid for ReachLocal is high and the Valley company's revenues are in decline, the acquisition still adds considerably to Gannett's digital business.

"Gannett is acquiring online operations at about 50 cents on the revenue dollar, an attractive valuation if Reach can be successfully integrated next year," Lucas stated in his note.

Both ReachLocal and Gannett declined requests for interviews.

However, in the release announcing the acquisition, Rowlands of ReachLocal said the company was excited about the opportunities to grow Gannett's digital business.

"We believe that this powerful combination will drive growth and allow us to accelerate innovation, enabling the best and most complete digital marketing solutions in the market today," Rowlands said in her statement.

Gannett Chief Executive **Robert Dickey** said that ReachLocal's focus on small and medium-sized businesses aligns with Gannett's strategy and extends its reach into new local markets.

"This transaction represents an important step as we continue to transform our business to meet the changing needs of consumers and advertisers in today's digital world," Dickey said in a statement.

Amgen Incubators Grow Startups for Harvest

BIOTECH: Venture division seeks access to technology, potential takeovers.

By **STEPHANIE HENKEL** Staff Reporter

Amgen Inc. hopes to get in on more ground floors by sponsoring startups in the biotech hubs in Cambridge, Mass. and, more recently, in San Francisco.

The Thousand Oaks biopharmaceutical company last month announced its five-year sponsorship of the **QB3@953** life sciences incubator, which is about a 10-minute drive from Amgen's South San Francisco location. In October, the company implemented a similar program at **LabCentral**, located down the street from Amgen's Cambridge facility and close to the Massachusetts Institute of Technology.

"If you really want to be on the cutting edge and see new innovation that's coming, having a presence in those areas is key, and having a mechanism for the outreach is also extremely important," said Dr. **Janis Naeve**, managing director of Amgen Ventures, Amgen's investment arm. "That's why we felt



Hot Spot: QB3@953 incubator facility in San Francisco.

supporting incubators in those regions is so important."

As part of the agreements at each location, the company awards two startups "Amgen Golden Tickets," which provide the winners one year of free lab space, additional facility perks and connection opportunities with Amgen scientists and executives.

Also, Amgen hosts networking events and keeps office hours at the incubators to provide support to budding companies.

"Our incubator provides the ice-breaking connection between the biggest and smallest companies," said Doug Crawford, managing director at **QB3@953**. "The combination of physical resources and intellectual resources allows them (the startups) to go further faster."

Acquisition pipeline?

Incubators, or rentable spaces for startup companies that typically come with staff and equipment support, have been popping up in regions focused on technology and biotech, including **Silicon Beach** on the Westside and the **101 technology corridor**, which runs along the 101 freeway from the West San Fernando Valley into the Conejo Valley. These facilities have caught the attention of large industry

players, such as Amgen, that hope to one day capitalize on new technologies coming out of these companies.

"Clearly, there is a growing and powerful trend toward bigger life sciences companies to try to access technology being developed by smaller companies," said **Sanford Hillsberg**, a biotech attorney for **TroyGould** in Los Angeles. "We are seeing more acquisitions and a very active environment for venture capital-type investments in smaller companies by larger companies' investment arms."

While the startups could become future acquisitions for bigger companies, in the meantime they broaden established companies' internal research and development programs. However, Hillsberg warned that there are risks involved with providing resources to startups due to their high failure rate.

But for Amgen, the time and resources are a small price to pay for the potential return.

"Amgen Ventures is really focused on external innovation to help support Amgen's internal innovation," said Naeve. "Right now, we are focused on just building this bridge. They (the startups) need some time to grow and evolve, but I think in the future, this is something Amgen could benefit from."