

Innovation



Envirosax, led by Belinda Coker, aims to make reusable bags fashionable and affordable.

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Marketing



Doug Hecht is president and COO of Digitana.

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Radio Stations
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Eric Lingenfelder
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BACK IN THE GAME

GAMING: Revenues Starting to Rise at Region's 10 Casinos, According to Some Executives

By BRAD GRAVES

Patrons are cautiously returning to the 10 casinos in San Diego County's backcountry, according to some of the executives who run them, as the American Indian tribes that own them make improvements, add attractions, and ride a slow economic recovery.

"Gaming in San Diego County has been significantly affected. There has been a 30 to 40 percent reduction in gross earnings," said Anthony Pico, chairman of the Viejas Band of Kumeyaay Indians, which runs the Viejas Casino & Outlet Center on its reservation near Alpine.

"Viejas is not exempt. It's been a struggle," Pico said.

\$2B

Estimated amount of annual revenue that local casinos generated collectively in the years before the recession.

Viejas has had to be innovative and aggressive, the chairman said, and it's had to work harder for market share.

If there has been any reward, it's that the businesses have become more efficient. "The recession has been a two-edged sword," the chairman said.

Chris Kelley, general manager of Viejas' business enterprises, noted that his organization has become leaner and more attentive to its customers. Employment has settled at 1,500 people at the casino, the outlet center and the tribal government offices.

Spending Millions on Upgrades

A half-dozen tribes in the San Diego region

Casinos page 31

Stephen Whalen

Anthony Pico, foreground, shown with Chris Kelley at Viejas Casino, says the economic downturn caused a 30 percent to 40 percent reduction in gross earnings at the county's casinos.

Talks Between 2 Law Firms Could Lead to Merger

LEGAL: Luce Forward Looks to Leverage Its West Coast Presence

By MIKE ALLEN

Luce Forward Hamilton & Scripps LLP, one of the area's largest law firms, said it's in discussions about merging with McKenna Long & Aldridge LLP, an international firm with a heavy concentration in government contracts.

The firms declined any interviews after making the news public Nov. 14, but have been talking for a long time, said several

Law page 31

Amylin Primed for Partner to Replace Ties With Eli Lilly

BIOTECH: 'Amicable' Split Opens Doors to Controlling Diabetes Drug

By KELLY QUIGLEY

Analysts have been upbeat in the wake of Amylin Pharmaceuticals Inc.'s Nov. 8 announcement that it would be cutting ties with its decade-long partner Eli Lilly and Co. and taking on full control of its promising exenatide diabetes drug franchise.

Amylin page 30



Photo courtesy of Amylin Pharmaceuticals Inc. The diabetes drug Byetta, a twice-daily injection, is Amylin Pharmaceuticals' key product.

The Best Is Set to Come at Famed Resort

HOSPITALITY: Plan Is to Renovate While Retaining Luxurious Magic

By LOU HIRSH

For all the industry accolades garnered by the ultraluxurious Rancho Valencia Resort and Spa over the years — along with visits from luminaries ranging from Michael Jordan to Bill Gates and Bill Clinton — its current owners believe they can take the Rancho Santa Fe property to another level.

Locally based Rancho Valencia Partners, which acquired the resort in May 2010 for \$15.5 million, recently announced plans for a six-

month, \$20 million renovation, which is set to begin in early January. The 49-suite resort will be closed temporarily as it gets a new conference room, a remodeled ballroom and boardroom, and an enhanced patio for social functions and corporate meetings, among other upgrades.

"It was built in the late 1980s, and when you visit there you have the feeling of stepping back in time to the 1880s, like being in an authentic, private European villa, and it's so difficult to replicate this somewhere else," said Jeff Ja-

Resort page 30

Photo courtesy of Rancho Valencia Resort and Spa. A planned \$20 million renovation will begin in January at Rancho Valencia in Rancho Santa Fe.



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Resort:

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cobs, managing partner in the investment group. "That's the big challenge — preserving what makes the property unique, and still improving those things that need to be updated."



Jeff Jacobs

Other Changes

The renovation comes as several hospitality properties across the region, of all sizes, have recently completed, announced or proceeded with major upgrades.

For instance, KSL Resorts recently completed a \$50 million renovation of La Costa Resort and Spa in Carlsbad, and the Manchester Grand Hyatt in San Diego will embark on an extensive renovation of guest rooms, meeting facilities and other elements in spring 2012, though, owner Host Hotels & Resorts Inc. has not disclosed what it plans to spend on the overhaul.

Jacobs, former chief marketing officer for Qualcomm Inc., said Rancho Valencia has held up well in the current economy, with sales up 30 percent to 40 percent from a year ago.

While the resort was last renovated with a new spa in 2006, Jacobs said the owners decided to upgrade public areas, to meet the needs of large groups and corporate meeting planners, and boost offerings geared to visitors increasingly focused on health and fitness. The property's spa



The 49-suite Rancho Valencia Resort and Spa is set to get a new conference room, a remodeled ballroom and boardroom, and enhanced patio as part of a planned \$20 million renovation scheduled to start in January.

and fitness center, for instance, will add a yoga pavilion, Pilates studio and expanded workout facilities.

Owners say the design of the revamp is being spearheaded by Todd-Avery Lenahan of ABA Design Studio, known for its work on landmark luxury hotels. Lenahan and ABA will collaborate with one of Rancho Valencia's original architects Doug Mansfield to preserve existing style and landscaping elements at the 45-acre boutique property.

According to Smith Travel Research Inc., boutique hotels in San Diego County had a 73.8 percent occupancy rate for the first eight months of 2011, up 5.3 percent from the same period a year ago. Smith Travel has noted that local luxury hotels this year are trending ahead of the region's

overall hospitality market for occupancy and revenue growth, although luxury room-rate growth has been slower than the overall market's rate growth.

The Luxury Market

"The luxury sector has been faster to rebound, but it was also the hardest hit during the recession," said Robert Rauch, who heads the locally based hospitality consulting firm R.A. Rauch & Associates Inc. and operates two Hilton-branded hotels in San Diego.

Rauch says while the region's highest-profile properties get the bulk of atten-



Robert Rauch

tion from remodeling projects, there are potentially dozens of hotels in San Diego County undergoing renovations at any given time. Many are improvements geared to replacing furnishings based on regular wear and tear, while other operators might decide that more extensive updating is in order to remain competitive.

Rancho Valencia, managed by Mill Valley-based Auberge Resorts, was developed and opened in 1989 by previous owner Harry Collins. Depending on the season, Jacobs says the resort currently employs between 150 and 175.

Jacobs says the resort's new owners may be scouting other hospitality investment opportunities after the renovation is completed. While he had prior marketing experience, Jacobs noted the investment group also includes his brother, Hal Jacobs, who worked in finance positions at their father Irwin's company that preceded the founding of Qualcomm.

Also general partners are Fiji Water co-founder Doug Carlson, who previously operated resorts in Aspen and Pebble Beach; and veteran real estate developer and investor Jeffrey Essakow. "We all brought complementary skills to the table that we felt would make this work for us," Jacobs said, of the hotel venture.

Rancho Valencia was recently ranked No. 11 among best small U.S. hotels by Andrew Harper's Hideaway Report, a widely watched industry publication, and No. 52 among best U.S. hotels by Travel & Leisure magazine. It was also ranked as the No. 1 tennis resort in the nation for four consecutive years by readers of Tennis magazine.

Amylin:

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Even though San Diego-based Amylin will have to make a hefty one-time payment of \$250 million to Lilly — and eventually hand over as much as \$1.2 billion in royalties depending on future sales of diabetes drugs Byetta and Bydureon — the end of what's been characterized as a rocky relationship is a very good thing, analysts say. The deal makes Amylin a more appealing target for big Pharma partners, and could even lead to an Amylin buyout in the near term.



Daniel M. Bradbury

In the Nov. 8 statement, Amylin President and CEO Daniel M. Bradbury said the company is excited to take over commercialization and development of the exenatide franchise and anticipates working with one or more partners outside of the U.S. to market the drugs globally.

"This clarity of focus will provide us with an enhanced opportunity to increase shareholder value," Bradbury said.

Wall Street appears to agree. Shares of Amylin rose on Nov. 14 after Robert W. Baird & Co. analyst Thomas Russo upgraded the company's stock to "Outperform" from "Neutral," saying the agreement "ended a relationship no one ever seemed happy about in the first place and that got more problematic when Lilly hooked up with Boehringer Ingelheim in January."

Amylin filed a lawsuit against Lilly in May, alleging anticompetitive activity after the Indianapolis-based pharmaceutical giant entered into a marketing deal with Germany's Boehringer Ingelheim GmbH to sell a competing diabetes drug. That liti-



Photo courtesy of Amylin Pharmaceuticals Inc.

Amylin Pharmaceuticals Inc. plans to cut ties with Eli Lilly and Co. and take over control of the promising exenatide diabetes drug franchise.

gation is resolved through the companies' agreement to part ways.

Analyst John McCamant, editor of the Berkeley-based Medical Technology Stock Letter, likened the alliance breakup to a divorce. "At the end of the day," he said in a special newsletter update on Nov. 8, Amylin "got the best of Lilly."

McCamant said that he suspects the only reason the deal came now is that Lilly was scared it would have to pay significant damages to settle the lawsuit with Amylin. "With Lilly out of the way we expect a European partnership or an outright acquisition to occur," McCamant said.

What the Deal Entails

Under terms of the agreement, Amylin will have complete control of all development and commercialization activities for exenatide in the U.S. starting on Nov. 30, a company spokeswoman said. Those activities include marketing, training and sales administration.

Outside the U.S., Lilly will transfer responsibility for commercialization of the two exenatide drugs, Byetta and Bydureon, to Amylin on a market-by-market basis in 2012 and 2013. "After that transition period, Amylin will be solely responsible for the global

exenatide franchise," the spokeswoman said.

The Amylin-Lilly global collaboration began in September 2002 with the goal of jointly developing and commercializing Amylin's compound, exenatide, for the treatment of type 2 diabetes. The companies agreed to co-promote the product in the U.S., with Lilly marketing the product exclusively in countries outside the U.S.

At the time of the partnership, exenatide was in phase 3 clinical trials and had not yet been submitted to the Food and Drug Administration for approval. The compound, which stimulates the body's ability to produce insulin and also has been shown to reduce appetite, is used for two different drugs, Byetta and Bydureon.

Building a Bigger Sales Force

The twice-daily injection Byetta was approved in the U.S. in April 2005 and in Europe in November 2006, and has been used by more than 1.8 million patients since its introduction, Amylin said. Byetta had global sales of \$710 million in 2010, an 11 percent drop from the year earlier, and accounted for nearly 80 percent of Amylin's \$485.7 million in revenue during the first three quarters of this year. The FDA also recently approved the drug for

AMYLIN PHARMACEUTICALS INC.

President and CEO: Daniel M. Bradbury.

Revenue: \$668.8 million in 2010; \$758.4 million in 2009.

Net loss: \$152.3 million in 2010; \$186.3 million in 2009.

No. of local employees: 700.

Headquarters: UTC area.

Year founded: 1987.

Stock symbol and exchange: AMLN on Nasdaq.

Company description: A biopharmaceutical company with expertise in developing drugs that treat disorders of the metabolism.

Key factors for success: The company has been a pioneer in the Type 2 diabetes space, winning FDA approval in 2005 for a therapy called Byetta, which also helps with weight loss, and seeking U.S. approval for a second, once-weekly therapy called Bydureon. Amylin also has a diabetes therapy called Symlin that helps patients lower their blood glucose after meals.

expanded use, which is expected to help boost sales; Byetta can now be used as an add-on therapy with insulin glargine to improve blood sugar control.

Bydureon, an investigational once-weekly formulation, is selling in Europe and is under FDA review. The company expects a decision on Feb. 28.

"As we head into the potential launch of Bydureon, we plan to add additional promotional capacity to target physicians that were covered by the Lilly sales force," the Amylin spokeswoman said. She said the new exenatide sales force will total 650 people, and may include engaging a contract sales organization.

The spokeswoman said it's too soon to say how long it might take to find one or more partners for activities outside the U.S.

Amylin shares were at \$10.36 at midday on Nov. 17, trading up about 5 percent from the opening price on Nov. 8 when the Lilly breakup was announced.

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One of the Region's Largest Companies