

Kim Blickenstaff

Interview conducted by

Mark Jones, PhD

In 1997

SAN DIEGO TECHNOLOGY ARCHIVE



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Kim Blickenstaff



Mr. Kim D. Blickenstaff has been President and Chief Executive Officer of Tandem Diabetes Care Inc. since September 2007. Mr. Blickenstaff has more than 30 years of healthcare experience in finance, marketing management, sales and strategic planning. He has an extensive medical device and diagnostics experience. Mr. Blickenstaff is a Co-founder of Biosite Inc. (formerly, Biosite Diagnostics Inc.) and served as its Chief Executive Officer and Treasurer since April 1988. He served as the President of Biosite Inc., from April 1988 to October 22, 2004 and also its Secretary from April 1988 to June 2002. He held various positions in finance, operations, research management, sales management, strategic planning and marketing with at Travenol, National Health Laboratories and Hybritech Inc. ('Hybritech'). He has been the Chairman of Medivation, Inc., since 2007. He served as the Chairman of Biosite Inc since October 22, 2004. He has been an Independent Director of Medivation, Inc., since 2005. He has been a Director of Tandem Diabetes Care Inc., since September 2007 and SenoRX Inc., since March 2002. He serves as a Director of GeneOhm Sciences, Inc., Orion Acquisition Corp. II, Micro Therapeutics Inc. and MediSpectra Inc. He serves as a Director of Astute Medical, Inc. and several privately held medical products companies. He served as a Director at Predictive Biosciences, Inc. since February 2010. He served as a Director of Dexcom, Inc., from June 2001 to September 7, 2007. He served as a Director of Biosite Inc., since April 1988. He was a Certified Public Accountant. Mr. Blickenstaff received a B.A. in Political Science from Loyola University, Chicago and an M.B.A. from the Graduate School of Business of Loyola University, Chicago.

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INTERVIEWEE: Kim Blickenstaff
INTERVIEWER: Mark Jones, PhD
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JONES: Let me ask you a little bit about your early career. You got an MBA at Loyola in Chicago. Did you go immediately to Baxter? Was that your first job?

BLICKENSTAFF: Yeah, that was the whole connection on this thing. I went to work at, I sort of made a decision to get into health care out of business school, and I interviewed with the big health care companies in Chicago, and there were three or four, there was American, Abbott, and Baxter. I interviewed and got job offers at all three. I took Baxter because I thought it was sort of the most vibrant, and lo and behold, the first guy that I worked for, the group that I was in, was Tim Wollaeger, who eventually ended up being at Hybritech and being at Biovest, so that's how I connected into this whole thing. And Tim, I think, knew Ted, or knew of Ted, so I had crossed Ted's path, Ted Greene, was at Baxter as well, so that's a common link if you haven't heard, at Baxter. Baxter was a link for Tom Adams, David Kabakoff, Ted Greene, Tim Wollaeger, myself, and there might have been one or two others, I think there some other, maybe director level R&D people. But Tim came out, actually after Baxter, Tim came out to work for a company called National Health Labs, which was unconnected, and then eventually got connected back up with Ted Greene. Ted Green was at Hybritech at the time, and Tim was, you know, aware of what they

22 were doing. I guess they had done a public offering by that time, and they were sort of in need of
23 a next level public chief financial officer to do a lot of fundraising, and Tim ended up getting that
24 position at Hybritech, and then he recruited me into Hybritech.

25 **JONES:** Where were you at the time? Were you at Baxter then?

26 **BLICKENSTAFF:** No, we were out here at National Health Laboratories.

27 **JONES:** Was that Revlon?

28 **BLICKENSTAFF:** Yeah, exactly, a Revlon connected reference lab company. It was in diagnostics, so
29 that was how, I think, Tim got a link into Hybritech, not only through Ted, but we were looking at
30 monoclonal antibody technology to, you know, look at these assays, 'Were they valuable? Why
31 did they do for lab diagnostics?' So, I think that was a connection in.

32 **JONES:** You were actually looking at monoclonals at that point?

33 **BLICKENSTAFF:** Yeah, we used diagnostic test kits from all the major manufacturers. Hybritech was
34 one.

35 **JONES:** Oh, you were using Hybritech's.

36 **BLICKENSTAFF:** We were looking at, as an early evaluator, some of Hybritech's monoclonal assays,
37 so there was a feeling, I think, on Tim's part, that, 'Wow, this company's got something that's
38 neat.' You know, it's an opportunity to build a Baxter like entity out here, so I think that was really
39 a lot of the sort of the connection in. So, by the time I came on board, it was, you know, 1984, I
40 think was when I joined, and so they were in the commercialization phase, they had their first
41 diagnostic kits coming out, radioimmunoassay and I think they had some limited menu, but they

were coming out with simpler formats for the diagnostic side, you know, the enzyme based kits, and the ICON test that I got involved with, that Gunars and I got involved with, so that's sort of the stream with that whole thing. I was not involved real early. By the time I had gotten there, you know, the whole legend of, you know, raising money, and all that stuff, was history that I was not really a first hand participant to.

JONES: Well, very early on, you decided, you're in grad school, to go into the health care industry. What was your thinking about that? Why did you specialize in health care?

BLICKENSTAFF: You know, my grandfather was a doctor, and I always thought it was an interesting, I always thought it was a relevant occupation in life. You know, my father was in business, but was in tractors, Caterpillar Tractors.

JONES: Where are you from?

BLICKENSTAFF: Peoria, Illinois. So, I looked at my father's career and I thought business was interesting. I actually wanted to be a lawyer, but I thought that health care was more relevant, you know, a much more meaningful business. You're doing stuff that helps people and saves lives rather than just making tractors that moved earth. Anyway, I'd always had an interest in it, and oddly enough, I did some undergraduate work in sort of, I was in political science and I liked science, basically, I liked the whole, I basically studied the political theory of science to some extent, you know, how it was applied to the greater good of mankind and that sort of thing, and I actually did a couple of papers on whether industrial commercialization of science was unethical or not. Believe it or not, back in '75, '76, when I was in undergraduate school, it was still sort of considered tainted for scientists to go into business because, you know, you would bend your science and the scientific method to come up with the outcome that the employer wanted. That

64 was sort of my naive view of capitalism. So, I always sort of had an interest in it, and when I got
65 out of business school, and they started lining me up for job interviews, you know, you sort of look
66 at industry segments, it just took me three interviews to figure out that health care was vibrant,
67 growing, profitable, technology-based, benefiting mankind, and you know, some of the other
68 companies that I'd looked at that were, you know, making paper, making steel, you know, these
69 were products that people used but had no attachment to, that were thrown away. Part of an
70 anonymous infrastructure, and they were dirty industries, not necessarily growth, and I just
71 thought, 'Man, health care really, it's vibrant.' And it seemed like it was growing. There were a
72 lot of these companies that were getting started and it was like, 'Wow, that's the place to go.' You
73 could just see the difference between the health care industry at that time and all these other
74 industries that people were getting jobs in, so, for me, it was not a hard decision at all.

75 **JONES:** And then when you went to Baxter, what exactly were you doing at that time?

76 **BLICKENSTAFF:** You know, I did, I was in financial planning, financial projects. I went into a
77 corporate financial group that basically went out and looked at the operating performance of
78 different divisions, and Baxter was sort of a cluster of not only a core business, but also a bunch of
79 businesses that they acquired to hang onto these core products. And they were sort of
80 autonomous and there was some corporate suspicion of what was going on in some of these
81 autonomous divisions, and so, literally

82 **JONES:** And Hyland was one of these divisions?

83 **BLICKENSTAFF:** Yeah, Hyland was one, and literally, divisions would hand in their budgets annually,
84 and then our group would go out and look at and say, 'OK, has this thing got upside, downside, has
85 it got some horror stories lingering in there that are going to be profit surprises?' So, the group

86 was called profit planning, and we'd go out and we'd look for profit issues. And Hyland was a
87 division I worked in, Aminco was another related division, American Instrument Company was a
88 company that actually made instruments for the Hyland division. Hyland made reagents, and
89 that's where Ted Greene was, and I was working in projects in both Hyland and Aminco, and
90 Aminco I did much more work on, but they made the instruments for the reagents that Hyland
91 used, so that's how I got to know some of these names, and I was, again, in the group that, profit
92 planning was management, Tim Wollaeger, he set up the whole group, so...

93 **JONES:** Do you recall what kind of evaluations were made of Hyland at the time?

94 **BLICKENSTAFF:** Yeah, I can remember, just through the general overall philosophy that compared
95 to the core businesses, the profitability of Hyland was not as good. I think Hyland had a couple of
96 pieces, if I remember, a diagnostics piece and a therapeutics piece, and the therapeutics piece was
97 considered to be the much more lucrative long-term business, but they had both pieces of the
98 business, so its, you know, 'What do you do with this animal?' And I heard, relatively speaking,
99 that the diagnostics side was not as profitable. They had a lot of sort of cost of goods sold
100 surprises that would jump up and hurt profitability. I mean, they would sort of set their budgets
101 and their sales levels and they'd hit their sales plans, but, you know, by the end of the year, they'd
102 realized that they had cost issues, and costs then got adjusted upwards, and profits got wiped out,
103 and there were all sorts of surprises. So, there was that issue, I remember, which was sort of
104 overriding, it was, you know, 'That group out there is out of control.' You used to hear that a lot.
105 And then the funniest part you used to hear, coming from Chicago, was, 'These crazy, wacky
106 Californians.' And that was the overriding thing that I remember about Hyland was that, first of
107 all, there's a two hour time difference between California and Chicago, but despite that, people
108 coming in Chicago, there was this macho thing about coming in early and leaving late, and these

109 people would come in at seven o'clock, and somehow expect people at Hyland to be there, at five
110 in the morning, and so, when the people at Hyland finally showed up at eight, eight-thirty, it was
111 now ten-thirty, eleven o'clock in Chicago, and it was like, 'Where the hell are these flaky jakes at
112 Hyland?' And it was that sort of image, that they didn't work very hard, I remember the building
113 was considered to be a palace. It was on this old, I'm trying to think of what it is now, I think it's
114 the Hyundai building or something. It was a beautiful building near Costa Mesa just off the
115 freeway. It had a big open courtyard where people would sit outside and be in the sun. You know,
116 just outside, and it was this open, casual atmosphere, they actually wore casual clothes, and the
117 people from Chicago would go out there and see these people at Hyland dressed casually, sitting
118 out in the sun, and you couldn't get them on the phone until eleven o'clock in the morning, and
119 then they took off early on Friday afternoons, and it was like, 'No wonder these guys aren't
120 profitable. They're a bunch of lazy assholes.' So, there was this sort of real love and hate, the
121 business was sort of, you know, iffy, and then the lifestyle issue, it was like the Chicago people
122 wanted to convert these guys, you know convert them out of their lifestyle, yet those of us that
123 would go out there in projects would look at it and go, 'This is the way to live. This is the way you
124 should be living.' So, I think actually, ultimately they shut the Hyland division's office in Costa Mesa
125 down, and moved it back to Vanneckburn [?], which was a facility just North of the complex I was
126 in, and you know, I remember it was sort of like, 'OK, we're going to show you assholes. We're
127 going to show you that you can't support your own overhead out there. We're going to close you
128 down, move you back here and make you work harder.' And they lost a lot of people, you know,
129 all these people that we're talking about, the Ted Greene's and the Kabakoff's and, I think, Tom
130 Adams were out there and they said, 'Wait a minute, I'm not moving to Chicago.' Ted, if you get
131 his story, he literally said, you know, 'Buzz off. I'm not going back.' And he actually tried to raise
132 some money for a business plan, I think that was competitive with what Hybritech ultimately

ended up doing, and that's how he ended up with Hybritech. He was out raising money for the same idea. I think it was a company called Cytech. I think I saw this, Ted actually showed me that business plan. So, that's sort of the whole story from my perspective as to what happened with that whole Hyland thing. If it hadn't been for that, I think there would not have been the impetus from the people standpoint, you know, for the early people at Hybritech to be around looking for jobs.

JONES: Then how did you make the transition from Baxter to National Health Laboratories?

BLICKENSTAFF: Tim Wollaeger. Tim Wollaeger recruited me out. I was in finance, and I was looking to segue my career into more general business. I wanted to be a general manager, and in Baxter, that was sort of the, probably the really nice jobs, I should say, the really good career path was to end up being at one of these little subsidiaries where you were the general manager, where you had a little company, basically. That was sort of the ultimate little kingdom, so you could show that you could run sales and marketing, operations, finance and administration, purchasing, you know, all those functions, in a smaller setting, you know, a twenty or thirty million dollar business, and show them that you could run everything, and that way you could...

JONES: Is that a way of leapfrogging?

BLICKENSTAFF: Yeah, it was a way of getting out of the corporate bureaucracy, and then getting the general skill sets that would allow you to leapfrog and run a bigger division. And that's exactly what Tim Wollaeger was trying to do. He did that. He went to Mexico and ran the Mexican subsidiary, and I actually kept in touch with him, because I did some projects for him. I said, 'That's what I want to do. I want to be a general manager. I want to be like a Tim or a Ted Greene, where, you know, they got to run the sales group and the operations group, the

155 marketing group, the entire little company, and so I was trying to get out of finance into that kind
156 of role, and I had a tougher time of it at Baxter, trying to do it, because there were just so many
157 people trying to do that and to get noticed. You know, I'm one of sort of the Darwin theory of life,
158 you know, some of the people had to shake out, obviously, and so I said, 'Look, if you're not going
159 to get me into a marketing career path within Baxter, well, I'll do it on my own.' And Tim
160 Wollaeger offered me a slot at National Health Labs where I had a chance to be exposed to
161 marketing operations, and I said, 'OK, I'm going to go do that.' And I left.

162 **JONES:** Tim Wollaeger told me a great story about his time in Mexico. I guess he started to
163 produce Vialflex containers down there and got in trouble with Bill Gantz. Do you know anything
164 about that episode?

165 **BLICKENSTAFF:** Nothing more than he probably told you. I don't know any independent, you
166 know, sort of data on what he did, but you know, Tim was a free thinker. He had a completely
167 different way of thinking about life than the average Baxter executive. Baxter, you know, it was a
168 very paranoid society where the strongest survived. You had to be very political about it.

169 **JONES:** It was a very gentlemanly atmosphere at the same time?

170 **BLICKENSTAFF:** No, I wouldn't say there was anything gentlemanly about it at all. I thought it was
171 rough and tumble. It was gentlemanly in the sense that this stuff didn't flare up in a sort of
172 outward way, but it was very, very competitive, and sometimes it was better to do nothing than to
173 do the wrong thing and fail. And Tim had just the opposite attitude. Tim's idea was, you know,
174 'For God's sake, try something.' Almost FDR's view of the Depression, you know, 'We've got a hell
175 of a problem here. Let's make a list of the five things we can do, and try something. If the first
176 one doesn't work, scratch it off the list and go to the next one.' And Tim did a lot of things. I think

177 this Viaflex thing was something that obvious to him do, another line of business to bring in and do
178 something, and it pissed somebody off for political reasons. And Tim was, like, that's the sort of
179 thing that he just didn't understand, the politics of it. He was a do it, get it done, sort of a positive
180 guy, who just hated all that political crap, and I think his career probably ran on the rocks because
181 of that, but I looked at Tim, and I said, 'This is the way to operate a business. It's logical, it's results
182 oriented, it's performance based, and it's positive. I mean, those that do well get rewarded. And,
183 you know, 'Let's do the logical, right thing.' And that's the way Tim worked, and he was one of the
184 few guys I ever met at Baxter that worked that way. I said to myself, 'I'd work for that guy
185 anywhere,' and that's why I ended up following him to National Health. I thought Tim was better
186 bet long-term career path than Baxter itself. And so, I left to work for him, and I ended up going
187 to National Health, which was a shitty company, but long-term I was right. Tim was a better
188 investment in my career than Baxter was. I mean, Baxter has not done well over the last twenty
189 years since we've left there. I mean if you compare it to what Abbott went on to do, Abbott and
190 Baxter were approximately the same size at the time we left. Now, Abbott's market cap is three of
191 four times bigger than Baxter, because Baxter has taken a series of sidesteps and missteps, and
192 reorganizations and acquisitions, and not grown, because they just didn't have the right sort of
193 culture. And instead, I invested in Tim, and Tim, well, you can see what he's done. So, it was a
194 really good choice for me.

195 **JONES:** And when you came out here to National Health, when you arrived, Tim was already
196 moving out to Hybritech, almost immediately, right?

197 **BLICKENSTAFF:** You know, actually, there was a sort of intermediate step. Tim moved over to a
198 real estate company, and I ended up going there with him, but I stayed at National Health
199 probably about nine months. He was there about two months. I was naive enough at that point in

200 my career not to know much about other companies in the industry, and you know, National
201 Health looked like it was a health care company that whose name was in blue, that was in ethical
202 medical products, and when I got into it, I found out that it was a low technology, low intellect
203 business that was rough and tumble, that had lots of billing scandal issues, with people who
204 weren't very smart. And it was an awful environment, and it took about two weeks to figure that
205 out. And so I was out here in San Diego, and there wasn't a lot out here at the time. You know,
206 there was IVAC and IMED, and I started thinking about going over there looking for jobs and trying
207 to get with somebody that looked more like Baxter, and Tim went to this real estate company, and
208 although it wasn't the right industry, at least it appeared to be a clean, well-lighted, civilized place,
209 and I thought, you know, that was a better place to pass some time than to, you know, pick up
210 roots and move back to Chicago immediately. So, I did that, and ultimately it was from there that
211 we ended up being involved with Hybritech.

212 **JONES:** And being recruited to Hybritech, it was mainly Tim who was talking to you?

213 **BLICKENSTAFF:** Yeah.

214 **JONES:** What were the circumstances surrounding that? What kind of offer did they make to
215 you?

216 **BLICKENSTAFF:** Well actually, it was sort of an in-the-side-door kind of an offer. They were, I think,
217 undergoing sort of a hiring freeze period. They had gone public and were not meeting their
218 earnings, and so there was a lot of pressure not hire people. And they needed some business
219 planning skills. They had no independent financial business planning person to try to do business
220 plans to raise money, to do annual budgets to control the profits, and Tim, coming from Baxter,
221 where it was very profit-control, financial control, and planning driven, looked at it, said, 'There's a

222 real vacuum of skills here.’ There were no MBAs. There were functional people, you know there
223 was Dave Hale, who had sales and marketing, there was, you know, a director of marketing sales
224 person, there were R&D people, but there were no MBAs, planning people, business people, to
225 sort of look at every thing and ask, you know, “Are we staying within the lines of the road here?”
226 So, they were trying to raise some money to do an R&D partnership, you know, they determined
227 that, you know, the capital that they got through their IPO didn’t allow them to spend on R&D,
228 literally, they couldn’t crank up their R&D line because Wall Street would see them further going
229 into the tank on profitability, and they would have viewed it dimly. So, the idea was to take the
230 R&D, and at that time, you could fund it through what was called a Research and Development
231 Partnership. They’re no longer allowed. It was a clever idea at the time. What you could do was
232 go out and raise this [?] of money, and what you said was that all the intellectual property that
233 was created with the funds of this sort of partnership would be paid back as royalties to the
234 investors on product sales, and it was a tax deductible thing where the investors could actually
235 take the losses in the early days, which was the expensive R&D, and they could flush that, and use
236 that as a tax write-off, so it was a tax write-off deal but a downstream revenue deal. Later, that
237 got wiped out, but it was very, very popular as an income shelter. So, the idea was to be able to
238 spend fifteen to twenty million dollars or more a year on R&D and have the R&D component PNL
239 offset by the revenue at the time. The accounting, you could book the expenses as revenue on the
240 top line, so you showed the contract revenue line for fifteen million contract expense, or R&D
241 expense. The two netted out and it was PNL neutral. Great idea. So now you can go and spend,
242 you know, as much as you want on R&D, and Wall Street doesn’t penalize you for the earnings hit
243 because of the way you can set this thing up. So they needed to get involved, this was a popular
244 vehicle that emerged, it was being done by the Genentechs, the Cetuses, and so forth, and Tim
245 said, you know, as sort of the new CFO, and being there six months, said, ‘We need to do this. This

is what we need to do to ramp the R&D to go after the whole cancer area.' That was the idea, was to ramp up the cancer diagnostics and therapeutics area. So, I got involved writing a business plan that said, 'OK, this is how you'd spend the money, this is what an average product would cost to develop, this was an average product's payoff for a diagnostic or therapeutic, here's the time lines.' You run the numbers, and these were the models that were finally used in doing the R&D partnerships. So that's what I did during the first six months that I was there, and really as sort of a planning person, I got exposed to the diagnostics and therapeutics side, made up the first sort of overall time line, then really fleshed out, you know, how these products would be developed, and developed some of the framework for budgeting, and so on, and so forth. And I did that as a consultant, basically, for the first four months, so that I didn't end up showing up as a head count addition and violating Tim's expense controls that he had immediately imposed on the company. So I came in the side door via this vehicle of capitalizing on the R&D partnerships, and ended up after six months on the project being a full-time employee. I think they called me Director of Financial Analysis, doing budgeting and planning.

JONES: Do you recall how exactly you became aware of this idea, of doing this? Was it because of Genentech? Did somebody see Genentech doing this?

BLICKENSTAFF: Yeah, we had some very, very good legal counsel. Tom Sparks is a common link in all this if you wanted to put another piece of the pie together. Tom, who's at Pillsbury- Madison, a legal counsel for Pillsbury, Madison, was connected with the venture guys and he's very, very well connected with the financial community. I mean, he's very good friends with like, Sandy Roberts, and then Roberts and Stevens, and Brook Byers, and all those sorts of people. I think it was probably someone like him, or one of the Board members like Tom Perkins, who was on other boards, and said, 'Hey boys, this is what we're doing here. Roberts and Stevens said they could do

269 this for us at Genentech. This is something you guys should be seriously looking at because, you
270 know, you guys can't crank up your R&D because of the Wall Street constraint on the earnings
271 thing.' So, I was not in Board meetings. I never was allowed to go to Board meetings. I don't
272 know how it happened, but that's my theory on how this thing came to be, and Tim said, 'You're
273 right. This is the vehicle. We've got to go. The windows on these things are usually short-lived, so
274 let's get this thing out, let's write this business plan, let's get this thing rolling,' and that's how I got
275 pulled into it.

276 **JONES:** Did you participate in any of the roadshow stuff for this?

277 **BLICKENSTAFF:** You know, actually, what happened was, I was not a spokesman on the roadshow.
278 No, I did not participate in the roadshow. I saw it happen. At the time the roadshow sort of
279 cranked up, I segued over into marketing and I became a product manager, and my career took
280 another path. But I actually got to do a lot of the help on the preparation, you know, the filming of
281 the roadshow tapes, making up the slide shows. I helped a lot on drafting the slide shows. I was
282 involved with the bankers and the models that became the selling documents, so I got involved
283 with all that stuff, but Tim really did the roadshow. You know, it was sort of a, it's not like a
284 standard public offering. Now that I've been through it and know what that's all about, usually
285 you do about three weeks of roadshowing and it's over. This thing was marketed as a retail
286 vehicle. It was not an institutional investment where you went out and sold it to a major fund. It
287 was sold to high net worth individual investors who needed to shelter income. So, Tim, he ended
288 up working with these high net worth broker types, the three bankers that were the underwriters
289 on this thing and their retail networks. So, the roadshow became a true roadshow where you're
290 going out and marketing this to groups of high net worth people that collected at the San Antonio
291 Merrill Lynch office for, you know, a presentation with their local retail brokers. Tim has got a map

on his wall. I think that in the early days of the roadshow they thought it was going to be these big institutions, hit them in twenty- one days, boom, close the deal and you're off, and it went on for months. Ask Tim. It may have gone on for three or four months, and I think people just lost interest after they found out that it was a retail deal and that's the way it was going to be sold. I think Dave Hale and some of the senior people just didn't have the time and the wherewithal. There was a flip in the bankers. I don't know the whole story, but Tim can tell you that. I think we went from the lead producing nothing and we finally said, 'Hey, we're going to rewrite this deal, and flip somebody else to the lead.' And then it began to take off, but he sort of single-handedly sort of, you know, scraped up the garbage, and got the troops moving again, and I think it took five to six months to get the whole thing closed, because it was like \$70 or \$80 million. I did play a small role. We had a lot of company visits, you know, where they would have, you know, all these retail people come in, and these individual investors would show up on Saturday mornings and want these company tours, where we had to tell them about the business and the company, and show them the labs, and that sort of thing. So, I did a lot of company based marketing where we'd have these groups of people come through, and I would make presentations. I did smaller ones, but technically, it was Ted and Tim. They did the majority of the big group functions and major roadshow activities. It was grueling. It festered for months. It was not like your standard crescendo to a, you know, a major crescendo and then you close it.

JONES: Well, \$70 million, this is a pretty critical episode for Hybritech, for the success of Hybritech.

BLICKENSTAFF: Oh yeah, I didn't know it at the time. I only found it out later by talking to Ted Greene, who's on my Board. But the numbers when Hybritech went public, I think they raised twenty or thirty million dollars, and had a hundred million valuation, and Ted did it through

315 Morgan Stanley, and it was the first unprofitable company Morgan had ever taken public. And
316 that didn't get them very far. I mean, it wasn't going to get them very far. So, to raise \$70 million
317 was two and a half times what they'd raised in the public offering. It changed the complexion of
318 the company, because immediately after this, then, they had the freedom to spend all this money
319 on R&D, \$10 million, and we launched on building facilities, hiring people, I'm telling you, the rate
320 at which people were hired was, it was mind-boggling. You couldn't keep track of all the people
321 coming in the door, and, you know, you sort of took pride in what your number was. I was
322 employee three-something or other, three twenty-five, the next thing you know, there's four
323 hundred, five hundred, and six hundred, and we had buildings over in Mira Mesa, over on
324 Production Avenue over near the Air Station, and it just grew. It had a huge impact. It completely
325 changed the company.

326 **JONES:** Was it at this time that the therapeutics R&D really got going?

327 **BLICKENSTAFF:** Yeah.

328 **JONES:** OK, then you moved over to marketing and basically you were working with diagnostics
329 products -- what did they have? What was ready to go out the door at that point?

330 **BLICKENSTAFF:** Well, you know, they had three product lines. I actually went over, and first of all I
331 did budgeting for sales and marketing, and for the entire company, so I put together a profit plan
332 for the company for the first time. So, I did this project, you know, for the R&D partnership while
333 Tim was on the road. I did the annual plan, which included, for the first time, a revenue model
334 where I looked at the different businesses, and on the revenue side we had three lines of
335 products. We had TANDEM radioisotopic products, which used an isotope, which they counted
336 with a gamma camera, we had similar assays that had enzyme labels, so they were called

337 TANDEM-E products, and then there were visual products. And the radioisotopic and enzyme
338 products were probably the majority of an annual \$15 million plan, probably, at that point in time.
339 The visual product was a tube- based pregnancy test, and that was probably about one to one and
340 a half million dollars. I ultimately ended up being the product manager for TANDEM Visual, and
341 then the concept that was in early-stage development, which became ICON. So, when I stepped
342 over into marketing, there was a product manager for radioisotopic products, I think that was Blair
343 Shamel, there was a product manager for enzymatic products, I believe that was Bob Perranowski,
344 and then there was the TANDEM Visual products, which was me, and we all reported to Cole
345 Owen. You've heard that name. Cole Owen is now over at Owen & Associates, a marketing
346 consulting group. And the reason...obviously, I wanted to get into marketing, and I had lobbied
347 with Dave Hale. I had actually worked very, very closely with Dave Hale on this whole Hybritech
348 Clinical Partners stuff, and you know, I told him, I wanted to work hard. I had come into Hybritech
349 as this financial consultant, financial analyst job, and I said, 'I'm willing to work hard. I want to
350 work hard.' I was coming out of a company where there wasn't that vibrancy, and I wanted to
351 work hard. But I didn't want to be in finance all my life, so this is a stepping stone to marketing.
352 And David told me that the way he made the stepping stone in his career was product
353 management. And I said, 'Well, I want to do that. That's what I want to do. I want to be that
354 general businessman, business unit manager that, you know, you got to be, David, and if you think
355 the product manager slot is the way to do it, that's what I want to do.' And that's what he found.
356 He had been a product manager in his career, and it worked well. And he described how he had
357 this responsibility for branding the product, and all the marketing plans, and, you know, making a
358 business, and generating the business. So, that's what I did. I went over to be with this TANDEM
359 Visual product, and underneath it, underlying, was a very, very early technology that Gunars
360 Valkirs was working on, which was a way to take TANDEM Visual, which was a pregnancy test,

361 which was as sensitive as the market needed. It had a detection limit, I think, of twenty to fifty-
362 five million iu, but it was an hour and a half procedure where you looked and you compared the
363 color in this tube, there would be a blue color, and you'd have to make this sort of comparison of
364 whether it was lighter or darker. And what Gunars was working on was some way to make a five
365 or ten minute assay, because the theory was, you know, if you can make that sort of a sensitive
366 test very fast and very simple, you'd have a barn-burner product. And he was working on a
367 technology that could do that.

368 **JONES:** Was the discussion really about five or ten minutes, or just cutting the time in half?

369 **BLICKENSTAFF:** You know, there were two lines of thought. David Kabakoff, who was the R&D VP
370 had been working on ways to speed up that format. He said, 'OK, can you get us down to forty-
371 five minutes?' And we looked at that, and there were ways to do it, but you had to give up
372 sensitivity, so there actually ended up being an option in the package insert on TANDEM Visual
373 that if you wanted, I think it was twenty-five million iu sensitivity, it was a two hour procedure, at
374 fifty million iu, it was an hour and a half, and if you didn't mind going for a hundred million iu, or
375 two hundred, you could have your results in forty-five minutes. Obviously, there was a real
376 market demand for as sensitive as you could be, because it correlated to how long after the
377 missed period was somebody pregnant, so literally, people generally get pregnant in the middle of
378 their cycle, and it's another fourteen days until you miss your period, and you start thinking, 'Well,
379 maybe I'm pregnant.' And the idea is to have something that, boom, three days later, as soon as
380 you're pregnant, you'd know, and it was a very rapid and very fast, simple way to do it, and the
381 market was driving towards that, because the radioisotopic assays were that sensitive, and literally
382 as soon as there was a two-cell, you know, a single cell organism reproducing, there was enough
383 of this HCG of those assays to measure. But that was too low of a level for our TANDEM Visual.

384 What we wanted was to get the radioisotopic sensitivity into some sort of a package that was
385 simple, so that the ERs could do it, all the labs could do it, and you would really change the market.
386 And so, that's why we had these two paths. One was toward incremental improvements with
387 TANDEM visual, one was the dramatic improvement with this membrane based technology that
388 Gunars Valkirs was working on, and I ended up being the product manager because there was an
389 inkling, Gunars had actually demonstrated that with a membrane, you could speed these reactions
390 to five to ten minutes and get that kind of sensitivity. And so, he had done it in very crude lab-
391 based set-ups, and so suddenly the focus came to be, 'To hell with the incremental improvements
392 on TANDEM visual, let's put all the money on formatting this crude prototype that Gunars has
393 shown feasibility with in the lab. And I'll never forget Kabakoff coming out of an R&D meeting, or
394 it was a staff meeting, maybe, with the senior management, with Tim and the others, about the
395 time I took on this responsibility, I was being pulled into it, he said, 'Look at this.' He had a chem
396 wipes pad, or a paper towel pad, and he had three little punched out white dots, white membrane
397 dots, white paper filter pads, and they had these little blue dots on them. And I said, 'What's
398 that?' And he said, 'That's a five minute pregnancy test, that's fifty and twenty-five million iu
399 sensitivity.' I went, 'Wow!' He said, 'This is Sluggo.' It's code name was Sluggo. I'm like, 'Wow!
400 What's that?' There was all this excitement about, wow, we had this basic concept on how to
401 speed these assays and make them sensitive, and I got sucked into being that product manager,
402 because Hale thought, 'Hmm, here's a perfect match.' You know, brand new product line, it's not
403 as complex as the radioisotopes, it needs a product manager, it needs somebody that's got the
404 ability to do, not only just marketing, but all the sort of matrix management to do kind of stuff that
405 needs to be done to get a new product up and running, and I became that product manager. And
406 actually, Tim was probably my biggest champion on this whole thing, because Tim, for some
407 reason, got pulled into sort of being active manager of this program. You know, he said, 'This is a

408 high profit impact item.' He started going to some of the early meetings, and he said, 'I don't have
409 the time because of the R&D partnership, you ought to put Kim on this thing. He's my clone.' And
410 that's how I stepped into this whole role and became product manager for visual products and
411 then sort of project manager for this whole Sluggo program.

412 **JONES:** And at the time, what was the atmosphere like at Hybritech? What was it like going to
413 work every day?

414 **BLICKENSTAFF:** It was fun. It was exciting. I mean, I think it's those sorts of memories of how fun
415 it was, how vibrant, that made people go off and do stuff like this again, because, you know, you
416 want to recapture that sense of, oh, I don't know, boundless optimism, I guess, in the sense of,
417 'We can do it,' feeling the impact, knowing that you're making progress every day. I mean, it was
418 a lot of fun. It really was. I mean, otherwise, I wouldn't be here. I'd go back to a big company if
419 that was fun. It was a really neat atmosphere.

420 **JONES:** So, how fast did the Sluggo project progress?

421 **BLICKENSTAFF:** Yeah, you know, I'll tell you. Let me see if I have an old picture here. I had a
422 picture of Sluggo somewhere. It had a date on it. Actually, I'm going to ask Connie if she can find
423 it....I think that happened, I don't even know when we went to work on it. I know we launched the
424 product in like September or October, and I think we started working on this thing in April, April or
425 may.

426 **JONES:** So it went pretty quick.

427 **BLICKENSTAFF:** It was like six months. And Gunars had had some crude....the idea was, instead of
428 taking antibodies and putting them on a bead, I don't know if you ever saw how Hybritech's assay

429 had worked at the time, but you would coat a bead with antibodies, and you'd put that in a tube,
430 and you'd put the patient's sample onto that, and that bead would bind, the antibody and the
431 bead would bind with the analyte that you were looking for, HCG, for instance, which is human
432 chorionic gonadotropin, which is this protein that's produced by the placenta. So that binding
433 would happen, and because it was sort of in solution, they'd have to overcome diffusion, and the
434 molecules would sort of have to pull out of solution and bind to the bead. That would take two to
435 three hours. You then would sort of decant off the patient's sample. Then you would add a tracer
436 antibody that would bind to the other side of the HCG to form the famous TANDEM sandwich, and
437 then that solution phase, or that sandwich antibody that you'd added had a tracer of some sort,
438 whether it was a radioisotope or an enzyme that you had to turn over. So that was, you know,
439 how you did the assay, I'll show you. So anyway, that's how those assays were done. And so this
440 assay was done on a, instead of, you basically substituted a membrane for the bead, and how to
441 package the membrane was the real problem, and back in, OK, this is March of '84, March 29th of
442 '84. The idea he was working on was the membrane was going to sit on some kind of a little filter,
443 and this is a little capillary tube, and that was going to be what, as you poured the solution across
444 this, this was an antibody impregnated dot on this membrane, and the membrane was literally like
445 gauze if you blew it up. It was a porous membrane through which fluid could pass. What it did
446 was, it drives the sample past these antibodies, and it speeds that reaction that you waited to
447 happen in the bead, waited for it to fall out of solution. So, it was a real packaging problem.
448 Gunars could run these assays on the bench top, I think he used to run it on a filter paper, or on
449 some kind of a tube gizmo or something, but how to commercialize it and put it into a package was
450 really sort of one of the major issues. So, this was one concept where he was actually putting it on
451 top of a tube, and it would wick down the tube. Now, somewhere in this time frame, between
452 that point and about June, the idea of actually putting it on what was called an absorbent, was the

453 way to drive this capillary wicking, and I'm not certain how it happened, but I remember we had,
454 not only on this project but another one, we were using acetate filter materials from like cigarette
455 filters for a bunch of different things, like to hold moisture for other test kits. Actually, we used to
456 be the beads into solution, and the solution would leak out of jars for the bead assays, so the idea
457 was maybe we could just put a wet sponge underneath it, then have leaking fluid, and keep them
458 moist that way, and that filter was the cigarette filter material. So, that stuff, I know, was around.
459 You can ask Gunars how he ended up looking at absorbent materials, but the stuff was around the
460 lab. The idea became, OK, let's put this piece of membrane that the antibody's impregnated on,
461 and put it on top of a filter stack. And lo and behold, it worked like a charm, if they were kept in
462 very intimate close contact, the absorbent would pull the fluid and soak it like a sponge, and pull it
463 across that membrane with the antibody on it, and boom, you got these reactions just as rapid and
464 clean as you could imagine. So, we started figuring out how to try to package the thing. Gunars,
465 you know, I had some really old prototypes at home that I forgot about, but we had some
466 prototypes built, where literally, they were clear plexiglas and Gunars would punch out the
467 membrane, put it in, put in a little support, porous support, put in the filter, pop them together,
468 screw them together, and run four assays, and do his clinical research, then pop them apart, and
469 do four more. That's how he actually developed the data for the 510K, which I think went in June,
470 and then we started on the design of some sort of plastic housing, and these are some early hand
471 drawings that our engineer did, and this is the ultimate tool drawing, and that came in, that work
472 actually began in, it looks like it was April, and I think we launched the product in October. And
473 this is ultimately what it ended up looking like. These were the launch materials that I did, the
474 brochures. It was a small plastic casing, you had a blue color dot on it, very easy to read, this is the
475 antibody zone, all the fluid would pass across it, down into that absorbent below. And it was fast
476 and it was slick, and so, all the processing issues, you know, it was a completely different

477 manufacturing process, we were coating membranes rather than beads, we were now in the
478 plastic part business that needed to be assembled, and all the packaging and all these materials,
479 and the image and the name, were all my responsibilities, and Gunars was my chief scientist that
480 did all the R&D, I mean this was his idea, he's on the patent, you know. So, it was like this small
481 team effort. You know, it was not many people. It was probably, I'd say, six to twelve relevant
482 people, sort of guided by Ron Taylor and David Kabakoff, were the two that really sort of gave us
483 the senior management, and names that, some of the names that were on the team were myself,
484 Gunars, Bob Wang, Toni Vodian, Lisa Robinson, a few others in QA and QC, and lo and behold, I
485 think we launched this thing in October of 1984, and we had a stocking order of a million dollars in
486 revenues, so it was like, boom, first month, this was a bigger product than my TANDEM visual
487 product had been. And we had just a tremendous sense of pride about, you know, we named it,
488 we came up with the identity, you know, we created this thing, and it was like, wow, this was a
489 tremendous rush.

490 **JONES:** Nobody was doing anything like this?

491 **BLICKENSTAFF:** No, this was the Holy Grail, and if you could do it this fast, and this sensitive, it was
492 like, boom. And we priced it at a premium, and it still took off like a rocket. And our sales people
493 went nuts. I mean, it was like we had made up probably fifty kits, one for each salesperson at the
494 launch meeting, and they grabbed these things like they were gold. They ran out to the phones at
495 the break to call their accounts. You know, 'I've got a sales meeting, I'll get there as quick as
496 possible, but wait till you see what I've got.' And the sales just took off. Well, this is still the basis
497 for the broad majority of hospital-based testing, and a lot of the over-the-counter stuff uses the
498 principles that were involved in this and developed in this, and other people copied.

499 **JONES:** And Hybritech is still receiving licensing fees?

500 **BLICKENSTAFF:** Hybritech still sells this. This is Beckman's, you know, Hybritech has been bought
501 by Beckman, but this product is still probably a twenty, thirty, forty million dollar product for them
502 that has never been displaced in twelve or fifteen years because it is very, very accurate. It's just
503 very good, and it's hard to make it any better.

504 **JONES:** Was this the biggest selling product that Hybritech made?

505 **BLICKENSTAFF:** Prior to PSA, this was probably the single biggest selling product, and then PSA
506 came along, and as it became clinically relevant, it took off as well, and it became their biggest
507 product, so PSA first, all the ICON products second, everything else was third, fourth, and fifth.

508 **JONES:** It seems like the market for this would be much bigger than for PSA?

509 **BLICKENSTAFF:** No, PSA turned out to be a screening market that turned out to be huge, and the
510 pricing on it was quite attractive. It was quite a high-priced test.

511 **JONES:** Were you involved with that at all?

512 **BLICKENSTAFF:** No, I had a co-product manager, a fellow by the name of Bob Annecome who was
513 responsible for that, he was the driver of that, so if you want to get that story, I've got his name
514 and phone number. He was a good guy. I still keep in contact with him.

515 **JONES:** Is he in San Diego?

516 **BLICKENSTAFF:** No, he's out in Boston. He's back out in the Boston area. But Bob did all of the
517 early work on PSA.

518 **JONES:** OK, this is 1984. After this project, what happened?

519 **BLICKENSTAFF:** Actually, the way it went was, we took this and we started looking at what other
520 applications could we do, what other products could we develop in that format, and we looked at
521 all sorts of rapid infectious disease. We came up with a strep test, that was a part of that program,
522 we looked at doing a rubella test that got into development, that got killed. We looked at doing a
523 serum-based version of this, this was urine. We looked at hepatitis assays, so there was a program
524 related to hepatitis. There was a need to do a quantitative, to do CK-MB, which was a cardiac
525 enzyme, to help diagnose heart attacks. There was a need to do it quantitatively, so there was a
526 program to adapt this to a quantitative format, to try to give that a sort of quantitative endpoint.
527 So, those were some of the programs.

528 **JONES:** And you had success with that?

529 **BLICKENSTAFF:** With some or all of them. The strep test was very successful, the quantitative stuff
530 wasn't because it never hit the design specs for sensitivity and cds, so they were fairly inaccurate
531 tests, so they had limited market appeal, but we did quite a bit of work to bring them to market.
532 And then, I tell you, Lilly bought the company somewhere in the '85, '86 time frame, something
533 like that, and so I actually went out of marketing and went into sales, I took a regional sales
534 manager's job.

535 **JONES:** With Lilly?

536 **BLICKENSTAFF:** With Hybritech, after the Lilly acquisition, and really got separated from Gunars, so
537 other product managers sort of took the product line from there, and they were product managers
538 for it. I was a regional sales manager for the Western region. I did that for all of '87 and early '88,
539 and it was in the '87 time frame, I was back in the home office, and I ran into Guners, and I hadn't
540 seen him in a long time, and I said, 'Gunars, how are you doing? Is Lilly getting to you yet?' And

541 he basically looked at me, and I think he said something to the effect, 'You know, I hate this
542 fucking place.' I said, 'You want to get out of here?' And he said, 'I'd love to.' And I said, 'Well, if
543 you ever want to get out and do something, and I bet that I could raise money from Ted Greene
544 and Tim Wollaeger.' Because they had started up this Biovest Partners. And he said, 'Really?' And
545 his eyes lit up, and I said, 'Really.' So, it was sort of a passing comment, and I don't know how
546 much longer it was later, but it was the summer of '87, I had a call from Gunars and it was a phone
547 message that said, 'Kim, I want to have a lunch meeting with you, to talk about future plans.'
548 Gunars and I never got together. We never socialized, we never got together for lunch, so this
549 voice mail was like, 'What the heck is this all about?' So I called him, and I asked, 'What is this all
550 about?' And he said, 'Well, I'd rather just talk to you at lunch.' So we had lunch at a Chinese
551 restaurant over in UTC or somewhere over there, and Rick Anderson, Ken Buechler, and Gunars
552 Valkirs show up, and they basically said, 'Look, we're getting out of Hybritech. You know, we've
553 got jobs elsewhere.' Gunars had a job offer somewhere else, Ken was chomping at the bit,
554 wanting to move on, Rick was talking about moving on. I was, in fact, talking to Ted and Tim about
555 going to Vical. I was considering going to work with Tim trying to help the Vical group. And so, I
556 was going over to Biovest talking to him quite a bit. And I said, 'Well, it sounds like we're all
557 getting out, so we might as well, you know, if we could get some money from Tim and Ted, I mean
558 we might as well, no harm, and if it doesn't work, we can figure out something else to do.' So, like
559 I said, I'd been seeing Ted and Tim at Biovest, and I said to them, 'Rather than Vical, what would
560 you think of doing seed financing for me and Gunars?' And Tim got real excited about it, because
561 he was doing a real seed deal with some other researcher, where he was putting her up in a lab to
562 do some basic research to see if they could come up with something that you could write a
563 business plan around.

564 **JONES:** Did anything come of that?

565 **BLICKENSTAFF:** I don't know. You'd have to ask him. I don't think that it did. But I said, "Would
566 you be willing to do that with us, rather than me with Vical, literally, we don't know exactly what
567 we want to do, we couldn't do anything at Hybritech, so we'd have to start clean, you'd have to
568 really sort of seed this thing, and believe in it. Would you be willing to consider doing it?" And he
569 said, 'I would. Let me check with Ted.' And he walked next door to Ted's office, because they
570 were right next door, and he said, 'Ted, got a minute?' And he brought Ted in, and he said, "Ted,
571 what would you think if Tim and Gunars got together and we funded them?" And Ted went,
572 'Great!' Ted was just, until you meet Ted, you don't understand it, but it was like, 'Absolutely. Not
573 a problem.' And just like that we started talking about, OK, how much would it be? How much
574 should it be? I got the guys together, and we'd get together on our own time after work, once a
575 week, I think, every other week, just to talk about, OK, what do we need in the way of salaries,
576 what do we need in the way of equipment, you know, let's get together some budgets, let's talk
577 about, you know, what areas we would target to look at once we got started. And we put together
578 basically a time and materials budget to say, OK, how much would we need to get through that
579 first year, year and a half, to have a real business plan with which we could go out and raise some
580 real legitimate, you know, large outside investor money, and we figured it would take maybe a
581 year to a year and a half, and somewhere, I think we thought \$400,000, but Tim decided to give us
582 \$600,000, just to give us some cushion. And that was the deal. And we quit together in March of
583 '88, and incorporated in early April of '88.

INTERVIEWEE: Kim Blickenstaff
INTERVIEWER: Mark Jones, PhD
INTERVIEW: Part 2 of 2
DATE: August 20, 1997
LOCATION: San Diego, California

584 **JONES:** When we left off last time, you guys has just left Hybritech, and had gotten some money
585 from Ted Greene and Tim Wollaeger. What I'd like to ask you about this time is how you built this
586 company.

587 **BLICKENSTAFF:** I don't remember... Well, it's a typical story. We wrote a business plan and tried to
588 figure out how much money we were going to need, and set off trying find, you know, financial
589 people, venture capitalists to come in for second, third, and fourth rounds of financing. So, we
590 were sort of out in the market raising money along with Tim and Ted's other companies that they
591 started, so we were crossing paths with Pyxis, and Cytel, and Vical, and Amylin, and I think Neurex
592 was in that mix. So, there was a lot of sort of crossover, and as they were learning what was sort
593 of a hot deal and how to present yourself and so forth, we learned quite a bit in that time frame.
594 And it's sort of funny because at that time, back in 1989, or 1988, biotech was hot, fairly hot, and
595 biomedical devices, and we were in the device category, was not quite so sexy, because, at that
596 time, you know, devices were not seen as being like pharmaceuticals in that they, you know, if you
597 had a good device that avoided other downstream costs, it could be a pretty interesting story, and
598 that wasn't a hot concept then. And it was hard to raise money for a company that was in
599 diagnostics, or in devices, like Pyxis, so it was hard trying to figure out what was the way to sort of
600 frame the company, you know, what sort of business and what segment it was in, and I think both
601 Pyxis and Biosite suffered in that time period because devices weren't hot. But I think later on,

602 from like 1990 on, as some of the device companies, actually, 1992 on, as some of the device
603 companies became more attractive, like some of the pacemaker companies, the angioplasty
604 companies, now the stent companies, cardiovascular stents, and devices, disposable devices in
605 healthcare that are sort of high-tech are seen as being an attractive investment, so we were able
606 to raise money, I think, by framing the story properly. It changed over that time period, but like
607 any other company, we raised around four or five rounds of venture financing before we went
608 public last February. You know, all told we raised about \$55 million as we sort of marched up the
609 line. And we started out, really, as just a one product concept company. If you look at our
610 prospectus, the original idea was really this drug test, and we didn't know exactly how big of a
611 product it could be, but we thought it could be a twenty to forty million dollar product, and
612 ultimately that's what it is. We sell some forty million dollars worth of it, at retail value every year,
613 so it's right about what we thought in terms of product potential. And it's funny how the business
614 plan has worked out. It really had worked as we predicted it would. We became profitable very
615 quickly, and we were then able to turn around and take the proceeds off of that product and
616 reinvest heavily in some new ideas that we hadn't even thought of in the original business plan.
617 So, there was sort of this one idea which gave the resources to come up with five more ideas, and
618 that's really the point at which we did our offering last year, was to finance the launch of these five
619 new products. So, that's how it really happened, and maybe not atypical for start-up companies,
620 what you started out to do is not always what ends up making you successful, and I think that
621 we're sort of in that bracket a little bit. I mean, certainly, the core business plan we executed
622 beautifully, but then it's sort of like, 'What do you do next?' So, we sort of stepped back and
623 looked at what our larger strategy was, and we sort of cloned this, and came up with five more
624 ideas, and hopefully they'll be able to build the company to the next level, which will be, you
625 know, multi-hundred million in sales.

626 **JONES:** In the very early days, when you were thinking about starting the company, this was
627 shortly after the 1987 stock crash, were you far enough removed from that? Did it have an impact
628 on raising money after the first round?

629 **BLICKENSTAFF:** Well, it personally scared the hell out of us. You know, there was this feeling that
630 all of your financial assets were now worth twenty to thirty percent less, and you know, our own
631 personal feelings of well-being were diminished, and our abilities to take the risks to do this
632 suddenly was diminished. It heightened our fear factor, and then in a larger scope, you know,
633 what were the stock markets doing? What would happen to the IPO markets, and so forth? And
634 it killed all that, I mean, literally, when we started the company, there were no IPOs going on in
635 the medtech arena, so we sort of tailored our business to say that we would grow up to be
636 acquired, not grow up to be public. So, you don't have to worry about there not being these
637 public markets out, that's not what we need to do. We don't need to raise three hundred million
638 dollars from public markets to get downstream. We only need to raise, you know, ten to fifteen,
639 we can do that with private capital, and we'll probably be acquired. So, we changed the model of
640 our business plan, because of this sort of looming lack of market access, because it was post-1987
641 crash. So, I mean, that helped us a lot to raise money, you know, people said, 'Here's someplace I
642 can put my money and I don't have to worry about whether the stock markets are coming back or
643 not.' Those were the two impacts. But it was a very scary time, though. People literally, you
644 know, it was like, you know, Amylin's stock just went down 43% because of clinical trials, and what
645 that does to you on a personal basis is, you know, it's hard, and to have that feeling that we were
646 ready to leave Lilly, Lilly/Hybritech, and to suddenly have 30% less nest egg to do this thing gives
647 you a feeling of sort of fear. You know, if it had gone down 30%, how much lower was it going to
648 go. There was some of that overhanging the market. You know, so, it made it bad. It made it
649 worrisome.

650 **JONES:** When you settled on the ideas of drugs of abuse, did that come from the idea that you
651 would have to look at small molecules because of what Hybritech was doing, to sort of separate
652 the technology?

653 **BLICKENSTAFF:** No, you know, it sort of came from a bunch of avenues. The whole drug area,
654 because of the small molecules and the fact that the sandwich wouldn't work, was sort of a
655 mysterious area that the company avoided because of the technology, and almost, I don't know
656 how to describe it, it was, 'We can't do that. That's something that Syva does, and our technology
657 won't do it, therefore, we'll stay away from it.' And I looked at it, just on a broad basis, you can
658 get these multi-client studies that look at the various categories like cancer markers and hormones
659 and drugs and therapeutic drugs, and they were big, and it was all big instruments, and to me, I
660 just looked at it and said, 'There are no rapid tests here. This is a gold mine.' And that's really the
661 thought process that went through it, and the thing that was comforting was that Hybritech
662 considered it a domain that they couldn't compete in because of the technology, so it wasn't a
663 business, it wasn't a technology that they had anything for, so to me, it looked like a gold mine,
664 and I said, 'That's great. We're not going to be in conflict with Hybritech. Even though it's
665 diagnostics, it's an area in which they've chosen not to compete, and we're bold enough, let's go
666 at it.' And that's how it all happened.

667 **JONES:** When you started as the chief executive of this company, you had a lot of experience in
668 the industry, but it was the first time that you guys had ever really done this, put an organization
669 together. What was it like doing that?

670 **BLICKENSTAFF:** Really, what we tried to do was to sort of recreate the project team that we had
671 back at Hybritech, so if you look at, it was still really a product oriented project team. And we got
672 on our board of directors, guys that we had worked for at Hybritech who were really sort of

673 comfortable with the company-building aspect of it, so it wasn't really that much different in the
674 early days, I mean, Gunars and Ken and I, we interacted in the same way that we did at Hybritech,
675 we did the same sorts of things, you know, in terms of project management, putting together a
676 timeline and all those sorts of things, and that really occupied the first year. It was after the first
677 year that it started to be a bit different of a game, and I had to learn as I went along. I was lucky
678 enough that I had some good board members and investors that I was able to, you know, learn the
679 art of fundraising, and the art of writing a business plan and raising capital, and so forth. So, it
680 shifted from being a single project focus to all of those other aspects, and I think with a good
681 board of directors that I was comfortable with, that had done this with Hybritech, it was very
682 similar to the operating feeling that we had at Hybritech. I mean, literally, we had Ted, Tim, and
683 Tom Adams on our board, and when you look at them, Ted was the Wall Street wizard, so to
684 speak, Tim was a super operating guy that understood all the aspects of putting a company
685 together, and Tom was the technical guru, and between the three of them, they had enough
686 company-building experience that they gave us the guidance to go from being a project team to
687 being a true company over time. But there was a lot of growing pain in it. You know, raising
688 money is not an easy thing to do, and a lot of people looked at me and said I wasn't a CEO. They
689 looked at me and said that if I had really built a company like Tom Adams had built, you know, at
690 Gen-Probe, where they had gone from nothing to revenues and raised twenty or thirty million
691 dollars, then...But the answer was, no, I hadn't done that, but I think that the people on my board
692 said, given what they knew, could I do it? And their answer was unequivocally, 'Yes,' and that,
693 with their guidance, we'd be able to do it successfully, which we ultimately did. So, there was a
694 question about me and about us, and I think if you look at some of the guys like Gunars and Ken,
695 they had been research managers, but had they been VPs of R&D, you know, where they had
696 thirty to sixty people reporting to them, and where they had budgets of like ten and twelve million

697 a year? No, they didn't. Have they adjusted? Yeah, they have. So, it's a matter of growth and
698 having some of the proper guidance, and you can get there.

699 **JONES:** Can you remember any particular instances, any particular lessons that you guys learned
700 along the way, you know, problems that popped up that you had to solve?

701 **BLICKENSTAFF:** Technical or business?

702 **JONES:** Both, in terms of putting the organization together, the research, raising the money, the
703 whole thing. Were there critical junctures?

704 **BLICKENSTAFF:** Yeah. A critical juncture, I think, is the first time you raise money from a larger
705 outside group and you're getting two or three major funds involved where they're going to have to
706 follow on for a couple of rounds. You really have to have, as a CEO, a sense of where you're taking
707 this thing, and the conviction to sit across the table and say, 'This is the route we're going.' You
708 can't say, 'Maybe we'll do this, and maybe we'll do that.' I think that in our business plan for the
709 first round, we had a little bit too much equivocation, and I had to learn quickly that we had to say,
710 'This is the course. This is where we're going. This is how we're going to get there.' I think that
711 was a lesson that I learned in the first two or three months of fundraising. So, I think that was one
712 lesson we learned. Knowing what's in vogue is also another issue that you have to sort of get a
713 sense about. You know, where does your business fit into the industry in a larger sense? Not just
714 thinking of yourself as a company and a product. And I didn't do that exceptionally well in the
715 beginning, and I know how to do that now. I mean, you have to know what's getting financed
716 publicly, what's hot in the minds of the institutional investors, what the successes are and failures,
717 so you know how to frame yourself in view of the larger world, you know, not just as a product
718 company. I'll give you a great example. When we started the company and went out and tried to

719 raise money, we were shocked to find out that diagnostics were not in vogue, that diagnostics
720 were considered to be, you know, people were getting out of investing in them, the failure rates
721 were very high, and there was a general impression that Hybritech was the last company that was
722 ever going to rise up to compete with an Abbott, and nobody wanted to put that kind of money
723 into a diagnostics company again. And that was shocking to me, I mean, I was stunned to find out
724 that diagnostics were not in vogue, in fact, you know, investment firms wouldn't even talk to us on
725 the basis of the industry that we were in, so that ability to know, early on, whether you were in an
726 attractive area or not, and if you're not, why you're going to be different than the failures in that
727 arena, that make people look down their noses at that segment, that's something very important
728 that I learned.

729 **JONES:** And how did you go about that, keeping tabs on what's going on?

730 **BLICKENSTAFF:** You know, something that I didn't have before was the connection to the
731 investment community, the Wall Street investment community, and the analysts that write about
732 different industry segments. Knowing who they are, knowing who is held in high regard on Wall
733 Street, and knowing what they're saying, what they're writing about, and being in the trends and
734 knowledgeable about them, was something that I had no access to when I started the company.
735 And clearly we do now. You know, we've attracted some outstanding banking firms with great
736 analysts, and you know, we're a part of that information flow. In fact, I've talked to analysts
737 weekly, and they're asking me stuff, not only about my company, but what do I know about this
738 guy or that, what do I know this rumor or that rumor, so there's a connection there that I never
739 had when I started this company. I didn't even know that was an element in the game.

740 **END INTERVIEW**

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The San Diego Technology Archive (SDTA), an initiative of the UC San Diego Library, documents the history, formation, and evolution of the companies that formed the San Diego region's high-tech cluster, beginning in 1965. The SDTA captures the vision, strategic thinking, and recollections of key technology and business founders, entrepreneurs, academics, venture capitalists, early employees, and service providers, many of whom figured prominently in the development of San Diego's dynamic technology cluster. As these individuals articulate and comment on their contributions, innovations, and entrepreneurial trajectories, a rich living history emerges about the extraordinarily synergistic academic and commercial collaborations that distinguish the San Diego technology community.