

Health-care firm shifts HQ to Bay Area

BY CHRIS RAUBER
crauber@bizjournals.com

The Bay Area has landed a headquarters company, with 430-employee LifeMasters Supported SelfCare Inc. moving its regional staff into new South San Francisco digs by month end.

The fast-growing disease management specialist has been based in Irvine, reflecting the desires of co-founder and Executive Chairman Cristobel Selecky, although its CEO and many other top staffers previously have been based in South San Francisco.

"The company had its roots in San Francisco, Dr. David Goodman founded it in San Francisco, and in many ways we feel like we're moving home," said David Strand, LifeMasters' newly minted CEO. Formerly the privately held company's president and chief operating officer, Strand took over in mid-October, replacing Selecky in her role as chief executive.

LifeMasters plans to move its 90 Bay Area workers into the new space. About 21 percent of LifeMasters' employees already are based in the Bay Area, including Strand, several senior vice presidents and its chief medical officer, as well as

key staffers in technology, product development, outcomes research and reporting, and marketing.

Officials said the Bay Area staff will move into 29,000-square-foot of newly leased space at 5000 Shoreline Court in South San Francisco by Jan. 31.

Luring investment

Strand and his management team — including mid-December newcomers Debra Morris, LifeMasters' CFO, and Derek Newell, senior vice president of client relations — appear to be positioning the company to attract additional capital

and perhaps to go public.

"It's an option," spokeswoman Denise Aparcar told the San Francisco Business Times, declining further comment.

Strand also declined to comment directly on potential plans to go public, saying "we're a little ahead of ourselves" in terms of disclosing financial results and expansion plans, but adding: "As the company grows, obviously it needs capital to fuel that growth."

Financial data such as revenues won't be available until later this month, he said, when the formerly close-mouthed

See LIFEMASTERS, 35

Agilent places bet on genomic chip business

BY DANIEL S. LEVINE
dlevine@bizjournals.com

Agilent Technologies is expanding its presence in the market for the tools to analyze the relationship between genes and disease with an acquisition and the launch of new technology.

The Palo Alto-based spin-off of Hewlett-Packard, best known for its test and measurement equipment, is making an aggressive push into emerging markets for microarray technology. Agilent is betting that it could drive new applications for the technology and lead in what constitutes the fastest growing portions within the market.

Affymetrix has an estimated 70 percent share of the commercial market for microarrays — chips containing genomic samples that allow researchers to analyze thousands of genes in an automated process.

Agilent expects the new applications to represent at least \$100 million in annual revenue, 10 percent of the total microarray market, by 2007. The company believes Agilent will be able to grab about 50 percent of that emerging market, which is growing two to four times faster than the traditional portion of the micro-

See AGILENT, 35



BILL AND GERRY BRINTON: "A winery without borders."

Virtual winery pops cork

NAJIB JOE HAKIM

BY CHRIS RAUBER
crauber@bizjournals.com

Two-year-old Charles Creek Vineyard is using a bare-bones staff, a couple of M.B.A. degrees, an entrepreneurial heritage and a part-time winemaker to create what co-founders Bill and Gerry Brinton call "a winery without borders."

Can a few people make a winery? Charles Creek thinks so

Using that model, the two entrepreneurs — both of whom used to be high-end management consultants — tripled their 2003 revenue last year to about \$600,000, and expect to approach \$1.4 million in revenue this year, with more to come.

Charles Creek produces about 14,000 cases annually, specializing in chardonnays, merlots and cabernet sauvignons. And the co-proprietors

See CHARLES, 35



SPENCER BROWN

PIEN: "Deep commitment to do all that is feasible."

Chiron CEO: No quick fix for our flu snafu

Awaits vaccine plant inspections from U.K. and U.S. regulators

BY DANIEL S. LEVINE
dlevine@bizjournals.com

Chiron doesn't know when regulators will allow it to restart its flu vaccine production, CEO Howard Pien told investors, and the company will not provide earnings guidance until the status of Fluvirin is clear.

Speaking at the JPMorgan Healthcare Conference in San Francisco, Pien wasted no time addressing what was foremost on investors' minds. He spent about a

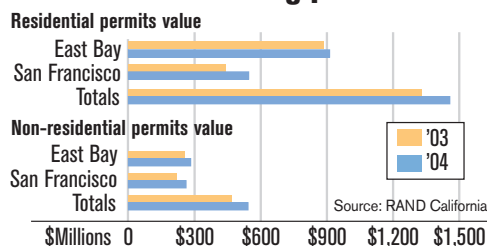
third of his 25-minute presentation on Chiron's plans to satisfy regulators' concerns after they suspended Chiron's license to produce vaccine at its Liverpool plant in October because of contamination problems.

"While there is no basis yet for me to predict whether and when we will be able to get back into production for the U.S., I can assure you there is deep commitment to do all that is feasible in the interest of public health," he said.

The CEO of the Emeryville-based biotech company

See CHIRON, 35

TheNumbers: Building permits



Housing unit permits issued:	'03	'04
East Bay	3,327	3,252
San Francisco	1,074	1,830
Totals	4,401	5,082

OnTheInside

Ad Notes	11	Nonprofit Profile	28
Bay Area People	26	On the Money	10
Biotech	11	Real Estate	14
BizLeads	36	Small Biz	24
Executive Profile	9	Talk of the Town	5
Focus: Executive Lifestyles	17	Tech Business	12
Health Care	10	The Lists	21, 22
Hospitality	12	Viewpoint	44
Law	13	Week in Review	46

NextWeek



DOGGIE TREAT

'George' sits up and begs for expansion.



CHARLES: Ex-management consultants apply productivity principles to wine

CONTINUED FROM PAGE 3

will open a wine tasting room and art showroom on Sonoma's downtown square early next month, which they expect to boost revenues and name recognition.

Bill Brinton, who is a descendant of inventor John Deere and is related to several of Deere & Co.'s recent senior executives, contends that Charles Creek's package of about a dozen vineyard contracts "makes us a player."

Dan Aguilar, senior relationship manager (the equivalent of senior vice president at other banks) in Silicon Valley Bank's premium wine division, agrees.

"They've got great vineyard sources, they're making beautiful wines, and in a matter of a couple of years they've positioned themselves nicely on the inside of the Sonoma Valley wine industry," Aguilar said. "They have all the ingredients for success."

Silicon Valley Bank, which has about 200 wine industry clients, isn't currently working with Charles Creek, although it may do so in the future.

Pouring it on

The Brintons' five-year business plan calls for doubling or tripling revenues each year, especially if the U.S. Supreme Court ends up approving interstate shipping of wine to all 50 states, eliminating trade barriers that date back to

Prohibition. "And we want to be profitable," he said. "This isn't a hobby, like with a lot of people. We want to make a great product, like my great grandfather."

"John Deere's descendants seem to have an affinity for wine," said Eileen Fredrikson, a wine industry consultant at Gombert, Fredrikson & Associates, noting that other Deere family members own Sonoma's Landmark Vineyards.

Despite grand plans and supporters in high places, Charles Creek's business model calls for advancing initially with a skeleton crew. Just the Brintons, part-time winemaker Kerry Damskey — a 25-year industry veteran — newly hired national sales manager Boy Brainerd, and two local sales people are currently on board. A tasting room manager is "about-to-be-hired," and a crew of part-timers and contractors is used only as needed.

"Instead of investing between \$5 million and \$8 million to buy the land and launch a winery and have the full staff you usually have," Brinton said, "we put as much of our money as we can into what goes into the bottle."

The virtual winery buys grapes from "some of the best growers in Napa and Sonoma," such as Hyde Vineyards, Dutton Ranch, Sangiacomo Vineyards and Stagecoach Vineyard, according to Brinton, creating wines that retail for about \$20 to \$25 a bottle, along with a

new chardonnay that retails for about \$40. So far, Charles Creek's varietals have won a batch of awards, the owners say, including some against wines with a significantly steeper price tag.

Business smarts

Both founders have business in their blood: Bill Brinton holds a Columbia M.B.A. and did a consulting gig at Arthur Andersen as an accounting and tax expert; Gerry Brinton's M.B.A. is from Harvard, and she did a stint of her own at Booz Allen Hamilton. In fact, Charles Creek is named jointly for the Brintons' son Charley and Bill's grandfather, Deere & Co.'s Charles Deere Wiman.

It's the couple's second entrepreneurial effort, other than their earlier purchase of the Charles Creek vineyard on Sonoma Mountain. Bill earlier founded the Wiman Beverage Co., which competed with Odwalla. He sold it four years ago to North Castle Partners.

But Gerry Brinton insists that business is just part of the picture. "We like to think of our wines as artisan-style wines," she said. "We want to continue to develop relationships with existing growers, so we can continue to create terrific wines with a great value proposition."

Chris Rauber covers the wine industry for the San Francisco Business Times. ■

AGILENT: Plugging into the promising end of microarray market

CONTINUED FROM PAGE 3

array business.

"They are trying to increase their presence in the market and go beyond traditional gene profiling. They are taking the technology to the next level and trying to be on the forefront of that," said Chris Leo, senior consultant and the life science consulting firm Wood McKenzie in Boston. "They know they are not going to have much luck making a dent in the expression profiling market that Affymetrix dominates, so they want to keep expanding their offerings."

Agilent is acquiring Computational Biology Corp., a Cambridge, Mass.-based company with technology that allows microarrays to be used to understand gene regulation in disease and provides a new tool for disease research, drug discovery and drug development.

Though microarrays have traditionally been used to see what genes are active or inactive in a specific disease state, the technology allows researchers to see what proteins are actually causing specific genes to turn on or off, expanding the understanding of disease and offering a new way to find targets at which to aim drugs.

Agilent said that following the acquisition it plans to open a collaborative research center in Cambridge, which will also serve as an Agilent demonstration center for genomics, proteomics and informatics.

Separately, the company said it is expanding its microarray platform to include new cancer research applications with a technique that lets researchers use microarrays to study chromosomal changes caused by cancer.

As cancerous cells multiply, they undergo increasingly dramatic chromosomal changes, including chromosome loss, duplication, and the translocation of DNA from one chromosome to another.

Agilent's comparative genomics platform lets researchers use the high-throughput technology to compare a healthy genome to a genome from the same person at various stages of cancer to identify these changes.

Frank DiNuzzo, vice president and general manager of Agilent's Integrated Biology Solutions business, said such new applications for microarrays will expand a market that has shown signs of slowing growth in its traditional applications.

"The reason for that growth is the scientific impact these two technologies can have on medical research, particularly in the area of cancer," he said. "We expect our positions with these two announcements would give us first mover advantage."

Daniel S. Levine covers biotechnology for the San Francisco Business Times. ■



DiNuzzo

LIFEMASTERS: Disease management firm 'comes home' to Bay Area

CONTINUED FROM PAGE 3

company presents at a Piper Jaffray Cos. health-care conference in New York.

Piper Jaffray is an investor in LifeMasters, one of the disease management industry's largest privately held companies, through its Sightline Partners venture-capital spin-off, as are the Pacific Venture Group, VantagePoint Venture Partners and Lightspeed Venture Partners, according to Strand.

LifeMasters provides disease management services to more than 350,000 people in all 50 states, the District of Columbia and Puerto Rico.

Disease management focuses on providing specialized care and information to and about patients with chronic conditions such as asthma, diabetes, high blood pressure, congestive heart failure, coronary artery disease and other conditions that account for a huge percentage of overall health-care costs. Customers



include HMOs, employers and federal and state agencies responsible for health coverage. Ten-year-old LifeMasters is a significant player in the niche and Selecky, a big name in the field, will serve this year as president of the Disease Management Association of America.

LifeMasters works with a number of

leading health plans, employers and governmental agencies, including Aetna, Blue Cross Blue Shield of Tennessee, the State Teachers Retirement System of Ohio and Florida's Agency for Health Care Administration, which handles that state's Medicaid program. It has also announced several new clients since early December.

Strand said little-noticed aspects of last year's federal Medicare Modernization Act paved the way for key pilot projects in Oklahoma and Chicago, which could end up creating significant new business for LifeMasters and others in its niche.

"A lot of what's happening with the company is preparing for the new market that's emerging," since 3-in-4 Medicare beneficiaries suffer from one or more chronic conditions, Strand said.

Chris Rauber covers health care for the San Francisco Business Times. ■

CHIRON: Analysts wonder whether its flu vaccine will resume by next year

CONTINUED FROM PAGE 3

said he expects the U.K. Medicines and Healthcare Products Regulatory Agency, accompanied by U.S. Food and Drug Administration inspectors as observers, to conduct a series of inspections of Chiron's Liverpool manufacturing facility.

The inspections will cover critical phases of the manufacture of the Fluvirin vaccine. If successful in getting U.K. regulators to restore the license, Pien said he would expect the FDA to conduct a full inspection of the facility and close out the warning letter issued to the company in December.

Pien could offer little to remove the uncertainty that has plagued the company since regulators pulled Chiron's license to produce vaccine and it was forced to destroy its entire supply of flu vaccine for the 2004-05 flu season.

The suspension of the license removed

as many as 48 million doses of flu vaccine from the U.S. market — half of the anticipated supply. The day the suspension of the license was announced, Chiron's stock dropped more than 16 percent. Subsequently, the Securities and Exchange Commission launched an informal investigation into the company over the vaccine and Chiron got a subpoena from the U.S. Attorney's Office for the Southern District of New York demanding documents about Fluvirin.

The debacle took a toll on Chiron's bottom line as well. As a result of the license suspension, Chiron in October cut its 2004 earnings forecast to between 35 and 45 cents from \$1.50 to \$1.60. Fluvirin accounted for 12 percent of Chiron's 2003 revenue.

"For the reason that the status of Fluvirin is not yet clear, it is not feasible for us to provide a full-year EPS," said

Pien. "We intend to provide full-year EPS only when the situation with Fluvirin is cleared up and that is unlikely to occur in the first quarter of this year."

Analysts and health-care experts remain concerned that the company may not be able to provide full production for the 2005-06 season and that the company will likely face new competition for flu vaccine from GlaxoSmithKline and possibly others.

Banc of America analyst Michael King cut his rating on Chiron to a sell from a neutral a day before Pien spoke. King expressed concerns that Fluvirin sales will be hurt by new competition. He lowered his earnings estimate for 2005 to \$1.89 from \$2.31.

Daniel S. Levine covers biotechnology for the San Francisco Business Times. ■