

Kim Blickenstaff

Interview conducted by

Mark Jones, Ph.D.

In 1997

SAN DIEGO TECHNOLOGY ARCHIVE



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Kim Blickenstaff



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

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INTERVIEWEE: Kim Blickenstaff

INTERVIEWER: Mark Jones, Ph.D.

INTERVIEW: Part 1 of 2

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1 **JONES:** Let me ask you a little bit about your early career. You got an MBA at Loyola
2 in Chicago. Did you go immediately to Baxter? Was that your first job?

3 **BLICKENSTAFF:** Yeah, that was the whole connection on this thing. I went to work
4 at, I sort of made a decision to get into health care out of business school, and I
5 interviewed with the big health care companies in Chicago, and there were three or
6 four, there was American, Abbott, and Baxter. I interviewed and got job offers at all
7 three. I took Baxter because I thought it was sort of the most vibrant, and lo and
8 behold, the first guy that I worked for, the group that I was in, was Tim Wollaeger,
9 who eventually ended up being at Hybritech and being at Biovest, so that's how I
10 connected into this whole thing. And Tim, I think, knew Ted, or knew of Ted, so I
11 had crossed Ted's path, Ted Greene, was at Baxter as well, so that's a common link if
12 you haven't heard, at Baxter. Baxter was a link for Tom Adams, David Kabakoff, Ted
13 Greene, Tim Wollaeger, myself, and there might have been one or two others, I think
14 there some other, maybe director level R&D people. But Tim came out, actually after
15 Baxter, Tim came out to work for a company called National Health Labs, which was
16 unconnected, and then eventually got connected back up with Ted Greene. Ted
17 Green was at Hybritech at the time, and Tim was, you know, aware of what they were
18 doing. I guess they had done a public offering by that time, and they were sort of in
19 need of a next level public chief financial officer to do a lot of fundraising, and Tim
20 ended up getting that position at Hybritech, and then he recruited me into
21 Hybritech.

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

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

24 **JONES:** Was that Revlon?

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

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

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

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

34 **BLICKENSTAFF:** We were looking at, as an early evaluator, some of Hybritech's
35 monoclonal assays, so there was a feeling, I think, on Tim's part, that, 'Wow, this
36 company's got something that's neat.' You know, it's an opportunity to build a Baxter
37 like entity out here, so I think that was really a lot of the sort of the connection in. So,
38 by the time I came on board, it was, you know, 1984, I think was when I joined, and
39 so they were in the commercialization phase, they had their first diagnostic kits
40 coming out, radioimmunoassay and I think they had some limited menu, but they
41 were coming out with simpler formats for the diagnostic side, you know, the enzyme
42 based kits, and the ICON test that I got involved with, that Gunars and I got involved
43 with, so that's sort of the stream with that whole thing. I was not involved real early.
44 By the time I had gotten there, you know, the whole legend of, you know, raising
45 money, and all that stuff, was history that I was not really a firsthand participant to.

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

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

52 **JONES:** Where are you from?

53 **BLICKENSTAFF:** Peoria, Illinois. So, I looked at my father's career and I thought
54 business was interesting. I actually wanted to be a lawyer, but I thought that health
55 care was more relevant, you know, a much more meaningful business. You're doing
56 stuff that helps people and saves lives rather than just making tractors that moved
57 earth. Anyway, I'd always had an interest in it, and oddly enough, I did some
58 undergraduate work in sort of, I was in political science and I liked science, basically,
59 I liked the whole, I basically studied the political theory of science to some extent,
60 you know, how it was applied to the greater good of mankind and that sort of thing,
61 and I actually did a couple of papers on whether industrial commercialization of
62 science was unethical or not. Believe it or not, back in '75, '76, when I was in
63 undergraduate school, it was still sort of considered tainted for scientists to go into
64 business because, you know, you would bend your science and the scientific method
65 to come up with the outcome that the employer wanted. That was sort of my naive
66 view of capitalism. So, I always sort of had an interest in it, and when I got out of
67 business school, and they started lining me up for job interviews, you know, you sort
68 of look at industry segments, it just took me three interviews to figure out that health
69 care was vibrant, growing, profitable, technology-based, benefiting mankind, and you
70 know, some of the other companies that I'd looked at that were, you know, making
71 paper, making steel, you know, these were products that people used but had no
72 attachment to, that were thrown away. Part of an anonymous infrastructure, and they
73 were dirty industries, not necessarily growth, and I just thought, 'Man, health care
74 really, it's vibrant.' And it seemed liked it was growing. There were a lot of these
75 companies that were getting started and it was like, 'Wow, that's the place to go.' You
76 could just see the difference between the health care industry at that time and all
77 these other industries that people were getting jobs in, so, for me, it was not a hard
78 decision at all.

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

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

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

89 **BLICKENSTAFF:** Yeah, Hyland was one, and literally, divisions would hand in their
90 budgets annually, and then our group would go out and look at and say, 'OK, has this
91 thing got upside, downside, has it got some horror stories lingering in there that are
92 going to be profit surprises?' So, the group was called profit planning, and we'd go out
93 and we'd look for profit issues. And Hyland was a division I worked in, Aminco was
94 another related division, American Instrument Company was a company that actually
95 made instruments for the Hyland division. Hyland made reagents, and that's where
96 Ted Greene was, and I was working in projects in both Hyland and Aminco, and
97 Aminco I did much more work on, but they made the instruments for the reagents
98 that Hyland used, so that's how I got to know some of these names, and I was, again,
99 in the group that, profit planning was management, Tim Wollaeger, he set up the
100 whole group, so...

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

102 **BLICKENSTAFF:** Yeah, I can remember, just through the general overall philosophy
103 that compared to the core businesses, the profitability of Hyland was not as good. I
104 think Hyland had a couple of pieces, if I remember, a diagnostics piece and a
105 therapeutics piece, and the therapeutics piece was considered to be the much more
106 lucrative long-term business, but they had both pieces of the business, so it's, you
107 know, 'What do you do with this animal?' And I heard, relatively speaking, that the
108 diagnostics side was not as profitable. They had a lot of sort of cost of goods sold
109 surprises that would jump up and hurt profitability. I mean, they would sort of set
110 their budgets and their sales levels and they'd hit their sales plans, but, you know, by
111 the end of the year, they'd realized that they had cost issues, and costs then got
112 adjusted upwards, and profits got wiped out, and there were all sorts of surprises. So,
113 there was that issue, I remember, which was sort of overriding, it was, you know,
114 'That group out there is out of control.' You used to hear that a lot. And then the
115 funniest part you used to hear, coming from Chicago, was, 'These crazy, wacky
116 Californians.' And that was the overriding thing that I remember about Hyland was
117 that, first of all, there's a two hour time difference between California and Chicago,
118 but despite that, people coming in Chicago, there was this macho thing about coming
119 in early and leaving late, and these people would come in at seven o'clock, and
120 somehow expect people at Hyland to be there, at five in the morning, and so, when
121 the people at Hyland finally showed up at eight, eight-thirty, it was now ten-thirty,

eleven o'clock in Chicago, and it was like, 'Where the hell are these flaky jokes at Hyland?' And it was that sort of image, that they didn't work very hard, I remember the building was considered to be a palace. It was on this old, I'm trying to think of what it is now, I think it's the Hyundai building or something. It was a beautiful building near Costa Mesa just off the freeway. It had a big open courtyard where people would sit outside and be in the sun. You know, just outside, and it was this open, casual atmosphere, they actually wore casual clothes, and the people from Chicago would go out there and see these people at Hyland dressed casually, sitting out in the sun, and you couldn't get them on the phone until eleven o'clock in the morning, and then they took off early on Friday afternoons, and it was like, 'No wonder these guys aren't profitable. They're a bunch of lazy assholes.' So, there was this sort of real love and hate, the business was sort of, you know, iffy, and then the lifestyle issue, it was like the Chicago people wanted to convert these guys, you know convert them out of their lifestyle, yet those of us that would go out there in projects would look at it and go, 'This is the way to live. This is the way you should be living.' So, I think actually, ultimately they shut the Hyland division's office in Costa Mesa down, and moved it back to Vanneckburn, which was a facility just North of the complex I was in, and you know, I remember it was sort of like, 'OK, we're going to show you assholes. We're going to show you that you can't support your own overhead out there. We're going to close you down, move you back here and make you work harder.' And they lost a lot of people, you know, all these people that we're talking about, the Ted Greene's and the Kabakoff's and, I think, Tom Adams were out there and they said, 'Wait a minute, I'm not moving to Chicago.' Ted, if you get his story, he literally said, you know, 'Buzz off. I'm not going back.' And he actually tried to raise some money for a business plan, I think that was competitive with what Hybritech ultimately ended up doing, and that's how he ended up with Hybritech. He was out raising money for the same idea. I think it was a company called Cytech. I think I saw this, Ted actually showed me that business plan. So, that's sort of the whole story from my perspective as to what happened with that whole Hyland thing. If it hadn't been for that, I think there would not have been the impetus from the people standpoint, you know, for the early people at Hybritech to be around looking for jobs.

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

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

166 **JONES:** Is that a way of leapfrogging?

167 **BLICKENSTAFF:** Yeah, it was a way of getting out of the corporate bureaucracy, and
168 then getting the general skill sets that would allow you to leapfrog and run a bigger
169 division. And that's exactly what Tim Wollaeger was trying to do. He did that. He
170 went to Mexico and ran the Mexican subsidiary, and I actually kept in touch with
171 him, because I did some projects for him. I said, 'That's what I want to do. I want to
172 be a general manager. I want to be like a Tim or a Ted Greene, where, you know, they
173 got to run the sales group and the operations group, the marketing group, the entire
174 little company, and so I was trying to get out of finance into that kind of role, and I
175 had a tougher time of it at Baxter, trying to do it, because there were just so many
176 people trying to do that and to get noticed. You know, I'm one of sort of the Darwin
177 theory of life, you know, some of the people had to shake out, obviously, and so I
178 said, 'Look, if you're not going to get me into a marketing career path within Baxter,
179 well, I'll do it on my own.' And Tim Wollaeger offered me a slot at National Health
180 Labs where I had a chance to be exposed to marketing operations, and I said, 'OK, I'm
181 going to go do that.' And I left.

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

185 **BLICKENSTAFF:** Nothing more than he probably told you. I don't know any
186 independent, you know, sort of data on what he did, but you know, Tim was a free
187 thinker. He had a completely different way of thinking about life than the average

188 Baxter executive. Baxter, you know, it was a very paranoid society where the strongest
189 survived. You had to be very political about it.

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

191 **BLICKENSTAFF:** No, I wouldn't say there was anything gentlemanly about it at all. I
192 thought it was rough and tumble. It was gentlemanly in the sense that this stuff
193 didn't flare up in a sort of outward way, but it was very, very competitive, and
194 sometimes it was better to do nothing than to do the wrong thing and fail. And Tim
195 had just the opposite attitude. Tim's idea was, you know, 'For God's sake, try
196 something.' Almost FDR's view of the Depression, you know, 'We've got a hell of a
197 problem here. Let's make a list of the five things we can do, and try something. If the
198 first one doesn't work, scratch it off the list and go to the next one.' And Tim did a lot
199 of things. I think this Viaflex thing was something that obvious to him do, another
200 line of business to bring in and do something, and it pissed somebody off for political
201 reasons. And Tim was, like, that's the sort of thing that he just didn't understand, the
202 politics of it. He was a do it, get it done, sort of a positive guy, who just hated all that
203 political crap, and I think his career probably ran on the rocks because of that, but I
204 looked at Tim, and I said, 'This is the way to operate a business. It's logical, it's results
205 oriented, it's performance based, and it's positive. I mean, those that do well get
206 rewarded. And, you know, 'Let's do the logical, right thing.' And that's the way Tim
207 worked, and he was one of the few guys I ever met at Baxter that worked that way. I
208 said to myself, 'I'd work for that guy anywhere,' and that's why I ended up following
209 him to National Health. I thought Tim was better bet long-term career path than
210 Baxter itself. And so, I left to work for him, and I ended up going to National Health,
211 which was a shitty company, but long-term I was right. Tim was a better investment
212 in my career than Baxter was. I mean, Baxter has not done well over the last twenty
213 years since we've left there. I mean if you compare it to what Abbott went on to do,
214 Abbott and Baxter were approximately the same size at the time we left. Now,
215 Abbott's market cap is three of four times bigger than Baxter, because Baxter has
216 taken a series of sidesteps and missteps, and reorganizations and acquisitions, and
217 not grown, because they just didn't have the right sort of culture. And instead, I
218 invested in Tim, and Tim, well, you can see what he's done. So, it was a really good
219 choice for me.

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

222 **BLICKENSTAFF:** You know, actually, there was a sort of intermediate step. Tim
223 moved over to a real estate company, and I ended up going there with him, but I
224 stayed at National Health probably about nine months. He was there about two
225 months. I was naive enough at that point in my career not to know much about other
226 companies in the industry, and you know, National Health looked like it was a health
227 care company that whose name was in blue, that was in ethical medical products, and
228 when I got into it, I found out that it was a low technology, low intellect business that
229 was rough and tumble, that had lots of billing scandal issues, with people who
230 weren't very smart. And it was an awful environment, and it took about two weeks to
231 figure that out. And so I was out here in San Diego, and there wasn't a lot out here at
232 the time. You know, there was IVAC and IMED, and I started thinking about going
233 over there looking for jobs and trying to get with somebody that looked more like
234 Baxter, and Tim went to this real estate company, and although it wasn't the right
235 industry, at least it appeared to be a clean, well-lighted, civilized place, and I thought,
236 you know, that was a better place to pass some time than to, you know, pick up roots
237 and move back to Chicago immediately. So, I did that, and ultimately it was from
238 there that we ended up being involved with Hybritech.

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

240 **BLICKENSTAFF:** Yeah.

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

243 **BLICKENSTAFF:** Well actually, it was sort of an in-the-side-door kind of an offer.
244 They were, I think, undergoing sort of a hiring freeze period. They had gone public
245 and were not meeting their earnings, and so there was a lot of pressure not hire
246 people. And they needed some business planning skills. They had no independent
247 financial business planning person to try to do business plans to raise money, to do
248 annual budgets to control the profits, and Tim, coming from Baxter, where it was
249 very profit-control, financial control, and planning driven, looked at it, said, "There's a
250 real vacuum of skills here.' There were no MBAs. There were functional people, you
251 know there was Dave Hale, who had sales and marketing, there was, you know, a
252 director of marketing sales person, there were R&D people, but there were no MBAs,
253 planning people, business people, to sort of look at everything and ask, you know,
254 "Are we staying within the lines of the road here?' So, they were trying to raise some

255 money to do an R&D partnership, you know, they determined that, you know, the
256 capital that they got through their IPO didn't allow them to spend on R&D, literally,
257 they couldn't crank up their R&D line because Wall Street would see them further
258 going into the tank on profitability, and they would have viewed it dimly. So, the idea
259 was to take the R&D, and at that time, you could fund it through what was called a
260 Research and Development Partnership. They're no longer allowed. It was a clever
261 idea at the time. What you could do was go out and raise this [?] of money, and what
262 you said was that all the intellectual property that was created with the funds of this
263 sort of partnership would be paid back as royalties to the investors on product sales,
264 and it was a tax deductible thing where the investors could actually take the losses in
265 the early days, which was the expensive R&D, and they could flush that, and use that
266 as a tax write-off, so it was a tax write-off deal but a downstream revenue deal. Later,
267 that got wiped out, but it was very, very popular as an income shelter. So, the idea
268 was to be able to spend fifteen to twenty million dollars or more a year on R&D and
269 have the R&D component PNL offset by the revenue at the time. The accounting, you
270 could book the expenses as revenue on the top line, so you showed the contract
271 revenue line for fifteen million contract expense, or R&D expense. The two netted out
272 and it was PNL neutral. Great idea. So now you can go and spend, you know, as much
273 as you want on R&D, and Wall Street doesn't penalize you for the earnings hit
274 because of the way you can set this thing up. So they needed to get involved, this was
275 a popular vehicle that emerged, it was being done by the Genentechs, the Cetuses,
276 and so forth, and Tim said, you know, as sort of the new CFO, and being there six
277 months, said, 'We need to do this. This is what we need to do to ramp the R&D to go
278 after the whole cancer area.' That was the idea, was to ramp up the cancer diagnostics
279 and therapeutics area. So, I got involved writing a business plan that said, 'OK, this is
280 how you'd spend the money, this is what an average product would cost to develop,
281 this was an average product's payoff for a diagnostic or therapeutic, here's the time
282 lines.' You run the numbers, and these were the models that were finally used in
283 doing the R&D partnerships. So that's what I did during the first six months that I
284 was there, and really as sort of a planning person, I got exposed to the diagnostics and
285 therapeutics side, made up the first sort of overall time line, then really fleshed out,
286 you know, how these products would be developed, and developed some of the
287 framework for budgeting, and so on, and so forth. And I did that as a consultant,
288 basically, for the first four months, so that I didn't end up showing up as a head count
289 addition and violating Tim's expense controls that he had immediately imposed on
290 the company. So I came in the side door via this vehicle of capitalizing on the R&D

partnerships, and ended up after six months on the project being a full-time employee. I think they called me Director of Financial Analysis, doing budgeting and planning.

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

BLICKENSTAFF: Yeah, we had some very, very good legal counsel. Tom Sparks is a common link in all this if you wanted to put another piece of the pie together. Tom, who's at Pillsbury- Madison, a legal counsel for Pillsbury, Madison, was connected with the venture guys and he's very, very well connected with the financial community. I mean, he's very good friends with like, Sandy Roberts, and then Roberts and Stevens, and Brook Byers, and all those sorts of people. I think it was probably someone like him, or one of the Board members like Tom Perkins, who was on other boards, and said, 'Hey boys, this is what we're doing here. Roberts and Stevens said they could do this for us at Genentech. This is something you guys should be seriously looking at because, you know, you guys can't crank up your R&D because of the Wall Street constraint on the earnings thing.' So, I was not in Board meetings. I never was allowed to go to Board meetings. I don't know how it happened, but that's my theory on how this thing came to be, and Tim said, 'You're right. This is the vehicle. We've got to go. The windows on these things are usually short-lived, so let's get this thing out, let's write this business plan, let's get this thing rolling,' and that's how I got pulled into it.

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

BLICKENSTAFF: You know, actually, what happened was, I was not a spokesman on the roadshow. No, I did not participate in the roadshow. I saw it happen. At the time the roadshow sort of cranked up, I segued over into marketing and I became a product manager, and my career took another path. But I actually got to do a lot of the help on the preparation, you know, the filming of the roadshow tapes, making up the slide shows. I helped a lot on drafting the slide shows. I was involved with the bankers and the models that became the selling documents, so I got involved with all that stuff, but Tim really did the roadshow. You know, it was sort of a, it's not like a standard public offering. Now that I've been through it and know what that's all about, usually you do about three weeks of road showing and it's over. This thing was marketed as a retail vehicle. It was not an institutional investment where you went

324 out and sold it to a major fund. It was sold to high net worth individual investors who
325 needed to shelter income. So, Tim, he ended up working with these high net worth
326 broker types, the three bankers that were the underwriters on this thing and their
327 retail networks. So, the roadshow became a true roadshow where you're going out
328 and marketing this to groups of high net worth people that collected at the San
329 Antonio Merrill Lynch office for, you know, a presentation with their local retail
330 brokers. Tim has got a map on his wall. I think that in the early days of the roadshow
331 they thought it was going to be these big institutions, hit them in twenty- one days,
332 boom, close the deal and you're off, and it went on for months. Ask Tim. It may have
333 gone on for three or four months, and I think people just lost interest after they
334 found out that it was a retail deal and that's the way it was going to be sold. I think
335 Dave Hale and some of the senior people just didn't have the time and the
336 wherewithal. There was a flip in the bankers. I don't know the whole story, but Tim
337 can tell you that. I think we went from the lead producing nothing and we finally
338 said, 'Hey, we're going to rewrite this deal, and flip somebody else to the lead.' And
339 then it began to take off, but he sort of single-handedly sort of, you know, scraped up
340 the garbage, and got the troops moving again, and I think it took five to six months to
341 get the whole thing closed, because it was like \$70 or \$80 million. I did play a small
342 role. We had a lot of company visits, you know, where they would have, you know, all
343 these retail people come in, and these individual investors would show up on
344 Saturday mornings and want these company tours, where we had to tell them about
345 the business and the company, and show them the labs, and that sort of thing. So, I
346 did a lot of company based marketing where we'd have these groups of people come
347 through, and I would make presentations. I did smaller ones, but technically, it was
348 Ted and Tim. They did the majority of the big group functions and major roadshow
349 activities. It was grueling. It festered for months. It was not like your standard
350 crescendo to a, you know, a major crescendo and then you close it.

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

353 **BLICKENSTAFF:** Oh yeah, I didn't know it at the time. I only found it out later by
354 talking to Ted Greene, who's on my Board. But the numbers when Hybritech went
355 public, I think they raised twenty or thirty million dollars, and had a hundred million
356 valuation, and Ted did it through Morgan Stanley, and it was the first unprofitable
357 company Morgan had ever taken public. And that didn't get them very far. I mean, it
358 wasn't going to get them very far. So, to raise \$70 million was two and a half times

what they'd raised in the public offering. It changed the complexion of the company, because immediately after this, then, they had the freedom to spend all this money on R&D, \$10 million, and we launched on building facilities, hiring people, I'm telling you, the rate at which people were hired was, it was mind-boggling. You couldn't keep track of all the people coming in the door, and, you know, you sort of took pride in what your number was. I was employee three-something or other, three twenty-five, the next thing you know, there's four hundred, five hundred, and six hundred, and we had buildings over in Mira Mesa, over on Production Avenue over near the Air Station, and it just grew. It had a huge impact. It completely changed the company.

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

BLICKENSTAFF: Yeah.

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

BLICKENSTAFF: Well, you know, they had three product lines. I actually went over, and first of all I did budgeting for sales and marketing, and for the entire company, so I put together a profit plan for the company for the first time. So, I did this project, you know, for the R&D partnership while Tim was on the road. I did the annual plan, which included, for the first time, a revenue model where I looked at the different businesses, and on the revenue side we had three lines of products. We had TANDEM radioisotopic products, which used an isotope, which they counted with a gamma camera, we had similar assays that had enzyme labels, so they were called TANDEM-E products, and then there were visual products. And the radioisotopic and enzyme products were probably the majority of an annual \$15 million plan, probably, at that point in time. The visual product was a tube-based pregnancy test, and that was probably about one to one and a half million dollars. I ultimately ended up being the product manager for TANDEM Visual, and then the concept that was in early-stage development, which became ICON. So, when I stepped over into marketing, there was a product manager for radioisotopic products, I think that was Blair Shamel, there was a product manager for enzymatic products, I believe that was Bob Perranowski, and then there was the TANDEM Visual products, which was me, and we all reported to Cole Owen. You've heard that name. Cole Owen is now over at

Owen & Associates, a marketing consulting group. And the reason...obviously, I wanted to get into marketing, and I had lobbied with Dave Hale. I had actually worked very, very closely with Dave Hale on this whole Hybritech Clinical Partners stuff, and you know, I told him, I wanted to work hard. I had come into Hybritech as this financial consultant, financial analyst job, and I said, 'I'm willing to work hard. I want to work hard.' I was coming out of a company where there wasn't that vibrancy, and I wanted to work hard. But I didn't want to be in finance all my life, so this is a stepping stone to marketing. And David told me that the way he made the stepping stone in his career was product management. And I said, 'Well, I want to do that. That's what I want to do. I want to be that general businessman, business unit manager that, you know, you got to be, David, and if you think the product manager slot is the way to do it, that's what I want to do.' And that's what he found. He had been a product manager in his career, and it worked well. And he described how he had this responsibility for branding the product, and all the marketing plans, and, you know, making a business, and generating the business. So, that's what I did. I went over to be with this TANDEM Visual product, and underneath it, underlying, was a very, very early technology that Gunars Valkirs was working on, which was a way to take TANDEM Visual, which was a pregnancy test, which was as sensitive as the market needed. It had a detection limit, I think, of twenty to fifty-five million iu, but it was an hour and a half procedure where you looked and you compared the color in this tube, there would be a blue color, and you'd have to make this sort of comparison of whether it was lighter or darker. And what Gunars was working on was some way to make a five or ten minute assay, because the theory was, you know, if you can make that sort of a sensitive test very fast and very simple, you'd have a barn- burner product. And he was working on a technology that could do that.

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

BLICKENSTAFF: You know, there were two lines of thought. David Kabakoff, who was the R&D VP had been working on ways to speed up that format. He said, 'OK, can you get us down to forty-five minutes?' And we looked at that, and there were ways to do it, but you had to give up sensitivity, so there actually ended up being an option in the package insert on TANDEM Visual that if you wanted, I think it was twenty-five million iu sensitivity, it was a two hour procedure, at fifty million iu, it was an hour and a half, and if you didn't mind going for a hundred million iu, or two hundred, you could have your results in forty-five minutes. Obviously, there was a

427 real market demand for as sensitive as you could be, because it correlated to how
428 long after the missed period was somebody pregnant, so literally, people generally get
429 pregnant in the middle of their cycle, and it's another fourteen days until you miss
430 your period, and you start thinking, 'Well, maybe I'm pregnant.' And the idea is to
431 have something that, boom, three days later, as soon as you're pregnant, you'd know,
432 and it was a very rapid and very fast, simple way to do it, and the market was driving
433 towards that, because the radioisotopic assays were that sensitive, and literally as
434 soon as there was a two-cell, you know, a single cell organism reproducing, there was
435 enough of this HCG of those assays to measure. But that was too low of a level for our
436 TANDEM Visual. What we wanted was to get the radioisotopic sensitivity into some
437 sort of a package that was simple, so that the ERs could do it, all the labs could do it,
438 and you would really change the market. And so, that's why we had these two paths.
439 One was toward incremental improvements with TANDEM visual, one was the
440 dramatic improvement with this membrane based technology that Gunars Valkirs
441 was working on, and I ended up being the product manager because there was an
442 inkling, Gunars had actually demonstrated that with a membrane, you could speed
443 these reactions to five to ten minutes and get that kind of sensitivity. And so, he had
444 done it in very crude lab-based set-ups, and so suddenly the focus came to be, 'To hell
445 with the incremental improvements on TANDEM visual, let's put all the money on
446 formatting this crude prototype that Gunars has shown feasibility with in the lab.
447 And I'll never forget Kabakoff coming out of an R&D meeting, or it was a staff
448 meeting, maybe, with the senior management, with Tim and the others, about the
449 time I took on this responsibility, I was being pulled into it, he said, 'Look at this.' He
450 had a chem wipes pad, or a paper towel pad, and he had three little punched out
451 white dots, white membrane dots, white paper filter pads, and they had these little
452 blue dots on them. And I said, 'What's that?' And he said, 'That's a five minute
453 pregnancy test, that's fifty and twenty-five million iu sensitivity.' I went, 'Wow!' He
454 said, 'This is Sluggo.' Its code name was Sluggo. I'm like, 'Wow! What's that?' There
455 was all this excitement about, wow, we had this basic concept on how to speed these
456 assays and make them sensitive, and I got sucked into being that product manager,
457 because Hale thought, 'Hmm, here's a perfect match.' You know, brand new product
458 line, it's not as complex as the radioisotopes, it needs a product manager, it needs
459 somebody that's got the ability to do, not only just marketing, but all the sort of
460 matrix management to do kind of stuff that needs to be done to get a new product up
461 and running, and I became that product manager. And actually, Tim was probably
462 my biggest champion on this whole thing, because Tim, for some reason, got pulled

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

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

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

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

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

JONES: So it went pretty quick.

BLICKENSTAFF: It was like six months. And Gunars had had some crude....the idea was, instead of taking antibodies and putting them on a bead, I don't know if you ever saw how Hybritech's assay had worked at the time, but you would coat a bead with antibodies, and you'd put that in a tube, and you'd put the patient's sample onto that, and that bead would bind, the antibody and the bead would bind with the analyte that you were looking for, HCG, for instance, which is human chorionic gonadotropin, which is this protein that's produced by the placenta. So that binding would happen, and because it was sort of in solution, they'd have to overcome diffusion, and the molecules would sort of have to pull out of solution and bind to the bead. That would take two to three hours. You then would sort of decant off the

495 patient's sample. Then you would add a tracer antibody that would bind to the other
496 side of the HCG to form the famous TANDEM sandwich, and then that solution
497 phase, or that sandwich antibody that you'd added had a tracer of some sort, whether
498 it was a radioisotope or an enzyme that you had to turn over. So that was, you know,
499 how you did the assay, I'll show you. So anyway, that's how those assays were done.
500 And so this assay was done on a, instead of, you basically substituted a membrane for
501 the bead, and how to package the membrane was the real problem, and back in, OK,
502 this is March of '84, March 29th of '84. The idea he was working on was the
503 membrane was going to sit on some kind of a little filter, and this is a little capillary
504 tube, and that was going to be what, as you poured the solution across this, this was
505 an antibody impregnated dot on this membrane, and the membrane was literally like
506 gauze if you blew it up. It was a porous membrane through which fluid could pass.
507 What it did was, it drives the sample past these antibodies, and it speeds that
508 reaction that you waited to happen in the bead, waited for it to fall out of solution.
509 So, it was a real packaging problem. Gunars could run these assays on the bench top,
510 I think he used to run it on a filter paper, or on some kind of a tube gizmo or
511 something, but how to commercialize it and put it into a package was really sort of
512 one of the major issues. So, this was one concept where he was actually putting it on
513 top of a tube, and it would wick down the tube. Now, somewhere in this time frame,
514 between that point and about June, the idea of actually putting it on what was called
515 an absorbent, was the way to drive this capillary wicking, and I'm not certain how it
516 happened, but I remember we had, not only on this project but another one, we were
517 using acetate filter materials from like cigarette filters for a bunch of different things,
518 like to hold moisture for other test kits. Actually, we used to be the beads into
519 solution, and the solution would leak out of jars for the bead assays, so the idea was
520 maybe we could just put a wet sponge underneath it, then have leaking fluid, and
521 keep them moist that way, and that filter was the cigarette filter material. So, that
522 stuff, I know, was around. You can ask Gunars how he ended up looking at absorbent
523 materials, but the stuff was around the lab. The idea became, OK, let's put this piece
524 of membrane that the antibody's impregnated on, and put it on top of a filter stack.
525 And lo and behold, it worked like a charm, if they were kept in very intimate close
526 contact, the absorbent would pull the fluid and soak it like a sponge, and pull it
527 across that membrane with the antibody on it, and boom, you got these reactions just
528 as rapid and clean as you could imagine. So, we started figuring out how to try to
529 package the thing. Gunars, you know, I had some really old prototypes at home that I
530 forgot about, but we had some prototypes built, where literally, they were clear

Plexiglas and Gunars would punch out the membrane, put it in, put in a little support, porous support, put in the filter, pop them together, screw them together, and run four assays, and do his clinical research, then pop them apart, and do four more. That's how he actually developed the data for the 510K, which I think went in June, and then we started on the design of some sort of plastic housing, and these are some early hand drawings that our engineer did, and this is the ultimate tool drawing, and that came in, that work actually began in, it looks like it was April, and I think we launched the product in October. And this is ultimately what it ended up looking like. These were the launch materials that I did, the brochures. It was a small plastic casing, you had a blue color dot on it, very easy to read, this is the antibody zone, all the fluid would pass across it, down into that absorbent below. And it was fast and it was slick, and so, all the processing issues, you know, it was a completely different manufacturing process, we were coating membranes rather than beads, we were now in the plastic part business that needed to be assembled, and all the packaging and all these materials, and the image and the name, were all my responsibilities, and Gunars was my chief scientist that did all the R&D, I mean this was his idea, he's on the patent, you know. So, it was like this small team effort. You know, it was not many people. It was probably, I'd say, six to twelve relevant people, sort of guided by Ron Taylor and David Kabakoff, were the two that really sort of gave us the senior management, and names that, some of the names that were on the team were myself, Gunars, Bob Wang, Toni Vodian, Lisa Robinson, a few others in QA and QC, and lo and behold, I think we launched this thing in October of 1984, and we had a stocking order of a million dollars in revenues, so it was like, boom, first month, this was a bigger product than my TANDEM visual product had been. And we had just a tremendous sense of pride about, you know, we named it, we came up with the identity, you know, we created this thing, and it was like, wow, this was a tremendous rush.

JONES: Nobody was doing anything like this?

BLICKENSTAFF: No, this was the Holy Grail, and if you could do it this fast, and this sensitive, it was like, boom. And we priced it at a premium, and it still took off like a rocket. And our sales people went nuts. I mean, it was like we had made up probably fifty kits, one for each salesperson at the launch meeting, and they grabbed these things like they were gold. They ran out to the phones at the break to call their accounts. You know, 'I've got a sales meeting, I'll get there as quick as possible, but wait till you see what I've got.' And the sales just took off. Well, this is still the basis

566 for the broad majority of hospital-based testing, and a lot of the over-the-counter
567 stuff uses the principles that were involved in this and developed in this, and other
568 people copied.

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

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

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

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

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

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

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

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

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

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

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

592 **BLICKENSTAFF:** Actually, the way it went was, we took this and we started looking
593 at what other applications could we do, what other products could we develop in that

format, and we looked at all sorts of rapid infectious disease. We came up with a strep test that was a part of that program, we looked at doing a rubella test that got into development that got killed. We looked at doing a serum-based version of this, this was urine. We looked at hepatitis assays, so there was a program related to hepatitis. There was a need to do a quantitative, to do CK-MB, which was a cardiac enzyme, to help diagnose heart attacks. There was a need to do it quantitatively, so there was a program to adapt this to a quantitative format, to try to give that a sort of quantitative endpoint. So, those were some of the programs.

JONES: And you had success with that?

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

JONES: With Lilly?

BLICKENSTAFF: With Hybritech, after the Lilly acquisition, and really got separated from Gunars, so other product managers sort of took the product line from there, and they were product managers for it. I was a regional sales manager for the Western region. I did that for all of '87 and early '88, and it was in the '87 time frame, I was back in the home office, and I ran into Gunars, and I hadn't seen him in a long time, and I said, 'Gunars, how are you doing? Is Lilly getting to you yet?' And he basically looked at me, and I think he said something to the effect, 'You know, I hate this fucking place.' I said, 'You want to get out of here?' And he said, 'I'd love to.' And I said, 'Well, if you ever want to get out and do something, and I bet that I could raise money from Ted Greene and Tim Wollaeger.' Because they had started up this Biovest Partners. And he said, 'Really?' And his eyes lit up, and I said, 'Really.' So, it was sort of a passing comment, and I don't know how much longer it was later, but it was the summer of '87, I had a call from Gunars and it was a phone message that said, 'Kim, I want to have a lunch meeting with you, to talk about future plans.' Gunars and I never got together. We never socialized, we never got together for lunch, so this voice mail was like, 'What the heck is this all about?' So I called him, and I asked, 'What is this all about?' And he said, 'Well, I'd rather just talk to you at lunch.' So we

627 had lunch at a Chinese restaurant over in UTC or somewhere over there, and Rick
628 Anderson, Ken Buechler, and Gunars Valkirs show up, and they basically said, 'Look,
629 we're getting out of Hybritech. You know, we've got jobs elsewhere.' Gunars had a job
630 offer somewhere else, Ken was chomping at the bit, wanting to move on, Rick was
631 talking about moving on. I was, in fact, talking to Ted and Tim about going to Vical. I
632 was considering going to work with Tim trying to help the Vical group. And so, I was
633 going over to Biovest talking to him quite a bit. And I said, 'Well, it sounds like we're
634 all getting out, so we might as well, you know, if we could get some money from Tim
635 and Ted, I mean we might as well, no harm, and if it doesn't work, we can figure out
636 something else to do.' So, like I said, I'd been seeing Ted and Tim at Biovest, and I
637 said to them, 'Rather than Vical, what would you think of doing seed financing for me
638 and Gunars?' And Tim got real excited about it, because he was doing a real seed deal
639 with some other researcher, where he was putting her up in a lab to do some basic
640 research to see if they could come up with something that you could write a business
641 plan around.

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

643 **BLICKENSTAFF:** I don't know. You'd have to ask him. I don't think that it did. But I
644 said, "Would you be willing to do that with us, rather than me with Vical, literally, we
645 don't know exactly what we want to do, we couldn't do anything at Hybritech, so
646 we'd have to start clean, you'd have to really sort of seed this thing, and believe in it.
647 Would you be willing to consider doing it?" And he said, 'I would. Let me check with
648 Ted.' And he walked next door to Ted's office, because they were right next door, and
649 he said, 'Ted, got a minute?' And he brought Ted in, and he said, "Ted, what would
650 you think if Tim and Gunars got together and we funded them?" And Ted went,
651 'Great!' Ted was just, until you meet Ted, you don't understand it, but it was like,
652 'Absolutely. Not a problem.' And just like that we started talking about, OK, how
653 much would it be? How much should it be? I got the guys together, and we'd get
654 together on our own time after work, once a week, I think, every other week, just to
655 talk about, OK, what do we need in the way of salaries, what do we need in the way of
656 equipment, you know, let's get together some budgets, let's talk about, you know,
657 what areas we would target to look at once we got started. And we put together
658 basically a time and materials budget to say, OK, how much would we need to get
659 through that first year, year and a half, to have a real business plan with which we
660 could go out and raise some real legitimate, you know, large outside investor money,
661 and we figured it would take maybe a year to a year and a half, and somewhere, I

662 think we thought \$400,000, but Tim decided to give us \$600,000, just to give us some
663 cushion. And that was the deal. And we quit together in March of '88, and
664 incorporated in early April of '88.

END INTERVIEW

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

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

668 **BLICKENSTAFF:** I don't remember... Well, it's a typical story. We wrote a business
669 plan and tried to figure out how much money we were going to need, and set off
670 trying find, you know, financial people, venture capitalists to come in for second,
671 third, and fourth rounds of financing. So, we were sort of out in the market raising
672 money along with Tim and Ted's other companies that they started, so we were
673 crossing paths with Pyxis, and Cytel, and Vical, and Amylin, and I think Neurex was
674 in that mix. So, there was a lot of sort of crossover', and as they were learning what
675 was sort of a hot deal and how to present yourself and so forth, we learned quite a
676 bit in that time frame. And it's sort of funny because at that time, back in 1989, or
677 1988, biotech was hot, fairly hot, and biomedical devices, and we were in the device
678 category, was not quite so sexy, because, at that time, you know, devices were not
679 seen as being like pharmaceuticals in that they, you know, if you had a good device
680 that avoided other downstream costs, it could be a pretty interesting story, and that
681 wasn't a hot concept then. And it was hard to raise money for a company that was in
682 diagnostics, or in devices, like Pyxis, so it was hard trying to figure out what was the
683 way to sort of frame the company, you know, what sort of business and what
684 segment it was in, and I think both Pyxis and Biosite suffered in that time period
685 because devices weren't hot. But I think later on, from like 1990 on, as some of the
686 device companies, actually, 1992 on, as some of the device companies became more
687 attractive, like some of the pacemaker companies, the angioplasty companies, now
688 the stent companies, cardiovascular stents, and devices, disposable devices in
689 healthcare that are sort of high-tech are seen as being an attractive investment, so
690 we were able to raise money, I think, by framing the story properly. It changed over
691 that time period, but like any other company, we raised around four or five rounds
692 of venture financing before we went public last February. You know, all told we

693 raised about \$55 million as we sort of marched up the line. And we started out,
694 really, as just a one product concept company. If you look at our prospectus, the
695 original idea was really this drug test, and we didn't know exactly how big of a
696 product it could be, but we thought it could be a twenty to forty million dollar
697 product, and ultimately that's what it is. We sell some forty million dollars' worth of
698 it, at retail value every year, so it's right about what we thought in terms of product
699 potential. And it's funny how the business plan has worked out. It really had worked
700 as we predicted it would. We became profitable very quickly, and we were then able
701 to turn around and take the proceeds off of that product and reinvest heavily in
702 some new ideas that we hadn't even thought of in the original business plan. So,
703 there was sort of this one idea which gave the resources to come up with five more
704 ideas, and that's really the point at which we did our offering last year, was to
705 finance the launch of these five new products. So, that's how it really happened, and
706 maybe not atypical for start-up companies, what you started out to do is not always
707 what ends up making you successful, and I think that we're sort of in that bracket a
708 little bit. I mean, certainly, the core business plan we executed beautifully, but then
709 it's sort of like, 'What do you do next?' So, we sort of stepped back and looked at
710 what our larger strategy was, and we sort of cloned this, and came up with five more
711 ideas, and hopefully they'll be able to build the company to the next level, which will
712 be, you know, multi-hundred million in sales.

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

716 **BLICKENSTAFF:** Well, it personally scared the hell out of us. You know, there was
717 this feeling that all of your financial assets were now worth twenty to thirty percent
718 less, and you know, our own personal feelings of well-being were diminished, and
719 our abilities to take the risks to do this suddenly was diminished. It heightened our
720 fear factor, and then in a larger scope, you know, what were the stock markets
721 doing? What would happen to the IPO markets, and so forth? And it killed all that, I
722 mean, literally, when we started the company, there were no IPOs going on in the
723 medtech arena, so we sort of tailored our business to say that we would grow up to
724 be acquired, not grow up to be public. So, you don't have to worry about there not
725 being these public markets out, that's not what we need to do. We don't need to
726 raise three hundred million dollars from public markets to get downstream. We only
727 need to raise, you know, ten to fifteen, we can do that with private capital, and we'll

probably be acquired. So, we changed the model of our business plan, because of this sort of looming lack of market access, because it was post-1987 crash. So, I mean, that helped us a lot to raise money, you know, people said, 'Here's someplace I can put my money and I don't have to worry about whether the stock markets are coming back or not.' Those were the two impacts. But it was a very scary time, though. People literally, you know, it was like, you know, Amylin's stock just went down 43% because of clinical trials, and what that does to you on a personal basis is, you know, it's hard, and to have that feeling that we were ready to leave Lilly, Lilly/Hybritech, and to suddenly have 30% less nest egg to do this thing gives you a feeling of sort of fear. You know, if it had gone down 30%, how much lower was it going to go? There was some of that overhanging the market. You know, so, it made it bad. It made it worrisome.

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

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

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

762 **BLICKENSTAFF:** Really, what we tried to do was to sort of recreate the project team
763 that we had back at Hybritech, so if you look at, it was still really a product oriented
764 project team. And we got on our board of directors, guys that we had worked for at
765 Hybritech who were really sort of comfortable with the company-building aspect of
766 it, so it wasn't really that much different in the early days, I mean, Gunars and Ken
767 and I, we interacted in the same way that we did at Hybritech, we did the same sorts
768 of things, you know, in terms of project management, putting together a timeline
769 and all those sorts of things, and that really occupied the first year. It was after the
770 first year that it started to be a bit different of a game, and I had to learn as I went
771 along. I was lucky enough that I had some good board members and investors that I
772 was able to, you know, learn the art of fundraising, and the art of writing a business
773 plan and raising capital, and so forth. So, it shifted from being a single project focus
774 to all of those other aspects, and I think with a good board of directors that I was
775 comfortable with, that had done this with Hybritech, it was very similar to the
776 operating feeling that we had at Hybritech. I mean, literally, we had Ted, Tim, and
777 Tom Adams on our board, and when you look at them, Ted was the Wall Street
778 wizard, so to speak, Tim was a super operating guy that understood all the aspects of
779 putting a company together, and Tom was the technical guru, and between the three
780 of them, they had enough company-building experience that they gave us the
781 guidance to go from being a project team to being a true company over time. But
782 there was a lot of growing pain in it. You know, raising money is not an easy thing to
783 do, and a lot of people looked at me and said I wasn't a CEO. They looked at me and
784 said that if I had really built a company like Tom Adams had built, you know, at
785 Gen-Probe, where they had gone from nothing to revenues and raised twenty or
786 thirty million dollars, then...But the answer was, no, I hadn't done that, but I think
787 that the people on my board said, given what they knew, could I do it? And their
788 answer was unequivocally, 'Yes,' and that, with their guidance, we'd be able to do it
789 successfully, which we ultimately did. So, there was a question about me and about
790 us, and I think if you look at some of the guys like Gunars and Ken, they had been
791 research managers, but had they been VPs of R&D, you know, where they had thirty
792 to sixty people reporting to them, and where they had budgets of like ten and twelve
793 million a year? No, they didn't. Have they adjusted? Yeah, they have. So, it's a matter
794 of growth and having some of the proper guidance, and you can get there.

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

798 **BLICKENSTAFF:** Technical or business?

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

801 **BLICKENSTAFF:** Yeah. A critical juncture, I think, is the first time you raise money
802 from a larger outside group and you're getting two or three major funds involved
803 where they're going to have to follow on for a couple of rounds. You really have to
804 have, as a CEO, a sense of where you're taking this thing, and the conviction to sit
805 across the table and say, 'This is the route we're going.' You can't say, 'Maybe we'll do
806 this, and maybe we'll do that.' I think that in our business plan for the first round, we
807 had a little bit too much equivocation, and I had to learn quickly that we had to say,
808 'This is the course. This is where we're going. This is how we're going to get there.' I
809 think that was a lesson that I learned in the first two or three months of fundraising.
810 So, I think that was one lesson we learned. Knowing what's in vogue is also another
811 issue that you have to sort of get a sense about. You know, where does your business
812 fit into the industry in a larger sense? Not just thinking of yourself as a company and
813 a product. And I didn't do that exceptionally well in the beginning, and I know how
814 to do that now. I mean, you have to know what's getting financed publicly, what's
815 hot in the minds of the institutional investors, what the successes are and failures, so
816 you know how to frame yourself in view of the larger world, you know, not just as a
817 product company. I'll give you a great example. When we started the company and
818 went out and tried to raise money, we were shocked to find out that diagnostics
819 were not in vogue, that diagnostics were considered to be, you know, people were
820 getting out of investing in them, the failure rates were very high, and there was a
821 general impression that Hybritech was the last company that was ever going to rise
822 up to compete with an Abbott, and nobody wanted to put that kind of money into a
823 diagnostics company again. And that was shocking to me, I mean, I was stunned to
824 find out that diagnostics were not in vogue, in fact, you know, investment firms
825 wouldn't even talk to us on the basis of the industry that we were in, so that ability
826 to know, early on, whether you were in an attractive area or not, and if you're not,
827 why you're going to be different than the failures in that arena, that make people

828 look down their noses at that segment, that's something very important that I
829 learned.

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

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

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.