

THE BILL OTTERSON BIOTECH LETTER
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THE CALIFORNIA ECONOMY

1. Job creation was the theme of the "San Diego Region Economic Mini-Conference" Friday at the County Administration Building. Convened by State Assembly Members: **Ray Haynes, 66th; Bill Morrow, 73rd; Robert Frazee, 74th; Jan Goldsmith, 75th; Mike Gotch, 76th; Tom Connolly, 77th; Dede Alpert, 78th; and Steve Peace, 79th;** the meeting featured seventeen speakers describing what can be done to "jump-start" the economy. Workers Compensation reform, reduced taxation, moratoriums on enforcement of regulations, reduced bureaucracy, banking regulation reform, the need for an international airport, improved business climate, reduction of "business-as-villian" laws, and elimination of "be a manager, go to jail" penalties were all proposed.

I was invited to speak as a representative of biotech and high-tech CEOs. I hailed the new-found spirit of cooperation as seen in this Conference and urged the solution of at least one major problem early and decisively. That issue could be Workers' Compensation reform, an air pollution moratorium, Ward Valley, or something else. I emphasized the need for California's own Low Level Radioactive Waste disposal site for use by biotech companies, pointing out that if the state had a licensed site, government officials could use it as a lure for biotech companies in Massachusetts, New York, etc., which have no site available to their companies, to move their companies and their jobs to California.

2. We have been invited to participate on a panel, "Frontier Economic Opportunities", at the *California Economic Summit*, February 16-17 at the Biltmore Hotel in Los Angeles. Convened by Assembly Speaker **Willie L. Brown, Jr.**, the conference is modeled after President Clinton's Little Rock summit and is expected to include State business and economic leaders who will try to identify ways to spark the economy, according to the *Los Angeles Times*. We are most anxious to have you send us ideas on how state government can help biomedical companies. Please FAX your ideas to **552-0649**.

WARD VALLEY

3. **Federal District Court Judge Marilyn Patel** extended her temporary restraining order to prevent the transfer of land from the federal Department of the Interior to the Department of Health Services. Anti-nuclear activists claim the site will harm the endangered desert tortoise. Project supporters point out that the tortoise's plight was thoroughly studied years ago by the site selection committee, and adequate mitigation measures, acceptable to the environmental groups then involved, would be adopted.
4. *National Association of Cancer Patients'* consultant **Carolyn McGraw** attended a "Preplanning Meeting of Users of Radioactive Materials" Thursday. Meeting hosts stressed the importance of publicizing the benefits as well as the risks of nuclear science, emphasizing the influential role that cancer patients can play.
5. At a Capitol Hill news conference Thursday, the *Nuclear Information and Resource Service* and 40 public interest groups released a new report to "expose the use of nuclear medicine as a Trojan Horse for more radioactive waste dumps for the benefit of the atomic power industry." In rebuttal, the *U.S.*

Council For Energy Awareness said, "NIRS is more interested in promoting a conspiracy theory - and its anti-nuclear power agenda - than providing the facts about low level radioactive waste."

CLEAN AIR ACT

6. **CONNECT** Champion **Terry Bibbens**, founder of *Antekna* and former Corporate Director of *Loral Corporation*, is coordinating the *BIC*, *American Electronics Association*, *High Tech Association*, and *Chamber of Commerce's* position on the *Trip Reduction Plan* program. **San Diego County Supervisor Brian Bilbray** has proposed a moratorium on the plan for private business until government offices work out the details. In the meantime, Bilbray is working with *SANDAG (San Diego Area Governments)* in a plan to reallocate some highway funds to alternate transportation methods. It appears that the *Sierra Club* might agree with local business on this.
7. *The Ford Motor Company*, warning that electric cars may cost utilities as much as \$100,000 each, plans to put 80 electric vehicles into service this year to monitor performance factors and safety. *Ford Vice Chairman Louis Ross* said 8 percent of the vehicles on the road are pre-1975 vehicles that produce 24 percent of the unburned hydrocarbons and 17 percent of the carbon monoxide. Current California requirements are for 2 percent of a statewide fleet to be electric by 1998 and ten percent by 2003.

MANUFACTURING IN SAN DIEGO

8. The question of biomedical manufacturing in the *SR Zone* is being investigated by **City Councilman Ron Roberts**. *BIC* Executive Director **Bernie Rhinerson** is working with the Councilman's office on this issue.

WATER

9. Snow depth checks in the *Sierra* confirm that the snow pack is almost twice normal and has a higher water content than usual, although the key *Oroville* and *Shasta* reservoirs are still not up to capacity. Experts predict no water rationing for the first time in five years, but do agree that *San Diego* needs to build more local reservoirs.

FEDERAL CLEAN WATER ACT

10. The federal *Environmental Protection Agency (EPA)* has sued the City for non-compliance with EPA rules regarding discharge of effluents into the ocean. *Scripps Institution of Oceanography* researchers **Dr. Paul Dayton** and **Dr. Mia Tegner** testified that the secondary treatment plant required by the EPA was not necessary to protect the sea environment. **Judge Brewster** has attempted to block the EPA rule, but **Steve McDonald** of *Luce Forward* indicates that public testimony in support of **Judge Brewster** is now needed. Call **Steve McDonald** at 236-1414.

OTHER

11. *BIOCOM*, the *San Diego Biocommerce Association*, announced the election of **Wain Fishburn**, partner with *Cooley Godward* to the position of President, succeeding founding president **Jim McGraw** of *McGraw/Baldwin Architects*. *Luce, Forward* partner **Mary Walker** has been named President-elect. New board members include **William H. Rastetter**, President of *IDEC Pharmaceuticals*, and **Ann Randolph**, President of *Ann Randolph Marketing Communications*.
12. **San Diego County Supervisor Leon Williams** has been appointed to the *State Coastal Committee* by **Assembly Speaker Willie Brown** replacing former *Chula Vista City Councilman David Malcom*. Malcom was instrumental in the *Chula Vista* endorsement of *Ward Valley*. Williams was honored for his ten years on the County Board at the recent "State of the County" presentation by fellow supervisor **Brian Bilbray**.
13. *San Diego State University* is putting together an investment and trade mission with Russian entrepreneurs. For more information, call **Deborah Ablitt** at 534-4750.

PAST WEEK

14. **David Hale, Chairman, President, and CEO of *Gensia Pharmaceuticals*** was honored by the *San Diego Venture Group* as "Business Leader of the Year", Wednesday at a luncheon attended by about two hundred friends and SDVG members. David's talk on "entrepreneurship" was memorable. Attendees included Mayor Susan Golding and City Councilmembers Ron Roberts and Tom Behr.
15. **State Assemblyman Steve Peace** addressed the *San Diego Biocommerce Association (BIOCOM)* meeting Friday on the subject of reforming Worker's Compensation laws. As Chairman of the Assembly Finance and Insurance Committee, Steve has been given the responsibility for resolving this contentious problem. Steve was the founder of *Four Square Productions*, the producer of the *BIC/BIOCOM* video on biotech in San Diego.
16. **Dr. Edward A. Frieman, Director, Scripps Institution of Oceanography and Vice Chancellor, Marine Sciences, UCSD**, hosted the monthly CONNECT Director's Luncheon at the *Stephen Birch Aquarium* Thursday. Dr. Frieman described the Institution's interest in working with the private sector on research collaborations. Attending were: **Malin Burnham, John Burnham Co.**; **Dr. Donald Wilkie, Scripps Aquarium**; **Dr. John Penhune, SAIC**; **Frank Cassou, Cooley Godward**; **John Bragg, Chevron Land & Development**; **Joseph Marshall, Jennings Engstrand**; **David Winkler, Del Mar Partnership**; **Steve Williams, Williams Partners**; **Lisa Boyajian, Sequoia Capital**; **Richard Gulley, Robert Driver Co.**; **Ted Breck, Lehman Brothers**.
17. **Bruce Carlin, President, Nielsen Capital Group, Inc**; **Aron Stern, Vice President and CFO, Protein Polymer Technologies**; **David Winkler, CEO, Del Mar Partnership, Inc.**; and **Mark Sullivan, Bond Specialist, City of San Diego Economic Development Department** discussed "Financing Growth" at the *Association For Corporate Growth* seminar. Sullivan described the City's desire to help emerging companies by providing regulatory relief, reducing permitting times, advising on low cost resources and providing financial incentives. "The City has adopted a new, pro-business attitude," he concluded. Aron Stern provided an excellent primer on the subject of financing biotech start-ups, based on his experience at *ISIS Pharmaceuticals*.

UPCOMING

18. CONNECT'S ninth annual *San Diego Technology Financial Forum* is scheduled for February 10th and 11th at the Hyatt Regency La Jolla. CONNECT service providers have received invitations to the Reception, Wednesday, Feb. 10, from 5:30p.m.-7:30p.m. We will have 35 companies giving 8-minute presentations to an expected group of 80-100 venture capitalists. This is an excellent opportunity to network with venture capitalists, many of whom look forward to meeting the San Diego infrastructure. Call Forum Administrator Charleen Boyl at 534-6114 for details.
19. *The U.S. Department of Commerce* has scheduled a one day "Medical Industry Export Conference" Tuesday, February 10th, at the *Del Mar Hilton*. This conference will discuss global marketing issues in the medical industry. Call Kathryn Bishop, District Director, U.S. & Foreign Commercial Service, U.S. Department of Commerce at 557-5395
20. **Steve Weathers, VP, San Diego Economic Development Corp** is organizing a visit for representatives from an investment and trade mission visiting from Hong Kong and China on February 4th-5th. The group includes 23 executives from ten companies who are seeking opportunities for investment, joint deals, etc., in high-tech and biomedical products. Call Steve Weathers for more information at 234-8484.

MEMBER AND SPONSOR NEWS

21. **Dr. William Rastetter, President, IDEC Pharmaceuticals**, showed off his new \$29 million headquarters building on Torreyana Road, with a reception attended by **Jim McGraw, McGraw/Baldwin Architects**; **David Winkler and Ivan Gaylor of Del Mar Partnership**; **Jack Quinn,**

Rudolph & Sletten; Knox Bell of Gray, Cary; Dan Pegg, of San Diego Economic Development , and many others.

22. *Cooley Godward* announced that **Lance Bridges** and **Keith Boesky** have joined the firm as associates and **Cathie Hilker** has joined the firm as marketing assistant. Boesky, President of the *National Association of Cancer Patients*, moved over from *Baker & McKenzie*. Bridges was previously with Cooley's San Francisco office, and Hilker was recruited from CONNECT, where she had been my Administrative Assistant. Replacing her at CONNECT is **Deborah Abblitt**. Previously Abblitt served as Group Sales Consultant at Alitalia Airlines in Los Angeles. Her number at CONNECT is 534-4750.
23. *Amylin Pharmaceuticals, Inc.* has filed a registration statement with the SEC for a proposed public offering by the Company of 2.5 million shares of common stock. *Morgan Stanley* and *Alex Brown* are the underwriters. Amylin is focused on the discovery, development and commercialization of novel therapeutic products based initially on amylin, a newly discovered pancreatic hormone, to treat diabetes.
24. *Viagene Inc.* has filed a registration statement with the SEC for a proposed initial public offering of 2.5 million shares of common at \$11-13 per share. Underwriters are *The First Boston Corp*, *Prudential Securities* and *Nomura Securities Inc.* **Robert Abbott**, President says the company's first HIV immunotherapeutic was approved for human trials by the FDA's Vaccine Advisory Committee last June.
25. *Telios Pharmaceuticals Inc.* announced the completion of its secondary public offering of 4.5 million shares. Underwritten by *Hambrecht & Quist* and *Prudential Securities*, the offering yielded the company about \$26.3 million. Telios is developing therapeutic products based on the extracellular matrix for tissue repair of wounds.
26. Congratulations to new CONNECT sponsors: *Wells Fargo Bank, San Diego, and DPR Construction, Inc., San Diego.*

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Bill's Editorial
February 1, 1993

The Spirit of '93

Many of us are anticipating a new spirit of cooperation among the various groups of Government, education, private sector and the general public. United, perhaps by the realization that the California state budget will not cure itself unless business creates jobs, Democrats and Republicans alike are working to make the state more "business friendly". In California alone, we have lost 800,000 jobs since 1990. With the state adding 600,000 to 700,000 new people a year, 100,000 new kids to the schools, 100,000 new people on welfare, 380,000 to Medi-Cal, and 6,000 to 7,000 new prisoners a year, expenses per recipient will have to be cut, according to California Director of Finance Thomas Hayes. "If we don't create jobs, it is an impossible situation," according to Hayes. For example, it takes three new jobs to pay the taxes to pay for one new university student to go to school. It takes 243,000 new jobs to pay for the 380,000 new Medi-Cal recipients.

In recent years, small businesses have become the superstars of job creation, producing up to 80% of the new jobs. Between 1980 and 1990, when Fortune 500 companies eliminated 4 million jobs, small businesses created 14.8 million.

President Clinton has acknowledged that any hopes of shrinking the deficit depend on restoring healthy growth to the economy. State legislators, both Democrats and Republicans, realize that a growing economy is a precursor to being able to provide needed services. Neither party has an appetite to raise taxes. If the State budget is to be balanced, expenses must be cut. Therefore the City and County budgets will have to be cut.

Painful cuts

And the cuts will be painful. At the City and County level, desirable services will have to be reduced. Funding to the University of California will be cut. Welfare and Medi-Cal will have to be reduced. And finally K-12 education expenditures will have to be reduced. In this regard, you will probably see some privatization of schools. And you will see consolidations in government

But the only way to solve the problem permanently is to increase tax revenues (not tax rates) and to do that you need more jobs. To do this, some say we need to recruit new companies to California. Others say just decrease the number leaving. For example, former Senator John Seymour said that of 30 new companies moving into Coeur d'Alene, Idaho, in the past five years, 25 came from California.

Cooperation on job creation

Why did they leave? And how can we change things to stem this tide of desertions? A number of studies have focussed on this question, including the California Competitiveness report, the Assembly Democrats Economic Productivity Team (ADEPT) report, The Coalition for San Diego Business/Chamber of Commerce report, Michele Anderson's City economic development report, and others. Problems include excessive regulation, high cost of doing business, predatory enforcement practices, lack of infrastructure in waste disposal, highways, and water, and a general anti-business sentiment.

But we are seeing cooperation here in San Diego in attacking the identified problems. Gil Partida, President, of *The Greater San Diego Chamber of Commerce*, Dan Pegg of the *San Diego Economic Development Council (EDC)*, UCSD CONNECT, Chuck Nathanson of the *San Diego Dialogue*, and Dennis Nau of the *American Electronics Association*, are coming together to coalesce their requests. We are forming a High-Tech Council led by Larry Epp to advocate for high-tech like BIC and BIOCUM advocate for biomedical. Led by Mayor Golding, Ron Roberts, Tom Baird, Valerie Stallings, and Abbe Wolfsheimer, a new realization of the role of these emerging industries is surfacing at San Diego City Hall. The same can be seen at the County. And we expect the same willingness to protect jobs to emerge at the *California Economic Summit* at the Biltmore.

Times are a changin'

Fortune 500 companies like IBM and American Express are firing CEO's when profits drop. Our government is talking about restructuring and privatization. This is all a sea-change in attitude in my opinion. I have never seen anything like it in this State. It's got to be good.