

Tim Wollaeger

Interview conducted by

Mark Jones, PhD

May 2, 1997

SAN DIEGO TECHNOLOGY ARCHIVE



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Tim Wollaeger



Mr. Timothy J. Wollaeger, Tim, is a Managing Director at Sanderling Ventures. Mr. Wollaeger joined Sanderling Ventures in 2002 as a Managing Director and opened San Diego's office. Mr. Wollaeger is the Chairman and Chief Executive Officer at Harkness Pharmaceuticals. He has been the Chairman of the Board since January 1996 and Chief Executive Officer since May 1999 and a Member of Compensation, Nominating, and Corporate Governance Committees of Digirad Corp. Mr. Wollaeger has more than 30 years of experience in the medical products and biotechnology fields in both corporate management and venture capital. Prior to that, he was the Founder and General Partner at the Kingsbury Associates and Kingsbury Capital Partners, L.P., Kingsbury Capital Partners I, L.P., Kingsbury Capital Partners II, L.P., and Kingsbury Capital Partners III, L.P. Mr. Wollaeger founded Kingsbury Capital Partners, L.P. in 1994. Mr. Wollaeger also served as the President and Chief Executive Officer at Smith Laboratories, Inc., from 1989 to May 1990 and a Founding General Partner at Biovest Associates, from October 1986 to September 1993. At Biovest, Mr. Wollaeger helped found Pyxis, Biosite, Amylin Pharmaceuticals (NASDAQ: AMLN), and Vical (NASDAQ: VICL). Previously, he had joined Hybritech, Inc. in 1983 and was its Vice President and Chief Financial Officer until Hybritech was acquired by Eli Lilly & Co. (NYSE: LLY) in 1986. Mr. Wollaeger was the Vice President and General Manager at Baxter International, responsible for the company's operations in Mexico. He began his Life Science career at the firm as a Manager of Operations Analysis. He has been a Director of Chimerix, Inc., since 2002. Mr. Wollaeger serves on the Board of Directors of Alteer, Asteres, Triage Wireless, CalciMedica, and REN. He serves as the Chairman of the Board of Directors for Sotera Wireless, Inc. and Asteres Inc. Mr. Wollaeger has been a Director at Biosite Inc. since 1988 and was its Chairman of the Board from 1988 to October 22, 2004. He serves as a Director of Celtrix Pharmaceuticals, Inc.; Raytel Medical Corporation; Senomyx Inc. since May 1999; and several privately held medical products companies. Mr. Wollaeger has been a Director of Aurora Biosciences Corp. since March 1996. He served as a Director of Phamis Inc. since February 1994. Mr. Wollaeger founded Columbia Hospital in 1990 and was a Senior Vice President and a Director from May 1990 to

December 1993. He was named E&Y San Diego's Entrepreneur of the Year in 1995 and Corporate Director of the Year in 2001. Mr. Wollaeger served as an officer in the U.S. Navy for three years. He holds an MBA from The Stanford Graduate School of Business in 1971 and a BA in Economics from Yale University in 1966.

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1 **JONES:** Let me start with just a few follow-ups about Hybritech. You were brought in
2 to take over Jungwirth's job? What was that situation like?

3 **WOLLAEGER:** Well, it was harder on him than it was on me. I had very little time
4 with him, but I think Jim was more of an accounting type financial person, and the
5 company was looking for more management...

6 **JONES:** A strategic planner?

7 **WOLLAEGER:** Yeah, so he found another job and left. I'm not even sure if he was
8 told I was coming in, and he was supposed to find another job, or if he was going to
9 run accounting and I was going to be part of the upper management team. I don't
10 really either know or remember.

11 **JONES:** At Baxter, you were doing a lot of stuff with manufacturing, but at Hybritech
12 you never really got into the manufacturing operation?

13 **WOLLAEGER:** Well, I think -- without trying to glorify this too much -- I tried to be
14 part of general management. What did I do in manufacturing? I had something to do
15 with some of the facilities locations that we had, and when we started making the
16 ICON pregnancy test, which instead of being a couple of drops of chemicals in a
17 bottle, required plastic and membranes and assembly, and all that, I went with Taylor
18 and we picked out... together we interviewed people in Tijuana as a maquiladora
19 person, and I think the company relied on my understanding of 'this Mexican guy will
20 get it done, this one won't.' So, I helped locate that and stuff.

21 **JONES:** A number of you came from Baxter -- you, Ted Greene, and I'm not sure
22 when Kim Blickenstaff came in...

23 **WOLLAEGER:** He came in almost right after I did. David Kabakoff was at Baxter. Bill
24 Crean was from Baxter.

25 **JONES:** Did you apply a lot of Baxter techniques at Hybritech? You know, if a
26 problem pops up, 'how do we deal with this? Well, we did it this way at Baxter...?'

27 **WOLLAEGER:** Baxter was such a strong company when all of us were there in the
28 '70s, and the CEO was a fantastic guy named Bill Graham. You just knew that every
29 year, you were going to have 20% growth in revenues and earnings, and basically, he
30 wanted executives that the clerical people thought were nice guys, and I think he also
31 didn't like union activities or anything like that. He didn't want you to treat people in
32 ways that would cause them to be in union activities. So, I'm not sure -- we didn't
33 have 20% growth in earnings per share and we were never...but I think that all of us
34 were students of Bill Graham, and great admirers of him, so I think in terms of, you
35 know, 'nothing's impossible,' you just set your goals and get it done. I mean Graham
36 was just a dynamo, an absolute dynamo. You know, the kind of guy who would say,
37 'Well, what do you think we ought to do about this problem?,' and he'd say, 'Why
38 don't we call the CFO...' -- I mean, I worked for Graham, right under him for three
39 years, and he'd sort of say, 'Figure out this problem on currency, but before we get
40 into it, let's call General Motors and IBM, and ask them what they're doing.' And we'd
41 call them, and more often than not they'd say, 'God, we never even thought of that
42 problem. What are you doing?' We'd tell them and they'd say, 'That's a great
43 solution.' So, he was ahead of things, and there was none of this, 'Oh, that's a big
44 problem for us to tackle, let's wait.' Graham was just 'boom, boom.' I think there was
45 a lot of that attitude at Hybritech.

46 **JONES:** Did you do a lot of that -- calling around to other companies -- because this
47 is a very new thing. Everything you do at Hybritech is new...?

48 **WOLLAEGER:** Sure, I think we relied on...you always rely on, 'well, how did R&D get
49 anything done at Baxter,' or 'how was the sales force set up?,' and 'what kind of
50 people did you hire?' And Kleiner-Perkins had a lot of other companies, and
51 sometimes we'd call up other Kleiner-Perkins companies that were ahead of us to see
52 what they were doing, yeah. Genentech, and maybe CareMark, Home Health Care of
53 America -- same company -- they changed their name. They were a home, total
54 parental nutrition and IV therapy company, also Kleiner-Perkins, and also a bunch of
55 former Baxter guys, up in Orange County.

56 **JONES:** Right. At Hybritech, how hard did you people work? How many hours did
57 you put in typically? Was it pretty intense?

58 **WOLLAEGER:** I don't know. I never know how to answer questions like that, when
59 people ask me, 'Have I worked hard?' I don't know. You're having fun, time passes,
60 and stuff. I don't think it was the kind of company where everybody just sort of
61 said...I mean I know a couple of companies where, just to make it...they work
62 Saturday mornings, just to make sure that everybody...and you never fly on a work
63 day. You know, if you're going to New York, you never fly on a Monday, you fly on a
64 Sunday. I don't think we were quite that way. But, especially for the technical
65 people...I had never really dealt with a technical group of people before. Experiments
66 don't necessarily get done in a nine-to-five type thing. I'm thinking, actually, about
67 one of my children who worked there during the summer, and he drove up there and
68 was working on something, and I woke up at three o'clock in the morning and he
69 wasn't home, he was about sixteen, summer job, and I thought, 'Geez, where's
70 Michael?' So, I phoned Michael, didn't get an answer at his lab desk, and I started
71 worrying that he had exploded something or...so, I got into my car and drove out
72 there, and he was practicing his stick-shift driving up and down on a hill in the
73 parking lot, waiting for his experiment to get done. And there was a lot of stuff like
74 that where, because of the way experiments got done, the technical people worked
75 long, odd hours. I'm not sure that they worked more hours than us, but they were
76 there at all kinds of funny times. So, yeah, I think people worked hard. I'll give you
77 my example of that. I showed you, I think, the last time you were here, that map of
78 where I flew? OK, I was on the road for five solid months. There were people in the
79 company who would say, 'My God, how can you stand doing this?' I'd be in Atlanta,
80 and someone would say, 'There's a group that wants to have dinner with you in
81 Seattle.' I'd fly to Seattle, and they'd say, 'There's someone in Dallas who wants to
82 meet you.' And I'd fly down to Dallas, and the only sleep I was really getting was on
83 airplanes. So, was I working hard? Yeah, I think by most standards, I was working real
84 hard. Was I having fun? Yeah, I was having fun. It was the closest I'll ever be to being
85 a rock star. You know, I had my concerts every day, and had to go from town to town.

86 **JONES:** Working with the technical people, setting up these labs -- it's different. R&D
87 at Hybritech is different than R&D at Baxter, right?

88 **WOLLAEGER:** Sure. I didn't even know R&D existed at Baxter. Yeah. I think one of
89 the things that was different in terms of the R&D is, we located the company over

90 here because we were recruiting people out of academic positions. And I think that
91 by being closer, they could sort of drive by and feel like they were still at the
92 university a little bit, or at Scripps, and they could go to the libraries, and stuff like
93 that, and their motivations were different.

94 **JONES:** What do you think their motivations were?

95 **WOLLAEGER:** Well, I don't think you could have gone to the average person at
96 Baxter, and asked, 'What are you here for?,' and have them say, 'Because I want stock
97 appreciation.' You know, they were there to make a living. And people left the
98 university to come to Hybritech because they thought that the labs were better, and
99 they could have greater freedom in terms of what they were doing, they didn't have
100 to write as many papers, they didn't have to worry about applying for grants. All they
101 had to do was science. I remember having a discussion with a high-level person once
102 where we brought him in -- in a series of meetings with different people -- but this
103 one particular person, I offered him some stock options, and he said to me, 'Oh, you
104 financial guys, you think you're going to give me these stock options and make me
105 happy. If you really want to make me happy, what I'd rather have you do is give a
106 microscope to UCSD in my name. I said, 'If you'll give me your stock options, I'll buy
107 the microscope.' I could have done that, but you have to sit there and say to them,
108 you know, 'This is real money. If things work out, this could mean a lot to you, you've
109 got to see some value in that.' Now, whether they did or not, I don't know. Probably
110 when it became real and they could buy stuff it did, but I think along in the process,
111 they were there because the labs were better.

112 **JONES:** The last time I talked to you, you told me that people were generating new
113 ideas for new technologies or paths of research, and you're job, at some point, was to
114 say no, how did they respond to that?

115 **WOLLAEGER:** Well, you have to start getting into personalities a little bit on this. I
116 mean Ted Greene is not a confrontational manager. David Hale is not a
117 confrontational manger. You know, whenever it was time to fire somebody, they'd
118 rearrange the organization so the person would work for me, and then I'd have to fire
119 them. I don't know why I was the bad guy, but that was the role I had there. So, I
120 think that Ted and David, they may not agree with this at all, but I think they felt that
121 you had these scientists, and you didn't want to stomp on their creativity. So, they
122 never said no to them. And they'd always have to come to me, and I'd always have to

123 say, 'Well, we'd love to do it, but there's a budgetary constraint,' or something like
124 that, to try and say, you know, 'That's a great idea, that really big guys understand,
125 but I'm just a bean counter, and I don't understand why this would be better than
126 that. Sorry, I'm just going to have to tell you no.'

127 **JONES:** Do you remember any particular projects?

128 **WOLLAEGER:** Yeah. I can remember -- and I think this is almost Clintonesque type
129 management by David Hale -- I remember Joanne Martinis, who was head of cell
130 biology. I can't remember the numbers exactly, but she had like thirty people in her
131 group, and she put together this plan and she wanted ten or thirteen more people.
132 She was making basically raw materials that would then work their way through the
133 process. Well, we had a library of these things that we were trying to turn into
134 products, and she came in and had put this budget together, and she wanted very
135 large increases, and expensive people. You needed lab space and all this kind of stuff.
136 And I put all this together and I came to David, and I said, 'OK, here's how the budget
137 comes together, and we can't do everything, and I think we're going to have to take
138 this out, and we're going to have to take this out, including the thirteen people that
139 Joanne Martinis gets -- she can't have any. We don't need that anymore -- new cells at
140 this point.' And he said, 'OK, I'll get together with her and tell her we can't do it.' And
141 I'm sitting in my office and Joanne comes out of David's office, and passes mine,
142 which is the next one, and kind of goes, 'I got it.' And I said, 'Got what?' She said,
143 'David's going to let me enlarge my department.' I walked into David's office and I
144 said, 'David!' And he said, 'Well, why don't you get together with her and talk to her
145 about it.'

146 **JONES:** OK, after Lilly bought the company, and it became clear that you guys were
147 on your way out eventually -- you were the first to leave, right?

148 **WOLLAEGER:** Well, Ted and I left the same day.

149 **JONES:** Had you talked with Ted about doing Biovest before?

150 **WOLLAEGER:** No.

151 **JONES:** Well, what did you then? You left Hybritech, what did you do the next day?

152 **WOLLAEGER:** I had been -- I think I told you my little story about how I had been
153 let go and stuff, didn't I?

154 **JONES:** I don't think you did.

155 **WOLLAEGER:** Well, after the merger, Ted was probably told, you know, we want
156 you to write some big strategic plan, but David Hale's going to run day-to-day
157 operations, and you can be some kind of advisor to the top management of Lilly.
158 Whether he knew he was leaving at that time, I've never gotten him to tell me that.
159 I'm not sure I've ever asked him. But anyway, Lilly invited me to a seminar in Indiana,
160 not at their headquarters, but at a little resort. It was for fifty people that they
161 thought were sort of the up and comers of the next wave of top management. And I
162 was, let's see, that was in 1986, so I was forty-two years old, and it was sort of that age
163 level of people. And I think there was one other person there from Advanced
164 Cardiovascular Systems that they'd also acquired. And the two of us were the only
165 people there who had been at Lilly less than eighteen years. And it was a very unusual
166 thing for me, having come from a small company, but they basically stood up in front
167 of us ahead of time and said, 'We want this to be a free-wheeling eight day seminar,'
168 in Brown County, Indiana, and, 'You're not being evaluated; there will be nobody
169 here from senior management looking over your shoulder. It's just you fifty,' with
170 some young lady who played sort of hostess to us. But every day was going to be run
171 by a different professor from Indiana or Purdue or Northwestern or Chicago. So, the
172 first day we had a game, you know, 'I want everybody to think freely to come up with
173 an answer to this problem. Take two hours, submit it in writing, we'll have lunch, and
174 then we'll come back and discuss them.'

175 **JONES:** Was this a business problem?

176 **WOLLAEGER:** Oh, this first one was...No, they were trying to get us to think about
177 how things could be different in the future, so this first one was actually, 'Give us a
178 description of a different kind of human being physically, in terms of height, and size,
179 and this kind of thing,' and we had to come up with a sport for them to play. And
180 forty-nine people came back with ideas like baseball with different size bats, you
181 know, to fit these different sized people, and I came up with this game where people
182 rolled down inclined planes and did all this kind of stuff, it was quite elaborate.

183 **JONES:** An extreme sport.

184 **WOLLAEGER:** Yeah, an extreme sport for people who were two feet tall and five feet
185 wide. And the guy came in and said, none of these things were very exciting, except
186 for one, Tim Wollaeger's here.' So, I went up and presented my game. And basically,

187 the same thing happened on the second and the third day. I didn't think I'd done
188 anything to show-off particularly, except the fourth day, we had a presentation.
189 Groups of seven had to give presentations, and we were the last ones to go, and there
190 were clocks or something you could win if you had the best presentation. By the time
191 you go eighth or ninth, you know, who's going to be listening, and do you really think
192 you're going to come up with something that no one else has had? So, I proposed that
193 we do ours in song. I wrote the song and did most of the singing, and the next day
194 they came in and touched me on the shoulder, the Vanna White hostess came in and
195 tapped me on the shoulder and said, 'Could you come with me, please?' I got hauled
196 into a suite and there was the head of personnel and a lawyer, and they told me that
197 Lilly subscribed to a team oriented management style, and they didn't like the way I
198 was dominating their seminar, and they basically fired me, which was odd, because I
199 had a three-year employment agreement in which they had pressured me, five
200 months before, to sign. So, anyway, I came back from this seminar -- they didn't
201 really fire me, they said they were going to try to find something else for me, or
202 something like that -- I came back, and it was pretty obvious to my secretary -- I had
203 gone for a week's vacation, when I got back, my secretary knew that I'd been fired -- I
204 was the only one that didn't know. And then, I worked them pretty hard on it and got
205 a nice financial deal, and then they basically, in probably Lilly's way they view the
206 world, and themselves as good guys, they said, 'Now that we've worked this out with
207 you, rather than us hassling with Ted Greene, we want him to leave on September
208 30th, too, would you out-process him?' So, I sort of got to out-process Ted, and then
209 we both left the same day. So then, I had this sort of month that I was in limbo. And
210 it was an odd time in my life, because we had, you know, sold this company for a lot,
211 and I had been, I think, pretty influential, and had done most of the hours of work on
212 the merger, not the most important points, but in terms of hours I had, and so there
213 were lots of people calling me about jobs. So I took a tour -- I went to San Francisco,
214 and I went to Pittsburgh, and I went to New York City, and a couple of places in New
215 Jersey, things set up by executive search people with investment banking firms,
216 things like that; they wanted to talk to me about maybe having me come to work for
217 them. In the meantime, Ted had two things happening while I was gone for about
218 two weeks doing this. One of the people I had gone to see had been Henry Hillman in
219 Pittsburgh, who had been our biggest shareholder, and Henry had just sold his third
220 of Hybritech, and he had another company that he had just sold, and he said that he
221 had eight hundred million in cash that he needed to get reemployed, and maybe I
222 could come to work there in Pittsburgh, and help him figure out what to do with it.

223 He had a whole staff or people, a building, but, you know...So, I went and saw some
224 other things and then came back to Pittsburgh, and he said, 'Before we decide
225 anything, why don't you go back to California and talk to Ted.' In the meantime,
226 while I had been doing my thing, he'd come out to California, and Ted had, in the
227 meantime, been invited by Stanford University, which was also a shareholder of ours,
228 to come up and consult with them about some professors who had come up with
229 some idea, what to do with it. These were the founders of Neurex. I can't remember
230 their names. Anyway, so he did that, and then he came down and had dinner with
231 Henry Hillman in Los Angeles, and Ted relayed this thing to him, and Henry said,
232 'Gee, why don't you do more of that, and then you could put some money behind
233 these companies, as you help these universities roll this stuff out, and if you'll put up
234 some money, Ted, I'll put up some money and maybe Stanford will even put up some
235 money, and we'll figure out how to do this. And I'd like you to have Tim Wollaeger
236 join you in doing this.' And I think Henry had pretty good faith in me, that Ted was
237 pretty visionary and I was sort of nuts and bolts, and got things done in a timely
238 manner. So I got back from this trip and called Ted, or Ted called me, and he said,
239 'Henry wanted me to talk to you.' So, we got together, and he said, 'I think we can get
240 together five million dollars from Henry, and myself, and Stanford, and Sutter Hill
241 Ventures,' and the idea would be that we'd hang around as the only two unemployed,
242 experienced biotech executives in the world, and hang around the university here and
243 Stanford and see if we could find some other ideas, start these companies, and then
244 Sutter Hill and Hillman would back them, and then we'd get a carried interest on the
245 amount we're doing, and it wasn't traditional venture capital because most of the
246 time, you know, people raise a hundred million dollars and they get 2% or something
247 for managing it, but we had only five million dollars, and 2% wouldn't have been
248 enough to even pay us.

249 **JONES:** So, Ted actually put some of his own money in?

250 **WOLLAEGER:** Ted put a lot of money in. He put a million dollars in.

251 **JONES:** And you didn't?

252 **WOLLAEGER:** I didn't have that kind of money. I put sixty thousand dollars in.

253 **JONES:** So, how did you go about trying to find people and technologies?

254 **WOLLAEGER:** Well, I must admit, this is where my memory starts to get hazy. I
255 mean, what we basically did was, Ted lives in Rancho Santa Fe, Fairbanks Ranch, and
256 I live in La Jolla, and we sort of drove toward each other and said, 'Gee, Carmel Valley
257 Road is about halfway.' So, we found an office on High Bluff Drive, moved in there,
258 and the first thing Ted did, in memory...first of all, we had these people at Stanford,
259 so we tried to put money into Neurex, and the attitude of Stanford was, 'No, we
260 already know about that one. Find something else.' So, we sort of squealed a bit, and
261 ended up putting \$200,000 or something like that into Neurex, so it wasn't a real big
262 deal, and Ted went on the board there. And then, we sort of did two different things,
263 and it'd be interesting to see how Ted perceived it. To me, what Ted did, is he sort of
264 said, 'I think that if we could get an immunologist and a biologist and some other
265 discipline together, and created the right environment, they'd come up with
266 something.' And he did a bunch of journal reading, and he came up with a list of
267 leaders in each of these disciplines. And then he'd go out and he'd meet with, say, an
268 immunologist, and say, 'What if I can get this biologist working with us?' And he'd
269 hear things like, 'Oh, that guy's a son-of-a-bitch who tried to steal a project from me
270 when we were at Harvard,' or something, 'I'll never work with him again.' So, he did
271 this modeling until he came up with three people who would work together, and
272 created Cytel. He had the idea and went out and brought a group of people together,
273 including Howard Grey, out of Denver. And what I did is, I sort of hung around the
274 halls of UCSD, and my first company began when our patent attorney at Hybritech, a
275 guy named Larry Respass, came to me and said he had a guy named Karl Hostetler,
276 who had done some work in sustained release calcitonin for osteoporosis, and he was
277 helping him file patents because the university didn't think it was interesting enough,
278 and he asked me if I would look at it and think about starting a company. I liked Karl
279 and thought he was creative, and he educated me on osteoporosis and the big
280 markets for calcitonin in Europe and Japan, but it wasn't doing much in the U.S.
281 because, basically, the body cleared it, and I thought, 'Gee, that makes sense,' and so
282 we started Vical. And we included his lab partner because of some ethical challenges
283 from the university, and this guy, Doug Richman, was working on viruses, so Vical
284 was viruses and calcitonin, Vical -- or it was Viva California, I asked Karl the other
285 day which it was and he couldn't remember, but we probably came up with the name
286 for both reasons. And then you know, I was out looking at things, people find out you
287 have money and they ask you to look at things, and I got a call from a guy I knew at
288 Baxter, who was up in Ventura County, and he had an idea for a company, and we
289 agreed to drive toward each other, and asked Ernst & Winnie, I guess, at the time,

290 pre-Ernst & Young, whether I could use a conference room in Orange County. They'd
291 been our auditors at Hybritech. And I went in and met with this guy, I don't even
292 remember what the idea was anymore, but I didn't like it, and then I went in to thank
293 Ralph Saban, the partner there, who I had talked to, and he said, 'I wonder if you'd do
294 me a favor. We have a young lady in our office who is sort of editing our brochures to
295 make sure the auditors and the tax and the consultant people have a uniformity to
296 what they're saying. She's not highly skilled and not very sophisticated' -- she'd been
297 a nun until recently -- 'and her father is a retired doctor who's a tinkerer, and she's
298 trying to help him raise money for an idea, and I'm sure it's not sophisticated enough
299 for you, but I'd appreciate it if you'd give her ten minutes of your time, and give her
300 some advice.' And she gave me Pyxis. And that's how Pyxis got started. And the thing
301 that got me going on that was that she was very sincere and very emotional about
302 how important this was. And I asked, 'Does your father have any privileges anyplace.'
303 And she said, 'Yeah, Long Beach Memorial.' And I went up the next day because I just
304 liked her, sort of, I liked her emotion about it. And we sat in Long Beach Memorial
305 for about six, eight hours and watched drugs move out of the warehouse, to the
306 pharmacy, to the nurse floor. And I didn't say, 'Wow, this box they had put together
307 is neat.' I just said, 'Man, this is a problem. They have found a problem.' And I
308 thought maybe this was a problem we could fix, and that's how we started Pyxis, and
309 then the next one to come along was Amylin. Do you want to know how Amylin got
310 started?

311 **JONES:** Sure.

312 **WOLLAEGER:** A guy, a doctor, named Garth Cooper, from New Zealand, had applied
313 to Oxford for a scholarship that they give every other year, to work on his Ph.D. And
314 the winning proposal that he submitted was, they had discovered these things called
315 amyloid deposits back around -- Ted will kill me if I miss it -- but I think the year was
316 about 1904, it might have been 1902. And he wanted to come and use modern
317 separation techniques to take a look at amyloid deposits. He was an endocrinologist,
318 and his interest in that was, he had done a number of autopsies on Type-II diabetics
319 that had died, and found these deposits to be very heavy amongst them. And people
320 had historically thought that it was some sort of a waxy, waste material, and he just
321 wanted to take a look at it. So, he went to Oxford and used separation techniques and
322 found out that it was a protein that had somehow, you know, dehydrated or
323 compacted or something, and thought he was onto something. And he went down
324 the hall to the head of the medical school, and I think his name was Weatherall --

325 Ted will know the history of this -- and when Ted was looking for the people for
326 Cytel, he had been to Oxford and had tried to get Weatherall to say whether, you
327 know, Joe Blow was a real good chemist for whatever he was doing. So, Cooper came
328 in and said, 'What do you think I ought to do about this?' And Weatherall told him,
329 'Oh, I know this guy from San Diego who tries to start companies around stuff like
330 this -- why don't you call Ted Greene?' And Garth Cooper phoned us from Oxford
331 and said, 'If I pay my own ticket, can I fly over and meet with you on Saturday?' He
332 flew over on a Friday and met with Ted all weekend. I came in on Monday and Ted
333 introduced me to him, and said, 'Here's his idea. What do you think?' And I said,
334 'Gee, sounds neat, let's go for it.' And that's how Amylin got started. That's five, right?

335 **JONES:** Yeah.

336 **WOLLAEGER:** The sixth one was, Kim Blickenstaff had worked for me for basically
337 his whole career, and he came over to see me at Biovest and said, you know, 'Lilly has
338 picked me out as some star of the future,' that kind of type thing. And Lilly did a
339 great job of diversifying the experiences of their management, and he said, 'They
340 want to move me to London to work in Human Resources for a couple of years,' and
341 Gunars Valkirs, who had invented the ICON... Did I tell you the ICON story?

342 **JONES:** No.

343 **WOLLAEGER:** Well, let me come back to Biovest. Again, this is one of the things
344 that sort of happens in companies, and it's maybe a reason for just concentrating on
345 drafting good people, too. We had had a pregnancy test that was in a test tube and it
346 turned blue, and it took about an hour and forty-five minutes to do it. It was doing
347 quite well because it was non- radioactive and very sensitive. And then I think
348 Hoffman-LaRoche, or Roche, knocked it off, and made it about fifteen minutes faster
349 than ours, and it didn't hurt us too bad, but our growth was slowing down. So, we
350 had a management meeting with R&D and said, 'We've got to figure out a way to
351 make our test faster than Hoffman-LaRoche's.' And I think that everybody there
352 thought that we could probably find some way of juicing up the chemistry and, you
353 know, get our test down to an hour and fifteen minutes, or something like that. And
354 Gunars Valkirs had been with the company a relatively short time. In fact, I didn't
355 recognize him when he came to see me. And he was a physicist -- I don't know why
356 we had him or anything, but anyway, he came in and he sort of went down our
357 executive office hallway, and came in and saw me, and he had this glass tube about

358 that long, with a membrane in one thing, and a pump, and he told me that he'd been
359 able to suspend these antibodies in a membrane and keep them alive, and then by
360 sucking the specimen through this membrane that had turned over so quickly, that
361 he could get it to develop a blue spot in under four minutes. And I thought this
362 was...I mean, just immediately I thought, 'Man, that's neat,' but, maybe this is ego,
363 but I think the rest of the management team thought, 'We're never going to do
364 something like that.' So, David Hale said to me, which probably was telling and
365 appropriate, he said, 'Tim, you always like to stick your nose in everybody's business,
366 ' which I probably did, having been a general manager before finance, 'why don't you
367 go ahead, if you think this is a project, go ahead and take it on as a project.' So,
368 Gunars Valkirs, Cole Owen, who worked for me in sort of licensing and business
369 development, and I sat down to do this project. And it was right in the middle of this
370 financing thing where I was flying around. Well, we thought that I was going to do
371 that for two weeks and I'd be back. All of sudden, I got out on this five month deal
372 and Blickenstaff was a financial analyst working for me. I called him and said, 'Kim, I
373 can't make the Icon meeting. Would you go ahead and take the meeting and see what
374 people want?' And Kim took that group, and Bugler joined the group and Rick
375 Anderson joined the group, both R&D people, and they went, in five months, from
376 Gunars showing me the glass tube, to having an FDA approved product on the
377 market. And it was completely different than anything we had; that's why we had to
378 go to Tijuana. We didn't have enough room or people to assemble it all. Our strategy
379 was, we priced it very high, thought that we would skim the market, and we
380 predicted that after it sort of reached maturity, we'd be shipping about a hundred
381 thousand units a month, and we shipped a million units the third month. It was just
382 blow-up, an absolute blow-up.

383 **JONES:** Was this the best-selling product that Hybritech had?

384 **WOLLAEGER:** Until the PSA test came out, which we were doing clinical trials on at
385 the time, but didn't get approved until after Lilly. It didn't get FDA clearance until
386 then, but when we sold the company to Lilly, it was our best selling product. It
387 probably accounted for about a third of our revenues. It was just a marvelous
388 product. Blickenstaff then moved into sales with it -- well, R&D management, and
389 then into sales management. And he would take the product out -- There's a place in
390 Houston, the Texas Medical center which has a number of hospitals, and he said that
391 word spread so quickly, that as he was trying to move around to show people this

392 test, people were stopping him in the elevators, and they'd get out and they'd run it
393 on top of the Xerox machine. Have you ever seen an ICON test?

394 **JONES:** No.

395 **WOLLAEGER:** Well, it's sort of a test tube. I mean the thing looked like a little eye
396 cup. You put four drops of urine on it, and in four minutes it would turn blue if you
397 were pregnant. It was magic, it was absolute magic.

398 **JONES:** Can you still get these things?

399 **WOLLAEGER:** Well, you know, all the tests out in the drug stores and stuff that turn
400 blue, that's all that same technology. They out-licensed it to other people. But it was
401 just mind-blowing at the time. You'd go to the hospital and they'd have this machine
402 that would do the test for a lot cheaper than our three dollar test, but if you're a lab
403 tech are you going to go through all this crap, or are you going to drop a couple drops
404 of urine and go, 'Oh, yep.' And really what had happened, and this is where the
405 excitement was, we had looked at the market, you know, here's a pregnancy test, we
406 can come in and replace it, but what we didn't anticipate was, all of a sudden, in a
407 doctor's office, instead of having the woman come in, take a bottle home, take first
408 pass urine in the morning, bring it back, send it to a lab, get the results back -- this
409 thing was so sensitive that you didn't have to have first pass urine, and people would
410 come in, and the receptionist would say, you know, 'tinkle on this thing,' she'd walk
411 in to the doctor, and the doctor would say, 'You're pregnant.' So, you cut three days
412 out of this process, and then people would come into emergency rooms and if you
413 were of child-bearing age, a woman, they'd say, 'Do you think you're pregnant?' And
414 they'd say, 'No.' And they'd X-ray them. Now, give them an ICON -- boom! And the
415 shipments were just flying out the door. And then a guy, I think at the University of
416 Wisconsin-Milwaukee, learned that if you took the whole thing and filled it up to the
417 top, which was, you know, a couple ounces of urine, and went through it, if a woman
418 had an ectopic pregnancy, it would light up. And he wrote papers on it, and you
419 know, that was a new market. It was just marvelous.

420 **JONES:** Did you have problems scaling this up?

421 **WOLLAEGER:** Oh man, sure, I mean we had a period of time in that third month
422 where we shipped a million units, where my secretary threw out her back working on
423 the night shift making those, because people would come into work, you'd go over to

424 the plant -- and we didn't have an assembly process -- everybody would take a tray
425 from the cafeteria and get a bunch of parts and sit there and put them together. It
426 was marvelous. I love messes like that. And then Taylor did a nice job putting it all
427 together, getting it automated, and then we'd cut out all the parts up here and had it
428 assembled in Mexico, and brought it back here for final packaging. So anyway,
429 Blickenstaff then shows up and says, you know, 'I'm going to go to London, and they
430 want Gunars to do something else' -- and I think they sent Ken back to Indiana or
431 something to do something. And he said, 'We'd really like to do something together.'
432 And I said, 'What would that be?' And he said, 'I don't know, but we'd like to do
433 something together.' And so, probably unlike most venture capital deals, he asked me
434 if would give them enough money to pay themselves for four months while they tried
435 to think of something to do. And we started off by calling it Grandma's Diagnostics,
436 and they rented -- Vical was over in the General Atomics Building, and there was a
437 loft over there labs, four hundred square feet -- so we put the four of them, a wooden
438 desk, and I think Blickenstaff had a rocking chair -- that's why we called it Grandma's
439 Diagnostics -- and they sat there, 'We're thinking about what to do.' Do you know
440 Blickenstaff at all?

441 **JONES:** No.

442 **WOLLAEGER:** Well, he's a very funny, sarcastic kind of guy, if you get him in the
443 right mood. So at Grandma's Diagnostics, Kim was sitting there in his rocking chair
444 trying to figure out what to do, and they came up with the idea of, you know, ICON
445 had been great, can we make some more color tests? But we can't do it in large
446 molecules because then Lilly will get upset that we stole the idea. Well, what about
447 small molecules? Can you make monoclonal antibodies for small molecules? Gunars
448 says, 'Yes, I think I've figured out a way to do it.' And that's how we started the
449 company. So, those were the six, five of them here.

450 **JONES:** And now they've all gone public, right?

451 **WOLLAEGER:** Yeah. Cytel was first, then Amylin, then Pyxis, then Vical and Biosite,
452 and Neurex, I can't remember. Neurex was sometime before Biosite.

453 **JONES:** Now, for instance, Vical -- you're over at UCSD, talking to people -- how did
454 you evaluate the science that they had there? I assume that they knew it was ready to
455 commercialize?

456 **WOLLAEGER:** Well, we failed on our technology. We did. I don't know, without
457 sounding too flippant about it, I didn't evaluate the technology. How did I know? I
458 didn't know anything about technology.

459 **JONES:** What did you base the decision on?

460 **WOLLAEGER:** I liked Karl, and I had to have something to do. I mean, it was one of
461 these things, you're sitting there, Ted and I decided to do this in October, here it is
462 May, I haven't done anything, how long am I going to go before I can do something?
463 And Karl showed me that calcitonin was a big market. I said, 'OK.' Respass said, 'This
464 is pretty neat, I think this'll be patentable.' Karl was a nice guy, I had to find
465 something to do, 'Hey OK, fine, we'll start this.' The thing is, I didn't start anything --
466 I think Pyxis and Vical started within three days of each other, I just found both deals,
467 I don't know. I may have said this to you before, I think that an awful lot of people in
468 venture capital spend a lot of time studying what investment they're making. Once
469 they make that investment, the amount of time that they really worry about that
470 company, I mean really work on it, is small. Like I asked Kim Blickenstaff here at our
471 last Biosite board meeting, and I just went through a couple of directors, I said, this
472 person, this person, 'Besides the board meetings, how many hours do you think these
473 two people have put in on the company, since they put their money in? And he said,
474 'Zero.' And I said, 'I agree.' Me, I don't put much time in before I put my money in.
475 Then I start putting my time in. And maybe it comes from the fact that my
476 background has been as sort of a turnaround person, a troubleshooter, and stuff, and
477 I sort of figure, good guy, good market, the technology's decent, OK, we'll start, and
478 we'll probably have some bumps in the road, but we'll figure something out, and so
479 far, I've been right in that way.

480 **JONES:** So, when you're putting these companies together from scratch, what's the
481 first thing you do?

482 **WOLLAEGER:** Call my lawyer and say, 'I've got this guy. He's going to get UCSD to
483 make sure that we get the patent rights, and we're going to....' OK, with Vical, we got
484 Tom Sparks to draw up papers, file them, the university gave us the rights to these
485 patents, and we agreed to pay the university, I can't remember, some small number
486 like \$50,000, into Karl's lab, so he could continue doing work there that we would pay
487 for, and the university would take a tithe out of that to pay for, you know, general
488 administrative expenses. And it was, you know, 'why don't we get going?' And we

489 thought that the calcitonin product would fit in with -- do you want me to go into
490 this? I'll tell you exactly what happened with Vical.

491 **JONES:** Sure.

492 **WOLLAEGER:** We're starting there with calcitonin, and Karl and I traveled to see Eli
493 Lilly, Sandoz, I can't remember, a couple of other companies, and everybody we
494 talked to said, 'Calcitonin doesn't really work because the body clears it too quickly.'
495 And we said, 'We know that, but we've found a way to change that.' And they'd
496 respond, 'No, calcitonin doesn't work because the body clears it too quickly.' We
497 couldn't really get people to take an interest in what we were doing. And you sort of
498 get caught up in this thing, 'Boy, we called Eli Lilly, and they're willing to let us fly
499 there at our expense, and they'll meet with us.' And you think, 'Wow, they're
500 interested.' Well, you know, they don't care. It's like, 'Sure, fly out, we'll spend a
501 couple of hours with you to find out if it's a good idea.' And we were just missing. I
502 mean, people just were not interested. And you'd sit there and you'd think, 'Hmm,
503 what am I going to do?' And then you have to rely on, I don't know, serendipity, or
504 whatever, and at the same time, once we got these patents from the university, a guy
505 who had been in Karl's lab with him five years before filed some sort of grievance
506 with the university saying that Karl had once borrowed, you know, a beaker of
507 something from him, and had done an experiment that had led to this, and that
508 therefore, he should get part of it. So, we got hauled in front of some sort of ethics
509 committee or something at the university and agreed to give the guy ten thousand
510 shares of stock in the company, and settled it, and we went away. And I said to Karl,
511 'Oh, Karl,' I said, 'if we're going to get in trouble like this -- who's in your lab now?'
512 And he said, 'Doug Richman.' So, I said, 'Let's give Doug ten thousand shares, too.'
513 'Here Doug, ten thousand shares, sign that you have nothing to bitch about.' And
514 after we're striking out here on this calcitonin thing, we had a meeting of our
515 scientific advisors, which was Karl and Doug, and they had a friend at Scripps named,
516 oh God, if I saw him on the street and didn't know his name, I'd be embarrassed.
517 Well, I'll think of it -- Dennis Carson. So, the three of us sat down one morning and
518 said, 'What are we going to do? No one's buying this stuff?' And I said to Doug, 'By
519 the way, what do you do in your lab?' And he said, 'Well, I'm working on this product
520 for Burroughs-Wellcome called AZT which is going to be an AIDS drug,' and blah,
521 blah, blah, and it's got certain toxicity problems, and this kind of stuff. So we sat
522 there that day and wondered, what if we take Karl's lipid container for the calcitonin
523 and put AZT in it, and see where it goes? And we tried that, and they fell apart. So, I

524 said, 'What's plentiful?' I didn't say -- they said, 'What's plentiful and easy to hook
525 on?' They stuck a phosphate on it. It made the molecule bigger, it stuck inside the
526 thing, it delivered and went to macrophages, and Doug had had a theory that that
527 was where the disease started. And it was an inactive drug, it went inside the
528 macrophages and the phosphate broke off and it started working, so it became a pro-
529 drug. So, we called up Burroughs-Wellcome in the Research Triangle and told them
530 we had a pro-drug macrophage oriented spin-off of AZT, and asked them if they'd
531 like to see it. So, we got on a plane and flew down to Research Triangle Park, went in
532 to Dave Barry, who was head of Burroughs-Wellcome in the U.S., and it was the worst
533 goddamn presentation I'd ever seen in my life. Karl and Doug, being university
534 people -- you know, I'm sort of used to things being neat and stuff -- they sort of put
535 the projector down, don't even move the books, put it down on the thing where it's
536 crooked, take a picture off the wall, sort of crooked like this, and they start showing
537 these black & white slides of gels and data, and I think, 'Oh, God! This is just
538 godawful.' And Dave Barry got to the end of it and said, 'This is the best outside
539 project that has ever been brought to us. This is terrific. What kind of money are you
540 looking for?' And we said, 'Five million dollars.' And he said, 'Done deal. When can
541 you get a contract to us?' It was eleven o'clock, and I said, 'Give me a PC and we'll go
542 type it up.' He said, 'OK,' and put us in a conference room and Doug Richman and
543 Karl Hostetler and I -- I think I did the typing, and I'm not very good -- wrote up this
544 outline, this term sheet, for this deal, walked back in, gave it to Dave Barry, he signed
545 it, we signed it, and he gave us a check for about, I can't remember, \$250,000 or
546 \$500,000. He said, 'It will take us a little while to get this through the legal
547 department, but let's get going.' He gave us 10% down, I think, something like that.

548 **JONES:** What did they get?

549 **WOLLAEGER:** We were going to formulate this pro-drug of AZT -- and this was
550 when the Feds hadn't approved it for being, you know, it was toxic, and they were
551 worried about when you gave it to people -- so we had this form of AZT that was
552 going to be a kinder and gentler AZT, and they were going to pay for all the
553 development and we were going to get an 8% royalty. So, we had five million bucks
554 and no employees. You know, five million dollars was forever. I put five hundred
555 thousand dollars in the company, and Karl and I had spent some of it traveling
556 around and getting the patents, and stuff like that. We came back here, rented some
557 labs from General Atomics, and got going on the project. And then we sat down one
558 day, the same group, and said, 'Now this is moving along,' and it was really looking

559 good and we needed a formulations expert, and we sat down and said, 'Who would
560 ever,' and these guys all know each other from PhD. Programs and Fellowships and
561 stuff, and everybody would give me a list of five people that they thought would be
562 good people to go after, if we could get them, and one guy was on everybody's list, a
563 guy named Phil Felgner, and they all said, 'Oh, he's great, but he's up at Syntex.' Well,
564 I called him up and told him that I was the Chairman of the Board of a company
565 called Vical down here, and I wanted to talk to him about the company, and he said,
566 'Fine. Why don't you come up on Friday and we'll have lunch at the Syntex cafeteria.'
567 And I said, 'No, Phil, you don't understand. I'm going to try to steal you away from
568 Syntex. I don't want to talk to you at Syntex.' So, I went up and picked Phil up. We
569 rendezvoused at the flagpole -- I saw him the other day, he told me that we
570 rendezvoused at the flagpole -- and I took him out to lunch. And he's a really sort of
571 mild-mannered, scientific guy, and he was madder than hell, just madder than hell.
572 And I kind of went, 'What it is? You're upset today.' And he said, 'Well, I developed
573 this product for an in vitro DNA delivery system called lipofectin and we just got FDA
574 approval on it this week, and I just had a big meeting, thinking it was going to be my
575 moment of triumph, and the president of the company said, 'Oh, this will only be a
576 hundred million dollar product. It's not really worth spending the marketing time on
577 it. Let's out-license this to one of these little firms and let them do it. And Phil, by the
578 way, we're going to move you into an administrative job, since you're doing, you
579 know, dumb little things like this.' Well, he was fit to be tied, and he'd been
580 downgraded, and all this kind of stuff, and of course, I went, 'We'd love to be the
581 people to license that. Do you think you could help us get that?' And he said, 'Yeah,
582 maybe I could.' I said, 'Well, why don't you come down Monday, meet the rest of the
583 people in the company' -- we had a tenth anniversary party the other day and I was
584 telling this story -- and Phil did the worst job of negotiating I'd ever seen in my life.
585 He showed up on Monday morning and said, 'I sure hope I get this job because I put
586 a sign up in front of my house in Palo Alto and sold it on Saturday.' So Phil came in,
587 and he said that what he was really interested in, his PhD work had been dealing in
588 DNA and delivery of DNA and the one thing he wanted us to do was to sponsor some
589 research with his PhD mentor, who had moved from Michigan State to Wisconsin, a
590 guy named Wolf, and would we give him, I don't know if it was thirty thousand
591 dollars for three years, or what, but anyway, a relatively small amount of money, and
592 it wasn't all up front. It was part of this deal, you know, 'Pay me this, and let Wolf do
593 these projects for me that we had written up....' And we cleared it, you know, made
594 sure that it was stuff he had done for his PhD and wasn't stuff he had for Syntex, and

595 all this kind of stuff. So we agreed to do it, and that became the Naked DNA, and
596 when that worked we dropped, and then Burroughs-Wellcome came to us and said,
597 'This is really working well, but the FDA has approved AZT, and now, a year later, has
598 allowed us to prescribe it earlier, and the marketing department doesn't think there's
599 going to be enough room for both. We know you're counting on the five million.
600 Keep it, but stop the work.' And we took the money and started doing Phil Felgner's
601 stuff. So we went from calcitonin to lipid viral to Naked DNA.

602 **JONES:** What about Pyxis?

603 **WOLLAEGER:** Well, I think my thought pattern on that was, after spending the day
604 at Long Beach Memorial, I said, 'Boy, this is a mess, we ought to be able to fix this.'
605 And I thought, we're going to have all these things like Vical, which may take years
606 and years and years to do, it would be nice to have something that a) I can
607 understand technically, that I can do some of the things I'm used to doing rather than
608 running lab people on a day-to-day basis, so, 'Let's do it.' Ron Taylor always likes to
609 kid me that when I recruited him to be the CEO of it that I was such a visionary that
610 in my letter to him offering him the job, I said that I didn't think that it would ever be
611 that big, but that it would be quick and that we could probably, over a five year
612 period, run it's sales up to fifteen million dollars and sell it for fifty million, and he
613 could own 10% of the company, and make five million bucks.

614 **JONES:** How did the success of Pyxis affect the kind of deals that Kingsbury does?

615 **WOLLAEGER:** Probably a combination of things. I think that so many other biotech
616 companies -- I mean, you go from 1987, where Hybritech is about the only biotech
617 company in town, and then we go and start Vical, Amylin, Cytel, and other people
618 start, Agouron, and Immune Response, and Gensia, and Genta and Gen-Probe, and
619 all this stuff -- and you finally go, how much money and much interest can there be
620 in this stuff, and people can't differentiate, so you start to think that maybe a lot of
621 the good ideas have been thought of, and let's wait for them to play through. I've
622 never had that kind of technical strength to sort of say, well, I really like receptor
623 technology, but I don't like recombinant DNA. I mean, I wouldn't know how to do
624 any of them. So, the market seemed tired of those things, they take a long time, I'm
625 getting older, you know, it takes so much money, and you know, I'd had success in
626 medical products, both at Baxter, and the ICON, in reality, was a medical product. It
627 was neat, the marketing wasn't, you know, there are these antibodies, and these

628 things, and receptors, and all this sort of stuff. It was put some tinkle on it, and it
629 turns blue. And I understand that. I think most people do. And also, you know, when
630 I came back into this with Kingsbury, most of my money is from Columbia Hospital,
631 and my initial idea was, well, if Columbia would be customer and buy this stuff from
632 us, then the company's successful. Now, I went through a period of time where I
633 thought I'm never going to get Columbia to buy this, because it's gotten so big, I can't
634 penetrate it. It's like talking to Bill Clinton about would the army like to buy light
635 bulbs from me. You know, it's hard to get from Clinton down to the guy who buys
636 light bulbs, but I've had some recent things happen at Columbia in the last month
637 that make me feel that they've finally hired some people on the other side that are
638 supposed to learn what I'm doing and figure out how to work them into hospitals.
639 Boy, would that make my life a lot easier. We'll see whether that works.

640 **JONES:** You started focusing on these kinds of companies, and Ted didn't. I read
641 somewhere that you said that Biovest turned into your companies and Ted's
642 companies. And then there were the problems with the venture capitalists. You
643 became disillusioned with the venture capital business...

644 **WOLLAEGER:** Well, yeah. You can look back at the Biovest experience in two ways.
645 One was, wasn't Henry generous to step up and give us this opportunity when we
646 made no effort. He just sort of handed it to us, and said 'Go out and do it.' On the
647 other hand, man, if we'd been smart about it, we'd have gone out and raised a lot
648 more money, and we could have backed Pyxis and gotten paid on a much larger
649 investment. There are certain people who think that, you know, I'm a multi-
650 zillionaire because I did Pyxis, when, in reality, I mean it wasn't a bad deal, but I
651 didn't make all that much on Pyxis because, you know, we only put in a million
652 dollars. Henry made a follow-on investment of five. He made a hundred million. Ted
653 and I got our share, and of course, that went to Hillman again, and the carried
654 interest was divided between Ted and I, not evenly, because Ted was the rainmaker at
655 that time. So, you think back that I founded a billion dollar company -- how much
656 money should I have made on it? There are probably a lot of people would say I didn't
657 negotiate a very good deal for myself on that. But I don't know. It leads to everything
658 and else, and so...

659 **JONES:** I've read some statements that you and Ted made about taking these
660 companies to later stage financing and they really got squeezed.

661 **WOLLAEGER:** I think the thing that we didn't understand, besides that initial thing
662 [the Hillman deal] -- I sort of had the opinion, and maybe I was reading this is, that
663 I'd say, 'OK, Pyxis needs more money, we put in the million dollars we have. Henry,
664 Stanford, Sutter Hill -- a million dollars from each of us and then we'll go on. And it
665 wasn't that way. Their response to us was -- Sutter Hill's was 'Well, come up and give
666 a presentation and we'll look at it like we look at any other deal.' They liked Ted's
667 deals; they didn't like my deals. I don't know, because they'd been on the Board
668 where Ted was the CEO and I was the chief financial officer. Who is this young guy?
669 Something like that, and they didn't like my deals. They didn't invest in my
670 companies. They passed: 'We pass.' They told me that Pyxis was the stupidest idea
671 they'd ever seen. They passed. So, I've got them passing, Henry Hillman said, well,
672 'You find another investor who's new, and if they'll come in at a certain price then I'll
673 match them.' I'm sitting here thinking that I've got buddies, and I don't have
674 anybody. So, you're sitting out there, and Ted would probably say, 'Tim wasn't a very
675 good promoter, wasn't positive enough about his companies,' or, you know, whatever
676 it was. And I would say, you know, I didn't have the aura. You know, people would
677 say, 'Oooh, Ted, you're the guy who made four hundred million dollars for everybody
678 at Hybritech, you're a great guy. Tim, what are you? You were his accountant or
679 something, right? And now you've got this idea for this drug dispenser with this nun
680 and this doctor? That's crapola, and you're going from calcitonin to anti-virals to gene
681 therapy, so what's that one? And Blickenstaff's trying to make monoclonal antibodies
682 for small molecules, no one's ever successfully done that. You know, I had a hell of a
683 time trying to raise money. So, to me, the way I would look at it is, if we had raised a
684 lot more money rather than taking Henry's, and then letting him put his money in
685 with no fee -- we never got paid for anything that Henry put his money in. You know,
686 you could look at it like he was very nice to let us do that or, boy, did he cut a good
687 deal for himself. He got us working for a hundred thousand dollars a year. When I
688 could have been making a lot more money than that, and he put all the money in and
689 made all the money, and I got more than I was used to, but I should have had more
690 somewhere in the middle of all that. So, I think the way I would look at what
691 happened with Biovest is whether it was lack of background, lack of aura, because I
692 hadn't done anything like this before, lack of ability to promote or communicate
693 effectively, whatever it was, I wasn't very good. In fact, I was awful at bringing other
694 people into my companies, where Ted would get on the phone and say, 'Me, Ted
695 Greene, I'm going to give you six days to jump on this opportunity. You can put up to
696 two million dollars into Cytel, it's Friday, I'll need your answer in a week, or else

697 you're out.' And people would send him checks. And he'd say, 'Tim, why don't you
698 raise money for these companies? It's easy.' It wasn't easy for me. It was easy for him.
699 And I think it was a combination of things -- he had been head of Hybritech, he's
700 more promotionally oriented than I am, he's a more enthusiastic communicator than
701 I am about things. I'm probably more stuck with, you know, 'What do we really know
702 yet?' And he'd say, 'We've cured cancer, we've cured diabetes, we've cured this and
703 that.' And he'd say, 'It's just a matter of time. Put some money in and you're going to
704 make tons.' And people would say, 'OK, Ted. Take it.' And I would kind of say, 'OK,
705 we've got this box, we don't know that much about it yet, but here's the market we're
706 addressing,' and people weren't very excited about it. So, you're in a situation where
707 Ted is saying, 'You can't raise a dime for people to take a ride on a rollercoaster, and
708 all I do is pick up a phone and express it correctly, and people send in their checks.'
709 And I would say, 'Ted, I don't have the same aura that you have, and I can't do it that
710 way. I'm going to need to some help.' And when Sutter Hill won't invest in my
711 companies, and they already have money in them because of our partnership, and in
712 effect, they're throwing their money away if they won't invest, and I go to other
713 people, and they say, 'Well, what's Sutter Hill doing?' And I'd say, well, 'They said it
714 sucked, and they're not putting money in.' I can't get anyplace. It caused a little bit of
715 tension on a day-today basis. And what happened because we became vulnerable this
716 way -- I mean, Ted was not vulnerable because he was able to do it -- I became
717 vulnerable because I couldn't get people to put their money in. So, all of sudden,
718 you're sitting there, and you have no more money in Biovest. Pyxis is running out of
719 money, and you say, 'How would you like to invest in Pyxis.' And these people would
720 now say, 'Well, we now have management in place, right? So, you're not running the
721 company.' 'No.' 'Do you have customers?' 'No.' 'Do you do anything for the company
722 that's really 'wow!''? 'No.' 'OK, we'll put in a million dollars, but we want ninety
723 percent and the hell with you. We're going to do it at a penny a share, wipe you out,
724 and then we'll do a reverse stock split and give new options to the management so
725 they'll stick around, so the only person we'll lose is you, because you don't have any
726 money.' And that's what these cram financings were, and people did this to me at
727 both Pyxis and Vical, and I got very close to a fistfight with one person on our board
728 over the Pyxis thing because he came in and said, 'We'll do the next round at a buck
729 fifty, but we don't need the money until July, so we'll do it at the July meeting.' He
730 came into the July meeting and wanted to put in twice as much money at a dime a
731 share. I was on one side of the table, and the next moment, I was on the other side
732 pushing him against the wall, and he was a guy who played football in college. I don't

733 know how I did it, how I got around the table, but I was just furious, and so, I was
734 having that happen to me, and then Ted, instead of saying, 'Gee, what can we do to
735 help you? This is my strength, how can I help you?' He was saying, 'What's wrong
736 with you, you idiot, that you can't do it?' And I just got to the point where I decided I
737 just wasn't going to do this anymore. Life's too short. This is just too mean, too cruel.
738 And we didn't lose our positions, because I finally went to Henry Hillman and said,
739 'Henry, we're going to lose our fricking position in this thing unless you write me a
740 check for a million dollars today. I'm sorry. I cannot get these people involved, but
741 I'm out of money, NEA's going to steal the company from me. I need a million
742 dollars.' And he said, 'OK,' and wrote me a check for a million dollars. But you know,
743 you're groveling and begging, and not running a business. Things settled down a little
744 bit after that, and Ted said, 'Why don't we do this again,' because we'd invested the
745 money, and I said, 'I'm not going to do it unless we have enough money so that we
746 can continue to back our deals over their lifetimes.' So, we went out, and in a matter
747 of weeks, raised thirty million dollars.' It was easy. We went to call on a couple
748 universities and some other people and raised thirty million dollars, and before we
749 were closing, we were on the East Coast, I guess, raising money, we were going to
750 come back and have a meeting out here, and I went to my son's graduation from
751 college in '89, and had some time alone and thought about it, and I went in to talk to
752 Ted, I walked in and said to Ted, 'Ted, I ain't doing it, I'm out of here. It's too
753 miserable.'

754 **JONES:** So what happened to the thirty million that you raised?

755 **WOLLAEGER:** We gave it back. You should see people's faces when you do that.

756 **JONES:** That's unusual.

757 **WOLLAEGER:** Yes, it is.

758 **JONES:** Amylin and Cytel, were there problems with those companies, too? Or did
759 they have plenty of cash?

760 **WOLLAEGER:** Plenty of money. Ted would just pick up the phone and say, 'I'll let
761 you in on the deal, but you've got to get your money here in five days.'

762 **JONES:** And he didn't have to give up...

763 **WOLLAEGER:** He did wonderfully. I can't remember, but with Cytel, he put in half a
764 million dollars at a dollar a share, and then brought in twelve million dollars at six
765 dollars or share, or may be two, one dollar to three dollars. Amylin probably went
766 from one dollar to six. And you know, he did it by phone overnight.

767 **JONES:** Was it hard to walk away from these companies?

768 **WOLLAEGER:** But I didn't. What happened was, we had a ten year partnership, this
769 is June of '89, so we're only two years into this thing. We've got a ten year
770 partnership. We've got eight years left, and we had spending money, not a whole lot,
771 but we could have continued to pay ourselves a hundred thousand dollars a year for
772 another couple of years. And, I think Ted and I get along fine now, but was it the kind
773 of thing that next day after I said, 'I ain't doing it,' would he have said, 'Good
774 morning, Tim. How are you?' No. It wasn't that way. So, what we decided to do is, he
775 decided that he didn't like venture capital very much, either, on reflection, or
776 something like that, and that he wanted to go run Amylin. And I, at that time, we
777 weren't together physically, because I was at Amylin. I was running Amylin. Now, he
778 wouldn't say I was running Amylin. What it was, Cooper had come from England to
779 here, and Marjorie Sennett was the chief financial officer, and we were building labs
780 and moving in, and we had some temporary headquarters, and we had about six labs,
781 and I was there every day, running that group. Now was I saying, 'Let's do this
782 experiment?' No, but Cooper was a non-industrial scientist, and I said, 'Garth, we've
783 got to give people things to do. Tell me the six experiments that we want people to
784 run.' Then, we'd bring them in and say, 'Do these six experiments.' I would just
785 organize it. Then I'd go, in the new building, 'Put these benches here, and paint them
786 green.' And that was my day

787 **JONES:** Did you find, generally, that academics are not good at doing that basic kind
788 of stuff?

789 **WOLLAEGER:** Sure. They're horrible at it. So, Ted said, 'I want to run Amylin,' and
790 one day, Ted moved to Amylin and I moved out. You know, it was his company, but I
791 was better at the nuts and bolts of day-to-day organizing, and lab-building. So, we
792 just changed. I sat in our offices and he was at Amylin, which moved from down in
793 Sorrento Valley over to where they are now, and I don't know what I thought I was
794 going to do. But I spent my time talking to Vical and Pyxis and Biosite, and I'd move
795 around. I did that in July and August, and I got a call from Tom Sparks, who was our

796 attorney at Pillsbury, Madison, and he said, 'I'm a lawyer for Immune Response
797 Corporation, and they wanted to go public, and Jim Glavin is the chief executive
798 officer, and he's also worrying about this stupid little company that lost all its
799 products and had all these legal problems, but he's the name CEO there, and the
800 bankers won't take the company public if he's the name CEO, and it's a mess. They've
801 got thirty-five million dollars in cash and they haven't done anything for three years.
802 They have no products, they have a hundred and thirty lawsuits against them. And
803 you're good at fixing this kind of stuff. Do you think you could figure out how to stay
804 at Biovest and come over and take Glavin's spot?' And the objective was not to fix this
805 other company. The idea was to get Glavin out of there, so he could take Immune
806 Response public. So, I came over and looked at, and I didn't have much of a cash
807 income at that time, and I didn't have all that kind of money from Hybritech, so I met
808 with the Board of Directors over there, and they told me they'd pay me a thousand
809 dollars a day, including Saturdays and Sundays, to come and run this thing. Well,
810 three hundred sixty-five thousand dollars -- I'd never seen money like that in my life.
811 They gave me a six-month consulting contract at a thousand dollars a day, trying to
812 figure out what to do with this company. So, in six months, they'd pay me a hundred
813 eighty thousand dollars and I could stay at Biovest, and I would make a lot of money,
814 and I turned it into Columbia/HCA, which I had no idea I was doing when I went
815 there.

816 **JONES:** Well, how did they get into this cash rich position?

817 **WOLLAEGER:** Well, let's take a little break before we get into that.

818 [Stop Tape]

819 **WOLLAEGER:** All of these things are so intricate aren't they -- the same people. The
820 name of this company was Smith Laboratories, and they had a Chicago based
821 company, and they'd invented a product called Timopapin for injection, which was
822 basically a meat tenderizer, they hated to say that, but it was a meat tenderizer,
823 where you take a person's spine, go around it with a crochet-hook needle, put it in,
824 inject it, and it would dissolve a herniated spinal disk without surgery. It was a device
825 -- it was considered a device by the FDA. Doctor Smith had invented this, and the
826 irony of it was, they had licensed it - I knew about it -- they had licensed it to Baxter
827 in the early '70s. Doctor Smith had injected some people beyond the protocol allowed
828 by the FDA. I got called in by the head of Baxter, who said, 'We're not going to

829 jeopardize our IV solutions business with this kind of nutsy stuff. I want you to go out
830 and collect all the product, bring it back in, put it in a warehouse, put chicken wire
831 around it and pour concrete on top of it. It's done.' That was in, probably, 1973. So,
832 here I am in 1989, I go over to Smith Laboratories. Dr. Smith had taken the product,
833 raised venture capital, went out and got it approved, and this was in 1986 that it was
834 approved, and they took the company public, did very well with it, and bought a
835 subsidiary out here in San Diego called Sutter Corporation, which made continuous
836 passive motion devices, which is a thing that you put on somebody after knee
837 surgery, and it keeps pumping their leg, to put synovial fluid through it to aid the
838 healing. Then Smith got caught in an absolutely horrid situation. I mean, I feel sorry
839 for him. They were limiting the sale of this product to doctors that came in and took
840 this training course that they had. And then business flocked to these doctors and a
841 bunch of doctors who hadn't taken this training course went to, I don't know why,
842 but they went to the Federal Trade Commission, and complained to the FTC. The
843 FTC ruled that Smith Labs didn't have the right to license doctors. They were licensed
844 to be able to buy the product. So afterwards, people bought the product who hadn't
845 been trained, and hurt people with it. So people than started suing the doctors, and
846 hospitals, and the company over these injuries, which ranged anywhere from, 'Gee on
847 a cold day, I feel a little numbness in my fingertips,' to this guy died. More the
848 numbness and some paralysis, but a couple of deaths. So, now they're starting to fight
849 that, and then Baxter showed up and said, 'Doctor Smith licensed that product to us
850 in the early '70s. Thank you very much for getting it FDA approved.' Baxter took them
851 to court, and got the product. So, here he had a company in '86, FDA approved, go
852 public, buy a subsidiary, do great, before he starts selling it to other people, he started
853 getting sued, and Baxter took the product away. Now, the people had made a big -- I
854 mean it's a depressing situation, and the corporation was still headquartered in
855 Chicago, with a board of directors that communicated mainly by phone -- but I don't
856 really know that, I mean, I wasn't privy to that. And they had a subsidiary here in San
857 Diego that reported back to a Chicago management that didn't exist. And Jim Glavin,
858 who had been a part time venture capitalist, and was running Immune Response
859 Corporation, and had been with the firm for a couple of months before he went to
860 Immune Response, and had put the money into Smith back in Chicago, he was
861 driving back forth between Rancho Bernardo and Kearny Mesa as the CEO of both
862 companies. And so, I went in, and it's the kind of thing I like, I guess. So, what I did
863 was say, 'Hmm, this ought to be neat. I can take this money and invest it in stuff. I
864 can even put the money in Pyxis and Vical and Biosite. I have my source of money.

865 So, I thought I'd that, but the lawyer said, 'No, no. You can't do that because you're
866 not incorporated as an investment firm. You've got to put the money basically all into
867 one thing.' So, I thought maybe we could buy Pyxis, or something like that, move it
868 in. I mean, this was Pyxis before it had any money or any success. But the problem is,
869 you go out and start talking to people about that, and they say, 'Well, OK, let's say
870 you buy Pyxis. Pyxis spends the thirty-five million dollars. Then the hundred and
871 thirty lawsuits come through, and you owe all these victims a billion dollars. Where
872 do we get it?' And it comes right through and Pyxis is gone and maybe even the
873 directors would have to chip in personally because they took this tainted money and
874 invested it where it couldn't go back to the victims, and no one would do anything
875 with me. Neither my own companies, nor anybody else I saw. So, after doing that for
876 a couple months, and just saying, 'This isn't going to work.' You know, it's like getting
877 somebody to buy infected food from you, or something, just because they're hungry,
878 and they don't want it. So I said to myself, "I've got to sit down and try and figure out
879 what to do with these lawsuits.' And the board's attitude, as far as I could infer -- it
880 wasn't spoken -- was the more we drag our heels on these, the more victim's will die,
881 and people will forget, and we'll hold the money and earn interest on it for a longer
882 period of time, so, just drag your heels. Well, I went out to Chicago to meet with
883 some people who had historically been with the company, and put their group of
884 lawyers together. A lot of the suits were in Chicago, because that's where the clinical
885 trials were. And I kind of came to the conclusion that, 'I'm not sure they really did
886 anything wrong.' And I was under this six month contract, and I don't want to get to
887 the end of my six months and say, 'What did I do. Well, I got my hundred and eighty
888 thousand dollars and went home.' So, I can't invest the money, I've got to try to clear
889 up these lawsuits. So, I sat with this group of lawyers in Chicago and we put together
890 a strategy that included: When were the people injected? What warnings were sent
891 out to doctors at various points? Who has good lawyers? What kind of jurisdictions
892 do the courts have? What kinds of rulings are made in these courts? What are the
893 different kind of injuries we've had? And we sort of went through this thing, and
894 there were sort of six categories of injuries. We divided everybody up into six
895 categories and said, 'OK, which are in the jurisdictions that we would feel the best
896 about?' And we picked those and said, 'OK, let's go after those six cases, and see if we
897 can settle them? Let's see if we can start setting some precedents.' I think we got five
898 of them settled without going to court, and one we settled going to court, and we got
899 out almost scot-free. And I remembered something from college. I had taken a course
900 to fulfill a requirement on insurance, and we had a lot of product liability insurance,

901 but they were mainly with companies that had gone bankrupt. But I remembered
902 this thing about life insurance companies pay a part of the premium into a fund from
903 the state, so that if you die, and you bought a life insurance policy from a company
904 that goes bankrupt, your family doesn't end up without any money. So, I wondered if
905 they do this with liability insurance. I went and found out, yep, they do. I got the
906 state of Illinois to agree to pay the first hundred and fifty thousand dollars in any
907 settlement. So, I went out and settled a lot of suits for a hundred and forty-nine
908 thousand dollars. And we started knocking them off. We set these precedents, got all
909 these six cases done for under a hundred fifty thousand dollars, and then you go in
910 and say, 'Your injury's like this one. Those people got seventy-five thousand.' I'd offer
911 seventy-five thousand, those people would say, 'No, one hundred and fifty.' I say,
912 'One hundred and forty,' and they'd say, 'Done.' And I'd call the state of Illinois and
913 say, 'Send a check for a hundred forty-nine thousand dollars to these people,' and
914 they'd do it. And we started getting these suits going, enough that you could say, 'I
915 think we're going to survive this. There are going to be a couple of sticky ones, where
916 a forty-three year old guy with three children died on the operating table and the
917 doctor had been to the training course,' but most of them, you could say, 'I think I'm
918 going to survive this.' And I got a call one morning in December, so I'd been there
919 September, October, November, and we'd gotten that far, and a guy called and said, 'I
920 was at a wedding in La Jolla, and there was guy there named Richard Rainwater,' --
921 Did you watch Louis Rukeyser last night? Do you ever watch Wall Street Week?

922 **JONES:** No.

923 **WOLLAEGER:** Well, Rainwater was his guest, and this guy said, 'Do you know who
924 Richard Rainwater is?' I said, 'I don't know him from Adam.' 'Well, he went to
925 Stanford Business School with one of the Bass Brothers from Fort Worth, the Bass
926 family who sold the oil business, and Richard went to work for them, they bought
927 Disney and ran the fortune up to a couple billion dollars, and now Richard's out on
928 his own. And he's got a friend who's backed by a couple of hospitals, and they've got
929 this idea for a hospital company, and he sounds like a real risk-taker. We wouldn't
930 touch your money, but why don't you go see him?' So, I put the phone down and
931 called Richard Rainwater, and He said, 'Come on down, Fort Worth, come on down.'
932 So, I went to see Richard and Richard told me what a big success he'd been, which he
933 is, and how he liked to do these things, and how he had taken HCA private with junk
934 bonds and all this kind of stuff. He been opposed by this lawyer in Dallas, and the
935 lawyer was a really hotshot guy and he had come over to work form him, and they'd

936 put their money together and bought two hospitals in El Paso, and one in Miami, and
937 they had, and he said, 'Well, that's all I know, let Rick come in.' So, Rick Scott came in
938 and gave me his presentation about how he was a securities lawyer, mainly in the
939 hospitals, how these guys were mainly in their sixties, they didn't know how to get
940 out of these hospitals, the cities and the banks didn't know what to do with these
941 hospitals, you don't foreclose on hospitals, and close them down and sell them for
942 anything. He thought that with thirty-five million bucks, we could buy these other
943 seven hospitals and maybe even more than that, and I told him about all our lawsuits
944 and where we were on them, and he said, 'All right, we can handle that risk.' And he
945 said to me, 'Well, if we took your public company and your money and suits, and
946 combined them with our three hospitals, plus the other seven that we've outlined for
947 you that we can buy, what do you think the split ought to be? And I wrote down
948 seventy-five/twenty-five, he wrote down eight/twenty, we tipped our papers over,
949 and we were pretty close. So, we said we'd do seventy-five for him, twenty-five for us,
950 and if they hit certain earnings goals, they could earn up to five percent more. It
951 ended up being seventy-four/twenty-six after a year. So, in one day, we said, 'OK, let's
952 do the deal.' Now the hard part was, I had twelve hundred angry shareholders who
953 didn't really care what happened to us. So, I spent a lot of time flying around and
954 phoning people to get this vote in, because most of the people's attitudes was, 'I
955 bought stock at twenty-six dollars a share, it's now at one and seven-eighths. I've lost
956 almost all my money. I know if I vote for this, you'll probably make money. So, why
957 should I help you, you son-of-a-bitch. Your company screwed me out of my fifty
958 thousand dollars.' And I'd say, 'I wasn't there. I'm only here trying to...You know, let's
959 put this behind us and move on, this could turn out to be very good.' Eventually, I got
960 about ten more votes than I needed to get the deal done. But not many more than
961 that.

962 **JONES:** So, this is May of 1990? Three, ten hospitals? How many now?

963 **WOLLAEGER:** Three hundred forty, something like that. We had three hospitals
964 when we closed in May of 1990. Did I tell you how I got here from there?

965 **JONES:** No.

966 **WOLLAEGER:** We onesy-twoed it up to twenty-seven hospitals based on the money
967 I had, plus, you know, with real estate and hospitals, you can borrow money again. So
968 we got up to twenty-seven hospitals from May of 1990 till September '93. So, how

969 many months is that? Buying a hospital every other month or something like that.
970 Rick Scott and Richard Rainwater still own seventy-five percent of the company
971 between the two of them. And the Clintons were going through this health care type
972 scare, I would have called it, and companies like Human, which owned a hundred
973 hospitals, and HCA, which owned a hundred hospitals, but was largely owned by
974 Richard Rainwater. See, he had taken it private. That's how he and Rick Scott met.
975 They had taken it public again, and Richard and the Frisk family of Tennessee owned
976 most of HCA, but it was now public again. They had taken it public, probably in
977 August. And Rick Scott walked in to the head of Humana, who wanted to get rid of
978 their hospitals and concentrate more on the insurance side of their business, and we
979 had a market cap of seven hundred twenty-five million dollars at the time, and he
980 said, 'I'll buy your hospitals from you for four billion and stock.' And they said, 'OK.'
981 So, we printed four billion dollars' worth of stock and gave it to them, and that closed
982 on September 5th, and on September 6th, because we knew Rainwater, on September
983 6th, we were buying HCA, which was another hundred hospitals. So, we went from
984 twenty-seven hospitals to about two hundred twenty-seven hospitals. And my job in
985 those mergers, I was on the board of directors and was a senior vice-president, and I
986 was running this orthopedic rehab business out here, which in our first year
987 accounted for twenty-five percent of our profits, and in 1993, accounted for twenty-
988 three percent of our profits, in spite of the fact that I'd tripled the business. So, part of
989 the deal with Humana and HCA was we had to move our headquarters out of Fort
990 Worth, Texas to either Louisville or Nashville. We went to Louisville first, and then
991 on to Nashville. And the way the story gets rounded out here, my job on the board
992 was to go out and look at all these other little, peripheral businesses that these
993 mergers were getting us involved in, to make sure we weren't going to get involved in
994 any more lawsuits. I was the lawsuit man. So, we found out that Michael Reese
995 Hospital in Chicago, which was owned by Humana, had some doctors that wanted to
996 start a software company, and the software company was in Seattle, but they owned
997 five percent of the stock. What is this? I went up to meet with these people in Seattle,
998 and we had a dozen of these, I flew around to a dozen of these things -- one I couldn't
999 even find. As I'm doing this, and I'm worrying about what my job is going to be in
1000 this multi-billion dollar company running something that has nothing to do with
1001 what we do, and I'm in San Diego, and I'm not moving to Louisville, I got a call from a
1002 headhunter asking me whether I'd be interested in running Block Medical up in
1003 Carlsbad. It's an IV pump company. They were owned by a company called
1004 Hillenbrand Industries, which is in Batesville, Indiana. It's a multi- billion dollar

1005 international company, largely owned by the Hillenbrand family, still. They started
1006 making cots in the Civil War, and now they're the largest provider of hospital beds
1007 and caskets in the United States, and they own Block Medical. So, I told the
1008 headhunter that I would talk to them about running Block Medical, but only if they
1009 would consider buying Sutter Corporation. See, I thought I could take my company
1010 with me, put it into Block Medical and have a medical company. Well, that just
1011 confused the headhunter. He didn't know what to say about it, and I said, 'Well,
1012 that's all I'm going to do. I'm not just going to jump out of this thing here in the
1013 middle of this.' I had a lot of stock options and stuff. And so, Gus Hillenbrand called
1014 me, and said, 'I may come out to San Diego to Block, we're having a meeting out
1015 there, why don't we get together for lunch.' So, I had lunch with him and he was
1016 interviewing me, you know, 'Where did you go to school, and what did you do at
1017 Baxter?' You know, that kind of stuff. And he said, 'Listen, this is enjoyable, but I have
1018 to wrap this up because I'm going to go over and see a company here in town that's
1019 really fascinating to me.' He said, 'We make specialty locks in our...' I can't remember
1020 what he said, Mallory or Malloy lock division, 'and the orders for these things are just
1021 going like this.' And I knew who it was, right -- he said, 'you ever hear of a company
1022 called Pyxis?' I said, 'Yeah, I founded it. I was their first president, and I'm still on the
1023 board.' He said, 'Huh, that's interesting.' He goes off to Pyxis and I get a call two
1024 hours later in my office, and he says, 'I couldn't believe this Pyxis. That's absolutely
1025 fantastic. Can we have dinner together?' So, I went to have dinner with him and
1026 another guy, Lonnie Smith, he brought along. And he just said, 'We're in Batesville,
1027 Indiana. We don't see stuff like this. If you ever want to do this again, the company
1028 and my family will back you. But we won't buy Sutter.' So, I'm out looking at these
1029 companies, and Rick Scott now has relocated to Louisville, Kentucky, in anticipation
1030 of taking over the Humana hospitals, and I come in and make my reports, 'I've looked
1031 at these twelve companies, and there's nothing dangerous. They're all pretty
1032 mediocre and not professionally run.' There were one or two exceptions, but they
1033 were also sort of situations where a couple doctors had given five hundred thousand
1034 to them and they were sort of tinkering with things, that kind of stuff. So, on my way
1035 to Louisville, I'd stopped by to see Augie Hillenbrand, told him what I'd done, and
1036 asked him, 'What would think if we put some money together and bought these
1037 twelve little companies from Columbia to see what we could do with them?' He said,
1038 'Let's do it.' I went to Columbia, made my report and then said to Rick, 'What would
1039 you think if I put together some money and bought these things?' And I gave him a
1040 formula about how I'd value these things, and he said, 'That sounds fair.' Because, I

1041 said, 'Rick, inside this big billion dollar company, you know, you're going to write
1042 these off eventually, you're going to lose them and write them off. You might as well
1043 take twelve million dollars for them, and let's see what we can do.' And he said, 'OK,
1044 if you can raise the money, I'll do it.' I got in my car, drove across the Ohio River to
1045 Batesville, Indiana, about an hour away, got my check and drove back, and I said,
1046 'Here I am.' He said, 'Wait a minute. What's going on here?' So, I had to go back and
1047 tell him my Augie Hillenbrand story, and he went, 'Aw, Tim, I think it's a great idea,
1048 but the problem is, if they really turn out to be successful,' and he already sort of
1049 knew what I could do, because we bought -- I didn't tell you this -- after we got the
1050 hospital deal done and we did the merger, I wanted to leave, and he said, 'No, stay.
1051 Help me. I've only got twelve people in management.' And I said, 'But I've got to go
1052 out and raise money for Biosite and Pyxis, two companies that I'm the Chairman of
1053 the Board of.' And he said, 'Why don't we go to New York, and we'll get these lines of
1054 credit set up with the bank. I'll give you four million. You can put two million into
1055 each company.' I put two million into Pyxis and two million into Biosite. And we
1056 made millions on the Pyxis deal, so he was already whetted to this idea a little bit. So,
1057 what he said was, 'If these things turn out to be really good, then my board can turn
1058 around and say, you gave all of that to Wollaeger for twelve million dollars, and he's
1059 the only one that saw? Wasn't that a little naive? So, rather than doing that, you keep
1060 Hillenbrand's money, take the companies for a partnership interest and Hillenbrand
1061 and Columbia will be your partners. And I'll give you some more money.' So, I said,
1062 'OK.' He gave me twelve million dollars' worth of stock, a ten million dollar check;
1063 Augie Hillenbrand gave me a check for seven. I walked out of Louisville after one day
1064 of negotiating, and I had Kingsbury.'

1065 **JONES:** And what happened with these twelve companies?

1066 **WOLLAEGER:** Well, I raised some money from some other people, so I started with
1067 twelve million in stocks and twenty million in cash. I raised three million from -- you
1068 know, a hundred thousand from Ron Taylor, a hundred thousand from Ted Greene,
1069 and got another three million. OK, so I had thirty-two million dollars in the first
1070 month, and then what happened, see, is when the companies are sold and I get
1071 money for them, I hand that back to the partners. I've handed out fifty million dollars
1072 in three years, and I still have six companies left. So, we're doing well. And let's see --
1073 Health Data Sciences, a data processing company -- we sold that to someone else. I
1074 had about a two million dollar investment, sold it for eleven. Menlo Care was a little
1075 company I had a million dollars in. We sold it to Johnson & Johnson. Nimbus is the

1076 company I couldn't find. I found out that they sold the technology to J & J, and I paid
1077 a thousand dollars for that company, I've gotten a million dollars in royalties. Famous
1078 is another software company, one owned by Michael Reese in Chicago. We took that
1079 public; made about ten million dollars on it. Raytel was a company that did MRI
1080 Centers. We got rid of nine out of twelve and bought a cardiac monitoring business
1081 from some of the Cardiac Pacemaker people, these are the people that sell
1082 pacemakers over the telephone. We took that public about eighteen months ago. It's
1083 done relatively. It hasn't been a real home run, but put a million in, got three million
1084 out, that type of thing. Transcarotic Therapies is a biotech company that we took
1085 public in October and I sold my position on April 18th for about five times markup. I
1086 had another company that we merged into a company that's now a public biotech
1087 company called Nexstar. We did pretty well with that. Not on here, this is my little
1088 brochure, are Exos, which I put two million dollars in it, sold for a hundred thousand
1089 dollars. Lectus, which made specialty hospital beds. I put in two million dollars in
1090 and we declared bankruptcy. Those are the two bummers. So out of the twelve
1091 companies that were in that deal, everyone one of them has either been sold, gone
1092 public, or gone bankrupt.

1093 **JONES:** And when you first looked at them, there were only a couple of them that
1094 looked like they might be going somewhere?

1095 **WOLLAEGER:** Yeah. We did a pretty good job of fixing some of these things. And
1096 then I've invested in a couple of others. You know, I've made investments, I've got, on
1097 this list here, four companies that I've bought into and since distributed the stock or
1098 sold it, including Pyxis. Now, Pyxis isn't, you know, early on money. When Pyxis'
1099 stock got hit, I bought a million dollars' worth of stock and let it ride up, and doubled
1100 our money and got out. It looks supportive to the outside world, but we had faith that
1101 we weren't wrong, so it's not early Pyxis. Some people might look at Kingsbury and
1102 say, 'Sure, he made fifty million dollars, but it was Pyxis.' It wasn't. A million dollars
1103 of it was Pyxis. And we got some other companies here that are still moving along,
1104 and look all right.

1105 **JONES:** Here in San Diego, there's DigiRad. Were you involved in hooking Karen
1106 Klause up with those people?

1107 **WOLLAEGER:** I taught a course at UCSD called 'How to Start a High-Tech
1108 Company,' and one of my students was working at a company called Aurora

1109 technologies that was making an instrument for the Defense Department for Salt II
1110 Treaty verification. When the Soviet Union fell apart, the government said, 'If you can
1111 find a professional investor to convert your technology to peacetime, and it's a decent
1112 plan, we'll give you a million and a half dollars.' And I was there, said I'd do it, and
1113 put the money in, that's how we started Digirad.

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.