

# BUSINESS

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**INSIDE:** Market roundup C2

THURSDAY  
July 1, 2010  
  
THE SAN DIEGO  
UNION-TRIBUNE

**BUSINESS BRIEFING**

COMPILED FROM STAFF AND WIRE REPORTS

**San Diego's Santarus to cut 37 percent of its work force**

Santarus said Wednesday it is laying off 37 percent of its work force and ceasing production of the stomach drug Zegerid ahead of the anticipated launch of Par Pharmaceutical Cos.' generic version.

The 120-worker cut will result in \$7.4 million to \$8.5 million in charges in the third quarter, but the San Diego company said it will save about \$40 million a year starting in the fourth quarter because of them.

In April, a U.S. federal judge ruled that five patents Santarus had for Zegerid were invalid, paving the way for Par Pharma to start selling its generic version. A medicine for frequent heartburn which was recently allowed to be sold over-the-counter, Zegerid's first-quarter sales rose 5 percent, to \$29 million.

Wednesday, Santarus said independent generics company Pasco LLC would start selling a generic version of the drug as part of a distribution and supply agreement.

DOW JONES NEWS SERVICE

**Jack in the Box announces \$600 million refinancing plan**

In a move to pay down its bank debt, Jack in the Box this week completed a five-year \$600 million refinancing plan.

Its debt includes a \$150 million loan due in December 2011, of which \$20 million was drawn at the end of the company's second quarter, and a \$370 million loan due in December 2012.

"By refinancing at this time, we're creating a longer-term capital structure with greater flexibility to support the company's strategic plan," said Jerry Rebel, executive vice president and chief financial officer for the San Diego-based chain of more than 2,200 fast-food outlets. It also operates and franchises Qdoba Mexican Grill, a fast-casual chain.

LORI WEISBERG

**Apple seeking engineers to improve iPhone antennas**

Wanted: Three geniuses to improve iPhone antennas.

According to job postings spotted by a reader of technology blog Slashdot, Apple is hiring engineers to refine iPhone and iPad antennas.

This wouldn't be notable except that the redesigned iPhone has something of an antenna problem. Holding the phone a certain way can cause the signal to fade or cut out.

Apple isn't saying whether these are new openings or positions that were recently vacated.

But while its public answer to the problem felt flip — buy a protective case, or, in a widely reposted e-mail attributed to CEO Steve Jobs, "Just avoid holding it in that way" — the hunt for experts indicates a real fix could be under way.

ASSOCIATED PRESS

**House approves bank rules; Senate support in question**

Nearly two years after a Wall Street meltdown left the economy reeling, the House on Wednesday passed a massive overhaul of financial regulations that would extend the government's reach from storefront thrifts to the executive suites of Manhattan.

Senate support for the far-reaching bill remained in flux, however. The Senate was forced to delay its vote to mid-July, denying President Barack Obama a victory before Independence Day. Democrats struggled to secure the votes of a handful of Republican senators even after backing down on a \$19 billion tax on big banks and hedge funds.

The 237-192 House tally broke largely along party lines.

ASSOCIATED PRESS

**ON THE MOVE**



**John E. Major** has been elected chairman of the board of the La Jolla Institute for Allergy & Immunology. Major is the nonexecutive chairman of Broadcom, a manufacturer of communications semiconductors. He is also chairman of CommNexus San Diego, a nonprofit that supports the region's technology industry.

**Audrey Rodriguez** has joined Venbrook Insurance Services in Del Mar as a surety bond account manager. Rodriguez previously was with Alliant Insurance Services.

Send items for this column by e-mail to onthemove@uniontrib.com.

## Insurer to rein in rate increase

Anthem Blue Cross reduces boost to 14%

By Tom Murphy  
ASSOCIATED PRESS



Anthem Blue Cross says it will lose \$100 million on individual insurance business in California. Getty Images

INDIANAPOLIS — Health insurer WellPoint said Wednesday that its California subsidiary will dial down rate increases that drew national outrage earlier this year and helped spark a final push for health care reform.

The Indianapolis insurer said the subsidiary, Anthem Blue Cross, now plans to raise premiums by 14 percent on average for people insured individually and it will cap the increases at 20 percent.

In April, the company withdrew increases of as much as 39 percent and averaged 25 percent after it received strong rebukes from consumers, Pres-

ident Barack Obama and members of his administration.

For instance, Health and Human Services Secretary Kathleen Sebelius has said she found it hard to understand how Anthem Blue Cross could ask for such steep increases after its parent reported a \$4.75 billion profit in 2009.

WellPoint has said its rates have been driven up by rising medical costs and healthy people dropping coverage during the recession, among other factors.

WellPoint's rate original hike proposal in California is widely seen as having reignited Obama's push for a health care reform measure that covers millions of uninsured people. That bill passed Congress in March after months of debate.

WellPoint is the largest U.S. commercial health insurer based on membership. Its California individual insurance business covers around 800,000 people.

WellPoint officials said their new rates are lower for several reasons, including the use of more recent claims data and a hope that regulatory review would go

SEE Insurance, C2

"The mobile phone is the biggest platform in the history of mankind."

PAUL JACOBS, Qualcomm's chairman and chief executive officer



Qualcomm Chairman and CEO Paul Jacobs addresses the Uplinq conference on Wednesday. Nelvin C. Cepeda / Union-Tribune

## Qualcomm calls apps key to wireless future

By Mike Freeman  
STAFF WRITER

Mobile phone users today probably spend more time looking at applications on their cell phone screens than they do making phone calls.

It's one more piece of evidence, albeit anecdotal, that the era of mobile data is here and growing, says Paul Jacobs, Qualcomm's chief executive.

Qualcomm aims to keep mobile data use on the rise by helping software developers write mobile applications that work better with the San Diego company's chips that run cell phones.

"Developers are in a unique position to shape the future," he said Wednesday. "You as developers are going to reach more people than ever before. Your applications and your innovation

are going to lead the way."

Jacobs spoke at Qualcomm's Uplinq conference in downtown San Diego, which brings together more than 2,000 application developers not only for Qualcomm's BREW mobile software platform but Google's Android, Microsoft's Windows Phone 7 and other mobile software and operating systems.

Qualcomm's BREW, or binary runtime environment for wireless, was one of the first platforms that allowed third-party software developers to get their applications in front of mobile consumers and carriers. Qualcomm has recast the service, which was founded 10 years ago, to target more low-cost phones, a strategy it calls making all phones smart.

Qualcomm showed off some of its

own software to enable future applications. With toy maker Mattel, it demonstrated its augmented reality game where players point their cell phone cameras at an empty game board, or target. The cameras recognize the board, and on the phone screen up pops Red Rocker and Blue Bomber from the popular late 1960s game Rock 'Em, Sock 'Em Robots. They exist only on the phone screen. Players move their robots around the board and throw punches by pushing buttons on their screen.

Jacobs said other future services include mobile health care, commerce and smart grid technology. He envisions a time when the cell phone will become the remote control of people's lives, as their screen.

SEE Qualcomm, C3

## Stocks end quarter at lowest point of year

By Tim Paradis and Bernard Condon  
ASSOCIATED PRESS

NEW YORK — The stock market closed out a painful second quarter Wednesday and left investors with heavy losses and far more doubts about the economy than they had just months ago.

Stocks had their worst quarterly performance since the financial crisis. The Standard & Poor's 500 index, considered by many professional investors to be the best measure of the market's health, lost 11.9 percent, while the Dow Jones industrial average lost 10 percent.

**A DISMAL QUARTER**

Stocks had their worst quarterly performance since the financial crisis.

**1082.61:** Dow Jones point loss

**10:** Dow Jones percentage drop

**\$1.6 trillion:** Value lost during the quarter

Both indexes are at their lows for 2010.

Meanwhile, Treasury notes and bonds soared during the quarter, driving interest rates sharply lower, as investors turning away from stocks sought a place where their money would be safe. In the early days of the quarter, the yield on the Treasury's 10-year note, used as

a base for setting rates on consumer loans including mortgages, was close to 4 percent. By the quarter's end, it had fallen to 2.94 percent.

On the last day of the April-June period, the Dow lost 96 points, and all the big indexes were down about 1 percent.

Using the S&P 500 as a benchmark, stocks had their worst quarterly loss since the fourth quarter of 2008, when the index plunged 22.6 percent. For the first half, the index is down 7.8 percent, its worst first-half showing since the 13.8 percent it loss at the start of 2002.

SEE Stocks, C2

## French biotech to infuse TargeGen

Blood-disorder drug trials to be funded

By Onell R. Soto  
STAFF WRITER

Paris-based pharmaceutical giant Sanofi-Aventis agreed Wednesday to pay up to \$560 million for TargeGen, a San Diego biotech company that is developing a drug to treat leukemia, lymphoma and other blood disorders.

The deal calls for a \$75 million upfront payment, and then additional payments if the drug succeeds in upcoming clinical trials and is approved for use.

Investors have put more than \$100 million into TargeGen since its founding in 2001, said its chairman, Ivor Royston. Royston's venture capital firm, Forward Ventures, along with Enterprise Partners, another San Diego venture capital firm, has funded TargeGen since its start.

Peter Ulrich, who was an entrepreneur in residence at Forward Ventures, has led TargeGen since the beginning. He said he was confident that Sanofi will bring the drug to market and use it to treat a variety of conditions.

TargeGen's researchers focused on kinase inhibitors, drugs that act on enzymes and cause them to become active. The first two drugs the company worked on — treatments for heart attacks and macular degeneration — did not work.

But the third, dealing with blood disorders, has progressed through Phase 1 and 2 clinical trials, meaning that it appears to be safe and effective.

The deal announced Wednesday means that Sanofi, the French drug giant, will now take on the expensive task of testing the drug, TG 101348, on large

SEE TargeGen, C3

## Arena eyes marketer for fat drug

By Onell R. Soto  
STAFF WRITER

San Diego-based Arena Pharmaceuticals plans to make its obesity drug, lorcaserin, at a factory it owns in Switzerland, but it will have another company market and distribute it in the United States.

Arena is announcing today that it has made a deal with Eisai Inc., a New Jersey-based subsidiary of a Japanese pharmaceutical company, to commercialize lorcaserin in the United States.

"This is a very big transaction for us, representing over \$1 billion," said Jack Lief, Arena's chief executive.

Clinical trials indicate that lorcaserin helps people lose weight. The drug is awaiting FDA approval, with a decision expected in October, Lief said.

If approved, Eisai will have the exclusive right to sell lorcaserin in the U.S. and will give Arena 31.5 to 36.5 percent of net sales to pay for costs.

Arena is unusual among San Diego biotech companies in that it will manufacture the drug it invented, and maintain control of its intellectual property.

Other companies often enter into partnerships or outright sales with larger companies to pay for final testing and marketing.

Eisai is a good fit, Lief said, because it already markets Acipheca, a drug that treats patients with GERD, or gastroesophageal reflux disease.