David Kabakoff

Interview conducted by

Mark Jones, PhD

In 1997
Dr. David S. Kabakoff, Ph.D., serves as an Executive Partner at Sofinnova Ventures, Inc. Dr. Kabakoff joined Sofinnova Ventures, Inc., in 2007 and is a part of life science team. He has 30 years of experience leading technology and product development programs in the pharmaceutical, biopharmaceutical, and drug delivery fields. He serves as the President and Chief Executive Officer at Strategy Advisors, which Dr. Kabakoff established in 2001 to provide business and strategic advisory services to life sciences companies. Prior to Salmedix acquisition by Cephalon, Inc. in June 2005, he co-founded Salmedix Inc. in 2001 and served as its Chairman and Chief Executive Officer since February 2001 and its President since September 2003. Dr. Kabakoff served as the Chief Executive Officer, President, and Chairman of Spiros Development Corporation II Inc. since its formation in 1997. He served as the Chief Executive Officer and President at Spiros Development Corporation from 1996 to 1997. He served as an Executive Vice President at Dura Pharmaceuticals Inc. from 1996 to June 1998 and served as the President at Dura Technologies since 1998. From 1989 to 1996, he was employed at Corvas International Inc. and served in a number of capacities during that time period, including Chief Executive Officer, President, Chief Operating Officer, and Chairman. From 1983 to 1989, Dr. Kabakoff was employed at Hybritech and served as a Senior Vice President of Research and Development-Diagnostics. He has accumulated broad experience in building, leading, and financing life science companies. Dr. Kabakoff has been the Chairman of Trius Therapeutics since February 2007. He serves as Chairman of Amplimmune, Inc. and Cebix Incorporated. He has been the Chairman of Rx3 Pharmaceuticals, Inc. since February 2007. He has been a Director of Spiros Development Corporation II Inc. since its formation in 1997. He has been a Director of Intermune Inc. since December 01, 2005. He has been a Director of Trius Therapeutics since March 2006. He has been a Director of Avalon Pharmaceuticals, Inc. since October 11, 2006 and Rx3 Pharmaceuticals, Inc. since September 2006. He serves as a Director of Allylix,
Inc. Dr. Kabakoff also serves as a Board Observer of Intellikine, Histogenics, and Anza Therapeutics. He served as a Director of Dura Pharmaceuticals from May 1996 to May 1999. He akoff served as a Director of Salmedix Inc. Dr. Kabakoff received a Ph.D in Chemistry from Yale University and a B.A in Chemistry from Case Western Reserve University.

Source: Bloomberg Businessweek
JONES: Well, let me ask you about the early stages of your career. I know you got a PhD at Yale in organic chemistry. What was your BA in?

KABAKOFF: Chemistry, at Case Western Reserve University.

JONES: So you had an interest in science very early on. As you were going through this, getting your PhD, did you have in mind an academic career?

KABAKOFF: You know, it’s actually an interesting question. At least in the early ‘70s, late ‘60s, early 70s, when you went to a place like Yale in chemistry, that’s what most folks were tracked to, although some might have been tracked to the mainline chemical industry, and when I finished at Yale, I did do some postdoctoral research, including here at San Diego.

JONES: At the university?

KABAKOFF: UC-San Diego, in the department of chemistry, and it was at that point, that I started looking for a job -- number one; number two, and I did look at some academic positions which were in rather short supply in those days, but there were a couple of faculty with whom I was associated, who had rather extensive contacts with industry.
JONES: And who were these?

KABAKOFF: Well, one is still active in the chemistry department, Professor Murray Goodman, and one was a former Professor, now deceased, Nathan Kaplan, who was in the biochemistry division of chemistry, and he was, I always tell people that he was born ten years too early, because he would have been, he was a real entrepreneur, he was involved in a lot of the early biochemistry supply companies and diagnostic companies, and you know, if he had been born ten years later, he probably would have been a first-rate biotechnology entrepreneur. But it was when I was here at San Diego that I did become exposed some to the industrial side of things, and some opportunities opened up, and you know, I kind of never looked back.

JONES: And what opportunities were these?

KABAKOFF: Well, in particular, I went into the medical diagnostics industry in Orange County. I worked for a division of Baxter. At that time, Baxter-Travenol had a company called Hyland Laboratories in Orange County, and the way that position arose was two-fold. One was, a guy that I knew at UCSD had a friend up there, and Nathan Kaplan, who was one of my mentors, had a consulting relationship with Baxter-Travenol, and you know, a couple of connections sort of opened the door, and I went in, you know, and got an initial position in the industry.

JONES: Was Ted Greene there at the time?

KABAKOFF: Ted was there at the time, in fact, Ted was involved in the recruiting process, and Tom Adams is another character, Tom was involved in the early phases of Hybritech, and so I actually reported in to a department managed by Tom Adams, the chemistry research department up there. But, I’ve said this to people on a number of occasions, but if I’d gone up there and just talked to the scientific people and the personnel folks, I wasn’t totally sold on...
Hyland as a place to go to work, and the guy who really sold me on it was Ted Greene. So, I
went to work there, and got to know Ted and Tom, and you know, that ended up, some years
later, bringing me back to San Diego.

JONES: What did they say that really sold you on going to Hyland?

KABAKOFF: Well, you know, it's interesting. Ted, I don't remember all the details now, but
Ted was the guy who sort of put the scientific challenge in some commercial potential, and
really explained why it was a valued corporation. But perhaps more than anything specific, it
was just kind of the sort of excitement and energy, and dynamic personality -- you know,
you're sitting with a guy and he gets you excited. He's a good motivator. Actually, it's
interesting that we're having this conversation now. Last night, I was at a dinner hosted by a
venture group, Domain Associates, and at one table was myself, Tom Sparks, who was the
outside general counsel for Hybritech, Ted Greene, Linda Hale, David Hale's wife, David Hale,
Kim Blickenstaff, who's at Biosite Diagnostics, and then Cam Garner, and his wife, and Jim
Newman, who's our CFO, and never had anything to do with Hybritech, but everybody else at
the table.

JONES: A reunion

KABAKOFF: Yeah. We had just a lovely evening. It was up at the Ritz Carlton in Laguna.
Anyway, so, that's how I first encountered Ted Greene and Tom Adams.

JONES: And what, precisely, did you do at Hyland?

KABAKOFF: OK, I joined Hyland in the chemistry research group, and I was a research
scientist, involved in laboratory work at the time, trying to develop new diagnostic methods,
laboratory systems that would be used for diagnostics, and that was, I don’t know, I guess like ‘75, ‘76, something like that, that time frame -- ‘74? In the twenty years ago time frame.

**JONES:** Right, and were you there up until the time, you know, the story is Ted Greene read about monoclonal antibodies in Nature?

**KABAKOFF:** No, I had actually left there before he did, and before Tom. But then Tom went off to another company in the East, Technicon, and I went to work for a division of Syntex, up in Palo Alto. I certainly was aware of Ted’s activities, and he was actually, prior to getting involved with Hybritech, almost got involved with another company that was trying to start up in Orange County around monoclonal antibody technology, I don’t know if you’ve, have you talked to Ted already?

**JONES:** I haven’t talked to Ted, yet.

**KABAKOFF:** Well, then he was looking for money for that other company, and I guess Brook Byers and the guys hooked up, and although he’s often listed as a founder of Hybritech, and to some extent he was, the real founders were Howard Birndorf and Ivor Royston, with the funding from Kleiner-Perkins, and so shortly after Ted got started with Hybritech, anytime I would see him anywhere in the industry, or anywhere, he would say, ‘Gee, you should come down and work for us. You know, this is going to be fantastic.’ And I will say, I worked for this division of Syntex for a little more than six, six and a half years, it was a fantastic experience, and it really gave me a lot of exposure to mainline commercial product development, where as, at Hyland Laboratories, I was doing more research, applied research, but at Syntex, I really got involved in mainline product development. We developed about twenty-five FDA cleared products in the space of six years, which had a major, major revenue impact. It was a terrific experience. During that time, I had stayed in contact with Ted, periodically. I saw him at
meetings, and Tom Adams. A couple of times, they were tugging at me, and I remember, and
I've repeated a number of times to folks, I distinctly remember some discussions with Ted that
you'd probably be interested in. I joined Hybritech in the beginning of 1983, February '83,
and somewhere in there, it was either '79 or '80, and one of these days I'll probably pin it
down, but I distinctly remember a trade association meeting in New Orleans, where Ted and
Gary David, who was clearly one of the key guys early on, he was the first scientist that
Howard and Ivor hired. He's still here in town, and he'd be well worth talking to, by the way.
He is, I think, if he hasn't already, he's probably ready to put another company on the map, is
what I'm hearing through the grapevine. I had dinner with Ted and Gary David, you know,
just a friendly sort of dinner down in New Orleans in the French Quarter down there, and you
know, this was one of the trade groups, American Association of Clinical Chemistry, and Ted
was in his usual sell mode, and you know, the topic was why I should come and work for
Hybritech, and why this company was going to be successful, but it wasn't only that, it was the
vision that I distinctly remember, and this goes back, again, '79 or '80, Ted was saying, you
know, 'You really ought to think about what the impact of all this new technology is,' and you
know, the kind of people involved with Hybritech, you know, Kleiner-Perkins, Tom Perkins,
Chairman of the Board of Genentech, Tandem Computers, and he said, 'I predict,' honest to
God, he said that, 'What you're going to see in this industry is just like we've seen in the
semiconductor business.' In investor presentations, early on in the Hybritech days, at investor
conferences, Ted used to use the analogy, the monoclonal antibody was to the polyclonal
antibody like the semiconductor chip was to the transistor, or something like that. He used to
use these analogies, and one time he would show the valuation of Apple Computer compared
to IBM, and Hybritech compared to Abbott Laboratories, and stuff like this. And he basically
was saying that Hybritechs and Genentechs of the world were going to evolve to be like the
Fairchild Semiconductors and the Intels of the world, and that this was going to spawn a
whole industry. You know, in some people’s eyes, this is bullshit, it’s easy for me to sit here and say this today, OK, but his guy’s a visionary, I mean he was saying this in 1980, and people thought he was nuts. And the fact is that those companies, you know, Hybritech and Genentech, and many others, have, with the financial backing of people like Kleiner-Perkins, the same groups that backed the semiconductor companies, and a lot of other ones, and it’s all really happened. You know, he was, it was sort of right on the money. Unbelievable.

JONES: And you were at Syva, this was a big operation?

KABAKOFF: Actually when I joined it, when I joined Syva, I think they had done, oh, a few million dollars in sales, and when I left, sales were running at about $150 million annual rate, and that’s in six years. So the sales kind of went two, eight, fifteen, thirty-something, sixty-something, you know, ninety something, a hundred and twenty-something, I mean, it was one of the unbelievable situations. When I left the company was quite sizable, and had six or seven hundred people.

JONES: And what was your title?

KABAKOFF: When I left, I was director of product development.

JONES: So, what did it take to get you to go from this, you had a big part in growing this division, what did it take to get you to Hybritech, this little start-up?

KABAKOFF: You know, as it turns out, I was one of the first senior management in what became kind of the second wave. Maybe David Hale was the first of those. I came second, and Cam Garner came shortly after I did. I mean, it basically, to go back a little bit, I certainly had been very intrigued by the technology, and you know, I respected the people, and I knew that. I was kind of comfortable in the Bay Area, and my wife was a native of the Bay Area and had

*Interview conducted by Mark Jones, PhD, in 1997*
never lived anyplace else, and when we started talking to Hybritech seriously, about a year before I actually moved, we had bought a home, and you know, this was like, ‘Hey, why make the move?’ When I ultimately did make the move, it was when we had our first child, like a week after I accepted the job at Hybritech. My wife was about ready to divorce me. Here, all she wanted to think about in life was, you know, having a healthy baby, and establishing a home, and all this, and here we are, we’re going to uproot, but it’s turned out to be pretty spectacular. You know, Hybritech had evolved to the stage where the technology had emerged from research to development, and what I was really immersed in, and what I enjoyed doing, and what I’ve accomplished, has really been in the world of product development. You won’t find my name on any patents. I’ve never been particularly the inventive type, but somehow I’ve been able, I think, to kind of take stuff that people have invented, and listened to the commercial people, and the clinical people, and you know, really live in the middle, and turn things into commercial products. And, in the early stage of Hybritech, maybe it was just a little too theoretical and researchy. At some point around this time, it became clear that there were some major product development challenges, and they were in a position to recruit somebody to really lead that up, number one. Number two, to be honest, at the time, the concept of entrepreneurial risk was really still pretty foreign to me, and many other people. You know, at that time there were very few companies. I mean, Genentech was probably the only one, and Cetus. And actually, when I started thinking about leaving Syntex, you know, as I got to a certain position of visibility in the industry, and the phone started to ring, one of the companies that was aggressively recruiting was Cetus, but for a lot of reasons, I ended up not being interested in that. But the science had progressed to a certain point. Now, on this entrepreneurial risk, I think like, in November, just before the February when I joined, Hybritech had raised another chunk of equity capital, and it seemed like the company had gotten to a stage where the financial risk, the risk of the enterprise,
wasn’t what it would have been a year or two earlier, and I mean, literally, we’re starting a
family, and it was not a time when I would have said, ‘Hey, whatever,’ whereas when I left
Hybritech, I went into a real early stage start-up, and I was willing then to take on a lot more
personal risk. So, there was a combination of the technology maturing to the point where I
thought I could really bring my skills to bear, there was a little less financial, entrepreneurial
risk, there was the chance for some significantly increased responsibility, the opportunity to
work with people I knew and respected, and you know, it all added up. The financial
incentives also, that they were in a position to offer at that time, because this was prior to the
change in some tax provisions, you know, companies could offer substantial financial
different these days. It’s not to say that they don’t exist, but they were just able to put
together a very attractive sort of package, and it made sense. There was some risk involved,
but it was, you know...

JONES: A number of people have told me, when they were recruited to Hybritech, that Brook
Byers, they would talk to Brook Byers, and he would tell them, you know, ‘Why don’t you
come and try it, and if it doesn’t work out, we’ve got lots of companies, we’ll put you
somewhere else.’ Did you have any discussions like that?

KABAKOFF: I didn’t have with Brook, as it turns out, but there was, besides Ted and Tom,
well actually I’ll make a comment that you may find interesting. Ted and Tom, when I came in,
I reported to Tom, but it became shortly after, that I was recruited to be his replacement, at
least for the diagnostics business. So, they took kind of the lead in the recruiting, Tom and
Ted, and you know, I knew those guys for a long time, but I also knew that they lived, at least a
fair amount of time, with their heads in the clouds, and one of the other things that convinced
me to come to Hybritech, was when I sat down and I met David Hale, because, all of a sudden, I
saw that there was a very solid, sort of commercially oriented guy at the level of the operation, and that was actually part of the process that got me interested. Rather than Brook, though, they utilized, or asked, one of the other board members, Dave Anderson, from Sutter Hill, to help in my situation, and he and I, his office was in Palo Alto, just down the street from Syntex, and it just turned out to be a little more convenient, and timely, let's say, than for them to get Brook involved. Brook was very, very involved in the real early days, and at this stage of the company, he was on the board, he was active, but he wasn't as involved. But Dave Anderson, who was a principal of Sutter Hill Ventures, was in the loop. We met a number of times and at a particular point in time, when I was still debating, he and I chatted, and I think he did a very good job of listening to some things I said, and you know, not long after, Ted got back to me, and all the issues were kind of resolved. But certainly, this issue of getting into the network was a part of the pitch, from him, too.

**JONES:** What kind of time frame was this? The recruiting period?

**KABAKOFF:** Casually, Ted and I almost joked about this for years, not to make you think that this was anything unusual, I think his operating posture in those days was, you know, to the extent that there was anybody he knew in the industry that was talented, he was out, you know, any time he talked to anybody, he was in the sell and recruit mode. OK, so, it's not that I was so special necessarily, but about a year before I actually moved, I had run into Tom Adams, and he had really posed a, 'Hey, why don't you come down and work with us?' And we chatted a little bit, and I said, 'Well, you know, tell me what would the job be?' He said, 'Well, we'd kind of take some of the....' It was a little sort of vague, and it was well, we've got some new things, we're going to expand, we'll give you some new responsibilities, so I think, whereas...And again that was the stage where I'd just gotten married, and we were going to have a kid, whereas a year later, or really, not quite a year later, nine months later, it was
specific chapter and verse, you know, 'Here's the job, here's what we want you to do, here's the resources we have, here's where we want to go, here's what we want to accomplish,' you know, they could actually put down...I asked Tom to put down on a piece of paper, you know, what would be the three or five, whatever, I asked, priorities that you want me to accomplish in the first year. It really became much more concrete, and that phase of the discussion was really just a couple of months. In fact, the reason it went fast is that Tom got a call from somebody else looking to recruit for another position on a reference check, and I think he said, you know, 'I don't want this guy to go do this other job,' because I had worked for Tom, and when I left, he said, well, 'Hopefully, we can work together again,' so it actually happened pretty fast.

JONES: And when you finally decided to go, then by the time you arrived, Tom Adams was making plans to go and start Gen-Probe?

KABAKOFF: Well, as it turns out in retrospect, he was already, but I didn't know it, OK? That only became revealed a little bit later, but yeah. So we worked together for five or six months, I think.

JONES: And the priorities that you discussed, what exactly were those?

KABAKOFF: I don't remember specifically. I know some of them were related to a major push for us, and something I'm personally very proud of, and that was getting the company into the cancer diagnostics business, which required a whole new level of regulatory activity, and probably the single thing that, if you can look back and, I can look back and point to something that has had an enormous impact on many, many people is the introduction of the PSA test. When I joined the company, the lab work had just kind of gotten started, product development work, I think they had an antibody that came from the original academic research that they...
had ended up throwing in the can, the product development work was really just getting
started, and I shepherded that all the way through its FDA clearance, and you know, that’s a
product that has impacted the lives of millions and millions of people, and you know, every
time I read an article about PSA, you know, you kind of come back and say, ‘Gee, I had a role in
shepherding that through the FDA and the whole strategy,’ so PSA, the whole cancer
diagnostic strategy was a major initiative. We had a major effort in an automated reagent
system that they were contemplating trying to make a deal with a company and put
something together, and that was one of the clear objectives. I think there was the first
cardiovascular diagnostic test, which we did get accomplished that first year. Those were
some of the key things, that were predicted in advance. Now, it turns out that, besides PSA,
the most dramatic thing that was accomplished in sort of that first eighteen, twenty-four
months, was the ICON technology, which, you know, I helped to manage and oversee that
effort. I had nothing to do with scientific invention, but I had a little to do with some of the
product concepts and all that, but Gunars Valkirs was the scientist in the lab that actually did
the first experiments and really shepherded that along.

JONES: He was a physicist. What was he doing at Hybritech?

KABAKOFF: Well, first of all, one of the days you’ll probably try to meet Tom Adams. Tom
Adams gathered a pretty eclectic group of people with all kinds of different talents, and
fundamentally, his belief, and if you see how he’s hired people in other companies and things,
his fundamental belief is that, if you find and hire smart people, they’re going to do good
things for you, and at a particular stage in time, it became clear that understanding some of
the analytical methods we were developing, these so-called solid phase immunoassays,
understanding it at the molecular level, the physical forces that were involved in how
antibody interacted with the solid supports, and understanding how to effect the rate of these
reactions, that some fundamental physical, biophysical studies and characterizations of mechanistic insight would be helpful, and I think his degree might be in physics, but his lab work was in biophysics, and the concept was to use some of the biophysical insights and techniques and apply them to these methods. And that’s exactly what the guy did.

JONES: But inventing the ICON thing was basically an accident?

KABAKOFF: I don’t think that it’s fair to say that it was an accident....

JONES: Well, that he was even paying attention to that...

KABAKOFF: Oh, no, no. No, he was assigned to develop new ways of conducting immunochemical in simple format. That was his assignment. And he chose to do some things with membranes as opposed to other solid supports that the company was using at the time. So this was not an accident by any characterization. You know, he was in a group whose charter was to develop some new ways of doing immunoassays.

JONES: I see. You mentioned the regulatory situation. At this time, this is new for the FDA, did things get worked out on the fly, so to speak, in terms of dealing with FDA?

KABAKOFF: Well, the way FDA regulated cancer diagnostic testing was established at the time and several other companies, Abbott and Roche had gotten some approvals of some colon cancer tests. So, the regulatory framework was there. It was new to Hybritech. Hybritech had never done it before as a company, and there were very few individuals within the company who had been through it. We used some regulatory consultants and we asked a lot of questions, we read up, and we talked to the FDA. We learned a lot, and we kind of developed our path. The whole prostate cancer area was new. As I said, we kind of shepherded it through. If I think back, the procedures that we used, and the data that we
generated, allowed us to get approval to sell the product. The standards then, continued to evolve, and you know, if you rolled the clock forward five years or ten years, there’s no way the product would have ever been approved with the work and the approach that we had done, at that time. It was sufficient at the time. You know, there was a big premium associated with speed for us, and we were, I might say, kind of lucky, in fact, that the clinical data were as compelling as they were, and we had strong support in the medical community, and the FDA cut us some slack on how we did some of our clinical studies. If they hadn’t, it would have taken another year and cost a few more million dollars, or so.

**JONES:** When you arrived was the organization of research and development at Hybritech, was it a lot different that at Syntex. Some people have told me, for instance, that Ted Greene and David Hale had a lot of trouble saying no to the R&D people who were spinning off new ideas all the time?

**KABAKOFF:** In the diagnostics R&D group, things were pretty disciplined. I don’t know, maybe I brought in a little more discipline to that. In the cell biology area, which I also managed, there was a lot more exploratory activity and a lot less scrutiny, and Gary David’s unit, which was more exploratory still, I mean there was all kinds of stuff going on over there.

**JONES:** But you were in full product development mode?

**KABAKOFF:** Yeah, I would say that over eighty percent of our resources, probably even ninety percent of our resources, were product development. Well, the cell biology group was probably not that high. But it was very heavily focused on product development, you know, a list of projects that were pretty well endorsed from a business point of view. You know, there were commercial objectives associated with them. It became more disciplined over time. And certainly David had a role in that.
JONES: What was it like going to work every day? You were working hard, presumably, was it a change from Syntex?

KABAKOFF: Well, the change for me was not so much in the pace or the intensity, because that was there. It was a little different nature of activities, a lot more external activities....

JONES: What exactly do you mean by external?

KABAKOFF: Well, starting to get involved with, at Syntex, I was in a product development role, and there was a clinical group, and a separate regulatory group, and a separate medical group, and at Hybritech, I had the responsibility for that full scope, so there was a range of outside activities that I got involved in. Also, I got involved in broader decision making in the company as an officer of a public company, a member of the management group, and we then got involved, over time, with the financial community, analysts and bankers, and got heavily involved in corporate partner discussions, whereas Syntex, all of the activities were internally funded, or self-funded, largely self-funded. We did have some cooperations with companies, but really at Hybritech, that was much more of a theme, an activity. So, the mix of activities changed, but there were a lot of similarities. It was not, you know, a huge leap, to move from one organization to the other, because Syva had been very rapidly growing, and you know, I had a range of activities. It was just a change in the mix.

JONES: Did you know about the Lilly sale before it happened?

KABAKOFF: Yeah. I was not involved in the very earliest discussions. Well, we had had some pretty extensive discussions with Lilly about major corporate collaborations, which I was involved in. I can say honestly, when the discussion shifted from, you know, corporate collaboration to potential full sale, I wasn’t involved in the earliest stages of those discussions, which was Ted Greene and some board members, and then eventually Tim Wollaege. And
actually the, Hale got pulled in. But Dennis Carlo and I were sort of carved out, with Larry Respess, who’s a lawyer, carved out from the rest of the management team in some respects because we were very heavily involved in extensive meetings for months on technology and technical due diligence. So, there was a period, my guess is it could have been as much as ninety days, maybe it was a little shorter, but certainly two to three months, where I was running around doing some things and meeting Lilly people in Chicago and various meetings in Michigan, and I can’t even remember now, but there was a period of time when Dennis and I were sort of on the inside circle, because we were needed to help do the selling, and we were under rather strict orders not to be talking to people, and it actually became a little uncomfortable towards the end, when smart people knew that something was going on, but....

JONES: And what was your reaction when you learned that this was going to happen?

KABAKOFF: Well, you know, my initial reaction was that, you know, it was really some disappointment that we couldn’t continue to build an independent company. There are those that say, well, ‘Gee, people should have been real excited because you guys made all this money,’ and certainly, it’s a matter of public record that people had various shareholdings. The fact of the matter is that the nature of the shares and stuff, and subordinated stock that people held in those days, which, by tax laws, now companies don’t do, you know, that stuff was all very close to converting anyway, whether we’d been bought out or not, and I certainly never kind of sat there and said, ‘Well, gee, now I’ve made all this money.’ It would have happened anyway. So, the financial piece of it, we had enough confidence that the business was going to grow and develop, that the financial rewards were anticipated. So, some folks said, ‘Gee, this is great, now everybody’s liquid,’ I mean that really ended up, in the scheme of things, not being particularly swaying to many of us. The initial sense was, ‘Gee, it would be nice to keep running our own thing.’ And then I had some discussions with board members
about that, and there was a lot of controversy at the board. It was not a unanimous view that
the company should be sold. There was one very large shareholder though, who wanted to
liquidate their position, and that was a very catalytic event. Eventually, we all convinced
ourselves, I shouldn’t say all, but some or many of us convinced ourselves, that this was going
to be the answer to how the company would get the resources that it needed to continue to
develop and flourish, and that Lilly was going to treat us well. So, you went from some initial
disappointment and skepticism to, ‘Hey this is terrific.’ Of course, I took my responsibility of
selling my own organization on this very seriously, and we did a hell of a good job of creating
enormous excitement. I don’t think the Lilly management ever really gave us credit for how
good a job we did of convincing Hybritech employees, and by then, it was a thousand or so
people, that this was the greatest thing since sliced bread, OK? And I did that at the time with
some real sincere views based on commitments that I though would be able to be made, many
of which really sort of evaporated for many complex reasons, but, you know, I guess at one
point, it sort of left in me a desire to go back to that kind of environment, which I ultimately
ended up doing, and others as well.

JONES: A lot of people have told me, well, everybody has their own perspective on what was
going on at Hybritech. Some have said there was this great sense of teamwork, coordination
between all the teams; others have said, ‘Well, it worked great, and the reason it worked great
was because everybody was very headstrong and independent, and doing their own thing.’
What was your sense?

KABAKOFF: I think the answer is, it was a mixture of both. I think that, and this may lead
into, you know, if you go to how did things evolve and what impact did Lilly have, it certainly
impacted this. I think that there was a very clear sense among the senior group about what
building value for the company was all about, and you know, achieving goals in order to build
a step at a time, and you know, there was a spectrum of strategies that were being pursued. I think there was a unanimous commitment to doing the things that were agreed to achieve publicly articulated goals, board sort of strategies and you know, delivering something to the shareholders. And it was very visible. On a quarterly basis, on an annual basis, you could really address that, and certainly a company like Dura is focused in that way. Below that level, below the top level, you know, there was a lot of scrambling, and there was certainly, in different programs, different levels of cooperation and initiative. I think it was a mix. I think you do need strong functional heads, program heads, to drive things ahead, and we sure had plenty of those. We also had a lot of cooperation at different levels to resolve issues and problems. And some of it, unless you were involved in it, you didn't know it was going on. You know, one part of the company would be off doing one thing, and another doing another. And part of it was, there was this therapeutics business and the diagnostics business.

JONES: Very separate?

KABAKOFF: Yeah, so probably somewhere in between is the reality. JONES: So, after the Lilly sale, you stayed on until 1989? Three years.

JONES: So how did it change after Lilly came in?

KABAKOFF: Quite a few things changed. First of all, just the folks sitting around the table in the board room started changing. You'd look around, and people that you knew didn't have a clue about the diagnostics business were now my colleagues helping to make decisions. Also, you know, we sort evolved into two classes of management, those who were on the Lilly compensation track, and those who were on the Hybritech track, although not that I could complain. They were very fair to me and I had an employment agreement that was attractive. I chose to stay and honor it, although I would have had the hardest time probably of anybody
not competing -- going out and doing something that wasn’t competitive. The key things that changed beside the people, one is just the whole way the business was measured, and how success was defined. Rightly or wrongly, we had set as a strategy, endorsed by the board, that our principal goal was to introduce new products rapidly and build our market share in the immunodiagnostic business, and that once we built to a certain critical mass in share that the profitability of the business would come, and would become a focus. Literally in the space of six, nine, maybe twelve months, well, from almost day one in terms of articulation and communication, but in a very short period of time, Lilly attempted, or edicted, really, that the way the business would be measured, the success of the business was going to be measured by becoming profitable. So, the emphasis shifted from expansion of the organization and rapid introduction of new products, with the attendant problems that that would bring, to the profitability of the business, not that that was a bad thing, but my own experience is it takes longer than Lilly allowed, or was willing to try to allow, to convert the mind set and values and measurement tools for an organization. You just can’t do that overnight. The people were accustomed to making decisions based on what can we do to get this product to market sooner. By definition, it meant that you didn’t spend the months of process development to see if you produce it at a lower cost, because getting to market sooner was the priority. Now, all of a sudden you start changing some very fundamental ways that an organization works, product improvement, maintenance, cost reduction, all those things started becoming much more important than new product introduction. You know, from the time I left -- what you ought to do is, and I don’t say this to take the credit for it individually, but I was one of the last of the original senior group to leave. What you ought to do is try to trace back from the time that some of us left, how long was it until Hybritech introduced any new products. And I think you’ll find there was a four to five year gap, I mean honest to God, a four to five year gap. In that industry, it absolutely killed them. Absolutely killed them.
JONES: When this changed occurred, were there projects that you had to abandon because of this change in orientation?

KABAKOFF: Yeah, I mean ultimately, and some of the abandoned projects occurred before I left, and some after, and really the future of the company was sold off. It was just terrible. The whole automated immunoassay business went down the drain, and I've often thought that I did our company a disservice by not fighting a lot harder with Lilly management to justify that program. In fact, at one time before I left, six months before I left, this one program was in danger of being cut, I told Don Grimm that I would give up all my other responsibilities, just give me all the resources needed on an interdepartmental basis, give me a little business unit, we'll make, I would spend full time to make that project successful, and there was no way they were going to do that because that sort of violated, you just couldn't give one individual or one group that much control over a piece of the business and their own destiny, I mean that was like, against the culture. There was no way you do that. And ultimately, I guess what really frustrated me was that many authorities and decision opportunities that I had as a matter of course, just sort of routine business, all of a sudden were subject to, not only local management, but Indianapolis management. You know, I just said, 'Hey, this is crazy.' All the fun kind of went out of it. So, you go off and do something else.

JONES: Was it maybe a gradual process over these three years of you realizing that, 'I'd really rather be back in sort of an entrepreneurial kind of situation?'

KABAKOFF: Yeah, I guess I realized it fairly early. I never really thought that I would be a career Lilly person, certainly I might have had some opportunities to go to Indianapolis, but just never would have considered that in any way seriously. Maybe I'm a little funny but, when I signed a three-year employment agreement, I did view it as a commitment to work for Lilly, others said, 'Hey, if I choose to leave, so long as I honor my non-compete,' people did...
KABAKOFF: The last year at Hybritech wasn't a lot of fun. I had complaints, and voiced them about how I was treated in terms of my ability to do my job, and my ability to influence or impact, you know, to give you a situation, a classic example, was the CFO of Hybritech, Tim Wollaeger, left early on. He was replaced by a guy from Lilly, and among many of the Lilly folks, this one guy actually integrated probably the best into the management team, and really worked very hard at it. A terrific guy, he really worked very hard at understanding our issues. And just about the time was getting comfortable and working with us and becoming effective, you know, he was relocated to some other place, and the next thing I knew, a new CFO was identified. I remember a discussion, both with my boss, and one of the HR guys, “Gee, you know, we had a guy, David Duncan, who was controller of this company, and the guy’s probably ready, he should have gotten that job, or at least be considered,’ OK? Here I am, I’m a senior vice-president of this company, and I have nothing to say? There’s no process, no discussion whereby we talk about filling a key job like, you know, VP of finance of this company? And the answer from some career HR guy was, ‘At Lilly, you’ll be consulted when you’ve earned the right to be consulted.’ And I just said, you know, ‘That’s an insult, sir. I mean, this is ridiculous. I’m an executive of this company. I’ve been running this company for a long time. I’ve earned that right, OK? Don’t talk to me like that.’ I mean, it was just insulting. It was demeaning. And you know, it was countless things like that. I said, ‘Fine, you guys, you know, good luck to you.’

JONES: What kind of things did you start thinking about then? You have decided that when this contract was up, you would go?

KABAKOFF: Well, certainly at that point I focused on entrepreneurial situations. I actually thought about getting involved with a venture capital group and some start-ups. I talked to
Ted about maybe trying to do some stuff, and Domain Ventures, people like that, and I had an opportunity that came up at Corvas, which was around the corner. Literally, and, an early stage, the company was already in existence, it wasn’t a raw start-up. It was a nice opportunity, actually, to, again, take certain skills that I had developed, and I thought I had, and get involved with some exciting technology and people, and try to use those skills in a little different environment, but on a base that I felt was a solid base. I mean, I didn’t go off to do something really screwy, or crazy, although some people might have thought it was.

JONES: But it was very small at the time, right?

KABAKOFF: Yeah, about fifteen people.
JONES: You mentioned that prior to the Lilly sale, one of the principal shareholders at Hybritech wanted to liquidate their position, and that that was a catalyst for the sale. Was that the Hillman Company?

KABAKOFF: Yeah. I mean, that was one of the catalysts. I think, you know, maybe, not the only thing going on. You know, clearly, there was a time when nobody could imagine that you ever would have been able to raise as much capital for young companies in biotech as has been subsequently proven. I think form the board point of view, there was the question of how do you really get the resources to build a business, and you know, maybe a Lilly, or a similar company, so, that's right.

JONES: Then after Lilly took over, you said that there was a shift of emphasis away from product development and innovation into process refinement, and that one of the things that sort of got left behind was work on automated assays, and by that did you mean stuff that would be supported by instrumentation? Did you think that that was a big strategic mistake not to develop instruments?

KABAKOFF: Well, yeah, I think it was a major challenge for the company to do it successfully, but strategically, it proved to be a chink in the armor, because that contributed to some of the business being threatened over some years going forward.
JONES: With Abbott, mainly?

KABAKOFF: Right.

JONES: And then when you did start thinking about other things, you mentioned that you started talking to venture capitalists about maybe getting involved in that. Did you talk to Dick Schneider, was he one of the people?

KABAKOFF: Oh yeah, Dick Schneider is a very, very good friend of mine, and he used to be, actually, a boss of mine for many years.

JONES: Did he hire you at Syva?

KABAKOFF: Right.

JONES: Was he at Domain at the time?

KABAKOFF: No, he was actually still with an earlier firm at that time, when I was still at Hybritech, with 3i Ventures.

JONES: But you considered getting into venture capital?

KABAKOFF: No, not so much venture capital in a full-time way, but I did spend some time thinking about working with a VC group to look at a number of start-ups and help in the creation of one or more start-ups, with the goal that at some point, I would be interested in getting involved in one of them on a full-time basis. So, we talked about stuff like that. Geez, that's a long time ago.

JONES: Well, you settled on Corvas. What were the circumstances surrounding that?
KABAKOFF: Well, Corvas was, and I think continues to be, a very interesting company. I had been contacted by some of the founders, the company was local, literally a right around the corner type of thing, Scripps founders, and the original contact or referral came through somebody I knew in the financial community. And I was intrigued by a number of aspects of the technology and business opportunities. The company early on had a dual platform interest in diagnostic product development and commercialization, as well as longer term therapeutics. The technology in the area of cardiovascular medicine was one that I was interested in, I was comfortable with, I had a sense that there was commercial potential. So there was some, you know, commercial attractiveness, there was the business strategy, and you know, I’d spent the majority of my activities in the diagnostics business, so to move into a straight therapeutics sort of a company, a biopharmaceutical discovery and development, you know, was a bit afield, and it was an interesting mix of ingredients and exciting potential, excellent science, good people, and it was a challenge that really appealed to me at the time. Certainly, the opportunities for a guy who, I mean, my background, really, up until that time, had been technical management, and you know, it’s not always, or maybe it’s rare, to say that somebody with a pure technical, although I had had some, a reasonable amount of business exposure, but you know, with that sort of background, has an opportunity to go in and run a company. So, there was that opportunity, good science, good business potential, it was a nice opportunity that came around. Certainly, I was not, at that time, motivated to leave the area. You know, I was going to try to focus here, and it just had a lot of very attractive aspects to it.

JONES: Was the initial strategy something like Hybritech’s? To use the diagnostics to generate revenues?

KABAKOFF: Yeah, although I think there was more of a realization that one could not fully fund out of the proceeds of one to the other, and really pretty early on, we came to that same
conclusion at Corvas, and for all practical purposes, closed off our diagnostic activities, except
for one program, which was commercialized through a corporate partner and generated a
modest revenue stream, and I guess continues to generate a very modest revenue stream for
the company.

JONES: When you joined, there were fifteen employees. Not a lot there, right?

KABAKOFF: Yeah, it wasn't a raw start-up, but pretty early stage, right.

JONES: You were impressed with the technology and the people, and what they were doing
there. They were synthesizing small molecules. Would you describe it as what they call
rational drug design?

KABAKOFF: Well, yeah. Probably a more accurate designation is structure-based drug
design. Different people use these terminologies differently, but you know, the concept was to
leverage knowledge about the mechanism of coagulation, blood-clotting, thrombosis, into
rational strategies for intervention, improve the design of the actual methodology, intended to
be structure-based drug design. I will tell you, when I started, of the fifteen people, maybe ten
or twelve were in the labs, and only two or three of them were working on drug discovery,
and the rest of them, seven, eight, ten, whatever it was, were working on diagnostic projects.
So, we really started up that program literally from scratch. And what was attractive to me
was not so much the technology capability that was there, but the goals, the objectives that
were set, and you know, the basic science that was underlying it, the rationale behind the
strategy, and you know, the opportunity to do one of the things that I had done a lot of, and
continue to do, which is to build good, strong teams of folks to get the job done. That's
something that I like doing. It's been a lot of fun.

JONES: How did you go about doing that? Where did you find people?
KABAKOFF: Well, initially, you know, we worked pretty hard at pulling a couple of key people out of major pharmaceutical company drug discovery programs. We got a director of research out of DuPont-Merck, and we got a head of biological research out of Merck, actually MRI, Merck Research Institute. You know, those were a couple of very key hires, and then that really helped substantially in being able, then, to start attracting other scientists, and we hired mainly scientists from other companies, but not that many from the area. There was a period early on when there just weren’t that many folks available here, and very company was sort of in a hiring mode. We hired, you know, young folks, recent graduates, we hired folks from Scripps and UCSD, whatever, but most of the senior scientists, PhD, you know, scientific staff, came from other major companies over time, and some from universities.

JONES: The initial people that you hired, did you know these people previously?

KABAKOFF: Actually, no, I had not, but through good networking and recruiters and stuff, we found people who had excellent reputations in their fields, and...

JONES: Was it difficult to get people from, say, Merck to come?

KABAKOFF: It was quite a challenge, and the first couple of key hires that we had to make took longer than we thought, and were quite challenging. They took a lot of effort and commitment and salesmanship, and, you know, when you don’t have a critical mass, it’s hard. You have to really work at selling people and attracting them. And then it got easier and easier. It’s still a lot of effort to find good people, but...

JONES: At this time, there were a number of people from Hybritech who are now CEOs, I mean, there’s Ted Greene, David Hale, Cam Garner, Dennis Carlo, Tom Adams, Ron Taylor, I mean, actually it’s pretty extraordinary...
KABAKOFF: Yeah, yeah. Karen Klause. I mean, pretty much every one of us who was in a senior position is running a number another company, or has run, or is in another senior position. That’s right, it’s pretty extraordinary.

JONES: When you were thinking about doing this, or once you got started doing it, did you talk to these people, you know, get on the phone and say, ‘I’ve got this situation, what do you think?’

KABAKOFF: Well, I talked with a number of my colleagues, both before and during, and after. You know, some knew something about this situation and others didn’t, but I had some good general comments. I actually remember, you know, it’s interesting, I probably talked as much about this as anybody to Cam, who at that time, you know, was my friend and colleague, he’s now my boss, you know, down the hall here, but yeah, I talked to Hale, I talked to Ted. I think I talked to Ted about whether there were any opportunities in some of the things that they were doing from a Biovest perspective. I don’t remember exactly, but there was a lot of active discussion. Probably as much after I put my toe in the water, you know, after I jumped in, to get some perspective from some of these folks about what to do, what not to do, especially on the fundraising side. That’s where I was able to pick people’s brains and get a lot of valuable input.

JONES: At the time you joined Corvas, what kind of financing was in place?

KABAKOFF: The company had raised a first venture round of around three million dollars, maybe three plus, three plus something, I don’t remember. That was another aspect of the situation that was attractive. It wasn’t, you know, a real seed or raw start-up, there was something to be done immediately. Often, in these start-ups there’s a gestation period, it can be longer or shorter, you know, sometimes a team gets together and they know exactly what it
is they want to do, they get started, they hit the ground running, and you know, raise a big
chunk of money out of the chute. Other times, you know, there's a protracted search for
money, or a little seed money, half a million dollars. In fact, Corvas had gotten, I think it was a
$250,000 sort of bridge loan from H&Q Life Science Ventures, and the concept was get started,
and we'll work on the business plan, and raise some money, and that was then converted to
equity in the first venture round. So, they were past that, and it was an attractive time for me
to join because I could then concentrate on, you know, what do you do with this, although I
will say, within probably a month of starting, we began to work on raising the next round of
financing, and within four or six months, actually quite quickly, we were successful in raising
another six and half million dollars or something so that we had some real resources to work
with.

JONES: How much of your time in the CEO role do you spend planning the financing?

KABAKOFF: Well, in the first year, I probably spent about half my time on that, and then the
other half of the time was really recruiting and building the organization, and then the balance
shifted a little bit to some corporate partnering activities, but then it shifted back to financing,
public offering, and I would say, on the balance, in an early stage company, the CEO is going to
spend half their time on that aspect.

JONES: Is there a big difference between selling the company to investors than selling the
technology to a corporate partner? I mean, are you doing basically the same thing?

KABAKOFF: You know, there are different kinds of partnerships. Some are product oriented
and some are technology platform. The sell is certainly different, though, because the time
horizon of investors is different. Corporate investors don’t expect to get the immediate sort of
returns. You do have to sell the strategy and sell your technology concepts in some similar
ways, but the corporate sells, if you will, are much more program and project specific, and
you're most often talking about very specific product development plans and resource
requirements, whereas the sale of securities to investors is a bit more general. But even there,
you need to articulate what your milestones are going to be, which often include corporate
partnerships, by the way, and you need to convince people that you're going to execute, that
you're going to be able to get there.

JONES: Did you enjoy doing this kind of work once you got into it?

KABAKOFF: Oh, you know, it was a very stimulating program and environment, but probably
beating the bushes trying to raise dollars and get corporate partners committed was not as
enjoyable as actually executing some of this activity. But, you know, it was important to learn,
and you know, I find meeting people in new environments and different places, always I've
found that very stimulating. You know, you can learn a lot from that experience. I found that
personally stressful often, you know, when the future of the enterprise in on your shoulders.
I, certainly, and think most CEOs, take their commitments very seriously. You know, you’ve
got employees that you’re responsible for, and you've got investors that count on you, and
you've got to deliver the goods. And there are times when, you know, the only thing you have
is the sheer conviction that you can do it, because the facts are against you. You just have to
keep pushing. It's exciting to go through the various phases, but not without a lot of stressors,
if you will, and it's a balance. On the balance, it's a very enjoyable, very rewarding sort of
experience, but you’d rather spend less of your time, certainly I’d have rather spent less of my
time struggling to get the resources needed to do the job, and more creative time on executing
the strategy.

JONES: Can you remember any particular episodes in the history of Corvas where things were
a little touchy?
KABAKOFF: Well, sure. We had a number of critical junctures, in retrospect. In fact, one is when we took on a very ambitious program to expand the technology base and establish an operation in Europe, which, if I fast forward some years later, we ended up closing because although we were during some very high quality science, we came into a cycle where just couldn't finance and afford to keep that going. And we had another situation which actually was catalytic, at the end of the day, in a positive way, but before the company, before we went public, which was in early '92, as we were beginning to explore and discuss actively with bankers, we had an offer to buy the company, and we had a lot of discussions with our board, and a decision was made to try to execute that transaction. So, I spent literally every waking hour for two solid months working and traveling as necessary and working on a plan whereby Corvas was going to be acquired and become an operating division of another company, and we took this down to the level of all the contracts, operating details, employment agreements for the key employees, and effectively to press release, to draft press releases, and the senior management of the other company got cold feet like thirty-six hours or forty-eight hours before we were going to finish this off. And in retrospect, I can understand why. It was an ambitious undertaking for them. What it did, though, it really got us, it got our house in order, and all the due diligence that the bankers were going to end up doing in the course of a public offering preparation had already been done. We had everything all up and rolling, and here was somebody in the business and financial community who put a stake in the ground and said, 'Hey, you've got something of value here.' And when the thing cratered, fortunately, it really solidified a sense within our board that there was some clear value and direction to proceed, and with the support of some folks on our board and contacts they had in the financial community, and actually the senior executives of the company that almost bought us, they actually helped open some doors and get us organized, and we were able to execute a very successful public offering. That was then what turned out in the short-term to be a very
disappointing process because of the enormous energy that went into it. Probably, if I think through it, that, and the period time when we took the company public, were the most intense periods I could ever remember, where you were working against deadlines that just weren't going to move and so, a lot of disappointment, but really, within about two or three days, we shifted gears and that was a very exhilarating period when we were able to get that all done.

JONES: Who was the buyer?

KABAKOFF: It's actually never been publicly disclosed, but if you dig into the history of Corvas, there was one fairly substantial shareholder, so one might make some guesses.

JONES: So this is Centocor?

KABAKOFF: Yeah, and as it turns out, they then suffered some reversals, and in retrospect, it could have been disastrous if the company had been acquired.

JONES: This really then accelerated the IPO?

KABAKOFF: Yeah, it did accelerate it, because if you had asked us, up to that point, we probably would have said that our time frame was, we weren't really ready at that point. And hindsight says that the company probably should have been a bit further along, but you know, you don't look back. The market was there, the opportunity was there, and you know, we took it. It was a challenge. You know, life as a public company all of a sudden opens up everything that you're doing, and it's not as easy to maneuver and adjust your strategies and time frames and programs in the public purview, when people are expecting, you know, the results are delivered on time frames that are much longer than patience.

JONES: So, the process of going public is pretty intense for a CEO? Oh yeah, for the whole senior management group, absolutely. JONES: What kind of stuff is going on at that point?
KABAKOFF: Well, you’re simultaneously working through highly specialized nitty-gritty legal/financial sorts of issues, and at the same time, you’re operating on a very strategic perspective, you know, preparing and discussing really the selling of the concept and vision and mission of the company, and programs and so it’s sort of a mix. In our situation, John Crawford, who was the Chief Financial Officer, one of the founders of Corvas and the Chief Financial Officer, and still is, is an extremely capable and experienced person when it comes to financing and corporate transactions, so he focused perhaps more on the nits and grits there, and I was focused more on the other side. At the end of the day, though, I had the ultimate accountability, and you know, the first time through the process, you’re there every step of the way. I just felt that had to be there, that was the right thing to do. So, it’s pretty intense because of that.

JONES: And in terms of a time commitment, this is around the clock, basically?

KABAKOFF: Well, yeah, it was, again, for a period of probably, see, some folks might have gotten themselves ready over a bit longer period of time, we ended up accelerating the process, so it was sort of October, November, December, January, you know, which was just a blur.

JONES: Then how did life change afterwards?

KABAKOFF: Well, you know, we had additional resources and we did expand the organization and again sort of moved back into organizational building and resource building, and at the same time as we were going public, now let me think about this, yeah, we had just begun, and we had just begun a few months before the public offering, the first clinical trial of the first Corvas-discovered drug substance. That was an exciting time. You know the stories and the statistics about how few things actually make it through the pipeline. Beginning human
investigation doesn't mean you have a drug, but it is an exciting first step, so we were going through that. We focused a lot of our energy then on fleshing out the product portfolio. After we went public is when we really began, later that year, really began in earnest the process of developing major corporate partnerships, so we kind of started that process in late 1992, in earnest, let's say. We formed the Schering-Plough alliance, let me think about this, this is '97, so that was formed in late '93, is that right? No, late '94. It was a longer time than I would have, boy, I'm missing something here. Yeah, late '94. So, we had a couple year period, if you talk to folks, they'll tell you the average corporate partnership discussions take between, well the average is probably around twelve months. It can happen in as short as six, or they may take eighteen months. The actual discussions we had with Schering-Plough were almost exactly a year from the time of the first contact to the time of a signed deal, and in terms of really intense, well not intense, but serious sorts of discussions, you know, it was probably three months until a decision for a deal, and then another six months to actually get it done.

So, we had a year that sort of tried your patience, because the company was making progress in the lab, and we were actually making a little bit of progress in the clinic, although small scale and a little slow, but we didn't have a major sort of a milestone with respect to financials. We went into a period in early, let's when was Clinton elected, in '92, so, you know, we then got sucked in with the whole sector into the downdraft of Clinton healthcare reform and major concerns about the industry overall, so '92 and '93 were particularly challenging years, and we started to gather a little bit of momentum, I would say, in the latter part of '93. It kind of felt like we lost of year. There was a lot of work going on, a lot of technical progress, but from the financial community perspective, the company wasn't, it hadn't achieved any dramatic milestones. There were no leaps. And the answer is that there very rarely are, but the nature of our programs, we were very focused on a couple of programs, and we were at a stage where there weren't going to be, where there weren't any huge leaps forward, so it was
a frustrating time, if I remember. But at the same time, we put some real groundwork in place, which formed the basis of an excellent corporate alliance with Schering-Plough, and then the next year another agreement that was reached with Pfizer, but being a public company, the investment community's interest in the company is event driven, events meaning product performance, product successes, financial results, which certainly an early stage company isn't judged by, you know, Dura, we're scrutinized every quarter, our financial results, so that's an event, and we do things like product acquisitions and stuff, and those are big events, but in the early stage company, clinical results clearly are events, corporate partnership milestones are events, and discoveries, new research programs can be events, publications, disclosure of scientific data, but we had a period of time where we just didn't have enough events, and people lost interest in some of the things that we were doing, and then you have to work really hard once you get the momentum again, you've got to work really hard to build that back up, even though you know that all along, you're making steady progress.

JONES: These are two big events, the Schering-Plough and Pfizer agreements, those attracted attention, right? Was it shortly after that, after Pfizer, that you started thinking about doing something else?

KABAKOFF: Well, actually, no. I had, for myself, developed the sense that I missed a lot of the aspects of the earlier environments that I had been in, which were really product development driven, product development, commercialization driven, where I had really focused on. The Corvas programs and technology capabilities had evolved, and continue to evolve pretty nicely, but the focus of the business and the amount of time and effort needed to be spent, at that point, on continued activities in financing and partnering, it was just clear that it was going to be a long, long term, a lot longer than we had, when we started, we figured that it was, you know, maybe an eight or ten-year plan to the first product, and it became
clear, and if you look at some of the companies, you know, the record shows that it’s ten, fifteen years. I think IDEC, with approval now, you know, FDA panel recommendation for approval of the first product, I think that’s nine years.

**JONES:** IDEC was started in ’86.

**KABAKOFF:** So, OK, eleven years. Ten to twelve years, or twelve to fifteen years. That’s right, IDEC. Was that ’86?

**JONES:** I think Fall of ’86 is when they actually started it and called it IDEC, yeah.

**KABAKOFF:** Let me think about this. Hybritech was sold in March of ’86, so yeah, IDEC, it was getting organized at that time, maybe even earlier, there you go. Yeah, so I guess, again, for myself, I felt that it would make sense to look for a somewhat different environment. At the same time, although I might have been thinking about it, I didn’t spend really any time at all in a classic sort of, you know, ‘OK, I’m going to look for something else,’ and to go out and start looking. I spent zero time, and unless the board the would have fired me by now, if Cam Garner and I hadn’t had the discussion over what turned out to be a pretty unique opportunity, you know, I’d probably still be running that company. So, I might have thought a little bit about it, and would have been receptive certainly to thinking when a colleague contacted me, I really had no concrete plans or thoughts, you know, I would sort of routinely decline any discussions with headhunters about anything. I was just doing my thing. This was a very unusual situation. Then, after the fact, I can sit here and explain why it suited my interests very well, but it’s not like I had a serious sort of contemplation of, you know, OK, now it’s time to go do something else.

**JONES:** So Cam Garner contacted you?
KABAKOFF: Well, it turns out, I had been sitting on the board of a company affiliated with Dura for a number of years, the predecessor company to what we call Spiros Development Corporation.

JONES: What was the name of it?

KABAKOFF: It was called DDSI, Dura Delivery Systems, Inc. It was a private company that Dura established that was financing the development of what we now call Spiros, the pulmonary drug delivery system. So, you know, I was involved on a periodic basis.

JONES: How did you get involved with them originally?

KABAKOFF: Well, Cam and I had worked together, and when he was putting the board together for this company, you know, they needed an outside board, an independent board, and knowing a little bit about my background and the things that they wanted to do, he felt that I could contribute and asked if I could help him out, and it was something that was non-competitive in any way with what we were doing at Corvas, so I said, ‘Alright.’ It made sense. It started out as, you know, there was a small program here, and it kind of, let’s see, the timeframe was that Spiros Development Corp. was formed in January of 1996, and it was really after that time that the company had the resources to substantially expand the program, and he kind of said, ‘Hey, I need somebody to help me,’ and I thought about it, and it made a lot of sense. Meanwhile, at that point, we had achieved a number of milestones. When he had first contacted me, I was in the thick of major financing activity for Corvas, and I said, you know, ‘Go away, don’t bother me,’ and after we were able to get that financing done, I really sat back and thought about, and I said, ‘You know, this really does make sense,’ so I was able, fortunately with the support of a number of people, you know, to go to the Corvas board and tell them what I was thinking about, and we when we sat down, you asked about my friend,
Dick Schneider, you know, Dick Schneider is now with Domain, and Domain were early investors in Dura, Jim Blair of Domain sits on our board, and Domain was one of the key investors in Spiros Development Corp. Alongside of Domain, a group called the Rothschild Fund, International Biotechnology Trust, and what's called BIL, Biotechnology Investment Limited had been investors in Dura, and BIL was an investor also in Spiros, and it turns out in the financing that we did at Corvas in February of 1996, Rothschild was the lead investor, so Dick Schneider was actually very supportive in helping them to get interested over the years, in helping them to get interested in Corvas, in introducing me to those folks and encouraging them to talk to us, and of course, Domain was involved here, so it was a little bit of a challenge for me to make the transition as I did, but you know, in basically just sitting down with people and having forthright discussions, and developing a plan to address Corvas management succession, I think at the end of that day, I characterize it sort of as everybody wins. You know, I had been over there at the helm for seven years, giving, frankly, pretty much the same message, 'evolving,' 'progress,' and the mission of the company had been consistent, but I felt that maybe it would be a good time for somebody else to deliver a somewhat fresh message. Some people can sustain the enthusiasm, you know, I was just finding at that particular time that that would be helpful. In retrospect, it's been very positive for the company, because they have some fresh leadership. You know, I stayed involved with the company for a period of time.

JONES: Are you still on the Board?

KABAKOFF: Not at this point. I resigned. It was at the beginning of the second quarter, whenever, I forget. But I stayed on for a year kind of to ensure a nice transition. I still am a consultant to the company. I spend a little bit of time with them. Two weeks ago, I spent a half-day over there for a consultant's meeting and a strategy review, and stuff like that. I try to
help, you know, just to be a resource, to be available for the CEO and folks, as a resource when questions come up, when I'm out and around, sort of scouting out opportunities for them, that kind of thing.

**JONES:** And what was it about this opportunity that appealed to you?

**KABAKOFF:** Well, I think that there are two issues. One is that we have an existing business that is growing, that has real world operational issues that everyday I'm involved in, and I can contribute to, and that are challenging. And then the Spiros technology is an opportunity to build a second arm of the Dura strategy. A very, very capable technical and operational team was here in place. This company needed somebody to provide some overall leadership, which provided me with an opportunity to do exactly what I thought I would be able to do, which is to maintain, to get back into the mainstream of commercial operating enterprise, that's number one, and number two, to be involved with some very exciting new technology, but three, to maintain certain aspects of what I was doing as CEO of an independent public company, instead of now being a CEO, I'm a member of the senior management team, I sit on the board of the company, and you know, our goal, rather than the Corvas goal, might be to say how do you build your company product portfolio and value and capability so that your market cap moves from right around a hundred million to hundred million, let's say, as a goal, to when I joined Dura, our market cap was plus or minus a billion dollars and it's now around two billion, so that was a challenge. It might still be, because that value can oscillate of course, but you know, our goal now is how do you build from two billion to four billions or something thereafter. It's just a different sort of a challenge. It's an opportunity to play a key role with a team of people, a very, very capable group, very talented, just to use my skills with a company at a different stage. We have both start-up activities and full-scale commercial activities in the same company.
JONES: So, that was important, the best of both worlds?

KABAKOFF: Yeah, for me to go from being the CEO of Corvas to being the CEO of another sort of early-stage start-up didn’t make, you know, why would I do that? I mean, I might have done it if I had to, but I didn’t have to. It was kind of a battle to get, in a sense, at least at that point in time, and you know, some of our investor and board certainly weren’t too happy with the concept, but you know, with the appropriate actions and a lot of careful effort and planning, and kind of trying to do two jobs for a few months to make sure there were no loose ends, I was actually able to, the transition went much better than I would ever have imagined.

JONES: Well, do have any anecdotes from the beginning, or form over the years, from Hybritech, from Corvas, or anywhere else?

KABAKOFF: I’m trying to remember whether I told you a Ted Greene story that I tell. It’s not so much funny or comedy, but it really shows the role of leadership in these companies. And the story that I tell is that, see I had worked with Ted many years ago at Hyland Laboratories, at Baxter, and I went to work at Syntex and we stayed in contact, and at one of the trade shows where we happened to me, and you have to understand, if you’ve met Ted, he’s basically in a selling or recruiting mode, you know, all the time, so whatever the current mission or program or project or concept, whatever, that’s just the way he is. So, I don’t think this was necessarily unique, but you know, I think at one point in time, he probably tried to encourage anybody who he knew in the industry who he thought had any ounce of talent to come and join Hybritech, because that’s just the way he was. So, this time I was the lucky prospect, whatever, but he and Gary David and I had a dinner together that I remember and tell people about in New Orleans during an AACC [American Association of Clinical Chemistry] meeting, and it must have been somewhere in the ’79, ’80 time frame, it’s a little fuzzy. Probably, for the history books, somebody ought to go back and call up the AACC and say, you...
know, what year was the meeting in New Orleans, was it ’81? I’m trying to think, I got married in ’80. I don’t know, I had discussions over a number of years with Hybritech, but the relevant thing here is that Ted was telling me about what they were trying to do at Hybritech, and I distinctly remember some aspects of this, and he was telling me about some of the investors, and the one obviously most prominent was Kleiner Perkins and Tom Perkins was Chairman of the Board at Genentech and Hybritech and Genentech were sort of sister or cousin companies, whatever, and you can make the judgment about which company did better, I think the shareholders of both did pretty well. Obviously, Genentech has had a lot more staying power, but you know, he was basically describing how he saw the Hybritechs and the Genentechs, etc. of the world were going to be like the Intels and Fairchild Semiconductors and Xeroxs of the high-tech industry, and how one was going to see, as these companies were successful and capital started to flow, you were going to see a proliferation of companies. He said, ‘You know, as a young scientific manager in this arena, you really ought to get involved in this sort of business, you need to get to know these sorts of people, and San Diego is going to be a hotbed of this activity, and you’re going to see just like what’s going in the Silicon Valley.’ Now, you can say I’m making this story up, it’s just a bunch of bullshit. NO, it’s not a bunch of bullshit, I mean, that’s exactly what this guy was saying back in, you know, I joined Hybritech in the beginning of ’83, so the serious recruiting discussions were in the late half of ’82, I think maybe even in ’8, we had had some discussions, but they didn’t really have sort of the right opportunity at the time. You know, there is an example of the sort of vision that, you know, people thought that he was crazy, but, you know what? Just look around, OK, I mean, it’s unbelievable.

JONES: Did you believe him at the time?
KABAKOFF: I certainly recognized, I didn’t believe it. Let me just be honest, I didn’t believe it enough to jump immediately at that point in time. I had a terrific and opportunity and job position in a company and it made sense for me to keep my focus on development, whatever. But I certainly believed later on in the potential of Hybritech and the technology and the commercial opportunities, because obviously I did make that move, and, you know, I certainly felt that there was going to be some merit in it. As with anything, I knew Ted well enough to know that he was probably pushing the envelope, so...

JONES: All of the people at Hybritech are still here, in senior management of all these companies. Do you still bump into them?

KABAKOFF: From time to time. It varies. I see folks like David Hale pretty regularly, and of course, Cam all the time, and Ron Taylor rarely.

JONES: More before?

KABAKOFF: More before. Now I don’t see him as much. Cole Owen, Ted I see quite frequently, Howard Birndorf occasionally, Dennis Carlo occasionally. Tom Adams I see reasonably often.

JONES: What kind of functions do you see them at?

KABAKOFF: Well, whether it’s community business activities, sometimes stuff associated with the university. The Hale’s, for example, we socialize periodically, the Garners, people like Dennis and Tim Wollaeger and those folks, you know, I see at community business type things more, but I socialize with some of the group with some frequency, people like Karen Klause, and the Hales, the Dameckis, you know Chet Damecki was actually our VP of Operations, and he works for me now. I see him all the time. Julia Brown, who wasn’t one of the original

Interview conducted by Mark Jones, PhD, in 1997
Hybritech people, but joined after from Lilly is, you know, just around the corner. I was just talking to her, you know, we worked together before, and now every day we see each other. It's pretty amazing.

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.