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Venture Capitalist Janet Effland Addresses Athena Group

By Andrea Moser

If you want to make a good impression on Janet Effland, you'd better be able to describe your company on a cocktail napkin. She's not promoting drinking, she's promoting clear, concise communication about your company and your vision for your company.

Over 100 people turned out last Thursday morning to hear venture capitalist Janet Effland talk about "*How Venture Capitalists Evaluate the Management Team.*" Effland is a managing director of Patricof & Co. Ventures, Inc. in Palo Alto. Patricof and its international affiliate, Apax Partners, manage over \$2 billion of private equity funds. Its portfolio has included companies such as America Online, Apple Computing, Cadence Design Systems, and Office Depot. Local investments include ATCOM/INFO, Dura Pharmaceuticals, Inc., and Peregrine Semiconductor.

Effland started out with a list of impressive statistics about the venture capital industry. In 1997, venture capitalists invested \$12.8 billion in companies. Two thousand seven hundred companies got money. Forty five percent of the companies receiving money were early stage companies, meaning they were pre-revenue, pre-product production companies. In San Diego, eighty-four companies received funding. Of the eighty-four companies, sixty-nine of them were high-tech companies.

In 1997, Patricof & Co. received 1400 business plans. They funded fifteen companies, making investments that ranged from \$1.5 million to \$20 million.

In discussing how venture capitalists make decisions, Effland stressed that it is very important for people to write their own business plans. "If I ask you a question about something in your plan and you don't know what I'm referring to, that's not good. Don't hire someone to write the business plan," said Effland.

The key parts of the business plan for Effland are the executive summary, the management review, and the equity structure. "Give me enough information so that I can make an assessment," said Effland. "If you're going to tell me you have a seasoned management team with a proven track record of success, tell me about it, name names. Did these individuals create products? Did they sell the company? Have they taken a company public?" Effland also advises that you identify the holes in the management team.

When you describe the management team, says Effland, give relevant references: peers, subordinates, and supervisors. Patricof & Co. do thorough investigations of man-

Please see EFFLAND.. Page 4

CONGRATULATIONS-FINALISTS FOR SAN DIEGO'S ENTREPRENEUR OF THE YEAR AWARDS

The finalists for San Diego's Entrepreneur of the Year Awards have been announced. The winners will be named at a gala banquet on June 10, at the Sheraton Grande Torrey Pines in La Jolla. The event, founded and produced by Ernst and Young, is America's most prestigious honor for entrepreneurs. The finalists, by category, are: **Biotechnology** – Timothy Rink, Aurora Biosciences; Lois Joy Crandell, Genetronics, Inc.; and William H. Rastetter, IDEC Pharmaceuticals Corp. **Consumer Products/Retail** – Robert J. Nugent, Foodmaker, Inc.; Michael J. Ellis, MetabolLife Intl.; and William B. Randall, Randall Intl. **General Category** – James A. "Bob" Husband, Cobblestone Golf Group, Inc.; George W. Haligowski, ITLA Capital Corp.; and John B. McLeod, The National Dispatch Center, Inc. **Health Sciences Category** – Georges and Daniel Daou, DAOU Systems, Inc.; Larry G. Scaramella, Molecular Bio-Products, Inc.; and Peter C. Farrell, ResMed, Inc. **High Technology** – Kenneth F.

Potashner, Maxwell Technologies; Ronald Ragland, REMEC, Inc.; and Mark Dankberg, VIASAT, Inc. **Real Estate** – Gary B. Sabin, Excel Realty Trust, Inc.; C. Samuel Marasco, LandGrant Corp.; and Richard S. Allen, The Allen Group. **Software/Internet Services** – Michael Thiemann, Aptex Software, Inc.; Christopher A. Crane, COMPS Infosystems, Inc.; and Allan J. Camaisa, High Technology Solutions, Inc. **Supporter Category** – Ramesh Jain, UCSD; Peter Preuss, The Preuss Foundation; and John Neal, Doug Wall and Catherine Gauthier of RCG Management. **Young Entrepreneur Category** – Gregory Carson, EchoLink; Michael D. Bream, Gravity Boarding Co., Inc.; and Shawn P. McEachern, Inflatable Design Group.

Congratulations to all! For more information about the program and the awards banquet call Ernst & Young at 235-5190.

"If the war on cancer were fought with mice, we would have won by now." "Cancer has been cured countless times in mice, but mice are not a big market opportunity." "If you have cancer and you are a mouse, we can take good care of you."

Such are some of the quotes that came out of the biggest biotech story of this year, as a front page article in the May 3, *New York Times* appeared and the stock of Entremed soared. Dr. Richard Klausner, Director of the National Cancer Institute said he was giving the anti-angiogenesis drugs his top priority, calling them, "the single most exciting thing on the horizon" for cancer treatment.

Then, more articles out of the *New York Times* flowed. May 5 - "the New Cancer Hope: It sounds too good to be true, and it well may be. But the data on mice look promising" May 5 - Smaller Biotechnology Stocks Stage a Spirited Catch-Up Rally: Some small biotechnology companies that have watched the big drug stocks soar" May 5 - "In excitement Over Cancer drugs, A Caution Over Premature Hopes: Dr. Larry Norton, a prominent oncologist in New York City, received a telephone call- May 6 - "Too-High Hopes: I arrived at the office this week to find myself bombarded with telephone calls and E-mail about the new developments in cancer research..." May 7 - "High Hopes on Cancer: The cancer research of Dr. Judah Folkman and his colleagues"

In San Diego, Agouron announced that it was initiating Phase II/III pivotal trials in humans of an oral anti-angiogenesis drug AG3340 for treatment of lung cancer and prostate cancer. AG3340 is a matrix metalloprotease inhibitor with potent anti-angiogenesis activity. An orally active, synthetic molecule, it is designed to inhibit the growth, invasion and metastasis of solid tumors. Analysts surmise that the company would not be progressing into Phase II trials if it didn't believe that its phase I trial was encouraging. But the company was beyond that stage when it dropped its Thymitaq compound last fall. (for information on AG3340 clinical trials in lung and prostate cancer dial 1-888-9-CANCER.)

Conversation at a biotech-dominated dinner party Friday night showed great skepticism that Folkman's research was ready for full scale media exposure. But as a cancer patient ourselves, we tend to lean towards an open information position. Cancer patients, in general, are becoming more sophisticated in their ability to separate fiction from fact. They are aware that many drugs drop out of trials in Phase II and Phase III stages, due to lack of efficacy or disastrous side effects, but some don't. (The articles quoted above were all readily available on the Web.) More sophisticated patients want to know not only what is available now, but what is coming down the pike via clinical trials. Again, in our case, we knew Alpha Interferon was in the pipeline several years before it received FDA approval and might

have entered a trial, if our oncologist thought our situation warranted it. More, not less, information, please!

BUSINESS WEEK BOOSTS ADVANCED TISSUE SCIENCES

Meanwhile, Bud Leedom, analyst and editor of the San Diego Stock Report downplayed an article in *Business Week* predicting that Advanced Tissues Sciences would be receiving FDA approval for Dermagraph within 'the next few weeks.' Knowing the company's executives as we do, we are quite sure that no such prognostication was made by them. (The last thing in the world you want to do is to try to force the FDA's hand.)

JOHN DOERR EXCITES

Most of the 800 attendees at the Economic Development Corporation's annual dinner last Monday were electrified by John Doerr's keynote speech on the New Economy. Doerr, a senior partner of Kleiner, Perkins, Caufield and Byers, stood four-square for technology and entrepreneurship in predicting that Moore's Law of increasing productivity from silicon chips, increasing power in PCs, and Metcalfe's law of interconnectivity and Genomics would continue to fuel California's economic growth well into the next century.

His 'Old' vs. 'New' economy comparisons met with great pleasure, and his call to bi-partisan political action on economic issues will surely find supporters in this active community. Thanks, John

FIGARO PLEASES

San Diego Opera's current offering was most pleasing Saturday night. Mozart used solos, duets, trios, quartets, quintets, sextets, and, yes, even a septet, to get all the participants singing. The Marriage of Figaro is as funny as it is complicated and would be almost impossible to follow without informative supra-titles. We were particularly delighted with the acting. Every nuance, every detail, seemed meticulously crafted to accompany the story. And there were plenty of 'take home hums'. The opera continues May 15, 17 and 20.

THE PROP 226 CONTROVERSY

Although we love our friend Ted Roth of Alliance Pharmaceuticals dearly, we do feel compelled to at least suggest the 'other side' of the argument for Prop 226, the 'paycheck protection' ballot initiative on June 2. Ted suggests that the proposition would deny labor a public platform to make their ideas known. Proponents site the 'fairness issue', decrying the fact that California unions spend roughly \$40 million worth of their members' union dues each year on political activities, without the express consent of the members themselves. Ninety percent of this goes to Democratic candidates and causes, even though one-third of union households identify themselves as Republicans. (The Supreme Court's Beck de

Please see DIRECTOR.. Page 4

HEALTHCARE / HIGH-TECH NEWS...

XLNT, Inc. announced three major advancements to the Millennium 4000 - a product line which extends today's most important backbone features to Gigabit Ethernet. The company announced revolutionary technology that allows its Millennium 4000 Gigabit Ethernet switch to achieve wire speed performance at Layer 2, 3, 4 and beyond on all ports. XLNT also introduced seven new cards for the Millennium 4000 that make it the highest density L3+ Gigabit Ethernet Switch on the market, and the company announced a new 24-port, high-density L3+ switched FDDI card for the Millennium 4000.

Advanced Targeting Systems (ATS), announced that it has received a \$750,000 grant from the National Institute of Mental Health to further its research in the neurobiology and treatment of chronic, intractable pain. This grant is Phase II of a Small Business Innovative Research grant.

Agouron Pharmaceuticals, Inc. announced initiation of phase III/III clinical trials, in patients with advanced lung or prostate cancer, to evaluate an experimental anticancer agent known as AG3340, a matrix metalloprotease inhibitor with potent anti-angiogenesis activity. In rodents, AG3340 potently inhibits angiogenesis (the formation of new blood vessels which feed growing tumors), tumor growth and metastasis and also enhances the anti-tumor activity of certain conventional chemotherapy agents.

CardioDynamics International Corporation, a noninvasive digital cardiac output monitoring manufacturer, announced that a significant clinical study (the Mayo AVI Optimization Study) has shown an impressive correlation between the measurements obtained from the company's noninvasive BioZ™ System and the pervasive Echocardiography/Doppler (Echo) technique for Atrioventricular Interval (AVI) optimization in patients with dual chamber pacemakers and left ventricular dysfunction.

EPIC Solutions, a San Diego-based software development company that specializes in providing information management systems to criminal justice and public safety agencies, has been awarded a \$3.5 million contract from the New Zealand government to provide a key portion of the country's new Integrated Offender Management System (IOMS).

Imaging Technologies Corporation (ITEC) launches a New Line of Network Print Servers incorporating Adobe/E, Postscript/E and ColorBlind/E Color Management Software for Digital Copiers and Wide Format Printers.

Overland Data Inc. and Groupe Bull, France, the international IT group, announced an OEM relationship agreement on two models of Overland's DLT LoaderXpress: the 405, which features a DLT4000 drive with a 5-cartridge magazine, and 410 that uses the same drive technology, with a 10-cartridge magazine.

Pacific Pharmaceuticals Inc. has announced a worldwide exclusive licence for O6 Benzyl Guanine (BG), a series of related compounds and technologies which enhance the effectiveness of a class of currently used chemotherapeutic agents (O6 alkylators). Preclinical animal data show that treatment with BG results in increased survival and heightens the antitumor activity of chemotherapeutic agents.

Space Electronics Inc. announced deliveries of its new product - the world's first radiation-hardened, three-dimensional, high-density hermetic memory module to be used in a solid state memory product for satellite applications. This product uses Garden Grove, California-based Dense-Pac Microsystems' three-dimensional memory stack module and Space Electronics RAD-PAK® technology. The new product offering is a hermetic MCM package with up to 1 gigabit of memory storage. It is configured for up to 32 bit word widths and is byte selectable.

TV/COM International, Inc., a leading provider of global digital communications solutions for the cable, direct-to-home, and terrestrial markets, has completed a pilot test of the technology behind Europe's largest digital cable TV system.

ANNOUNCEMENTS & UPCOMING EVENTS

UCSD CONNECT is happy to announce the arrival of Rebekah Morgan Hahn, born May 6, to proud parents Dan and Teesha Hahn.

Biotechnology InCyte presents **Robert M. Jaffe**, president, Sorrento Associates, Inc., at a breakfast meeting on **Thursday, May 14**, from 7:30 a.m. - 9:00 a.m. at the Radisson Hotel, La Jolla. His topic is *Venture Capital for Biotech Today*. InCyte members and not-for-profit sector \$10, others, \$35. Please RSVP to Teresa Hull at 534-0396.

The Third Annual Interactive Awareness Campaign Celebration for Southern California's Bioscience Community will be held Thursday, May 14 at 5:45 p.m. and Friday, May 15 at 9:30 a.m. at the Museum of Contemporary Art - San Diego in La Jolla, CA. The fee to attend May 14 is \$65 for CHI members and \$95 for non-members (dinner included). The fee for May 15 is \$50. For more information: call 415-977-1600 or email: jck@biospace.com.

The San Diego Software Industry Council is also featuring *"From Chalkboards to Employment: Innovations in San Diego's Hi-Tech Education"* on **Thursday, May 14, 1998**, 5:00 to 7:30 p.m., at the La Jolla Marriott. For further information, please call (760) 827-5912.

Synergistic Media Network & GeneEd present *Pharmaceutical Biotechnology-Trends and Applications*, on **Saturday, May 16**, from 9:00am - 3:00pm, at the Museum of Contemporary Art, La Jolla. Five areas will be covered: Genomics, Gene Therapy, Drug Discovery by Combinatorial Chemistry, Computer-Assisted Drug Design, and Re-engineering the Immune System. The fee is \$275 which includes a 150 page course reader. For more information call Denise Popovits at 888-BIOSPACE or email missioncontrol@biospace.com

Future Focus is presenting an *Internet Business Strategy* seminar on **May 18**, at the La Jolla Marriott from 3:30 - 5:30 p.m. The fee is \$49. For more information: call 452-4365 or email: info@future-focus.com or see their web site - <http://www.future-focus.com>

The National Venture Capital Association and AEEG, in conjunction with UCSD CONNECT, are hosting *"The 3rd Annual San Diego Venture Capital/Entrepreneur Networking Luncheon,"* on **May 19, 1998**, from noon to 2:00 p.m., at the Hotel del Coronado. The fee to attend is \$50, and reservations are required by May 12, 1998. For further information, please call (703) 524-3743.

There will be a **Phase One Proposal Writing Workshop for Small Business Innovation Research & Small Business Technology Transfer Programs** on May 19 in Sunnyvale, CA. There will be a **SBIR Overview & Cost Proposal/Accounting Workshop** in San Diego, May 20-21. Sunnyvale workshop information: call 408-522-1044 or email: jjones@cact.novapic.org. For San Diego workshop information: call 619-230-2081 or email: khernandez@cact-sd.org

UCSD Extension is presenting *Work/Life Benefits that Attract and Retain the Best Employees* on **Tuesday, May 19** from 6:30 p.m. - 9:30 p.m. at the UCSD North County Center. The instructor is Virginia Byrd and the fee to attend is \$45. For more information contact Shannon Anderson at 534-8296 or shannona@ucsd.edu.

The San Diego Biotechnology Discussion Group presents *Antisense Technology at Isis Pharmaceuticals* on Wed., May 27 at DepoTech Corporation, 5:30-7:45 p.m. RSVP by May 22 to Stella Schilling, 623-0888.

The Fourteenth Annual California Biotechnology Conference will be held Wednesday, June 3 from noon - 4:30 p.m. at the Hyatt Regency La Jolla. Sponsored by UCSD's Center for Molecular Genetics and California Western School of Law, the fee is \$100 for general registration, \$75 for BIOCUM members and \$50 for Biotechnology InCyte members.

DIRECTOR (continued)...

cision stated that workers cannot be forced to finance a union's political and lobbying activity, but unions apparently disregard that ruling, according to at least one ex-member with whom we checked.)

According to the Union-Tribune, the California Teachers Association has already spent \$4 million of their members dues to defeat the initiative. Would education reform be easier, if the CTA had less money with which to lobby? Sorry, Ted.

BILL'S BITS

The Daily Transcript featured Dr. Irwin Jacobs and Qualcomm in a complete story on May 11. Besides being a primer on the history of the company, Dan Gallagher's article gave Jacobs an opportunity to promote his favorite public policy issue, education.

San Diegan's are getting accustomed to unemployment statistics in the low three percent range, and now national unemployment is being pegged at 4.2 percent - the lowest in 28 years.

ENTREPRENEUR OF THE YEAR

The finalists for the Ernst and Young Entrepreneur of the Year Award are listed elsewhere, but we wanted to add that in no year has the competition been stiffer, or the selection process more serious.

Dr. Bob Beyster, Cam Garner, Julie Meier Wright, and others first review detailed applications by forty semi-finalists. (It took this reviewer almost eight hours to get through them all.) And once again Niki Krutop kept all the voting honest!

EFFLAND (continued from page 1)

agement before making an investment decision. "You may give us 10 references, but we'll go beyond that and talk to thirty people," said Effland.

Effland watches how the management team interacts. She sees a red flag if management is not allowed to speak for itself. "If the CEO answers every question, I know all information is being filtered and I'm not necessarily interested in having all the information filtered that way."

Although Patricof rarely brings in a new CEO as part of an investment deal, they do evaluate the top leadership. They look to see if the person's background and experience are appropriate for the current stage of the company. "There has to be an open discussion about how far a CEO can take the company and the CEO needs to agree with the investors," says Effland.

In describing the total process, Effland said to expect it to take six months from start to finish. She cautions executives to make sure they raise enough money at a time so they can focus on the business. "Try to fund to a milestone, and make sure you have the time you need to run the company."

ANNOUNCEMENT...

The UC BioSTAR Project has announced a special funding opportunity. Proposals for new research projects or supplementation of existing BioSTAR grants are invited from individual investigators or teams of investigators, and the proposals must focus on biotechnology research activities that are particularly instrumentation-intensive. BioSTAR contributions to direct costs must be matched at least \$1:\$1 by a private sponsor or a group of private sponsors. Private sponsors may substitute non-cash contributions for no more than 50% of the minimum required contribution. The deadline for all proposals is **June 1, 1998**, and need to be submitted electronically through the BioSTAR Project website: 'http://www-biotech.berkeley.edu/EQUIP_Forms/rfp-equip.asp'.

WEDNESDAY, MAY 27, 1998

The San Diego Venture Group & CONNECT Present EVOLVING MARKETS & MARKETPLACES IN TELECOMMUNICATIONS Sheraton Grande Torrey Pines

This year's conference will focus on the battle of bandwidth and satellite communications. The goals of this year's event will be to: feature keynote speakers who will present current and upcoming trends in our telecommunications industry; provide the most up-to-date marketplace information about the industry; showcase our local telecommunications industry; promote San Diego and bring value to our telecommunications companies. **Keynote speaker will be industry futurist George Gilder, President of the Gilder Technology Group and a Senior Fellow at Discovery Institute.** For further information about this event, please call CONNECT at (619) 534-6114.

THURSDAY, JUNE 4, 1998

Athena and UCSD CONNECT present Athena Happy Hour Kiva Grill, 5:00 - 7:00 p.m.

In the Aventine complex next to the Hyatt La Jolla

Join Athena for an informal Happy Hour at the Kiva Grill. Bring a colleague or friend! No speakers or formal program... Just an opportunity to have fun, see old friends, and meet new people. RSVP: Tanya Hincapie, 534-8410, or thincapie@ucsd.edu (There is no fee for this event; the bar is no-host.)

WEDNESDAY, JUNE 10, 1998

Going Public in the Hottest Market of All Time: A Workshop For Small and Mid-Cap Companies La Jolla Marriott, 7:30 a.m. - 11:00 a.m.

JOIN US FOR "TALES FROM THE TRENCHES" AS WELL AS THREE VALUABLE WORKSHOPS ON:

- Preparing Your Company for the Initial Public Offering
- Conducting the Initial Public Offering
- Issues for Your Company After the Offering